

The new ARP federal funding package, and what it means for districts

“ARPA”

“Stimulus”

“ESSER3”

“Federal Relief”

“Biden Plan”

Any other nicknames?

Marguerite Roza

@MargueriteRoza

MR1170@georgetown.edu

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Edunomics Lab, Georgetown University



LEAs have until 2024 to obligate newest federal funds:

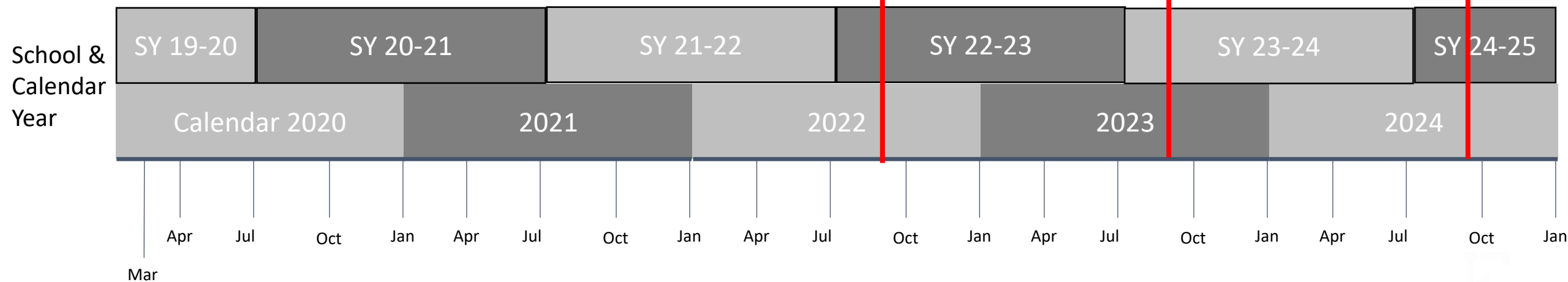
\$123B ARP ESSER III. LEAs must obligate by 9/ 2024 ~ **\$2400 /pupil**

\$54B CRSSA ESSER II. SEAs must obligate by 9/ 2023. ~ **\$1,100 /pupil**

\$13B CARES ESSER I. LEAs must obligate by 9/2022 ~250pp

20% must be used for learning loss

Broadly flexible. DoED: expenses must relate to COVID.



Which of the following is not an allowable use of ESSER funds for LEAs?

- A. Enlarge the gym (to “enable social distancing”)
- B. Reinstate a 5% pay raise that was put on hold
- C. Pay the Kumon fee for any student who opts in
- D. Pay for staff positions that would otherwise be cut due to enrollment declines
- E. Replenish the reserve fund **X**
- F. Use ESSER funds to supply COVID-19 tests at school sites

