

MDE State Aid, Accounting, and Grants Update

Christopher May
Financial Specialist
Kevin Walters
Assistant Director
Phil Boone
Assistant Director

Office of Financial Management
Michigan Department of Education

Southwest Michigan School Business Officials
March 5, 2025



MDE Accounting & Section 147g Update

Christopher May, CFO, CFE, CGFM
Financial Specialist
Office of Financial Management
Michigan Department of Education

Southwest Michigan School Business Officials
March 5, 2025



Accounting Manual Change Notice #34

- Issued February 6, 2025
- Changes to be implemented for school fiscal year 2025-26 **unless otherwise required***
 - Earlier application is encouraged
- Added Balance Sheet Major Class Code 297 – OPEB Asset
 - Now that OPEB side of MPSERS is over-funded, districts have assets
 - Adds OPEB Asset line to FID District Data Entry screen
 - This is the one “unless otherwise required” item – begin in FY25 reporting
- Revised allowable Functions of Objects 3910, 3920, 3930, 3990
- Added Object Code 5740 – Electric School Bus Charging
 - To be used ONLY if separate meter exists for accurate measurement
- Updated Grant Codes



Anticipated FID Changes – FY25 Reporting

- Year 2 of two-year phase-in of expanded School Code requirement to Functions 21x and 22x in response to new federal reporting requirements (School Level Finance Survey, completed by MDE)
 - FY24: **Warning** for School Code missing from Function 21x and 22x expenditures, did not prevent submission
 - FY25 and following: **Error** for School Code missing from Function 21x **and 22x(?)** expenditures, will require correction before submission
 - Feedback from districts on burden of reporting 22x Functions at school-level passed to USED/Census, implementation delayed (potentially indefinitely?). Functions 21x will be the only new ones requiring a School Code for FY25 reporting.
- School-level reporting requirements/changes DO NOT apply to ISDs



“Filter First” (federal) Funding

- Additional funds from the American Rescue Plan, Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)
- Handled and awarded by EGLE, not MDE
 - Similar GAN, but no Grant Code
- Revenue Major Class 414, Suffix 0250
- Expenditure Grant Code 447

447	21.027	Coronavirus State & Local Fiscal Recovery Fund – Other Programs (municipalities, other government units)
-----	--------	--



FY25 – The Infamous 147’s...

- Section 147a(4) – (another) MPSERS Cost Offset
- Section 147c(2) – (another) one-time(?) MPSERS UAAL Distribution
- Section 147g – “3% Reimbursement” (what to know now)



Section 147a(4) – (another) MPERS Cost Offset

- Similar to “regular” 147a – districts keep funds but to reduce UAAL costs (= extra funding)
- Paid in 1/11^{ths} beginning in November based on prior year payroll
 - Full year amount known in November, began as normal
- Difference is “intent” language:

“It is the intent of the legislature that the allocation under this subsection be used to support student mental health, school safety, the educator workforce, and academic interventions.”
- Revenue: Major Class 312, Suffix 0000
- Expenditures: Grant Code not required (similar to “regular” Section 147a, but consider intent language)
 - Consider keeping brief record of how your spending aligns with this



Section 147c(2) – (another) one-time(?) MPERS UAAL Distribution

- \$250m for payments to ORS (to districts, who then pay ORS)
 - Similar to past \$1b “one-time” 147c(2) requiring separate accounting, but lesser amount and no “one-time” language
- Paid in 1/11^{ths} beginning in November based on prior year payroll
 - Full year amount known in November, began as normal
- **Accounting: Handle 147c(2) the exact same as 147c(1)**
- Revenue: Major Class 312, Suffix 0000
- Expenditures: Grant Code NOT required this year (unlike FY23)



Section 147g – 3% Health Care Reimbursement

- Reimbursement to eligible employees part of MPSERS plan paying 3% “Premium Subsidy Healthcare Benefit”
 - Paid to districts via State Aid beginning in February 2025
 - To be paid to employees by districts
- Current language: Paid in 1/11ths based on prior year payroll
 - Full year amount known in February since prior year payroll used, initially planned to begin in November
 - Concerns on “prior year 3%” applying to “current year 3%” employees
 - MDE and ORS delayed as discussions around a “technical fix” to the language took place
- Potential supplemental or technical correction in “lame duck” to change this categorical to use CY payroll did not occur



