



# State Aid and Accounting Update – MDE & Auditor Perspectives

PRESENTED BY

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# Meet Your Presenter



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Principal

## **Experience**

17 years Experience  
Education Team Leader  
Single Audit Team Member

## **Specialty Areas**

Audits under Government Auditing Standards  
Audit of local school districts  
Audit of not-for-profit organizations  
Audit of for-profit businesses  
Single Audit under 2 CFR 200

## **Professional Memberships**

AICPA, MICPA, MSBO, MASB, Regional SBOs, MDE 1022  
Committee, & MDE Audit Referent Committee

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**YEO & YEO**

LET'S THRIVE

# Objectives

- GASB 96
  - Facts
  - Questions we have been receiving
  - Entries
- 147c2
  - Facts
  - Questions we have been receiving
  - Entries
- Miscellaneous items
  - Erate
  - 97 funds

# Accounting & Financial Reporting Update

**Christopher May, CFO, CGFM**

Office of Financial Management

Michigan Department of Education

**MSBO Business Manager/CPA Workshop**

June 8, 2023



# GASB Statement #96 – Subscription-Based Information Technology Arrangements

1. Defines a SBITA
2. Establishes that a SBITA results in a right-to-use subscription asset (intangible) and subscription liability
3. Establishes capitalization criteria for outlays other than subscription payments (i.e. implementation costs)
4. 4. Requires note disclosures related to SBITAs

Very similar in wording, definitions, etc. to GASB #87 - Leases

**Implementation year – FY23 (NOW!)**





# GASB Statement #96

- In many ways mirrors GASB #87 language, but SBITAs not included in #87 because intangible assets were out of its scope
- Same as Statement #87:
  - Classification/considerations related to lease/subscription term
  - Exclusion of short-term leases/subscriptions
  - General recognition and measurement
- Short-term Leases and SBITAs
  - If 12 months or less (including one-party options to extend, but not cancellable periods), record revenues (lessor) and expenditures (lessees), no asset/liability implications under these Statements



# Lease (#87) vs. SBITA (#96)

- All SBITAs are now technically “leases” (of the right to use an **intangible** asset)
- No more “prepaid expenditure” assets if paying multiple years of a SBITA in year 1.
  - SBITAs starting before FY23 with prepaid expenditure entries will require adjustments to fund balance
- Determining whether an agreement is a lease or a SBITA
  - Tangible capital assets alone – Lease (#87)
  - IT software alone – SBITA (#96)
  - Combination of IT software and tangible capital assets under the same agreement:
    - Depends on “significance” of IT component of agreement.
    - Insignificant – Lease (#87)
    - Significant – SBITA (#96)



# Accounting for SBITAs

- Additional SBITA-specific account codes and additions to Michigan Public School Accounting Manual Section II guidance made in December 2022
- Numerous fixed/capital asset codes added with GASB #87 due to the many areas leases could occur within
  - Less coding changes and additions for SBITAs, but more widespread impact across districts
- MDE recommendation is to begin a thorough review and documentation of existing and new (FY23) agreements that may fall under Statement #96 and begin assigning these new codes to balances, revenues, and expenditures. Work closely with auditor.





# Questions Regarding SBITAs

- MDE has received many questions on SBITAs and if specific arrangements fall under Statement #96
- Many are more appropriately answered after a review of specifics between districts and auditors
- Standard response to most questions:

Since contract terms, timing, payment arrangements, etc. vary greatly between SBITA vendors, our guidance and sample entries in the accounting manual are just for reference and to illustrate how GASB #96 is changing the overall topic of SBITAs. Your auditor should be able to help in reviewing specific terms of each of your SBITAs that fall under the GASB #96 and may be able to assist with the proper entries and financial statement presentation (at both fund level and government-wide) and the impact of paying for multiple years upfront vs. paying a multi-year agreement annually.



