

## **BUDGET AND FINANCIAL GUIDELINES**

Intermediate Schools Districts (ISDs) receive an allocation to operate the program 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. The ISD may have subrecipients, choose to directly run GSRP or have a combination of these options. 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 to provide high-quality programming and services that are aligned with the Michigan Early Childhood Standards of Quality (ECSQ) for Pre-K and meet all GSRP requirements.

### **Systems Used for Reporting**

GSRP reporting is completed using the Michigan Electronic Grants System Plus (MEGS+). MEGS+ is MDE's online grants management system. This system includes the full range of activities, including the announcement of grants, access to grant application information, reporting data, and receipt and review of all applications and reports. MEGS+ interacts with a variety of other State of Michigan systems used for GSRP. 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).

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 information must be entered into the EEM. All security forms can be obtained on the GSRP website. Contact GSRP staff for further guidelines on adding staff and new agencies to MEGS+ and GEMS/MARS.

Fiscal Reports used in MEGS+:

- GSRP Acceptance of Funds
- GSRP Program Implementation Plan (PIP)
- GSRP Final Expenditure Report and Carryover Budget (FER/COB)
- GSRP Carryover Final Expenditure Report (CO/FER)

All applications and reports are in MEGS+. See the *Reporting and Monitoring* section for more detail.

## Budget Guidelines

GSRP funds are appropriated annually based on the State of Michigan's fiscal year; specifically, October 1 through September 30. MDE issues allocations to ISDs based on this fiscal year. ISDs may select an alternate twelve-month period overlapping the State fiscal year in which to expend GSRP grant funds, most typically July 1 through June 30. Of note however, is the inherent risk incurred in beginning expenditures July 1, prior to the start of the State fiscal year, during a year in which the School Aid budget is unfinished, thus ensuing GSRP allocations have yet to be issued. A twelve-month "grant expenditure period" is identified in MEGS+ for every ISD and subrecipient.

There is an exception to the twelve month period for a startup that chooses to use October 1 through September 30 as their grant expenditure period; a budget and grant expenditure period of up to fifteen months is allowable in the first year of operation only to allow for necessary expenditures to establish the classroom(s) and pay staff prior to October 1 though only twelve months of funding is available. First year use of funding for a startup that will exceed twelve months will need to be documented in the comments section of the budget submitted in the PIP. For a startup using July 1 through June 30 as the grant expenditure period, business is as usual.

ISDs are to ensure that revenues and expenses related to services and materials purchased for their respective grant expenditure period are recorded in their accounting system for that same period. ISDs are required to maintain separate ledgers (cost centers) for each individual allocation to include program funds, transportation funds, curriculum funds (if applicable), carryover funds, and over-income tuition funds. General ledger information needs to align with budgets and final expenditure report information in MEGS+. Revenue is not allowed to be earned on any GSRP funds. See the [resources](#) for this section for documents to assist with budgeting.

GSRP funds may be used to pay for the following:

- Selected Program Evaluation Tool (PQA-R, CLASS<sup>®</sup>) for each classroom where even one GSRP-funded child is enrolled;
- Instructional materials and supplies;
- The cost for breakfast, lunch and/or snack over and above all reimbursements the program is eligible for from applicable federal food programs (see Use of Federal Food Programs and GSRP below);
- Lead teacher, associate teacher, early childhood specialist, and aide salaries and fringe benefits;
- Bonuses and incentive payments (only in certain circumstances; refer to Bonuses and Incentive Payment section below for further information);
- 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 of GSRP materials;
- A prorated amount of rent/mortgage payment or lien when the lessee and the lessor are two separate legal entities;
- Construction or renovation projects. All construction or renovation projects over \$5,000 are considered capital outlay. **If a portion of any capital outlay item is charged to GSRP, MDE approval is required before the cost is incurred.** All capital outlay requests MUST BE PRE-APPROVED by the ISD and a GSRP consultant using a completed [Capital Outlay Request](#) form. This form can be found in the resources to this section (for more information on capital outlay, refer to the Capital Outlay section below);
- Furniture such as shelving and equipment;
- Unemployment expenses. If the program is a “contributing employer”, costs incurred as a payroll tax may be charged accordingly on an ongoing basis with payroll expenses. If the program is a “reimbursing employer,” costs incurred for the layoff of a GSRP staff member may be charged accordingly with documentation to support the charges applicable to GSRP; and
- Up to 4% administrative costs and 2% for outreach and recruitment costs incurred by the ISD as defined in GSRP legislation (Section 32d) for administration of the grant. See the 4% Administrative Costs and Outreach and Recruiting sections below.

