



# Emerging Best Practices in Leveraging ESSER II and ARP ESSER Funds

**PFM Group Consulting, LLC**

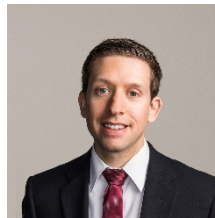
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## Who we are

### Presenters

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### Agenda

- I. Overview of ESSER and ARP ESSER funds
- II. Approaching your plans
- III. Investing for impact
- IV. Questions



## Today's Goals

- Over a year into the global pandemic, students are now returning to in-person learning and school districts are developing summer programs and planning offerings for the next school year
- At the same time, districts are also developing budgets for next year that take into account both the educational and economic impact of the pandemic and federal stimulus funding for K-12 schools
- As a result of today's session, you should be able to:
  - Discuss allowable uses of ESSER funds and ideas school districts are considering for spending those funds
  - List elements of your ESSER plans with the short- and long-term impacts on your budget
  - Develop a framework for making programmatic decisions with these time-limited funds



# Overview of ESSER Funds



## Federal Investment in K-12 Education

- In response to the COVID pandemic, since March 2020 the federal government has passed three significant pieces of legislation to support K-12 schools
  - CARES Act, CRRSA Act, and ARP Act
- Today's discussion will focus on the school funding from the CRRSA Act ("ESSER II") and the ARP Act ("ARP ESSER"), collectively referred to as ESSER funds
- Combined, these funds represent a significant investment in schools and provide resources for LEAs to meet multiple goals:
  - Address immediate needs in response to the pandemic
  - Maintain school operations
  - Invest funds in educational priorities to meet academic and equity goals
  - Make strategic investments to improve long-term finances



## Monitoring Latest Guidance

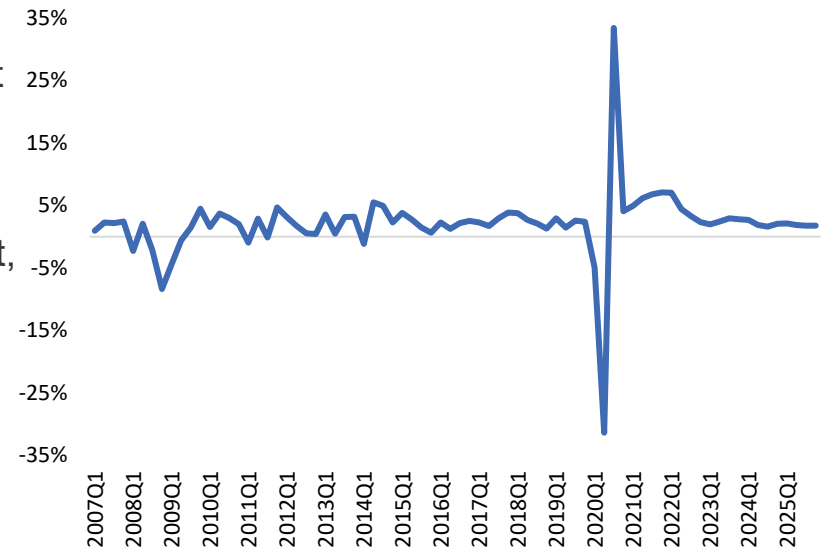
- LEAs will need to carefully evaluate their options in seeking how best to use their allocations based on their unique positions
- Those decisions will be influenced by forthcoming guidance from the federal government and the State of Michigan
  - U.S. Department of Education (USDOE)
  - Michigan Department of Education (MDE)
  - U.S. Treasury Department
- Although USDOE released its interim final rule for ARP ESSER funds in April, this may be supplemented with further clarification as questions and issues emerge over the coming months



## Economic Impact of COVID 19

- This was the first services-sector based recession, and the first “K” shaped recovery, where many business and individuals were unscathed or even benefitted, while many others were devastated
- The recession and federal stimulus led to the biggest ever one-quarter contraction in GDP followed by the largest ever one-quarter rebound
- Full financial recovery depends on vaccination rollout, continuing infection rates and variants, subsequent stimulus packages and workforce trends

