

ESSER III and 11t Update – Updates and Preparing for Monitoring

- **Kevin Walters**
- Supervisor, Grants Contracts & School Support
- Michigan Department of Education
- Office of Financial Management
- **2022 MSBO Business Manager/CPA Workshop**
- **June 9, 2022**



ESSER-related Grant Programs

(1) ESSER I Formula

- Formula Grant (90%)
- Directly to LEAs/PSAs
- Based on Title IA formula

(4) ESSER II Formula

- Formula Grant (90%)
- Directly to LEAs/PSAs
- Based on Title IA formula

(9) ARP ESSER III Formula

- Formula Grant (90%)
- Directly to LEAs/PSAs
- Based on Title IA formula

(2) ESSER I Equity

- Competitive Grant
- Awards to LEAs/PSAs
- Awards range based on competition

ESSER II Discretionary

- **(5)** Section 23b Summer School
- **(6)** Section 23b Credit Recovery
- **(7)** Section 23b Before/After School Programs

(10) ESSER III Discretionary

- Section 11t Equalization

(3) GEER I (Governor's)

- Designated Grant
- Awards to LEAs/PSAs
- Formula based on 50% minimum free/reduced

(8) GEER II (Governor's)

- Section 23c Staff Stipends



Name of Grant	ESSER I	ESSER II	ARP ESSER III	Section 11t
Expenditure Period Start	March 13, 2020	March 13, 2020	March 13, 2020	March 13, 2020
Expenditure Period End	September 30, 2021	September 30, 2022	September 30, 2023	September 30, 2023
Tydings Amendment End	September 30, 2022	September 30, 2023	September 30, 2024	September 30, 2024
Liquidation Period End	December 30, 2022	December 30, 2023	December 30, 2024	December 30, 2024
Application Deadline	N/A	N/A	December 15, 2021	June 15, 2022

Tydings Amendment Period date is the last date to obligate funds for each specific grant

ESSER GRANT TIMELINES

Potential Local Issues: ARP ESSER III and 11t



"While it's true you're not **standing** on the chair,
I don't want you to do **that** either!"

- LEAs trying to be “Creative” with funds
- Allowability vs Optics
- Lack of Understanding of Intent of Funds
- Interpreting guidance to own advantage
- Stretttttcccccchhhhhiiiiinnnggg allowability
- LEA Plan for Use of Funds documentation
- Budget descriptions without detail
- Budget placement in unallowable use area
- Short-sighted as it relates to monitoring
- 11t descriptions not indicating subgroup-only

Potential Local Issues: ARP ESSER III and 11t



- A quick search of the internet will produce examples of articles being written on the potential misuse of ESSER and ARP funds

- District uses 80% of ESSER funds to install artificial turf on all athletic fields
- District uses \$100k in ESSER funds to expand weight room
- District uses \$1M in ESSER funds to resurface not one, but two tracks
- District uses ESSER funds to create motivational videos for recruitment of students
- District uses \$185k on district vehicles

Funding amounts = Increased interest in how those funds are being spent

Comparison: ESSER I/II Formula to ARP ESSER III Formula Budgets

Grant Use Area	ESSER I/II %	ARP ESSER III %	Difference
Learning Loss	9%	46%	+ 37%
Facility and Indoor Air Quality	5%	11%	+ 6%
Continuity of Services	49%	23%	- 26%
Educational Technology	14%	5%	- 9%
Principals/Leaders	6%	4%	- 2%
ESEA	4%	2%	- 2%
Sanitation Supplies	2%	1%	- 1%
Unique Needs of Low Income	2%	1%	- 1%