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 breakfast, lunch and/or snack if the program does not participate in federal food programs for which it is eligible. Exceptions do apply, see Use of Federal Food Programs and GSRP below;
- Supplemental curriculum or materials unless the approval process has been completed and approved by the ISD and kept on file for MDE review;
- Any state tax, including sales and property tax, when an organization is tax exempt;
- Maintenance, utilities, or any other costs when included in a rental agreement or any other agreement;
- Depreciation or amortization;
- Gift cards to make purchases or use as incentive payments for employee or contracted employee use or for parent participation within advisory

- committees. (Per Section 380.1814 of The Revised School Code Act 451 of 1976, a person shall not use public funds for purchasing gifts.); and
- Indirect costs (except for programs with a federally approved indirect cost rate that they worked directly with the federal agency to establish).

This list is not all inclusive. Please contact MDE if you have questions.

## **ISD Budget Detail**

The MEGS+ Program Implementation Plan (PIP) includes two budgets; a program budget based on the allocation accepted, and a transportation budget to document use of the transportation allocation accepted for the ISD.

It is required that budget descriptions are clearly stated to ensure consistency and faster budget approval. Budget descriptions and amounts pull into the Final Expenditure Reports (FERs). The ISD must ensure that all expenditures are approvable. Each entry must provide clear information to determine the allowability of planned expenditures. Detailed items must be reasonable for the quality of the project activities proposed, include appropriate function and object codes, and, in total, not exceed the maximum administrative costs, where applicable. Items reported under Purchased Services must clearly identify personnel, materials, or services. Salary and benefit descriptions along with the number of hours/FTEs must be included for each category of employee.

As outlined in Section 32d(5) the ISD must maintain a program budget that contains only those costs that are not reimbursed or reimbursable by federal funding, that are clearly and directly attributable to the Great Start Readiness Program, and that would not be incurred if the program were not being offered. Eligible costs include transportation costs.

## **Subrecipient Budget Detail**

Per legislation, the ISD is the fiscal agent for all GSRP funds. As such, the ISD is required, at a minimum, to receive and keep on file, yearly budgets and FERs for all GSRP funds, including transportation. Individual subrecipient budgets and FERs are required documentation for a fiscal review and must be provided to MDE upon request. Templates and other documents are available in the [resources](#) to this section.

For subrecipients, the ISD is only required to enter a total amount for all object codes in the applicable 400 function codes within the budgets and FERs in MEGS+. Each object code, except for Salaries and Benefits and Capital Outlay, must be reported on separate lines. Descriptions must be used as below:

- Function code 411 – Total Districts/PSAs
- Function code 441 – Total For-Profit, Public or Private CBOs

- Function code 445 – Total Non-Profit CBOs, College/Universities and Head Start

An example of the reporting requirement for subrecipients is below:

Function Codes	Description	FTE or Hours	Salaries 1000	Benefits 2000	Purchased Services 3000, 4000	Supplies & Materials 5000	Capital Outlay 6000	Other Expenses 7000, 8000
411	Total Districts/PSAs	2.0	100,000	50,000				
411	Total Districts/PSAs				100,000			
411	Total Districts/PSAs					50,000		
441	Total For-Profit/Public or Private CBOs				50,000			
441	Total For-Profit/Public or Private CBOs	1.0	50,000	20,000				
441	Total For-Profit/Public or Private CBOs						5,800	
445	Total Non-Profit CBOs, College/Universities, Head Start					2,500		
445	Total Non-Profit CBOs, College/Universities, Head Start	5.0	200,000	55,000				
445	Total Non-Profit CBOs, College/Universities, Head Start				50,000			

Funds transferred out must be entered on separate lines as below:

Function Code	Description	FTE/Hours	Salaries 1000	Benefits 2000	Purchased Services 3000, 4000	Supplies & Materials 5000	Capital Outlay 6000	Other Expenses 7000, 8000
411	Total Districts/PSAs	2.0	100,000	50,000				
411	Total Districts/PSAs				100,000			
411	Total Districts/PSAs					50,000		
411	Funds transferred out to ABC ISD							36,250

Funds transferred in must be entered in the budget detail indicating the designation Transferred In Funds, and with the proper descriptions, function and object codes as below:

[Budget Summary](#) | [Budget Detail](#) | [Capital Outlay](#)

[Budget Summary +/-](#) | [Flagged Budget Detail](#)

\*Select the appropriate Function Code for this budget item:  
 411: Payments to Other Public Schools Within the State of Michigan

Indicate if the budget item represents:  
 Transferred in Funds

\*Provide a specific description for this budget item. Do not repeat the Function Code description selected in the drop down menu or the heading(s) of the box(es) used below:

Function Code	Description	FTE/Hours	Salaries 1000	Benefits 2000	Purchased Services 3000, 4000	Supplies & Materials 5000	Capital Outlay 6000	Other Expenses 7000, 8000
411	Total Districts/PSAs	2.0	100,000	50,000				
411	Total Districts/PSAs				100,000			
410	Outgoing Transfers & Other Transactions							
411	Funds transferred in from ABC ISD used for supplies					3,625		

For more information on entering transferred funds, see the Cross ISD Enrollment section below.

## **4% Administrative Costs**

An ISD or consortium of ISDs may retain an amount not to exceed 4% of the total grant amount for administrative services provided by the ISD. Function Codes 23X, 24X, 25X, and 28X are considered administrative. Administrative expenses are required to be designated as such in the budget and FER descriptions including the transportation budget.

Expenses incurred by subrecipients or the ISD for directly running portions of the program shall be considered program costs or a contracted program fee for service and are not subject to the 4% limitation.

There can be instances where an ISD is at or below the maximum administrative limit and still have excessive administrative costs for a position or service. There can also be instances where an ISD needs to classify an item as a dual benefit cost and in these instances the ISD is permitted to use cost sharing. The ISD must document the allocation of cost sharing. For example, the duties for a local program administrator are split between administrative and programmatic functions. The ISD may permit cost sharing with proper supportive documentation, by using a position description and a spreadsheet that demonstrates the rationale for the cost sharing. In this instance, costs must be designated as administrative and/or programmatic. The documentation that justifies cost sharing must be kept on file for a fiscal review.

Before submitting the budget and FERs, the ISD must ensure that detailed administrative items are reasonable and necessary for the quality of the activities proposed, include proper function codes and descriptions, and are properly allocated between administration and program 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. Hours budgeted must equal the total hours of expected work per year. In programs that braid or blend GSRP funding with children who are supported from other sources, budget only the prorated time staff spends with GSRP enrolled children.

ISDs and subrecipients must include personnel last names in their budget detail descriptions and FERs for monitoring and auditing purposes. This detail does not need to be included in MEGS+.

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.

## **Bonuses and Incentive Payments**

Bonuses and incentive payments that exceed the contracted salary are allowable only for employees who are actively participating with the TEACH statewide scholarship program. A documented percentage or lump sum payment schedule must be established--e.g. based on hours worked, length of employment, etc.-- along with an implemented written policy/procedure to ensure consistency of these payments. Bonuses and incentive payments are subject to applicable income taxes.

Programs may offer and pay a lump sum "incentive" to new hires over and above the salary/wage offered. This payment is specific and limited to new staff at the time of hire. Other bonuses and incentive payments that exceed the contracted salary amount, regardless of being coded as a salary (17XX) or a benefit (2XXX) are not approvable expenses.

## **Outreach and Recruiting**

An ISD and/or subrecipients may incur costs for outreach, recruitment and public awareness of the program but the total must not exceed 2% of the total grant amount. Recruitment and enrollment costs must be clearly identified in the budget and FERs.

An ISD or subrecipient(s) can provide the outreach, recruitment and public awareness costs, or these costs can be a collaborative approach between the ISD and subrecipient(s), but total costs cannot exceed the 2%. ISDs must have a written policy describing the process including the entities (ISD and/or subrecipients) that will be providing the outreach, recruitment, and public awareness. Per legislation, outreach, recruitment, and public awareness costs are not considered administrative costs and are calculated separately. Refer to the *Recruitment and Enrollment* section of this manual.

## **Cross-ISD Enrollment**

Legislation provides for parent choice to enroll a child into a GSRP of a non-resident ISD. A resident ISD is the ISD in which the child resides and an educating ISD is the ISD where the child attends GSRP. In each case, when calculating 'hold harmless' for the following year, the space that the child fills is attributed to the ISD reported as the Fiscal Entity in the Michigan Student Data System (MSDS). Written agreements are required between resident and educating ISDs, with any of the following scenarios.