Trajectory of Growth in Real GDP  
Quarterly Data





## Federal Response

	ESSER I	ESSER II	ARP ESSER
Michigan Allocations	\$350.5 million	\$1.5 billion	\$3.3 billion
Period of Available Funds (including Tydings amendment)	3/13/2020 – 9/30/2022	3/13/2020 – 9/30/2023	3/13/2020 – 9/30/2024
Use of Funds	<ul style="list-style-type: none"> <li>Preventing, preparing for and responding to COVID-19 (supplies, technology, planning, and professional development)</li> <li>Can include continuity of existing operations, hiring staff, or pandemic-related staffing costs</li> <li>Mental health services and supports</li> </ul>	<ul style="list-style-type: none"> <li>Same uses as ESSER I</li> <li>Addressing learning loss</li> <li>School facility repairs and improvements</li> <li>Inspecting, testing, repairing and other projects to improve air quality in school buildings</li> </ul>	<ul style="list-style-type: none"> <li>Same uses as ESSER I and II</li> <li>Coordination of preparedness and response efforts of LEAS</li> <li>Activities to address unique needs of all subgroups of students</li> <li>Mental health services and supports, including community schools</li> </ul>
Required Reservation of Funds	None	None	20 percent of total funds set aside to address learning loss
Equitable Services	Yes; any school must provide services to non-public school students and teachers	No; Act includes a separate program for Emergency Assistance for Non-Public Schools	No; Act includes a separate program for Emergency Assistance for Non-Public Schools





## Good Problems to Have

Opportunity	Challenge
Significant payments to provide relief directly to school districts	Districts are reimbursed for expenditures rather than receiving a lump-sum payment
Funding through September 2024 (Three fiscal years)	Time limits on funding mean districts must select from multiple priorities and balance short- and long-term needs  Heightened risk of becoming dependent on funding that will eventually end
Federal goals and some new programs have a strong emphasis on equity	Need to build internal consensus and create clarity around local equity goals and metrics at your district
Funding for multiple purposes through different programs	Complicates decision-making about what to invest where and how to maximize use
Potential for follow-up infrastructure legislation	Invest now or wait?



## Additional Funding

- ARP Act legislation also makes provision for additional funds that may be available for schools, including but not limited to:
  - \$2.95 billion in IDEA Part B and C funds
  - \$800 million for homeless children and youth
  - \$200 million for preschool grants
  - Other community health grants and funding for COVID-19 testing
- In addition to these funds, the ARP Act provides funds to county and municipal governments that may be leveraged in conjunction with other entities, like school districts including but not limited to:
  - HHS testing and tracing
  - Community health centers
  - CDC vaccine distribution grants
- You should coordinate with your other local government agencies to see if there are areas for collaboration



## ESSER Funds

- ◆ Michigan school districts are anticipating ESSER funds in amounts that range from millions to thousands
  - ESSER II allocations to districts are finalized, while ARP ESSER allocations are not yet finalized
- ◆ As they begin to determine how best to use these funds, districts should consider several key questions:

### **Key Questions**

- How do we build consensus around what investments to make?
- How much will be left for my district to use after maintaining current operations?
- How can these funds have the most significant impact and return on investment?
- How can we best use these funds to address short- and long-term needs?
- What supports do students, teachers, and families need the most?
- Can we rethink our delivery of education and use these funds to pilot new initiatives?



## Allowable Uses of ESSER Funds

- ◆ There are a number of allowable uses of ESSER funds, including but not limited to:
  - Addressing learning loss through evidence-based interventions, including summer learning, afterschool programs, and extended year programs
  - Aid to targeted student populations with unique needs, such as special education, low-income, English learners, racial and ethnic minorities, and youth in foster care
  - Professional development for staff
  - Mental health services
  - School facility repairs and improvements, including projects to improve air quality in school buildings



# Approaching Your Plans



## Key Assumptions

- ◆ In our work, we have used these general principles when evaluating priorities at the start of planning how best to use the new federal funds:

Concept	Application
One-Time Funds	Because ESSER funds are not recurring, where possible they should be used for one-time, long-term or periodic expenses
Investment	Spending today that can provide financial relief over multiple years should be prioritized
Extended Impact	Funds should be distributed over the full period through September 30, 2024 if possible
Equity	This one-time funding creates an opportunity to expand equity efforts, or considering new or additional programs and services to be provided to students and families most affected by the pandemic



