

State Aid & School Finance Update

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State Aid Updates

Philip Boone

- 2019 State School Aid
- Maintenance of Effort
- Indirect Cost Rate
- Labor Day Waivers

State Aid Update – 2019 State School Aid

- Foundation increases \$120 -\$240
 - Minimum \$7871 – Basic \$8409
- Grant awards timeline – 9/1 opening – 12/1 awarding
- Sec. 22d(4) Isolated Districts increase by \$1m and expands eligibility from 7.3 to 7.7 pupils/sq. mi. – estimates increasing payments from \$45 to \$50 per pupil
- Sec. 61d: \$25 - \$50 per high school pupil in approved CTE program
- Shared Time growth limit of 10%

State Aid Update (cont.)

- MPSERS payments will begin in November
- 22d Isolated District eligibility expands from 7.3 to 7.7 or fewer students per square mile, using updated data from GIS
- 31a At-Risk per-pupil payments have declined as a result of increased eligible population (676K – 743K) 2018 proration of 88% is now 78%
- Payments will be received on the 22nd in October, January, April and July.

Maintenance of Effort

Important change to the ESEA made by ESSA

- To maintain effort, you must spend at least 90% of the amount you spent the year before
- Your current year allocation for Federal grant programs will be reduced if you don't meet effort
- Now, a district must fail to meet effort twice in the last six fiscal years before allocations are reduced

Indirect Cost Rate

- Indirect Cost Rate Plan has been approved
- Changes for districts:
 - The Department will identify and notify LEAs whose membership is greater than 2,999 for purposes of determining Head of Component (HOC)
 - Head of Components are “organizational units for both indirect and direct functions existing one level below the Chief Executive Officer unit.”
 - Chief Executive Officer (CEO)
 - CEO’s immediate office: Deputy Superintendent, Deputy Commissioner, etc.
 - Heads of Components (CFOs, HR Directors, Technology Directors, CIOs)
 - Districts whose membership hovers around 2,999 may be required to provide HOC information one year and not the next
 - Districts that are identified must provide HOC information to receive a rate
- Add Business Office Managers to EEM to aid in notification process

Indirect Cost Rate

- A tab has been added to the DS-4513 to gather additional information for HOC
- Information collected includes:
 - Amounts charged to 25x Support Serv – Business for HOC related costs
 - Salaries, benefits, travel, and associated costs
 - Position and name of individual holding this position
 - Position split (percent charged to each function)
 - Organizational chart
- DS-4513 should be submitted using online repository
 - A link is provided on the Department's Indirect webpage
- Indirect contact: Jessica Beagle

beaglej1@michigan.gov

517-241-6435

- Waiver submitted electronically through Formsite
 - Link is found on our [website](#)
 - Reviewed by Chad Urchike within one week of submission
- Hearing between district and MDE
 - Must take place before waiver approval
 - Does NOT have to be part of regular board meeting
 - Board members may attend at their discretion
 - MDE attends via conference call
- Approval is sent electronically through Formsite
 - After hearing, waiver approval is sent to district and ISD auditor

Accounting & Financial Reporting Updates

Christopher May

- Accounting Manual Updates
- New in FID
- FID Data Quality
- Food Service Bad Debt
- ESSA School-Level Reporting

Accounting Manual Updates

- Change Notice #26
 - December 2017
- Change Notice #27
 - May 2018

FID Updates

- Due November 1st
 - November State Aid will be withheld if not received
- Compressed timeline for analysis and corrections
 - ~2 weeks to correct if notified
 - Quality checks anticipated to be completed and communications sent out by week of November 5th
 - All communications must be addressed and corrections made by **November 20th**

New in FID

- Separate tab in District Data Entry for “General Fund Additional Balance Sheet Items” & “Agency Fund Receipts and Disbursements” removed
 - Data was no longer needed or used

The screenshot displays the District Data Entry application interface. At the top, there are three dropdown menus: "Data Collection", "District Data Entry", and an unlabeled one. Below these is a blue header bar with the text "District Data Entry" and "Date: 08-23-2018". Underneath the header, there are fields for "School District: 58903", a dropdown menu showing "Academic and Career Educati", "User: Chris May", and "Fiscal Year: 2017-2018". A red warning message is displayed below the header: "The FID application is not yet open. FID will open 9/5/2018 12:00:01 AM." At the bottom, there are two tabs: "Assets & Liabilities" and "Dual Enrollment Tuition And Fees".

