

BUDGET AND FINANCIAL GUIDELINES

Intermediate Schools Districts (ISDs) receive a slot allocation and a transportation allocation from the Michigan Department of Education (MDE) to provide preschool for eligible Michigan children. ISDs may choose to operate in consortium with one or more ISDs, with one ISD assuming the role of fiscal agent. Whether the ISD directly provides programming or names eligible subrecipients to do so, the ISD has the responsibility to assure (MDE) that allocated funds are used responsibly to provide high-quality programming and services aligned with the Michigan Early Childhood Standards of Quality for Pre-K.

Systems used for Fiscal Reporting

Fiscal reporting is completed in the Michigan Electronic Grants System Plus (MEGS+). MEGS+ is MDE's grants management system that utilizes internet technologies to manage the grant process. This includes the full range of activities, including the announcement of grants, access to grant application information, reporting data, and receipt and review of applications and reports. MEGS+ interacts with a variety of other State of Michigan systems. These systems include Michigan Education Information System (MEIS), the Grant Electronic Monitoring System-Michigan Administrative Review System (GEMS-MARS), and the Educational Entity Master (EEM).

Each ISD staff person that will work within these programs must have an established MEIS account. In order to access MEGS+ and GEMS/MARS, users must have an active MEIS account and must have submitted a security agreement form. If an ISD has a new agency receiving GSRP funds, each agency is required to have a recipient code. An agency security form must be completed and the agency enters its information in the EEM. These security forms can be obtained from GSRP staff. Contact GSRP staff for further guidelines on adding staff and new agencies to MEGS+.

Budget Guidelines

State funds are appropriated annually based on an October 1st to September 30th fiscal year. ISDs are to ensure that services and materials purchased for a given fiscal year are recorded in the accounting system for that year.

GSRP funds may be used to pay for the following:

- Preschool Program Quality Assessment (PQA) for each classroom where even one GSRP-funded child is enrolled.
- Instructional materials and supplies
- The full cost for the provision of breakfast, lunch and/or snack (including items such as lunch aides, and meals and snacks for volunteer parents and the classroom teaching staff) over and above all reimbursements the program is eligible for from applicable federal food programs. (See Use of Federal Programs and GSRP below)
- Lead teacher, associate teacher, early childhood specialist, and aide salaries and fringe benefits
- Parent involvement activities

- Transportation for students
- Health support services
- Student support services
- Staff development and teacher/parent training
- Travel necessary to enable project staff to implement the early childhood program
- Office supplies and materials
- Communication
- Printing and binding
- A prorated amount of the rent/mortgage payment or lien paid to an entity other than the ISD, or subrecipient for facility or space. Budgeting for rent is not allowable when the subrecipient or ISD owns a building free and clear or when the space is entirely paid for by any other source.
- Construction or renovation expenses related to licensing, as documented by the pre-licensing report and pre-approved by the GSRP consultant
- Furniture and Equipment such as shelving, tables, or a CD player

Great Start Readiness Program funds MAY NOT be used to pay for:

- Existing administrative, educational, or support personnel funded through other sources
- Costs that should be covered by Special Education
- Any costs associated with the provision of breakfast, lunch and/or snack if the program does not participate as required in federal food programs for which it is eligible
- Any state tax, including sales and property tax, when an organization is tax exempt
- Space when the subrecipient owns the building free and clear or when space is paid for by any other source.

Administrative Cap

For the portion of the total grant amount for which services are provided directly by an intermediate district or consortium of intermediate districts, the intermediate district or consortium of intermediate districts may retain an amount equal to not more than 7% of that portion of the grant amount.

For the portion of the total grant amount for which services are contracted, the intermediate district or consortium of intermediate districts receiving the grant may retain an amount equal to not more than 4% of that portion of the grant amount and the subrecipients engaged by the intermediate district to provide program services may retain for administrative services an amount equal to not more than 4% of that portion of the grant amount.

An intermediate district or consortium of intermediate districts may expend not more than 2% of the total grant amount for outreach, recruiting, and public awareness of the program. If an ISD does not provide centralized outreach, recruiting and building of public awareness, it may share this 2% with its subrecipients.