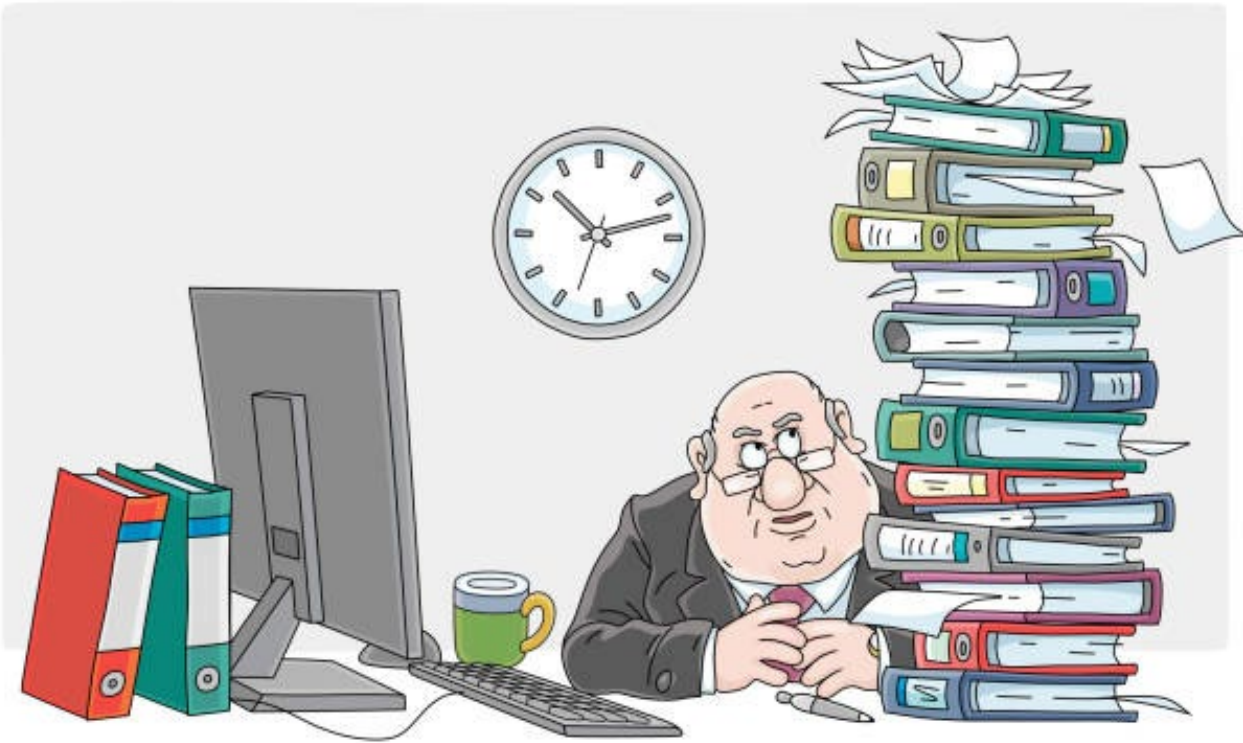
Potential Local Issues: ARP ESSER III and 11t



“Here are today’s changes in the guidelines.”

- MDE will continue to request more detail/clarify on items, **EVEN IF THEY HAVE BEEN PREVIOUSLY APPROVED!!!!**
- Some appear to forget that MDE is the recipient of funds, not the LEA
- Guidelines from USED continue to mature
- Please STOP telling us this isn’t the way other federal grants are handled
- Changes will continue to occur throughout the life of the grant

Where do I start ?!?!?.....



- **FIFO is a good start... First In First Out**
- **Understand and target deadlines**
- **Be strategic between funding sources.....particularly if you are an 11t recipient**
- **Work up-front will save tons of time in process**
- **Rely on MDE guidance and technical assistance**
- **Understand status levels of applications....Submitted/Review in Progress/Modifications Required/Program Office Review Complete/Grant Funds Available**

What updates to budgets should look like.....