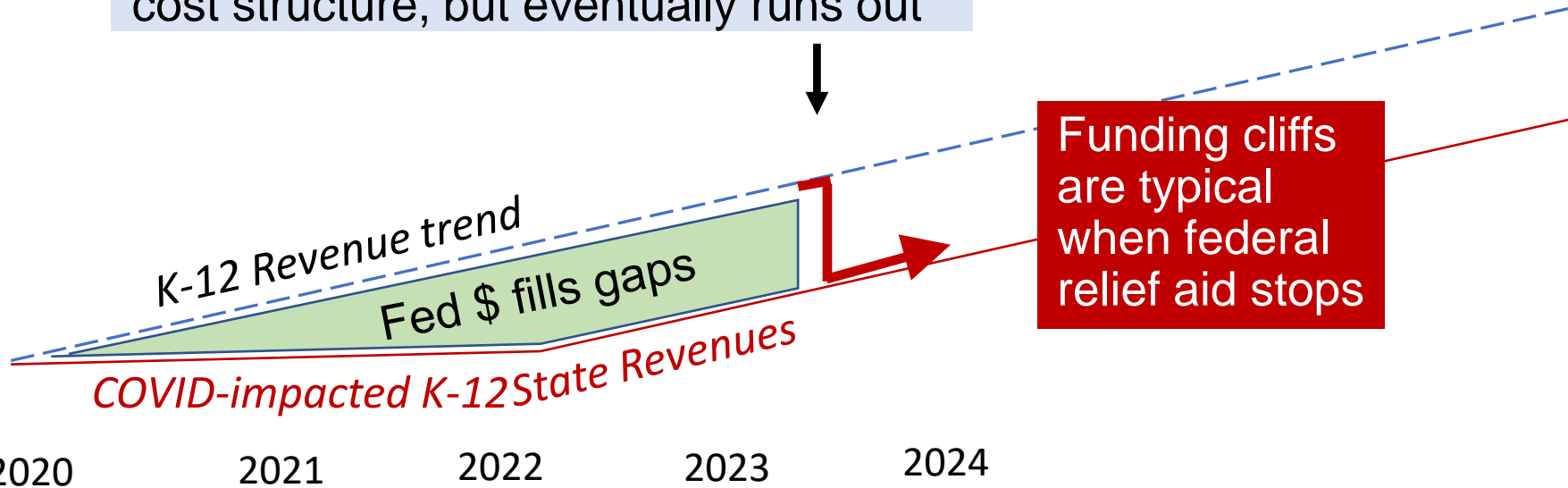
DoEd guidelines warn against:

1. Pay for performance
2. Offsetting executive salaries/benefits of non-district employees
3. Expenditures for state/local unions

Allowed, but HHS has a separate \$10B set aside for COVID testing in schools

Will we have a funding cliff?

Federal \$ enables districts to maintain cost structure, but eventually runs out



Leaders will want to pace themselves and plan ahead for when federal aid ends.

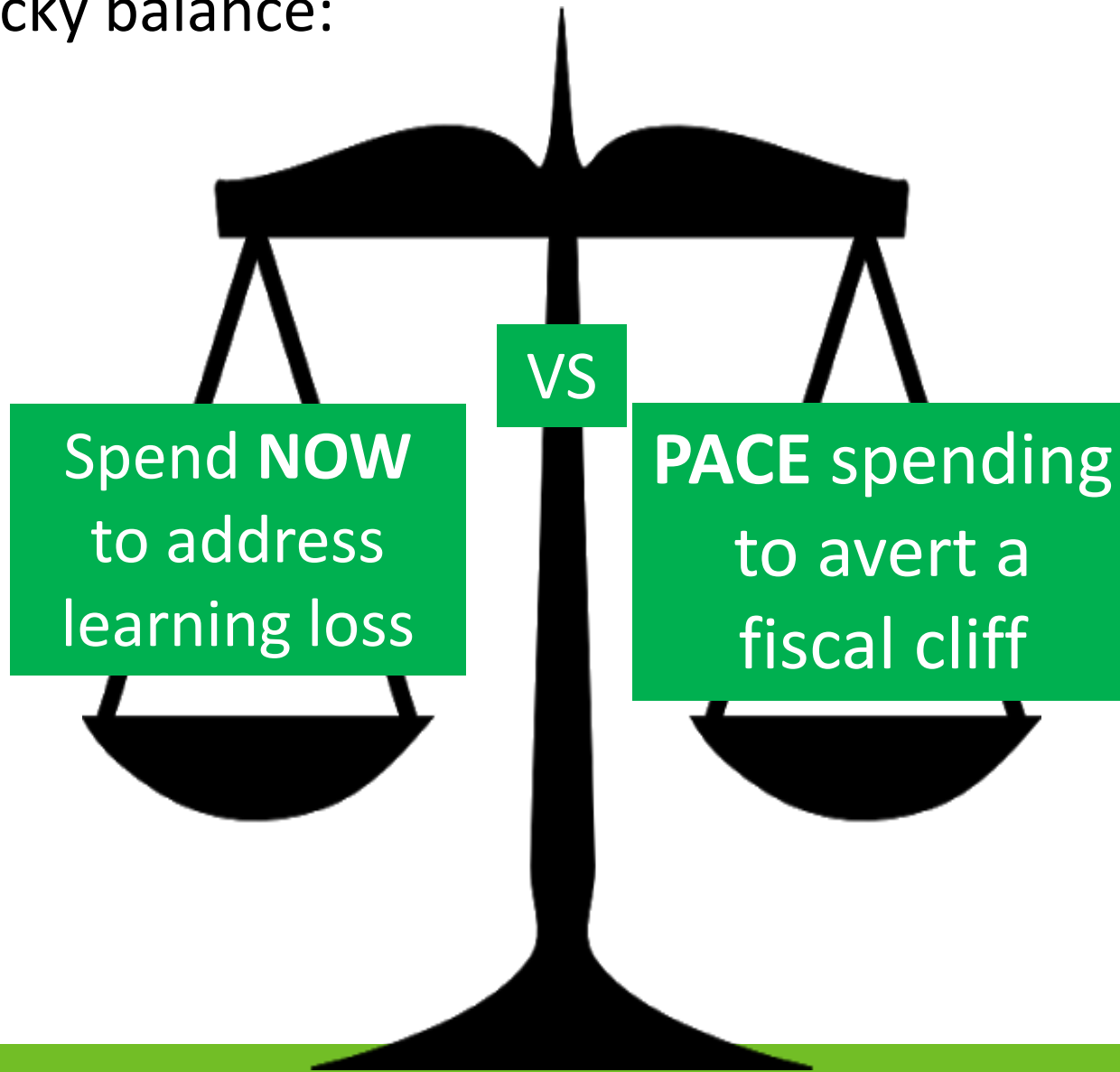
COVID HITS!



