

STATE SCHOOL AID UPDATE

Michigan Department of Education



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PERSONAL PROPERTY TAX PAYMENTS

Pursuant to 2013 PA 153, the "small taxpayer" personal property tax exemption remains in effect for commercial and industrial personal property. Three school districts will receive a payment on October 19, 2015 pursuant to 2014 PA 86 to reimburse local and intermediate school districts for revenue lost due to the "small taxpayer" exemption. The funds used to reimburse school districts are not appropriated in the State School Aid Act. However, the payment advice for these funds will be reflected on the October 2015 State School Aid Financial Status Report. The advice appears in the section labeled "Current Year Allowances" on a line labeled "* Treasury PPT Reimbursement" as well as in the section labeled "Supplemental Payments" with a note describing the purpose of the payment. Questions related to this payment should be directed to Andrew Lockwood, Treasury, Office of Revenue and Tax Analysis, (517) 373-2863 or LockwoodA@Michigan.gov.

OCTOBER 20, 2015 PAYMENT IS THE FIRST INSTALLMENT FOR FY 2016

The first in the 11-payment schedule of school aid payments for FY 2016 is being made on Tuesday, October 20, 2015. The payment reflects foundation grants that represent increases of between \$70 and \$140 per pupil, based on the 2X formula (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 2015 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 7, 2015 pupil count (which has not yet been received) is the October 1, 2014 count. As the membership blend formula has changed for FY 2016, the Department is using the February 11, 2015 count for the supplemental 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 11, 2015 and required to be certified by November 18, 2015. 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), Special Education Rules Changes (51a(6)), Vocational Education Added Cost (61a), ISD General Operation Funds (81), Court Placed Children (24), Adult Education (107), Isolated Districts (22d.4), Early Childhood Block Grants (32p), Court and State Agency Placed Pupils (53a), Bus Driver Safety (74), and School Bus Inspections (74.4).

GENERAL INFORMATION REGARDING FY 2016 SCHOOL AID

The **FY 2016 foundation allowance** for a district that had a FY 2015 foundation allowance of \$7,126 is \$7,391 (\$7,126 + \$125 Section 22c Foundation Equity Payment + (2 x \$70)).

The FY 2016 foundation allowance for a district that had a FY 2015 foundation allowance between \$7,126 and \$8,099 will be based on a formula as follows:

FY 2015 Foundation + \$140 – [\$47 x (FY 2015 Foundation – \$7,251)/\$918] or \$8,169, whichever is less.

Districts with a FY 2015 foundation allowance of \$8,099 or more will have a FY 2016 foundation allowance equal to their FY 2015 foundation allowance plus \$70.

The **Section 22a Proposal A** state amount per pupil is calculated as the district's FY 1995 foundation allowance minus the FY 2016 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 2016 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2016 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 2016.

The **membership blend** formula has been changed for FY 2016. The formula no longer is 90% of the October count and 10% of the **subsequent** February count. The current formula is 90% of the October count and 10% of the **prior** 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 90%-10% blend for FY 2014 and FY 2015, and the 10%-90% blend for FY 2016, 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 2016 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 raises the required minimum to 175 days of instruction for FY 2016. Districts can **no longer count up to 38 hours of professional development** as instructional time. 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.

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 2016 payment dates will be on the 20th of each month except for the following dates: Monday, December 21, 2015; Monday, February 22, 2016; Monday, March 21, 2016; Monday, August 22, 2016.

To see the FY 2016 school aid budget amendments in their entirety and a more detailed analysis, go to www.Michiganlegislature.org and key in 4115 when prompted for a bill number.

ELIMINATED CATEGORICALS

Please note that Sections 22j (Performance-Based funding) and 22f (Best Practice funding) have been eliminated for FY 2016.

SECTION 102d

Language in a **new Section 102d** of the State School Aid Act provides \$1.5 million in FY 2016 to be paid on an equal per pupil basis for reimbursements to school districts for the licensing of school data analytical tools. To qualify for reimbursement, contracts with approved vendors must be in place by December 1, 2015. **NOTE:** The definition of the word "district" in Section 102d includes local districts, public school academies, and the Education Achievement Authority. It does not include intermediate districts (see MCL 388.1603). Consequently, if an intermediate has purchased the license for constituent districts, the funds will be paid to the constituent district.

