STATE FISCAL STABILIZATION FUND APPLICATION

PART 1: APPLICATION COVER SHEET
(CFDA Nos. 84.394 and 84.397)

Legal Name of Applicant (Office of the Governor): **Office of the Governor, State of Michigan**	Applicant's Mailing Address: **111 S. Capitol** **P.O. Box 30013** **Lansing, MI 48909**
State Contact for the Education Stabilization Fund (CFDA No. 84.394) Name: **Leslee Fritz** Position and Office: **Director, Economic Recovery Office** Contact's Mailing Address: **111 S. Capitol** **P.O. Box 30013** **Lansing, MI 48909** Telephone: **(517) 373-0200** Fax: **(517) 241-5657** E-mail address: **fritzl2@michigan.gov**	State Contact for the Government Services Fund (CFDA No. 84.397) *(Enter "same" if the same individual will serve as the contact for both the Education Stabilization Fund and the Government Services Fund.)* Name: **Same** Position and Office: Contact's Mailing Address: Telephone: Fax: E-mail address:

To the best of my knowledge and belief, all of the information and data in this application are true and correct.

Governor or Authorized Representative of the Governor (Printed Name): **Governor Jennifer M. Granholm**	Telephone: **(517) 373-3400**
Signature of Governor or Authorized Representative of the Governor:	Date: **5/21/2009**

Recommended Statement of Support from the Chief State School Officer *(Optional)*:

The State educational agency will cooperate with the Governor in the implementation of the State Fiscal Stabilization Fund program.

Chief State School Officer (Printed Name): **Michael P. Flanagan**	Telephone: **(517) 373-9235**
Signature of the Chief State School Officer:	Date: **5/22/2009**

PART 2: EDUCATION REFORM ASSURANCES

The Governor or his/her authorized representative assures the following:

(1) The State will take actions to improve teacher effectiveness and comply with section 1111(b)(8)(C) of the Elementary and Secondary Education Act of 1965, as amended (ESEA) (20 U.S.C. 6311(b)(8)(C)) in order to address inequities in the distribution of highly qualified teachers between high- and low-poverty schools, and to ensure that low-income and minority children are not taught at higher rates than other children by inexperienced, unqualified, or out-of-field teachers. (*Achieving Equity in Teacher Distribution Assurance*)

(2) The State will establish a longitudinal data system that includes the elements described in section 6401(e)(2)(D) of the America COMPETES Act (20 U.S.C. 9871(e)(2)(D)). (*Improving Collection and Use of Data Assurance*)

(3) The State will –

(3.1) Enhance the quality of the academic assessments it administers pursuant to section 1111(b)(3) of the ESEA (20 U.S.C. 6311(b)(3)) through activities such as those described in section 6112(a) of the ESEA (20 U.S.C. 7301a(a)); (*Improving Assessments Assurance*)

(3.2) Comply with the requirements of paragraphs (3)(C)(ix) and (6) of section 1111(b) of the ESEA (20 U.S.C. 6311(b)) and section 612(a)(16) of the Individuals with Disabilities Education Act (IDEA) (20 U.S.C. 1412(a)(16)) related to the inclusion of children with disabilities and limited English proficient students in State assessments, the development of valid and reliable assessments for those students, and the provision of accommodations that enable their participation in State assessments; (*Inclusion Assurance*) and

(3.3) Take steps to improve State academic content standards and student academic achievement standards consistent with section 6401(e)(1)(A)(ii) of the America COMPETES Act. (*Improving Standards Assurance*)

(4) The State will ensure compliance with the requirements of section 1116(b)(7)(C)(iv) and section 1116(b)(8)(B) of the ESEA with respect to schools identified under these sections. (*Supporting Struggling Schools Assurance*)

Governor or Authorized Representative of the Governor (Printed Name): **Governor Jennifer M. Granholm**	
Signature:	Date: **5/21/2009**

PART 3: INITIAL BASELINE DATA FOR EDUCATION REFORM ASSURANCES

SPECIAL NOTES:

