



Michigan School Business Officials

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NOTE: MDE responses in red.

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MDE section 22F. Guidance Team

Based on our conversations yesterday, I decided to capture some of the comments and questions that I have been receiving from Members regarding the “Best Practices” funds allocated in Section 22F. of the School Aid Bill that was sent to the Governor. I have been receiving many calls over the last two weeks looking for guidance on evaluating if the district meets the eligibility for the funding. It seems as though you have also been receiving calls and are currently defining your guidance. I thought it may be helpful if I were to give you some of the questions I have been getting as you finalize the guidance and potentially negate the confusion that is in the field.

There seems to be a focus on four main issues: 90/10 cost sharing of health benefits; taking a bid for non-instructional services over \$50,000; the “dashboard” information; and how the district communicates/proves they meet at least 4 of the 5 eligibility criteria. The actual timing and method of payment is also something that needs to be considered, whether it is included in the State Aid Payments or in a “grant” through CMS and will it be automatic or only after the district has proven eligibility.

90/10 Health Care Cost Sharing

Based on the language in the bill, it appears that the cost sharing would be established at 90% employer and 10% employee of the benefits listed. It also states “for the employee” and also breaks out four distinct levels of coverage. This appears to be at an employee level, rather than an aggregate of all employees and all coverage levels. Part of the confusion on this section relates to Senate Bill 7 and the language used in that bill, which addresses the issue differently. Examples of questions I have received on this criteria are as follows:

Does the “combined total cost” include amounts paid by the both the employer and the employee for deductibles, copayments, out-of-pocket expenses, etc. in connection with any health benefit as described? This would include amounts paid by the employer toward the deductibles that may be made into Health Savings Accounts and Health Reimbursement Accounts established under a “High Deductible” Health Plan?

We will allow districts to define the employer and employee benefit criteria. It may include both premiums and any other contribution the employees may pay toward total employee health benefit costs.

*If I have multiple employee groups in the district, only one of which is sharing in the costs at 90/10 or greater, but in the aggregate that sharing maintains a 90% or below level of district costs for all health benefits, does the district qualify? Will a district qualify "in part" if only some of the employees are sharing in the costs of their benefits at 90/10? No, Section 22f(3) says that to meet the 90% employer share of Health benefit requirement, the employer **must not** pick up on behalf of any employee an amount more than 90% of the combined total costs for that employee.*

*What data is to be used to determine if a district qualifies? FY2009/10?; FY2010/11?; FY2011/12 Estimated? Could we identify object codes from the 1022 for benefits included? **The contracts in place when the local school board signs the resolution should be used to determine if a district has met the requirement. The object codes would be those in the 21xx- Health Benefits objects.***

*For districts that have had cost sharing agreements of 90/10 for one or more health related benefits, such as medical/pharmacy, but not others such as dental, vision, disability etc., does the district qualify given that total cost of all benefits for the employees have not be split 90/10? ? **Section 22f(3) says that to meet the 90% employer share of Health benefit requirement, the employer must not pick up on behalf of any employee an amount more than 90% of the combined total health care costs for that employee. Unless the amount the employer pays constitutes 90% or less of all the "health care benefits" paid on behalf of each of its employees it will not meet the requirement.***

*If the district is "self-funded" in whole or in part for the provision of health benefits, how should the calculation be made to establish the 90/10 split? What are considered "combined total costs" in a self-funded plan? Once again, is this prospective based on estimate for FY2011-12, or based on historical cost? **Wouldn't you agree that in order to meet this requirement there should be a board resolution that states the district will contribute 90% of the amount necessary to fund the Self Insurance Internal Service Fund? The other 10% would need to be paid by employee contributions. I would assume that the current amounts needed to fund the insurance would be based on some historical/actuarial calculation. From those the district would determine current rates paid by both employer and employee.***

*Is there any "credit" given to districts that have changed or adjusted benefit levels/coverage to gain cost savings that can be proven to save 10% or more of health benefit cost? If a district changed plans/coverage in FY2010/11 which achieved a savings of 10% or more of the estimated costs of the plans/coverage that was in place in FY2009/10 moving forward, would this qualify for a 90/10 split? Likewise, if a district changes plans/coverage to achieve a 10% or more savings for FY2011-12 from plans/coverage that are in place for FY2010-11, does this meet the eligibility for this criteria of a 90/10 split? (Many districts have changed plans and design to achieve savings over the last several years; will credit be given for these efforts?) **As mentioned above, Section 22f(3) says that to meet the 90% employer share of Health benefit requirement, the employer must not pick up on behalf of any employee an amount more than 90% of the combined total costs for that employee. We maintain that this would be the contract in place at the time the local school board adopts the resolution.***

