MICHIGAN DEPARTMENT OF LABOR & ECONOMIC OPPORTUNITY

WORKFORCE DEVELOPMENT

Allowable Cost Policy

Talent Development Division
Adult Education

Effective July 1, 2025

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I. INTRODUCTION

The State School Aid Act, Section 107 and the federal Workforce Innovation and Opportunity Act (WIOA) Title II – Adult Education and Family Literacy Act allocate funding for adult education instructional programs and allowable training activities. Funds allocated under these acts are awarded by the Michigan Department of Labor and Economic Opportunity, Workforce Development (LEO-WD) to eligible educational entities that are expected to operate cost effective adult education and family literacy programs with detailed and transparent budgets.

II. PURPOSE

This policy establishes allowable use of Section 107 and WIOA Title II funding. All state or federally funded fiscal agents and adult education providers must expend funds in accordance with the requirements and guidelines detailed in this policy.

III. POLICY GUIDELINES

Cost Principles

The State School Aid Act, Section 107 and WIOA Title II funds are restricted to adult education and literacy instructional programs and allowable training activities as authorized under each of these acts. Fiscal agents and adult education providers are 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.

LEO-WD reserves the right to approve or deny any cost item and to determine if a cost item is allowable, allocable, reasonable, and necessary. If it is determined that funds are not used in accordance with this policy, then the funds in question may be recaptured.

Program and Administrative Costs

It is the expectation of LEO-WD that the funds are primarily used for instruction and program costs. **Under WIOA Title II, local administrative costs are limited to a maximum of five percent of the grant award unless otherwise negotiated with LEO-WD.**

Program and administrative costs are defined as follows:

- Program costs are 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 are the costs associated with performing activities or functions that are not related to the direct provision of services to program participants. Administrative costs include, but are not limited to, supervision and direction, professional development, and business services. Under WIOA Title II, these costs may also include indirect administrative costs, providing services in alignment with local workforce plans, and contributing to infrastructure costs of the one-stop delivery system.

For more detailed information on program and administrative costs, refer to the Section 107 Function Code List and the WIOA Title II Function Code List.

Budget Development

All funded activities must be within Section 107 or WIOA Title II guidelines, as applicable. Fiscal agents are required to complete detailed and transparent budgets in the Section 107 or WIOA Title II application in the Next Generation Grant, Application, and Cash Management System (NexSys). Budget items must align with allowable cost items identified in this policy and their respective function code (FC). Budget descriptions should adhere to the guidelines in the Adult Education Budget Development Job Aid.

Adult education funds are restricted to allowable adult education instructional programs and allowable training activities. If an activity or cost is for purposes other than adult education or for ineligible individuals, these costs must be prorated accordingly. Fiscal agents and adult education providers must have on file appropriate documentation to support expenditures.

Community partnerships should be leveraged to the extent possible prior to utilizing state or federal adult education funds for allowable supportive services. Child and dependent care and transportation costs may be allocable if they are incurred to implement the state or federally funded adult education program or allowable training activity and are necessary to enable an adult learner who needs assistance with these costs to participate. Costs must be allocated according to the relative benefits received by the adult education program. For example, if an adult education class is two hours long, the adult education program may pay childcare costs for two hours plus the time needed by the participant to travel to and from the site where the childcare is being provided.

To maximize the impact and sustainability of adult education funds, grantees shall reuse non-consumable materials and supplies (e.g., textbooks, calculators, and manipulatives) purchased under these grants for subsequent program years when reasonable.

Expenditures Requiring Tracking Logs

Tracking logs must be maintained for the following budget items purchased with adult education funding:

- Child and dependent care – Include the date of service and adult education participant name.
    - Child and dependent care services must be delivered in compliance with state licensing requirements. If parents or legal guardians are not immediately available to the child/dependent (i.e., in the same building as the care services), the care services must be provided by a state-licensed provider.

- Participant Transportation Services – Include the date of service, participant name, method of transportation, purpose, and cost.
    - These services are allowable only to remove transportation barriers for participants to travel to/from a state or federally funded adult education program or the location of an associated activity (e.g., educational visit, job fair, postsecondary institution, and Michigan Works! Agency). They may not be used for purposes of marketing or incentives.
- Tangible Personal Property - Include the item name, date of receipt, serial number (or other identification number), cost, funding source, location, and disposition. Include participant name and date if items are loaned to participants for distance learning.
    - All items remain the property of the district or region, as applicable, to be used for adult education purposes.

Academic Student Assessments

WIOA Title II funds may only be used to support academic student assessment for the administration of assessments approved by both the National Reporting System (NRS) and LEO-WD. For the purposes of this policy, academic student assessments refer to those used to measure the educational functioning level of participants for proper placement and to determine educational gains. Refer to the Adult Education Assessment Policy for a list of allowable academic assessments.

