



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT
LANSING

STEVE ARWOOD
DIRECTOR

**Workforce Development Agency (WDA)
Policy Issuance (PI): 16-10**

Date: July 8, 2016

To: State School Aid, Section 107 Fiscal Agents and Adult Education Providers

From: Sean Lively, Division Director of Education and Career Success
Workforce Development Agency

Subject: State School Aid Act, Section 107 Allowable Use of Funds and Allowable Costs

Programs Affected: State School Aid Act, Section 107 Adult Education Programs

Rescissions: None

References: The State School Aid Act of 1979
Public Act 249 of 2016, State School Aid Act, Section 107
Michigan Compiled School Laws
Michigan Public School Accounting Manual
Uniform Budgeting and Accounting Act, PA 2 of 1968
Workforce Innovation and Opportunity Act (WIOA) of 2014, Public Law 113-128 (29 United States Code Section 3101, et. seq.)
Workforce Development Agency (WDA) Policy Issuance (PI): 15-01;
Talent District Career Council

Background: State School Aid Act, Section 107 (Public Act 249 of 2016) allocates \$25 million for adult education programs. (\$24.5 million for regional adult education programs and up to \$500,000 for a career tech pilot program to be awarded separately through a Request for Proposal process.)

Funds allocated under Section 107 are restricted for adult education programs as authorized under Section 107 only. A recipient of funds under Section 107 is prohibited from using these funds for any other purpose.

Adult education instruction is tailored to meet the individual needs of adult learners. Adult education programs include adult basic education, adult secondary education, high school completion, high school equivalency preparation, and English as a second language.

Funds will be allocated to only one intermediate school district (ISD) serving as the fiscal agent for adult education programs in each of the ten prosperity regions in Michigan, as determined and agreed upon by all ISDs within the region.

The ISD fiscal agent, in collaboration with the Talent District Career Council, determines the selection of the regional adult education providers and their funding levels.

This PI is intended to establish allowable use of funds under State School Aid Act, Section 107.

Policy:

Each ISD receives 1/11th payments disbursed from the Michigan Department of Education, State School Aid Office on the 20th of each month based upon the total regional allocation. The ISD fiscal agent distributes funds to adult education providers within the prosperity region based on the statewide allocation criteria.

It is the expectation of WDA that the funds are primarily used for instruction and program costs. Adult education providers are expected to operate cost-effective programs, and budgets should be detailed and transparent. Budget items not yet approved are subject to this allowable costs policy. Fiscal agents and providers must have on file appropriate documentation to support expenditures.

Program Costs: The costs associated with the direct provision of services to program participants. Program activities include, but are not limited to, participant assessment and instruction, classroom supplies and materials, data entry, support services, and building operations and maintenance.

Administrative Costs: The costs associated with performing activities or functions that are not related to the direct provision of services to program participants are administrative costs. Administrative costs include, but are not limited to, supervision and direction, professional development, and business services.

For more detailed information on program and administrative costs, refer to Attachment I for the Section 107 function codes.

Per Section 107(1), funds allocated under Section 107 are restricted for adult education programs as authorized under Section 107 only. A recipient of funds under Section 107 is prohibited from using these funds for any other purpose. In general, to be an allowable expenditure, a cost must meet the following principles:

- Be necessary and reasonable;
- Be authorized and not prohibited under state or local laws or regulations;
- Be allocable to the program; and
- Be adequately documented.

Selected Cost Item	Section 107
Advertising and Program Outreach	Allowable
Audit Services	Allowable
Compensation for Personnel Services and Benefits	Allowable
Conferences, Meetings, and Meals	Allowable
Equipment and Other Capital Expenditures	Allowable
GED and HSE Testing Costs	Allowable
Graduation Expenses (e.g., diploma, cap, and gown)	Allowable
Maintenance, Repairs, and Capital Expenditures	Allowable
Materials and Supplies, including Computing Devices	Allowable
Memberships (adult education related)	Allowable
Plant and Security Costs	Allowable
Professional Development	Allowable
Professional Service Costs	Allowable
Remodeling, Renovation, and Building Additions	Allowable
Rental Costs of Property and Equipment	Allowable
Student Support Costs (transportation and child care)	Allowable
Travel Costs (staff)	Allowable
Alcoholic Beverages	Unallowable
Contributions and Donations	Unallowable
Entertainment	Unallowable
Fines and Penalties	Unallowable
Food and Beverages	Unallowable
Goods or Services for Personal Use	Unallowable
Lease or Purchase of Vehicles	Unallowable
Lobbying	Unallowable
Promotional Items, Gifts, Gift Cards, Cash, Door Prizes, and Souvenirs	Unallowable

WDA reserves the right to approve or deny any cost item and to determine if a cost item is allowable, allocable, reasonable, and necessary.

