

**Section 27k Student Loan Repayment Program**  
**Financial Considerations & Accounting Guidance**

Last Updated August 2, 2024

1. The money that is paid to eligible employees under the Student Loan Repayment Program is not a wage or salary. MDE recommends that it is treated as an “Other Special Allowance” benefit expenditure with an accounting Object Code of 2390 within Function Codes of each eligible employee. MDE also recommends that local auditors review the purpose of the Student Loan Repayment Program as it is described in legislation ([MCL 388.1627k](#)) and plan accordingly when working with their school districts.
2. The first payment made under this program is being planned for distribution with the July 22<sup>nd</sup> State Aid payment (as July 20<sup>th</sup> falls on a weekend this year, and the State Aid payment will be processed the next business day). If this date changes, **MDE will make every effort to inform districts** using the [Student Loan Repayment Program website](#), as well as e-mails to applicants and a message in the OEE Educationally Speaking newsletter. For purposes of planning and accounting for the monies received:
  1. The July payment will represent 10/11ths of the total funds available from which to pay applicants as an **FY24 budget allocation** (in other words, through the end of FY24), and the final 1/11th will come to the school district in August.
  2. Using the data provided by applicants, MDE will provide a record of the number of payments the participant made between 10/1/23 and the time of application. This information will be shown on the Grant Award Notification (GAN). These payments can be thought of as “back payments owed.” Given the end of the application window of April 11, 2024, MDE will assume that **participants have not yet made their April payment** when processing applications.
  3. The district should then use its records to determine how many payments were made between the time of application and the time the first of the payments from this program were transferred to the school district. These payments can be thought of as “interim payments owed.”
  4. MDE will calculate the combined number of reported and anticipated payments (payments remaining to the end of FY24) as the “initial factor.” It will then multiply this initial factor by the participant maximum (\$200, or \$400 if the participant works in a district within the Band 6 Opportunity Index). This will be the basis by which MDE determines the total funds, per participant, designated for the FY24 allocation. This information will be shown on the Grant Award Notification (GAN). The difference between funding received and actual eligible employees’ loan payments (and payments made to them by the district) will result in the recognition of unearned revenue (liability) that will stay on the balance sheet until the MDE reconciliation process is complete and the district is notified on how to handle the excess funds.
  5. Using the information the district has about the actual payment amounts made for both the back payments and the interim payments, the district can then calculate an actual initial payment to be made to each participant. MDE understands that districts will make every effort to efficiently transfer that initial payment to participants to the best of their abilities.
  6. The district should then plan to pay a regular monthly payment to participants (equal to the actual payment the participant makes to their servicer, to the \$200/\$400 maximum) for any and all months that remain between the initial payment and the end of FY24 (9/30/24). It is up to the district how to set up payments made to participants; MDE does not have guidance on this.
  7. Finally, before the beginning of the next fiscal year, MDE will calculate an FY25 allocation at the state level, and monthly funds will accompany State Aid payments in 1/11ths.
3. MDE will set up a “reconciliation report” that will account for any excess or leftover monies, which would arise from the difference in the actual payment made by participants for their school loans and the monies that will be sent for each participant in the State Aid payments (which will be the maximum of \$200/\$400). Look for future communications from MDE about the reconciliation reports.

4. Note that for accounting and financial reporting purposes, the Grant Code for the Student Loan Repayment Program is 273 which will be found on the GAN, and as restricted funds, is required to be used when accounting for expenditures (payments to eligible employees).
5. **VERY IMPORTANT:** while the MDE cannot provide tax-related advice, it recommends that school districts seek assistance from qualified professionals in this area to get the final word on tax implications arising from grant reimbursements. This includes understanding how publicly available sources such as [IRS Publication 970](#) relate to their local fiscal policies. MDE recommends communicating with participants about IRS Publication 970 and the threshold for employer-provided educational assistance benefits.

**Journal Entry Examples (last updated August 2, 2024)**

**Scenario**

District is a “\$200 district”, has 50 Eligible Employees, and will receive a total of \$120,000 (50 EEs (x) 12 months (x) \$200) in FY24 Section 27k funds based data received by OEE as of April 2024 application. Salaries of Eligible Employees (EEs) are spread equally across Functions 111, 112, and 113. Of the 50 EEs, 40 have loan payments that are \$200 or more per month, and 10 have loan payments of \$100 per month. EEs are eligible to receive a total of \$108,000 in State FY24 funds ((40 (x) 12 (x) \$200) + (10 (x) 12 (x) \$100)). July to September amounts are NOT FY24 expenditures as EEs are not eligible to receive reimbursement and expenditures are not incurred until loan repayments have been made.

**At 6/30/2024 – Expenditure/Balance Sheet**

Record the reimbursement expenditure of the actual amount to be paid to EEs based on their loan payment amounts, \$81,000 (\$108,000 \* 9/12), once 27k is received within 60 days of year-end, and credit Accrued Liability: (As a reminder, the accrual is only for loan payment reimbursements for the months of October 2023 to June 2024 (9 months))

Expenditure Elem. Inst. Other Spec. Allowances	11-111-2390-2730	\$27,000
Expenditure MS Inst. Other Spec. Allowances	11-112-2390-2730	\$27,000
Expenditure HS Inst. Other Spec. Allowances	11-113-2390-2730	\$27,000
Balance Sheet Accrued Liability	11-461-0000	\$81,000

**At 6/30/2024 – Revenue/Balance Sheet**

Record the FY24 amount of \$81,000 as Due From Other Governmental Unit and State Restricted Revenue

Balance Sheet Due from Other Governmental Unit	11-141-0000	\$81,000
Revenue State Restricted Revenue	11-312-0000	\$81,000

**When July-September 2024 payments are made to EEs in FY25**

Record the reimbursement expenditures of the actual amount paid to EEs based on their payment amounts (\$27,000) after the EE’s have made their loan payments (example assumes amount was paid all at once at the end of the three month period)

Expenditure Elem. Inst. Other Spec. Allowances	11-111-2390-2730	\$9,000
Expenditure MS Inst. Other Spec. Allowances	11-112-2390-2730	\$9,000
Expenditure HS Inst. Other Spec. Allowances	11-113-2390-2730	\$9,000
Balance Sheet Accrued Liability	11-461-0000	\$27,000

**Note: For FY25 the district will recognize \$27,000 of restricted state revenue**

**Section 27k Total Activity**

Section 27k payments will be made in the months of July and August for the periods covering October 2023 through September 2024. Below are the total transactions for section 27k by year.

2025 Cash is received (July & August payments) - \$120,000

2024 Restricted State Revenue - \$81,000 ( $\$108,000 * 9/12$ )

2025 Restricted State Revenue (based on actual payments to EE)- \$27,000

2025 Unearned Revenue - \$12,000