# GASB 96

- Work with your IT Directors/Department
  - Prepare a List/Collect Information
- Accounting Personnel and Auditor
  - Update SBITA Schedule (ask auditor for a copy of what they are using)
  - Journal Entries - examples

# What is an SBITA?

- As technology evolves and cloud-based software becomes the norm, licenses and agreements have increasingly become available online. With such agreements, organizations can enter subscription-based **contracts that provide governments access to a vendors' IT software over a specified period of time.**
- These new types of licenses have created the need for governments to track and report their subscription-based IT arrangements (SBITAs)

# Collect Information

- List of SBITAs
- What DATA to obtain?
  - (1)Length of the subscription term
  - (2)Subscription payment amounts
  - (3)Payments made, or incentives received at commencement
  - (4)Expenses other than subscription payment

# Collect Information

## (1)Length of the subscription term

- This will probably be the most important item to obtain and get correct.
- The subscription term includes (a) the period during which a government has a **non-cancellable right to use** the underlying IT assets, and (b) the subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option)
- **NOTE - SBITA is 12 months or less it is not subject to GASB 96 rules**

# Collect Information

## (2)Subscription payment amounts

- Includes - fixed payments, variable payments based on an index or rate, variable payments that are fixed in substance, residual value guarantees, purchase options



# Collect Information

## (3) Payments made, or incentives received at commencement

- Identify any incentives or prepayments that were made at or before the commencement date.

The subscription asset should be initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, **less any incentives received from the SBITA vendor** at or before the commencement of the subscription term.

# Collect Information

## (4) Expenses other than subscription payment

- Identify project expenses
  - Expenses outside of just recurring subscription fees that need to be considered.

- **Preliminary Project Stage:** Examples: conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the SBITA. Expense as incurred.

- **Initial Implementation Stage:** ancillary charges related to designing the chosen path (configuration, **coding, testing, and installation**) Other ancillary charges necessary to place the subscription asset into service should also be included in the stage. *(Outlays in this stage should be capitalized as an addition to the subscription asset.)*

- **Operation and Additional Implementation Stage:** maintenance, troubleshooting, and other activities associated with the government's ongoing access to the underlying IT assets. *(Outlays should be expensed as incurred unless it meets capitalization criteria.)*

# Schedules

- Use Data to Populate Schedules

## GASB 96 - SBITAs

	Vendor	Description	Building	Acct #	Contract Date	Total Costs*	Options**
1							
2							
3							
4							

\* include all costs - implentation, subscription payments, ongoing maintence - see guidance

\*\* consider option to extend, purchase, and or terminate

	Example 1	Example 2	SBITA 1	SBITA 2	SBITA 3
Description of SBITA	Cloud Storage	Firewall			
Expense account number payments are recorded in	5010	5015			
Agreement start date	4/1/2021	1/1/2021			
Agreement end date	3/31/2026	12/31/2023			
Payment amount per month	\$ 856.25	\$ 1,200.00			
Payment due at the beginning or end of month	Beginning	Beginning			
Payments made before start of agreement	No	No			
If payments were made before start, describe and indicate amount.					
Can the agreement be cancelled prior to the agreement end date?	No	No			
If it can be cancelled, describe the terms and date it can be cancelled and who has the right to cancel					
Interest rate for agreement (indicate rate or "unknown - imply rate")	3.50%	Unknown - imply rate			
Escalating payments <i>*payments increase over agreement term</i>	No escalation	Fixed annual % increase			
If escalating, describe.		3% increase each year			
Variable payments <i>*payment amount dependent on some variable, such as CPI</i>	No	No			
If variable, describe.					
Are there any free months at beginning of term	No	No			
If free months, describe and indicate number of months					
Number of renewals allowed	0	2			
Renewal period (months)	N/A	36			
Likelihood to utilize renewal period(s) (probable or unlikely)	N/A	Probable			
Subject to GASB 96	Yes	Yes			

# Schedules

- Yeo & Yeo has a schedule for its clients
- Your auditor may as well
- Can purchase tools from outside vendors
- Coordinate with your auditor on entries prior to your final budget amendment

