

MAY 2011 DURANT – RELATED DEBT SERVICE PAYMENT

The State School Aid Act, as amended by Public Act 142 of 1997, provided appropriations as part of a settlement to school districts involved in the *Durant* litigation as well as school districts not involved in the litigation (referred to as Non-*Durant* school districts). The act provided for most of the Non-*Durant* school districts to receive half of their *Durant* related settlement amount in ten annual cash payments (paid November 15, 1998 through November 2007), and the other half in fifteen annual payments (beginning May 15, 1999 through May 15, 2013). The May payments could be pledged for a bonding option and approximately 450 school districts chose to do so. The Michigan Municipal Bond Authority (MMBA) issued bonds for the Non-*Durant* school districts that elected to receive a lump sum amount from the MMBA rather than the fifteen annual payments. Separate status reports, dated May 15 (or the next business day), have been generated each year that a debt service payment was made to the trustee. The status reports show the amount of the debt service paid on the districts' behalf to the bond trustee. Six districts elected not to use the bonding option and are receiving the 15 annual payments. The May 16, 2011 State School Aid Financial Status Reports for the districts that chose the bonding option as well as the six districts that chose to receive the 15 payments are on the Department's website. No action is required by the participating school districts to effectuate the debt service payments; all payments continue to be made by state appropriations for this purpose. The six districts that chose to receive the fifteen annual installments received a May 16, 2011 payment. Guidance related to accounting for the debt service is available on the Department's website at:

www.michigan.gov/mde/0,1607,7-140-6530_6605-22009--,00.html. Questions related to the debt service schedules should be directed to the Michigan Municipal Bond Authority, (517) 373-1728 or treasmba@Michigan.gov.

STATE SCHOOL AID DATA UPDATED FOR MAY

The May state school aid payment is the 8th regular payment of the year and reflects 72.72% of the year's allocation for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment. The payment will post at the districts' banks on Friday, May 20, 2011.

Taxable value figures used to calculate the May payment represent the tax year 2010 values provided by the county treasurers via the web-based taxable valuation collection process. Any revisions to taxable values received prior to May 3, 2011 were incorporated into the payment calculation. These data can be viewed by school district personnel on the Department's website. The URL is <http://mdoe.state.mi.us/taxvalue>. To view your data click on "Public Access," and then choose your district code and the appropriate tax year from the drop down menus.

Now that the taxable valuation collection process is web-based, county treasurers can make revisions to the reported values at any time. At a minimum, we request that they revise the values on the same schedule that values were reported to the Department under the paper collection process (DS-4410). That means that county treasurers should have reported, by May 1, 2011, the taxable valuations as of the date that they settled with the local unit treasurers. Letters were sent out to the treasurers requesting that they report those values if they had not done so already. The settlement numbers will have value changes from the July and December Boards of Review as well as any other changes since the fourth Monday in May 2010. Districts may want to contact their county treasurers as well to encourage them to report the revised values if it is apparent that they have not yet done so.

The **membership blend** used to calculate the May payment incorporated all Michigan Student Data System (MSDS) pupil (FTE) counts released to the Department as of May 4, 2010, the date the Department downloaded the pupil counts from the Center for Educational Performance and Information.

The following **categoricals** were updated in the May payment although the updates may not have affected the allocation amounts for all districts. If the allocation amount for your district has changed and you have questions concerning that change, contact the consultants identified below:

- ISD Great Start - Section 32j (Colleen O'Connor, Early Childhood and Family Services, (517) 241-4291, OconnorC1@Michigan.gov)
- Great Start Readiness - Section 32d (Pat Sargent, Early Childhood and Family Services, (517) 241-4741, SargentP@Michigan.gov)

FY 2012 SCHOOL AID

The Senate passed their version (Senate Bill 183) of FY 2012 school aid on April 27, 2011. On May 5, 2011, the House passed their version (House Bill 4325) of FY 2012 School Aid. The following are some highlights of the House and Senate proposals.

- The Section 11d language which requires a per pupil reduction of \$170 that is separate from the Section 20 foundation funding in FY 2011 would be repealed under both proposals. Beginning in FY 2012 the per pupil foundation funding under Section 20 would be reduced by \$170 per pupil.
- Under the Senate plan, the per pupil foundation grants for FY 2012 would be reduced by \$340. Under the House plan, the per pupil foundation grants would be reduced by a range of from \$426 to \$467. **Note:** These values include the \$170 reduction rolled into the foundation from Section 11d. See bullet directly above.
- Under the Senate proposal the membership blend would change from the current 75%/25% to 90%/10%.
- Both the House and Senate proposals would repeal the **Section 29 Declining Enrollment** funding of \$20 million for districts that do not qualify for a three-year blended pupil count exception under Section 6(4)(y).
- The **Section 6(4)(y)** language that provides for a **three-year blended average** pupil count for districts with less than 1,550 pupils and less than or equal to 4.5 pupils per square mile is eliminated in the House proposal but retained in the Senate version
- The language in **Section 6(4)(r)** pertaining to the calculation of the **FTE for a kindergarten pupil** would change to require 1,098 hours for a 1.0 FTE in 2012 under the Senate plan. The change would not take effect until 2013 under the House plan.
- The **Section 22e** language that makes up for lost revenue due to the personal property tax exemptions in the Michigan Business Tax for districts with no state share of their foundation grant is repealed in the House plan but retained for districts with less than 500 pupils in the Senate plan.
- Both the House and the Senate proposals would reduce the **Section 81 General Operations** funding to Intermediate School Districts by 5%.
- The House and the Senate version would both include funding under a **new Section 22f** for districts that employ "**best practices.**" These best practices have not been finalized, but would include such things as shared services with other governmental units, performance based compensation, health care cost containment, etc. Under the Senate plan the funding would be \$200 million and begin in FY 2012. Under the House plan the funding is yet to be determined and would begin in FY 2013.