Section 147g – Timeline & Details

- Technical fix still expected via 2025 School Aid supplemental, but timing TBD. Ideal timing before districts’ year end
- Inclusion of 147g allocations (based on PY payroll) to begin in February State Aid payments to encourage districts to begin reimbursing eligible employees while we wait on a fix
 - Amounts received will not be an exact match of 3% due to employees
 - For now, districts are advised to reimburse employees their actual 3% contributions
 - Revenue and employee reimbursements to be based on **State fiscal year**
- Districts continue to withhold the 3% from employee pay
- 147g State Aid revenue is then used to reimburse employees
- 147g revenue and employee reimbursements (expenditures) will net to zero (involving both revenue and expenditure reporting)



Section 147g – Accounting Guidance

- **Funds:** Ideally, revenue and expenditures intended to be spread across employees generating the revenue and receiving reimbursement
- **Revenue:**
 - **Major Class Code:** 312 – Restricted State Revenue
 - **Suffix Code:** 0000 – No specific program
- **Expenditures:**
 - **Function:** Spread across appropriate employees' Functions
 - **Object Code:** 2820 – Retirement Benefits*

**Flexibility exists to use alternatives like 1790 – Other Special Salary Payments and 2990 – Other Employee Benefits if needed due to unique nature of 147g expenditures (payments going to employees, taxability implications, etc.)*
 - **Grant Code:** **not required**, though you may use the MPSERS Grant Code (208x), along with a fourth digit, or the “Other” coding dimension, for internal tracking purposes if needed



FY25 Section 147's – Reiterating Accounting Expectations

- All sections/subsections – record revenue as Major Class 312, Suffix 0000
 - This is restricted revenue for the purposes of MPSERS activity
- Typically, restricted revenues require the use of Grant Codes on the expenditure side.
- However, since 2012 (aside from one-time \$1b 147c(2) in FY23), **no Grant Code has been required on the expenditure side of Section 147's**
 - Separate Grant Codes do exist for “general” Section 147 and 147c(2) – you're welcome to use those for **optional. internal tracking purposes**, but **MDE does not use or expect that data from you.**
 - Section 147 Grant Code 202
 - Section 147c(2)* Grant Code 263

**“MPSERS One-Time Deposit (required for FY23 appropriation but may optionally be used for FY25 appropriation at district discretion)”*



Section 147g – The “What-Ifs”

- If the technical fix occurs as expected (changes calculation to current year payroll and no other surprises) **BEFORE** districts’ FY25 year end:
 - Section 147g would likely move to a **quarterly** payment schedule using actual, current year payroll data from ORS
 - Similar to 147e: February, May, August, November*
 - *November 2025 would be past FY25 revenue recognition period = potential balance sheet and timing implications
 - Accounting implications and changes to guidance will be published at this time, if necessary.
 - If the technical fix occurs as expected (changes calculation to current year payroll and no other surprises) **AFTER** districts’ FY25 year end:
 - Potentially more complex accounting and balance sheet implications to be covered at that time.

MDE and ORS are closely watching the status of this technical fix and will communicate updates as they become available.



Section 147g – Select FAQs

- Are we guaranteed to receive exactly enough to reimburse employees their 3% contributions?
 - Existing language appropriates \$181.5m, proportionate amount available to all MPSERS reporting units
 - Existing appropriation used older FY25 payroll projection
 - If technical fix changes to current year payroll, actual total amount may still be different, another supplemental to increase appropriation?
- What timeframe are we reimbursing employees’ contributions for?
 - The FY25 **State** fiscal year: October 1, 2024 – September 30, 2025.
- Are 147g reimbursements reportable to ORS for retirement purposes?
 - Reimbursements are not reportable on Detail 2 (DTL2) records, but are reportable on Detail 4 (DTL4) records only for members active in FY25.



Section 147g – Select FAQs (cont.)

- When are we required to start reimbursing employees, and how often?
 - Section 147g is silent on any reimbursement timeline. Some districts began already (before 147g was included in State Aid), others are waiting to begin receiving it and are paying on various schedules (each payroll, monthly, quarterly, etc.)
- Is Section 147g taxable income to employees? Is it subject to employer taxes?
 - Per ORS FAQ #16, the initial 3% contributions made by employees were excluded from gross income and not taxed. Therefore, 147g reimbursements are considered taxable income. MDE and ORS advise districts to refer to their auditor or other tax advisors for guidance on employer tax treatment.
- Where do I go with more questions and updates on 147g?
 - Bookmark and watch for updates in [ORS' 147g FAQ webpage](#), [ORS newsletters](#), monthly [State School Aid Updates](#), and MSBO listserv emails.