# When Does it NOT Apply

1. Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that **meets the definition of a lease in Statement No. 87, Leases**, in which the software component is **insignificant** when compared to the cost of the underlying tangible capital asset (*For example, a computer with operating software or a smart copier that is connected to an IT system*)
2. Licensing arrangements that provide a **perpetual license** to governments to use a vendor's computer software, which are subject to *Statement No. 51, Accounting and Financial Reporting for Intangible Assets, as amended*
3. Service arrangements with IT related vendors



# When Does it NOT Apply

- **Perpetual license – does not apply**
  - One time fee
  - Can use the software after expiration date, but
  - No maintenance
  - No security patches and updates
  - Example - Internally developed or commercially purchased *like Microsoft office*
- **Subscription based - applies**
  - Yearly or monthly fee
  - Right to use expires after certain amount of time
  - After expiration software cannot be used until it is renewed
  - Example: ZOOM

# Example - SBITAs

- **Cloud based software**
  - Docusign
  - Adobe Creative
- **Cloud based conferencing system**
  - ZOOM
  - TEAMS
- **Cloud based data storage**
  - Google cloud
  - One Drive

**Other common examples of SBITAs include cloud-based accounting, gaming, remote learning platforms in schools, & data backup/storage for records.**

# Journal Entries (Accounting)

- Restatement entry is required for any prior periods that are being presented.
- See Journal Entry Examples– (included in 1022 Accounting manual – Section II E.20)
- Your Auditor can assist you as a non-attest service for District-wide entries

# Journal Entries (Accounting)

<b>Governmental Fund - Initial Journal Entry – New SBITA</b>		<b>Debit</b>	<b>Credit</b>
11-1-111-6940-xxx-0000-xxxx-xxxx	Instruction – Capital Outlay – Subscription-Based Information Technology Arrangement (SBITA)	100,000	
11-0-597-0000-000-0000-xxxx-xxxx	Other Financing Sources – SBITAs		100,000
<i>To record the other financing sources and capital outlay expense associated with a new SBITA (note – this is only for SBITAs entered into after 7/1/22)</i>			

# Journal Entries (Accounting)

<b>Governmental Fund – SBITA Payment</b>		<b>Debit</b>	<b>Credit</b>
11-1-511-7170-xxx-0000-xxxxx-xxxx	Principal - SBITA Payment	30,000	
11-1-511-7270-xxx-0000-xxxxx-xxxx	Interest Expense – Interest on SBITA	1,000	
11-2-101-xxx-xxxx-xxxx-xxxxx-xxxx	Cash		31,000
<i>To record first payment on right to use SBITA asset</i>			

# Questions?

- What are we going to do with GRANTS???
- We have a few options and recommendations



# Hypothetical Situation 1: Previous SBITA

- 3 year SBITDA signed on 7/1/2021, runs through 6/30/2024. \$1,000 a month payment

District is likely recording payments made prior to GASB 96 implementation as follows:

		Debit	Credit
11-1-125-3450-xxx-4350-xxxxx-xxxx	Software license	1,000.00	
11-2-101-xxx-xxxx-xxxx-xxxxx-xxxx	Cash		1,000.00

Upon determination that GASB 96 applies, this is really what the entry should have been:

11-1-511-7170-xxx-0000-xxxxx-xxxx	Principal - SBITA Payment	950.00	
11-1-511-7270-xxx-0000-xxxxx-xxxx	Interest Expense - Interest on SBITA	50.00	
11-2-101-xxx-xxxx-xxxx-xxxxx-xxxx	Cash		1,000.00

# Hypothetical Situation 1: Previous SBITA

- **Dilemma:** In order to implement GASB 96, the proposed entry would be as follows to charge the expense to the grant. **However, the original budget was in function 125, not 511, and was for software licenses, not principal and interest:**

11-1-511-7170-xxx-4350-xxxxx-xxxx	Principal - SBITA Payment	950.00	
11-1-511-7270-xxx-4350-xxxxx-xxxx	Interest Expense - Interest on SBITA	50.00	
11-1-125-3450-xxx-4350-xxxxx-xxxx	Software license		1,000.00

Potential Solution: Use a net zero entry to implement GASB 96.