## After ESSER: Funding Sources

- ◆ ESSER funds are one-time revenues that should be treated like other grant sources
- ◆ To the extent possible, ESSER funds should not be used to fund regular recurring expenditures
- ◆ If districts choose to fund recurring expenditures, such as staff or programs, they will need to clearly communicate the long-term plan:
  - Programs will require operating budget support to continue
  - Otherwise, staff and stakeholders must be prepared to eliminate programs when the funds are exhausted
- ◆ Consider your financial position in making these decisions, since the ESSER funds and your choice of program funding sources may (or may not) impact your financial stability
- ◆ If the ESSER investments do not change the underlying dynamics of your budget, your pre-pandemic trends will continue once the funds are gone



## Piloting Programs

- Over the past year, responding to the pandemic has presented an enormous challenge that has impacted your staff, programs, and operations
- At the same time, developing your response to these challenges presents new opportunities to rethink how you structure instructional programs

	Challenge	Opportunity
<b>Short-Term</b>	Learning loss due to instructional challenges	Create innovative ways to prevent future summer learning gaps, starting in Summer 2021 and continuing through Summer 2024
<b>Long-Term</b>	Pandemic may have created a permanent demand for hybrid or flexible learning	Utilize building space in new ways; think about curriculum and instructional practices differently

- What programs should be altered to fit the context or demands?
- What subject areas are most conducive to online learning?
- What should be expanded or supported over the next several years?





## Adding More Permanent Value

- ◆ Since the ESSER funds are one-time revenues, school districts will need to think creatively in order to generate long-term impact with the funds
- ◆ Below are some ideas and examples that we will explore later:

Concept	Issue	Benefit
Invest funds to eliminate future costs (time or money)	Steam trap issues cause temporary building closures	Replacement of systems frees up staff time for other maintenance
Leverage funds to offset a current ongoing expenditure	High costs of placements (tuition and transportation)	Open classroom space in your school buildings
Invest funds to provide a new value	Lack of suitable outdoor instructional space	Create space for new classes, including electives or performance arts
Use current assets for new uses	Lower post-pandemic enrollment	Lease space to preschool provider or contracted service provider



## Leverage ESSER with other federal funds

- As districts consider how to spend these dollars, they should also look for opportunities to maximize the impact of ESSER II and other federal dollars by leveraging those dollars in combination to support learning
  - Title II is designed for teacher training, and professional development is an allowable use under ESSER
  - Title IV Part A can be used for improving student access and can be used for educational technology
- These funds will need to be tracked differently for monitoring and compliance purposes
- ESSER I, II, and ARP ESSER funds will all need to be tracked separately from each other and from other federal revenues, including Title funds
- Identify these expenditures in your budget with a separate account code
- All ESSER grants will be held to Single Audit requirements in terms of level of detail and documentation



## Program Descriptions

Category		Description
Maintenance of LEA Operations		<ul style="list-style-type: none"> <li>• The pandemic has resulted in increased costs and changing needs for students, such as technology for remote learning environments</li> <li>• With CDC guidelines for students returning to schools, districts will need to take proper precautions to ensure the safety of its teachers and students</li> </ul>
Learning Loss	Innovative Programs	<ul style="list-style-type: none"> <li>• The needs of students have changed due to the pandemic, and districts may need to reprioritize the services provided to students</li> <li>• Programs may need to be adjusted to effectively achieve original goals</li> </ul>
	Social/Emotional Learning	<ul style="list-style-type: none"> <li>• In light of the remote learning environment, students have received less in-person interaction with teachers and educational professionals</li> <li>• For special education students, additional time will need to be invested to provide the proper social and emotional support to students</li> </ul>
	Virtual Campus	<ul style="list-style-type: none"> <li>• Districts will use funds to expand virtual learning programs to maintain them as a future option as well as ensure students can receive a quality education virtually</li> </ul>
	Summer Programs	<ul style="list-style-type: none"> <li>• With students absent from school and challenges of a virtual learning environment, districts will need to provide summer programs to help students to make up lost ground</li> </ul>
School Equity Allocations		<ul style="list-style-type: none"> <li>• Districts can follow their equity distribution formulas to allocate funds to individual schools</li> <li>• A portion of the funds may be used to provide resources to close the achievement gap between groups</li> </ul>
Program Enhancement		<ul style="list-style-type: none"> <li>• With additional funds, districts can expand in existing programs to better address students' changing needs</li> <li>• The purpose of these funds would be to create a high-quality program that competes with others offered in the area</li> </ul>
Additional Resources		<ul style="list-style-type: none"> <li>• A district may elect to invest additional funds in capacity, buildings, and other curriculum and resources</li> </ul>