1. Child is served by the educating ISD but is reported within MSDS and MEGS+ by the resident ISD. The resident ISD is reported as the Fiscal Entity and receives payment from MDE for the child. Funds may or may not transfer between ISDs.
2. Child is served by the educating ISD and the educating ISD reports the child within MSDS and MEGS+. The resident ISD is reported as the Fiscal Entity

and receives payment from MDE for the child. Funds may or may not transfer between ISDs.

3. Child is served by the educating ISD using its allocation; the educating ISD reports the child within MSDS and MEGS+, is reported as the Fiscal Entity, and receives payment from MDE for the child.

In all cases, the LEA code for the school district the child lives in should be reported as the Resident LEA.

Collaborating ISDs should consider implications on the total percentage of spaces awarded to community-based organizations and whether the need of the grant is met for resident children/families.

Resident and educating ISDs must have a written agreement in place, following the rules for contracts found in the *ISD Administration of GSRP* section. These agreements must be available for a fiscal review.

If the written agreement includes the provision to transfer funds for cross-ISD enrollment, transferred funds **cannot be "netted."** The resident ISD must send all funds, as applicable, to the educating ISD for all children that are cross-ISD enrolled, this includes transportation amounts, only if the educating ISD transports the child to and from the program. For example, ISD A has 10 children that are going to attend GSRP in ISD B's area. And ISD B has 9 children that are going to attend GSRP in ISD A's area.

- ISD A must send the total funding for all 10 children to ISD B.
- ISD B must send the total funding for all 9 children to ISD A.
- The funding **cannot be netted**; where ISD A would only send funding to ISD B for one child.
- The full amount of transferred funds must also be reported in the budgets and FERs in MEGS+. See below for instructions.

Funds transferred in must be expended within the grant year in which they are received. Transferred in funds cannot be carried over into the next grant year. These funds must also be used to support GSRP classrooms, with the same approvability, allowability, necessity and reasonableness as an ISD's GSRP allocation.

If funds are being transferred between resident and educating ISDs, the resident ISD may retain administrative funds from funds transferred out, limited to the administrative cap as specified in legislation. **Educating ISDs may not retain administrative costs from funds transferred in.**

Funds associated with cross-ISD enrollment must be reported in the budgets and FERs in MEGS+ in the following manner:

- Transferred in Funds:
  - Reported using the proper function and object codes



- Must be described as: Funds transferred in from ISD A for (***specify use, e.g. supplies***)
- Must be marked Transferred In Funds in the budget detail
- Transferred out Funds:
  - Reported using the 411 function and object codes
  - Must be described as: Funds transferred out to ISD B (***name of ISD***)

If transportation funds were transferred in or out, these are reported in the Transportation budget and FER in same manner.

## **Use of Transportation Funding**

Transportation services include costs, either in full or appropriately prorated, for child safety restraint systems, additional or extended bus routes/bus runs/mileage, fuel, vehicle maintenance or modifications, drivers, bus aides and school buses or other costs related to transportation. Depreciation is not an allowable expense for GSRP transportation.

Funding for GSRP includes \$10,000,000 annually that is specifically to be used for the costs of transporting GSRP children to and from school. Each year ISDs are asked to collect projected transportation budgets from subrecipients. An aggregated transportation request is forwarded to MDE from each ISD. If the total request from all ISDs is equal to or less than \$10,000,000 each ISD receives the requested amount. If the total exceeds \$10,000,000 MDE prorates the funds. Any ISD requesting less than the ISD's prorated share receives the requested amount.

The ISD may use any or all the transportation allocation and must distribute transportation funds as needed across all subrecipients. The ISD creates a process to gather pertinent information that will guide decision-making on prioritization of transportation funds. Consideration is given to 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 may be the appropriate venue for data-based decision-making on distribution of the transportation allocation.

Transportation options approved by the Department of Licensing and Regulatory Affairs (LARA) Child Care Licensing Division may be supported with GSRP funds. This includes school buses and contracts with bussing companies. If a public transit system meets Licensing requirements, the cost for transportation may be contracted for and paid by the program directly to the transit system if the general public is not being transported with children in GSRP. Ridership and costs may be

shared with other programs from the GSRP site. All these options necessitate a contract.

The GSRP Implementation Plan in MEGS+ includes a separate transportation budget to document use of the transportation allocation accepted for the ISD and/or subrecipients. The administrative cap for ISDs also applies to accepted transportation funds.