11-1-511-7170-xxx-0000-xxxxx-xxxx	Principal - SBITA Payment	950.00	
11-1-511-7270-xxx-0000-xxxxx-xxxx	Interest Expense - Interest on SBITA	50.00	
11-1-125-3450-xxx-0000-xxxxx-xxxx	Software license		1,000.00

# Hypothetical Situation 1: Previous SBITA

- Zero entry is recommended in this situation (where the SBITA has been signed prior to 7/1/22) \*\* SBITAs that existed prior to the year of GASB 96 implementation
- This will alleviate the following:
  - The FER will have costs reported on it in a function that wasn't approved
  - If the final expenditures are reported where budgeted and approved, the FER won't match the GL
  - If the entry is posted as an audit entry only, the audit report won't match the FID
- Going forward, consider allocating the initial capital outlay cost to the grant. However, be mindful of any potential cash management issues in requesting funds in excess of cash needs, if the amount is not going to be paid for a period of time after the funds have been drawn down.

# Grants and SBITAs

- Grant period and allowability to pay for subscription periods beyond that, examples:
  - 5-year subscription to be covered by ESSER? If unallowable, initial capital outlay entry may need to be split (part with Grant Code, part without)
  - Example – Single-year Benchmark Assessment funding – incurring the capital outlay expense of a multi-year SBITA in year 1 may impact your ability to charge future periods of the SBITA to future grants
- Consider options to use single-year SBITA agreements so the full amount can be covered by a given grant
  - “Convenience” vs. cost savings



# Hypothetical Situation 2: New SBITA

- 2 year SBITDA signed on 7/1/2022, runs through 6/30/2024. \$2,000 a month payment.

## Entry to record SBITA

11-1-111-6940-xxx-0000-xxxxx-xxxx	Instruction - Capital Outlay SBITA	48,000.00	
11-0-597-0000-000-0000-xxxxx-xxxx	Other Financing Sources - SBITA		48,000.00

## Entry the client likely has been posting to record payments throughout 2023:

11-1-111-3450-xxx-4350-xxxxx-xxxx	Software license	2,000.00	
11-2-101-xxx-xxxx-xxxx-xxxxx-xxxx	Cash		2,000.00

# Hypothetical Situation 2: New SBITA

- **Dilemma:** In order to implement GASB 96, the proposed entry would be as follows to charge the expense to the grant, but remove it from the software license cost. However, the original budget was in function 111, not 511, and was for software licenses, not principal and interest:

11-1-511-7170-xxx-4350-xxxxx-xxxx	Principal - SBITA Payment	1,900.00	
11-1-511-7270-xxx-4350-xxxxx-xxxx	Interest Expense - Interest on SBITA	100.00	
11-1-111-3450-xxx-4350-xxxxx-xxxx	Software license		2,000.00



# Hypothetical Situation 2: New SBITA

**Preferred solution:** break out initial expense between grant and nongrant. This will likely mean a grant budget adjustment will be needed

11-1-111-6940-xxx-4350-xxxxx-xxxx	Instruction - Capital Outlay SBITA	24,000.00	
11-1-111-6940-xxx-0000-xxxxx-xxxx	Instruction - Capital Outlay SBITA	24,000.00	
11-0-597-0000-000-0000-xxxxx-xxxx	Other Financing Sources - SBITA		48,000.00

**Other option:** (not MDE preferred): Using a net zero entry to implement GASB 96. This doesn't match current GAAP and is not the preferable solution

11-1-511-7170-xxx-0000-xxxxx-xxxx	Principal - SBITA Payment	1,900.00	
11-1-511-7270-xxx-0000-xxxxx-xxxx	Interest Expense - Interest on SBITA	100.00	
11-1-111-3450-xxx-0000-xxxxx-xxxx	Software license		2,000.00

# Hypothetical Situation 2: New SBITA

- Charging the initial capital outlay cost to the grant is MDE's preferred approach. However, be mindful of any potential cash management issues in requesting funds in excess of cash needs, if the amount is not going to be paid for a period of time after the funds have been drawn down.
- Additionally, the period of performance should be looked at to ensure funds are not charged to a grant that would fall outside of the grant period.