260	Purchase of Sanitization Supplies
261	Operations and Maintenance
	<u>MAY 2022 AMEND: NOV 2021 AMEND: FY22: Disinfecting supplies and PPE: Vinyl and Nitrile gloves; Sanitizing Wipes; Cleansers; Bleach; Hand Sanitizer; Clorox 360 Sanitizer; Clorox 360 filter refills; HVAC filters; Respirators; Gowns; Shields.</u>

240	Planning & Implementing Activities Related to Summer Learning/Supplemental Afterschool Programs
241	Office of the Principal
	<u>MAY 2022: FEB 2022 AMEND: REDUCE BY MOVING SUMMER 2022 TO ESSER III: Summer 2021: FY21 (10,905), FY22 (28,540): Summer program principals salary and benefits (1 elementary, 1 middle, 1 high, 1 special education, 1 K-12 enrichment).</u>

- Provide enough detail to assist, not delay the review process
- Adding words like Amend, New, or Delete at the start of the description
- Placing the month/year of change(s) is Best Practice and makes review efficient
- Adding detail related to multiple FY is Best Practice and makes review efficient

8000 Object Code in Section 11t app?



- ***Payments to other districts in exchange for goods/services***
- Typically budgeted and reported in 8000 Object Codes
- 11t budget doesn't currently show 8000 column, **use 7000 – Other Expenditures**
- Will show up under 7000/8000 in NexSys FER when completed

Monitoring is COMING, Monitoring is COMING!



- MDE will monitor all ESSER/ARP-related funds
- Risk Assessment approach
- Documentation is KEY (especially meaningful consultation with stakeholders)
- Use Monitoring as Tool in Budgeting for ESSER/ARP funds

LEA PLAN FOR USE OF FUNDS

Monitoring

Examples of Evidence:

- The LEA plan submitted in the ARP ESSER III application
- Documentation of stakeholder engagement
- Agendas from stakeholder meetings
- List of stakeholders who were invited or participated
- Content provided at stakeholder meetings (PPT or other materials shared)
- Samples of documents examined during stakeholder engagement activities
- Meeting notes including participation information and feedback on the LEA plan for use of funds.
- Link to the website where the LEA's plan is posted.
- Samples of survey responses or input provided by various stakeholders

LEA PLAN FOR USE OF FUNDS

Monitoring

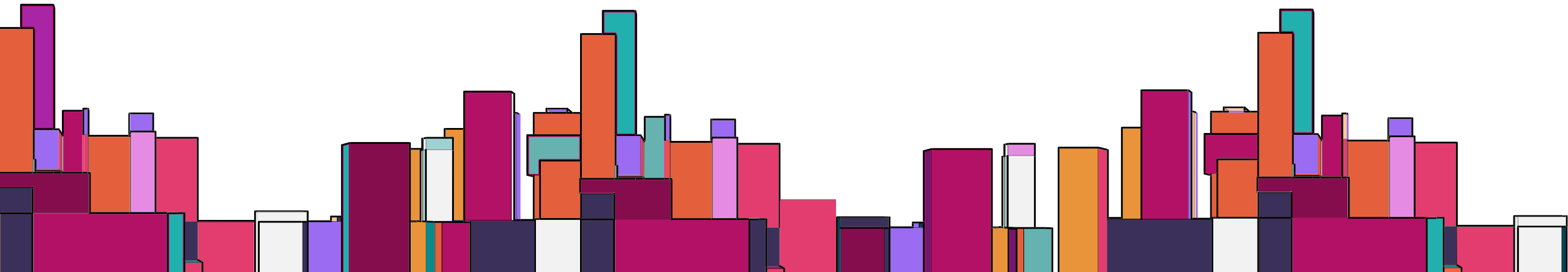
Examples of Evidence:

- Translations of the LEA plan.
- Communication inviting stakeholders to participate in meetings, surveys, or other platforms for providing **meaningful stakeholder input** on the LEA use of funds plan.
- Communications **summarizing** or **sharing** use of funds plans with stakeholders.
- Board documentation demonstrating discussions of **use of funds plans** and **public opportunity to provide input**.

