

STATE SCHOOL AID UPDATE

Michigan Department of Education



October 2013

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OCTOBER 21, 2013 PAYMENT IS THE FIRST INSTALLMENT FOR FY2014

The first in the 11-payment schedule of school aid payments for FY 2014 is being made on Monday, October 21, 2013. The payment reflects foundation grants that represent increases of between \$30 and \$60 per pupil based on the 2X formulas (see related item below). 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 2013 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 <https://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, most public school academies, and intermediate districts, the figure used in place of the October 2, 2013 pupil count (which has not yet been received) is the October 3, 2012 count. As an estimate of the February 12, 2014 count, the Department is using the February 13, 2013 count (see related item below). For first 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 6, 2013 and required to be certified by November 13, 2013. Questions related to the membership blend used in the October payment should be directed to Brian Ciloski, Office of State Aid and School Finance, (517) 373-3352 or e-mail at CiloskiB@Michigan.gov.

Categoricals with updated allocation amounts include: School Lunch (31d), Great Start Readiness Program (32d), Early Childhood Block Grant (32p), Special Education Rules Changes (51a(6)), Vocational Education Added Cost (61a), ISD General Operation Funds (81), Court Placed Children (24), Special Education (53) and Adult Education (107). The Department of Treasury has updated the Renaissance Zone (26a) funds. The Workforce Development Agency has updated the Adult Education (107) funds. Those districts that notified the Workforce Development Agency 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.

Section 107

Final 2012-13 Section 107 (adult education) prior year adjustments are included in the October 2013 state aid payment, as applicable. Prior year adjustments include additional funding for serving excess FTEs (107.1 ADULT EDUCATION PARTICIPANTS) and funding deductions for not meeting performance objectives (107 ADULT ED COMPLIANCE). Questions or concerns may be directed to Sandy Thelen, Office of Adult Education (ThelenS@Michigan.gov or 517-373-3395).

GENERAL INFORMATION REGARDING FY 2014 SCHOOL AID

The **FY 2014 foundation allowance** for a district that had a FY 2013 foundation allowance of \$6,966 is \$7,026 (\$6,966 + (2 x \$30)). The FY 2014 foundation allowance for a district that had a FY 2013 foundation between \$6,966 and \$8,019 will be based on a formula as follows:

FY 2013 Foundation + \$60 – [\$20 x (FY 2013 Foundation – \$6,966)/\$1,083] or \$8,049 whichever is less.

Districts with a FY 2013 foundation allowance of \$8,019 or more will have a FY 2014 foundation allowance equal to their FY 2013 foundation allowance plus \$30.

In addition to the per pupil foundation funds, districts with a FY 2014 foundation grant less than \$7,076 per pupil will receive a **Section 22c Equity Payment** equal to \$7,076 minus the district's FY 2014 foundation grant. Those funds appear in the "Current Year Allowance Section" of the State School Aid Financial Status Report on a line labeled "22c Foundation Equity Payment."

The **Section 22a Proposal A** state amount per pupil is calculated as the district's FY 1995 foundation allowance minus the FY 2014 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 used in the calculation is printed on the State Aid Financial Status Report.** The Section 22a per pupil amount is multiplied by the district's total FY 2014 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2014 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 Sections 20, and 51a, the amounts calculated under those sections determine the payment amounts under Section 22b. After making payments under Sections 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), and 51a(12) have not changed for FY 2014.

The **membership blend** formula has been changed for FY 2014. The formula no longer is 90% of the October count and 10% of the **prior** February count. The current formula is 90% of the October count and 10% of the **subsequent** February count. As in the past, there are 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)*). 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 90%-10% 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(2)** 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 10%-90% blend for FY 2012 and FY 2013, and the 90%-10% blend for FY 2014 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.

The **instructional time requirement** for FY 2014 remains at 1,098 hours. There continues to be 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 170 days in FY 2014 **but no fewer days than the district provided in FY 2010.** Districts may continue to count up to 38 hours of professional development as instructional time. Online professional development is encouraged, but not required. 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:

- 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.

As in FY 2013, kindergarten pupils are no longer an exception to the 1,098 hours requirement. Questions related to pupil counts and instructional time should be directed to Brian Ciloski, Office of State Aid and School Finance, (517) 373-3352 or e-mail at CiloskiB@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 2014 payment dates will be on the 20th of each month except for the following dates: Monday, October 21, 2013, Tuesday, January 21, 2014, Monday, April 21, 2014, and Monday, July 21, 2014.

To see the FY 2014 school aid budget amendments in their entirety and a more detailed analysis go to www.Michiganlegislature.org and key in 4228 when prompted for a bill number.

SECTION 22J PERFORMANCE-BASED FUNDING

The Section 22j Performance-Based funding continues in FY 2014. The appropriation has been increased from \$30 million to \$46.4 million. These are district-level calculations and every district is potentially eligible for up to \$100 per pupil in Performance-Based Bonus funding. Using the designated student academic performance-level change metric in the statute, districts could qualify for three parts of the bonus: \$30 per pupil based on mathematics performance level change in elementary and middle school; \$30 per pupil based on reading performance level change in elementary and middle school; and \$40 per pupil based on the proficiency rate of students who are proficient on all tested subjects in high school. Districts could qualify for none, some, or all, of the bonus.