Schools must provide a purchase order to their vendor. The vendor will then provide the Department with the applicable information needed to process the reimbursement. Reimbursements will fluctuate as pupil counts are adjusted by audits and State School Aid Act Section 25e changes. Funds will be distributed in a state school aid payment subsequent to the December payment. Questions related to this item may be directed to Jeff Kolb, Office of State Aid and School Finance, at (517) 373-1908 or by e-mail at KolbJ2@Michigan.gov.

SECTION 20F NOW HAS TWO COMPONENTS

Section 20f of the State School Aid Act appropriates \$18 million to pay districts the same per pupil amount the district received in 2013-14 under section 20f and to guarantee districts at least a \$25 increase in per pupil revenue in 2015-16 after taking into consideration the increase in the foundation, the decrease in Section 22f Best Practices and Section 22j Performance Based funding and the change in Section 31a At-Risk funding. These two components have been rolled into one item under the "Current Year Allowance" section of the State Aid Financial Status Report on a line labeled "20f Hold Harmless Guarantee." We will develop a report to post on the web with details of this calculation to be used by those wishing to reconcile this categorical.

MPSERS 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 FY 2016 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 Phil Boone, Office of State Aid and School Finance, at (517) 335-4059 or by e-mail at BooneP2@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 2015, are required to electronically submit their financial data to the Financial Information Database (FID) by **November 1, 2015**. Questions related to the financial data required in this submission may be directed to Chris May at (517) 335-1263 or e-mail at MayC@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." Click on the "FID/SE-4094 Security Form" link to download the agreement. Questions related to accessing the system or submission of data to the FID may be directed to the DTMB Client Service Center by e-mail at Help-Desk@Michigan.gov or phone (517) 335-0505.

BUDGET TRANSPARENCY UPDATE

There are three new data elements that must be posted on transparency pages by LEAs, PSAs, and ISDs. The new elements include:

- Current board policy on the procurement of supplies, materials, and equipment
- Current board policy on reimbursable expenses
- **Either** the Accounts Payable Check Register for last year **or** a Statement of Reimbursed Expenses for last year

The first time these new data elements need to be posted on your transparency page is December 1, 2015. **NOTE:** If you choose to post the Statement of Reimbursed Expenses, it must include information for **both** employees and board members.

Please visit our website (www.michigan.gov/sasf) to view the updated Budget Transparency guidance, which contains detailed information on all the required data elements.

Language has also been added to the State School Aid Act (MCL 388.1618 Subsection 11), which imposes a state school aid penalty on those schools that do not comply with Budget Transparency. With the help of ISDs and PSA authorizers, the Department can mitigate the withholding of state aid. We also offer the following Budget Transparency support:

- Please direct all inquiries to Chad Urchike: UrchikeC1@Michigan.gov (517-335-1261).
- On December 1, 2015, the Department will begin reviewing websites for compliance. If your website is ready for review, you don't have to wait for our review. Please e-mail or call Chad Urchike. We will review your website and provide immediate feedback.
- Department correspondence to LEAs will include a copy to their ISD and correspondence to PSAs will include a copy to their authorizer.
- Our Budget Transparency guidance includes a website template and examples of the reports required. It sometimes helps to see what other schools have done. Please contact Chad Urchike for a recommendation.

GENERAL INFORMATION

- Districts are required to report by **November 1** to the local health department the **immunization status** of all pupils entering kindergarten or a new school in grades 1 – 12. 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 7 in the district or ISD for the first time between January 1, 2015 and September 30, 2015. (Patty Lawless, (517) 373-1122 or LawlessP@Michigan.gov).
- The **FY 2016 Michigan Student Data System (MSDS) Records (including State Aid FTE Counts)** for the October 7, 2015 count date are to be submitted to the Center for Educational Performance Information by November 11, 2015 and certified by November 18, 2015. (CEPI (517) 335-0505 (option 3) or CEPI@Michigan.gov).
- **November 1** is the deadline for local districts (including PSAs) to file their **FY 2015 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 \$184.3807767115. Section 20f – Hold Harmless Guarantee \$.9952590514. Section 152a – Headlee Obligation for Data Collection funds are being paid at a rate of \$24.9510516054 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.