

# MDE – State Aid & School Finance Update

Philip Boone - Assistant Director

Christopher May - Financial Specialist



# State Aid Updates

Philip Boone

- 2019 State School Aid
- Maintenance of Effort
- Office of Financial  
Management Reorganization

# 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%

# 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

# Office of Financial Management Reorganization

- Vision includes a better alignment of human and fiscal resources with Top 10 in 10 goals, maximizing MDE resources supporting programs, and increased support to maximize education spending to better meet the needs of all learners and all schools
- Program Finance consolidation – a work in progress
  - Can we increase efficiency by consolidating our work?
- Office of Financial Management
  - Now includes State Aid & School Finance unit
  - Staff contacts have not changed

# MDE Finance Reorganization

- Overall goal is for program offices and finance staff to work more collaboratively, ensure compliance with State and Federal obligations, and to better align our work and available funding to Top 10 in 10 goals
- In progress – Program Finance side is being worked through first
- State Aid & School Finance is now within the Office of Financial Management
  - Staff contacts are currently the same as before re-org

# 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 1<sup>st</sup>
  - 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 5<sup>th</sup>
  - All communications must be addressed and corrections made by **November 20<sup>th</sup>**

# 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 shows the District Data Entry application interface. At the top, there are three tabs: "Data Collection", "District Data Entry", and an unlabeled tab. Below the tabs, the text "District Data Entry" is centered, and "Date: 08-23-2018" is on the right. The main content area displays "School District: 58903" followed by an ellipsis and "Academic and Career Educati". To the right, it shows "User: Chris May" and "Fiscal Year: 2017-2018". A red warning message is displayed below the main content: "The FID application is not yet open. FID will open 9/5/2018 12:00:01 AM." At the bottom, there are two buttons: "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**

Food Service Bad Debt Write-Off

## 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
<b>A</b>	Enrollment	375	511	992
<b>Site-Level Expenditures</b>				
<b>B</b>	Federal	\$456	\$209	\$164
<b>C</b>	State/Local	\$6,111	\$4,756	\$5,998
<b>D</b>	Site-Level Total <i>(Sum of B+C)</i>	\$6,567	\$4,965	\$6,162
<b>Site Share of Central Expenditures</b>				
<b>E</b>	Federal	\$161	\$161	\$161
<b>F</b>	State/Local	\$5,378	\$5,378	\$5,378
<b>G</b>	Site Share of Central Total <i>(Sum of E+F)</i>	\$5,539	\$5,539	\$5,539
<b>H</b>	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
- **(E - G)** Site Share of Central Expenditures: Expenditures reported without a building code
  - Exclusions
- **(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 1xx and 24x at building level (currently 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 Functions 1XX and Objects 0XXX and 02XX 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
- 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/>

# Attributing RESA Expenditures to LEAs

- Title I allocations to states driven by a formula using coefficient of variation (CV) of expenditures between districts
  - More equitable spending = more Title funding
  - Pilot expenditure attribution in another state found addressing this would increase funding by **\$3.8 million**
  - Fixed amount of funds: more states reducing CV = less funding for higher CV states
- Michigan has some of the highest RESA expenditures not currently attributed to LEAs among all states (~10%)

## Attributing RESA Expenditures to LEAs (cont.)

- Considering next steps (all tentative ideas)
  - Starting with Special Education and CTE Funds?
  - Automatic proration by constituent LEA membership vs. data submission by ISDs of approximate amount or percentage of expenditures each LEA benefits from?
  - Giving ISDs the option of which to use?
- Any necessary reporting changes will be communicated well before implementation

QUESTIONS?

# In Summary...

- Make sure your accounting manual is updated with recent changes
- Take some extra time to review your FID data for consistency, reasonability, and accuracy prior to submission
- Take stock of your building-level accounting practices and potential improvements
- Communicate with district leadership, board, etc. regarding this new level of financial transparency
- ISDs – Think about how you might attribute your expenditures to LEAs served (equal per-pupil basis, by programs/services provided, etc.)
- As always, contact me with any questions or concerns!!

# Contact Information

- **Philip Boone**
  - Assistant Director
  - Office of Financial Management, State Aid & School Finance
  - 517-335-4059
  - [BooneP2@michigan.gov](mailto:BooneP2@michigan.gov)
- **Christopher May**
  - Financial Specialist
  - Office of Financial Management, State Aid & School Finance
  - 517-335-1263
  - [MayC@michigan.gov](mailto:MayC@michigan.gov)