

**JANUARY 11, 2018 REVENUE ESTIMATING CONFERENCE**

A revenue estimating conference was held on January 11, 2018 to update revenue projections for fiscal year (FY) 2018, FY 2019, and to make initial projections for FY 2020. FY 2018 revenue projections for both the general fund and the state school aid fund were revised at the conference. The general fund projection was revised downward by \$100.9 million and the school aid fund projection was revised upward by \$114 million. For detailed information on the January revenue estimating conference, go to the [House of Representative Fiscal Agency website](#) or [Senate Fiscal Agency website](#) following the conference by visiting the following links: <http://www.house.michigan.gov/hfa> or <http://www.senate.michigan.gov/sfa>.

**GOVERNOR'S FY2019 STATE BUDGET**

While no one can say for certain at this time what the revenue consensus from the above referenced conference may mean for future state school aid budgets, one indication will come when the Governor unveils his proposed budget for FY 2019 in February. Of course, the budget cycle will then run its full course through the legislative process before enactment in appropriation bills. Also, the Governor's State of the State address is scheduled for January 23, 2017 which can always include education news.

**JANUARY PAYMENT INFORMATION**

The January state school aid payment is the fourth regular payment of the 2018 fiscal year. The payment will be electronically transferred to the districts' accounts on Monday, January 22, 2017.

**Taxable value** - The January payment continues to use the beginning 2017 tax roll non-homestead taxable value data, as provided by the county treasurers via the web based taxable valuation collection process. These data can be viewed by school district personnel on the [Department's Taxable Value Management System](#) website (<https://mdoe.state.mi.us/TVS/Menu>)

To view your data, click on "Public Access," and then choose your district code and the appropriate tax year from the drop-down menus.

**Updated categoricals** - The following categoricals were updated in the January 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:

- High School Pupil Supports - Section 22n, (Brian Ciloski - State Aid and School Finance, 517-373-3352, [CiloskiB@Michigan.gov](mailto:CiloskiB@Michigan.gov))
- Skilled Trades Initiative – Section 61c, (Joan Church – Career and Technical Education, 517-335-0360, [ChurchJ@Michigan.gov](mailto:ChurchJ@Michigan.gov))
- FIRST Robotics – Section 99h, (Amanda Stoel – P20 System and Student Transitions, 517-241-3629, [StoelA@Michigan.gov](mailto:StoelA@Michigan.gov))
- Vocational Education Admin. – Section 61a(2), (Joanne Mahony – Career and Technical Education, 517-335-0405, [MahonyJ@Michigan.gov](mailto:MahonyJ@Michigan.gov))
- Financial Analytical Tools – Section 102d, (Jeff Kolb - State Aid and School Finance 517-335-1908, [KolbJ2@Michigan.gov](mailto:KolbJ2@Michigan.gov))

**SECTION 102D SCHOOL DATA ANALYTICAL TOOL FUNDING IN JANUARY PAYMENT**

Section 102d of the State School Aid Act provides \$1.5 million in FY 2018 to reimburse school districts for the licensing of school data analytical tools. These funds have been included in the January payment. Districts that qualified will see reimbursement in the "Current Year Allowance"

section of the State School Aid Financial Status Report on a line labeled "102d Financial Analytic Tools." Language in Section 102d for FY 2018 limits the reimbursement to one-

half of the costs of the contracts. Any funds remaining after the calculation and payment will be distributed on an equal per-pupil basis, with an intermediate district's pupils considered to be the sum of the pupil memberships of the constituent districts for which the intermediate district is purchasing the financial data analytical tool. The contract must cover the fiscal year of the appropriation (October 1, 2017 through September 30, 2018) or the reimbursement will be prorated. However, contracts entered after October 1, 2017 and before December 1, 2017 have not been prorated if they run for a full year. Questions related to this item may be directed to Jeff Kolb, Office of State Aid and School Finance, 517-373-1908 or [KolbJ2@Michigan.gov](mailto:KolbJ2@Michigan.gov)

### **PUBLIC ACT 75 AND 3% HEALTHCARE CONTRIBUTIONS REFUNDS**

The Supreme Court has ruled that PA 75 of 2010, which was in effect from July 2010 until September 2012 and mandated that members contribute 3% of their compensation to the Retiree Healthcare Fund, is unconstitutional and that member contributions (which were being held in escrow) shall be refunded to members. Districts will receive a separate payment reflecting the sum of these refund amounts (including interest) due to employees on January 22<sup>nd</sup>. The Office of Retirement Services (ORS) has provided districts with employee-level information regarding these refunds, and will also be communicating to employees expected refund amounts in the near future. The latest information on these refunds can be found at <http://www.michigan.gov/orsschools/>. Refund amounts by district can be viewed at [http://www.michigan.gov/documents/mde/Copy\\_of\\_OR3PercentRefund\\_611635\\_7.pdf](http://www.michigan.gov/documents/mde/Copy_of_OR3PercentRefund_611635_7.pdf).

