

STATE SCHOOL AID UPDATE

Michigan Department of Education



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CHANGE TO THE STATE SHARE OF FOUNDATION CALCULATION

Under the new **Michigan Business Tax** (MBT), Industrial Personal Property is exempt from school operating taxes and Commercial Personal Property is exempt from the first twelve school operating mills. These MBT exemptions affect a district's local revenue. Because a district's local revenue affects the computation of the state share of the foundation funds, the MBT exemptions also affect the corresponding formula used by the Department to calculate the state share of the foundation funds. In order to accommodate the change in the formula, county treasurers have reported Commercial Personal Property and Industrial Personal Property separately to the Department (see related item below) for the fiscal year 2009 tax roll. The revised formula to calculate a district's local revenue for state school aid purposes is as follows:

$((\text{Non-PRE Property}^* - \text{Non-PRE Capture}) \times \text{Certified Mills}^{**}) + ((\text{Commercial Personal Property} - \text{Commercial Personal Property Capture}) \times (\text{Certified Mills} - 12 \text{ mills}))$

*Non-PRE Property includes all property that is not primary residence, qualified agricultural, industrial personal, or commercial personal.

**Certified mills = Lesser of 18 mills or tax year 1993 mills

NOTE: When calculating local revenue be sure to include the Non-Pre Renaissance Valuation and the Commercial Personal Renaissance Zone valuation when applicable.

The **State School Aid Financial Status Report** has been changed to reflect the figures needed to calculate the state share of the foundation funds. The address has been removed from the report to make room for the data used to calculate the district's local revenue. Below is an example of the new information on the status report (located on page 1 below the per pupil foundation grant).

	<u>Amount</u>	<u>Mills</u>	<u>Revenue</u>
Non-PRE TV	55,000,000	18.00	990,000
Comm PP TV	3,000,000	6.00	<u>18,000</u>
Assumed Local Revenue			1,008,000
Local Revenue Per GE			521.13
Local Revenue Per Membership			510.64

Districts can subtract the "Local Revenue Per GE" figure from their current year foundation to get the state share of the foundation under Section 20. The "Local Revenue Per Membership" figure can be subtracted from the FY 1995 foundation to get the state share of the foundation under Section 22a. Questions concerning these changes should be directed to Phil Boone in the Office of State Aid and School Finance at (517) 335-4059 or BooneP2@michigan.gov.

OCTOBER 20 PAYMENT IS THE FIRST INSTALLMENT FOR FY2009

The first in the 11-payment schedule of school aid payments for FY 2009 is being made on Monday, October 20. The payment reflects the respective increases to the per pupil foundation grants ranging from \$56 to \$112. Following immediately below are the data, estimates and assumptions used specifically for the October payment.

Taxable value figures used in the calculation of the Section 20 and Section 22a state per pupil amounts are the initial tax year 2008 figures provided by the county treasurers via the web based reporting system. 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 applicable tax year from the drop down menu. The website has been redesigned to accommodate the collection of taxable valuation data in additional categories including industrial personal property and commercial personal property. The additional categories are necessitated by the new Michigan Business Tax (see the May 2008 UPDATE for additional information) and are used in the revised formula for calculating the state share of the foundation funds as explained in the related item above. **Questions concerning the taxable value figures should first be directed to the appropriate county treasurer.**

The **membership blend** used to calculate the October payment is an **estimate**. For traditional public school districts and intermediate districts, the figure used in place of the September 24, 2008 pupil count (which has not yet been received) is the September 23, 2007 count. For many public school academies, a preliminary pupil count is being used which was reported on the form DS-4898. These estimates will be replaced by the actual (unaudited) counts, due to the Center for Education Performance and Information (CEPI) by November 12, 2008. Questions concerning **membership** should be directed to Joellen Wonsey in the Office of State Aid and School Finance at (517) 373-3352 or WonseyJ@michigan.gov.