- In completing this portion of the application, please refer to Appendix B – Instructions for Part 3: Initial Baseline Data for Education Reform Assurances.
- The data described in Appendix B for two of the education reform assurances in Part 2 of the application – the Improving Assessments Assurance and the Improving Standards Assurance – are the most current available baseline data for these areas. Thus, the Department is not inviting States to submit additional information with respect to these two assurances.
- The Governor or his/her authorized representative should confirm whether the initial baseline data sources described in Appendix B for the four assurances referenced below – Achieving Equity in Teacher Distribution; Improving Collection and Use of Data; Improving State Academic Content and Student Achievement Standards; and Supporting Struggling Schools – reflect the State's current status with respect to these assurances. A State that confirms the use of these initial baseline data sources does not have to submit additional baseline data with this application. If a State elects not to use the identified data sources for one or more of these four assurances, it must submit other initial baseline data for that assurance.

The Governor or his/her authorized representative confirms that the data sources that are currently available to the Department and described in Appendix B are a reasonable reflection of the current status of the State with respect to the following education reform assurances that he/she provided in Part 2 of the Application *(check only those assurances for which the State accepts the data described in Appendix B):*

X Achieving Equity in Teacher Distribution Assurance.

X Improving Collection and Use of Data Assurance.

X Improving Standards Assurance.

X Supporting Struggling Schools Assurance.

Governor or Authorized Representative of the Governor (Printed Name): **Governor Jennifer M. Granholm**	
Signature:	Date: **5/21/2009**

PART 4, SECTION A: MAINTENANCE-OF-EFFORT (MOE) ASSURANCE

SPECIAL NOTES:

- In completing Part 4 of the application, please refer to Appendix C – Instructions for Part 4: Maintenance of Effort.
- The Governor or his/her authorized representative should check only those MOE requirements that he or she anticipates the State will meet. If the Governor or his/her authorized representative anticipates that the State will be unable to meet one or more of the requirements, he or she must sign the additional waiver assurance in Part 4, Section B.
- For the purpose of determining MOE, State support for public institutions of higher education (IHEs) must not include support for capital projects or for research and development or tuition and fees paid by students.

The Governor or his/her authorized representative assures the following *(check appropriate assurances that apply)*:

__X__ In FY 2009, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.

__X__ In FY 2010, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.

__X__ In FY 2011, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.

__X__ In FY 2009, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.

__X__ In FY 2010, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.

__X__ In FY 2011, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.

---OR---

_____ To the best of his/her knowledge and based on the best available data, the State will be unable to meet any of the above-referenced maintenance-of-effort requirements.

Governor or Authorized Representative of the Governor (Printed Name): **Governor Jennifer M. Granholm**	
Signature:	Date: **5/21/2009**

PART 4, SECTION B: MAINTENANCE-OF-EFFORT WAIVER ASSURANCE

SPECIAL NOTES:

- If a State anticipates that it will be unable to comply with one or more of the Stabilization program MOE requirements referenced in Part 4, Section A of the application, the State must provide the assurance below.
- States that anticipate meeting all of the Stabilization program MOE requirements should not complete the waiver assurance in this section of the application. *See* Appendix C – Instructions for Part 4: Maintenance of Effort. The criterion for a waiver of the MOE requirements is provided in Appendix C.
- The Department will be providing additional guidance to States regarding the process for applying for waivers of the Stabilization program MOE requirements.

The Governor or his/her authorized representative assures the following:

To the best of his/her knowledge and based on the best available data, the State meets or will meet the eligibility criterion for a MOE waiver for each of the Stabilization program MOE requirements that the Governor or his/her authorized representative anticipates the State will be unable to meet.

Governor or Authorized Representative of the Governor (Printed Name):	
Signature:	Date:

PART 4, SECTION C: MAINTENANCE-OF-EFFORT BASELINE DATA

SPECIAL NOTES:

- A State has some flexibility in determining the "levels of State support" for MOE purposes. For example, for the purpose of the elementary and secondary education MOE requirements, a State may use the level of support that the State provides through its primary elementary and secondary funding formulae, or it may use other relevant data. *See* Appendix C – Instructions for Part 4: Maintenance of Effort.

