

STATE SCHOOL AID UPDATE

Michigan Department of Education



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OCTOBER 20 PAYMENT IS THE FIRST INSTALLMENT FOR FY2011

The first in the 11-payment schedule of school aid payments for FY 2010 is being made on Wednesday, October 20. The payment reflects foundation grants equal to the FY 2010 foundation grants. Following immediately below are the data, estimates and assumptions used specifically for the October payment.

Taxable value figures used in the calculation of the Section 20 and Section 22a state per pupil amounts are the initial tax year 2010 figures provided by the county treasurers via the web based reporting system. These data can be viewed by school district personnel on the Department's website. The URL is <http://mdoe.state.mi.us/taxablevalue>. To view your data click on "Public Access," and then choose your district code and the applicable tax year from the drop down menu. **Questions concerning the taxable value figures should first be directed to the appropriate county treasurer.**

The **membership blend** used to calculate the October payment is an **estimate**. For traditional public school districts and intermediate districts, the figure used in place of the September 29, 2010 pupil count (which has not yet been received) is the September 30, 2009 count. For first and second year public school academies, a preliminary pupil count is being used which was reported on the form DS-4898. These estimates will be replaced by the actual (unaudited) counts, due to the Center for Education Performance and Information (CEPI) by November 3, 2010 and required to be certified by November 17, 2010. Questions concerning **membership** should be directed to Joellen Wonsey in the Office of State Aid and School Finance at (517) 373-3352 or WonseyJ@michigan.gov.

A few **categoricals** have been "rolled over" for the October payment, meaning that the beginning FY 2011 allowance amounts are identical to the amounts awarded in FY 2010. These amounts may be refined and adjusted as the payment year progresses. **"Rolled over" categoricals** include: Court Placed Pupils (24), ISD Center Program FICA & Retirement (51a(8)), and Special Education Added Cost (53a). **Categoricals with updated allocation amounts** include: Renaissance Zones (26a), School Lunch (31d), Great Start Readiness Program (32d), Special Education Rules Changes (51a(6)), Vocational Education Added Cost (61a), ISD General Operation Funds (81) (80% of FY 2009 allocation), Math Science (99) and Adult Education (107). The FY 2011 **Adult Education** (107) capped allowances have been calculated and paid out in the October payment. Those districts that notified the Department of Labor and Economic Growth (DLEG) that the district intends to continue to operate its individual program or the district intends to continue to operate as the fiscal agent for a consortium will receive funding in the October payment. Questions about Adult Education program funding should be directed to Sandy Thelen in the Adult Education Office at the Department of Labor and Economic Growth at (517) 373-3395 or ThelenS@Michigan.gov.

Prior Year Adjustments in the October payment include Section 61a Vocational Education Added Cost (FY 2009), and the restoration of FY 2010 deductions in At-Risk (31a) for districts whose FY 2010 annual reports were received by September 30. Please note that, in general, prior year adjustments are made at 100% when they first appear rather than in "installments" spread over the payment year. **Note:** The prior year adjustment on eligible ISD October 2010 status reports labeled "56 2010 Sped. ED I.S.D. Allowance" corrects the FY 2010 funding. However, eligible ISDs will see another FY 2010 adjustment for the same amount labeled, "81 ISD General Formula" **that is incorrect and will be zeroed out in the November payment.**

GENERAL INFORMATION REGARDING FY 2011 SCHOOL AID

The **per-pupil foundation grants** for FY 2011 are equal to the foundation grants for FY 2010. An appropriation amount established by the Legislature to pay "Hold Harmless" districts fifty (50) percent of the Section 20j per pupil amount was vetoed by the Governor.

The **Section 22a Proposal A** state amount per pupil is calculated as the district's FY 1995 foundation allowance minus the FY 2011 local revenue per pupil. The denominator used for the local revenue is the total state aid membership (both general education and special education pupils).