Questions?

Accounting & Financial Reporting

Christopher May, CFO, CFE, CGFM

Financial Specialist

MDE Office of Financial Management,
State Aid & School Finance

517-281-3223 (cell)

MayC@michigan.gov

Eligibility, ORS Web Reporting

Office of Retirement Services

Employer Reporting

ORS_Web_Reporting@michigan.gov



SWMSBO

Kevin Walters
Office of Financial Management
March 5, 2025



Topics

- End of American Rescue Plan (ARP) grant
- Data
- Fiscal and Programmatic Monitoring
- Updated Uniform Grant Guidance
- Federal Transition at USED / Executive Orders

End of American Rescue Plan (ARP) Grant

- Obligation Period ended September 30, 2024
- Performance Period ended November 29, 2024
- Liquidation Period ended December 30, 2024, for subrecipients
- Liquidation Period ended for MDE (SEA) January 29, 2025
- Grant closed for all but 12 subrecipients (Late Liquidation Extension)
- Late Liquidation Extension requests total approx. \$40M

ESSER/CRSSA/ARP Data

Grant	Allocated	Approved	Drawn by LEA	% Drawn/Allocated	% Remaining
ESSER I Formula (CARES)	\$350,448,029	\$350,265,915	\$348,929,297	99.57%	0.43%
ESSER II Formula (CRSSA)	\$1,490,677,457 \$1,490,677,457	\$1,488,012,414 \$1,488,012,414	\$1,483,689,201 \$1,485,589,201	99.53% 99.66%	0.47% 0.34%
American Rescue Plan (ARP)	\$3,350,230,432 \$3,350,230,432	\$3,347,827,998 \$3,347,827,998	\$3,307,236,813 \$3,347,236,813	98.70% 99.91%	1.30% 0.09%
Totals	\$5,191,355,918	\$5,186,106,327	\$5,139,855,311 \$5,181,755,311	99.00% 99.82%	1.00% 0.18%

Data does not include reserve/discretionary grants derived from these funds

Financial and Programmatic Monitoring

- Rehmann continues to conduct fiscal monitoring
- MDE is conducting Programmatic Monitoring
- Programmatic Monitoring Survey (all subrecipients)
- Programmatic Desk Reviews (Moderate Risk – 12%)
- Programmatic Site Visits (High Risk – 3%)
- Target Completion is May 2025

Uniform Grant Guidance Update

[Uniform Guidance Reference Guides FINAL 4-2024.pdf \(cfo.gov\)](#)

- Initially notified by USED that implementation would be effective with 10-1-2024 grants forward, so 7-1-2025
- January 16 surprise notification from USED that stated effective with 7-1-2024 grants forward, so 7-1-2024
- February 7 re-surprise notification from USED back to effective with 10-1-2024 grants forward, so 7-1-2025

This action makes the effective date of Uniform Grant Guidance updates 7-1-2025

Uniform Grant Guidance Update

[Uniform Guidance Reference Guides FINAL 4-2024.pdf \(cfo.gov\)](#)

- 200.318: General Procurement Standards (page 9)
- 200.324: Contract Cost and Price (page 10)
- 76.50: Subgrants (*Proceed with extreme caution here*)
- Increased Thresholds:
 - Equipment (200.313) – Increases from \$5,000 to \$10,000
 - **Unused** Supplies (200.314) – Increases from \$5,000 to \$10,000
 - Single Audit (200.501) – Increases from \$750,000 to \$1,000,000
 - De Minimis Indirect Rate – Increases from 10% to 15%

Federal Transition / Executive Orders

- Ending Radical and Wasteful Government DEI Programs and Preferencing (January 20, 2025)

[Ending Radical And Wasteful Government DEI Programs And Preferencing – The White House](#)

- OMB Memo M-25-11 (January 21, 2025)

[OMB Memo M-25-11 – The White House](#)

- Expanding Educational Freedom and Opportunity for Families (January 29, 2025)

[Expanding Educational Freedom and Opportunity for Families – The White House](#)