Eligible districts will see these funds on the State School Aid Financial Status report in the section labeled "Current Year Allowances" on a line labeled "22j PERFORMANCE-BASED FUNDING." Because the funding is based on the district's pupil count, the allowance amounts will change as updated pupil counts are received by the Department. A spreadsheet that shows which of the 3 components of the Performance Funding that each eligible district qualifies for can be found on the Office of State Aid and School Finance website at:

http://www.michigan.gov/mde/0,4615,7-140-6530_6605-288549--,00.html

If you have any questions on the calculation of the performance-based bonus, you can contact the Office of Psychometrics, Accountability, Research and Evaluation at 877-560-8378 (option 6) or by email at mde-accountability@michigan.gov.

SECTION 22F BEST PRACTICES FUNDING

The 22f Best Practice Funding continues for FY 2014 at \$80 million to be paid out at the rate of \$52 per pupil to districts that meet at least 7 of 8 "best practices" by June 1, 2014. The Department's Financial Best Practices Incentive Guidance indicating the requirements that districts must meet to qualify for the Section 22f funds is available on the Department's website at

http://www.michigan.gov/mde/0,1607,7-14-6530_6605-258500--,00.html. Funds will be distributed to school districts pursuant to the school aid payment schedule beginning with the payment following receipt of the board resolution required by the guidance. Questions related to the best practices incentive should be directed to Glenda Rader, Office of State Aid and School Finance, at (517) 335-0524 or by e-mail at RaderG@Michigan.gov.

PSERS RETIREMENT OFFSET

Section 147a and 147c payments are scheduled to begin with the November payment. Your district will receive 18.18% of the annual amount in the November State Aid payment and 9.09% in the remaining 2013-14 payments. If you have questions regarding the related invoices and payments due to ORS, contact ORS at ORS_WEB_Reporting@michigan.gov or at 517-636-0166.

Questions related to accounting for the payments may be directed to Glenda Rader, Office of State Aid and School Finance, at (517) 335-0524 or by e-mail at RaderG@Michigan.gov.

FINANCIAL INFORMATION DATABASE (FID) REMINDER

All local and intermediate school districts as well as public school academies that received state school aid during FY 2013 are required to electronically submit their financial data to the Financial Information Database (FID) by November 15, 2013. 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 "CEPI Applications" from the left-side navigation bar, and then on "Financial Information Database." At the bottom of the page under "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 at Help-Desk@Michigan.gov or phone (517) 335-0505.

STATE SCHOOL AID ACT SECTION 25e

Language in a **new Section 25e** of the State School Aid Act now allows a district to claim a partial FTE for pupils that transfer from one district to another after the Pupil Membership Count Day. Guidance related to that implementation will be forthcoming. Thank you for your patience.

BUDGET TRANSPARENCY/BEST PRACTICES UPDATE

The Office of State Aid and School Finance monitors district websites for Budget Transparency and Best Practices compliance. Please visit our website (www.michigan.gov/sasf) to view the complete guidance on each of these topics. If you need additional assistance after reviewing the guidance, please contact Chad Urchike at urchikec1@michigan.gov (517-335-1261) for Budget Transparency issues and John Hayner at haynerj1@michigan.gov (517-241-0495) for Best Practices issues.

Budget Transparency: Board approved budgets for 2013-14 should be posted on Budget Transparency web pages. Pie charts, audited financial statements, association dues, and lobbying costs should all be updated by December 15.

Best Practices: After the submission of the Best Practices resolution, staff will review the district's website for compliance with requirement G, if applicable. If the website is not in compliance, the district will be notified of the discrepancy. After the Department is notified of the correction, another review will be completed at that time. Best Practices funds will not be paid until the compliance issues are resolved.

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, 2013. Also, districts are required to report by November 1 to the local health department the immunization status of all pupils who are enrolled in grade 6 in the district or ISD. (Patty Lawless, (517) 373-1122 or LawlessP@Michigan.gov).
- The **FY 2014 Michigan Student Data System (MSDS) Records (including State Aid FTE Counts)** for the October 2, 2013 count date are to be submitted to the Center for Educational Performance Information by November 6, 2013 and certified by November 13, 2013. (CEPI (517) 335-0505 (option 3) or CEPI@Michigan.gov).
- **November 15** is the deadline for local districts (including PSAs) to file their **FY 2013 financial audit reports** with the ISD and the Department. It is also the date for the ISD to file its own **financial report with the Department** and the **pupil membership audit reports** for its constituent districts in the Michigan Student Data System. (Naomi Krefman, (517) 335-6858 or KrefmanN@Michigan.gov).
- **Proration factors:** Section 31a – At Risk \$324.2007399053. Section 62 - Vocational Education Millage Equalization .9927287019. The Section 152a Headlee Obligation for Data Collection funds are being paid at a rate of \$24.6052253611 per pupil.

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.