Furloughs / layoffs, stagnant pay



Tricky balance:



Step 1: Make a spending plan.

How about...?

40%	SY21-22
30%	SY22-23
20%	SY23-24
10%	SY24-25



Step 2: Beware of adding recurring costs!

Instead of recurring expenses:

- **New hires** (e.g. nurses, counselors, VP, teachers, tutors)
- **Base pay raises:** Across-the-board % raises, COLAs
- Increased **benefits**
- Permanent calendar changes
- Changes to class sizes

Consider one-time expenses:

- ✓ **Stipends** (e.g. for tutoring, summer school)
- ✓ **Contractors** (e.g. nurses, tutors)
- ✓ **One-time** hazard pay
- ✓ **Facility** upgrades
- ✓ One-time summer school
- ✓ Temporarily added weeks of school



And brand NEW is: Maintenance of EQUITY

Huh?

SEAs cannot (for FY 22 and 23):

- Cut per-pupil \$ to high-need LEAs at a steeper rate than other LEAs
- Reduce state per-pupil \$ for highest-poverty LEAs below 2019 levels

Does Maintenance of Equity apply to LEAs?

Yes!* for FY 22 and 23, LEAs cannot cut per-pupil \$ or per-pupil staff FTEs at most economically-disadvantaged *quartile* of schools at disproportionately high rates

This means districts will want to keep track of **spending by school**

*Does not apply to LEAs with 1) <1000 enrollment, with 1 school, that serve all students in each grade in a single school, and with exceptional circumstances as determined by the Secretary

Questions?

