

FAREWELL TO GLENDA

It is with mixed emotions that we advise you of Glenda Rader's resignation from the Office of State Aid and School Finance. Glenda has accepted a position with the Grand Ledge School District. Her last day with the Department will be October 31. She will be assuming her new role in December. As a school finance specialist and Assistant Director of the Office of State Aid and School Finance, Glenda has spearheaded many major projects. Her accomplishments are too numerous to mention here. Please join us in wishing Glenda all the best in her new endeavor.

PERSONAL PROPERTY TAX PAYMENTS

Pursuant to 2013 PA 153, a new "small taxpayer" personal property tax exemption is in effect for commercial and industrial personal property. Ninety seven school districts will receive a payment on October 17, 2014 pursuant to 2014 PA 86 to reimburse local and intermediate school districts for revenue lost due to the "small taxpayer" exemption. The funds used to reimburse school districts are not appropriated in the State School Aid Act. However, the payment advice for these funds will be reflected on the October 2014 State School Aid Financial Status Report. The advice appears in the section labeled "Current Year Allowances" on a line labeled "* Treasury PPT Reimbursement" as well as in the section labeled "Supplemental Payments" with a note describing the purpose of the payment. Questions related to this payment should be directed to Andrew Lockwood, Treasury, Office of Revenue and Tax Analysis, (517) 373-2863 or LockwoodA@Michigan.gov.

OCTOBER 20, 2014 PAYMENT IS THE FIRST INSTALLMENT FOR FY 2015

The first in the 11-payment schedule of school aid payments for FY 2015 is being made on Monday, October 20, 2014. The payment reflects foundation grants that represent an increase of \$50 (see related item below). 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 2014 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 <https://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 1, 2014 pupil count (which has not yet been received) is the October 2, 2013 count. As an estimate of the February 11, 2015 count, the Department is using the February 12, 2014 count (see related item below). 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 5, 2014 and required to be certified by November 12, 2014. Questions related to the membership blend used in the October payment should be directed to Brian Ciloski, Office of State Aid and School Finance, (517) 373-3352 or e-mail at CiloskiB@Michigan.gov.

Categoricals with updated allocation amounts include: School Lunch (31d), Great Start Readiness Program (32d), Special Education Rules Changes (51a(6)), Vocational Education Added Cost (61a), ISD General Operation Funds (81), Court Placed Children (24), Special Education (53) and Adult Education (107). The Department of Treasury has updated the Renaissance Zone (26a) funds. The Workforce Development Agency has updated the Adult Education (107) funds.

GENERAL INFORMATION REGARDING FY 2015 SCHOOL AID

The **FY 2015 foundation allowance** is equal to the FY 2014 foundation allowance plus any FY 2014 per pupil Equity Payment under Section 22c plus \$50 for all districts.

In addition to the per pupil foundation funds, districts with a FY 2015 foundation grant less than \$7,251 per pupil will receive a **Section 22c Equity Payment** equal to \$7,251 minus the district's FY 2015 foundation grant. Those funds appear in the "Current Year Allowance Section" of the State School Aid Financial Status Report on a line labeled "22c Foundation Equity Payment."

The **Section 22a Proposal A** state amount per pupil is calculated as the district's FY 1995 foundation allowance minus the FY 2015 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 2015 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2015 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 Sections 20 and 51a, the amounts calculated under those sections determine the payment amounts under Section 22b. After making payments under Sections 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), and 51a(12) have not changed for FY 2015.

The **membership blend** formula has not changed for FY 2015. As in FY 2014, the formula is 90% of the October count and 10% of the **subsequent** February count. As in the past, there are 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)*). 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 90%-10% 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(2)** 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 10%-90% blend for FY 2013 (a year when the 10% represented the prior February count) and the 90%-10% blend for FY 2014 and FY 2015 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 **instructional time requirement** for FY 2015 remains at 1,098 hours. There continues to be a requirement to be in session a minimum number of days. Language in Section 101(3) of the State School Aid Act raises the required minimum to 175 days of instruction for FY 2015. Districts can **no longer count up to 38 hours of professional development** as instructional time. Exceptions to the 1,098 hours requirement include:

- 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.

As in FY 2014, kindergarten pupils are no longer an exception to the 1,098 hours requirement. Questions related to pupil counts and instructional time should be directed to Brian Ciloski, Office of State Aid and School Finance, (517) 373-3352 or e-mail at CiloskiB@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 2015 payment dates will be on the 20th of each month except for the following dates: Monday, December 22, 2014, and Monday, June 22, 2015.

To see the FY 2015 school aid budget amendments in their entirety and a more detailed analysis go to www.Michiganlegislature.org and key in 5314 when prompted for a bill number.

SECTION 22J PERFORMANCE-BASED FUNDING

The Section 22j Performance-Based funding continues in FY 2015. The appropriation has been increased from \$46.4 million to \$51.1 million. These are district-level calculations and every district is potentially eligible for up to \$100 per pupil in Performance-Based Bonus funding. Using the designated student academic performance-level change metric in the statute, districts could qualify for three parts of the bonus: \$30 per pupil based on mathematics performance level change in elementary and middle school; \$30 per pupil based on reading performance level change in elementary and middle school; and \$40 per pupil based on the proficiency rate of students who are proficient on all tested subjects in high school. Districts can qualify for none, some, or all, of the bonus.

