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**Policy Issuance (PI): 16-10, Change 1**

**Date:** September 6, 2017

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

**From:** Wanda M. Stokes Director **SIGNED**

**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:** PI 16-10 State School Aid Act, Section 107, Allowable Use of Funds and Allowable Cost

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

**Background:** The State School Aid Act, Section 107, allocates funding for regional adult education programs and career tech/adult education Pilot programs.

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 the 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 the Michigan Talent Investment Agency (TIA) 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.
- Be adequately documented.

<b>Selected Cost Item</b>	<b>Section 107</b>
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
General Education Diploma and High School Equivalency 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
<b>Alcoholic Beverages</b>	<b>Unallowable</b>
<b>Contributions and Donations</b>	<b>Unallowable</b>
<b>Entertainment</b>	<b>Unallowable</b>
<b>Fines and Penalties</b>	<b>Unallowable</b>
<b>Food and Beverages</b>	<b>Unallowable</b>
<b>Goods or Services for Personal Use</b>	<b>Unallowable</b>
<b>Lease or Purchase of Vehicles</b>	<b>Unallowable</b>
<b>Lobbying</b>	<b>Unallowable</b>
<b>Promotional Items, Gifts, Gift Cards, Cash, Door Prizes, and Souvenirs</b>	<b>Unallowable</b>

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

The TIA 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 percent 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, the TIA reserves the right to reduce or withhold the federal funding pursuant to AEFLA, Section 241(a). The 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 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 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 report within MEGS+.
- Report revenue and detailed expenditure information in the Financial Information Database 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 State Funds Coordinator within Adult Services at 517-373-8800.

**Expiration Date:** Continuing

WMS:ST:tk  
Attachment