Michigan Department of Lifelong Education, Advancement, and Potential
Office of Early Education

2025-2026 State School Aid Act Section 54d Allowable Cost Guide

August 2025

The purpose of this guide is to assist with establishing a fiscal account for revenue and expenditures, according to the Generally Accepted Accounting Principles (GAAP) which are used by the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) for the final expenditure report.

Costs must meet all the following general criteria to be allowable.

1) Necessary and reasonable.
2) Conform to any limitations or exclusions.
3) Consistent with policies and procedures.
4) Accorded consistent treatment.
5) Determined in accordance with GAAP.
6) Not be included as a cost or used to meet cost sharing or matching requirements.
7) Be adequately documented.

Function Codes

The function code and function title describe the most appropriate category of expenditures for costs related to salaries, benefits, purchased services, supplies & materials, capital outlay, and other expenditures. For example, an expenditure pertaining to staff development for staff working directly with children would be recorded with Function Code 221 and the function title would be Improvement of Instruction. Please provide a clear description of the expenditure so it is easily understood.

Object Codes

To further assist with understanding the general accounting standards and to maintain an accounting system, the following describes object code categories and related information. Object code categories are identified across the top of the budget summary.

Salaries (1000) and Benefits (2000) – Apply only to staff employed by the intermediate school district (ISD). Charges to awards for salaries and wages must be based on records that accurately reflect the work performed. Benefits for staff include FICA, retirement, insurance, etc. The benefit rate is that of the ISD. Benefits must be charged at the same FTE rate as salaries.

Standards for documentation of personnel expenses must:

a. Be supported by a system of internal controls to provide reasonable assurance that charges are accurate, allowable, and properly allocated.
b. Be incorporated into the official records of the non-federal entity.
c. Reasonably reflect total activity for the employee, not exceeding 100 percent of compensated activities.
d. Encompass both federally assisted, and all other activities compensated by the non-federal entity on an integrated basis.
e. Comply with established accounting policies and practices of the organization.
f. Support the distribution of employee's salary or wages between specific activities/cost objectives if the employee worked on more than one activity.

Budget estimates do not qualify as support for charges to state awards.

Purchased Services (3000, 4000)– Services that are purchased by contract when it relates to personnel services OR by a purchase order when it pertains to services for machinery, maintenance, travel, and printing orders. This includes office equipment rental and repair, contracted printing, conference room rental, postage, contracted personnel, and contracted service agreements.

> **Contracted services** - A contracted personnel agreement is a contract with a person(s) for an agreed amount for services rendered by the person(s). The person(s) is not on the payroll of the ISD. The primary reason for the purchase is the services provided to obtain the desired results. A contracted service agreement is an agreement with another agency for an agreed amount for services rendered. The contractor is responsible for providing the programs/services to obtain the desired results.
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> **Purchase categories and bidding process -** Under the Uniform Guidance, purchases fall under one of three categories: micro-purchase (§ 200.320), small purchase (§ 200.320(a)), and competitive (§ 200.320(b)). A micro-purchase is the acquisition of supplies and services $3,500 or less. A small purchase is the acquisition of goods and services that cost less than $150,000. Any purchase over $150,000 falls into the competitive category that requires a bidding process. Please review each Uniform Guidance section for full disclosure methods.

State procurement rules also apply. Michigan competitive bid requirements are provided in the following memo: 10-8-2020 Michigan Department of Education Memo.

Supplies and Materials (5000) – Includes consumable items and equipment under $10,000 per unit that directly relate to the purpose of the project. Materials and supplies costs include the costs of computing devices that cost less than $10,000. Computing devices are defined as "Machines used to acquire, store, analyze, process and publish data and other information electronically, including accessories…" Computing devices that cost more than $10,000 are reported as equipment and need written approval using the Michigan Early On IDEA Part C Prior Approval Request form prior to purchase (§§ 200.94 and 200.453).

Michigan tracking requirements for computing devices, regardless of cost, are found in the following memo regarding Tangible Personal Property: 2-2-2017 Michigan Department of Education Memo - Tangible Personal Property.

Other examples of supplies and materials are personal protective equipment (PPE), books, pens, paper, software, or printer toner.

Capital Outlay (6000) – Capital outlay refers to non-consumable equipment and building improvement projects with a unit purchase price of $10,000 or more (including equipment purchased as assistive technology). Written approval from MiLEAP is required using the Michigan Early On IDEA Part C Prior Approval Request form prior to charging the grant.

Other Expenses (7000, 8000) – Professional licenses for instructional and support personnel, and criminal background checks for employees. Also includes payment of interest on debt and the payment of dues and fees.

Additional Information

Accounting for Personal Protective Equipment Expenditures - Expenditures related to PPE including but not limited to face masks, face shields, and other items to be used by providers and families to facilitate in-person services are allowable costs for this grant. PPE and other supplies related to enhanced cleaning, additional sanitization, etc. should be recorded under **Function Code 261, Object Code 5990, regardless of user**. Although some of these expenditures could be attributed to a more specific function based on setting

and users of the PPE (for example, face masks for providers and families in the appropriate instruction function), these are **operations and maintenance-related expenditures**. If practical, districts are encouraged to use the "other" coding dimension to identify and track these expenditures internally by users, types of PPE, etc.