Use of transportation funds should be monitored throughout the year. If actual expenses are less than planned, transportation funds can be moved between subrecipients as needed. In this way, use of ISD transportation funding is maximized, as these funds are not available for carryover.

## **Transportation Funding Considerations**

Legislation includes a section specific to reimbursing a GSRP program for costs related to parent or guardian accompanied public transportation. Section 32d.(20) reads as follows:

*Subject to, and from the funds allocated under, subsection (19), the department shall reimburse a program for transportation costs related to parent- or guardian-accompanied transportation provided by transportation service companies, buses, or other public transportation services. To be eligible for reimbursement under this subsection, a program must be a community-based provider and must submit to the department all of the following:*

- (a) The names of families provided with transportation support along with a documented reason for the need for transportation support and the type of transportation provided.*
- (b) Financial documentation of actual transportation costs incurred by the program, including, but not limited to, receipts and mileage reports, as determined by the department.*
- (c) Any other documentation or information determined necessary by the department.*

## **Required Documentation**

For audit purposes, intermediate school districts (ISDs) are responsible for ensuring documentation submitted for reimbursement is sufficient. To ensure compliance with this legislation, MDE recommends review and signoff by an authorized ISD official. A documented need for the reason for the use of public transportation and financial documentation is required. Receipts must clearly disclose the public transportation provider, cost, date, time, and location (or MapQuest) of each round trip to/from the program.

## **Additional Considerations**

Based on this legislation as written, to be considered for reimbursement, a parent or guardian must accompany the child; costs for other passengers accompanying the parent or guardian and child are not reimbursable. The mode of public transportation utilized must comply with applicable state laws.

All transportation services in Michigan (limos, taxis, Uber, Lyft, etc.) are required to complete a criminal background check and a driving history check on employed drivers annually. Uber and Lyft are required to provide insurance coverage at the corporate level, as well as coverage at the personal level (meaning Uber is insuring the driver's car while the driver is conducting Uber business). Fingerprinting is not required.

These funds are not intended to pay for exceptional situations such as fuel for personal vehicles or episodic reimbursement for taxis, UBER, bus fees, gas cards, etc.

## **Use of Federal Food Programs for GSRP**

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 National School Nutrition Programs (SNP) and Child and Adult Care Food Program (CACFP) 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 subrecipient implementing the Program, is required to retain the appropriate eligibility documentation (i.e., SNP-Free and Reduced Meal Family Application, CACFP-children deemed A, B, or C based on Household Income Eligibility Statements).

***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 meals and snacks is shared between federal reimbursements and the GSRP budget.

GSRP funds may only be used to cover the costs of providing classroom meals and snacks that are over and above the reimbursement received from the SNP and/or the CACFP as applicable.

### **Exception:**

All LEA GSRP subrecipients 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 do so if participation is cost prohibitive.

CBOs that are eligible and provide breakfast/lunch or breakfast/lunch/snack **MUST** participate in the applicable program. **CBOs** that are eligible, but provide snack **ONLY** may choose to use CACFP, but are not required to do so if participation is cost prohibitive.

Redetermination of the cost/benefit of participation in CACFP for **snack only** should be conducted any time a significant change to the program structure occurs (e.g. a substantial increase/decrease in enrollment, the addition of a GSRP classroom or before- and after-school-care program) that alters the number of eligible children served daily snack(s).

A CBO that is deemed not eligible to participate in CACFP will receive a letter from CACFP staff that the center may provide to the ISD documenting the lack of eligibility and the full cost of providing meals/snacks is then attributed to the GSRP budget. See also "Reimbursement to CBOs Not Eligible for CACFP" on the following page. Eligibility for CACFP participation should be redetermined any time a significant change to the program structure or enrollment occurs that alters the number of eligible children.

The reimbursement process between ISDs and subrecipients should not be prohibitive to the SNP and CACFP federal programs that expect children to be provided healthy meal and snack options.

The **GSRP Monthly Food Service Invoice** template found in the resources for this section outlines the information required of subrecipients seeking reimbursement who are eligible for SNP/CACFP. Another template is available for those who cannot participate in either. Subrecipients are not required to use a template for reimbursement purposes; however, they will be required to provide all the information outlined on the template.

