

Welcome to the K12 Federal Funding Strategies Webinar!

Today's Presenters



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Administration

Have questions?

- Feel free to submit them using the Q&A feature
- The last 15 minutes will be used to answer submitted questions





Session Objectives

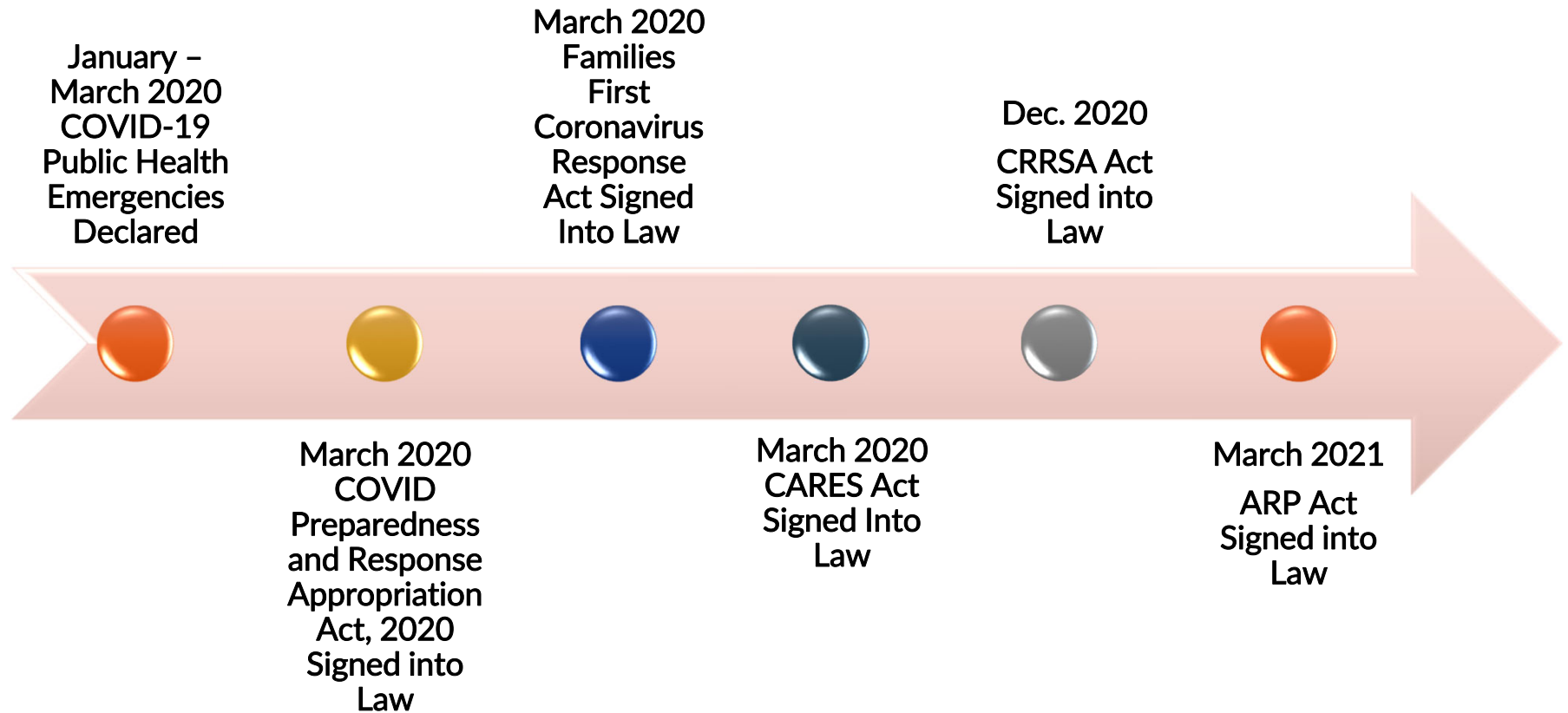
- Provide overview of significant sources of K12 federal funding
- Offer recommendations for utilization of federal funds including compliance requirement implications



