

FEBRUARY PAYMENT INFORMATION

The February state school aid payment is the fifth regular payment of the 2010-2011 fiscal year. The payment will be electronically transferred to the districts' accounts on Tuesday, February, 22, 2010.

Updated categoricals - The following categoricals were updated in the February payment although the updates may not have affected the allocation amounts for all districts. If the allocation amount for your district has changed and you have questions concerning that change, contact the consultants identified below:

- Michigan School Readiness - Section 32d (Jan Fowler, Early Childhood Education and Family Services, (517) 241-4741, FowlerJ2@Michigan.gov)
- ISD Great Start - Section 32j (Colleen O'Connor, Early Childhood Education and Family Services, (517) 241-4291, OconnorC1@Michigan.gov)
- Bilingual Education – Section 41 (Linda Forward, Education Improvement and Innovation, (517) 373-8480, ForwardL@Michigan.gov)

EXECUTIVE BUDGET RECOMMENDATION FOR 2011-2012

On February 17, 2011, Governor Snyder's Executive Budget Recommendation for FY 2012 was presented to the legislature. The following are some highlights of the provisions of the K-12 budget portion of the Governor's proposal.

- **Foundation grants would be reduced \$470** per pupil from the FY 2010-2011 level---\$170 for the per pupil reduction currently in effect for FY 2010-2011 (\$267 million) and an additional amount of \$300 per pupil (\$452.5 million) to reflect available revenues. Unlike the per pupil reductions under Section 11d in recent years, the \$470 is an actual reduction to the per pupil foundation grants. The minimum foundation grant for FY 2011-2012 would go from \$7,316 to \$6,846 per pupil.
- The Executive Recommendation for FY 2011-2012 would reduce the **Section 81 ISD General Operations** 81 funding from \$65.4 million to \$62.1 million.
- To offset state funding reductions districts are encouraged to seek economies of scale for non-instructional services. It is estimated that a 10 percent **reduction in non-instructional costs** would yield \$300 million in savings statewide.
- The Executive Recommendation maintains \$309 million for the **Section 31a At-Risk** funding.
- The **Section 32d Great Start Readiness** funding would remain at \$89.4 and the **Section 321 Great Start Readiness Competitive** program would remain at \$8.9 for a total of \$98.3 million to fund programs for four year olds at \$3,400 per child. The **Great Start Early Childhood Investment Corporation Collaborative** grants would continue to be funded at \$6 million. The **Section 32j Great Start Great Parents ISD** funding of \$5 million is also maintained.
- **Section 61a Career and Technical Education Added Cost** funding would continue at \$26.6 million.
- Other programs that would continue for FY 2011-2012 at their FY 2010-2011 state funding levels include:
 - ISD Special Education Millage Equalization (Section 56) \$36.9 million;
 - ISD Vocational Education Millage Equalization (Section 62) \$9 million
 - Math/Science Centers (Section 99) \$2.6 million;
 - Bus Driver Safety (Section 74) \$2.8 million;
 - Adult Education (Section 107) \$22.0 million;
 - Adolescent Teen Health Centers (Section 31a) \$3.6 million;
 - School Lunch (Section 31d) \$22.5 million;
 - School Breakfast (Section 31f) \$9.6 million.
- Programs that would be eliminated for FY 2011-2012 include:
 - Declining Enrollment (Section 29) \$20.0 million;
 - Small Rural District Supplemental (Section 22d) \$2.0 million;
 - MBT Impact on Out-of-Formula Districts (Section 22e) \$1.3 million;
 - Bilingual Education (Section 41) \$2.8 million;
 - Special Education ISD Center Program FICA (Section 51a(8)) \$15.3 million.

The **three-year average blended pupil count** language in Section 6(4)(y) which applies to those districts with 4.5 or fewer pupils per square mile and a standard, current-year blend of less than 1,550 FTEs would be eliminated.

The estimated FY 2011-2012 **PSERS rate** would increase from 20.66% to 24.46% for those employed prior to July 1, 2010 and from 19.16% to 23.23% for those employed after July 2010.

The summary provided above should not be considered a complete description of the content of the executive proposal. Also, please be advised that changes are likely as the budget makes its way through the legislative process. Additional information and details on the executive budget proposal can be found at www.Michigan.gov/budget. Click on "Executive Budget Bills-State Education Funding Act."

PLANNING FOR THE 2011-2012 BUDGET

The Governor has proposed a number of funding cuts in the Executive Recommendation for 2010-2011 (see related item above). The most significant cut that impacts local districts is the additional \$300 reduction in per pupil funding. In addition, several categoricals, such as Declining Enrollment, and MBT Impact on Out of Formula Districts, etc., for 2011-2012 would be eliminated if the recommendations are eventually enacted. We encourage all districts, especially those in deficit or nearing deficit, to immediately begin planning for budget options that would adjust expenditures in order to avoid a general fund deficit or increasing an existing deficit.

SPECIAL EDUCATION COSTS UPDATED

The February payment was calculated with updated special education and special education transportation cost figures for most districts. The figures now being used are the costs reported for FY 2010. In addition to affecting the current year Section 51c - Special Education Headlee amount, this update may cause adjustments to the current year Section 22b - Discretionary Payment as well as causing prior year adjustments for FY 2010 Section 51c and possibly FY 2010 Section 22b. Questions concerning these changes may be directed to Dianne Easterling, (517) 241-1235 EasterlingD@Michigan.gov.

LONGITUDINAL DATA SYSTEM FUNDS

Section 94a of the State School Aid Act contains language that states if the Department receives notice that it has not been awarded a competitive grant from the federal incentive grant program known as the "Race to the Top" grant program then there is appropriated \$8.4 million to support the efforts of districts to match individual teacher and student records. The funds are to be distributed to districts in an amount and manner determined by the Center for Educational Performance and Information (CEPI). Since the Department did receive notice that Michigan has not been awarded a "Race to the Top" grant, it is our understanding that the funds will begin to be distributed with the March 2011 payment on a per pupil basis. More exact details will be in the March UPDATE.

DEFICIT DISTRICT UPDATE

Forty-three (43) Michigan school districts or public school academies ended the FY 2010 school year with a deficit balance in their general fund. Any district or academy in this condition must submit to the Department a detailed, board adopted plan for eliminating that deficit. That plan must be approved by the Department prior to March 1, 2011. Districts or academies with a general fund deficit as of June 30, 2010 that are not operating under a Department approved Deficit Elimination Plan by March 1, 2011 will experience a withholding of state school aid as required by Section 102 of the State School Aid Act (MCL 388.1702) until their plan has been approved by the Department. Questions concerning this item may be directed to Jeff Kolb at 517-373-1908 or KolbJ@Michigan.gov.

GENERAL INFORMATION

- March 16 is the deadline for ISDs to submit to the Center for Educational Performance and Information (CEPI) the Audited FTE Counts for the September 29, 2010 pupil membership count day.
- February 9 was the FY 2011 Supplemental count date. The Michigan Student Data System (MSDS) records for the Supplemental count date are due to the Center for Educational Performance and Information (CEPI) by March 16, 2011 and are to be certified by March 30, 2011.
- The proration factor for Section 29 Declining Enrollment is .0794377349.
- The proration factor for Section 31a – At Risk funding is \$357.379138677 per pupil.
- The proration factor for Section 56- Special Education Millage Equalization is .9802124733

Do you have questions about the information appearing in this UPDATE? Call the consultant identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: HanrahanD@Michigan.gov.