When contracting with grant subrecipients, the ISD must determine the percentage of the total allocation which it will dedicate to centralized, collaborative outreach-recruitment-awareness activities and ISD-level administration of the grant. An ISD retaining the 2 percent of the allocation allowed for recruitment and enrollment activities must ensure that recruitment and enrollment costs to subrecipients are similarly reduced by the activities undertaken by the ISD. Subrecipient contracts must include statements regarding the administrative services for both the ISD and subrecipient, including the percentage for each. The contracts should also specify the amount for programmatic services, such as the ECS and PQA fees, that will remain in the ISD portion of the budget. Refer to the *ISD Administration of GSRP* section of this manual for more information on written agreements.

Before submitting the MEGS+ GSRP Implementation Plan the ISD must ensure that detailed administrative items in the slot allocation budget and the transportation budget are reasonable for the quality of the activities proposed, include proper function codes, and that costs are properly allocated between administration and program service delivery.

Function codes 230, 240, 250 and 280 are considered administrative. There can be instances where a subrecipient is at or below the maximum administrative limit and still have excessive administrative costs for a position or service. There can be instances where a subrecipient wishes to classify an item as a 'dual benefit cost' and in these instances the ISD may permit split-funding in which case the subrecipient must clearly document the allocation of costs. For example, personnel costs for a local program administrator are primarily administrative costs. However, the ISD may permit split-funding with proper supportive documentation, such as a position description and a spreadsheet determining the rationale for the split-funding. In this instance, costs initially classified as dual benefit costs must be additionally designated as administrative or programmatic. The documentation that justifies split funding and the GSRP proportion of costs must be kept on file for MDE review.

Indirect Costs

Indirect costs are defined as costs that are incurred for the benefit of more than one cost objective, but are not readily assignable to any program or grant. For GSRP, indirect costs are assigned only to function codes 25X, 26X, 283 and 284. The ISDs and subrecipients are allowed to use indirect costs for those function codes only. Any indirect cost assigned to a GSRP administrative cost function code is included in the total GSRP administrative cost.

Total indirect and direct administrative costs must be totaled and cannot exceed the GSRP legislative administrative cost percentage for each ISD and subrecipient. For example, the ISD has direct administrative costs of \$1,000 and indirect administrative costs of \$500. The total administrative costs are \$1,500, which cannot be greater than the allowable ISD administrative cost percentage in GSRP legislation.

ISDs and subrecipients are allowed to use indirect costs, but both are limited to the GSRP legislative administrative cost percentage for their agency. For example, if a

subrecipient's indirect cost rate is 4.38%, and the GSRP legislative administrative cost percentage is 4% for subrecipients, the subrecipient is required to determine indirect costs using the 4%.

If indirect costs are used, the agency must include that in their description when entering items on the budget and Final Expenditure Reports. For example, an indirect cost rate was used to determine the amount for accounting services at the ISD. The description needs to read as: Indirect accounting services.

An agency's indirect cost rate is determined federally, therefore GSRP grant recipients are required to follow federal guidelines for indirect costs. These guidelines can be found at: [Indirect cost rates guidelines and current information](#)

Cross-ISD Enrollment

Legislation provides for parent choice to enroll a child into a GSRP of a non-resident ISD. The per-slot allocation for each child enrolled in a non-resident GSRP, must be transferred from the resident ISD to the educating ISD. The educating ISD may use the per-slot allocation to implement Part-Day GSRP, School-Day GSRP or the GSRP/Head Start Blend (where the Head Start grantee's catchment area overlaps ISD boundaries). When the per-slot transfer becomes part of an enrollment in a School-Day program, the ISDs must recognize and implement the use of two slots for that child, unless utilizing the GSRP/Head Start Blend. Each written agreement between resident/educating ISDs must specify if transportation funds are to be transferred to the educating ISD.

