

Michigan Department of Education (MDE)
Guidance on Financial Best Practices as Defined in MCL 388.1622f
June 30, 2011

Statutory Requirements:

388.1622f Best Practices Incentive Grants

Sec. 22f. (1) From the appropriation in section 11, there is allocated for 2011-2012 only an amount not to exceed \$154,000,000.00 to provide incentive payments to districts that meet financial best practices under this section. The money allocated in this section represents a portion of the year-end state school aid fund balance for 2010-2011. The amount of the incentive payment is an amount equal to \$100.00 per pupil. A district shall receive an incentive payment under this section if the district satisfies at least 4 of the following requirements not later than June 1, 2012:

(a) If a district provides medical, pharmacy, dental, vision, disability, long-term care, or any other type of benefit that would constitute a health care services benefit, to employees and their dependents, the district does not pay on behalf of any employee a total amount that is greater than the state maximum allowable employer contribution for health care services benefits, as described in subsection (3), depending on the coverage option.

(b) If a district provides medical, pharmacy, dental, vision, disability, long-term care, or any other type of benefit that would constitute a health care services benefit, to employees and their dependents, the district is the policyholder for each of its insurance policies that covers 1 or more of these benefits. A district that does not directly employ its staff is considered to have satisfied this requirement.

(c) If a district did not enter into an agreement with the department to develop a service consolidation plan to reduce school operating costs under former section 11d as it was in effect for 2010-2011, the district enters into an agreement with the department to develop a service consolidation plan that is in compliance with department guidelines described in subsection (2). If a district entered into an agreement with the department to develop a service consolidation plan under former section 11d, the district continues to implement that plan and report to the department not later than February 1 of each fiscal year the district's progress in implementing that plan.

(d) The district has obtained competitive bids on the provision of pupil transportation, food service, custodial, or 1 or more other noninstructional services with a value of at least \$50,000.00.

(e) The district provides to parents and community members a dashboard or report card demonstrating the district's efforts to manage its finances responsibly. The dashboard or report card shall include at least all of the following for the 3 most recent school years for which the data are available:

(i) Graduation and dropout rates.

(ii) Average class size in grades kindergarten to 3.

(iii) College readiness as measured by Michigan merit examination test scores.

(iv) Elementary and middle school MEAP scores.

(v) Teacher, principal, and superintendent salary information including at least minimum, average, and maximum pay levels.

(vi) General fund balance.

(vii) The total number of days of instruction provided.

(2) The department shall maintain the guidelines for the service consolidation plans that were developed for former section 11d as it was in effect for 2010-2011. The guidelines may identify, but are not limited to, allowable cost-sharing arrangements for the provision of noninstructional and instructional services and the creation of joint operating agreements between and among districts, intermediate districts, and other units of local government. The department shall create *benchmarks to measure success in implementing service consolidation plans, including, but not limited to, demonstrated cost reductions and efficiency. In determining eligibility for incentive payments, the department shall recognize

service consolidation and cooperation and cost reductions already in effect as well as continued progress.

(3) For the purposes of this section, the state maximum allowable employer contribution on behalf of any employee is an amount equal to 90% of the combined total costs for the employee for the school fiscal year for medical, pharmacy, dental, vision, disability, long-term care, or any other type of benefit that would constitute a health care services benefit for each of the following coverage options:

- (a) Employee only coverage.
- (b) Employee and spouse coverage.
- (c) Employee and children coverage.
- (d) Full family coverage.

(4) A district that accepts funds allocated under this section acknowledges that the incentive payment under this section is for 2011-2012 only and that funds will not be appropriated for the purposes of this section for subsequent fiscal years.

(5) If the department determines that a district has intentionally submitted false information in order to qualify for an incentive payment under this section, the district forfeits an amount equal to the amount it received under this section from its total state school aid for 2012-2013.

History: Add. 2011, Act 62, Eff. October 1, 2011

*MDE will be working with key stakeholder groups to develop the required benchmarks.

Overview

This guidance is intended to provide a district (LEA or PSA) with the process it must follow and the requirements it must meet in order to be eligible to receive funds under Section 22f of the State School Aid Act.

