

**OCTOBER 20, 2025 PAYMENT IS THE FIRST INSTALLMENT FOR FY 2026**

The first in the 11-payment schedule of school aid payments for FY 2026 is being made on Monday, October 20, 2025. 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 2025 figures provided by county treasurers via the web-based reporting system as of September 25, 2025. These data can be viewed by school district personnel on the [Department's website](#). To view your data, 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 1, 2025 pupil count (which has not yet been received) is the October 2, 2024 count. For first year public school academies, a preliminary pupil count is being used which was reported on 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 5, 2025 and required to be certified by November 12, 2025. Questions related to the membership blend used in the October payment should be directed to [MDE-SASF@Michigan.gov](mailto:MDE-SASF@Michigan.gov).

**GENERAL INFORMATION REGARDING FY 2026 SCHOOL AID**

The target foundation for FY 2026 is \$10,050.

The **Section 22a Proposal A** state amount per pupil is calculated as the district's FY 1995 foundation allowance minus the FY 2026 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 2026 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2025 special education instructional costs multiplied by 0.286138 plus the district's special education transportation costs multiplied by 0.704165. Remember that **prior year cost numbers are used as estimates** until actual cost figures are determined.

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, 20m, 51a(2), 51a(3), 51a(11) and 51e minus the amounts paid in 22a and 51c. The formulas used in the calculations under Sections 20, 51a(3), and 51a(11) have not changed for FY 2025.

**FOUNDATION AMOUNTS FOR HOLD HARMLESS DISTRICTS**

Due to the late K-12 budget for FY26, our October state aid payment contains a minor inaccuracy in the foundation amount for many hold harmless districts. The CPI was accidentally truncated instead of rounded, causing hold harmless foundations to be off by up to \$2 per pupil. Corrections will be made in the November payment, and districts can see the corrected foundation amount [here](#).

**SECTION 51e SPECIAL EDUCATION FOUNDATION PAYMENT**

This categorical provides 100% of the district's foundation (capped at target) for each Special Education pupil. In effect, the districts will get both the full payment toward reimbursing districts

and intermediate districts for 28.6138% of total approved costs of special education, excluding costs reimbursed under section 53a, and 70.4165% of total approved costs of special education transportation, plus the district's foundation for each Special Education pupil.

### **MPSERS RETIREMENT CATEGORICALS**

Section 147c(1) UAAL Rate Stabilization 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 2026 payments.

Section 147e for Defined Contribution and 147a(2) Normal Cost Offset for FY 2026 will include amounts for the period of July 1, 2025 through June 30, 2026 and will be paid on a quarterly basis in the months of November, February, May, and August. In addition, participating districts will receive additional Section 147a(2) funds through a one-time prior period adjustment in the October 2025 State Aid payment as a result of extra funding being added to that categorical as part of the FY 2026 budget package.

Section 147g for Employee Healthcare Reimbursement ended as of the 2025 State fiscal year. Though expected, no changes to the calculation or any additional Sec.147g funds were appropriated in an FY 2025 supplemental or PA 15. No additional payments will be made through State Aid, and final amounts calculated and paid to districts on August 2025 State Aid Status Reports will remain as-is. MDE continues to advise districts that it remains a local decision on if or how to handle the difference, if any, between employees' actual FY25 3% contributions and the amount of Section 147g calculated and received to reimburse/offset that.

With Section 147g rescinded and employees no longer contributing to the premium subsidy healthcare benefit, Section 271(4) (new) allocates \$147.3m to districts to offset a portion of the increases in the normal cost contribution rate for employees with 3% healthcare.

If you have questions related to MPSERS categoricals or invoices and payments due to ORS, contact ORS at 1-800-381-5111 or [ORS\\_WEB\\_Reporting@michigan.gov](mailto:ORS_WEB_Reporting@michigan.gov). Questions related to accounting for MPSERS categoricals may be directed to [MDE-SASF@Michigan.gov](mailto:MDE-SASF@Michigan.gov).

### **SECTION 81 ISD GENERAL OPERATIONS SUPPORT**

ISDs will receive an amount equal to 100% of the amount allocated to the intermediate district for FY 2025 plus an equal percentage increase of 4.70690746%. This payment will start with the November payment.