The local revenue per pupil is now printed on the State Aid Financial Status Report as revised last year. The Section 22a per pupil amount is multiplied by the district's total FY 2011 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2011 special education instructional costs multiplied by .286138 plus the district's special education transportation costs multiplied by .704165. Keep in mind that **prior year cost numbers are used as estimates** until actual cost figures are obtained, at which time adjustments are made.

Continuing the payment mechanism that began in FY 2001, rather than making foundation allowance and special education payments under Section 20, and 51a, the amounts calculated under those sections determine the payment amounts under Section 22b. After making payments under Section 22a and 51c, the **Section 22b Discretionary Payment** is paid, which is equal to the sum of the amounts calculated under Sections 20, 51a(2), 51a(3), and 51a(12) minus the amounts paid in 22a and 51c. The formulas used in the calculations under 20, 51a(2), 51a(3), 51a(12) have not changed for FY 2011.

The **membership blend** for FY 2011 is **25%** of the February 10, 2010 supplemental count and **75%** of the September 29, 2010 pupil count, with the same exceptions for PSAs in their 1st or 2nd year (50%-50% blend of the two *current year counts*) and for districts with a new grade level(s) (50%-50% current year blend *for pupils in the new grade level(s)*) as we have had in the past. Language remains in Section 6(4)(y) which allows for a three-year average blend for declining enrollment districts, but only for those with 4.5 or fewer pupils per square mile. If a district with 4.5 or fewer pupils per square mile would have a membership blend of less than 1,550 FTEs using the 25%-75% approach, that figure is replaced by the average of the current and two immediately preceding year blends if the average provides a greater number. However, districts receiving funding under **Section 22d** for payments to small, geographically isolated districts are not eligible for the three-year average membership. **The formula for calculating the three year average blend is a straight average of the 25%-75% FY2011, 2010 and FY2009 blends as opposed to using any prior year three-year average blends in the calculation.** Language in Section 6(4)(y) continues which allows a district educating pupils in grades 9 to 12 who reside in a contiguous district that does not operate grades 9 to 12 to request that the Department use the square mileage of both districts in determining the number of pupils per square mile. **NOTE:** Eligibility will be determined automatically as a part of the payment calculation. A listing of the square mile area of all districts is on the MDE web site at http://www.michigan.gov/documents/squaremiles_11742_7.pdf. **Declining Enrollment (Section 29)** categorical funding continues that allocates \$20 million to districts that are not eligible for the three-year average blend under Section 6(4)(y) or the geographically isolated district funding under Section 22d. To receive Section 29 funding, districts must have a decline in membership from FY 2009 to FY 2010 and a decline in membership from FY 2010 to FY 2011. The payment will be based on the difference between a three-year average blend and the regular blended membership times the district's foundation. However, it is expected that this categorical funding will be prorated significantly as the \$20 million appropriation is considerably less than the statewide eligibility. No application is necessary. Eligibility will be determined by the Department based on data submitted to the CEPI.

As in FY 2010, Language in **Section 11d** states that for FY 2011 there shall be a deduction of \$154 per pupil from the state school aid otherwise allocated to each district under the act. Districts that entered into an agreement with the Department, not later than February 1, 2010, to develop a service consolidation plan to reduce school operating costs may apply the \$154 per pupil deduction to any funding received under the State School Aid Act with the exception of funding under 11g (Durant Bond), 22a (Proposal A Obligation), 31d (School Lunch), 32d Great Start School Readiness, 51a(12) (Special Education Foundations), 51c (Special Education Headlee), and 53a (Special Education Added Costs) which are considered to be "protected." Districts that did not agree, by February 1, 2010 to develop the service consolidation plan must apply the deduction first against their Section 22b Discretionary Payment funds. Under no circumstances can any district apply the reduction against any of the protected funds mentioned above. The \$154 per pupil reduction is labeled "11d LEA Pupil Deduct" on the October State School Aid Financial Status Report.