New in FID (cont.)

- Separate fields GASB 68 & GASB 75 Liabilities and Deferred Inflows & Outflows
 - District Data Entry screen
 - Can also be uploaded in Balance Sheet file if it includes government-wide fund data (Funds 91 & 92)

Long Term Liabilities (Fund 92)	Amount	
Deferred Outflows (195)	0.00	} Pension
Deferred Inflows (495)	0.00	
Deferred Outflows (OPEB) (196)	0.00	} OPEB
Deferred Inflows (OPEB) (496)	0.00	
Current Matured Bond Liabilities (44x)	0.00	
Other Current Liabilities (491)	0.00	
Bonds Payable (51x)	0.00	
School Bond Loan Payable - Long Term Portion (53x)	0.00	
Bus Loans Payable - Long Term Portion (56x)	0.00	
Furniture and Equipment Loans Payable - Long Term Portion (57x)	0.00	
Compensated Absences - Long Term Portion (58x)	0.00	
Other Loans and Liabilities - Long Term Portion (591,592,593)	0.00	
Pension Liability – Long Term Portion (594)	0.00	— Pension
Other Post-Employment Benefits (OPEB) Liability (595)	0.00	— OPEB
Total Long Term Liabilities minus Deferred Outflows (195 & 196)	0.00	— Total minus both Deferred Outflows

FID Checks

- Most critical checks:
 - General Fund Balance
 - Total Federal Revenue
 - USDA Entitlement and Bonus Commodities
 - Net Pension Liability
- Select categories of revenues, expenditures, and fund transfers are also reviewed
- **Section 18(10): State Aid withholding for inconsistent data**

FID – Common Questions

- “Dual Enrollment Tuition & Fees Paid” on District Data Entry screen
 - System is currently only comparing with Object Code 3710 (Tuition)
 - If you pay another district or ISD (Object 82xx) and they pay the college, do not include those amounts on District Data Entry screen
- Revenue Suffix Codes
 - System currently allows invalid codes (>1000) for internal use, will likely be fixed next collection cycle to only allow 1022-defined codes
 - Check position of zeros in your Suffix Codes (0010 – foundation, 1000 – invalid)
 - Use “Other” coding dimension for internal tracking as needed

FID – Common Questions

- Function Code 225 in Capital Projects Funds
 - Made allowable in May 2018 Change Notice #27 (for 2018-19)
 - Following FID collection (17-18) usually updated with these changes in advance, but this change was not made in time
 - For 17-18, Function Code 459 will likely be the workaround until next year
- “Audit Verification” on District File Status screen
 - Three State Aid checks (Unrestricted, Restricted SE, Restricted Voc. Ed.)
 - Warnings if revenue amounts differ by >10% from August 2018 Status Report Allowances
 - Disregard if Prior Period Adjustments or deferred revenues are causing discrepancy

FID – Common Questions

- Deficit fund balance error
 - Any deficit fund balance must be reported using Major Class 751 (Unassigned)
- Benefits without and/or exceeding salaries in a given function
 - No longer errors (only warnings), so you can still submit

Food Service Bad Debt Write-Off

- MDE Communication from OHNS & OFM expected soon
- Expecting the following accounting guidance from write-offs:
 - Debit General Fund – Miscellaneous Expenditures (bad debt expense)
 - Credit General Fund – Cash

 - Debit Food Service Fund – Cash
 - Credit Food Service Fund – Accounts Receivable
- This approach will not impact sales in the FS Fund, keep the Bad Debt expense outside of FS, and still ensure outside resources are moved/used to resolve “uncollectable” debt
- Additional details regarding timing, etc. will be included in communication

ESSA School-Level Reporting

Required on State and LEA ESSA Report Cards:

The per-pupil expenditures of Federal, State, and local funds, including actual personnel and actual nonpersonnel expenditures of Federal, State, and local funds disaggregated by source of funds, for each local education agency and each school in the State for the preceding fiscal year.

ESSA School-Level Reporting Timeline

- Timeline
 - **December 2015** - ESSA signed with 2017-18 implementation date
 - **January 2017** - USED issues regulations (CFR) & non-regulatory guidance for State and Local report cards (incl. per-pupil expenditure reporting)
 - **March 2017** - Non-regulatory guidance repealed as a result of a Congressional Review Act (CRA) action
 - Old regulations still online, no longer valid

ESSA School-Level Reporting Timeline (cont.)

