



## STATE AID

### WHERE DOES THE MONEY COME FROM AND HOW DOES THE SCHOOL GET IT?

#### Where does the money come from?

Fiscal management is critical to all organizations and charter public schools are no exception. Each charter public school is basically a multi-million dollar, non-profit entity that is accountable to taxpayers. As such, each board is entrusted with significant public resources and has contractual obligations including the stated educational goal and related measures in its charter contract. It is critical that each board member has a thorough understanding of where and how the school's revenues are generated in order to effectively manage the outflow.

In 1994, Proposal A significantly changed the way public schools in Michigan were funded and led to the establishment of charter public schools. Although all schools in Michigan receive a foundation allowance (or per-pupil funding) through the State School Aid Act, as amended, charter public schools are unlike their traditional counterparts in that they do not have taxing authority. Charter public schools, like traditional public schools, will also receive funds called categorical funding. Categorical funds are appropriated annually by the Michigan Legislature through the State School Aid Act, as amended. These funds are for specific purposes, are awarded if certain eligibility requirements are met, and are in addition to the basic foundation allowance.

If the charter public school receives funding in error, the school will be directly responsible for reimbursing the State for any overpayments of State School Aid Payments (pursuant to Article IV, Section 4.5 of Schedule 3 of the charter contract).

#### How is state aid calculated?

##### General Education Funding

Consistent with traditional public schools, charter public schools receive funding based upon a blended student count. The foundation allowance is calculated based upon that blended student count.

- Existing School
  - For charter public schools that have been in existence for more than two years, the blended student count consists of 90% of the charter public school's current school year adjusted fall headcount and 10% of the charter public school's final audited count from the prior school year spring headcount.
- School in First Two Years of Operations
  - The blended student count for a school in the first two full or partial years of operation consists of 50% of the adjusted fall headcount for the current school year and 50% of the final audited count from the supplemental count day for the current school year. Until the spring count is available, the school will receive funding based upon 100% of the fall count.
- Grade Addition
  - The blended student count for the first year that a school has pupils enrolled in a grade level that was not offered in the immediately preceding school year is calculated based upon 50% of the adjusted fall headcount for the current school year and 50% of the final audited count from the supplemental count day for the current school year. Until the spring count is available, the school will receive funding based upon 100% of the fall count for the first year the grade is offered. It is important to ensure the Michigan Student Data System is updated to reflect the first year a grade level is offered, as this is the notice that the Michigan Department of Education (MDE) needs to determine that an adjustment must be made to the foundation allowance calculation.

The charter public school's blended count may also be impacted by students that transfer into or out of a school after fall count day, provided that the student was counted in a Michigan public school on the fall count date. See Section 25e of the State School Aid Act for additional details.

See the Pupil Accounting Manual for specific details on determining the student counts. In summary, the MDE must receive pupil headcounts twice a year to support the fall and spring headcounts that are needed to calculate state aid.

### **Categorical Funding**

Categorical funding is specific to the charter public school. Categorical grants and funding amounts will vary from year to year as they are determined by legislative priorities. Due to the complexity of categorical funding, the board should seek guidance regarding the school's categorical funding from the charter public school's business manager.

### **How is state aid processed?**

Pursuant to the Fiscal Agent Agreement (Schedule 3, Article III, Section 3.2) of the charter contract, the State Treasurer issues a warrant based upon the MDE's calculations of the blended student count. The warrant is delivered to the University by electronic funds transfer at the times specified in the State School Aid Act of 1979, as amended. Except as provided in the charter contract, the University promptly forwards the state school aid funds to a charter public school's board-controlled account.

The state's payment schedule provides for 11 state aid payments per year – beginning in October through the following August. These payments include the basic foundation allowance as well as categorical funding. The payment details are reported on the [Financial Status Reports](#) provided by the MDE. Although the charter contract allows up to 10 days (Article II, Section 2.2 of Schedule 3), the University makes every attempt to process the state aid as soon as possible and likely the same day it is received from the Michigan Department of Treasury.

The state aid payment is reduced by the University's administrative oversight fee and, if requested and acknowledged in a state aid intercept agreement, by loan payments. The loan payments are forwarded to the lender per the intercept agreement. Please see the finance guide on borrowings for additional details.

Each month, The Center for Charter Schools makes available through Epicenter the Fiscal Year Report that shares state aid deposit details for each school.

### **What is the administrative oversight fee?**

The Revised School Code and charter contract (Article IV, Section 4.1 of Schedule 4) allows the University to withhold 3% of all state aid as the administrative oversight fee, but the University Board of Trustees has chosen to recognize the special needs and specific counts under categorical funding so it only applies the 3% to funds for general operating purposes. As a result, the effective rate applied for the University's administrative oversight fee is less than 3%. The actual administrative oversight fee amount is provided each year in the Annual State Aid letter issued by the Center to the charter public schools (pursuant to Article V, Section 5.2 of Schedule 3).

The Center is committed to supporting the University's partner schools in their preparation of students for success in college, work and life. The Center believes in utilizing the funding received to support schools through individualized oversight and in-depth supports, including tailored assistance in critical areas, professional development opportunities, access to University resources and a team of knowledgeable and dedicated staff.

## **REGULATORY FRAMEWORK**

### **Legal Requirements**

Among other things, the State School Aid Act of 1979, as amended, is an act to make appropriations to aid in the support of the public schools in Michigan. Consequently, charter public schools are funded through this Act. The State, through its Department of Education (MDE) has sole responsibility for determining the eligibility of the charter public school to receive State School Aid payments as well as the amount the charter public school will receive.

### **CMU Charter Contract**

Article III, Section 3.2 of the Terms and Conditions of the charter contract states, "The University Board is the fiscal agent for the Academy. As fiscal agent, the University Board assumes no responsibility for the financial condition of the Academy..."

Pursuant to Article III, Section 3.1 of Schedule 3 of the charter contract, the State of Michigan, through its Department of Education (MDE), is solely responsible for determining the charter public schools eligibility to receive state aid as well as the amount of state aid the charter public school will receive.

Please see the charter contract for additional references related to State School Aid.