1. **Levels of State support for elementary and secondary education** *(the amounts may reflect the levels of State support on either an aggregate basis or a per-student basis):*

   FY 2006 **$ 6,669.00 per pupil**

   FY 2009* **$ 6,957.00** per pupil**

   FY 2010* **$ 6,700.00** per pupil**

   FY 2011* **$ 7,039.00** per pupil**

   (* Provide data to the extent that data are currently available.)
   (** Estimates reflect spending levels as of the May 2009 Consensus Revenue Estimating Conference; subject to change.)

2. **Levels of State support for public institutions of higher education** *(enter amounts for each year)*:

   FY 2006 **$ 1,670,594,828**

   FY 2009* **$ 1,733,194,351****

   FY 2010* **$ 1,675,828,097****

   FY 2011* **$ 1,676,874,760****

   (* Provide data to the extent that data are currently available.)
   (** Estimates reflect spending levels as of the May 2009 Consensus Revenue Estimating Conference; subject to change.)

3. **Additional Submission Requirements**: In an attachment to the application –

   (a) Identify and describe the data sources used in determining the levels of State support for elementary and secondary education; - and -

   (b) Identify and describe the data sources used in determining the levels of State support for public IHEs.

PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND

SPECIAL NOTES:

- Section A of Part 5 requests data on the Education Stabilization Fund (CFDA No. 84.394). In completing this portion of the application, please refer to Appendix D – Instructions for Part 5: State Uses of Funds.
- At a later date, the Department will collect data on the levels of State support for elementary, secondary, and postsecondary education in FY 2011.
- These data may differ from the data in the levels of support for maintenance-of-effort purposes. *See* instructions in Appendix D.
- The term "postsecondary education" refers to public IHEs.

1. Levels of State Support for Elementary, Secondary, and Postsecondary Education

Provide the following data on the levels of State support for elementary, secondary, and postsecondary education:

(a) Level of State support for elementary and secondary education in FY 2008 provided through the State's primary elementary and secondary education funding formulae	$ 9,727,091,920
(b) Level of State support for public IHEs in FY 2008	$ 1,802,867,100
(c) Level of State support for elementary and secondary education in FY 2009 provided through the State's primary elementary and secondary education funding formulae	$ 9,886,121,100** $ 9,457,121,100***
(d) Level of State support for public IHEs in FY 2009	$ 1,823,764,100** $ 1,823,764,100***
(e) Level of State support for elementary and secondary education in FY 2010 provided through the State's primary elementary and secondary education funding formulae	$ 8,959,243,400
(f) Level of State support for public IHEs in FY 2010	$ 1,745,207,900

Additional Information: Did the State, prior to October 1, 2008, approve formula increases to support elementary and secondary education in FY 2010 or 2011, or to phase in State equity and adequacy adjustments?*

☐ Yes ☒ No

**See* Appendix D Worksheets for further guidance on how such increases affect a State's "use of funds" calculations.
** FY2009 levels as defined in the application guidance under option (b) projected levels of state support.
***FY2009 levels of state support as revised for the May 2009 Consensus Revenue Estimating Conference.

2. State's Primary Education Funding Formulae

Additional Submission Requirement: In an attachment to the application, identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations provided above for the levels of State support for elementary and secondary education.

3. Data on State Support for Postsecondary Education

Additional Submission Requirement: In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of State support for public IHEs.

4. Restoration Amounts

Based on the Worksheets included in Appendix D, calculate and provide the amount of Education Stabilization funds that the State will use to restore the levels of State support for elementary, secondary, and postsecondary education in FYs 2009 and 2010. As explained in the Instructions in Appendix D, a State must determine the amount of funds needed to restore fully the levels of State support for elementary, secondary, and postsecondary education in FY 2009 before determining the amount of funds available to restore the levels of such support in FY 2010.