Federal State Fiscal Stabilization Funds (\$184,256,600) are appropriated in Section 22b to offset a shortfall in the Section 22b Discretionary Payment funding. That offset is labeled "22b Discretionary Pmt Adj*" on the October 2010 State School Aid Financial Status Report. For most

districts, the amount of this adjustment is equal to \$116.14 per pupil. As in prior years, the State Fiscal Stabilization Funds are available for reimbursement through the Cash Management System.

The **instructional time requirement** for FY 2011 remains at 1,098 hours. In addition, for the first time since FY 2004, there is a requirement to be in session a minimum number of days. Language in Section 101(3) of the state School Aid Act requires a minimum of 165 days in FY 2011 **but no fewer days than the district provided in FY 2010**. The requirement will go to a minimum of 170 in FY 2013 but not fewer than in FY 2010. Districts may continue to count up to 38 hours of professional development as instructional time; however, new (FY 2010) language in Section 101(10) that would have required districts to provide a minimum of 5 hours of online professional development in order to count up to 38 hours of professional development time as pupil instruction has been removed. Online professional development is now encouraged, but not required. Districts that had a collective bargaining agreement in place prior to August 15, 2006 which provided for more than 38 hours but not more than 51 hours may count additional hours not to exceed 51 in total until the expiration of the agreement. The professional development time must be focused on achieving or improving adequate yearly progress or be used for accreditation purposes, achieving highly qualified teacher status under No Child Left Behind, or maintaining teacher certification. Exceptions to the 1,098 hours requirement include:

- *kindergarten pupils*, who are required to be provided 549 hours;
- *pupils with study halls*, who are required to be provided 1,188 hours; and
- *high school pupils with an approved reduced schedule*, who are required to be provided 878.4 hours (823.5 hours for those reduced schedule pupils in a "4-block" program).

Also, up to 3 hours per week of *travel time between instructional sites* can be counted as instructional time for certain pupils; additional travel time may be waived by the Department under certain circumstances. (Joellen Wonsey, (517) 373-3352 or WonseyJ@Michigan.gov)

The payment schedule continues to provide state school aid payments on the 20th of each month from October through August at 1/11th of the annualized amount being paid on each of those dates. When the 20th of the month falls on a non-business day, the payment will be made on the **immediately subsequent business day**. The July and August payments must be accrued to the immediately preceding school fiscal year. The FY 2011 payment dates will be on the 20th of each month except for the following dates: Monday, November 22, 2010, Tuesday, February 22, 2011, Monday, March 21, 2011, and Monday, August 22, 2011. In addition, payments on behalf of *Durant* non-plaintiffs will be made on Monday, May 16, 2011.

To see the FY 2011 school aid budget amendments in their entirety and a more detailed analysis go to www.Michiganlegislature.org and key in 1163 when prompted for a bill number.

HOUSE BILL 5872 ENACTED WITH VETOES

Enrolled House Bill was signed by the Governor on October 11 and enacted as P.A 205 of 2010. The bill authorizes expenditure of Michigan's share of the federal Education Jobs Fund (see related item directly below). However, the Governor vetoed Subsection 11p(2) of the bill which appropriates \$246 million to be distributed on a per pupil basis. In her veto letter, the Governor explained that the reason for the veto is that the United States Department of Education has indicated that the method of allocating the funds in Section 11p(2) of the bill is inconsistent with the federal requirements. The veto letter includes language indicating that the Governor looks forward to working with the legislature to enact a new appropriation of the \$246 million that is consistent with the federal legislation. Section 11p(3) allocates an amount not to exceed \$65,700,300 for additional funds to districts and public school academies based on the primary (2x) funding formula assuming an increase in the basic foundation of \$23. Under the 2x formula, a district at the minimum foundation (\$7,316 for FY 2011) allowance level receives an allocation equal to twice the amount received by a district at or above the basic foundation (\$8,489) with districts in between receiving an allocation between the lowest and the highest. Each district's or public school academy's allocation under Section 11d(3) is an amount equal to the difference between what their foundation grant is calculated to be under the 2x formula and what their foundation for FY 2011 actually is times the pupil count used to calculate the October payment. The 2x formula to be used is as follows:

FY 2010 Foundation + \$46 – [\$15 x (FY 2010 Foundation – \$7,316)/\$1,196] or \$8,512 whichever is less.