Secondary and Postsecondary Credential Evaluation

Adult education funds may be used for domestic or foreign secondary credential (i.e., high school transcript or diploma) evaluation for:

- Determining eligibility for high school completion services;
- Awarding high school credit to participants enrolling in a high school diploma program; or
- Determining if a foreign credential is the equivalent of a recognized U.S. diploma to meet an eligibility requirement of a WIOA Integrated Education and Training (IET) program.

Adult education funds may only be used for foreign postsecondary credential evaluation in the context of a Section 107 Special Program or a WIOA Integrated Education and Training (IET) program when the credential evaluation is necessary to achieve the purposes of that program. Providers intending to utilize funds for this purpose shall provide justification that demonstrates that the postsecondary credential is a required component of the Special Program or IET program.

Expenditures Requiring Additional Information

LEO-WD requires additional information for approval in advance of the following expenditures, which are evaluated on a case-by-case basis:

- A building or site improvement or capital outlay purchase.
    - Building or site improvement costs are unallowable under WIOA Title II.

  - The building or site must be owned by the school district to which the Section 107 funding is awarded, and the district must provide reasonable assurance that the adult education program will remain at that site for the foreseeable future to benefit from the improvement.

  - The fiscal agent or adult education provider is required to submit to LEO-WD the relevant details listed in the Budget Development Job Aid to obtain approval.

- Out-of-state travel for a fiscal agent or provider to use adult education funds to participate in an adult education related professional development event.
  - Costs must be reasonable, and participation must be necessary for the state or federal award.
  - A completed Adult Education Out-of-State Travel Form must be uploaded to the respective application in NexSys.

- Equipment, which is defined as tangible, non-expendable personal property having a useful life of more than one year and a per unit acquisition cost of $10,000 or greater.
  - Such equipment shall be retained by the grantee unless otherwise specified at the time of approval.
  - Equipment is not an allowable expense under Section 107(14) for Secondary Vocational education (i.e., FC 133).

Budget Amendments

Fiscal agents and adult education providers are required to submit application amendments in NexSys for any new activity or any change in a line item that exceeds ten percent of the original approved amount. Amendments must be approved before dollars can be expended for new projects or activities. A detailed justification must be provided in NexSys for the requested amendment. Grantees should request approval at least 30 days prior to the effective date of the request.

For Section 107, new budget costs for purchases of additional technology, furniture, equipment, or building/site renovations will not be considered during the April amendment of the final quarter of the grant cycle.

For WIOA Title II, new budget costs for purchases of additional technology, furniture, and equipment will not be considered in the final quarter of the grant cycle.

Reduction of WIOA Title II Allocation

For WIOA Title II recipients that also receive Section 107 deferred funding from a prior year, LEO-WD reserves the right to reduce or withhold the WIOA Title II funding pursuant to Section 241(a) of WIOA. **The WIOA Title II funds must supplement and not supplant other state or local funds expended for adult education and literacy activities.**

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IV. ALLOWABLE AND UNALLOWABLE COSTS

The following list is not exhaustive. For additional information or definitions of the cost items below, refer to the Section 107 Function Code List, the WIOA Title II Function Code List, and the Adult Education Budget Development Job Aid. Contact LEO-WD Adult Education finance staff for questions or guidance regarding cost items not listed.

Cost Item	Section 107	WIOA Title II
Academic Student Assessments	Allowable	Allowable for select assessments
Advertising and Program Outreach	Allowable	Allowable
Audit Services	Allowable	Allowable
Building/Site Improvements	Allowable	Unallowable
Capital Outlay	Allowable	Allowable
Child and Dependent Care	Allowable	Allowable
Copy Machine Rental and Maintenance	Allowable	Allowable
Corrections Education (local/federal correctional institution)	Allowable	Allowable with WIOA Corrections funding
Corrections Education (state correctional institution)	Unallowable	Allowable with WIOA Corrections funding
Custodial Supplies	Allowable	Allowable
Educational Visit (i.e., field trip)	Allowable	Allowable
Equipment	Allowable	Allowable
Foreign or Domestic Secondary Transcript Evaluation	Allowable	Allowable
Foreign Postsecondary Credential Evaluation	Allowable for Special Programs participants	Allowable for IET participants
Graduation Expenses (diplomas, caps and gowns, invitations, programs, facility/room rental)	Allowable	Unallowable
High School Completion Vocational Classes	Allowable	Allowable
High School Equivalency Practice Tests	Allowable	Allowable
High School Equivalency Test Center Costs (testing material, proctor salaries and benefits)	Allowable	Unallowable
High School Equivalency (HSE) Official Test Vouchers (if no longer eligible for HSE-to-School voucher)	Allowable	Unallowable
Instruction Related Technology	Allowable	Allowable
Maintenance and Repairs	Allowable	Allowable
Memberships (adult education related)	Allowable	Allowable
Michigan Works! Infrastructure Costs	Allowable	Allowable

