

REMINDER TO DISTRICTS THAT PLEDGED THEIR AUGUST PAYMENT

Approximately **129** school districts participated in the Michigan Finance Authority's (MFA) State Aid Note (SAN) Program **2020 A-2** (no set-aside pool) and pledged 100% of their August **2021** school aid payment for the repayment of this obligation. If your district participated in this program, please be reminded that all or part of your August payment will not be deposited in your bank account. Rather, the note set-aside portion will be deposited with the Michigan Finance Authority. If you have questions please contact **Melissa Lovegrove**, Michigan Finance Authority **517-241-4207** or lovegrovem@michigan.gov.

AUGUST PAYMENT INFORMATION

The August state school aid payment is the 11th and final payment of the year and reflects a cumulative 100% of the year's allocations for Sections 22a, 51c, and 22b as well as for the categorical funding.

Updated Categoricals - The following categorical were updated in the August 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:

- Adult Education – Section 107 (Sandy Thelen, Workforce Development Agency, Adult Education, 517-373-3395, ThelenS@Michigan.gov)
- Renaissance Zones – Section 26a (Carolyn Kolka, Treasury, Revenue Sharing and Grants, 517-241-7417, KolkaC@michigan.gov)

SECTION 23b(2)(d) PAYMENTS

In the lead up to the August payment, districts requesting funds for innovative summer programming were required to submit a further application in July in order to comply with changes to legislation. Unfortunately, several dozen recipients either did not resubmit in July, resubmitted but indicated "No" to the innovative practice question, or submitted multiple times with conflicting information. As a result, many districts that had previously received this funding saw it removed from their August payment. While a final solution has not yet been determined with certainty, it is likely that a prior year adjustment will take place in October. Demand for these funds exceeded the appropriation, and the entire \$10 million has been paid out. Any solution for those districts that lost these funds in August will require funds to be pulled back from others in October.

SECTION 31a(16) AT-RISK ADDITIONAL AMOUNT PAYMENTS

In August 2021 State School Aid payments, eligible districts will receive a separate Section 31a(16) categorical labeled "AT-RISK ADDITIONAL AMOUNT". These payments are a redistribution of unused CEP hold harmless funds. 31a(16) revenues and expenditures should be accounted for the same as regular Section 31a At-Risk amounts – Major Class Code 312, Suffix 0020 for revenue, and Grant Code 306x for expenditures.

FY22 FOUNDATION AMOUNTS AT HOLD HARMLESS/OUT OF FORMULA DISTRICTS

Public Act (PA) 48 of 2021 made changes to Sections 20(1), 20(4), 20m and 22c that will affect those "hold harmless" districts that had foundations in excess of \$6500 at the time Proposal A was adopted. Section 20(3) sets the hold harmless foundation to the lesser of the FY21 foundation + \$171 or the FY21 foundation plus a 1.2% CPI percentage increase. Section 20m provides the remainder of the \$171 above the CPI increase. There is a revision to Section 20(4) which increases the state share of the foundation allowance for Hold Harmless districts, to be consistent with how the state share is calculated for non-Hold Harmless districts, which would be an increase of \$40 million. Many hold harmless districts will have to reduce their tax levies in order to avoid exceeding their foundation amount. Separately, Section 22c, which is a new section, also provides the \$171 increase to those districts whose local revenue exceeds their foundation (generally referred to as "out of formula" districts).

UPDATED FINANCIAL ACCOUNTING GUIDANCE DURING THE COVID-19 PANDEMIC

[Financial Accounting Guidance During the COVID-19 Pandemic](#) was recently updated with new information on the proper accounting and revenue recognition criteria of Elementary and Secondary School Emergency Relief (ESSER) funds and Coronavirus Relief Funds (CRF). This publication will continue to be updated frequently as MDE receives additional questions from districts and information regarding state and federal financial reporting requirements. Questions regarding this item may be directed to Christopher May at 517-335-1263 or MayC@michigan.gov.

SECTION 147e REMINDER

Included with your August State School Aid payment is the final reimbursement for the 2020-21 school fiscal year that offsets increased retirement costs due to the passage of Public Act 92 of 2017. It is identified as 147e on the payment detail sheet. As a reminder, Section 147e revenue should be accounted for similarly to Section 147a Normal Cost Offset. This is additional revenue for your district to offset costs related to employees enrolled in certain MPSERS plans. Therefore, no repayment to ORS is involved, and similar to other Section 147 subsections, the grant code is optional when recording expenditures related to these funds.

Questions on Section 147e and calculated payment amounts may be directed to the ORS Employer Reporting Unit at ORS_Web_Reporting@michigan.gov. Questions on the accounting of these funds may be directed to Christopher May at MayC@michigan.gov or 517-335-1263.

