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STATE OF MICHIGAN
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT
LANSING

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**Workforce Development Agency (WDA)
Policy Issuance (PI): 16-10**

Date: July 8, 2016

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

From: Sean Lively, Division Director of Education and Career Success
Workforce Development Agency

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: None

References: The State School Aid Act of 1979
Public Act 249 of 2016, State School Aid Act, Section 107
Michigan Compiled School Laws
Michigan Public School Accounting Manual
Uniform Budgeting and Accounting Act, PA 2 of 1968
Workforce Innovation and Opportunity Act (WIOA) of 2014, Public Law 113-128 (29 United States Code Section 3101, et. seq.)
Workforce Development Agency (WDA) Policy Issuance (PI): 15-01;
Talent District Career Council

Background: State School Aid Act, Section 107 (Public Act 249 of 2016) allocates \$25 million for adult education programs. (\$24.5 million for regional adult education programs and up to \$500,000 for a career tech pilot program to be awarded separately through a Request for Proposal process.)

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 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 WDA 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; and
- Be adequately documented.

Selected Cost Item	Section 107
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
GED and HSE 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
Alcoholic Beverages	Unallowable
Contributions and Donations	Unallowable
Entertainment	Unallowable
Fines and Penalties	Unallowable
Food and Beverages	Unallowable
Goods or Services for Personal Use	Unallowable
Lease or Purchase of Vehicles	Unallowable
Lobbying	Unallowable
Promotional Items, Gifts, Gift Cards, Cash, Door Prizes, and Souvenirs	Unallowable

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

WDA 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% 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, WDA reserves the right to reduce or withhold the federal funding pursuant to AEFLA, Section 241(a). 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 2016-17 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 deadline for submitting the application is August 22, 2016.

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 forms provided by WDA. ISD fiscal agent forms are due July 21, 2017, and adult education provider forms are due August 25, 2017.
- Report revenue and detailed expenditure information for 2016-17 in the Financial Information Database by November 1, 2017, 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 Coordinator within the Office of Adult Education at 517-373-8800.

Expiration Date: June 30, 2017

SL:ST:ts
Attachment

Attachment I Section 107 Function Codes