

STATE SCHOOL AID UPDATE

Michigan Department of Education



November 2007

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DURANT NON-PLAINTIFF PAYMENT NOVEMBER 2007

We have processed the November 2007 *Durant* non-plaintiff district payment, representing the last of ten equal annual payments to non-plaintiff districts in the *Durant v State of Michigan* court case. These are payments to non-plaintiff local and intermediate districts with settlement amounts greater than or equal to \$75,000. The payments sum to one-half of the settlement. Most districts chose to bond for the other half of the settlement, and received those proceeds in November 1998. Due to circumstances beyond our control, the November 2008 *Durant* payment did not settle at the districts banks until November 16, 2008.

GENERAL INFORMATION REGARDING FY 2008 SCHOOL AID

Enrolled House Bill 4359 was signed by the Governor on November 8, 2007 and enacted into law as P.A. 137 of 2007. Pursuant to language in P.A. 137, the current year **foundation allowance** for a district that had a FY 2007 foundation allowance of \$7,085 per pupil plus a FY 2007 Section 22c Equity payment of \$23 per pupil is \$7,204 (\$7,085 + \$23 + \$96). The current year foundation for a district that had a FY 2007 foundation allowance plus a Section 22c equity payment of between \$7,108 and \$8,385 will be based on a formula as follows:

FY 2007 Foundation + \$96 – [\$28 x (FY 2007 Foundation - \$7,108)/\$1,325] or \$8,433 whichever is less.

Districts with a FY 2007 foundation allowance of \$8,385 will have a current year foundation equal to their FY 2007 foundation allowance plus \$48. "Hold Harmless" districts continue to have a 20j per pupil amount equal to the amount of their per pupil 20j funds in FY 2007. The FY 2008 basic foundation allowance is \$8,433. The maximum foundation allowance for a Public School Academy (PSA) is \$7,475. The **Section 22c Equity Payment** is no longer a separate categorical payment; rather, it has been rolled up into the per pupil foundation allowance.

The **Section 22a Proposal A** state amount per pupil is calculated as the district's FY 1995 foundation allowance minus the FY 2008 local revenue per pupil. The denominator used for the local revenue is the total state aid membership (both general education and special education pupils). The Section 22a per pupil amount is multiplied by the district's total FY 2008 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2008 special education instructional costs multiplied by .286138 plus the district's FY 2008 special education transportation costs multiplied by .704165. Keep in mind that **prior year cost numbers are used as estimates** until actual cost figures are obtained, at which time adjustments are made.

Continuing the payment mechanism that began in FY 2001, rather than making foundation allowance and special education payments under Section 20, 20j, and 51a, the amounts calculated under those sections determine the payment amounts under Section 22b. After making payments under Section 22a and 51c, the **Section 22b Discretionary Payment** is paid, which is equal to the sum of the amounts calculated under Sections 20, 20j, 51a(2), 51a(3), and 51a(12) minus the amounts paid in 22a and 51c. The formulas used in the calculations under 20, 51a(2), 51a(3), 51a(12) have not changed for FY 2008.

The **membership blend** for FY 2008 is **25%** of the February 14, 2007 supplemental count and **75%** of the September 26, 2007 pupil count, with the same exceptions for PSAs in their 1st or 2nd year (50%-50% blend of the two *current year counts*) and for districts with a

new grade level(s) (50%-50% current year blend *for pupils in the new grade level(s)*) as we have had in the past. Language remains in Section 6(4)(y) which allows for a three-year average blend for declining enrollment districts, but only for those with less than 1,550 pupils and 4.5 or fewer pupils per square mile. If a district with 4.5 or fewer pupils per square mile would have a membership blend of less than 1,550 FTEs using the 25%-75% approach, that figure is replaced by the average of the current and two immediately preceding year blends if the average provides a greater number. However, districts receiving funding under **Section 22d** for payments to small, geographically isolated districts are not eligible for the three-year average membership. **The formula for calculating the three year average blend is a straight average of the 25%-75% FY2008, 2007 and FY2006 blends as opposed to using any prior year three-year average blends in the calculation.** Language in Section 6(4)(y) continues which allows a district educating pupils in grades 9 to 12 who reside in a contiguous district that does not operate grades 9 to 12 to request that the Department use the square mileage of both districts in determining the number of pupils per square mile. **NOTE:** Eligibility will be determined automatically as a part of the payment calculation. A listing of the square mile area of all districts is on the MDE web site at www.michigan.gov/documents/squaremiles_11742_7.pdf.