- **2017 - Present** – Financial Transparency Working Group (FITWIG) grows to over 40 states to interpret and implement solutions in response to ESSA requirements
- **June 2017** – USED issues “Dear Colleague” letter allowing states to delay implementation of school-level expenditure reporting to 2018-19
 - Michigan is taking advantage of this extra time
- **Early 2018** – Interstate Financial Reporting (IFR) guidelines published by Georgetown University after FITWIG collaboration

Interstate Financial Reporting (IFR)

“Based on a set of voluntary, minimal reporting criteria, IFR is designed to produce data that have common meaning and can be used to make valid, apples-to-apples comparisons of school-level per-pupil expenditures across states.”

Sample School-Level Reporting (IFR Criteria)

		• District 1 •		
Criteria		Elementary School #11	Elementary School #12	Middle School #17
A	Enrollment	375	511	992
Site-Level Expenditures				
B	Federal	\$456	\$209	\$164
C	State/Local	\$6,111	\$4,756	\$5,998
D	Site-Level Total <i>(Sum of B+C)</i>	\$6,567	\$4,965	\$6,162
Site Share of Central Expenditures				
E	Federal	\$161	\$161	\$161
F	State/Local	\$5,378	\$5,378	\$5,378
G	Site Share of Central Total <i>(Sum of E+F)</i>	\$5,539	\$5,539	\$5,539
H	Total School Expenditures <i>(Sum of D+G)</i>	\$12,106	\$10,504	\$11,701

- Two elementary schools, one middle school
- Elementary #11 gets spends significantly more federal funds (on a per-pupil basis)
- Elementary #12 spends significantly less overall (on a per-pupil basis)
- About half of all expenditures were left at district-level, same per-pupil amount for all buildings
- Total School Expenditures (H) should be used for most comparison purposes

Interstate Financial Reporting (IFR) (cont.)


- **(A)** Enrollment: Fall FTE
- **(B - D)** Site-Level Expenditures: Expenditures reported with a building code
 - Function 1xx & 24x at minimum
 - Exclusions (Adult Education, Capital Outlay, Community Services, etc.)
- **(E - G)** Site Share of Central Expenditures: Expenditures reported without a building code
 - Exclusions (Adult Education, Capital Outlay, Community Services, etc.)
- **(H)** Total School Expenditures: **(D + G) / A**
 - This figure should be used for comparisons

Interstate Financial Reporting (IFR) (cont.)

- Federal & State/Local Disaggregation
 - Federal: Grant Codes 400-899
 - State/Local: All remaining expenditures
- Shared time and other expenditures outside district
 - FID will allow usage of nonpublic building codes
 - Report card will have separate column for “Other Schools Outside of District or similar exclusion (since there will be no accompanying Enrollment figure)
- Michigan will follow IFR guidelines/definitions, but appearance may vary

How This Affects Your Reporting

- Enhanced reporting beginning 2016-17
 - 100% of Function Codes 11x, 12x and 24x at building level (some were previously 80%), FID **Warning** in 2016-17, **Error** in 2017-18

	Building Level Expenditures are Reported for the Required Functions.	Functions 1XX and 24X must be reported at the building level. A valid building code must be reported with these expenditures
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- Functions 13x and Objects 6xxx and 82xx are not subject to this requirement

How This Affects Your Reporting (cont.)

- Other functions reported with a building code will be included at building-level on your report card!! (encouraged)
- Additional Function Codes at building level (support services) may be required in the future
 - Pupil Support, Instructional Staff Support, etc.
 - Some states being more prescriptive than others in defining “Site” vs. “Central” costs

Recommendations

- Ensure your Superintendent, Board, and other district leadership are aware of this new data that will be visible to the public in early 2020.
- Increase usage of building codes (where practical) in other Support Services functions
 - Anything remaining at district-level (00000) will be allocated to buildings based on Fall FTE
 - Make sure any buildings (including non-schools) you'll have instructional expenditures in have a building code established with CEPI
- Ensure correct Grant Codes are being used for disaggregation
- Be prepared to answer questions about spending “inequity”

Additional Resources

- Essa School-Level Financial Reporting webpage
 - <https://www.michigan.gov/mde/0,4615,7-140-6605-471058--,00.html>
 - MDE memo (intended for district leadership)
 - Calculation methodology (intended for business office)
 - Additional information, guidance, FAQs, etc. will be posted here
- Interstate Financial Reporting
 - <https://edunomicslab.org/interstate-financial-reporting/>

Questions?

Contact Information

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