# SBITA Considerations

- When evaluating new SBITA arrangements the proper accounting should be considered at the onset of the agreement to determine if it meets the criteria of GASB 96 to be recognized as capital outlay at the time the agreement is entered into, or if it belongs as a purchased service
- If the arrangement meets the criteria of a SBITA, and that was not known at the time the expense was budgeted for within the grant, this will likely result in requesting an amendment to the budget
- Be aware of cash management rules as to avoid requesting reimbursement for expenditures in excess of cash needs
- It may be easier to adjust the terms of the contract whereas the right to use the IT software arrangement is 12 months or less in order to avoid SBITA accounting-however, we know that is not always doable

# Questions?

- What are we going to do with the ISD agreements?
  - Many districts have material contracts with ISDs for SBITAs?
- In general many are
  - 12 months or less
  - Or variable payments
- Therefore, GASB 96 would not affect them

# SBITAs between ISDs and LEAs

- **Common Questions**
- **The agreement does not specify an end date as to when the District's right to use the asset expires. Does GASB 96 apply?**
  - Paragraph B7 in GASB 96, clarifies that perpetual licensing arrangements do not meet the definition of a SBITA, and therefore GASB 96 excludes perpetual licensing arrangements.
- **The District is being provided access to the SBITA, free of charge. Does GASB 96 apply?**
  - GASB 96 does not apply, as this would not meet the criteria of an exchange or exchange-like transaction as noted in paragraph 6 of GASB 96 and therefore does not meet the definition of a SBITA.

# SBITAs between ISDs and LEAs

- **Common Questions**
- **When determining the subscription liability and asset value, what payment amounts should be considered?**
  - The measurement of the liability should include any fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, any termination penalties if it's likely the District will exercise that option, any subscription contract incentives, and any other payments that the District is reasonably certain will be required. **What is NOT included is any variable payments that are depending on future performance, such as the number of users.**

# SBITAs between ISDs and LEAs

- **Common Questions**
- How should contracts that contain a subscription component and a non-subscription component be accounted for? **As an example, the District is paying for a service the vendor is providing, such as payroll processing, maintenance, or data processing as well as access to an IT program.**
  - The subscription components need to be broken out of the agreement to comply with GASB 96. Please refer to paragraphs 44-49 in GASB 96 for guidance on how to do allocate the costs between the components. Additionally, look at the terms of the agreement between the ISD and the LEA. If the agreement is written that the ISD is providing the services, and there is no fee being charged to access the software program, this would be a service agreement and not a subscription agreement.

# SBITAs between ISDs and LEAs

- **Common Questions**
- **Does GASB 96 apply to ISD's that provide the right to use their IT software to LEAs?**
  - Paragraph 4b indicates **that GASB 96 does not apply to Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs.** This means that the standard applies to the end user of the IT program, but excludes Governments that might otherwise be considered a software vendor. The LEA will still need to consider if they have a right to use the SBITA, but the ISD will not be required to set up a receivable for the subscription term.