The **instructional time requirement** for FY 2008 remains at 1,098 hours. The provision allowing a district to count up to 38 hours of teacher professional development time as pupil instruction remains. Districts that had a collective bargaining agreement in place prior to August 15, 2006 which provided for more than 38 hours but not more than 51 hours may continue to count the higher hours until the expiration of the agreement. The professional development time must be focused on achieving or improving adequate yearly progress or be used for accreditation purposes, achieving highly qualified teacher status under No Child Left Behind, or maintaining teacher certification. Exceptions to the 1,098 hours requirement include:

- *kindergarten pupils*, who are required to be provided 549 hours;
- pupils with *study halls*, who are required to be provided 1,188 hours; and
- high school pupils with an approved *reduced schedule*, who are required to be provided 878.4 hours (823.5 hours for those reduced schedule pupils in a "4-block" program).

Also, up to 3 hours per week of *travel time between instructional sites* can be counted as instructional time for high school pupils or special education pupils under cooperative agreement; additional travel time may be waived by the Department under certain circumstances. (Joellen Wonsey, (517) 373-3352 or WonseyJ@Michigan.gov)

The payment schedule continues to provide state school aid payments on the 20th of each month from October through August at 1/11th of the annualized amount being paid on each of those dates. When the 20th of the month falls on a non-business day, the payment will be made on the **immediately following business day**. The July and August payments must be accrued to the immediately preceding school fiscal year. The FY 2008 payment dates will be on the 20th of each month except for the following dates: Monday, October 22, 2007, Tuesday, January 22, 2008, Monday, April 21, 2008 and Monday, July 21, 2008. In addition, payments to *Durant* non-plaintiffs who in 1998 chose not to bond for one-half of their settlement will be made on Thursday, May 15, 2008. No debt service payments on behalf of *Durant* non-plaintiffs are scheduled to be paid in May 2008.

Categoricals maintained at their FY 2007 levels include, but are not limited to:

- At-Risk Pupils (31a), \$310,457,000;
- Court Placed Pupils (24), \$8,000,000;
- Bilingual Education (41), \$2,800,000 in state funds;
- Vocational Education (61a), \$30 million;
- Vocational Education Millage Equalization (62), \$9 million
- Special Education Millage Equalization (56), \$36.8 million;
- Adult education (107), \$24 million;
- Declining Enrollment (29), \$20 million.

Categoricals increased from their FY 2007 levels include,

- Michigan School Readiness Program (32d) from \$78.8 million to \$81.2 million;
- ISD General Formula (81) from \$80.1 million to \$80.9 million;

There are no new categorical programs for FY 2008. There was one veto. A proposed new Section 77 that would have appropriated \$1,275,000 to defray transportation expenses of districts that have more than 200 square miles and 5 or fewer pupils per square mile was vetoed. The **Middle School Math (Section 99c)** funds (\$20 million) have been eliminated. Although the **Declining Enrollment (Section 29)** funds have been maintained, the funding will continue to be prorated significantly as the \$20 million appropriation is considerably less than the statewide eligibility.

The above information should not be considered a complete analysis of P.A. 137. For more detailed information regarding P.A. 137 go to either the House Fiscal Agency at <http://www.house.mi.gov/hfa/schoolaid.html> or www.legislature.mi.gov and key in 4359 when prompted for the bill number.

COUNT DAY LANGUAGE CHANGE IN P.A. 137

Both Sections 6(7) which addresses the "pupil membership count day" (4th Wednesday after Labor Day) and Section 6a which addresses the "supplemental count day" (2nd Wednesday in February), have been amended to be consistent with regards to the use of an alternate count date. Both sections now state that an alternate count date can only be used if school is not in session on the count date due to conditions not within the control of school authorities. Both sections require the use of an alternate count date to have the approval of the State Superintendent of Public Instruction. Districts that have collective bargaining agreements in place prior to November 8, 2008 with a calendar as an addendum that calls for the district to not be in session on the supplemental count day, will not require the Superintendent's approval to use an alternate count date for the life of the contract. In past years, the alternate count date for the supplemental count was the previous business date. With the revision to the language in Section 6a, **the alternate count date in all cases will now be the next day** that the school is in session. (Joellen Wonsey, (517) 373-3352 or WonseyJ@Michigan.gov)