The resident ISD may choose to use, for administrative services, a maximum of four percent of the total allocation for administrative services. To eliminate duplicate administrative costs related to cross-ISD enrollment, the educating ISD may not retain any amount of the slot allocation for administrative services. Funds associated with cross-ISD enrollment will be accounted for in the Implementation Plan and the Final Expenditure Report. Children served in an educating ISD will count as slots filled by the resident ISD; the slots associated with children enrolling in an educating ISD will remain with the resident ISD for the calculation of succeeding years' allocations. Therefore, the resident ISD must be responsible for reporting of the children in the Michigan School Data System (MSDS). See the Recruitment and Enrollment section of the GSRP Implementation Manual for more information on cross-ISD enrollment.

Transportation

Transportation services have always been an approvable use of Great Start Readiness Program (GSRP) funds. This includes costs or appropriately prorated costs for child safety restraint systems, additional or extended bus routes/bus runs/mileage, vehicle maintenance or modifications, drivers, bus aides and school buses or other costs related to transporting children to and from school. Transportation funds may only be used for transportation services.

Each year the ISDs will be asked to collect projected transportation budgets from subrecipients. A total transportation request will be forwarded to MDE from each

ISD. If the total request from all ISDs is equal to or less than \$10,000,000 each ISD will receive the requested amount. If the total of the projected transportation budgets exceeds \$10,000,000, MDE will allocate each ISD a prorated amount or its budget request if less. The ISD may accept any amount or all of the transportation allocation. The ISD may distribute transportation funds as needed across subrecipients for those slots served within the ISD. The ISD must create a process to gather pertinent information that will guide decision-making on prioritization of transportation funds. Consider how collaborative child recruiting and public awareness activities, along with a dedicated transportation allocation, can support the goal to identify and serve children and families who may not otherwise be able to access the program. Other considerations include the number/location of GSRP subrecipients currently providing transportation, the number/residence of GSRP enrolled children receiving transportation, family need by programming option, how well existing transportation costs are met, and areas of unmet need for transportation services. The school readiness advisory committee is the appropriate venue for data-based decision-making on distribution of the transportation allocation.

The Program Implementation Plan (PIP) includes a separate transportation budget to document use of the accepted transportation allocation for the ISD and/or subrecipients. The current administrative cap for slot funds is also applicable for transportation funds. While the ISD should prioritize full use of allocated transportation funds, the GSRP slot allocation budget may continue to be used to report additional transportation items, as well as, field trip transportation costs.

Budget Detail

The MEGS+ Implementation Plan includes two budgets; a slot allocation budget based on the per-slot allocation to document the broad variety of budget items for the grant, and a transportation allocation budget to document use of the accepted transportation allocation for each ISD and/or subrecipients. Each ISD enters detailed budgets for the total allocations into the Program Implementation Plan in MEGS+. The ISD must ensure that all expenditures are approvable within the guidelines provided in this section. Each entry must provide clear information to determine the appropriateness of planned expenditures. (See Resources for this section for a list of examples of approvable function codes, descriptions and budget templates). Detailed items must be reasonable for the quality of the project activities proposed, include appropriate function codes, and, in total, not exceed the maximum administrative costs. Items reported under Purchased Services must clearly identify personnel, materials, or services.

Personnel Rules

Salaries budgeted for personnel must be accompanied by a budgeted amount for benefits even if that amount is "0". Full Time Equivalent (FTE) or hours must be designated for each individual or category of individuals. A 1.0 FTE is viewed as the equivalent of 40 hours/week, whether the individual is contracted to work the full calendar year or the school calendar year.

Personnel must be aggregated and entered by position (14 Lead Teachers, 14 Associate Teachers). Hours budgeted should equal the total hours of expected work per year. In programs that braid or blend GSRP-funded children with children who are financially supported from other sources, budget only the prorated time staff spends with GSRP-enrolled children.

If staff are hired using an agency, any fee paid to the agency for the provision of staff is to be considered an administrative cost and is reported separately in function code 283.