Guidance

To be eligible to receive the 22f funds a district is required to provide evidence that it met four of the five best financial practice requirements listed in 2011 PA 62. Each district wishing to apply for funds under this section will submit to the department a copy of the board resolution detailing the district's compliance with the required best financial practices. Attached is a copy of an acceptable sample board resolution (Attachment A).

To meet Requirement A – The school board must certify that it does not pay more than 90% of the health related benefits (medical, pharmacy, dental, vision, disability, long term care, or other health benefit) for an employee. In most cases, this would be negotiated in employee contracts. The contract should indicate that the employee is paying at least 10% of the health care benefit. Attached is an example of a document that could be posted on the district's Budget and Salary/Compensation Transparency Reporting website under Employee Sponsored Health Care (Attachment B).

To meet Requirement B – The school board must certify that it is the policy holder on all of the health care benefit policies it covers on behalf of employees. An example of evidence for this would be each district insurance policy or employer participation agreement showing that it is the designated policy holder. A district that does not directly employ its staff is considered to have satisfied this requirement.

To meet Requirement C- If the district submitted a Service Consolidation Plan (SCP) by February 1, 2010, the district must continue to report to the department the status of the plan by February 1 each year. 224 districts have already met this requirement by agreeing to develop service consolidation plans under MCL 388.1611d. Those districts are listed on the MDE website at:

http://www.michigan.gov/documents/mde/ECEFS_Grant_Opportunities_12-14-09_305013_7.pdf

If the district did not submit a SCP by February 1, 2010, the district must do so by June 1, 2012. The agreement must be in compliance with MDE guidance dated June 30, 2011. The guidance is posted on the MDE website at:

http://www.michigan.gov/documents/mde/Service_Consolidation_Guidelines_338246_7.pdf

To meet Requirement D- The school board must certify that it has obtained a competitive bid on the provision of pupil transportation, food service, custodial, or one or more other non-instructional services with a contract value of \$50,000. MDE will consider a district to have met this requirement if it has either a single or multi year proposal or contract (greater than \$50,000) for the provision of any fiscal year 2011-12 non-instructional function (Pupil Support, Instructional Staff Support, General Adm., Business Services, Operations and Maintenance, Transportation, Staff/Personnel Services, Non-Instructional Technology, or Food Services.) To qualify as a "provision of service," the bid should be for purchased services as defined in the *Michigan Public School Accounting Manual* under object codes 31xx - 49xx.

To meet Requirement E – The school board shall agree to provide a link on the district's home page to the url for the MI School Data Portal which will eventually contain the required dashboard indicators pursuant to Section 22f(1)(e). The MI School Data Portal is projected to be available in late summer 2011; however, the local portal requirements will not be present on the MI School Data Portal site at the time of initial launch. In addition, certain data elements (minimum, average, maximum teacher, principal and superintendent salaries) for the district may be unavailable in the current state data collections. In those cases where data is currently unavailable for a district, the district will further agree to provide those data in the form and manner determined by MDE. MDE anticipates that this will be ready by fall. Once additional data work can be completed by the state on the MI School Data Portal site around the end of the current calendar year, assuming that the district has provided sufficient data to complete each required cell of the report, the local school district may simply link to the state site indicated above to meet this requirement. Following are the required data elements to meet the dashboard/report card requirement.

- Graduation and Drop out Rates
- Average Class Size in Grades Kindergarten to 3
- College Readiness as Measured by Michigan Merit Examination Test Scores
Elementary and Middle School MEAP Scores
- Teacher, Principal, and Superintendent Salary Information
- General Fund Balance
- Total Number of Days of Instruction

Submission Dates

While there is no specific date by which a district must submit its board resolution, state aid payments at \$100 per pupil can begin as early as the October 2011 payment. A district must submit its board resolution by June 1, 2012, to be eligible for these funds.

Once MDE has received the school board resolution and confirmed that a 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. The resolution is to be sent to Glenda Rader in the State Aid and School Finance Office. The email address is:

Raderg@Michigan.gov.