

MDE State Aid, Accounting, and Grants Update

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Southwest Michigan School Business Officials
March 4, 2026



MDE Accounting Update

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Accounting Manual Change Notice #35

- Changes to be implemented for school fiscal year 2026-27 **unless otherwise required***
 - Earlier application is encouraged
- Upcoming/recent MDE Weekly Communication Memo
- Minor edits to accounting manual FAQs also made



Accounting Manual Change Notice #35

- Section II A.01 – small edits to intent of manual and references to federal publications
- Added new revenue Major Class Codes
 - 490 – Federal Revenues Not Subject to Single Audit (**header only**)
 - **491 – Federal Revenue – E-Rate**
 - 492 - Other Federal Revenue that is not subject to single audit compliance requirements and is not required to be included on the SEFA.



Accounting Manual Change Notice #35

- Added clarification of short-term leases to Function 261
- Revised allowable Functions of 72xx Object Codes
- Added reference to accounting for arbitrage costs
 - Function 259, Object 72xx
- Program Codes and Grant Codes updated
 - Program Codes 272 & 273 removed (found to be duplicative with 270 & 271)
- Use of Grant Code 202 for reporting expenditures of state special education categoricals
 - Discussion item only – no changes in this Change Notice



Special Revenue Fund Codes & Usage

- Difference in allowable Function Codes across certain Special Revenue Funds being used by districts for varying purposes
- Referent Group to consider future changes in naming and allowable coding combinations of these Funds

- If and how does your district use Special Revenue Fund Codes?
 - 21 – Athletics Fund
 - 23 – Community Service Fund
 - 24 – Bookstore Fund
 - 27 – Cooperative Activities Fund



FID Reporting Reminders

- Accounting for State School Aid Revenues
 - Revenue & expenditure coding guidance for all FY25 categoricals
 - Also confirm Grant Codes on Grant Award Notifications (state & federal)
 - To be updated soon with new FY26 categoricals
- **Athletics Fund (21)**
 - Should only be separate fund if program is self-sustaining, otherwise General Fund
- **GASB #84** Fiduciary & Trust Funds – what Fund Code to use?
 - Fund 28 – Public Purpose Trust Fund
 - Formal/legal trust **exists**, district **has** decision-making authority **and** administrative oversight
 - Fund 5x – Trust Fund
 - Formal/legal trust **does not** exist, district **does not** have decision-making authority and **has** administrative oversight
 - Fund 6x – Fiduciary Fund (Private Purpose Trust Fund)
 - Formal/legal trust **exists**, district **does not** have decision-making authority and **has** administrative oversight



FID Reporting Reminders (cont.)

- **GASB #87 & #96 – Leases & SBITAs**

- Numerous new codes, treatment of leases and SBITAs as capital outlay, long-term liabilities, etc.
- “Right to use assets”, associated accumulated depreciation, long-term lease and SBITA obligations/liabilities, etc. to be included on FID District Data Entry screen:

Fixed Assets (Fund 91)			Long Term Liabilities (Fund 92)		
Major Class Code	Description	Amount	Major Class Code	Description	Amount
	Land			Current Matured Bond Liabilities	
211	Land	0.00	441	Bonds Payable	0.00
212	Right to Use Asset - Land	0.00	442	Interest Payable	0.00
	Buildings and Additions		444	Unamortized Premiums on the Issuance of Bonds	0.00
221	Buildings	0.00		Other Current Liabilities	
222	Building Accumulated Depreciation	0.00	491	Other Current Liabilities	0.00
223	Additions to Buildings	0.00	492	Lease Obligation	0.00
224	Additions to Buildings - Accumulated Depreciation	0.00	493	Compensated Absence	0.00
225	Right to Use Asset - Buildings	0.00	495	Deferred Inflows	0.00
226	Acc. Dep. - Right to Use Asset - Buildings	0.00	496	Deferred Inflows (OPEB)	0.00
			497	SBITA Obligation - SBITA obligations due within one year	0.00



Accounting Reminder – “Net Zero Journal Entries”