Marguerite Roza

Edunomics Lab

Georgetown University

MR1170@georgetown.edu

@MargueriteRoza

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American Rescue Plan Explained: Implementing for Success

March 18, 2021

Melissa Junge and Sheara Krvaric
Federal Education Group, PLLC
info@fededgroup.com

Topics

- Brief overview of ESSER program, timing, and uses of funds
- Federal grant rules to keep in mind
- ESSER and budget shortfalls (special considerations for ESSER III)

Acronyms

- **ED:** U.S. Department of Education
- **ESSER:** Elementary and Secondary School Emergency Relief
- **CARES:** Coronavirus Aid, Relief, and Economic Security Act
- **CRRSA:** Coronavirus Response and Relief Supplemental Appropriations Act
- **ARP:** American Rescue Plan
- **EDGAR:** Education Department General Administrative Regulations
- **MOE:** Maintenance of Effort
- **MOEquity:** Maintenance of Equity (new in American Recovery Plan)
- **UGG:** Uniform Grant Guidance

General Information about ESSER

- ESSER III, March 2021 -- \$121.975 billion for ESSER (ARP)
 - ESSER III distributed to LEAs based on FY2020 Title I, Part A allocations
 - Funds must be obligated by September 30, 2024 (including Tydings period)
 - ARP website: <https://oese.ed.gov/american-rescue-plan-elementary-and-secondary-school-emergency-relief/>
 - [ARP ESSER Methodology and Allocation Table](#)
 - [ARP ESSER Fact Sheet](#)
- ESSER II, December 2020 -- \$54.3 billion (CRRSA)
 - ESSER II distributed to LEAs based on FY2020 Title I, Part A allocations
 - Funds must be obligated by September 30, 2023 (including Tydings period)
- ESSER I, March 2020 --\$13.23 billion (CARES Act)
 - ESSER I distributed to LEAs based on FY2019 Title I, Part A allocations
 - Funds must be obligated by September 30, 2022 (including Tydings period)

General ESSER Spending Considerations

- All of the ESSERs: Funds may be used for pre-award costs dating back to March 13, 2020, when the national emergency was declared.
- None of the ESSERs: Contain a supplement not supplant requirement.
- All of the ESSERs: Contain a Maintenance of Effort requirement at the state-level (though requirements vary).
- ESSER III: Contains a new Maintenance of Equity requirement which applies at both the state and local level (which we will touch on later).

General ESSER Spending Considerations

- ESSER I, ESSER II, and ESSER III are all separate awards that must be tracked separately.
- ESSER is governed by the Uniform Grant Guidance ([UGG](#)) and the Education Department General Administrative Regulations (EDGAR).
 - Among other requirements, all expenses paid with ESSER funds must be “necessary and reasonable” under the circumstances.
 - What might be necessary and reasonable in one circumstance might not be in another.
 - Federal standards on procurement, financial management, cash management, inventory management apply to LEAs for ESSER (some of which we discuss later).

General ESSER Spending Considerations

- ESSER I, II, and III can be spent on the same activities.
 - **NEW:** ESSER III – LEA must reserve not less than 20 percent of its total ESSER III allocation to address learning loss through the implementation of evidence-based interventions.
- Uses of funds are very broad under all of the ESSER programs.
 - Common restrictions that apply to most federal education programs (such as limiting services to certain student populations or schools, or the general prohibition against construction) **do not** apply to ESSER funds.
 - For example, ESSER-funded activities can benefit any or all students, staff, and schools within an LEA.
- The unique flexibility of ESSER funds gives LEAs an important opportunity to equitably improve schools and school systems, and meet student needs, during and post-pandemic.

Possible Allowable Uses of Local ESSER Funds (Depending on Circumstances)

- **Additional pay for staff**
 - For example, to address recruitment/retention challenges, to incentivize effective teachers to move to schools with students most impacted by COVID.
- **Transportation**
 - For example, to increase social distancing on busses or to transport students to extended time/summer programs.
- **High Quality Instructional Materials and Curricula/Related Professional Development**
 - For example, evidence-based K-2 districtwide reading curriculum and related professional development to address unfinished learning and accelerate early literacy skills.
 - Multi-Tier System of Support (MTSS) materials, such as Tier 2 and Tier 3 interventions aligned to strong Tier 1 curriculum, as well as related screening tools).