Remodel, renovation, repair, and new construction¹⁴

EXAMPLES OF EVIDENCE:

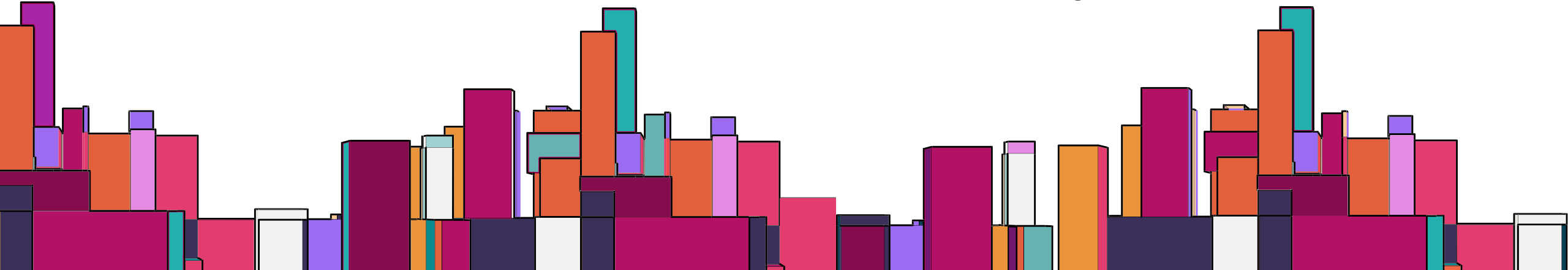
- Relevant RFP and or solicitation documents.
- Copies of relevant contracts showing wage agreements.
- Prior Written Approval paperwork (emails, other grants with approval, approved application).



Remodel, renovation, repair, and new construction

EXAMPLES OF EVIDENCE:

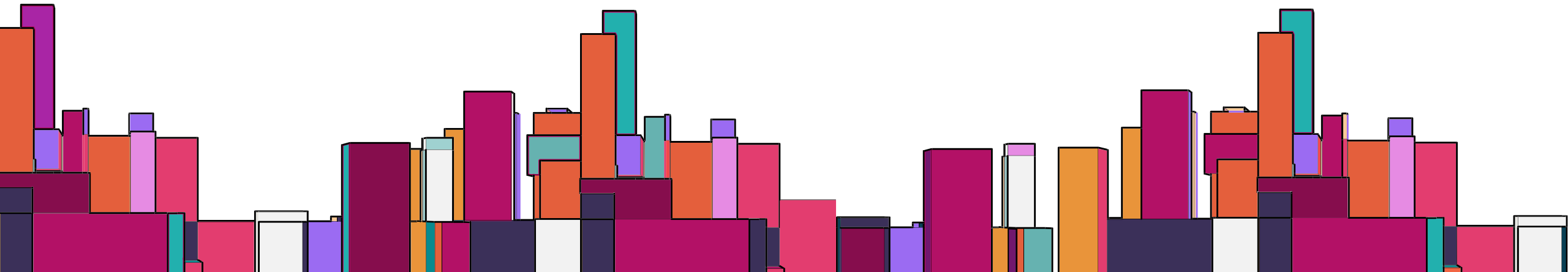
- Copies of input from engineers, architects, or other professionals specifying compliance with requirements.
- Written statements from contractors and accompanying documentation to demonstrate prevailing wages have been researched and compiled with when paying contractors and subcontractors (e.g., payment ledgers of wages paid and a copy of the prevailing wage scale for the area).
- Copy of local procurement policies and documentation showing compliance.



Remodel, renovation, repair, and new construction

EXAMPLES OF EVIDENCE:

- Description of the LEA's process for ensuring compliance with statutory and regulatory requirements of using ESSER funds for construction purposes.
- Any local written policies or protocol documents that summarize the LEA's process for ensuring compliance with statutory and regulatory requirements of using ESSER funds for construction purposes.



Obligation vs Liquidation

Obligation


The orders placed, contracts and awarded, **goods and services received**, and similar transactions during a given period that will require payment by the grantee during the same or a future period.

*** ESSER I, EQUITY, GEER I funds must be obligated by September 30, 2022**

Liquidation

To liquidate an obligation, the purchased item or service has occurred, and payment has been made to vendor or provider.