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Cost Item	Section 107	WIOA Title II
Occupational Training (direct costs, fees, tuition, participant credentialing/certification fees)	Allowable under Special Programs	Allowable under Integrated English Literacy and Civics Education (IELCE) or Instructional Initiatives for IET
Operating Building Services (including rent, utilities, building telephones)	Allowable	Allowable
Participant Transportation Services	Allowable	Allowable
Participant Eligibility Screenings (when required by the occupational trainer or credentialing entity for a Section 107 Special Program or a WIOA IET program, such as fingerprinting, background checks, drug screenings)	Allowable under Special Programs	Allowable under IELCE or Instructional Initiatives for IET
Participant Supplies for Occupational Training (if required for participation and not already included in training cost, such as boots, hard hats, tool belts, stethoscopes, scrubs)	Allowable under Special Programs	Allowable under IELCE or Instructional Initiatives for IET
Personnel Services (salaries and benefits, background checks, fingerprinting, job posting fees)	Allowable	Allowable
Professional Development (adult education related, including conferences, meetings, and meals)	Allowable	Allowable
Proficiency Testing in a Language Other Than English (for purposes of awarding high school diploma credit for world language only)	Allowable	Unallowable
Security Services	Allowable	Allowable
Substitute Permit Fees (for adult education purposes only)	Allowable	Allowable
Supplies and Materials	Allowable	Allowable
Travel (for staff, excluding travel between primary work location and home)	Allowable	Allowable

Unallowable Cost Item	Section 107	WIOA, Title II
Alcoholic Beverages	Unallowable	Unallowable
Childcare Supplies	Unallowable	Unallowable
Citizenship Classes (i.e., naturalization preparation instruction)	Unallowable	Unallowable
Contributions and Donations	Unallowable	Unallowable
Entertainment	Unallowable	Unallowable
Event Fees, Vendor Table Fees, Sponsorships (and similar costs)	Unallowable	Unallowable
Fines and Penalties	Unallowable	Unallowable
Food and Beverages	Unallowable	Unallowable
Goods or Services for Personal Use	Unallowable	Unallowable

Unallowable Cost Item	Section 107	WIOA, Title II
Lease or Purchase of Vehicles	Unallowable	Unallowable
Lobbying	Unallowable	Unallowable
Promotional Items, Gifts, Gift Cards, Cash, Door Prizes, Souvenirs (and similar costs)	Unallowable	Unallowable
Stipends	Unallowable	Unallowable
Teacher Certification Fees	Unallowable	Unallowable

V. REPORTING REQUIREMENTS

Fiscal agents and adult education providers are required to report Section 107 and WIOA Title II revenue and final expenditures to LEO-WD annually.

State School Aid, Section 107

State School Aid, Section 107 fiscal agents and adult education providers must complete, submit, and certify the final expenditure report(s) in NexSys.

Fiscal agents and adult education providers must report revenue and detailed expenditure information in the Financial Information Database (FID), utilizing the appropriate codes for revenue and expenditures as follows:

- Section 107 Revenue: Suffix Code 0030

  Intermediate School District (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

WIOA Title II

WIOA Title II recipients must complete, submit, and certify the final expenditure report(s) in NexSys.

Local educational agencies or ISDs that receive WIOA Title II funding must report revenue and detailed expenditure information in the FID, utilizing the appropriate codes for revenue and expenditures as follows:

- WIOA Title II Revenue: Suffix Code 0030
  Fiscal Agent: Major Class Code 414
  Tuition and Fees: Major Class Code 131

- WIOA Title II Code of Federal Domestic Assistance: 84.002

- WIOA Title II Expenditures: Grant Code
  671: WIOA - Adult Basic Education – Instruction
  673: WIOA – Adult Basic Education – State Leadership

674: WIOA - Adult Basic Education – EL Integrated English Literacy and Civics Education (IELCE)
675: WIOA - Adult Basic Education – Institutional

VI. REFERENCES AND RESOURCES

1. State School Aid Act
2. Michigan Compiled School Laws
3. Michigan Public School Accounting Manual
4. Uniform Budgeting and Accounting Act, Public Act 2 of 1968
5. WIOA of 2014, Public Law 113-128 (29 United States Code Section 3101, et. seq.)
6. Additional Federal Regulations:
    a. Code of Federal Regulations (CFR) Part 34
    b. Education Department General Administrative Regulations (EDGAR) as applicable
    c. 2 CFR as applicable
7. Section 107 Function Code List
8. WIOA Title II Function Code List
9. Adult Education Budget Development Job Aid
10. Adult Education Assessment Policy

VII. ADULT EDUCATION CONTACT INFORMATION

Questions regarding this policy can be submitted to LEO-AdultEd@michigan.gov or by calling 517-335-5858.

REVISION HISTORY

Date	Revision Summary
June 2025	Added statement regarding reuse of non-consumable materials and supplies. Removed threshold for pre-approval of a building or site improvement or capital outlay purchase. Revised threshold for equipment definition.
July 2025	Expanded allowable uses for domestic or foreign secondary credential evaluation. Added clarification regarding the allowability of costs for foreign postsecondary credential evaluation.