

# Section 27k Student Loan Repayment Program

## Financial Considerations & Accounting Guidance

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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 be treated as an “Other Special Allowance” benefit expenditure with an accounting Object Code of 2390 within the 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 and only payment made under this program is being planned for distribution with the August State Aid payment expected on August 20, 2025. For purposes of planning and accounting for the monies received:
  - a. The August payment will represent 100% of the total funds available from which to pay applicants as a FY25 budget allocation (these funds are to be used to through the end of FY25). Unlike in FY24, districts will receive all funds necessary to administer payments to approved participants at one time.
  - b. All funds allocated to the FY25 Student Loan Repayment Program will be unavailable to MDE for distribution by October 1, 2025, due to the requirements of [MCL 388.1627j](#). At the same time, Section 18a of the State School Aid Act (see below) allows districts one year to spend those funds.
  - c. Districts will receive the full annual maximum per approved participant—\$2,400 or \$4,800 depending on Band 6 OIS status—based on the monthly cap (\$200 or \$400) for all 12 months of FY25. Although districts will only reimburse participants for their actual monthly loan payments (up to the cap), this full award allows flexibility if payment amounts change during the year. Please refer approved participants to the [Student Loan Repayment Program webpage](#) for guidance on reporting payment changes.
  - d. Using the data provided by applicants, MDE will provide a record of *the exact or actual* payments the participant made between October 1, 2024, and April 2025 (the time of application). This information will be shown on the documentation that will accompany the Grant Award Notification (GAN).
  - e. On the record provided, MDE will also show the *expected* payments claimed by the approved participant in the months remaining on FY25 (between May 2025 and September 2025, inclusive).
  - f. The payment(s) for each individual approved participant will therefore need **to be calculated by the district**, using the table attached the GAN as a guide. MDE will expect that districts provide their participants with:

- i. A payment in the amount of all exact payments made between October 1, 2025, and April 2025, to the maximum of \$200 or \$400 (based on Band 6 OIS), and
    - ii. A payment in the amount of all payments that the approved participant actually made to the loan servicer between May 2025 and September 2025, to the maximum of \$200 or \$400 (based on Band 6 Opportunity Index Score, or OIS).
  - g. MDE will offer options and best practices in the GAN documentation and on its [Program Administration webpage](#), created for the FY25 awards. While districts are expected to transfer initial payments to participants efficiently, they have one additional State fiscal year after receiving funds (per Section 18a of the State School Aid Act) to make payments and record expenditures. However, MDE recommends issuing payments as soon as possible. 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.
  - h. NOTE: MDE may send an amended Grant Award Notification (GAN) to districts whose participants' approval status had changed as a result of the MDE auditing process completed after their initial GAN was sent. In addition to the information presented below, MDE asks districts to be aware that amended GANs may be issued at some point in August 2025, with a corresponding State Aid payment in October 2025.
- 3. Similar to FY24, MDE will establish a "reconciliation report" to account for any remaining or excess funds that may result from differences between participant payments for school loans and the amounts disbursed to each participant through State Aid payments. The FY25 Reconciliation Report will be prepared during FY26 using the GEMS/MARS system. MDE will send further communications regarding the FY25 Student Loan Repayment Program Reconciliation Report as the process progresses.
- 4. 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 approved participants about IRS

Publication 970 and the threshold for employer-provided educational assistance benefits.

6. For questions about the OIS and to find out whether your district is in Band 6, access the downloadable “At Risk Estimate” spreadsheet on MDE’s [State Aid Payment Information webpage](#).