## Importance of multi-year planning

- Multi-year planning can help school leaders discuss challenges and tradeoffs with stakeholders
- Building a multi-year financial plan should involve a baseline forecast prior to layering in ESSER funds and associated spending
  - Minimum five-year horizon, including at least one year **after** ARP ESSER funding ends
  - Can also model scenarios regarding local taxes and state funding
- Create a scenario with critical and time-sensitive “must” spending (e.g., continuity of education, learning loss)
- Develop a menu of options to consider based on your financial position and goals
  - Prioritize your options with stakeholder input
  - Develop a strategy for **what** to fund and **when**

### Building Your Menu

- Address learning loss and mental health
- Address equity gaps
- Improve structural budget health
- Capital projects
- Risk-based contingencies



## Planning to Action

- ◆ Your plan should set your strategic priorities, align funding with your goals, and set timelines for implementation and decisions

### Evaluate Needs and Resources

Update baseline forecast  
Determine allocations for ESSER II and ARP ESSER allocations  
Quantify urgent needs for academic programs and continuity of operations  
Assess critical needs beyond the General Fund (e.g., internal service, capital projects, etc.)

### Develop Goals and Options

Level of response for immediate needs  
Learning loss and mental health supports  
Service restoration  
Equity commitments  
Investments to improve structural budget position  
Intergovernmental coordination opportunities  
Strategic capital investments

### Adopt Strategies and Execute

Prioritize among alternatives  
Align funding across the multi-year period (inclusive of contingencies)  
Establish metrics and monitoring  
Engage stakeholders (students, families, staff, community groups, business and civic groups, other regional governments, etc.)  
Continue to explore long-term economic and equity strategies  
Reevaluate and revise



## Communication Strategies

- In addition to annual auditors, LEAs must be prepared to be held accountable for ESSER spending from other stakeholders, including school board members, staff, students and the community at large
- Leaders will have to choose among competing priorities and addressing longer-term challenges
- After plans are developed, leaders will need to communicate them to a broader audience and to answer questions about how decisions were made
- Messaging will need to include allowable uses of funds and how school districts will receive funding
- What tools or processes do you have in place to gather this information and report it?

### **Key Questions to Consider**

- Planning: Did you define your desired outcomes? Did you consult the community?
- Grant Requirements: Are you meeting grant accounting requirements? Have you identified evidence-based interventions for programs?
- Academics: Is there a clear return on your investment?
- Accountability: Do the board and public understand how the funds were spent, and whether we are meeting goals?



# Investing for Impact



## Overview

- The next series of slides focuses on applications of the ideas presented earlier
- While we are discussing these topics, please consider how your current plans and internal discussions have used these ideas
- What strategies are new to you and your school district?
- Have you taken a different approach in addressing some of these challenges?
- How do the specifics of your size, economics, or geography affect what is achievable?

### Sections

- Innovative programs
- Revisit your use of space
- Expanding equity
- Facilities investments
- Cyclical purchase strategies
- Increasing engagement
- Workforce considerations





## Innovative programs

- Developing programs to address learning loss and expansion of summer and tutoring programs will allow districts to experiment with new offerings
- Districts should see this as an opportunity to pilot new services; some students may also require additional social/emotional supports
- In many cases, these programs may force school districts to reconsider how existing programs are operated or start a new offering
- How can you improve instruction compared to how it is delivered today?