SECTION 18(4) AMENDMENT AFFECTS FUTURE FID REPORTING

An amendment in P.A. 137 to Section 18(4) of the State School Aid Act requires the Department to develop a chart of accounts that contains a minimum level of detail and to publish individual public school financial data following the minimum level of detail on its website. The new language requires districts to report to the annual comprehensive financial report - Financial Information Database (FID) using the standard chart of accounts. **This change will require districts to report data to the third position of the object code (formerly 2 positions were required) beginning with the FY 2008 FID collection.** (Glenda Rader, (517) 335-0524 or RaderG@Michigan.gov)

DEFICIT ELIMINATION PLANS

The MDE has established procedures for granting approval of Deficit Elimination Plans that require immediate review by any district with a deficit fund balance as of June 30, 2007. The approval procedures are located on the MDE website at: http://www.michigan.gov/mde/0,1607,7-140-6530_6605-106599--,00.html

The approval procedures include a firm deadline of December 15, 2007 for submission of a complete Deficit Elimination Plan. Questions may be directed to Phil Boone, Office of State Aid and School Finance, (517) 335-4059 or BooneP2@Michigan.gov.

NOVEMBER PAYMENT INFORMATION

The November state school aid payment is the second payment of FY 2008. The payment will be electronically transferred to the districts' accounts on Tuesday, November 20th.

Taxable value - The November payment continues to use the *beginning* 2007 tax roll non-homestead taxable value data, as provided by the county treasurers via the web based taxable valuation collection process. 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. Questions concerning taxable value should first be directed to the appropriate county treasurer.

Pupil membership - September 2007 unaudited pupil count data received prior to November 1, 2007 were used in the calculation of the blended membership count for the November payment. Otherwise, the estimates that were used in the October payment continue to be used. Please note that the **three-year average membership blend, and the Section 29 Declining Enrollment funds** were calculated for the November payment using either the estimates or the unaudited data whichever was available. An asterisk (*) next to the membership figures on the status report indicates a three-year average.

Special Education cost figures - The FY 2006 special education and special education transportation cost figures continue to be used in the November payment. The FY 2007 cost reports, which were due this fall, are being audited by the Office of Special Education and Early Intervention Services and will be used to estimate current year costs when the data are released to the Office of State Aid and School Finance. (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-4517, EasterlingD@Michigan.gov.)

Updated categoricals - The following categoricals were updated in the November 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:

- Special Education - Section 54 (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-4517, EasterlingD@Michigan.gov)
- Special Education - Section 51a.1 Tuition Deduct (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-4517, EasterlingD@Michigan.gov)
- School Lunch - Section 31d (Dawn Harris, Grants Coordination and School Support Services, (517) 373-4335, HarrisD6@Michigan.gov)
- Renaissance Zone – Section 26a (Howard Heideman, Treasury-Office of Revenue and Tax Analysis, (517) 373-9002, HeidemanH@Michigan.gov)

IMPORTANT DATES TO REMEMBER

NOTE: Noncompliance with the following deadline dates can result in the withholding of state aid. Please be aware, however, that calculation of the November payment occurs prior to these dates. Therefore, the November payment is NOT being withheld for noncompliance with the following requirements. Continued noncompliance, however, will result in the withholding of the December state aid payment.

- The **FY 2007 SRSD Records (including State Aid FTE Counts)** for the September 26, 2007 count date were due to ISDs on **October 31** and from the ISDs to the Center for Educational Performance and Information (CEPI) on **November 14**. Failure to file these reports will result in the **withholding of state aid**. (Joellen Wonsey, (517) 373-3352, WonseyJ@Michigan.gov).
- **November 1** was the deadline for local districts (including PSAs) to file their **FY 2007 financial audit reports** with the ISDs. The **financial and pupil accounting reports** were due **November 15** from the ISDs to the Department. Failure to file these reports will result in the **withholding of state aid**. (Kathy Weller, (517) 335-6858, WellerK@Michigan.gov).
- **November 15** was the deadline for local and intermediate districts (including PSAs) to submit the **FY 2007 Annual Comprehensive Financial Report - FID**. Failure to file these reports will result in the **withholding of state aid**. (Glenda Rader, (517) 335-0524, RaderG@Michigan.gov).

The proration factor for Section 29 Declining Enrollment is .1552785355.

The proration factor for Section 51a.12 Non-Section 52 Foundations is .9913255261.

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