# Resources

- [GASB 96](#)
- [1022 manual](#)
- [Yeo & Yeo article](#)
  - [https://www.yeoandyeo.com/wp-content/uploads/YYCPA-Education-GASB-96-2023.pdf?utm\\_source=hs\\_email&utm\\_medium=email&hsenc=p2ANqtz-oFje4QbtKkpBrak-Y4NLyVwGil52vGBjg\\_vbr\\_ClrUflGNYwGw7QFfLMmSwEreDzLRUGX](https://www.yeoandyeo.com/wp-content/uploads/YYCPA-Education-GASB-96-2023.pdf?utm_source=hs_email&utm_medium=email&hsenc=p2ANqtz-oFje4QbtKkpBrak-Y4NLyVwGil52vGBjg_vbr_ClrUflGNYwGw7QFfLMmSwEreDzLRUGX)

# GASB Statement #94

*FYI only, unlikely to  
impact districts*

- Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- Contents similar to Statements #87 and #94, but apply to above partnerships only (“P3’s”)
  - “arrangement in which a government (the transferor) contracts with an operator [governmental or nongovernmental] to provide public services by conveying control of the right to operate a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.”
  - Example – toll road
- Statement #94 **not** intended to impact most if not all school districts, expected to be more common for states, cities, municipalities, etc.
  - MDE not expecting to issue guidance on this Statement, slide for informational purposes only



# Other Accounting Considerations for 2023

- MPERS – Section 147c(2)
  - <https://www.michigan.gov/mde/-/media/Project/Websites/mde/Memos/2023/02/147c2-Guidance.pdf?rev=e49f7cd79f454cad942a7586c95f5fb6>

# Section 147c(2) MPERS One Time Deposit

- FY23 State Aid budget - \$1 Billion under Section 147c(2) to distribute to districts (amended to include other participating entities) to forward to ORS to pay down MPERS unfunded liability (similar to “regular” 147c)
- Originally scheduled to begin (inclusion in State Aid payments and invoicing by ORS) in November 2022
  - Significant concerns from MDE and districts related to impact on Maintenance of Effort, Indirect Cost, and other calculations that such a large one-time revenue and expense would impact
  - Payment and invoicing delayed through February 2023, started March 2023
- MDE referred issue to legal counsel, resulted in sending “90-day letter” to USED addressing above concerns
  - Response (or lack of response assuming USED agrees with interpretation to exclude these amounts from calculations) expected by May 2023



# Section 147c(2) MPERS One Time Deposit

- [February 23, 2023 – MDE Thursday Communication memo](#):
- **Payments and ORS began in March 2023, continue through August State Aid Payments**
- Districts **may not** allocate charges related to Section 147c(2) to federal grant programs
  - Section 147c(1) may continue to be charged uniformly across all employees regardless of funding source
- MDE has requested clarification from USED regarding exclusion from calculations, will provide an update when response received
- Districts must report Section 147c(2) revenues and expenditures
  - Revenue: Major Class 312, Suffix 0000
  - Expenditures: **As many major Function Codes as practical**, Object Code 2820, **Grant Code 263**
- Grant Code 263 recording critical to allow MDE to exclude these expenditures if USED approval received



# Section 147c(2)

- One-time distribution
- Forward payments to the state's Office of Retirement Services (ORS) as additional assets being contributed to the retirement system

# Section 147c(2)

- **Key points**
  - May not allocate charges to federal grant programs
  - Must report these amounts as revenue and an equal amount of expenditures
    - Cannot net
  - Must account for Section 147c(2) expenditures using **Grant Code 263**
    - Use separate accounts
  - Revenue should be recorded as Major Class 312, Suffix 0000

# Section 147c(2)

- **Recommendations**

- Charge Section 147c(2) expenditures across as many major function codes as practical
- Simplicity may be best
  - May choose to select main nonfederal function
  - Example HS, MS, Elem (by building)
  - Or may choose to do an extensive allocation



# Section 147c(2)

- **Questions**
  - **Can I charge to other funds?**
    - Yes
    - As long as the allocation is not charge to federal funds
  - **Can this offset excess fund balance in Food Service?**
    - No
    - Due to the source being **restricted revenue**, the revenue would follow the expense allocation.
    - Previous example – At Risk allocated to Food Service