- **ESSER I, EQUITY, GEER I funds must be liquidated by December 30, 2022**
- **USED issued guidance on May 13, 2022, that outlined process for liquidation period extension**



Liquidation Extension Process (USED)

The Department has the authority to approve liquidation extension requests for properly obligated funds upon review of written requests made by the state educational agency (SEA). Should funds be properly and timely obligated—including the requirement a construction project meets the COVID-related purposes stated above—and liquidation becomes an issue closer to the obligation deadline, the Department has the authority to approve liquidation extension requests based upon the specific facts and circumstances of a given obligation and upon written request of an SEA grantee, in accordance with 2 CFR § 200.344(b). If approved, grantees may have up to 18 months beyond the end of the obligation period, although requests for longer may be considered related to extraordinary circumstances. Under a liquidation extension, the delivery of goods and services may continue to be provided through the end of the liquidation period, so long as a timely and valid obligation had been made pursuant to 34 C.F.R. § 76.707.

- **This Liquidation Extension is ONLY associated with properly and timely obligated funds and liquidation becomes an issue closer to the obligation deadline! More detail to come.**



Questions and Answers

Contact Information

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ESSER and other grant-related questions (applications, budgets, eligibility, district status, etc.)

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ESSER III and 11t Update – Accounting and Compliance

- **Christopher May, MBA, CFO, CGFM**
 - Financial Specialist
 - Michigan Department of Education
 - Office of Financial Management
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- **2022 MSBO Business Manager/CPA Workshop**
 - **June 9, 2022**



ESSER III & 11t Accounting Update

- ESSER III Formula
 - Revenues – Major Class 414, Suffix 0250
 - Expenditures – Grant Code 435
- Section 11t (ESSER III Equalization)
 - **Federal funds** (unlike ESSER II State Equalization payments)
 - Revenues – Major Class 414, Suffix 0250
 - Expenditures – Grant Code 441
- Payments to other districts in exchange for goods/services
 - Typically budgeted and reported in 8000 Object Codes
 - 11t budget doesn't currently show 8000 column,
use 7000 – Other Expenditures for now
 - Will show up under 7000/8000 in NexSys FER when completed



ESSER II Discretionary/Other State Funds

- 11r(4) SAF Equalization **state** funds: \$450/pupil
 - Carryover to FY22 allowed (and was common)
- Section 23b(2a): Federal Discretionary; Summer School
- Section 23b(2b): Federal Discretionary; Credit Recovery
- Section 23b(2c): Federal Discretionary; Before/After School
- Section 23b(2d): **State Aid Funds**; Innovative Practices (2)(a)(b)
 - Carryover to FY22 **not** allowed, unused funds should have been returned
- Section 23c(4a): Federal Discretionary; \$1000 Teacher pay
- Section 23c(4b): Federal Discretionary; \$250 Support Staff pay



Reclassifying Expenditures

- **The Grant Code of a given funding source should not be used when recording expenditures until that revenue can be recognized.**
- Additional accounting entries required when revenue cannot be recognized in the same fiscal year as eligible expenditures may be incurred.
- Example: CRF expenditure period goes back to March 1, 2020 but revenue could not have been recognized in FY20
- This may also apply to other funding sources with similar revenue recognition/expenditure period “disconnects”
 - **Section 23b Summer School/Credit Recovery**
 - FY21 expenditures but no revenue until FY22
 - **Section 11r(4) ESSER (II) Per-Pupil Equalization**
 - Could cover both FY20 & FY21 exp., but FY22 revenue



Reclassifying Expenditures (cont.)

- Example: Reclassification of FY20 expenditures of Coronavirus Relief Funds (CRF) funds not yet assigned to Grant Code
 - Net zero expenditure entry to reclassify prior year expenditures to another funding source
 - \$10,000 of teacher salaries covered by CRF funding as example

• Debit	11-113-1240- 7990	\$10,000
• Credit	11-113-1240- 0000	\$10,000
- Reclassifies expenditures to CRF in FY21 without inflating totals while showing CRF expenditures in one fiscal year only (prevents double counting)



COVID Funds - Monitoring Update

- Guidehouse and three firms
- Upcoming MDE Communication (Thursday memos) regarding what to expect
- Respond to requests from MDE, Guidehouse, and these firms as monitoring begins



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](#)
 - Recently updated with new FY22 categoricals
- [Program Allocations](#)
 - All federal program allocations (incl. ESSER, GEER, etc.)



Contact Information

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