## **Calculating Meal/Snack Reimbursement**

### **School Nutrition Program (SNP)**

To receive reimbursement from GSRP funds, LEA subrecipients using SNP must provide the ISD with the School Food Authority (SFA) prices for breakfast and lunch as specified in the LEA's annual SNP contract. These prices consider actual food costs as well as the other costs involved in providing the meals. In K-12 the difference between the SFA price and the reimbursement is the cost of free, reduced, and paid meals normally paid by the children. In the case of GSRP, that cost is billed to the GSRP program instead of paid by the children. The program also bears the full cost of adult meals. Adult meal costs should not exceed the adult meal price established for the district by the LEA.

Invoices for meal reimbursement must indicate the total number of meals served during the period for each type of meal (breakfast, lunch) in each reimbursement category: free, reduced, paid. Totals for each category are then multiplied by the meal free, reduced, and paid amounts as charged directly to children in K-12. This amount will be billed to GSRP and all documentation kept for auditing.

The cost of snacks should be established annually with an ISD-subrecipient agreed upon amount as applicable for each subrecipient and should reflect the reasonable average cost of providing an appropriate nutritious snack that meets food program guidelines. Snack reimbursement for programs not using CACFP is based on the number of snacks provided in a month multiplied by this amount. Adult snacks are added to the cost of providing snack for children.

Occasionally, materials and other equipment not included in meal costs are required in the course of providing food service specific to GSRP, such as child-sized serving containers and utensils, storage containers or additional supplies to be kept in the GSRP classroom. In such cases, these costs may be itemized and billed to GSRP. GSRP owns all equipment purchased with grant funds. If meals/snacks must be delivered to GSRP, **and delivery constitutes a service over and above the ordinary service provided to K-12 programs factored into the SFA price for the district**, a delivery charge may also be itemized and charged beyond the meal cost itself. Most often, "delivery" refers to the need to transport meals/snacks to an off-site location or building that does not otherwise house K-12 classrooms also receiving meal/snack delivery. All GSRP expenses related to the provision of meals and snacks, for all subrecipients and the ISD, are to be classified under the function code 118.

### **Child and Adult Care Food Program (CACFP)**

GSRP funds may only be used to cover the difference between the cost of providing classroom meals and snacks and the reimbursement from the CACFP. Regardless of which eligibility category children are in, there is no cost to families for snacks or meals. 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 must be claimed for federal reimbursement. The cost of meals and snacks provided through CACFP should be established annually with an ISD-subrecipient agreed upon amount as applicable for each subrecipient and should reflect the reasonable average cost of providing an appropriate nutritious breakfast/lunch/snack that meets food program guidelines. GSRP's portion can then be documented utilizing the **GSRP Monthly Food Service Invoice** template found in the resources for this section (or a similar tool) showing the difference between the full cost of providing meals/snacks for a month and the amount of the CACFP reimbursement. GSRP may be charged for the difference remaining after CACFP reimbursement.

The cost of meals/snacks for the GSRP teaching team members, who are expected to join the children in family style meals, cannot be charged to the teaching team and are included in the GSRP portion of the costs for the provision of meals/snacks.

Occasionally, materials and other equipment not included in meal costs are required in the course of providing food service specific to GSRP, such as child-sized serving containers and utensils, storage containers or additional supplies to be kept in the GSRP classroom. In such cases, these costs may be itemized and billed to GSRP. GSRP owns all equipment purchased with grant funds. All GSRP expenses related to the provision of meals and snacks, for all subrecipients and the ISD, are to be classified under the function code 118.

## **Reimbursement to CBOs Not Eligible for CACFP**

Private for-profit centers that receive compensation under Title XX of the Social Security Act may qualify to take part in CACFP. At least 25% of the enrolled children or 25% of the licensed capacity must be Title XX beneficiaries or eligible for free (Category A) or reduced-price meals (Category B).

To determine eligibility, call MDE CACFP at (517) 241-5353. A CBO that is deemed not eligible to participate will receive a letter from CACFP staff that the center may provide to the ISD documenting the lack of eligibility. The full cost of providing meals/snacks is then attributed to the GSRP budget. Programs that are ineligible must still have records to justify the charge for providing meals/snacks to children enrolled in GSRP.

Records to maintain for ISD Reimbursement include:

- Menus for foods served for all GSRP enrolled children;
- Meal attendance for all meals/snacks served to GSRP enrolled children;
- Center attendance for GSRP participants (may differ from meal attendance);
- Enrollment forms for GSRP children;
- Receipts for monthly food and non-food expenditures;
- Prorated portion of direct labor costs related to preparing and serving meals; and,
- Claim form (Template available in the resources for this section).