FINANCIAL INFORMATION DATABASE (FID) REMINDER

All districts are required to electronically submit financial data to the Financial Information Database (FID) by November 1, 2021. Failure to submit FID data consistent with audited financial statements by November 1st will result in the withholding of the November and subsequent state school aid payments (MCL 388.1618(10)). **The FID application will open for district submissions on September 7, 2021.** Questions related to financial accounting and reporting may be directed to Christopher May at 517-335-1263 or MayC@Michigan.gov. Questions related to accessing the system or submission of data to the FID may be directed to CEPI Customer support at CEPI@michigan.gov or 517-335-0505.

FY 2021 STATE SCHOOL AID REVENUE RECOGNITION

State school aid revenue reported in the 2020-2021 Financial Information Database (FID) should be consistent with amounts shown on districts' August 2021 State Aid Financial Status Reports. Minor differences may occur as the result of accounts payable and receivable. Care should be taken to record the revenues in the appropriate fund, major class codes, and suffix codes as indicated in the [Accounting for State School Aid Revenues](#) document. 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 as to use. Questions related to revenue recognition and financial accounting may be directed to Christopher May at 517-335-1263 or MayC@Michigan.gov.

BUDGET TRANSPARENCY REMINDER

Budgets and subsequent amendments for 2021-22 must be posted to your Budget Transparency page within 15 days of board approval. All districts should have their initial 2021-22 budget posted. Budgets and amendments must be detailed at the function level. They must also include beginning and ending fund balances. Questions related to Budget Transparency may be directed to Chad Urchike at UrchikeC1@Michigan.gov.

PRELIMINARY HEADCOUNT REPORT

Districts in their first or second year of operation, or districts that have added a grade for the first time, are required to report their headcounts for a day during the week of September 7-11, for use during the October state aid payment. Please use this [form](#) to submit head counts. Headcount data must be submitted by Friday, September 24, 2021.

DEFICIT DISTRICT INFORMATION

Districts projecting a negative general fund balance as of June 30, 2021 or districts adopting a deficit budget for 2021-22 are required to submit a Deficit Elimination Plan (DEP) to the Department. The DEP template is available on our [website](#). Questions may be directed to Chad Urchike at UrchikeC1@Michigan.gov.

TAXABLE VALUE SYSTEM UPDATES

The online taxable valuation collection system is available for county treasurers to input tax year 2021 values for calculating FY 2022 State School Aid. These values are due by September 1, 2021. Please encourage your treasurer to report these values if they have not already done so. Taxable Value data can be viewed [here](#). 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 should be directed to Phil Boone at 517-335-4059 or BooneP2@Michigan.gov, or Jeff Kolb at 517-241- 2207 or KolbJ2@michigan.gov

IMPORTANT DATES TO REMEMBER

- **September, 9th** is the date of the annual **MDE/MSBO Fall Workshop**. This year's conference will be held virtually. Visit MSBO.org for more details.
- **Wednesday, October 6, 2021** is the **pupil membership count day** for 2021-2022. (Brian Ciloski, 517-373-3352, CiloskiB@Michigan.gov)
- The SE-4096 Special Education Cost Report for FY 2020 is due on Thursday, **September 30, 2021**. (JL Purves, 517-241-7081, PurvesJ@michigan.gov)
- The SE-4094 Special Education Transportation Expenditure Report for FY 2020 is due on Thursday, **October 7, 2021**. (JL Purves, 517-241-7081, PurvesJ@michigan.gov)
- The October 20, 2021 state school aid payment is the first payment of FY 2022. There is no September school aid payment.
- **November 1** is the deadline for local districts (including PSAs) to file their **2020-2021 financial audit report** with their ISD. Both the **financial and pupil accounting audit reports** are due electronically to the Department on **November 1**. Financial audit reports shall be submitted via the email address MDE-FinAudit@michigan.gov. Failure to file these reports will result in the withholding of state aid. If you are looking for school district financial statement audits, visit the district website or contact the district for the requested information. (Caitlin Hengesbach, 517-335-6858, HengesbachC2@michigan.gov)
- The **FY 2021 FID – Annual Comprehensive Financial Report** is due from local and intermediate districts to CEPI by **November 1** (see related item above). Failure to file this report will result in the withholding of state aid. (Christopher May, 517-335-1263, MayC@Michigan.gov)
- The **DS-4168, Days and Clock Hours Report** for 2020-21 was due **August 2, 2021**.
- August Section 23a claims may be submitted in the 2020-21 SRM or 2021-22 SRM. The 2020-21 SRM Collection is open until **September 15, 2021 at 11:59 p.m. EDT**. The 2021-22 SRM opens 9/27/21.
- **Proration factors:** Section 31a – At Risk funding per pupil proration is 78.59350004%.
- Section 22d(4) Isolated District funds are being paid at a rate of \$52.3386204063 per pupil.
- Section 152a Headlee Obligation for Data Collection funds are being paid at a rate of \$25.9823983054 per pupil.

Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or Phil Boone, Assistant Director, Office of Financial Management, MDE, cell phone: 517-899-0796, fax: 517-241-0196, e-mail: BooneP2@Michigan.gov.