### **Key Questions to Consider**

- What outcomes or metrics will you use to measure the impact of the programs?
- Do you have enough professional staff for the program?
- Do your administrators have enough capacity to manage and oversee these programs?
- Do these opportunities allow you to market those programs to students enrolled in other nearby school districts?



## Aligning programs with demand

- Since the ESSER funds are one-time revenues, school districts should use these funds to pilot new programs that benefit students
  - Using evidence-based programs for learning loss programs is required
  - Most other programs should have outcomes tied their use so you can measure their impact
- Education is mostly a local market, but school districts do face competition from other providers
  - Charter schools, parochial and non-public schools
  - Long tail risks from future changes to the landscape of providers (new charter schools authorized or establishment of cyber schools)
- As mentioned previously, if the programs will be retained after the expiration of the ESSER funds, then the district should have a long-term funding plan in place to continue supporting the programs



## Virtual learning

- Over the last year, school districts have learned the strengths and weaknesses of their online offerings
- Districts should consider enhancing virtual and hybrid learning offerings for students
- Expanding your virtual program should lead to other opportunities for structuring your programs:
  - Can you repurpose classrooms for other uses?
  - Can you use this to provide new or different electives or specialty classes?
  - Can you offer programs that could be used by other schools nearby?

### **Key Questions to Consider**

- Do you need IT infrastructure to support more students?
- Do you need new curriculum or educational software?
- Do you have enough staff to support an enhanced program?
- Can you collaborate with vocational schools, community colleges, or four-year institutions?
- Can you share a virtual program coordinator with schools in the region or through the county superintendent of schools?



## Expanding equity

- Districts may also use ESSER funds to pursue equity-related initiatives, especially those intended to alleviate learning gaps from the pandemic
  - ESSER language allows for activities to address unique needs of students who may have been disproportionately impacted
  - Includes English Learners, special education, racial and ethnic minorities, or foster care youth
- This may include more intensive services targeted to early learners in K-3 or at key transition points between schools (ex. elementary to middle school)

### **Key Questions to Consider**

- Do you have a common vision of equity or a set of common goals?
- Do you have any studies that have identified your equity gaps (program access, curriculum, or special education or other support services)?
- Are you planning to distribute funds to building-level administrators through an internal equitable funding allocation formula?



## Revisiting your use of space

- In some cases, districts may be facing lower student enrollment in brick-and-mortar schools over the next several years
  - School districts may have a lower school-aged population compared to prior years
  - Parents or students may want a permanent virtual program (part- or full-time)
- School districts could use their additional capacity to offer new services or collaborate with other providers to utilize the space
- For some programs, operating costs would be offset by reduced spending (tuition and transportation) or rental payments

### **Key Questions to Consider**

- Are there other providers that offer services that could be provided by your staff?
- What investments would you need to offer those services?
- Are there services needed by your district or other local districts that could be provided by the county superintendent?
- Do you have care providers such as Head Start who could lease or use your space?
- Can you partner with other government agencies or service providers for community schools?



## Facilities: Before you start

- Allowable uses under ESSER II and ARP ESSER open up new opportunities to use funds for ventilation and air quality projects
- At the same time, school districts will be facing intense pressure to get projects scoped, started, and completed before grant funds expire
- Market pressures (costs and capacity) may also limit what can reasonably be accomplished in a short amount of time

### **Key Questions to Consider**

- Do you have a current capital improvement plan or feasibility study?
- Do you have any eligible project plans that have been scoped and are ready to bid for next year's construction season?
- Do you have sufficient capacity to manage timelines and work quality for contractors (internal or external)?
- Are you considering short-term accommodations for social distancing, or longer-term changes in your physical plant?