SPECIAL NOTES:

- At a later date, the Department will collect data on the amount of funds, if any, that remain available to (1) restore the levels of State support for elementary, secondary, and postsecondary education in FY 2011, and (2) award subgrants to local educational agencies (LEAs) based on their proportionate shares of funding under Part A of Title I of the ESEA.
- The calculations for these data must be based on the State's total Education Stabilization Fund allocation as reflected in Appendix A and not on the State's initial Education Stabilization Fund award.
- Although the State must follow the Instructions in Appendix D, in order to determine the amount of funds that LEAs and IHEs will receive under the program (i.e., the "restoration amounts"), the Governor has discretion in determining when to release these funds to LEAs and IHEs.

(a) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2009 $ 429,000,000

(b) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2009 $ 0

Restoration Amounts (continued)

(c) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2010	$ 805,131,240
(d) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2010	$ 68,237,752
(e) Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY 2009 and FY 2010	$ 0

5. Process for Awarding Funds to Public IHEs

Additional Submission Requirement: In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.

PART 5, SECTION B: STATE USES OF THE GOVERNMENT SERVICES FUND

SPECIAL NOTES:

- Section B of Part 5 requests data on the Government Services Fund (CFDA No. 84.397).
- In this section, provide preliminary estimates of the percentage of the Government Services Fund that the State intends to spend under various broad categories (to the extent such estimates are available). The total percentages in the chart should equal 100 percent.
- To the extent such estimates are available, the estimated percentages must be based on the State's total Government Services Fund allocation and not on the State's initial Government Services Fund award.

Uses of the Government Services Fund

Category	**Estimated Percentage of Funds to Be Used**
Public Safety	
Elementary and secondary education (excluding modernization, renovation, or repair of public school facilities)	
Public IHEs (excluding modernization, renovation, or repair of IHEs)	
Modernization, renovation, or repair of public school facilities	
Modernization, renovation, or repair of IHEs	
Medicaid	
Public assistance	
Transportation	
Other (please describe)	
Undetermined	**100%**
TOTAL	100%

PART 6: ACCOUNTABILITY, TRANSPARENCY, AND REPORTING ASSURANCES

The Governor or his/her authorized representative assures that the State will comply with all of the accountability, transparency, and reporting requirements that apply to the Stabilization program, including the following:

- For each year of the program, the State will submit a report to the Secretary, at such time and in such manner as the Secretary may require, that describes:
    - the uses of funds within the State;
    - how the State distributed the funds it received;
    - the number of jobs that the Governor estimates were saved or created with the funds;
    - tax increases that the Governor estimates were averted because of the funds;
    - the State's progress in reducing inequities in the distribution of highly qualified teachers, implementing a State longitudinal data system, and developing and implementing valid and reliable assessments for limited English proficient students and children with disabilities;
    - the tuition and fee increases for in-State students imposed by public IHEs and a description of any actions taken by the State to limit the increases;
    - the extent to which public IHEs maintained, increased, or decreased enrollment of in-State students, including those students eligible for Pell Grants or other need-based financial aid; and
    - a description of each modernization, renovation or repair project funded, including the amounts awarded and project costs. (ARRA Division A, Section 14008)

- The State will cooperate with any Comptroller General evaluation of the uses of funds and the impact of funding on the progress made toward closing achievement gaps. (ARRA Division A, Section 14009)

- If the State uses funds for any infrastructure investment, the State will certify that the investment received the full review and vetting required by law and that the chief executive accepts responsibility that the investment is an appropriate use of taxpayer funds. This certification will include a description of the investment, the estimated total cost, and the amount of covered funds to be used. The certification will be posted on the State's website and linked to www.Recovery.gov. A State or local agency may not use funds under the ARRA for infrastructure investment funding unless this certification is made and posted. (ARRA Division A, Section 1511)

- The State will submit reports, within 10 days after the end of each calendar quarter, that contain the information required under section 1512(c) of the ARRA in accordance with any guidance issued by Office of Management and Budget or the Department. (ARRA Division A, Section 1512(c))

- The State will cooperate with any Inspector General examination of records under the program. (ARRA Division A, Section 1515)

Governor or Authorized Representative of the Governor (Printed Name): **Governor Jennifer M. Granholm**	
Signature:	Date: **5/21/2009**