- Unique approach to charge prior year expenditures to COVID grant funds received in later fiscal years (when the grant period went back to March 2020).
 - Expenditure-only entry debiting and crediting same account, only different Grant Codes
- Now that COVID grant periods are over, this “net zero journal entry” approach should no longer be needed (outside of rare circumstances) and **not be used**
- Please contact me if you may be in a position to appropriately use it prior to recording



Updated E-Rate Accounting Guidance

- E-Rate rebates/refunds previously suggested to be netted with corresponding expenditure(s)
- Recent clarification that these are federal revenues (still not subject to Single Audit) regardless of logistics of receiving funds or current v prior year
- Revenue: Major Class 491, Suffix 0000
- Expenditures: Recommend Grant Code 9xx for internal tracking purposes, separate Grant Code may be assigned in the future



Sections 271(2) & 271(4)

Section 271(2) Educator Compensation Funding

- Included in the December 2025 State Aid payment
- Broad statutory language
- ORS – reportable compensation on both DTL2 and DTL4
- Use on employer taxes and benefit costs – MDE defers questions to districts' legal counsel
- **IMPORTANT**: Use Grant Code 274 **only** on actual expenditures of this funding. Program office monitoring to use FID data and expects status report amount of revenue to match expenditures reported with Grant Code.



Section 271(4) Educator Compensation Funding

- Included in the November 2025 State Aid payment
- Intended to offset employer normal cost for employees in retirement plan with premium subsidy
- Similar to Section 147a(1), no repayment to ORS, no Grant Code required

FY26 – *Some* 147s (plus one) continue...

- Sections 147a(1), 147c(2), 147f, & 147g – no FY26 allocations
- Section 147a(2) – extra MPSERS Cost Offset funds
(**October 2025 (+) adjustment** & quarterly CY payments)
- Section 147c(1) – continuing MPSERS UAAL distribution
(monthly payments, followed by payment to ORS)
- Section 147e – continuing DC reimbursement
(quarterly CY payments)



Questions?

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FY27 Budget Development

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SWMSBO

March 4, 2026

January CREC

- **Gross Domestic Product**

- GDP Growth for FY26 = 2.2%
- GDP Growth for FY27 = 1.9%

- **Consumer Price Index**

- CPI Increase for FY26 = 3.0%
- CPI Increase for FY27 = 3.0%



January CREC

- **Combined GF/SAF Revenue estimates**

- FY26: Increases .2% (\$80.4m) from FY25 to \$33.269 billion.
- FY27: Increases 1.1% (\$373.4m) from FY26 to \$33.642 billion.



Executive Recommendation

<i>(In Thousands)</i>	FY2026 School Aid		
	Current Law	Exec. Rec. Revised	Difference from Current Law
<i>School Aid Fund</i>	\$18,366,334.7	\$18,189,425.3	(\$176,909.4)
<i>General Fund</i>	\$73,151.1	\$73,151.1	\$0.0
<i>Other State Restricted</i>	\$441,637.4	\$441,637.4	\$0.0
Total State Funds	\$18,881,123.2	\$18,704,213.8	(\$176,909.4)
<i>Federal Funds</i>	\$2,407,708.5	\$2,407,708.5	\$0.0
Gross Appropriations	\$21,288,831.7	\$21,111,922.3	(\$176,909.4)
<i>Est. Local Revenue</i>	\$5,298,895.6	\$5,298,895.6	\$0.0
Total Funding	\$26,587,727.3	\$26,410,817.9	(\$176,909.4)

FY2027 School Aid		
Executive Budget	Difference from FY26 Current Law	% Change
\$18,546,739.3	\$180,404.6	2.0%
\$45,334.9	(\$27,816.2)	-38.0%
\$405,637.4	(\$36,000.0)	-8.2%
\$18,997,711.6	\$116,588.4	1.6%
\$2,405,708.5	(\$2,000.0)	-0.1%
\$21,403,420.1	\$114,588.4	1.4%
\$5,494,954.8	\$196,059.2	3.7%
\$26,898,374.9	\$310,647.5	1.8%



