

## Appendix D: Educational Service Provider File Guidelines

The ESP file allows public schools to report expenditure detail for services that are purchased from educational service providers. The schedule must be completed by any public school district (including public school academies) that purchases services in an amount equal to, or greater than, 50 percent of its general-fund current operating expenditures.

Amounts reported as purchased services from an educational service provider in the various functions must be broken down into the object(s) on which the education service provider spent the fee. For example, Happy Valley Academy reported the fund, function, object combination in their expenditure file of 11, 241 and 31 in the amount of \$152,600. The supplemental schedule (ESP file) should reflect the breakdown of how those funds were used by the service provider to pay salaries, benefits, supplies, capital outlay, or other for that particular function. The total dollars reported in the supplemental schedule for any given function should reflect the amount paid to the educational service provider for that function. In the case of Happy Valley, this breakdown was reported as shown below. When you sum the amount of each transaction, it totals \$152,600, matching the amount reported for purchased services in the expenditure file.

<b>FUNC</b>	<b>OBJ</b>	<b>AMT</b>
241	1150	75000
241	1151	10000
241	1620	40000
241	2130	7000
241	2820	6900
241	2830	10400
241	2850	3300

Management fees for certain functions may be reported as a lump-sum purchased service only when the costs incurred at the Educational Service Provider to provide the service cannot be directly attributed to an individual school district. These are often labeled indirect costs and are defined as follows: Those costs that have been incurred for common or joint purposes. These costs benefit more than one cost center and cannot be readily or specifically identified with a particular cost center without effort disproportionate to the results achieved. For those costs considered indirect, the educational service provider may charge the public school a reasonable fee for the function without reporting the breakdown of the fee on the supplemental schedule as educational service provider salaries, benefits, supplies, capital outlay, etc. When the educational service provider costs associated with these functions can be readily or specifically identified with the individual school district, the service fee should be reported on the supplemental schedule under the appropriate object code.

**System Validations.** The FID applies two validations specific to the ESP file. The first checks at the summarized level for the expenditure file (fund, function, and second position of the object code) to determine whether total purchased services were greater than, or equal to, 50 percent of the general fund current operating expenses. If so, the district is required to submit an ESP file.

For example, Happy Valley Academy reported \$2,000,000 worth of expenditures for the previous school year as detailed in the table below. Purchased services totaled \$1,750,000 or 87.5 percent of the total general fund expenses. Happy Valley would be required to submit an ESP file to detail these purchased services.

FUND	FUNC	OBJ	AMT
11	111	31	700,000
11	112	31	450,000
11	122	31	50,000
11	232	31	150,000
11	249	31	300,000
11	259	31	100,000
11	261	82	250,000

When an ESP file is required, the system validates the file captures an amount of expenditures that are greater than or equal to 50 percent of the general fund current operating expenses. For Happy Valley, the amount of the ESP file should approximate the reported \$1,750,000 but at a minimum total \$1,000,000.

**Teacher and Administrative Salary Data.** Of particular importance are purchased services for Professional and Technical Services (3100). Data submitted by school districts via the FID and the REP are used to produce various reports for the U.S. Department of Education and the state of Michigan regarding school personnel. Accurate submission of data is vital to the accuracy of statistical data reported by the Michigan Department of Education. To help ensure accuracy, please be sure to do the following:

1. Check your ESP Detail Report submission to be sure you are not merely resubmitting 3100-coded expenses again in 3100 categories.
2. Coordinate with your district's authorized REP user to ensure salaries for instructional and administrative staff members, as reported in REP, are reflected in the ESP file with the proper function and object code combination.

**Things to remember**

- As in the expenditure file, do not assign expenses to thousand-level object codes (such as 1000) as these are category headings and need additional detail provided in the final digits.

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- Avoid reusing purchase service object codes where possible; especially, as noted above, in the case of teacher and administrative salaries. If the end use of money paid to the education service provider is known, it should be reported broken out to the proper function and object code combination.
- The total of all amounts in the ESP file must be equal to or greater than the sum of purchased services reported in the expenditure file. For example, if a district spent \$500,000 on purchased services, at a minimum, \$250,000 of those transactions must be reported in the ESP file. Otherwise, a validation error will be generated.
- Keep a copy of all FID files after submitting. The Michigan Department of Education and CEPI perform validation on data after the collection period. Districts may be asked to make corrections if data quality issues are discovered.