Possible Allowable Uses of Local ESSER Funds (Depending on Circumstances) -- continued

- **Academic recovery to address learning loss and accelerated learning initiatives**
 - For example, extended-time or extended-year initiatives, changing school master schedules to promote accelerated learning and access to effective teachers, and high-quality high-dose tutoring.
- **Mental health warning systems and counseling for students and staff**
- **School facilities and infrastructure costs to reduce health risks**
 - For example, acquisition or real property or modular classrooms to increase social distancing, or construction and renovation costs.
- **Broadband and device access**
- **Budgetary shortfalls** (more on that later)

ESSER Spending: Link to COVID

- For ESSER I and II: According to ED guidance and presentations -- activities supported with ESSER must relate to preventing, preparing for, and responding to COVID-19.
- Guidance is not binding – tie is not specifically listed in “uses of funds” section in laws.
 - Unclear if ED will include same tie in ESSER III guidance.
- Useful to think about when planning for ESSER funded activities.
 - For example, a new bus might be tied to COVID to increase social distancing, it might be less obvious that a new, evidence-based K-2 reading curriculum would help the LEA address learning loss concerns.
 - *Be sure you can tell your story well and explain your reasoning.*

Technical Rules to Consider: Pay

- Incentive compensation must be given pursuant to an established plan. (2 CFR § 200.430(f))
 - According to ED, this can be a plan established in response to COVID.
- If SEAs, LEAs or other entities use ESSER funds to compensate employees, they must keep records that meet the criteria below. (2 CFR § 200.430(i))
 - These records can be fairly straightforward.
 - In most circumstances, an employee paid with ESSER funds would not need to keep complicated time distribution records.
- Records to support employee compensation must:
 - Be supported by a system of internal control that provides reasonable assurance charges are accurate, allowable, and properly allocated,
 - Be incorporated into the entity's official records,
 - Reasonably reflect the total activity for which the employee is compensated,
 - Encompass all activities an employee works on,
 - Comply with the entity's established accounting policies and practices, and
 - Support the distribution of the employee's salary or wages among the specific activities or cost objectives the employee works on.
 - Employees supported with ESSER are not likely to work on more than one cost objective. This was confirmed by ED on p. 6 of [this guidance](#).

Technical Rules to Consider: Capital Expenditures

- ESSER can pay for busses, modular classrooms, real property acquisition, and a variety of other costs that are capital expenditure under federal rules.
 - Capital expenditures are “expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.” (2 CFR § 200.1)
 - Capital assets are “tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [generally accepted accounting procedures].” (2 CFR § 200.1)
 - Capital assets include land, buildings (facilities), equipment, intellectual property (including software), and certain kinds of leases, as well as improvements and modifications to those assets.

Technical Rules to Consider: Capital Expenditures

- Capital expenditures require prior written approval. (2 CFR § 200.439)
 - LEAs receive prior approval from their SEA.
 - SEAs receive prior approval from ED.
- LEAs must also follow the UGG's real property and/or equipment management rules. (2 CFR § § 200.311 & 200.313)

Technical Rules: Construction and Renovation

- ED confirmed ESSER funds can be used for construction and renovation costs when reasonable and necessary to prevent, prepare for, and respond to the COVID-19 pandemic.
- Federal rules that apply to construction and renovation include (but are not limited to):
 - UGG rules including:
 - Prior approval rules (2 CFR § 200.439),
 - Rules on real property (2 CFR § 200.311), and
 - Rules on financing costs (2 CFR § 200.449).
 - EDGAR construction rules. (34 CFR § 76.660, 34 CFR § § 75.600-75.617)
 - Davis Bacon prevailing wage rules. (20 U.S. Code § 1232b)
 - Construction projects are also subject to the Americans with Disabilities Act.