WDA requires prior written approval for capital expenditures. Capital expenditures can include, but are not limited to land, buildings, and equipment. Expenditures for land or building improvements, as well as building and equipment repairs or maintenance expenditures that increase the value of a capital asset or increase its estimated useful life, are identified as capital expenditures.

Fiscal agents and providers are required to request application amendments for any new activity or any change in a **line item that exceeds 10% of the approved budget**. Amendments must be submitted quarterly and approved in the Michigan Electronic Grants System (MEGS+) before dollars can be expended for new projects or activities. All funded activities must be within State Section 107 guidelines.

For the Section 107 providers that have excess deferred state funds and also receive the WIOA, Adult Education and Family Literacy Act (AEFLA) funding, WDA reserves the right to reduce or withhold the federal funding pursuant to AEFLA, Section 241(a). AEFLA funds are intended to supplement and not supplant other state or local funds expended for adult education and literacy activities.

Action:

The ISD fiscal agent and the adult education providers are required to complete detailed budgets in the fiscal agent's 2016-17 Section 107 application within MEGS+. Budgets are completed for the following funds, as applicable: Section 107, Deferred Section 107, Anticipated Tuition and Fees, and Anticipated Other Local. Budget items must align with allowable cost items and function codes identified in this policy. The deadline for submitting the application is August 22, 2016.

The ISD fiscal agent and the adult education providers are required to report Section 107 revenue and final expenditures as follows:

- Complete and submit final expenditure forms provided by WDA. ISD fiscal agent forms are due July 21, 2017, and adult education provider forms are due August 25, 2017.
- Report revenue and detailed expenditure information for 2016-17 in the Financial Information Database by November 1, 2017, utilizing the appropriate codes for revenue and expenditures as follows:
 - Section 107 Revenue: Suffix Code 0030
ISD Fiscal Agent: Major Class Code 312
Regional Provider: Major Class Code 317
Tuition and Fees: Major Class Code 131
 - Section 107 Expenditures: State Code 331

Inquiries: Questions regarding this policy should be directed to the Section 107 Coordinator within the Office of Adult Education at 517-373-8800.

Expiration Date: June 30, 2017

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Attachment

Attachment I Section 107 Function Codes

Workforce Development Agency - Office of Adult Education - PY 2016-17 SECTION 107 APPLICATIONS - FUNCTION CODE LIST (Excerpts from the Michigan Department of Education - Michigan School Accounting Manual - Office of State School Aid and School Finance)	
FUNCTION CODE	FUNCTION DESCRIPTION
131	Adult Basic Education - Participants assessed at grade levels one through eight. Learning experiences concerned with the fundamental tools of learning for adults who have never attended school or who have interrupted formal schooling and need knowledge and skills to raise their level of education. Salaries and benefits of instructors, paraprofessionals, and substitute teachers; supplies and materials; and equipment for instruction. Activities and costs associated with instructional field trips. (Use function 271 for the field trip transportation costs.)
132	Adult Secondary Education - Participants assessed at grade levels nine through twelve. Learning Experiences designed to develop the knowledge, skills, appreciation, attitudes, and behavioral characteristics considered to be needed by adults who have interrupted formal schooling. Salaries and benefits of instructors, paraprofessionals, and substitute teachers; supplies and materials; and equipment for instruction. Activities and costs associated with instructional field trips. (Use function 271 for the field trip transportation costs.)
133	Secondary Career and Technical Education - Section 107 (14). Instructional activities for adult education participants enrolled in a Career and Technical Education program under Section 61a for the proportion of school board approved career and technical education coursework used to satisfy adult education programming.
135	Occupational Training - Learning experiences concerned with the skills and knowledge required for employment in a new occupation, to extend or update competencies or preparation for employment in a new or different occupation. Proportion of school board approved coursework used to satisfy adult education programming toward high school completion credits.
211	Truancy/Absenteeism Services - Consist of those activities that have as their purpose the improvement of participant attendance. Salaries and benefits of staff following up with participants who are absent to promote attendance.
212	Guidance Services - Consist of those activities of counseling with participants, providing consultation with other staff members on learning problems, evaluating the abilities of participants, assisting participants to make their own educational and career plans and choices, assisting participants in personal and social development, providing referral assistance, and working with other staff members in planning and conducting guidance programs for participants.
216	Social Work Services - Consist of those activities that have as their purpose the performance of school social work activities dealing with the problems of participants that involve the school and community.
221 ADMINISTRATIVE	Improvement of Instruction - Consists of those activities that are designed primarily for assisting instructional staff in planning, developing, and evaluating the process of providing challenging and natural learning experiences for participants. Activities include curriculum development, techniques of instruction, in-service training, and professional development for instructional staff. Identify each conference/workshop and the number of staff attending.
225	Instruction Related Technology - Consists of all technology activities and services for the purpose of supporting instruction. Specifically, costs associated with the operation and support of computer learning labs , instructional technology centers, instructional networks, and establishing technology for distance learning programs. Salaries and benefits of instructors, paraprofessionals, and substitute teachers; supplies and materials; and equipment for instruction.
226 ADMINISTRATIVE	Supervision and Direction of Instructional Staff - Directing and managing instructional staff and services. Includes the activities of program coordination and program compliance monitoring. Salaries and benefits for Adult Education Directors and the administrative staff that report to the director. Supplies and materials for the director and staff.
227	Academic Student Assessment - Services rendered for the academic assessment of participants. High school equivalency (HSE) testing services, grading services, and academic testing supplies. Assessments: Salaries and benefits of staff for administration of assessments; assessment tests, materials and supplies. Identify each type of assessment test purchased. HSE: Staff salary and benefits, HSE testing materials and supplies. Identify each type of test purchased. Report each test as a separate budget line item.

