

FEBRUARY PAYMENT INFORMATION

The payment will be electronically transferred to districts' accounts on Tuesday, February 20, 2018.

EXECUTIVE BUDGET RECOMMENDATION FOR 2018-2019 SCHOOL AID

On February 7, 2018, Governor Snyder's Executive Budget Recommendation for FY 2019 and FY 2020 was presented to the legislature. The following are some highlights of the provisions of the K-12 budget portion of the Governor's proposal.

- The per pupil **Foundation Grants for FY 2019** would increase based on the 2X formula, ranging from \$120 to \$240. Under this plan, the minimum foundation for FY 2019 will be \$7,871 and the basic (maximum state guaranteed) foundation will be \$8,409 per pupil.
- The executive budget maintains \$11 million for additional \$25 per pupil payments for students in grades 9 to 12, in recognition of the higher educational costs of educating **high school pupils**.
- This budget recommendation recognizes the varying costs of different educational settings. **Cyber schools** of excellence would be funded at 75% of the per pupil foundation to reflect lower facility, maintenance, and transportation expenses. This reduction would put Michigan in line with cyber school funding levels of nearby states.
- Since FY 2013, the cost of **non-core education programs** operated at public schools for private, home-schooled, and nonpublic students has increased by \$77 million to nearly \$135 million in FY 2018. This recommendation limits participation in these programs to grades 1 to 12 and caps per pupil payments for these programs at 5% of the district's public school membership.
- The executive recommendation maintains the **Section 31a At Risk** appropriation at \$499 million. Districts must continue implementing multi-tiered systems of support (MTSS) that provide students of differing academic needs with varying levels of intervention, using data to inform instructional needs. Districts will have three years to improve 3rd grade English language arts proficiency and 8th grade mathematics proficiency for economically disadvantaged pupils and English language learners. Districts failing to meet these metrics would be required to collaborate with the ISD, community organizations, and others to recommend operational changes.
- The Executive Recommendation for FY 2019 would maintain the **Section 81 Intermediate School District (ISD) General Operations** at \$67.1 million.
- Total state payments related to **MPSERS Retirement Contributions** would be \$1.2 billion under the Executive Recommendation. The Governor's budget includes the second of a 2-year phase-in to reduce the assumed rate of return on investment from 8% to 7.5%. Funding is being included to pay for both the increase in the UAL costs, as well as the increase in the normal costs.

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 on the [State Budget Office website](#). Click on "Executive Budget Bill - Education" towards the bottom of the page.

Accounting Guidance for Public Act 75 3% MPSERS Refunds

On December 20, 2017, the Michigan Supreme Court affirmed the ruling that Public Act 75 of 2010 was unconstitutional, and that funds collected pursuant to that act before the effective date of Public Act 300 of 2012 must be refunded to affected school district employees. The majority of these refunds were paid out to districts on January 22, 2018, separate from January State School Aid payments.

The following journal entries are recommended to be used for recording the 3% refund plus interest amount when received and paid out to employees:

To record receipt of PA 75 refunds due to employees
Debit Balance Sheet Cash: 11-101-0000
Credit Balance Sheet Other Current Liabilities: 11-491-0000

To record payment of PA 75 refunds due to employees
Debit Balance Sheet Other Current Liabilities: 11-491-0000
Credit Balance Sheet Cash: 11-101-0000

For districts that did not pay employer FICA taxes at the time of withholding, and need to record those expenditures now, we recommend those be allocated across as many major function codes as practical. However, these expenditures should not be allocated to federal grant programs.

The Michigan Department of Education is unable to provide guidance on specific taxation requirements pertaining to these funds and recommends districts work with their auditor and/or legal counsel to ensure proper taxation and withholding of employer and employee taxes.

Questions regarding the accounting for these refunds may be directed to Christopher May at 517-335-1263, or MayC@michigan.gov.

BULLETINS 1011 AND 1014

The Office of State Aid and School Finance has completed a review of the 2016-17 Financial Information Database (FID) data submitted by each Michigan public school district in accordance with MCL 388.1618(5). These data have been compiled and published in the 2016-17 Bulletin 1011- Analysis of Michigan Public School Districts Revenue and Expenditures and the 2016-17 Bulletin 1014- Michigan Public School Districts Ranked by Select Financial Data. The Bulletin 1014 contains various pieces of financial information about Michigan public schools including revenue and expenditure per pupil. It also includes the fall pupil count, average teacher salary, and taxable value information. The Bulletin 1011 is a financial report that groups districts by size of pupil membership. It contains various pieces of financial information about groups of Michigan Public Schools including balance sheet, revenue and expenditure data. It also includes the fall pupil count and average teacher salary for those groups. Questions related to the Bulletins may be directed to Christopher May at 517-335-1263 or MayC@michigan.gov.

MICHIGAN PUBLIC SCHOOL ACCOUNTING CHANGE NOTICE #26

An update to the Michigan Public School Accounting Manual was distributed on December 7, 2017. The changes listed in the notice are to be implemented for the 2018-19 fiscal year. These changes have been incorporated into the manual, which is available on the [Department's website](#). Questions related to the change notice should be directed to Christopher May at 517-335-1263 or MayC@michigan.gov.

KINDERGARTEN EARLY ENROLLMENT

Section 1147 of the Revised School Code continues to allow parents to notify a district of an early kindergarten enrollment if their child will be 5 years of age by December 1 of the school year. Barring a legislative change, a parent's ability to notify a district of an early enrollment in kindergarten will continue in perpetuity. This should not be confused with the transition of the "5 by" deadline for [Great Start Readiness Programs](#) (GSRP).

DAYS, HOURS OF INSTRUCTION, AND 75% ATTENDANCE REPORTING

The legislatively mandated days, hours, and 75% attendance reporting requirements changed during the 2016-17 school year. The system capturing this information was retooled for that school year, narrowing the focus to capturing a limited amount of information for districts that are compliant with the Days, Hours, and Attendance requirements. If a district had a shortfall in meeting one of the requirements, detailed information must be reported through the state reporting system. The responsibility to review and certify district reports as accurate remains a function of the pupil membership auditors. To certify the accuracy of the information, districts will be required to provide documentation of the degree to which they satisfied each of the requirements to the pupil membership auditor. If your district does not already have a method for the capture of this information, contact your pupil membership auditor for the preferred mechanism of capturing this information. If the auditor does not have a preferred method for capturing this information, the Department has prepared [a tool for the purpose](#).

GENERAL INFORMATION

- March 21 is the deadline for ISDs to submit to the Center for Educational Performance and Information the Audited FTE Counts for the October 4, 2017 Pupil Membership Count Day.
- February 14 was the FY 2018 Supplemental count date. The Michigan Student Data System (MSDS) records for the Supplemental count date are due to the Center by March 21, 2018 and are to be certified by March 28, 2018.
- The proration factor for Section 31a – At Risk funding is 88.03454864%.
- The Section 22d(4) funds are being paid at \$45.7393408566 per pupil.
- The Headlee Obligation for Data Collection funds are being paid at a rate of \$25.3791733857 per pupil.

*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Phil Boone, State Aid and School Finance, MDE**, phone: **517-335-4059**, fax: **517-241-0196**, e-mail: BooneP2@Michigan.gov