Use of Federal Food Programs and GSRP

GSRP funds may only be used to cover the costs of classroom meals and snacks when the item entered into the GSRP budget represents the difference between the estimated cost of providing meals and snacks and the estimated reimbursement from the National School Nutrition Programs (NSNP) and/or the Child and Adult Care Food Program (CACFP).

All LEA GSRP subrecipients (program providers) are required to take part in SNP for breakfast and lunch or CACFP for all meals/snacks. Any LEA that chooses to add or continue to use CACFP for snack **ONLY** may do so, but is not required to as of 9/1/15 if participation is considered to be cost prohibitive.

A CBO that is deemed not eligible to participate will receive a letter from CACFP that the center may provide to the ISD documenting the lack of eligibility. CBO's that are eligible and provide breakfast/lunch or breakfast/lunch/snack **MUST** participate in the applicable program. This will most often be CACFP. CBOs that are eligible, but provide **snack ONLY** may choose to use CACFP, but are not required to do so as of 9/1/15.

The cost of meals/snacks for the GSRP teaching team members, who are expected to join the children in family style meals, may not be charged to the teaching team and may be included in the GSRP portion of the meal/snack budget item.

Use of School Nutrition Programs

According to the United States Department of Agriculture (USDA) Eligibility Manual For School Meals (October, 2011), children enrolled in State-funded pre-kindergarten classes using identical or more stringent eligibility criteria than the federal Head Start Program are categorically eligible to receive free meals through the SNP, where applicable.

GSRP students are eligible to participate in the SNP where applicable. GSRP students in Michigan are not, however, categorically eligible to receive free meals through these programs due to an income requirement less stringent than that of the federal Head Start Program. Rather, the fiscal agent is required to retain the appropriate eligibility documentation (i.e., Free and Reduced Meal Family Application).

Regardless of which eligibility category children are in, there is no cost to families for snacks or meals. See guidance in this section for how the full cost of providing snacks and meals is shared between federal reimbursements and the GSRP budget.

Qualifying breakfasts and lunches served to GSRP children under SNP may be claimed for federal reimbursement. In order to claim for reimbursement, each fiscal agent must identify, with subrecipient(s), districts/buildings where the SNP are available to GSRP students. Individual districts are allowed to independently serve, count and claim for federal reimbursement qualifying breakfasts and lunches to GSRP students through their existing State Agency-approved sponsorship of the SNP. LEAs may choose to use CACFP for serving breakfast, lunch and snack to children in GSRP.

Use of the Child and Adult Care Food Program

GSRP Students are eligible to participate in Child and Adult Care Food Program (CACFP) where applicable. GSRP students in Michigan are not, however, categorically eligible to receive free meals through the CACFP due to an income requirement less stringent than that of the federal Head Start Program. Rather, the fiscal agent is required to retain the appropriate eligibility documentation (i.e., Free and Reduced Meal Family Application) and must claim the participants in the appropriate category on monthly claims per the Free and Reduced Meal Family Application.

Regardless of which eligibility category children are in, there is no cost to families for snacks or meals. See guidance in this section for how the full cost of providing snacks and meals is shared between federal reimbursements and the GSRP budget.

Qualifying breakfasts, lunches and snacks served to GSRP children may be claimed for federal reimbursement in the CACFP. In order to claim these meals and snacks for reimbursement, each fiscal agent must enter into an agreement to become a State Agency-approved sponsor of the CACFP. The approved sponsor should:

- Establish all individual buildings serving qualifying meals and snacks to GSRP students on the sponsor application as 'sites'.
- Collect and retain GSRP meal and snacks counts and related records for individual sites per CACFP regulations.
- File consolidated monthly claims for all participating sites for reimbursement of meals and snacks served to GSRP participants.

Reporting

It is the responsibility of the ISD to ensure that each GSRP student is accurately reported in the MSDS. The Center for Education and Performance Information (CEPI) uses the Supplemental Nutrition Eligibility (SNE) component to report the student's status as eligible for free or reduced-price milk or meals through the NSNP. Multiple State of Michigan offices use these data in the determination of sub-groups and as the poverty indicator for districts. If the student is participating in meal services through the NSNP, they are to be reported in the SNE field as a part

of the Fall General Collection in MSDS. Conversely, if they are *only* participating in meal services through the CACFP, they are *not* to be counted in the SNE field.