PART 7: OTHER ASSURANCES AND CERTIFICATIONS

The Governor or his/her authorized representative assures or certifies the following:

- The State will comply with all applicable assurances in OMB Standard Forms 424B and D (Assurances for Non-Construction and Construction Programs), including the assurances relating to the legal authority to apply for assistance; access to records; conflict of interest; merit systems; nondiscrimination; Hatch Act provisions; labor standards; flood hazards; historic preservation; protection of human subjects; animal welfare; lead-based paint; Single Audit Act; and the general agreement to comply with all applicable Federal laws, executive orders and regulations.

- With respect to the certification regarding lobbying in Department Form 80-0013, no Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the making or renewal of Federal grants under this program; the State will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," when required (34 C.F.R. Part 82, Appendix B); and the State will require the full certification, as set forth in 34 C.F.R. Part 82, Appendix A, in the award documents for all subawards at all tiers.

- The State will comply with all of the operational and administrative provisions in Title XV and XIV of the ARRA, including Buy American Requirements (ARRA Division A, Section 1605), Wage Rate Requirements (ARRA Division A, Section 1606), and any applicable environmental impact requirements of the National Environmental Policy Act of 1970 (NEPA), as amended, (42 U.S.C. 4371 et seq.) (ARRA Division A, Section 1609). In using ARRA funds for infrastructure investment recipients will comply with the requirement regarding Preferences for Quick Start Activities (ARRA Division A, Section 1602).

- Any LEA receiving funding under this program will have on file with the State a set of assurances that meets the requirements of section 442 of the General Education Provisions Act (GEPA) (20 U.S.C. 1232e).

- To the extent applicable, an LEA will include in its local application a description of how the LEA will comply with the requirements of section 427 of GEPA (20 U.S.C. 1228a). The description must include information on the steps the LEA proposes to take to permit students, teachers, and other program beneficiaries to overcome barriers (including barriers based on gender, race, color, national origin, disability, and age) that impede access to, or participation in, the program.

- The State and other entities will comply with the following provisions of Education Department General Administrative Regulations (EDGAR), as applicable: 34 CFR Part 74 -- Administration of Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations; 34 CFR Part 76 -- State-Administered Programs, including the construction requirements in section 75.600 through 75.617 that are incorporated by reference in section 76.600; 34 CFR Part 77 -- Definitions that Apply to Department Regulations; 34 CFR Part 80 -- Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, including the procurement provisions; 34 CFR Part 81 -- General Education Provisions Act—Enforcement; 34 CFR Part 82 -- New Restrictions on Lobbying; 34 CFR Part 85 – Government-wide Debarment and Suspension (Non-procurement).

Governor or Authorized Representative of the Governor (Printed Name): **Governor Jennifer M. Granholm**	
Signature:	Date: **5/21/2009**

ATTACHMENT TO MICHIGAN APPLICATION FOR INITIAL FUNDING UNDER THE STATE FISCAL STABILIZATION FUND PROGRAM

PART 4, SECTION C: MAINTENANCE-OF-EFFORT BASELINE DATA

3. Additional Submission Requirements:

(a) Identify and describe the data sources used in determining the levels of State support for elementary and secondary education

	FY2006 MOE Level	FY2009 Revised State Revenues	FY2010 Adj. Exec Rec	FY2011 Maintenance
Total State School Aid Spending	11,320,239,000	11,268,798,200	10,668,990,600	11,005,990,600
Pupil FTEs	1,697,558	1,619,695	1,592,500	1,563,500
Per Pupil State MOE	6,669	6,957	6,700	7,039

Michigan will comply with the elementary and secondary education MOE requirements on a per pupil basis, using total state school aid spending divided by the number of pupil FTEs funded in the relevant fiscal year. Funding sources for elementary and secondary education are from the dedicated revenues in the State School Aid Fund and the State's General Fund.

For FY2006, total state school aid spending is available in the State of Michigan Comprehensive Annual Financial Report for the fiscal year ended September 30, 2006. Funded pupil counts are available from the State Aid Management System, maintained by the Michigan Department of Education for the purpose of calculating state school aid payments.