### **SECTION 22C PER PUPIL PAYMENTS TO ELIGIBLE OUT OF FORMULA DISTRICTS**

This was eliminated for FY 2026

### **SECTION 22E CHARTER SCHOOL PER PUPIL AMOUNT**

This was eliminated for FY 2026

### **SECTION 29 ENROLLMENT STABILIZATION PAYMENTS**

This section provides \$71 million enrollment stabilization funding for districts with declining enrollment, an amount equal to the difference between a two-year average blend and the district's FY 2025-26 membership, multiplied by the target foundation allowance.

### **SECTION 31n6 MENTAL HEALTH/SUPPORT SERVICES ISD PER PUPIL**

Just like in previous years, 31n(6) funds for FY 26 include a base allocation plus a per pupil allocation. Due to unique 31n boilerplate language, ISDs must apply to receive the base allocation, but the per pupil allocation does not require an application process. The first 31n(6) estimated per pupil allocation for FY 26 will be reflected in your October State Aid Status Report, but the per pupil funds must still be accounted for in your application budget when you apply. The per pupil amount is \$22.3000354165 for the month of October. ISDs will be able to apply for FY 26 31n(6) and 31n(12) funds via NexSys at a date to be determined **after November 1, 2025**. We are still finalizing the application, so an exact date is not yet available. After your application has been approved in NexSys and the status updated to "State Funds Available," your State Aid Status Report

will reflect the base allocation of \$1,003,100. Please reach out to Michelle Hutchison at [HutchisonM1@michigan.gov](mailto:HutchisonM1@michigan.gov) if you have any questions about 31n funds.

**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 2026 payment dates will be on the 20th of each month except for the following dates: Monday, December 22, 2025 and Monday, June 22, 2026.

To view the FY 2026 school aid budget amendments in their entirety and for a more detailed analysis of the language, visit the Michigan Legislature [website](#) and search for PA 15 of 2025.

### **FISCAL YEAR 2026 SECTION 31A AT-RISK FUNDING**

Pupil eligibility for this section is determined using the economically disadvantaged pupils reported to CEPI in the immediately preceding fiscal year. "Economically disadvantaged" means a pupil who has been determined eligible for free or reduced-price meals; who is in a household receiving supplemental nutrition assistance program or temporary assistance for needy families assistance; or who is homeless, a migrant, or in foster care, as reported to CEPI.

The opportunity index has been implemented to provide higher per-pupil payments to districts with higher concentrations of economically disadvantaged students, with weights ranging between 35% and 47% of the target foundation allowance. Payments would be prorated to an estimated range of 16.1% to 21.46% of the target foundation allowance for each membership pupil determined to be economically disadvantaged.

Estimates of 31a funding for FY 26 based upon the data available as of October 2025 can be found on the [State Aid Payment Information page](#).

### **FINANCIAL INFORMATION DATABASE/ACCOUNTING REMINDERS**

All local and intermediate school districts as well as public school academies that received state school aid during FY 2025 are required to electronically submit their financial data to the Financial Information Database (FID) by **November 3, 2025**. This deadline applies to both FID submissions and submissions of audited financial statements to MDE. Questions related to the financial data required in this submission may be directed to [MDE-SASF@Michigan.gov](mailto:MDE-SASF@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. Questions related to accessing the system or submission of data to the FID may be directed to CEPI at 517-335-0505 or [cepi@michigan.gov](mailto:cepi@michigan.gov).

### **2025 OMB COMPLIANCE SUPPLEMENT DELAY & FY25 AUDIT DEADLINE**

According to the American Institute of Certified Public Accountants, the final version of the 2025 Compliance Supplement has been delayed due to an administrative backlog. The federal Office of Management and Budget has provided the Governmental Audit Quality Center with a final draft version of the Compliance Supplement to ensure auditors can plan for their fiscal year 2025 audits and single audits.

As the state statutory deadline (MCL 388.1618) of November 1, 2025, approaches for districts to submit their complete fiscal year 2025 audit packages (financial statement, single audit, or corrective action plan, if required), the Michigan Department of Education (MDE) understands there are concerns regarding the inability of issuing a single audit without the final version of the Compliance Supplement and the potential for state aid withholding if this deadline is not met.

The State School Aid Act (PA 15 of 2025) for fiscal year 2026, which began October 1, 2025, and was signed into law on Wednesday, October 8, 2025, includes language extending the deadline for submitting the single audit portion **only** of audit packages because of the Compliance Supplement

issuance delay. Since the Compliance Supplement was not issued by October 1, 2025, single audits must now be filed with MDE within 30 days of the issuance of the Compliance Supplement by the Office of Management and Budget. **The remainder of the audit package must still be submitted by November 1, 2025. Districts' Financial Information Database submissions are unaffected by the Compliance Supplement delay and remain due on the first business day in November, Monday, November 3, 2025.**

Questions regarding this memo should be directed to Gloria Suggitt in the MDE Office of Financial Management at [MDE-OFM@Michigan.gov](mailto:MDE-OFM@Michigan.gov).