A few **categoricals** have been "rolled over" for the October payment, meaning that the beginning FY 2009 allowance amounts are identical to the amounts awarded in FY 2008. These amounts may be refined and adjusted as the payment year progresses. **"Rolled over" categoricals** include: Court Placed Pupils (24), ISD Center Program FICA & Retirement (51a(8)), School Lunch Funds (31d), Vocational Education (61a(1)), Vocational Education Administration (61a(2)), Pre-College Engineering (65), and Math/Science Center Funds (99). **Categoricals with updated allocation amounts** include: Great Start ECIC Collaborative (32b), Great Start Readiness Program (32d), Health/Science Middle College Program (64), Bus Driver Safety (74), ISD General Operation Funds (81) and Adult Education (107). The FY 2009 **Adult Education** (107) capped allowances have been calculated and paid out in the October payment. Those districts that notified the Department of Labor and Economic Growth (DLEG) that the district intends to continue to operate its individual program or the district intends to continue to operate as the fiscal agent for a consortium will receive funding in the October payment, except for three districts that DLEG advised should have the funding withheld. Questions about Adult Education program funding should be directed to Diane Duthie in the Adult Education Office at the Department of Labor and Economic Growth at (517) 373-8800 or DuthieD@Michigan.gov.

Prior Year Adjustments in the October payment include (but are not limited to) restoration of FY 2008 deductions in At-Risk (31a) for districts whose FY 2008 annual reports were received by September 30. Also, prior year adjustments that result from updated pupil counts and/or taxable value figures are included in the October payment. Please note that, in general, prior year adjustments are made at 100% when they first appear (rather than in "installments" spread over the payment year).

FY 2008 SECTION 31F FUNDS INCLUDED IN OCTOBER 2008 PAYMENT

As part of a new methodology of paying **school breakfast program** funds, the FY 2007 school breakfast funds were paid out of school aid. The FY 2007 funds were paid at 100% as a prior year adjustment in the October 2007 payment. Continuing that methodology, the FY 2008 school breakfast funds are included in the October 2008 payment as a prior year adjustment and are being paid out at 100%. Questions related to the school breakfast program payment should be directed to Dawn Harris, Grants Coordination and School Support Services, at (517) 373-4335, or HarrisD6@Michigan.gov.

GENERAL INFORMATION REGARDING FY 2009 SCHOOL AID

As highlighted in the August 2008 UPDATE, Enrolled Senate Bill 1107 was signed by the Governor on August 6, 2008 and enacted into law as P.A. 268 of 2008. Pursuant to language in P.A. 268,

the **FY 2009 foundation allowance** for a district that had a FY 2008 foundation allowance of \$7,204 is \$7,316 ($\$7,204 + (2 \times \$56)$). The FY 2009 foundation allowance for a district that had a FY 2008 foundation between \$7,204 and \$8,433 will be based on a formula as follows:

FY 2008 Foundation + 112 – [$\$36 \times (\text{FY 2008 Foundation} - 7,204)/1285$] or \$8,489 whichever is less.

Districts with a FY 2008 foundation allowance of \$8,433 or more will have a FY 2009 foundation allowance equal to their FY 2008 foundation allowance plus \$56. "Hold Harmless" districts continue to have a Section 20j per pupil amount equal to the amount of their per pupil 20j funds in FY 2008.

The **Section 22a Proposal A** state amount per pupil is calculated as the district's FY 1995 foundation allowance minus the FY 2009 local revenue per pupil. The denominator used for the local revenue is the total state aid membership (both general education and special education pupils). Note that **the local revenue per pupil is now printed on the State Aid Financial Status Report** as revised beginning with the October payment. The Section 22a per pupil amount is multiplied by the district's total FY 2009 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2009 special education instructional costs multiplied by .286138 plus the district's 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 20j, 51a(2), 51a(3), 51a(12) have not changed for FY 2009. A change in the Section 20 calculation is highlighted in the first item on page 1 of this UPDATE. There is no Section 20j funding for districts with local revenue per pupil that exceeds the sum of its per pupil foundation allowance plus the per pupil allocation under Section 20j(2).