Executive Recommendation Goals

- **Codify Weighted Foundation Allowance**
- **Continue Historic Levels of Operational and Student Support**
- **Student Literacy**
- **Continue Support for Postsecondary Pathways**



Weighted Pupil Funding Increase

Weighted Pupil Category	Increase Total	FY27 Increase
Foundation Allowance – 2.5%	Increase from \$10,050 to \$10,300; \$250pp. Cybers set at \$8,240 (\$53M reduction).	\$325M
Special Education Foundation – 2.5%	Increase to \$535M	\$13M
Economically Disadvantaged Pupils – 6%	Increase to \$1.37B	\$78.8M
GSRP Per Child Allocation – 6%	Increase from \$10,650 to \$11,290; \$640pp	\$38.1M
English Language Learners – 6%	Increase to \$66.5M	\$3.8M
Career and Technical Education – 6%	Increase to \$53.1	\$3M
ISD Operations – 2.5%	Increase to \$85.3M	\$2.1M
Early On – 6%	Increase to \$25.1M	\$1.5M
Rural/Isolated Districts – 6%	Increase to \$13.7M	\$783.0



Codifying the Weighted Foundation Allowance

- Creates new “Weighted Pupil Membership” definition
 - Uses existing Opportunity Index and ELL weights to calculate membership
- Creates new Section on Utilization of Weighted Foundation Payment
 - Intended to ensure funds are still used to support eligible student needs
- Each District receives a “Weighted Foundation Payment”
 - Equal to Weighted Pupil Membership multiplied by Foundation
- Goals:
 - Allows needs to drive costs
 - Provides districts more discretion on how to best target funds
 - Continued focus on increasing weights



Continue Historic Levels of Support

Operational Support	Purpose	Amount
MPSERS Cost Offsets	Continued funding to offset school employee retirement costs.	\$1.9B
Transportation Funding	Continued funding for districts with high student transportation costs.	\$125M
Declining Enrollment Supports	Continued funding to support districts experiencing declining student counts.	\$125M
Special Education Local Revenue Equalization	Additional funding and a revised distribution formula to equalize local revenue generated by ISDs to support special education.	\$15M



Continue Historic Levels of Support

Student Support	Purpose	Amount
Mental Health / School Safety	Continued funding for per-pupil mental health and school safety payments.	\$300M
School Meals	Continued funding for universal free breakfast and lunch.	\$200M
Math Pathways	New program to enhance mathematical learning by providing tools to educators.	\$12M



Student Literacy Support

Direct Literacy Support	Purpose	Amount
High-Impact Tutoring	Supports implementation of high-impact tutoring in districts statewide.	\$100M
Literacy Curriculum	Continues district efforts to purchase and utilize high-quality curriculum.	\$100M
LETRS Training	Continues statewide training in the science of reading through LETRS.	\$50M (over 5 years)
Literacy Coaches	Provides one additional literacy coach per ISD.	\$10.5M
Literacy Essentials	Continues statewide training and will better support the literacy coach network.	\$6M
Michigan Learning Channel	Supports the efforts of the MLC to connect families with literacy learning opportunities.	\$3M



Student Literacy Support

Indirect Literacy Support	Purpose	Amount
GSRP – Preschool	Funding for additional slots to support universal expansion and continuation of startup and transportation funding.	\$143M
Out-of-School Time Learning	Continues and increases funding for before school, after school, and summer learning.	\$135M
Educator Grow-Yor-Own Programs	Continued funding to support the educator workforce through GYO programs.	\$60M
Early Learning Partnerships	New partnerships to connect families with early childhood opportunities.	\$30M
Adult Education	Increases funding to prior year levels. All children need to read at home and ensuring parental literacy will support this.	\$7.6M
MiMTSS Center	Supports educators in serving students using a multi-tiered system of supports framework.	\$1.6M
Literacy Dashboard	Directs MDE to maintain a dashboard of state literacy performance metrics.	-



Support for Postsecondary Pathways

Support	Purpose	Amount
Dual Enrollment Payments	New program to reimburse high-poverty districts for costs associated with dual enrollment.	\$20M
FAFSA Completion Incentives	Continued funding to support activities that drive FAFSA completion to ensure students have access to financial aid to further their education.	\$10M
MiSTEM	Restores funding to support the statewide MiSTEM Network Regions.	\$8M
Robotics Grants	Continued funding for grants to districts to support STEM learning through robotics competitions.	\$5.6M
Precollege Engineering Programs	Continues funding for DAPCEP to get students interested in, and prepared for, careers in engineering.	\$900.0



Questions?