### **STATE SCHOOL AID REVENUE RECOGNITION**

[Accounting for State School Aid Revenues](#) has been updated with accounting guidance for categoricals new to FY 2026. State school aid revenue reported in the Financial Information Database (FID) each year should be consistent with amounts shown on districts' August State Aid Financial Status Reports for the preceding fiscal year. Care should be taken to record the revenues in the appropriate fund, major class codes, and suffix codes as indicated in this document. Minor differences may occur as the result of accounts payable and receivable. Unearned Revenue such as any restricted state grant funds (i.e., At-Risk, Adult Education, Math/Science) received and remaining unspent at year end should be recorded in the financial statements as unearned revenue (balance sheet major class code 471) rather than as a reserve of fund balance. This does not apply to funds that are awarded without restriction to use. Questions related to revenue recognition and financial accounting may be directed to [MDE-SASF@Michigan.gov](mailto:MDE-SASF@Michigan.gov).

### **SECTION 23A MEMBERSHIP AND SECTION 25G CATEGORICAL ADJUSTMENTS**

Pursuant to language in Section 6(4)(dd) of the State School Aid Act, pupils in Section 23a Dropout Recovery programs can generate more than a 1.0 FTE in certain instances (reference [Section 23a Memo](#)). That portion of the FTE above 1.0 (not to exceed 1.25 FTE) is paid out of categorical funding in Section 25g. The November status report will reflect the Section 25g funding for the 2024-25 school year on a line labeled "25g Pupil Exceeding 1.0 FTE" in the Prior Year Adjustments section. More information will be available in the November [State School Aid Update](#).

### **CLARIFICATION ON INDIRECT AND ADMINISTRATIVE COSTS FOR STATE GRANTS**

Recent discussions have highlighted the need to address the application of indirect and administrative costs for state grants. While Grant Award Notifications (GAN) for state grants may still display indirect cost rates, this information is only applicable to federal grants. Indirect cost rates cannot be applied to state grants unless specifically allowed by law. Additionally, administrative costs are only permitted for state grants if explicitly outlined in the statute.

For additional guidance, visit the [Guidance on Indirect Cost Rates: Can I use my indirect rate on State funded grants?](#) on the Indirect Cost Rates webpage. For questions, please contact [MDE-SASF@Michigan.gov](mailto:MDE-SASF@Michigan.gov).

### **BID THRESHOLDS FOR FISCAL YEAR 2025-26**

New thresholds for competitive bidding, travel expense posting, and award values have been posted to the MDE [website](#).

### **MSDS FALL GENERAL COLLECTION TIMELINE**

State law institutes the following reporting timeframe for the MSDS Fall and Spring General Collections, as follows:

- Districts must submit and certify no later than the fifth Wednesday after count day.
- Districts must resolve any pupil membership conflicts with other districts, correct any data issues, and recertify no later than the sixth Wednesday after count day.

For the Fall 2025 General Collection, districts must have their collections in a certified status by 11:59 p.m. EST on November 5. Between November 5 - 12, districts may decertify to resolve FTE conflicts and make further corrections but must be recertified by 11:59 p.m. EST on November 12.

### **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 enrolled in grade 7 in the district or ISD for the first time between January 1, 2025 and September 30, 2025.

- The **FY 2025 Michigan Student Data System (MSDS) Records (including State Aid FTE Counts)** for the October 1, 2025 count date are to be submitted to the Center for Educational Performance Information by November 5, 2025 and certified by November 12, 2025. (CEPI Customer Support 517-335-0505 (option 3) or [CEPI@Michigan.gov](mailto:CEPI@Michigan.gov)).
- **November 1** is the deadline for local districts (including PSAs) to file their **FY 2025 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. **Failure to file these reports will result in the withholding of state aid.** Please see item above on page 3 regarding the Compliance Supplement delay.
- **Proration factors:**
- The Section 22d(4) Isolated District funds are paid at \$64.2249070406 per pupil.
- The Headlee Obligation for Data Collection funds are paid at \$29.4220122636 per pupil.

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Do you have questions above the information appearing in this [Update](#)? Call the consultants identified above or email [MDE-SASF@Michigan.gov](mailto:MDE-SASF@Michigan.gov).