

STATE SCHOOL AID DATA UPDATED FOR APRIL

The April state school aid payment is the 7th regular payment of the year and reflects 63.63% of the year's allocation for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment. The payment will post at the districts' banks on Wednesday, April 20, 2016. The following categoricals were updated for the April payment:

- **Great Start Readiness** – Section 32d (Pat Sargent, Early Childhood Education and Family Services, 517-241-4741, SargentP@Michigan.gov).
- **Special Education** – Section 54 (Dianne Easterling, Special Education Office, 517-335-0459, EasterlingD@Michigan.gov).
- **School Breakfast** – Section 31f (Wendy Crowley, Office of School Support Services, 517- 373-0406, CrowleyC@Michigan.gov).

The **Pupil membership blends** have been updated with the audited counts reported to CEPI as of April 11, 2016.

SECTION 35A FUNDING

In addition to the above listed categorical funding, the allocations for State School Aid Sections 35a(4), 35a(5) and 35a(6) have been updated in the April payment. These updates correct the inadvertent processing issue that caused many of these Section 35a allocations to be zeroed out in the March payment. Districts that had Section 35a allocations zeroed out in March and the previous Section 35a funds taken back are receiving 63.63% of the allocation in April to make the district whole at this point. Questions related to the Section 35a funds should be directed to Sean Hennika, Office of School Improvement and Innovation, at 517-373-4231 or by e-mail at HennikaS1@Michigan.gov.

MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL CHANGE NOTICE #24

Change Notice #24 to the Michigan Public School Accounting Manual (Bulletin 1022) was distributed on January 7, 2016. Questions have been received regarding the effective date of the changes to the Accounting Manual as a result of this notice. While most of the changes were to account code definitions, the addition of Balance Sheet Major Class Code 594 for Net Pension Liability (GASB 68) amounts will be required to be used in districts' 2015-16 Financial Information Database (FID) submissions. Because this amount will be recorded in a Long-Term Liability Fund, districts can report this amount in one of two ways on the FID:

- Include data from Government-Wide Funds (91-99) in the uploaded Balance Sheet File, or
- Manually key the Net Pension Liability amount, along with other Capital Asset and Long-Term Liability amounts on the FID's District Data Entry Screen

Change Notice #24, along with the most updated version of the Accounting Manual can be accessed [here](http://www.michigan.gov/mde/0,1607,7-140-6530_6605-21321--,00.html) (http://www.michigan.gov/mde/0,1607,7-140-6530_6605-21321--,00.html). Questions related to the change notice or the FID should be directed to Christopher May, Office of State Aid and School Finance, at 517-335-1263 or by e-mail at MayC@michigan.gov.

FY 2015 SCHOOL AID SHORT TERM ADJUSTMENTS

As mentioned in the March UPDATE, the Department has completed its review of the 2014-2015 Days and Hours of Instruction Reports for most districts. As a result, some districts will see a school aid adjustment on their April State School Aid Financial Status Report for that year based on not meeting the required number of days or hours of instruction. The adjustments appear on the April State Aid Financial Status Report in the "Prior Year Adjustment" section on a line labeled "2015 Short Term." If you have any questions or concerns related to these adjustments, please contact Brian Ciloski, 517-373-3352, or CiloskiB@Michigan.gov.

EARLY WARNING UPDATE

Early Warning legislation was passed in July 2015, giving the Michigan Department of Treasury (Treasury) additional authority and responsibilities over financially struggling schools. Key elements of the legislation include:

- Schools with a General Fund balance of less than 5% of revenues in either of the two most recently completed fiscal years are required to submit their budgetary assumptions to CEPI. About 250 schools were required to submit their assumptions last year.
- Treasury must identify potential fiscal stress for all schools.
- Treasury may require an Enhanced Deficit Elimination Plan (EDEP) for many reasons, including persistently declining enrollment. When an EDEP is required, Treasury will conduct an on-site review.
- Schools that have been in deficit more than five years or that project to be in deficit more than five years are subject to a Preliminary Review, under PA 436.

Treasury has been developing the policies and procedures needed to implement the Early Warning legislation. Below is the current status of some key elements of the process.

- Schools with a General Fund balance of less than 5% of revenues in either 2012-13 or 2013-14 submitted their budgetary assumptions to CEPI. The calculation use total fund balance and unrestricted revenue.
- To identify schools with potential fiscal stress, Treasury developed a fiscal projection model which incorporates enrollment, revenues, expenditures, and fund balance. Using this model, they identified 75 schools as having a projected deficit within the current fiscal year or the following two school fiscal years. All 75 schools had an opportunity to submit a viable corrective action plan to justify changes made in their current fiscal trajectory. Treasury has declared potential fiscal stress in 19 of the 75 schools. Those 19 schools (13 LEAs and 6 PSAs) have chosen to work with their ISD on an administrative review or report financial information to Treasury in an agreed upon format.

If you have not been contacted by Treasury, it is unlikely you will hear from them in the 2015-16 school year. However, it is important to remember that this is an evolving process. The Early Warning list is fluid, meaning schools can be added or removed as financial circumstances change.

INDIRECT COSTS

Current indirect cost rate information is available [here](http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--,00.html) (http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--,00.html). The new rate information includes Special Education rates for 2015-2016 and preliminary rate information for 2016-2017. Form R0418A, *Costs for the Development of 2016-2017 Federal Indirect Cost Rates* details the cost data used to calculate preliminary indirect cost rates. Form R0418, *Carry Forward Calculation for 2016-2017 Federal Indirect Cost Rates* shows the results of the preliminary calculation. Form DS-4513 allows the district to edit preliminary cost information to reflect more accurate indirect cost rates. If you have any questions or comments, please contact Phil Boone at 517-335-4059 or BooneP2@Michigan.gov.

APRIL 2016 MSBO CONFERENCE

Office of State Aid and School Finance staff will be attending and presenting at the annual MSBO conference in Grand Rapids at various times April 26, 2016 through April 28, 2016. We look forward to seeing you there. Feel free to catch up to us with any questions or concerns.

GENERAL INFORMATION

- The 4th quarterly count date for **Adult Education** program participants is the 4th Wednesday in April, **April 27, 2016**.
- The proration factor for Section 31a-At Risk funding is \$186.447024374 per pupil.
- The Headlee Obligation for Data Collection funds are paid at a rate of \$25.1808209302 per pupil.
- The Section 22d(4) Isolated District funds are paid at a rate of \$44.1725301866 per pupil.