The ISD should specify in writing its process for subrecipient reimbursement. All GSRP expenses related to the provision of meals and snacks, for all subrecipients and the ISD, are to be classified under the function code 118.

## **Capital Outlay**

Capital outlay refers to costs more than \$5,000 for equipment, building purchase or renovation project costs. An individual item or a project that totals over \$5,000 is capital outlay. A project such as the construction of a playground may have several individual pieces that cost less than \$5,000 each, but the total cost is over \$5,000 and 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, thus is considered capital outlay.

Prior to approval of the request by the ISD, the ECC/ECS must consider the individual circumstances of the subrecipient's program needs and decide as to whether the purchase is reasonable, necessary and recommended. The ISD must refuse a request that the ECC/ECS has not approved and does not meet these guidelines. When ISD review and approval is complete, the capital outlay request form must then be submitted to MDE for final approval. **If a portion of any capital outlay item is charged to GSRP, MDE approval is required before the cost is incurred.** The *Capital Outlay Request* form can be found in the resources for this section.

Capital Outlay items/projects that exceed the MDE Competitive Bid Threshold must follow the ISD/subrecipient competitive bid policy in compliance with MDE requirements (see the *Competitive Bid Threshold Memo* in the resources for this section). An LEA or PSA is not required to obtain competitive bids for items purchased through the bulk purchasing program operated by the State of Michigan Department of Management and Budget. Other cooperatives to which a subrecipient may belong or participate in for discounted supplies/equipment may not be utilized in place of the competitive bid requirements.

## **Budget Amendments**

Budget amendments are not always required when the total change to a budget category is expected to exceed 10%, it is dependent upon the status of that year's FERs. At the time that the ISD's FER and CO/FER become live in MEGS+, budget amendments can no longer be permitted. Directions can be found in the training modules within MEGS+. The ECC is required to contact the assigned consultant prior to amending the budget to determine that the proposed amendment is necessary and approvable. The ISD provides the policies and procedures to subrecipients for amending local budgets.

## **Payments to Subrecipients**

GSRP funding that comes to the ISDs may be forwarded to the subrecipients in several ways. Funding may be sent to the subrecipients as a 1/11<sup>th</sup> payment, on a quarterly basis, or on a reimbursement basis. The ISD must follow the agreed upon contract which details the flow of funding that is fair and equitable across subrecipients. The subrecipient contract and documentation of these payments are to be kept for MDE review.

## **MDE Recovery of Funds for Unfilled Spaces**

Funding for unfilled spaces will be recaptured. See the [Funding](#) section for an explanation of documenting filled spaces in MSDS.

## **Final Expenditure Reports (FER)**

At the end of the grant year, ISDs must provide details of actual expenditures in the FERs in MEGS+. All earned program funds must be accounted for either in the FERs or as a carryover amount in the Carryover Budget (COB). Transportation funds cannot be carried over. Unused Transportation funds will be recaptured. All budgeted carryover funds spent are reported in the Carryover FER (CO/FER). See the Carryover FER section below.

Any carryover funds not expended are recaptured. The final approved budget amounts and descriptions are pulled into the appropriate FERs. The ISD reports in detail and the subrecipient data is entered as total amounts using the 400 function codes. The ISD is required to receive and keep FERs from each subrecipient that details the expenditures. It is required that the ISD monitor expenditures for both the ISD and each subrecipient. The documentation for 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 for the ISD has not been exceeded.

### **Carryover FER**

If the ISD and its subrecipients did not expend all program funds earned a carryover budget may be submitted, then a carryover FER (CO/FER) is required. Unexpended funds will be recaptured if a carryover budget is not submitted. The expenditure of carryover funds is reported in MEGS+ and is due 60 days after the close of the carryover period.

The carryover period is October 1 to June 30 of the subsequent grant year.

The ISD may allow each subrecipient to budget for carryover but will submit one COB and CO/FER. The subrecipient agreements must specify how carryover can be accounted for by a subrecipient. Subrecipient carryover funds must be used by the subrecipient who had the carryover amount unless the agreement between the ISD and the subrecipient specifies otherwise.

Any carryover funds not accounted for in the CO/FER will be recaptured.

Transportation funds cannot be carried over. Unused Transportation funds will be recaptured.