The maximum foundation for a public school academy under this calculation is \$7,623.

Section 11p(4) allocates \$4,500,000 to provide a one time allocation for FY 2011 to each intermediate school district in an amount equal to the product of 6.9% times the intermediate school district's Section 81 funding for FY 2011.

The Education Jobs Program funds allocated pursuant to the language in Section 11p will be **distributed via the Department's Cash Management System**. As the Education Jobs Program funds are federal **they will not be distributed in the state school aid payments**. The foundation grants calculated using the 2x formula above are for purposes of calculating a district's allocation under the federal Education Jobs Program only and **do not affect the district's actual foundation grant for purposes of state school aid**.

EDUCATION JOBS APPLICATION AND REPORTING

A school district that has submitted an ARRA State Fiscal Stabilization Fund application does not need to submit an application for the Education Jobs Fund program. Intermediate school districts do need to apply for the Education Jobs Program funds (see MDE Official Communication at http://www.michigan.gov/documents/mde/isd_ed_jobs_335386_7.pdf). All eligible Education Jobs Program grantees will need to complete a certification in MEGS stating that the district understands the applicable assurances, certifications and allowable use of funds. ARRA Section 1512 reporting is required for all districts accepting any ARRA funds. The report will also be required for the new Education Jobs Fund awards. The next due date for ARRA Section 1512 quarterly reporting is January 5, 2011. It is important that districts submit the report on time so the Department can meet its legislated deadline to submit the information to the federal government. Important information about the Education Jobs Fund program can be found at <http://www.michigan.gov/mde/0,1607,7-140-5236-244541--,00.html>. **The accounting for the Education Jobs Program funds is:** Restricted Federal Revenue 414-0230, Expenditure State Code 646.

FINANCIAL INFORMATION DATABASE (FID) REMINDER

All public schools that received state school aid during FY 2010 are required to electronically submit their financial data to the Financial Information Database (FID) by November 15, 2010. Questions related to the financial data required in this submission may be directed to Glenda Rader at (517) 335-0524 or e-mail at RaderG@Michigan.gov.

At least one staff member must be designated by each district and public school academy to submit data via the FID application. To become authorized, this individual must download and complete a security agreement. The authorization does not have to be renewed each year. To locate the agreement, go to www.Michigan.gov/CEPI, click on "MEIS Data Services" from the left-side navigation bar, and then on "Financial Information Database." In the pink box titled "Upload FID Data to CEPI," click on the "FID Security Agreements" link. Questions related to accessing the system or submission of data to the FID may be directed to the DIT Client Service Center by e-mail Help-Desk@Michigan.gov or phone (517) 335-0505.

GENERAL INFORMATION

- Districts are required to report by **November 1** to the local health department the **immunization status** of all pupils in grades K-12 who enrolled in the district or ISD for the first time between January 1 and September 30, 2010. (Patty Lawless, (517) 373-1122 or LawlessP@Michigan.gov).
- The **FY 2011 Michigan Student Data System (MSDS) Records (including State Aid FTE Counts)** for the September 29, 2010 count date are to be submitted to the Center for Educational Performance Information by November 3, 2010 and certified by November 17, 2010. (CEPI (517) 335-0505 (option 3) or CEPI@Michigan.gov).
- **November 1** is the deadline for local district (including PSAs) to file their **FY 2010 financial audit reports** with the ISDs. The **financial and pupil accounting audit reports** are due **November 15** from the ISDs to the Department. (Kathy Weller, (517) 335-6858 or WellerK@Michigan.gov).
- **Proration factors:** Section 31a – At Risk \$352.693650495, Section 29 - Declining Enrollment .1524733556

Do you have questions above the information appearing in this [Update](#)? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone : (517) 335-0421 fax (517) 241-0196, e-mail HanrahanD@Michigan.gov.