For FY2009, total state school aid payments and funded pupil FTE are projected based upon the most recent estimates of available state revenues from the May 15, 2009 state consensus revenue estimating conference, current costs of the prior enacted school aid budget (PA 268 of 2008) developed by the State Budget Office, in conjunction with the legislative fiscal agencies, and pupil FTE counts upon which the Michigan Department of Education is making state payments.

For FY2010, total state school aid spending and funded pupil FTE are projected based upon the most recent estimates of available state revenues and pupil FTEs from the May 15, 2009 state consensus revenue estimating conference, and current cost estimates of the Governor's Executive Recommendation developed by the State Budget Office, in conjunction with legislative fiscal agencies.

For FY2011, total state school aid spending and funded pupil FTEs are based upon the most recent revenue estimates from the State Treasurer and the costs of maintaining the Governor's FY2010 Executive Budget Recommendation in FY2011, as developed by the State Budget Office.

(b) Identify and describe the data sources used in determining the levels of State support for public IHEs.

	FY2006 MOE Level	FY2009	FY2010 Exec Rec	FY2011 Maintenance
Community Colleges & Universities Operations	1,756,929,700	1,823,764,100	1,745,207,900	1,745,207,900
Est. State Research Spending	(86,334,872)	(90,569,749)	(69,379,803)	(68,333,140)
State MOE	1,670,594,828	1,733,194,351	1,675,828,097	1,676,874,760

Michigan will comply with the higher education MOE requirements using operations funding for public community colleges and universities operations, as adjusted by State Budget Office estimates of unspecified state-funded research reports (required by #8 of the Governing Principles for determining State Support for Public Institutions of Higher Education, contained in the Guidance on the Maintenance-of-Effort Requirements in the State Fiscal Stabilization Fund Program document dated May 1, 2009.).

FY2006 actual community college and university operations costs are obtained from the FY2006 Final Fourth Quarter Financial Report, prepared by the Fiscal Management Division of the Department of Management and Budget. The adjustment for unspecified state-funded research is estimated by the State Budget Office using data reported by the institutions to the state's Higher Education Institutional Data Inventory (HEIDI) database and based on the state's share of total universities' general fund revenues.

FY2009 university operations funding is contained in Public Act 213 of 2008. Community colleges operations funding is contained in Public Act 255 of 2008. The adjustment for unspecified state-funded research is estimated by the State Budget Office using data from HEIDI as noted above.

FY2010 community college and university operations costs are obtained from the FY2010 Governor's Executive Budget Recommendation. The adjustment required for unspecified state-funded research is estimated by the State Budget Office using data from HEIDI as noted above.

FY2011 community college and university operations costs are assumed to be the same as the FY2010 Governor's Executive Budget Recommendation. The adjustment required for unspecified state-funded research is estimated by the State Budget Office using data from HEIDI as noted above.

PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND

2: Additional Submission Requirement: Identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations to provide for the levels of State support for elementary and secondary education.

Local School Districts: When the FY1995 Michigan school finance reforms were first implemented, an initial foundation allowance was assigned to each school district based upon the amount of revenue per pupil a district received from local property tax revenue, general state aid and selected categoricals in FY1994. Districts' foundation allowances have incrementally increased since FY1995, using a basic foundation allowance funding mechanism.

Originally set at $5,000 per pupil in FY1995, the basic foundation allowance is a target per pupil funding level that school finance reformers hoped all districts would one day achieve. The gap between the basic foundation allowance and the maximum allowable per pupil state payment was $1,500. Each year the Legislature establishes the basic foundation allowance based upon available revenues, and until FY2000, districts with foundation allowances below this level received up to twice as much in increased foundation allowance dollars as those districts at or above the basic foundation allowance, lessening inequities in per pupil funding. Those 51 districts with foundation allowances exceeding the state maximum allowable payment were allowed to levy additional "hold harmless" millages to fully fund their foundation allowances.

