

# STATE SCHOOL AID UPDATE

Michigan Department of Education



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## **HOUSE BILL 4447 ENACTED**

Enrolled House Bill 4447 (EHB 447), the FY 2010 school aid budget, was signed by the Governor on October 19, 2009 and enacted as PA 121 of 2009. The bill was signed with vetoes, however, due to timing constraints the October payment was processed pursuant to the provisions of EHB 4447 prior to the vetoes. Vetoes items that were paid in the October payment include Section 20j funds, Section 57 Advanced and Accelerated, and Section 61a(3) Vocational Education ISD funding. Any vetoed items included in the October payment will be reversed in the November payment.

**New Section 11d** 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." Districts that do not comply with the language in Section 11d(2) that requires the service consolidation plan will apply the deduction first against their Section 22b Discretionary Payment funds. Under no circumstances can any district apply the reduction against any of the protected funds mentioned above. The \$165 per pupil reduction is labeled "11d LEA Pupil Deduct" on the October State School Aid Financial Status Report.

As in FY 2009, federal State Fiscal Stabilization Funds (\$450 million) are appropriated in Section 22b to offset a shortfall in the Section 22b Discretionary Payment funding. That offset is labeled "22b Discretionary Pmt Adj\*" on the October 2009 State School Aid Financial Status Report. For most districts, the amount of this adjustment is equal to \$278.67 per pupil. More information regarding "boilerplate" language changes in HB 4447 can be found below in the item labeled "General Information Regarding FY 2010 School Aid." To see the bill in its entirety and a more detailed analysis go to [www.Michiganlegislature.org](http://www.Michiganlegislature.org) and key in 4447 when prompted for a bill number.

## **OCTOBER 20 PAYMENT IS THE FIRST INSTALLMENT FOR FY2010**

The first in the 11-payment schedule of school aid payments for FY 2010 is being made on Tuesday, October 20. The payment reflects foundation grants equal to the FY 2009 foundation grants and other components pursuant to the language in EHB 4447 (see related item above). 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 2009 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.

**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 30, 2009 pupil count (which has not yet been received) is the September 24, 2008 count. For first and

second year 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 4, 2009. 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](mailto:WonseyJ@michigan.gov).

A few **category**als have been "rolled over" for the October payment, meaning that the beginning FY 2010 allowance amounts are identical to the amounts awarded in FY 2009. These amounts may be refined and adjusted as the payment year progresses. "**Rolled over**" categoryals include: Court Placed Pupils (24), Bilingual Education (41), ISD Center Program FICA & Retirement (51a(8)), Advanced and Accelerated (57), Special Education Added Cost (53a), Vocational Education (61a(1)), Vocational Education Administration (61a(2)), Pre-College Engineering (65), and Math/Science Center Funds (99). **Categoryals with updated allocation amounts** include: Renaissance Zones (26a), School Lunch (31d), Great Start Readiness Program (32d), Special Education Rules Changes (51a(6)), ISD General Operation Funds (81) (80% of FY 2009 allocation) and Adult Education (107). The FY 2010 **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. Questions about Adult Education program funding should be directed to Sandy Thelen in the Adult Education Office at the Department of Labor and Economic Growth at (517) 373-3395 or [ThelenS@Michigan.gov](mailto:ThelenS@Michigan.gov).

**Prior Year Adjustments** in the October payment include Vocational Education Added Costs (61a(1)), At Risk (31a), and the restoration of FY 2009 deductions in At-Risk (31a) for districts whose FY 2009 annual reports were received by September 30. However, prior year adjustments that result from updated pupil counts and/or taxable value figures are not included in the October payment. Those will be incorporated into the November 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).

#### **GENERAL INFORMATION REGARDING FY 2010 SCHOOL AID**

The **per-pupil foundation grants** for FY 2010 are equal to the foundation grants for FY 2009. "Hold Harmless" districts continue to have a Section **20j** per pupil amount equal to the amount of their per pupil 20j funds in FY 2009.

The **Section 22a Proposal A** state amount per pupil is calculated as the district's FY 1995 foundation allowance minus the FY 2010 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 last year. The Section 22a per pupil amount is multiplied by the district's total FY 2010 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2010 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 20, 20j, 51a(2), 51a(3), 51a(12) have not changed for FY 2010. 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 2010 is **25%** of the February 11, 2009 supplemental count and **75%** of the September 30, 2009 pupil count, with the same exceptions for PSAs in their 1<sup>st</sup> or 2<sup>nd</sup> 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% FY2010, 2009 and FY2008 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](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 2008 to FY 2009 and a decline in membership from FY 2009 to FY 2010. 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 2010 remains at 1,098 hours. As has been true since FY 2004, there is no requirement to be in session a minimum number of days; however, language in EHB 4447 (see related item above) will require a minimum of 165 days in **FY 2011 and 170 days in FY 2013**. Also, **new language in Section 101(10)** requires that teachers are provided **5 hours of online professional development** in order to count up to 38 hours of professional development time as pupil instruction. 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 in 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](mailto:WonseyJ@Michigan.gov))

**The payment schedule** continues to provide state school aid payments on the 20<sup>th</sup> of each month from October through August at 1/11<sup>th</sup> of the annualized amount being paid on each of those dates. When the 20<sup>th</sup> 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 2010 payment dates will be on the 20<sup>th</sup> of each month except for the following dates: Monday, December 21, 2009, Monday, February 22, 2010,

Monday, March 22, 2010, and Monday, June 21, 2010. In addition, payments on behalf of *Durant* non-plaintiffs will be made on Monday, May 17, 2010.

**Categoricals maintained at their FY 2009 levels** include, but are not limited to:

- Court Placed Pupils (24), \$8 million;
- Declining Enrollment (29), \$20 million
- At Risk (31a), \$309 million;
- School Lunch (31d), \$22.5 million;
- School Breakfast (31f), \$9.6 million;
- Great Start School Readiness (32d), \$88.4 million
- Vocational Education Added Cost(61a), \$30 million;
- Special Education Millage Equalization (56), \$37 million;
- Vocational Educational Education Millage Equalization (62), \$9 million.

**Categoricals reduced from their FY 2009 levels** include,

- Adolescent Health Centers (31a) from \$4.7 million to \$3.5 million;
- School Readiness Competitive (32I) from \$15 million to \$7.6 million;
- ISD Operating (81) from \$81.7 million to \$65.4 million;
- Math/Science Centers (99) from \$3.5 million to \$2.6 million.

**Categoricals eliminated for FY 2010** include,

- 21<sup>st</sup> Century Small Schools (11n) \$8 million;
- School Bus Inspections (22e) \$1.4 million.

#### **FINANCIAL INFORMATION DATABASE (FID) REMINDER**

All public schools that received state school aid during FY 2009 are required to electronically submit their financial data to the Financial Information Database (FID) by November 15, 2009. 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](mailto: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](http://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](mailto: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, 2009. (Patty Lawless, (517) 373-1122 or [LawlessP@Michigan.gov](mailto:LawlessP@Michigan.gov)).
- The **FY 2010 Michigan Student Data System (MSDS) Records (including State Aid FTE Counts)** for the September 30, 2009 count date are to be submitted to the Center for Educational Performance Information by November 4, 2009 and certified by November 18, 2009. (CEPI (517) 335-0505 (option 3) or [CEPI@Michigan.gov](mailto:CEPI@Michigan.gov)).
- **November 1** is the deadline for local district (including PSAs) to file their **FY 2009 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](mailto:WellerK@Michigan.gov)).
- **Proration factors:** Section 29 - Declining Enrollment ..1364694139

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\*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](mailto:HanrahanD@Michigan.gov).