The summary provided above should not be considered a complete description of the content of the House and Senate proposals. Additional information and details on the proposals can be found at their respective websites.

MAINTENANCE OF EFFORT CALCULATION FOR FISCAL YEAR 2010

Many Federal grant programs prohibit a full award to applicants who fail to "maintain local fiscal effort." In these grants, the State Educational Authority is not to award public school districts their full federal allocation amount if it is determined that the district did not maintain state and local spending of at least 90% of the amount it spent in the previous fiscal year. E-mail notices were recently sent to 23 districts regarding failure to maintain effort for fiscal year 2010. Information related to Maintenance of Effort is posted on the MDE website at:

http://www.michigan.gov/mde/0,1607,7-140-6530_6605-242519--,00.html

If you have any questions related to this issue, please contact Glenda Rader at (517) 335-0524 or raderg@michigan.gov.

INDIRECT COSTS

Current indirect cost rate information is available at:

http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--,00.html. The new rate information includes Special Education rates for 2010-2011 and preliminary rate information for 2011-2012. Form

R0418a, *Costs for the Development of 2011-2012 Federal Indirect Cost Rates* details the cost data used to calculate preliminary indirect cost rates. Form R0418, *Carryforward Calculation for 2011-2012 Federal Indirect Cost Rates* shows the results of the preliminary calculation. If you would like to adjust the cost data used to calculate your rates, please complete and submit form DS-4513 by June 1, 2011. If you have any questions or comments, please contact Phil Boone at (517) 335-4059 or BooneP2@Michigan.gov.

MAY REVENUE ESTIMATING CONFERENCE

Leaders from the House and Senate Fiscal Agencies and the State Treasurer will meet for the May Revenue Estimating Conference on May 16, 2011. The purpose of the conference is to reach a consensus on the current fiscal year revenues and the projected revenues for FY 2012. The revenue consensus reached at the conference can impact state school aid. Information on the results of that conference will be in the June UPDATE. Information regarding the Revenue Estimating Conference can also be obtained from the House Fiscal Agency Website (www.Michigan.gov/HFA) following the conference.

SECTION 31A AT-RISK PROGRAM REPORTS DUE JULY 15, 2011

Local districts and public school academies receiving fiscal year 2011 funds under Section 31a At-Risk are required to submit the fiscal year 2011 Section 31a Program Report to the Department by July 15, 2011. The report form is available in the Michigan Electronic Grants System (MEGS) at <http://megs.mde.state.mi.us/megs/>. If the report is not submitted by July 15, an amount equal to the district's Section 31a August installment will be withheld from the August state aid payment as required by the language in Section 31a of the State School Aid Act. These funds will be forfeited if the report is not received by September 30, 2011. If you have questions regarding Section 31a program and reporting requirements, please contact Michelle Patton, Section 31a Consultant, Office of Field Services, at (517) 373-6066 or PattonM@Michigan.gov. If you have MEGS related questions, please contact Judy Thelen, Analyst, Office of Field Services, at (517) 335-1266 or ThelenJ8@Michigan.gov.

DEFICIT FUND BALANCE INFORMATION

A communication to all districts was sent on April 7, 2011 advising of the Department's Deficit Elimination Plan (DEP) requirements for any district incurring a fund deficit or adopting a deficit budget. The official communication can be viewed at:

http://www.michigan.gov/documents/mde/New_DEP_Requirements__349864_7.pdf.

Districts that have budgeted a negative fund balance either in the current year or in fiscal year 2011-2012 should notify MDE as soon as possible. Please note that MDE staff will review budget information from all of the districts' websites after July 1, 2011. The Department will notify those districts found to have adopted deficit budgets that a DEP (or revised DEP for those districts already operating under an approved DEP) is to be submitted to the Department within 30 days of notification from the Department or 30 days after the State School Aid Budget is passed, whichever is later. The standard DEP spreadsheet, MDE requirements, and a list of districts currently operating under an approved DEP are available on our website at: http://www.michigan.gov/mde/0,1607,7-140-6530_6605-106599--,00.html. With questions related to this item, contact Jeff Kolb, State Aid and School Finance, (517) 373-1908 or email: KolbJ2@Michigan.gov.

WELCOME KARLA!

The Office of State Aid and School Finance is very pleased to introduce our newest staff member, Karla Miller, who joins us as a Department Analyst. Karla fills the position vacated by the retirement of Joellen Wonsey and will initially concentrate on issues related to pupil accounting. Karla comes to us from private enterprise but has worked for Treasury and Management and Budget in the past. Karla can be reached at (517) 373-3352 or e-mail MillerK47@Michigan.gov.

GENERAL INFORMATION

- **Proration factors:** Section 31a – At Risk funding per pupil proration is \$357.400020626. Section 29 - Declining Enrollment proration is .0787728484. Section 56 – Special Ed Millage Equalization is .9278670167

*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid and School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: HanrahanD@Michigan.gov