Technology-Related Expenditures - Technology-related expenditures to purchase laptops, hotspots, etc. for student instruction should be coded to the appropriate instruction function code. Expenditures benefiting multiple instructional functions should be estimated or prorated across those functions as practical.

The object code to be used for these expenditures is dependent upon supply vs. equipment classification. See Section II E.12 of the Michigan Public School Accounting Manual for additional guidance on this classification.

Internal tracking of "additional" expenditures incurred because of the COVID-19 pandemic - Districts are encouraged to internally track additional or increased expenditures incurred because of the COVID-19 pandemic. This is not currently a requirement of any state or federal reporting, but the availability of this data may be helpful in fulfilling future data requests from stakeholders. To accomplish this, districts should use the "Grant Code." The expenditure of restricted funds (including those stated above) must use the appropriate grant code assigned to the program. Additional internal tracking of these expenditures (optional) should be accomplished using the "other" coding dimension. As a reminder, for other coding dimensions, only codes defined in the Appendix of the Michigan Public School Accounting Manual will be accepted in districts' Financial Information Database (FID) submissions.

Please see Financial Accounting Guidance During the COVID-19 Pandemic from the Michigan Department of Education Office of Financial Management for additional guidance regarding accounting for expenditures related to COVID-19.

Costs that are **not** allowed –

- Indirect costs
- Construction and reconstruction (improvements or replacements)
- Liability, building, and malpractice insurance
- Employee bonding
- Rent in buildings owned by the ISD
- Legal fees

ACCOUNT CODES AND ALLOWABLE COSTS

The following function codes may be used when creating the budget for this grant. Some function codes also include a drop-down menu of program areas to provide further detail regarding the planned expenditure.

120 – ADDED NEEDS

122: Special Education – Instructional Activities – This pertains to costs for direct instruction to infants and toddlers. These costs include teachers, clerical support assigned to the teacher, paraprofessionals, and substitute teachers.

210 – SUPPORT SERVICES - PUPIL

212: Guidance Services – select one of the following program areas:

Family Training and Counseling – Services provided as appropriate by social workers, psychologists, and other qualified personnel to assist the family of a child eligible under

Early On to understand the special needs of the child and enhance the child's development. Playgroup activities might be included here.

Service Coordination – Assistance in services provided by a service coordinator to a child eligible under Early On or his/her family.

213: Health Services – Select one of the following program areas:

Health Services - Includes services such as clean intermittent catheterization, tracheostomy care, tube feeding, the changing of dressings or colostomy collection bags, and other health services; and consultation by physicians with other service providers concerning the special health care needs of eligible children. The term does **not** include services that are surgical in nature (such as cleft palate surgery, surgery for club foot, or the shunting of hydrocephalus); or purely medical in nature (such as hospitalization for management of congenital heart ailments, or the prescribing of medicine or drugs for any purpose). Also not included are devices necessary to control or treat a medical condition, and medical health services (such as immunizations and regular "well-baby" care) that are routinely recommended for all children.

Medical Services – Consists of services only for diagnostic or evaluation purposes by a licensed physician to determine a child's developmental status and need for early intervention services.

Nursing Services – Includes the assessment of health status for the purpose of providing nursing care; identification of patterns of human response to actual or potential health problems; nursing care to prevent health problems, restore or improve functioning, and promote optimal health and development; and administration of medications, treatments, and regimens prescribed by a licensed physician.

Nutritional Services – Consists of conducting individual assessment in nutritional history and dietary intake; anthropometric, biochemical, and clinical variables; feeding skills and problems; food habits and preferences; developing and monitoring plans for nutritional needs of eligible children; and making referrals to appropriate community resources to carry out nutrition goals.

Occupational Therapy – Services that address the functional needs of a child related to adaptive development, behavior and play, sensory, motor, and postural development to improve functional ability to perform tasks in home, school, and community settings.

Physical Therapy – Services to promote the sensorimotor function through musculoskeletal development, which include screening, evaluation and assessment of infants and toddlers; obtaining, interpreting, and integrating information for program planning and providing individual and group services to prevent, alleviate, or compensate movement dysfunction.

214: Psychological Services – Select one of the following program areas:

Mental Health Services – Testing, obtaining, integrating, and interpreting information about child behavior, and child and family conditions related to learning, mental health, and development. Planning and managing a program of psychological counseling.

Psychological Services – Consists of those activities of administering and interpreting psychological test results; working with other staff members in planning school programs to meet the special needs of children as indicated by psychological tests; and planning and managing a program of psychological services including psychological counseling for the school or school system.

215: Speech Pathology and Audiology Services – Select one of the following program areas:

Audiology – Includes identification of children with auditory impairment; determinations of the range, nature, and degree of hearing loss and communication functions; referral for medical and other services necessary for habilitation or rehabilitation of children; provision of auditory training; services for prevention of hearing loss; and determination of children's need for individual amplification.