Conversations are ongoing regarding the proper accounting of these funds and how various taxation methods applied at time of withholding will affect this. This guidance will be communicated by MDE when it becomes available.

### **SECTION 147c(2) ACCOUNTING GUIDANCE**

Effective October 1, 2017, the legislature amended Section 147c to include a one-time distribution to districts (Section 147c(2)) to pre-pay the final two years of pension liability related to the operation of Section 81b of the Public School Employees Retirement Act (MCL 38.1381b).

We recommend that districts **not** allocate charges related to Section 147c(2) funding to federal grant programs. Section 147c(1) funds may continue to be charged uniformly across all employees (as previously advised by Department legal counsel).

This approach is consistent with federal regulations which permit annual pension costs to be charged to federal funds only as authorized in established state policies (2 CFR 200.431(g)). Michigan-established policies generally authorize districts to charge pension costs across federal and state funding sources in accordance with the Office of Retirement Services' (ORS) published contribution rate. Here, state law prevents ORS from including Section 147c(2) funding in the ORS-prepared contribution rate used by districts to charge pension costs. In addition, the Section 147c(2) funds represent a one-time pre-payment of liability, rather than being part of the Annual Required Contribution typically included in the established rate. For these reasons, allocating Section 147c(2) costs to federal funds is inconsistent with established federal and state requirements on pension allocations.

Section 147a(2) funds may continue to be accounted for the same as Section 147a(1) funds. The purpose of funds under this subsection is to offset district retirement costs and are not remitted back to the Office of Retirement Services.

Questions regarding the accounting for Section 147c(2) funds may be directed to Christopher May at 517-335-1263, or [MayC@michigan.gov](mailto:MayC@michigan.gov).

### **SUPPLEMENTAL COUNT DAY**

The second count date of the school year, February 14, 2018, is quickly approaching. As a courtesy to the field, the Department would like to remind all districts that for schools must be open and scheduled for regular instruction on each count day prescribed in legislation. Only a district that is not in session on that day due to conditions not within the control of school authorities will be allowed to use the immediately following day on which the district is in session may be used for count purposes, and only if the district requested and received written approval from the Department for the alternate count date. If your district was closed on count day due to unforeseen conditions, please use the following form to request an alternate count date: <https://fs10.formsite.com/SASF/form8/index.html>.

### **SECTION 101 – SCHOOL DAY CANCELLATIONS AND FORGIVEN TIME**

Section 101 of the State School Aid Act (MCL 388.1701) remains the same as FY 2017 with regard to the cancellation of instructional time. The language continues to grant districts six (6) days and/or the equivalent number of hours to use toward cancellations that occur due to conditions beyond the control of school authorities, commonly referred to as “forgiven time” or “snow days.” Language remains that grants the State Superintendent the authority to grant up to three (3) additional days or equivalent hours cancelled as instruction, provided the cancellation is due to unusual and extenuating circumstances resulting from conditions not within the control of school authorities. Districts must provide strong rationale supporting why these days cannot be rescheduled before the end of the school year. Applications for additional forgiven time will be accepted through the [online form](https://fs10.formsite.com/SASF/form9/index.html) (<https://fs10.formsite.com/SASF/form9/index.html>). Questions regarding this item should be directed to Jessica Beagle at [BeagleJ1@Michigan.gov](mailto:BeagleJ1@Michigan.gov) or 517-241-6435.

### **IMPORTANT DATES TO REMEMBER**

- **February 1** is the due date for districts and ISDs to report to the local health department the **immunization status** of each new pupil in grades K-12 who enrolled in the district or ISD for the first time during the immediately preceding calendar year and all 6<sup>th</sup> graders, pursuant to State School Aid Act Section 167. (Helpdesk – 888-243-6652)
- **February 14** is the **supplemental count day** for all districts, ISDs, and PSAs and the 3<sup>rd</sup> quarterly count date for adult education participants.

### **GENERAL INFORMATION**

- The proration factor for the Section 31a - At Risk funds is 88.25824376%.
- The Section 22d(4) funds are being paid at \$45.317222371 per pupil.
- The Headlee Obligation for Data Collection funds are being paid at \$25.3860531567 per pupil.

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