Non-Instructional Bid for Services - \$50,000+

The provision of services that are non-instructional in nature has been done for years in districts and is something that is a normal course of business in many communities. Some of the confusion in the criteria eligibility is exactly what is considered a service for which credit would be given. Also compounding the situation is the fact that services that have been bid in prior years and continue to be under contract for that big appear to qualify the district. Some of the questions on this topic have been:

The district bid out Food Service operations which equates to \$50,000 +, in whole or part, two years ago under the supervision of the Department, and the contract has been renewed for FY2011-12 based on the State guidelines. Does the district meet the criteria to be eligible under this provision? *Yes, the law is not specific as to when the contract was bid. However, the contract must be services not supplies and capital outlay.*

The district is in the process of bidding transportation on an ISD-wide basis with other districts. The bids are due August 01, 2011. Does this district qualify for being involved with a multi district bid? ? *This sounds more like the districts are meeting the service consolidation plan requirement, than the competitive bid for services. The bid for services should have occurred prior to the date the local school board signs the resolution.*

The district is currently in a local service provision agreement with another district, or ISD, for the provision of business services including HR, accounts payable, payroll, accounting etc. Although there was no specific "RFP" or "Bid", this collaborative effort saved funds and the contract is \$50,000 or more. Would this qualify the district? *Again, this sounds like the districts are meeting the service consolidation plan requirement, than the competitive bid for services.*

The district is currently accepting bids for the provision of substitute workers, (teacher, maintenance, bus drivers etc.) which has a cost of \$50,000 +. The receipt of the bids, even without action being taken on them, qualifies the district to meet the criteria? *Yes, there is no mention of requiring that the competitive bid result in a contract.*

The district is taking bids for the repair to a parking area and a roof. Each of these projects exceeds the \$50,000 level and is being paid for through operational funds. Does the district meet the criteria for this provision? *Yes, this situation appears to be a competitive bid for purchased services.*

The district has a bond project and is currently accepting bids for construction manager, architect, general contractor, financial advisor, and other services provided as part of the bond project, all of which exceed the \$50,000 independently. Does the district qualify due to this bid process? *If this bid doesn't result in an expenditure that is capitalized, it might meet the requirement of purchased service. As mentioned in the draft guidance, the expenditure would need to be part of the purchased service object codes (31xx-49xx)*

The district participates in an energy consortium that annually bids out on a unit basis the consortiums estimated usage and "locks-in" costs on behalf of the districts for energy for given timeframe. The contract value for the consortium exceeds the \$50,000 level. Does the district qualify based on the fact that the utility services are determined on a bid basis? *Yes, if the expenditure is for a non-instructional service under object codes (31xx-49xx).*

The district participates in a consortium to provide health care benefits for the district. Based on the plan design, a plan administrator and benefit plan were bid out. Would the results of such a bid for the services which exceed \$50,000 qualify the districts involved in the consortium? *Yes, if the expenditure is for a non-instructional service under object codes (31xx-49xx).*

"Dashboard" data for use by the district

It sounded like this is an issue that you are addressing already, but just to clarify; it seems that the components that were listed in the bill may be covered with information that is already being collected in some form or manner by the department or other agency. With the exception of the (E)(v) Teacher,

Principal, and Superintendent salary information including at least minimum, average, and maximum pay levels, which I would assume ORS has the ability to provide, the districts may need to assist with this information and an input method would need to be established. Some of the questions I have had on this topic include:

*Can the district simply create their own template and fill in the information based on data the district currently has on-site? **The MI School Data Portal will be the standard dashboard to meet the dashboard/report card requirement. The school board will agree to put a link on its district's homepage to the MI School Portal in order to meet the dashboard/report card requirement.***

*There a company that has called the district to create the dashboard for them. Has the department approved a provider or given a template to be used to them? **The MI School Data Portal will be the standard dashboard to meet the dashboard/report card requirement. The school board will agree to put a link on its district's homepage to the MI School Portal in order to meet the dashboard/report card requirement. No need for the district to do anything more!***