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Federal and State Grant Updates

Federal
Landscape

State
Landscape

MDE Grants
Repository

United States Department of Education (USED) Inter-Agency Agreements

Program	Transferred to
Elementary & Secondary Education Programs	Department of Labor
Postsecondary Education Programs	Department of Labor
Indian Education Programs	Department of the Interior
Foreign Medical Accreditation Programs	Health and Human Services
Child Care Programs	Health and Human Services
Education and Foreign Language Studies Programs	Department of State

Federal USED interagency Agreements

[fact-sheet-department-of-education-ed-and-department-of-labor-dol-elementary-and-secondary-education-partnership-112465.pdf](#)

What programs are included in this partnership? The Elementary and Secondary Education programs impacted include:

- Title I, Part A: Improving Basic Programs Operated by Local Educational Agencies
- Title I, Part B: Improving Academic Achievement of the Disadvantaged—State Assessment Grants
- Title I, Part C: Education of Migratory Children
- Title I, Part D: Prevention and Intervention Programs for Children and Youth Who are Neglected, Delinquent or At-Risk
- Title II, Part A: Supporting Effective Instruction State Grants
- Title III, Part A: English Language Acquisition State Grants
- Title IV, Part A, Student Support and Academic Enrichment (SSAE)
- Title IV, Part B 21st Century Community Learning Centers
- Title V Small, Rural School Achievement and Rural and Low-Income School Programs
- Impact Aid
- Education for Homeless Children and Youths

Federal USED interagency Agreements

FY2025 (AY2025-2026) Federal Funding

- ▶ No impact at this point
- ▶ MDE is in possession of all federal Grant Award Notifications (GAN)
- ▶ This includes Carryover from FY2024 grants and Tydings Amendment
- ▶ FY2024 federal grants protected through September 30, 2026
- ▶ FY2025 federal grants protected through September 30, 2027

FY2026 (AY2026-2027) Federal Funding

- ▶ Federal Education Bill was signed into law on February 3, 2026 (HR 7148)
- ▶ Highlights (Details still trickling out):
 - ▶ Title IA - **Fully funded with slight increase**
 - ▶ IDEA - **Fully funded with slight increase** (no consolidation of IDEA)
 - ▶ Charter Schools - **Fully funded with slight increase**
 - ▶ Funding intact for **Title II, Title III, Title IV, State Assessments, State Literacy Grants (CLSD), and Office of Civil Rights (OCR)**
 - ▶ **Preschool Development Fund (PDG) flat-funded**
 - ▶ **No Block Grants (K-12 Simplified Program)**
 - ▶ No language to prevent IAAs to transfer responsibilities to other federal agencies
 - ▶ Language to protect release of Grant Awards to States **by July 1**

Current Grant Type	Target Release Timeline
State Aid Direct	Started October 2025 (ongoing 1/11ths)
Formula	Started October 2025 (ongoing)
Designated	Ongoing, bulk in/after January
Competitive	Latest to release (application), Plan for January/February

Note: In a typical year, with a July final State Aid bill, MDE has 8-10 weeks to begin competitive grant system application planning. With the budget language available to MDE on October 7, 2025, that pushed the grant system application planning timeline to mid-to-late December (delayed release of competitive applications to January/February 2026)

FY2026 state grant funding targets

MDE Grant Repository

Grant Year
2025-2026

Grant Type
All

Funding Source
 Federal
 State

Application Open Date
All

Application Close Date
All

Search

MDE Grants repository

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