Federal Funding Overview



Timeline of Federal Relief/Stimulus Acts





Coronavirus Relief Fund (CRF) Overview

- CARES Act – enacting legislation; CRRSA Act – amending legislation
- Public schools received funds from MDE in July/Aug 2020 (~\$362pp)
- Schools may have also received additional CRF from the ISD or County
- Guidance has been dynamic and confusing



Coronavirus Relief Fund (CRF) Overview

- CRF Funds can only be used for costs that must:
 - Not have been included within the budget at March 27, 2020 (i.e. no supplanting)
 - Be necessary expenditures incurred due to the public health emergency
 - Be incurred during the period from March 1, 2020, - December 30, 2021



Coronavirus Relief Fund (CRF) Overview

- Must be spent on allowable costs, as established by U.S. Treasury
- U.S. Treasury FAQ#53:
 - Presumption of allowable costs up to \$500 per pupil
 - Administrative convenience pertaining to documentation of costs
 - Costs < \$500 per pupil should still be consistent with U.S. Treasury guidance
 - Funds over \$500 per pupil must be spent on specific allowable items



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CRF Compliance Requirements

- Many Uniform Guidance (UG) and other “typical” federal grant requirements do not apply
 - UG allowable cost principles do not apply . . . U.S. Treasury Guidance/FAQs establish allowable use criteria
 - UG procurement standards do not apply . . . but must still adhere to state and local rules
 - UG employee compensation documentation requirements do not apply . . .but should have adequate payroll records to support costs (as applicable)



Elementary and Secondary School Emergency Relief (ESSER) Overview

- Primary sources of federal K12 relief funding
- ESSER - Michigan received:
 - \$389.7 million in ESSER I funding (CARES)
 - \$1.6 billion in ESSER II funding (CRRSA)
 - \$3.7 billion in ESSER III funding (ARP)
- 90% allocated to LEAs based on Title I formula
- 9.5% to be allocated to LEAs at the discretion of the state
- 0.5% reserved for SEA administrative/indirect costs



Elementary and Secondary School Emergency Relief (ESSER) Overview

TOPIC	ESSER I Formula (CARES)	ESSER II Formula (CRRSA)	ESSER III Formula (ARP)
Period of Availability	3/13/20 – 9/30/22*	3/13/20 – 9/30/23*	3/13/20 – 9/30/24*
Deployment Timeframe	Available	46.3% available by 6/30/21; 53.7% not yet appropriated	Not yet appropriated
Allowable Uses	15 categories	15 categories	15 categories
Reservations/ Set-Asides	None	None	20% for learning loss

*Includes GEPA Tydings Amendment Period



Elementary and Secondary School Emergency Relief (ESSER) Overview

TOPIC	ESSER I Formula (CARES)	ESSER II Formula (CRRSA)	ESSER III Formula (ARP)
Equitable Services	Yes	No	No
Maintenance of Effort	SEA only	SEA only	SEA only
Maintenance of Equity	None	None	Yes (SEA & LEA)
LEA Reporting	FER submitted to MDE	FER submitted to MDE	FER submitted to MDE + TBD
State Equalization (Michigan)	None	\$450 per pupil minimum SAF + ESSER II	TBD



ESSER Compliance Requirements

- Uniform Guidance (UG) and other “typical” USED federal grant requirements DO apply. . . SUCH AS:
 - UG allowable cost principles
 - UG procurement standards
 - UG employee compensation documentation requirements
 - UG financial management and cash management
 - UG Construction and Real Property
 - EDGAR/GEPA

*Not an exhaustive list of compliance requirements applicable to ESSER funds



Funding Utilization

*Compliance
Implications &
Recommendations*



Federal Procurement Requirements

- Uniform Guidance (UG) federal procurement standards
 - Apply to ESSER but not to CRF
 - Thresholds apply to both goods AND SERVICES
- Must have a local written policy in place that incorporates federal & state requirements
- Revisions to UG procurement standards in November 2020 likely apply to some emergency-funded grants
- State & local policies may establish thresholds lower than those required by federal thresholds
- FY21 Michigan bid threshold for goods is \$25,288



