

# STATE SCHOOL AID UPDATE

Michigan Department of Education



November 2009

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## **IMPORTANT NOTICE-NOVEMBER PAYMENT CORRECTION**

The Department discovered an error in the calculation of the Section 22b Discretionary Payment current year allowances subsequent to processing the November 2009 state school aid payment and generating the Financial Status Reports. As a result, schools will receive a second (supplemental) payment on Friday, November 20, 2009 to make up for the shortfall. Due to the steps taken to make this a quick fix, we are unable to generate revised status reports for November. The fix will be reflected on the December Financial Status reports. We sincerely regret any inconvenience that this has caused you.

## **FY 2010 STATE SCHOOL AID**

\$450 million of American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds are appropriated in FY 2010 to cover a shortfall in Section 22b Discretionary Payment funds similar to FY 2009. Districts will note that the amount of the FY 2010 State Fiscal Stabilization Funds now showing as their allocation in the Department's Michigan Education Grants System does not at this time equal the Section 22b adjustment on their State School Aid Financial Status Report labeled "22b Discretionary Pmt Adj\*." Please be advised that the two amounts will agree to the amount on the State School Aid Financial Status Report when the Phase II stabilization funds are allocated to the state.

**New State School Aid Act Section 11d** language states that for FY 2010 there shall be a deduction of \$165 per pupil from the state school aid otherwise allocated to each district under the act. Section 11d(2) states that not later than February 1, 2010, a district shall enter into an agreement with the Department to develop a service consolidation plan to reduce school operating costs that is in compliance with Department guidelines. The guidelines for the service consolidation plans must be developed by the Department no later than December 19, 2009. Districts that comply with the language in Section 11d(2) may apply the \$165 per pupil deduction to any funding received under the State School Aid Act with the exception of funding under 11g (Durant Bond), 22a (Proposal A Obligation), 31d (School Lunch), 51a(12) (Special Education Foundations), 51c (Special Education Headlee), and 53a (Special Education Added Costs) which are considered to be "protected." **The Service consolidation plan guidelines and agreement have been developed and disseminated to local districts and public school academies on November 12, 2009.** State Superintendent of Public Instruction, Mike Flanagan, has asked each school to sign an agreement as soon as possible. Questions may be directed to Glenda Rader, Office of State Aid and School Finance, (517) 335-0524 or [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

## **POTENTIAL FY 2010 STATE SCHOOL AID PRORATION**

In a letter dated October 22, 2009 to the Michigan Legislature, State Budget Director, Robert Emerson, advised that he has been informed by the State Treasurer, Robert Kleine, that the amount appropriated from the State School Aid Fund under 2009 P.A. 121 exceeds the amount available for expenditure from the fund. Pursuant to language in Section 11(3) of the State School Aid Act, proration of state school aid is therefore required unless action to prevent the pro-rata reduction is taken within 30 calendar days or 6 legislative session days from October 22, 2009 whichever is later. It is estimated at this time that the per-pupil proration for local districts and public school academies would be approximately \$127. It is also estimated that the percentage proration for intermediate school districts (ISD) would be approximately 6.63% of unprotected categorical funds allocated to the ISD. Both of these estimates are based on a projected revenue shortfall of \$212 million and will change if that revenue shortfall changes. Questions may be directed to Dan Hanrahan, Office of State Aid and School Finance, (517) 335-0521 or [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov).

## **DEFICIT ELIMINATION PLANS**

Any district or public school academy incurring a negative fund balance as of June 30, 2009 must submit to the Department a board adopted Deficit Elimination Plan with a matching fiscal year 2010 budget. Correspondence has already been mailed to districts with completed FID submissions that indicate deficit status. Failure to submit a complete Deficit Elimination Plan by the due dates in that correspondence will result in the withholding of state school aid payments. For further information as well as the required forms, please see the Department's website at [http://www.michigan.gov/mde/0,1607,7-140-6530\\_6605-106599--,00.html](http://www.michigan.gov/mde/0,1607,7-140-6530_6605-106599--,00.html). Questions may be directed to Phil Boone, Office of State Aid and School Finance, (517) 335-4059 or [BooneP2@Michigan.gov](mailto:BooneP2@Michigan.gov).

## **NOVEMBER PAYMENT INFORMATION**

The November state school aid payment is the second fiscal year 2010 payment. The payment will be electronically transferred to the districts' accounts on Friday, November 20<sup>th</sup>.

**Taxable value** - The November payment continues to use the *beginning* 2009 tax roll non-PRE (non-Primary Residence Exempt property), and Commercial Personal property taxable value data for the

Section 20 foundation calculations, 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/taxablevalue>. 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 2009 unaudited pupil count data received prior to November 4, 2009 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** was calculated for the November payment using either the estimates or the unaudited data whichever was available. The three-year average blend is used for districts with a current year 25% - 75% blend of less than 1,550 and 4.5 or fewer pupils per square mile for whom the average of the membership blends for fiscal year 2008, fiscal year 2009 and fiscal year 2010 exceeds the current year blend. An asterisk (\*) next to the membership figures on the status report indicates a three-year average. The **Section 29 Declining Enrollment funds** were also calculated for the November payment using either the estimates or the unaudited data whichever were available.

**Special Education cost figures** - The fiscal year 2008 special education and special education transportation cost figures continue to be used in the November payment. The fiscal year 2009 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](mailto: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](mailto:EasterlingD@Michigan.gov))
- Special Education - Section 51a.1 Tuition Deduct (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-4517, [EasterlingD@Michigan.gov](mailto:EasterlingD@Michigan.gov))
- ISD Great Start - Section 32j (Colleen O'Connor, Early Childhood and Family Services, (517) 241-4291, [OconnorC1@Michigan.gov](mailto:OconnorC1@Michigan.gov))
- Great Start Readiness - Section 32d (Jan Fowler, Early Childhood and Family Services, (517) 241-4741, [FowlerJ2@Michigan.gov](mailto:FowlerJ2@Michigan.gov))
- Adult Education - Section 107 (Joellen Wonsey, State Aid and School Finance, (517) 373-3352, [WonseyJ@Michigan.gov](mailto:WonseyJ@Michigan.gov))
- Special Education - (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-4517, [EasterlingD@Michigan.gov](mailto:EasterlingD@Michigan.gov))
- Math and Science - Section 99 (Kevin Richard, Educational Improvement and Innovation, (517) 373-4226, [RichardK@Michigan.gov](mailto:RichardK@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 **fiscal year 2010 MSDS Records (including State Aid FTE Counts)** for the September 30, 2009 count date were due to the Center for Educational Performance and Information (CEPI) by **November 4, 2009 and are to be certified by November 18**. Failure to file these reports will result in the **withholding of state aid**. (Joellen Wonsey, (517) 373-3352, [WonseyJ@Michigan.gov](mailto:WonseyJ@Michigan.gov)).
- **November 1** was the deadline for local districts (including PSAs) to file their **fiscal year 2009 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](mailto:WellerK@Michigan.gov)).
- **November 15** was the deadline for local and intermediate districts (including PSAs) to submit the **fiscal year 2009 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](mailto:RaderG@Michigan.gov)).