## Eligible projects

- At the start of your process, school districts will need to identify eligible projects for the ESSER funds
- Below we have outlined potential projects that may be eligible for ESSER funds based on our experience working with other school districts across the nation
- In developing your list of eligible projects, you should involve your facilities director, solicitor, and outside technical advisors such as architects or engineers

Eligibility	Project Example
Eligible	<ul style="list-style-type: none"><li>• Improvements to HVAC systems or air filtration systems</li><li>• Replacing windows or doors</li><li>• Modular classrooms, classroom upgrades to comply with distancing requirements, or outdoor learning space</li></ul>
May Be Eligible	<ul style="list-style-type: none"><li>• Other indoor air quality upgrades (ex. asbestos or mold remediation)</li><li>• Replacing plumbing to address lead in drinking water</li></ul>
Not Eligible	<ul style="list-style-type: none"><li>• Building a new school or annex</li></ul>



## Choosing your projects

- ◆ If school districts have sufficient capacity and funds for capital projects, they could consider these factors when prioritizing projects:

Category	Potential Considerations
Deferred Maintenance	This could include projects that may have been previously deferred due to a lack of available funds
Operational Impact	May also include projects that have the potential for operational impact from sudden failure due to age (boilers or roofs)
Standardization	Systems may vary within buildings (ex. one building with multiple extensions) and between buildings (ex. built in 1910 vs. 1950)
Maintenance Needs	Systems should be chosen to fit with your current operating constraints (staffing levels and training)
System Controls	CO2 or humidity monitors may give you better control over your ventilation and energy usage
Academic Needs	This can include renovations to classrooms or support spaces for students based on needs of student populations





## Energy efficiency projects

- ◆ School districts may want to consider including energy efficiency projects while completing other building renovations or repairs
  - These types of projects may also have positive returns for your operating budget through lower utility costs
- ◆ Before committing to a project, you should ensure that you understand the risks involved and have sufficient oversight capacity to manage the vendor and projects

### **Key Questions to Consider**

- Are you relying on the energy savings for significant operating budget relief, or will this be a nice addition to lower the costs of completing the project?
- Do you have technical or legal support to understand the performance guarantees?
- Do your staff have sufficient funding or training to make sure that the systems are maintained properly after the projects are completed?
- Do you have technical support to monitor future savings and ensure that the performance guarantees are met?



## Cyclical purchasing strategies

- ◆ As a one-time funding source, ESSER funds could be used to cover the start up costs of services or cyclical purchases
- ◆ Investments would be intended to cover the initial costs until future savings or operational impacts would be realized

Category	Potential Considerations
Transportation	Funds may cover vehicle purchases and other costs for special education transportation routes that could be brought in-house
Liabilities	State and local funds could be used to make payments on long-term workers' compensation costs to reduce future annual costs
Shared Services	Regional transportation or educational services could be supported with seed funding



## Educational purchases

- Similarly, ESSER funds could be used to accelerate periodic cyclical purchases as part of your curriculum or technology plans
- This may include costs such as:
  - Software licenses, laptops/iPads, or network hardware
  - Textbook purchases, classroom materials, curriculum, or professional development
  - Purchases in support of new programming
- If your school district uses these funds to accelerate purchases and take some budgetary relief, you will need to clearly communicate your plans
  - Funds could be used to “pull forward” investments into years when the ESSER funds are available to create a year or two of budgetary relief
  - Once you return to your normal cycle of purchases, you will need to be able to accommodate those purchases in your General Fund



## Family and staff engagement

- ◆ Districts should also consider whether funds can be used to improve family and staff engagement
- ◆ Supporting parents and families, especially around virtual learning, is another allowable use of funds to address learning loss
- ◆ If funds are used to support additional staff for family engagement, your district should determine if those positions will remain after the ESSER funds are spent

### **Key Questions to Consider**

- Does your district need to invest in new communication tools, survey programs, or translation services for families?
- Does your district have any current relationships or partnerships with your local city or county health agencies?
- Have you considered implementing a community schools model?



## Workforce considerations

- In developing plans for your ESSER funds, school districts will need to be clear with staff about how they intend to use these funds,
  - Discussions should include whether any of the funds are intended to maintain current positions, hire new staff, or cover other personnel costs
- For any positions hired or maintained through the use of ESSER funds, the school district will need to evaluate the short- and long-term financial impacts of the programs
- All options should be explored for staffing programs including using existing staff, hiring new staff, contracting for services, and using hourly rates or stipends for compensation
- Staffing and program plans should identify sustainable sources of funding to be used to support the programs after the grants expire, or what changes will be made if those funds are not available
- In developing plans, LEAs should take into account implications for collective bargaining



# Discussion



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