# Other Accounting/Grant Considerations for 2023

- E- Rate
- What is E-Rate?
  - Federal funding from the FCC, passed through the Universal Service Administration Company (USAC)
  - Funding received is intended to serve as a “discount” for expenditures such as broadband internet service, internal networks, and maintenance of networks
  - Funding received is tied to free/reduced lunch counts – funding can range from 20-90% of the gross invoiced cost of the eligible services
  - Service period generally follows the School fiscal year, reimbursement requests must be submitted within 120 days after June 30
- There are 2 options for reimbursement
  - 1 Vendor bills USAC directly, district receives a “discounted” invoice
  - 2 District billed in full by vendor, receives funding from USAC to offset portion of cost

# Other Accounting/Grant Considerations for 2023

- **E-Rate Funding – Not on SEFA for Fiscal Year 2023**
- The 2023 Compliance Supplement was released, which **did not** classify E-rate as a federal program subject to Single Audit. The 2023 Compliance Supplement is effective for audits of fiscal years beginning after June 30, 2022. Therefore, for the 2023 fiscal year, E-Rate reimbursement dollars will:
  - not be included on the Schedule of Expenditures of Federal Awards (SEFA)
  - not be applicable to the single audit
  - not be included in total federal awards to determine thresholds for single audit and major program calculations

This may change for the 2024 fiscal year and we will keep you up to date with changes. However, the above is the final guidance related to fiscal year 2023. The Audit Risk Alert issued by Michigan Department of Education (MDE) will be updated to reflect this change as well.

2023 Compliance Supplement: <https://www.whitehouse.gov/wp-content/uploads/2023/05/2023-Compliance-Supplement---2-CFR-Part-200-Appendix-XI.pdf>

# Other Accounting/Grant Considerations for 2023

- Be familiar with state categorical allowability
  - Example Section 97: <https://www.michigan.gov/mde/-/media/Project/Websites/mde/Food-and-Nutrition-Programs/School-Health-and-Safety/School-Safety/97flat-Guidance-FINAL.pdf>

# Other Accounting/Grant Considerations for 2023

- Section 97 Funding
  - School Safety Grants – Sec 97
  - School Resource Officers (Sec. 97b)
  - Risk Assessments (Sec. 97c)
  - School Safety and Mental Health Commission (Sec. 97e)
- It is important that this funding be used to **supplement school safety efforts and not supplant** funding currently being used for this purpose. This includes any current safety and security personnel in the building.
- Districts may want to consider using these funds to complete security upgrades determined through the section 97c security assessments and section 97d critical incident mapping opportunities. Please continue to work closely with your local emergency manager in prioritizing your needs.

# Other Accounting/Grant Considerations for 2023

- **Section 97 Funding**
  - Allowable expenditures under this section include but are not limited to:
    - Coordination with local law enforcement
    - Training for school staff on threat assessment and crises communication
    - Training for school staff and students on threat response
    - Safety infrastructure
      - Districts are encouraged to consider infrastructure needs determined by assessments and community input. Infrastructure includes but is not limited to door locks, hardened vestibules, artificial intelligence software for weapon detection, cameras, buzzer systems, etc.
    - Age-appropriate training for students and families on responsible gun ownership
    - Professional development for school resource officers that includes best practices for serving in a school setting
    - Any other school safety service or product necessary to improve or maintain security in buildings

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# Upcoming FID Changes – FY23 Reporting

- Implementation of third digit Balance Sheet Major Class Code req.
- Reporting of dual enrollment expenditures
  - Tab on District Data Entry screen for manual entry by 9-12 school building expected to be removed
  - To be replaced with new Object Codes 3720 and 3730 (dual enrollment tuition and early middle college tuition, respectively)
    - These codes were added in December, Change Notice #33
    - Anticipate separating these from 3710 (Tuition) in time for FID reporting
- District Data Entry screen – Capital Assets and Long-Term Liabilities
  - As Balance Sheet Major Class Codes phased into the three-digit requirement for FY22 reporting, this screen is expected to be rebuilt for the three-digit level reporting of balances in Funds 91 and 92
  - Inclusion and upload of Fund 91 and 92 data within your Balance Sheet file will remain an option (and one that districts not currently using may want to consider)