*The district requires additional tech staff time and contract work to comply with the section due to the lack of current staff time available. Will the district be reimbursed for the time spent on the additional reporting? **Only if the district considers the \$100 per pupil received under 22f as reimbursement.***

*What is the format of the dashboard or report card? Could you explain each and also define how the district is to "provide to parents and community members"? Mail, public posting, web posting etc.? **As mentioned above, the MI School Data Portal will be the standard dashboard used to meet this requirement.***

Proving the District is eligible for the funding

We discussed this briefly yesterday, but what is the method to be used by the district to prove they meet the criteria? I have heard that local governments also need to comply with similar requirements and that they were expecting to submit an affidavit to Treasury, signed by the head administrator, which included checked boxes for the criteria they believe they meet to be eligible for the funding. On an "audit" basis Treasury would require documentation to support their claim. A very simple, easy to understand process that would be welcomed in the school community as well.

MDE plans to use a simple school board resolution as indicated in the draft guidance.

As mentioned, the potential to add this to the district web transparency reporting requirement may be method to accomplish the reporting, or maybe a Board resolution could be used identifying specifics of the criteria. It seems that the addition to the transparency reporting requirement would add more costs to the upkeep and design of the site and may well confuse what the over arching idea of the web reporting which was to give the public easy access to specific documents for their inspection. The more that is added to that information, the more congested the site becomes and the less likely the public would use the portal. It would seem that the district may choose to post on their website, but there is no language in the bill that suggests any posting of any information, just that the district needs to provide the dashboard/scorecard. That may be accomplished in many different ways depending on the district and the community. This is a district responsibility rather than an MDE guidance issue. **We will continue to encourage districts to post as much financial data as possible on the budget transparency icon on the district website.**

The only section that relates to the submission of information is Sec. 22F. (5) which is in regard to submitting false information to the department. I would think that the department would want to

follow similar guidance that we experienced with the ARRA and EdJobs funding where the district certified through MEGS that it would meet the criteria for those funds. The certification by the administrator was all that was needed for Federal funds, which in many cases far exceeded this allocation. Couldn't this be used for the State funds as well? **No need for this with the board resolution.** Seemed to be very efficient and effective and you have the system in place to collect certifications. This is a method that all districts are familiar with and I would assume would be well received. If the department feels it is necessary to spot audit districts, so be it. They will have the information readily available for inspection and any questions would be answered at that point. Less confusing and easily accomplished method, similar to teacher certification audits.

Timing and Distribution of Funds

The last bit of business is after the district has certified they are eligible for the funds. What would the method and timing of the payment be to the district? **As indicated in the draft guidance, once MDE has received the school board resolution and confirmed that the district has met four of the five eligibility requirements, the \$100 per 2011-12 blended pupil membership will be paid out in accordance with MCL 388.1617b.**

Will MDE on a monthly basis update the districts based on the receipt of the certification? **Yes.** Will all be released and if you don't qualify, the funds would be "taken-back" in June 2012? **No, we won't release until we receive the resolutions and confirm that the district has met four of the five requirements. The only time we will take back funds is if the blended pupil counts are updated or if we discover that the board "intentionally submitted false information in order to qualify for an incentive payment."** If I qualified in December would I get a retroactive payment if it is disbursed through the State Aid Payments? **As with most State School Aid grant payments, we pay out 1/11 of the payment each month. If we receive the resolution in time for the January 2012 payment, we will pay the district 4/11 of the amount due under 22f.** Will CMS be used and the district requests funds? **No. This is a State Aid grant and will be paid out through the state aid system.** This is something I am sure can be worked out rather easily. The main issue is knowing that the district will eventually receive the funds in the end. One reason I ask about the method is due to cash flow concerns for districts borrowing funds for State Aid shortfalls. How they budget for the receipt may impact their cash flow borrowing application.

Thanks in advance for taking these points into consideration as you develop guidance for the districts to follow. I am available to meet with you personally and would be more than happy to pull together some of our members if you convene a workgroup. I know we have several that are most interested in the guidance and would like to be a part of it.

Once again, you may reach me directly at (517) 327-2581, or anytime by cell at (989) 239-7606.

Sincerely,

Bob

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