Federal Procurement Requirements

- Possible exceptions to competitive procurement for emergency purchases
 - Use of normal policy/process must have been detrimental to the district
 - Encourage adding on to existing contracts or going through pre-approved vendors, purchasing consortiums, etc.
 - Sole-source procurements must be justified
- Davis Bacon (prevailing wage) requirements may apply
- Other required contract provisions to consider
 - see [details at this link](#)



Compensation - CRF

- Cannot be used to pay for virtual teaching that is merely supplanting in-person teaching
- If using for payroll, document broad explanation of substantial dedication/substantially different use
 - Time incurred to transition to virtual learning in Spring of 2020
 - Time incurred to transition between virtual and in-person learning during 2020/2021 school year
 - Supplemental costs incurred related to facilitating virtual learning
 - Professional development, revision of lesson plans, administrative time, etc.



Compensation - ESSER

- Stipends/Additional Teacher Pay
 - Incentive compensation must adhere to an established plan (2 CFR 200.430(f))

- Payroll compensation documentation
 - Records must be in accordance with (2 CFR 200.430(i))
 - Indication in USED FAQs that there is intent to acknowledge leniency in extent of documentation for wages charged to ESSER, but this has not been formalized
 - If alternative approach is used to meet the UG requirements, document accordingly



Construction/renovation/ capital expenditures

- Uniform Grant Guidance:
 - Prior approval rules (2 CFR §200.439)
 - Real property (2 CFR §200.311)
 - Financing costs (2 CFR §200.449)
 - Procurement (2 CFR §200.317-327)
 - Equipment management (2 CFR §200.313)

- EDGAR construction rules (34 CFR §76.660, 34 CFR §§75.600-75.617)

- Davis Bacon/prevaling wage rules (20 U.S. Code §1232b)



Construction/renovation/ capital expenditures

- Requires careful planning – tracking, inventory, disposal, period of availability
- Consider longer-term costs of maintenance – must have non-federal resources to cover
- Large capital projects require additional time and oversight – those funded with federal dollars will require even more due to additional strings attached



Construction/renovation/ capital expenditures

- Requirements apply to subcontractors as well as to construction managers
- Review systems of internal controls pertaining to project oversight, invoice review and approval contractors (including subcontractors)
- Review inventory controls



Overall Considerations for Utilization

- With federal funds, comes additional “strings attached”
 - Increased strain on existing business office/grant personnel
 - Additional assistance / resources may be required to manage/monitor federal grants
 - Important for decision makers to understand each grants’ rules



Overall Considerations for Utilization

- Formulate overall spending strategy
 - Identify all available funding sources (restricted and unrestricted; state and federal)
 - Compare applicable compliance requirements
 - Cash flow position
 - Advance (CRF) versus reimbursement (ESSER)
 - Allowable use periods compared to timeline for spending
 - Supply chain and labor shortages create challenges
 - Fund balance position
 - Public interest in use of funds



Overall Considerations for Utilization

- One-time sources of revenue
 - Prioritize one-time payments versus additions to long-term cost structure
 - Budgeting should include consideration of long-term strategy
- Ability for plan to be agile to extent possible to respond to the changing landscape



Overall Considerations for Utilization

- Supplanting - Utilize grant funds to cover general operating costs, freeing up general fund resources to be 'reserved' or 'ear-marked' for certain expenses
 - Opportunities
 - Alleviation from compliance requirements
 - Extend timeframe to benefit from
 - Potential barriers
 - Fund transfer limits
 - Maintenance of effort requirements
 - Public opinion



Overall Considerations for Utilization

- Allowable uses are broad, but expenses must be “necessary and reasonable” under the circumstances
- Utilize U.S. Department of Education/U.S. Treasury Guidance and MDE guidance
- Conclusions regarding allowable use may still vary
 - Subjectivity in interpretation and application of guidance
 - What may be considered necessary and reasonable under some circumstances may not be under others
 - DOCUMENT spending decisions and connection to COVID-19



Q&A