Eligible districts will see these funds on the State School Aid Financial Status Report in the section labeled "Current Year Allowances" on a line labeled "22j Performance-Based Funding." Because the funding is based on the district's pupil count, the allowance amounts will change as updated pupil counts are received by the Department. A spreadsheet that shows which of the three components of the Performance Funding that each eligible district qualifies for can be found on the Office of State Aid and School Finance website at:

http://www.michigan.gov/mde/0,4615,7-140-6530_6605-288549--,00.html.

If you have any questions on the calculation of the performance-based bonus, you can contact the Office of Psychometrics, Accountability, Research and Evaluation at 877-560-8378 (option 6) or by email at mde-accountability@michigan.gov.

SECTION 22F BEST PRACTICES FUNDING

The 22f Best Practice Funding continues for FY 2015 (\$75 million) to be paid out at the rate of \$50 per pupil to districts that meet at least seven of nine "best practices" by June 1, 2015. 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/documents/mde/Best_Practice_Guidance_463861_7.pdf. 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 John Hayner, Office of State Aid and School Finance, at (517) 241-0495 or by e-mail at HaynerJ1@Michigan.gov.

PSERS RETIREMENT OFFSET

Section 147a and 147c payments are scheduled to begin with the November payment. Your district will receive 18.18% of the annual amount in the November State Aid payment and 9.09% in the remaining FY 2015 payments. If you have questions regarding the related invoices and payments due to ORS, contact ORS at ORS_WEB_Reporting@michigan.gov or at 517-636-0166.

Questions related to accounting for the payments may be directed to Phil Boone, Office of State Aid and School Finance, at (517) 335-4059 or by e-mail at BooneP2@Michigan.gov.

FINANCIAL INFORMATION DATABASE (FID) REMINDER

All local and intermediate school districts as well as public school academies that received state school aid during FY 2014 are required to electronically submit their financial data to the Financial Information Database (FID) by November 15, 2014. Questions related to the financial data required in this submission may be directed to Chris May at (517) 335-1263 or e-mail at MayC@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 "CEPI Applications" from the left-side navigation

bar, and then on "Financial Information Database." At the bottom of the page under "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 DTMB Client Service Center by e-mail at Help-Desk@Michigan.gov or phone (517) 335-0505.

BUDGET TRANSPARENCY/BEST PRACTICES UPDATE

The Office of State Aid and School Finance monitors district websites for Budget Transparency and Best Practices compliance. Please visit our website (www.michigan.gov/sasf) to view the Budget Transparency guidance. If you need additional assistance after reviewing the guidance, please contact Chad Urchike at UrchikeC1@Michigan.gov (517-335-1261).

Budget Transparency: Board approved budgets for FY 2015 should be posted on Budget Transparency web pages. Pie charts, audited financial statements, association dues, and lobbying costs should all be updated by December 15.

Best Practices: The following data elements are required to satisfy requirement E.

- **MI School Data Link:** A link to the MI School Data website must be made available in one of two locations. The link may be directly under the Budget Transparency icon found on your home page or it may be at the bottom of the Budget Transparency page. **Note:** Salary data for many public school academies is not available on the MI School Data website because they do not report to the Michigan Public School Employees Retirement System. In cases where salary data is unavailable for an academy, the data must be provided at the bottom of your budget transparency web page in a similar format as found on the MI School Data website. An example can be found on our website by clicking [here](#).
- **Debt Service Obligations:** For those districts with debt service obligations, the required information may usually be found as a footnote in your annual audit. If the required information is not in your audit, you must provide the information on your budget transparency page. **Note:** This data element requires information found in your 2013-14 audit. A school cannot meet this requirement until the 2013-14 audit is complete and available to view.
- **2015-16 Budget Projection:** This projection must be provided at the top of your budget transparency page under a separate heading (Fiscal Year 2015-16 Budget Projection). Just as your regular budget, this projection must be detailed at the function level and include beginning/ending fund balances.

These data elements should be completed by schools meeting requirement E before submitting a Best Practice resolution. Funding will be withheld from those schools not meeting the requirements listed in their resolution.

GENERAL INFORMATION

- Districts are required to report by **November 1** to the local health department the **immunization status** of all pupils entering kindergarten or a new school in grades 1 – 12. 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 7 in the district or ISD for the first time between January 1, 2014 and September 30, 2014. (Patty Lawless, (517) 373-1122 or LawlessP@Michigan.gov).
- The **FY 2014 Michigan Student Data System (MSDS) Records (including State Aid FTE Counts)** for the October 1, 2014 count date are to be submitted to the Center for Educational Performance Information by November 5, 2014 and certified by November 12, 2014. (CEPI (517) 335-0505 (option 3) or CEPI@Michigan.gov).
- **November 15** is the deadline for local districts (including PSAs) to file their **FY 2014 financial audit reports** with the ISD and the Department. It is also the date for the ISD to file its own **financial report with the Department** and the **pupil membership audit reports** for its constituent districts in the Michigan Student Data System. (Naomi Krefman, (517) 335-6858 or KrefmanN@Michigan.gov).
- **Proration factors:** Section 31a – At Risk \$314.2438534742. Section 62 – Vocational Education Millage Equalization .9489392791. Section 56 – Special Education Millage Equalization .9328831968. Section 22j – Performance Based Funding .9901488176. Section 22c – Foundation Equity Payment .9891890106. The Section 152a Headlee Obligation for Data Collection funds are being paid at a rate of \$24.6882955293 per pupil.