FUNCTION CODE	FUNCTION DESCRIPTION
241 ADMINISTRATIVE	Office of the Principal - Activities performed by the principal, assistant principal and other assistants in the general supervision of all operations of the school building; evaluation of staff members of the school; supervision and maintenance of the school records are included under this function, along with clerical staff for these activities.
249 ADMINISTRATIVE	Other School Administration - Other activities of school administration not defined above. Include graduation expenditures such as caps, gowns and diplomas.
252 ADMINISTRATIVE	Fiscal Services - Activities concerned with the fiscal operations of the school system. This function includes budgeting, receiving and disbursing, financial accounting, payroll, purchasing, inventory control, and internal auditing. Salaries and benefits for business and financial staff, supplies and materials.
261	Operating Buildings Services - Activities concerned with keeping the physical plant open, clean, and ready for daily use. They include operating the heating, lighting, and ventilation systems, and repairing facilities/equipment. Also included are operating building leases, property and liability insurance, janitorial and ground maintenance costs. Identify costs associated with utilities, repairs, building leases and maintenance on separate budget line items.
266	Security Services - Activities concerned with maintaining order and safety in school buildings, on the grounds and in the vicinity of schools at all times. Included are police activities for school functions, traffic control on grounds and in the vicinity of schools, building alarm systems, and security guards.
271	Participant Transportation Services - Activities concerned with the conveyance of participants to and from school, for the purpose of removing transportation barriers to attend an adult education program. It includes trips between home and school or trips to school activities. Bus tickets/tokens, gas cards, contracted transportation services, and salaries and benefits for drivers. Also, instructional field trip transportation costs. (Note: Section 107 funds cannot be used to purchase or lease a vehicle.)
282 ADMINISTRATIVE	Communication Services - Activities concerned with writing, editing, and other preparation necessary to disseminate educational and administrative information to participants, staff, managers or to the general public through direct mailing, the various news media, or personal contact.
283 ADMINISTRATIVE	Staff/Personnel Services - Activities concerned with maintaining an efficient staff for the school system. It includes such activities as recruiting and placement, staff transfers, in-service training, health services, staff accounting, and staff relations and negotiations. In-service training and professional development for non-instructional staff. Identify each conference/workshop and the number of staff attending.
284 ADMINISTRATIVE	Non-Instructional Technology Services - Activities concerned with supporting the school district's information technology systems , including supporting administrative networks, maintaining administrative information systems, and processing data for administrative and managerial purposes. Includes costs associated with the administration and supervision of technology personnel, systems planning and analysis, systems application development, systems operations, network support services, hardware maintenance and support, etc.
285	Participant Accounting - Consists of those activities concerned with acquiring, maintaining, and auditing records of participant attendance, and reporting information to various oversight agencies. Salaries and benefits for staff that enter data into Michigan Adult Education Reporting System (MAERS).
351	Custody and Care of Children - Pertains to providing programs for the custodial care of children in residential day schools or child care centers which are not part of, or directly related to, the instructional program and where the attendance of the children is not included in the attendance figures for the school system. For salaries and benefits only when paying for day care staff for children of participants attending an adult education program.
411 SCHOOL DISTRICTS ONLY	Payments to Other Public Schools Within the State of Michigan - Sub-Grantee /Flow Through Distributions Only. All other payments for services, supplies, and materials should be reported in the appropriate function and object code 82xx.
452	Site Improvement Services - Activities concerned with improving sites, and with maintaining existing site improvements.
453	Architecture and Engineering Services - Activities of architects and engineers related to acquiring and improving sites and improving buildings. Charges are made to this function only for those preliminary activities that may or may not result in additions to the school district property. Otherwise charge to 452, 455, or 456.
455	Building Acquisition and Construction Services - Activities concerned with buying or constructing buildings. Include cost for the initial equipping of facilities.
456	Building Improvements Services - Activities concerned with building additions and with installing or extending service systems and other built-in equipment. Include the cost for re-equipping the facility.