Capital Outlay

Capital outlay refers to costs in excess of \$5,000 for equipment, building purchase or renovation project costs. The necessity for prior approval applies to an individual item that costs over \$5,000 or a project that totals over \$5,000. An individual item that costs less than \$5,000 but is purchased in multiple units would not need approval. An example would be a program that buys 2 iPads for each of its 10 classrooms.

A project such as the construction of a playground may have a number of individual pieces that cost less than \$5,000 each, but is carried out as one project. It might include a climber that costs \$4,000 but also has an installation fee and needs groundcover and fencing. The total exceeds \$5,000 and is considered one project. Thus it would require prior approval for the GSRP consultant. A written request should be made on a *Capital Outlay Request* form found in the resources to this section.

Prior to submission of the completed form to the GSRP consultant, the ECC/ECS must consider the individual circumstances of the subrecipient's program needs and make a decision as to whether the purchase is recommended or not.

Local Share

Additional funds from other sources utilized to support the program may be reported as Local Agency Share. This is beneficial in documenting the true costs of the program. In programs that combine GSRP-funded children with children supported from other sources, the funds that support the other children's attendance may not be entered. Enter only those contributions to the program for GSRP-funded children.

Budget Amendments

Budget amendments are only required when the total change to a budget category in the ISD Summary Budget is expected to exceed 10%. Amendments are made in MEGS+ and directions can be found in the training modules within MEGS+. The Early Childhood Contact (ECC) is required to contact the assigned consultant prior to amending the budget to determine that the proposed amendment is approvable. The ISD should provide policies and procedures to subrecipients for amending local budgets.

Payments to Subrecipients

Funding that comes to the ISDs via State Aid Payment may be forwarded to the subrecipients in several ways. Funding may be sent to the subrecipients as the State Aid payments are received. ISDs may also choose to fund subrecipients on a reimbursement basis. In either case, ISDs follow agreed-upon contract language which details a flow of funding that is fair and equitable across subrecipients. Detailed documentation of expenditures is kept for audit.

MDE Recovery of Funds for Unfilled Slots

Funding for unfilled slots will be recaptured through the State Aid Payment process. See the *Funding* section for an explanation of documenting filled slots in the MSDS.

Additional Fiscal Reporting

Final Expenditure Report (FER) and Carryover Budget (COB)

At the end of the grant year ISDs must provide details of actual expenditures in the FER. The FER allows the ISD to report how it has used all earned funds. Earned funds are calculated by multiplying the number of slots filled as reported in the Spring Early Childhood Collection by the current per slot amount. This is the maximum amount that may be expended.

The FER is reported in MEGS+. The final approved budget is pulled into the report. All expenditures are aggregated across subrecipients and used to complete the FER. It is required that the ISD monitor individual expenditures for both the ISD and each subrecipient. Monitoring documentation must be retained in the ISD administrative files for MDE review purposes. The breakdown of expenditures should be detailed enough to allow the ISD and MDE staff to determine that all expenditures were necessary, reasonable, and allowable. It must also be clear that the administrative cap has not been exceeded. Resources for this section include a sample Excel spreadsheet to assist the ISD with subrecipient budgeting and tracking of expenditures. The ISD's portion of the budget must also have detailed expenditure reports with back-up documentation on file for MDE review.

If the ISD and its subrecipients did not expend all of the earned slot funds, the ISD may submit a COB along with the FER. Transportation funds may not be carried over. The ISD may allow each subrecipient to budget for its own carryover funds, but will submit one COB along with the FER for MDE approval. Carryover expenditures are made between October 1 and June 30 of the subsequent grant year. A lack of carryover requested and/or unexpended carryover will result in a Prior Year Adjustment.

Carryover FER

The expenditure of carryover funds is reported in MEGS+ after the close of the carryover period. ISDs are expected to have documentation of how funds were expended on file for MDE review.