STATE SCHOOL AID UPDATE **October 2011**
Michigan Department of Education **Vol. 20 No. 1**

SECTION 22F BEST PRACTICES FUNDING

As reported in prior UPDATES, the school aid amendments for FY 2012 include a new Section 22f that allocates $154 million to be paid out at the rate of $100 per pupil to districts that meet at least 4 of 5 "best practices" by June 1, 2012. The best practices named are: pay no more than 90% of each employee's health benefits, be the policy holder of all employee health benefit packages, develop or continue service consolidation plans as described in Section 11d of the School Aid Act as in effect for FY 2011, obtain a competitive bid for a non-instructional service valued at more than $50,000 and provide a dashboard of specific education data to parents and community members. The Department's Financial Best Practices Incentive Guidance indicating the requirements that districts must meet to qualify for the Section 22f funds is available on the Department's website at http://www.michigan.gov/mde/0,1607,7-14-6530_6605-258500--,00.html. Funds will be distributed to school districts pursuant to the school aid payment schedule beginning with the payment following receipt of the board resolution required by the guidance. Questions related to the best practices incentive should be directed to Glenda Rader, Office of State Aid and School Finance, at (517) 335-0524 or by e-mail at RaderG@Michigan.gov.

Seventy-five districts submitted a resolution in time to receive the first installment of the funds in the October 2011 payment. We will continue to update a report listing the districts that have submitted the resolutions along with the requirements met and the date that the resolutions were received. That report may be found at the following url:
http://www.michigan.gov/documents/mde/district_resolutions_for_best_practice_364369_7.pdf

We also maintain a report listing the districts that have entered into an agreement with the Department to develop and implement a Service Consolidation Plan. That report may be found at:
http://www.michigan.gov/documents/mde/ECEFS_Grant_Opportunities_12-14-09_305013_7.pdf

PSERS RETIREMENT OFFSET

The school aid amendments for FY 2012 also include a new Section 147a that appropriates $155 million for one time payments to districts participating with the Public School Employees Retirement Service (PSERS). These funds are to be used solely for the purpose of offsetting a portion of the retirement contributions owed by the district for FY 2012. The amount allocated to each district is based on each participating district's percentage of the total statewide payroll for all participating districts for the state fiscal year ending September 30, 2011. In order to process these funds the Department needs the payroll data for the fiscal year ending September 30, 2011. It is anticipated that the data will be available in time to process the Section 147a PSERS Offset funds with the November 2011 payment. Questions related to the PSERS offset funds should be directed to Glenda Rader, Office of State Aid and School Finance, at (517) 335-0524 or by e-mail at RaderG@Michigan.gov.

OCTOBER 20 PAYMENT IS THE FIRST INSTALLMENT FOR FY2012

The first in the 11-payment schedule of school aid payments for FY 2012 is being made on Wednesday, October 20. The payment reflects foundation grants equal to the FY 2011 foundation grants less $470. 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 2011 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, most public school academies, and intermediate districts, the figure used in

place of the October 5, 2011 pupil count (which has not yet been received) is the September 29, 2010 count. For first 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 9, 2011 and required to be certified by November 23, 2011. Questions concerning **membership** should be directed to the Office of State Aid and School Finance at (517) 373-3352.

Categoricals with updated allocation amounts include: School Lunch (31d), Great Start Readiness Program (32d), Great Start ISD (32j), Special Education Rules Changes (51a(6)), Vocational Education Added Cost (61a), ISD General Operation Funds (81) (95% of FY 2011 allocation), Court Placed Children (24), Special Education (53) and Adult Education (107). The Department of Treasury has advised that the FY 2012 **Renaissance Zone** funds will be inputted for the November 2011 payment. The FY 2012 **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.

Prior Year Adjustments in the October payment include Section 107 Adult Education (FY 2011), Section 74 Bus Driver Safety (FY 2011) and the restoration of FY 2011 deductions in At-Risk (31a) for districts whose FY 2011 annual reports were received by September 30. 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 2012 SCHOOL AID

The **per-pupil foundation grants** for FY 2012 are equal to the foundation grants for FY 2011 minus $470 for most districts. Districts that received per pupil foundation grant adjustments subsequent to the implementation of the school finance reform known as Proposal A under Sections 20(17), 20(18), 20(21), and 20(22) will see those adjustments reduced by 50% for FY 2012 and eliminated in FY 2013. Districts that had former Section 32e small class size funds added to the their per pupil foundation grants since the implementation of Proposal A will see those adjustments reduced by 31.5% in FY 2012 and eliminated in FY 2013.

The **Section 22a Proposal A** state amount per pupil is calculated as the district's FY 1995 foundation allowance minus the FY 2012 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 local revenue per pupil used in the calculation is printed on the State Aid Financial Status Report**. The Section 22a per pupil amount is multiplied by the district's total FY 2012 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education *Headlee* Obligation** payment is equal to the district's FY 2012 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, 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, 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 2012, other than the change to a 10%-90% pupil count blend addressed below.

The **membership blend** for FY 2012 changes from 25%-75% to **10%** of the February 9, 2011 supplemental count and **90%** of the October 5, 2011 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 10%-90% 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% FY 2010 and FY 2011 blends and the 10%-90% FY 2012 blend 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. The **Declining Enrollment (Section 29)** categorical funding that allocated $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 has been repealed.

There is no **Section 11d Per Pupil Deduct** in FY 2012. The $170 per pupil deduct from FY 2011 has been coupled with the FY 2012 per pupil adjustment of $300 to equal the $470 foundation grant adjustment mentioned above. There are no **Federal State Fiscal Stabilization Funds** appropriated for FY 2012

The **instructional time requirement** for FY 2012 remains at 1,098 hours. Also, beginning with last fiscal year (FY 2011) there is a requirement to be in session a minimum number of days. Language in Section 101(3) of the state School Aid Act requires a minimum of 165 days in FY 2012 **but no fewer days than the district provided in FY 2010.** The requirement will go to a minimum of 170 in FY 2013 but not fewer than in **FY 2010**. Districts may continue to count up to 38 hours of professional development as instructional time. Online professional development is encouraged, but not required. 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 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 (1,098 beginning in FY 2013);
- 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. (Office of state Aid and School Finance, (517) 373-3352)

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 2012 payment dates will be on the 20th of each month except for the following dates: Monday, November 21, 2011, Tuesday, February 21, 2012, and Monday, May 21, 2012.

To see the FY 2012 school aid budget amendments in their entirety and a more detailed analysis go to www.Michiganlegislature.org and key in 4325 when prompted for a bill number.

FINANCIAL INFORMATION DATABASE (FID) REMINDER

All public schools that received state school aid during FY 2011 are required to electronically submit their financial data to the Financial Information Database (FID) by November 15, 2011. 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, 2011. Also, districts are required to report by November 1 to the local health department the immunization status of all pupils who are enrolled in grade 6 in the district or ISD. (Patty Lawless, (517) 373-1122 or LawlessP@Michigan.gov).
- The **FY 2012 Michigan Student Data System (MSDS) Records (including State Aid FTE Counts)** for the October 5, 2011 count date are to be submitted to the Center for Educational Performance Information by November 9, 2011 and certified by November 23, 2011**.** (CEPI (517) 335-0505 (option 3) or CEPI@Michigan.gov).
- **November 1** is the deadline for local district (including PSAs) to file their **FY 2011 financial audit reports** with the ISDs. The **financial and pupil accounting audit reports** are due **November 15** from the ISDs to the Department. (Kathy Weller, (517) 335-6858 or WellerK@Michigan.gov).
- **Proration factors:** Section 31a – At Risk $293.8397220918

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.**