# Resources

## [Financial Accounting Guidance During the COVID-19 Pandemic](#)

## [Michigan Public School Accounting Manual](#)

- Chart of Accounts (Appendix) and other guidance
- Change Notices

## [Accounting for State School Aid Revenues](#)

- Updated with new FY23 categoricals



# Questions?

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# 2023-24 School Aid Budget Development

**MSBO BUSINESS MANAGER/CPA WORKSHOP**

**Kellogg Center, East Lansing, MI**

**June 8, 2023**

**Phil Boone**

**Michigan Department of Education**



# Budget Increases for 2023-24

- **Executive recommendation Presented to the legislature on February 8, 2023**
- **Total funding of \$20.9 billion represents a \$1.28 billion (6.5%) increase**
- **Senate budget increase of \$1.17 billion**
- **House budget increase of \$1.86 billion**



# Foundation

- **Executive recommendation**
  - **Per-pupil Foundation amount increases by \$458, from \$9,150 to \$9,608**
    - 5% increase at cost of approximately \$614 million
  - **Cyber School Foundations would decrease to \$7,687 per pupil**
    - 80% of target foundation
- **Senate budget**
  - **Target Foundation of \$9,700**
  - **Cyber School Foundation of \$7,760**
- **House budget**
  - **Target Foundation of \$9,516**
  - **Cyber School Foundation of \$9,150**



# Section 31a At-Risk

- **Exec. Funding increases by \$64.7 million to \$850.4 million**
  - Fully funded at 11.5% of target Foundation (\$1,105 per economically disadvantaged student)
  - All districts will receive the full 11.5%
- **Senate budget increases to \$920.6 million**
  - Funding ranges from 11.5% to 15.3% of target Foundation based on opportunity index score
- **House budget increases to \$1.02 billion**
  - Funding at 35% of target foundation



# Special Education Funding

- **Executive recommendation increases to \$2.95 billion**
  - Section 51a will compare Headlee percentage SE costs to 12.5% of the foundation, down from 25%
  - Section 51e will increase from 75% of foundation to 87.5% of foundation
- **Senate budget increases to \$3.1 billion**
  - Section 51e increases to 100% of foundation
- **House budget increases to \$3 billion**
  - Section 51e increases to 100% of foundation, otherwise concurs with executive recommendation



# Executive Rec. Weighted Funding – additional 5% increases

- **Section 81 ISD Operations**
  - Senate increases by an additional \$756k
  - House concurs with Executive Recommendation
- **Section 22d Rural/Isolated Districts**
  - Senate increases by an additional \$2.3 million
  - House increases by \$1.8 million, rolls back to FY23 amount in FY25
  - All budgets include an additional \$1.7 to \$3.5 million for transportation
- **Section 41 English Language Learners**
  - House and Senate both include additional funding beyond Exec.





# Vocational/Career Tech Ed

- **Executive recommendation: Section 61a – Maintains at \$47.6 million**
  - Senate reduces by \$10 million
  - House maintains but reduces by \$10 million in FY 25
- **Executive recommendation: Section 61c - CTE Equipment Upgrades provides \$15 million in one-time funding, up from \$7.5 million in FY2023**
  - Senate concurs
  - House concurs with amount, adds additional qualifiers
- **Executive recommendation: Section 61d Incentive payments – Maintains at \$5 million, strikes equal split requirement**
  - House and Senate concur



# Student Health and Safety

- **Executive recommendation: School Safety Section 97**
  - \$150 million increase to \$318 million
  - Safety infrastructure
  - Staff and student training
  - Coordination with law enforcement
- **Senate does not include, but addresses needs in 31aa**
- **House includes school resource officers as allowable use**
- **Executive recommendation: Mental Health Grant Section 31aa**
  - \$150 million increase to \$300 million
  - Broadly allowable for use in supporting student mental health
- **Senate expands allowable uses**
- **House concurs**



# Contact Information

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