Budgetary Shortfalls

- According to ED, “ESSER funds may be used to bridge budget shortfalls if the deficit is related to the coronavirus and the ESSER funds are needed for education-related expenses.” ([ESSER II Q&A Follow Up from CCSSO Call](#))
- A few things to keep in mind:
 - ED’s response assumes (1) a decline in revenue that (2) is related to COVID.
 - ESSER has state-level MOE provisions that constrain state funding cuts.
 - ESSER III has new MOEquity rules.
 - Other federal programs have MOE provisions that constrain state and local funding cuts.

Summary of ESSER MOE Requirements – State Level

No local MOE for ESSERs

ESSER I	ESSER II	ESSER III
<p>In FYs 2020 and 2021 states must spend at least the same amount of state money on education as they did on average in FYs 2017, 2018 and 2019.</p> <p>For example, if a state spent on average \$10 billion in state money on education in FYs 2017, 2018 and 2019, then it was required to spend at least \$10 billion on education in FY 2021.</p>	<p>In FY 2022 states must spend the same proportion of their state budgets on education as they did on average in FYs 2017, 2018 and 2019.</p> <p>For example, if a state spent on average 30% of its state budget on education in FYs 2017, 2018 and 2019, then it must spend at least 30% of its state budget on education in FY 2022.</p>	<p>In FY 2022 and 2023 states must spend the same proportion of their state budgets on education as they did on average in FYs 2017, 2018 and 2019.</p> <p>For example, if a state spent on average 30% of its state budget on education in FYs 2017, 2018 and 2019, then it must spend at least 30% of its state budget on education in FYs 2022 and 2023.</p>

ED can waive these requirements in certain circumstances but unclear the extent to which they will.

State MOEquity Requirement

*High-Level Overview, Subject to Change if ED Gives Guidance

High-Need LEAs	Highest Need LEAs
<p>In FYs 2022 and 2023 SEAs cannot reduce the per-pupil allocations of high-need LEAs more than the overall per-pupil reduction, if any, across all LEAs in the state.</p> <p>To determine which LEAs are high-need LEAs an SEA:</p> <ul style="list-style-type: none">• Ranks LEAs by percentage of economically disadvantaged students,• Determines what percent of the state's student population each LEA serves, and• Draws a line when collectively the poorest LEAs hit at least 50% of all students.• LEAs above the line are high-need and LEAs below the line are not.	<p>In FYs 2022 and 2023 SEAs cannot reduce per-pupil funding for their highest poverty LEAs below what they received in FY 2019.</p> <p>To determine which are the highest poverty LEAs, a state should go through the same process as the prior column but draw a line when the poorest LEAs collectively hit at least 20% of all students.</p>

Local MOEquity Requirement

*High-Level Overview, Subject to Change if ED Gives Guidance

High-Poverty Schools

In FYs 2022 and 2023 LEAs cannot reduce:

- The per-pupil allocation of state and local funds to high-poverty schools more than the total reduction of funds to all schools divided by the total number of students enrolled in all schools, OR
- The per-pupil FTE staff in high-poverty schools more than the total reduction of FTE staff in all schools divided by the total number of students enrolled in all schools.

High-poverty schools are the 25% poorest schools in the LEA based on their percent of economically disadvantaged students.

This requirement does not apply:

- To LEAs with less than 1,000 students,
- To LEAs with one school or one school per-grade span, or
- If ED determines the LEA has demonstrated an exceptional or uncontrollable circumstance as determined by the Secretary of ED.

Examples of Other Programs with MOE Requirements

State-Level

- ⌘ Title I, Part A (EFIG)
 - ED can waive
- ⌘ IDEA, Part B
 - Called maintenance of state financial support
 - ED can waive
- ⌘ Perkins
 - ED can waive

Local-Level

- ⌘ Covered ESEA programs (Title I, Parts A, C & D; Title II, Part A; Title III, Part A; Title IV, Part A; Title IV, Part B, and Title V, Part B, subpart 2)
 - ED can waive
- ⌘ IDEA, Part B
 - ED cannot waive

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