The **membership blend** for FY 2009 is **25%** of the February 13, 2008 supplemental count and **75%** of the September 24, 2008 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 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% FY2009, 2008 and FY2007 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 http://www.michigan.gov/documents/squaremiles_11742_7.pdf. **Declining Enrollment (Section 29)** categorical funding continues that allocates \$20 million to districts that are not

eligible for the three-year average blend under Section 6(4)(y) or the geographically isolated district funding under Section 22d. To receive Section 29 funding, districts must have a decline in membership from FY 2007 to FY 2008 and a decline in membership from FY 2008 to FY 2009. The payment will be based on the difference between a three-year average blend and the regular blended membership times the district's foundation. However, it is expected that this categorical funding will be prorated significantly as the \$20 million appropriation is considerably less than the statewide eligibility. No application is necessary. Eligibility will be determined by the department based on data submitted to the CEPI.

The **instructional time requirement** for FY 2009 remains at 1,098 hours. However, as has been true since FY 2004, there is **no requirement to be in session a minimum number of days**. District may continue to count up to 38 hours of **professional development time** as pupil instruction, except for 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 count additional hours not to exceed 51 total. Those districts 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 certain pupils; 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 subsequent business day**. The July and August payments must be accrued to the immediately preceding school fiscal year. The FY 2009 payment dates will be on the 20th of each month except for the following dates: Monday, December 22, 2008, and Monday, June 22, 2009. In addition, payments on behalf of *Durant* non-plaintiffs will be made on Friday, May 15, 2009.

Categoricals maintained at their FY 2008 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.

Categoricals increased from their FY 2008 levels include,

- Great Start Readiness Program (32d) from \$81.1 million to \$88.4 million;
- ISD General Formula (81) from \$80.9 million to \$81.7 million;
- Child and Adolescent Health Centers (99) from \$3.7 million to \$4.7 million;
- Great Start ECIC Collaborative (32b) from \$1.75 million to \$6.75 million;
- Renaissance Zone (26a) from \$50 million to \$57.5 million.

New Categoricals for FY 2009 include,

- 21st Century Small Schools (11n) \$20 million;
- MBT Impact (22e) \$1.3 million;
- After School Math Pilots (99a) \$.7 million.

FINANCIAL INFORMATION DATABASE (FID) REMINDER

All public schools that received state school aid during FY 2008 are required to electronically submit their financial data to the Financial Information Database (FID) by November 15, 2008. Failure to submit the FID data by that date is cause for the withholding of future state school aid payments (MCL 388.1618(8)). Questions related to the financial data required in this submission may be directed to Glenda Rader at (517) 335-0524 or e-mail at RaderG@Michigan.gov.

At least one staff member must be designated by each district and public school academy to submit data via the FID application. To become authorized, this individual must download and complete a security agreement. The authorization does not have to be renewed each year. To locate the agreement, go to www.Michigan.gov/CEPI, click on "MEIS Data Services" from the left-side navigation bar, and then on "Financial Information Database." In the pink box titled "Upload FID Data to CEPI," click on the "FID Security Agreements" link. Questions related to accessing the system or submission of data to the FID may be directed to the DIT Client Service Center by e-mail Help-Desk@Michigan.gov or phone (517) 335-0505.

GENERAL INFORMATION

- Districts are required to report by **November 1** to the local health department the **immunization status** of all pupils in grades K-12 who enrolled in the district or ISD for the first time between January 1 and September 30, 2008. (Patty Lawless, (517) 373-1122 or LawlessP@Michigan.gov).
- The **FY 2009 SRSD Records (including State Aid FTE Counts)** for the September 24, 2008 count date are due to ISDs on **October 29, 2008** and from the ISDs to CEPI on **November 12**. (CEPI (517) 335-0505 (option 3) or CEPI@Michigan.gov).
- **November 1** is the deadline for local district (including PSAs) to file their **FY 2008 financial audit reports** with the ISDs. The **financial and pupil accounting audit reports** are 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 or WellerK@Michigan.gov).
- **Proration factors:** Section 56 - Special Education Millage Equalization .9956338987, Section 29 - Declining Enrollment .1485661058, Section 31a – At Risk \$251.38663501 per pupil.

*Do you have questions above the information appearing in this [Update?](#) Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone : (517) 335-0421 fax (517) 241-0196, e-mail HanrahanD@Michigan.gov.