Federal Transition / Executive Orders

- Ending Radical Indoctrination in K-12 Schooling (January 29, 2025)

[Ending Radical Indoctrination in K-12 Schooling – The White House](#)

- Keeping Men Out of Women's Sports (February 5, 2025)

[Keeping Men Out of Women's Sports – The White House](#)

- Keeping Education Accessible and Ending COVID-19 Vaccine Mandates in Schools (February 15, 2025)

[Keeping Education Accessible and Ending Covid-19 Vaccine Mandates in Schools – The White House](#)

Questions

Kevin Walters

Office of Financial Management

Michigan Department of Education

(cell) 810-728-5254

waltersk5@michigan.gov

FY26 SCHOOL AID BUDGET DEVELOPMENT

PHIL BOONE

SWMSBO

3/5/2025

FOUNDATION ALLOWANCES

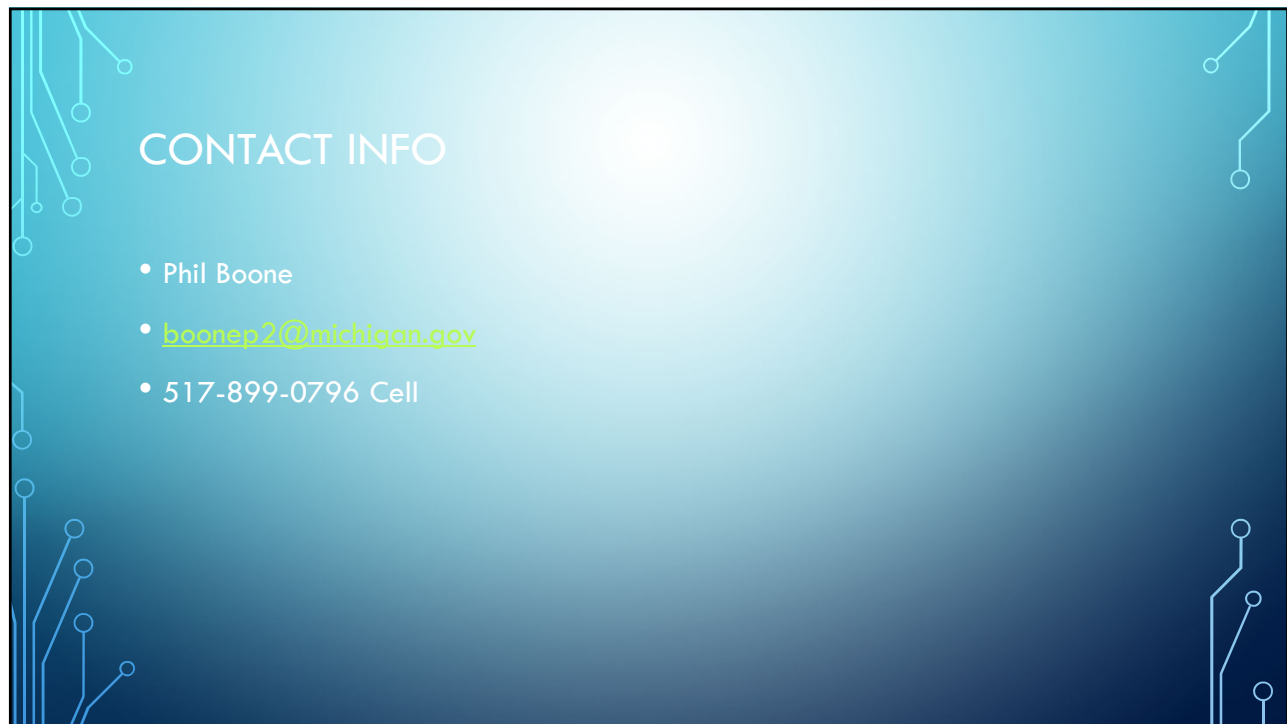
- \$9,608 FY25 Target Foundation increases 4.1%: \$392 to \$10,000 per pupil

WEIGHTED FUNDING INCREASES

- Approximately 4.1% increases
 - At-Risk
 - ISD Operations
 - Career & Technical Education
 - Bilingual Education
 - Rural & Isolated Districts

MENTAL HEALTH & SCHOOL SAFETY GRANTS

- Funding increases from \$25M to \$150M



CONTACT INFO

- Phil Boone
- boonep2@michigan.gov
- 517-899-0796 Cell