Speech/Language Pathology – Identification of children with communicative, language or oropharyngeal disorders and delays in development of communication skills. Referral for medical or other professional services necessary for the habilitation or rehabilitation of these disorders in children.

Sign and Cued Language – Includes teaching sign language, cued language, and auditory/oral language, providing oral transliteration services (such as amplification), and providing sign and cued language interpretation.

216: Social Work Services – Consists of those activities, which have as their purpose performance of school social work activities dealing with the problems of children which involve the home and community.

217: Visual Aid Services – Consists of those activities, which have as their purpose the identification, assessment, and treatment of children with sight impairments.

218: Teacher Consultant – Includes the design of learning environments and activities that promote the child's acquisition of skills in a variety of developmental areas, including:

- cognitive processes and social interaction;
- curriculum planning, including the planned interaction of personnel, materials, and time and space, that leads to achieving the outcomes in the child's individualized family service plan;
- providing families with information, skills, and support related to enhancing the skill development of the child; and
- working with the child to enhance his/her development.

219: Other Pupil Support Services – Select one of the following program areas:

Child Support Services–Assistive Technology – Assistive technology device means any item, piece of equipment or product system that is used to increase, maintain, or improve the functional capabilities of children with disabilities.

Child Support Services-Other – Includes, but is not limited to, music therapists and recreation therapists.

220 – SUPPORT SERVICES – INSTRUCTIONAL STAFF

221: Improvement of Instruction – Providing staff who work directly with children and families with information, skills, and support related to enhancing the skill development of the child and family. Costs associated with employee background checks and/or fingerprinting are also included.

226: Supervision and Direction of Instructional Staff – Program Coordination – This pertains to personnel providing supervision and program coordination of the direct services to children and families and program compliance monitoring. These costs cover Early On coordinators and supervisors, clerical, Infant-Toddler Developmental Assessment supplies, general supplies, postage, copies, rent (see restrictions under costs that are not allowed for rent), etc.

227: Academic Student Assessment – Services rendered for academic assessment of children. Examples include purchased academic testing services, purchased grading services, academic testing supplies. Infant-Toddler Developmental Assessment or other evaluation or assessment materials may be placed here.

229: Other Instructional Staff Services – Consists of activities associated with assisting the instructional staff with the content and process of providing learning experiences for infants and toddlers other than those defined above.

230 – SUPPORT SERVICES – GENERAL ADMINISTRATION

231: Board of Education – Includes yearly audit charges. An audit evaluates the adequacy of the internal control system; verifying and safeguarding assets; reviewing the reliability of the accounting and reporting system and ascertaining compliance with established policies and procedures.

250 – SUPPORT SERVICES BUSINESS

252: Fiscal Services – Activities concerned with fiscal operations. Including budgeting, receiving and disbursing, financial accounting, payroll, purchasing, inventory control, and internal auditing.

257: Internal Services – Activities concerned with storing and distributing supplies, furniture, and equipment. Also includes duplicating/printing services and central mail services.

260 – OPERATIONS AND MAINTENTANCE

261: Operating Building Services – Includes use of space and phone services--both landlines and cell phones. Includes all PPE expenditures.

270 – PUPIL TRANSPORTATION SERVICES

271: Transportation – Includes the costs of travel (e.g., mileage, or travel by taxi, common carrier, or other means) and other costs (e.g., tolls and parking expenses) that are necessary to enable a child eligible under this part and the child's family to receive early intervention services.

280 – SUPPORT SERVICES – CENTRAL

281: Research/Evaluation – This pertains to the assessment and evaluation activities of the Early On system. Costs cover evaluators, data collection activities (process and reporting), surveys, publications, Michigan Student Data System (MSDS), and Early On system review activities.

282: Communication Services – Activities concerned with writing, editing, and other preparation necessary to disseminate educational and administrative information to families, staff, or to the general public through direct mailing, various news media, or personal contact.

283: Staff/Personnel Services – This directly relates to non-direct instruction service personnel development activities specific to Early On. This includes, but is not limited to, in-service workshops and in-depth skill development training for staff, Local Interagency Coordinating Council (LICC) members, parents, collaborating agency personnel, and other people contributing to the implementation of Early On locally (e.g., MSDS training for the

data entry person). Costs associated with these activities such as travel, mileage, meals, and lodging are included. Costs associated with employee background checks and/or fingerprinting are also included.

284: Non-Instructional Technology Services – Cost for entering data in MSDS and the FID may be placed here.

330 – COMMUNITY ACTIVITIES

331: LICC Functions – This pertains to LICC (advisory body) functions including subsidies to parents for participation on the LICC.

390 – OTHER COMMUNITY SERVICES

391: Other Community Services – Costs for community support activities include, but are not limited to, family resource centers, stipends for families, and child care costs necessary for parent participation, respite care, central directory publication and dissemination, and public awareness.