In FY2000, the goal to increase all districts' funding to at least the level of the basic foundation allowance was achieved. After that, until FY2008, all districts received the same dollar increase in their foundation allowances as the increase approved in the basic foundation. During this time frame, those districts at the lowest foundation allowances also received up to $223 in per pupil equity payments to further close the per pupil funding gap between the basic and the state maximum allowable payment. In FY2008, the basic, or target, foundation allowance was raised to the state maximum and the original formula was reinstituted to bring those below the new basic up at a faster rate than those at or above it.

The total amount of revenue a district will receive is derived from multiplying the number of pupils a district educates by its foundation allowance. However, the state pays only a portion of this revenue, after subtracting the local revenue a district generates from millages levied against its adjusted nonhomestead property taxable values. This state/local mix is different for every district and changes for each district from year to year depending on the local adjusted nonhomestead property taxable value. The total amount of the state payment is also dependent on pupil counts. Pupil FTEs are calculated by adding 25% of the prior year's February count to 75% of the current year's fall count.

Since FY2001, foundation allowance state payments have been made out of three payment sections. The first payment, called the Proposal A Guarantee payment, ensures that all districts receive the same foundation allowance as they received in FY1995, as required by the Michigan Constitution. These payments are used for general operations (MCL 388.1622a).

The second payment of state court-mandated special education costs, known as Headlee Obligation payments, is partially offset by multiplying special education pupil counts by the relevant year's per pupil foundation allowance. (MCL 388.1651c).

The third payment is called the Discretionary payment of the foundation allowance. It is the remainder of the foundation allowance payment after subtracting out the first two payments and is used for general operations (MCL 388.1622b).

Michigan's application includes the portions of the foundation allowance calculations used for general operations, the Proposal A Guarantee payment and the Discretionary payment.

For specific calculations, see Michigan Compiled Law sections 388.1620, 388.1620j, 388.1622a, 388.1622b and 388.1651c of the state school aid act.

Intermediate School Districts: The formula used to make state payments for intermediate school districts for general operations is in section 388.1681 of the state school aid act. Each year, the Legislature determines the percentage change to each intermediate school districts' prior appropriation amounts.

PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND

3. Additional Submission Requirement: In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of State support for public IHEs.

Levels of State support for public IHEs were determined to be operations funding provided to each public community college and university, including agricultural experiment station and cooperative extension services funding for Michigan's land grant university.

FY2008 actual community college and university operations funding amounts are obtained from the FY2008 Final Fourth Quarter Financial Report, prepared by the Fiscal Management Division of the Department of Management and Budget.

FY2009 projected levels of State support for university operations funding amounts are contained in Public Act 213 of 2008. Projected levels of community college operations funding are contained in Public Act 255 of 2008.

FY2010 community college and university operations funding amounts are obtained from the FY2010 Governor's Executive Budget Recommendation.

FY2011 community college and university operations funding amounts are assumed to be the same as the FY2010 Governor's Executive Budget Recommendation.

5. Additional Submission Requirement: In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.

Those higher education institutions projected to receive in FY2010 less than their projected FY2009 appropriation levels will be allocated SFSF Education Fund dollars as a percent of their prior enacted FY2009 appropriation levels, dependent upon the submission of a signed application by that institution. The application will include assurances that the higher education institution:

(1) Will comply with all reporting requirements related to the State Fiscal Stabilization Fund Program of the American Recovery and Reinvestment Act of 2009, as well as all other relevant federal rules and regulations regarding the use of federal funds;

(2) Will not use the funds for prohibited uses contained in the American Recovery and Reinvestment Act of 2009;

(3) Will mitigate tuition and fee increases for resident students in FY2010 and FY2011 to the extent possible; and

(4) Will actively participate in the successful implementation of and reporting from a P-16 longitudinal student data system, including storage of unique student identifiers in appropriate university databases, as well as actively participate in the successful implementation of a statewide e-transcript system, in compliance with the America COMPETES Act.

Funding for universities not willing to submit a signed application will be reallocated to universities submitting an application as a percentage of their prior enacted FY2009 appropriation levels.