

Budget planning with ESSER Funds



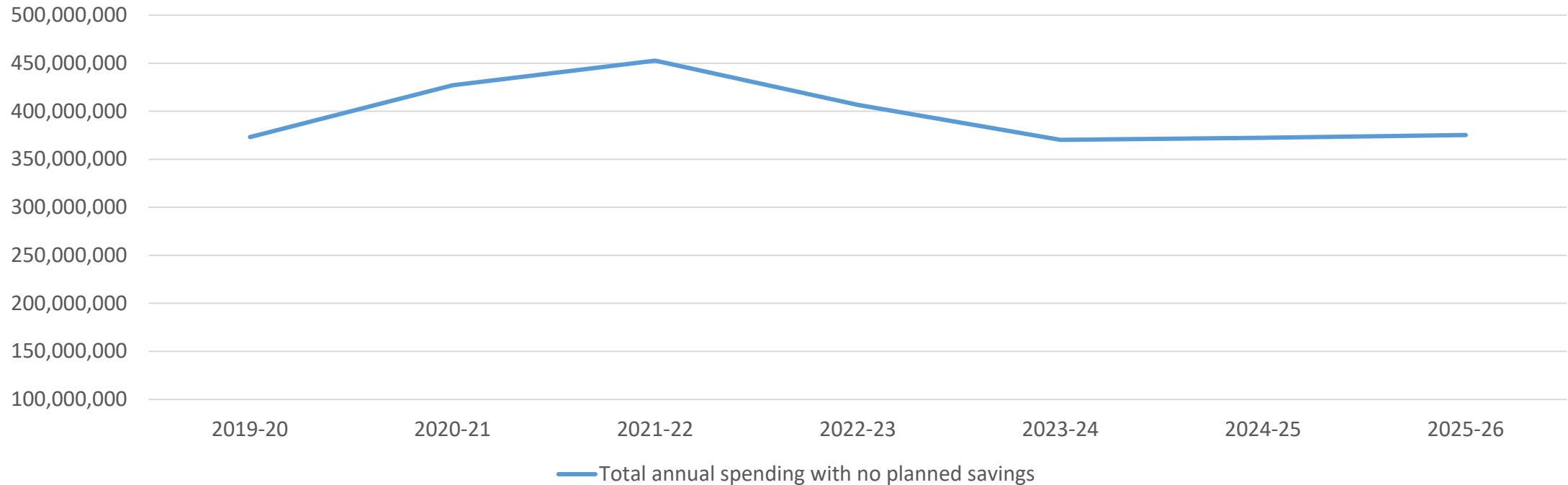
Purpose

The purpose of this presentation is to inform LEAs of a use of ESSER funds to extend the educational supports for students who have experienced learning loss caused by the pandemic and to prevent the looming funding cliff when ESSER grant funds expire.



XYZ ISD – Example of Flow of ESSER funds

In 2019-20 through 2022-23 the LEA was able to be reimbursed by ESSER Grant funds for allowable activities. In 2023-24 there is no longer ESSER grant funds available, therefore XYZ ISD will see a decline in funding.



Federal Stimulus Funds Background

Maximizing ESSER Funds to extend educational supports

FIRST Indicators and ESSER Funds

Frequently Asked Questions

Federal Stimulus Funds Background



Federal Stimulus Funds

- Funding streams discussed in this presentation:
 - Elementary and Secondary School Emergency Relief Fund (ESSER) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (ESSER I, Fund 266)
 - Elementary and Secondary School Emergency Relief Fund II (ESSER II) of the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (ESSER II, Fund 281)
 - ESSER III of the American Rescue Plan Act of 2021 & Supplemental ESSER (ESSER-SUPP) (ESSER III, Funds 282 & 283)

Snapshot of ESSER Funds

ESSER I

- Grant period March 13, 2020- September 30, 2022
- Link to entitlement: <https://tea.texas.gov/finance-and-grants/grants/grants-administration/applying-for-a-grant/entitlements>
- LEA allocation approximately 5% of total budget revenues

ESSER II

- Grant period March 13, 2020- September 30, 2023
- Link to entitlement: <https://tea.texas.gov/finance-and-grants/grants/grants-administration/applying-for-a-grant/entitlements>
- LEA allocation approximately 15% of total budget revenues

ESSER III

- Grant period March 13, 2020- September 30, 2024
- Link to entitlement: <https://tea.texas.gov/finance-and-grants/grants/grants-administration/applying-for-a-grant/entitlements>
- LEA allocation approximately 20% of total budget revenues for FY 22 and 10% for FY 23

Use of ESSER Funds

- LEAs determine when and how to use the funds
- ESSER I and ESSER II were used to partially offset ADA hold harmless provided by the state, however LEAs had the option to not recognize the offset and instead recognize the funds in the following fiscal year
- All three ESSER grants allow for supplanting state and local expenditures as long as the usage meets the intent of the ESSER grant, is an allowable activity of the grant, and is supported by documentation

Use of ESSER Funds continued

- Must meet the intent of the ESSER funds:
 - Address the impact that COVID-19 has had, and continues to have, on elementary and secondary public schools
 - Use of funds is clearly ***related to COVID-19***
- Encouraged to focus on
 - Addressing digital divide
 - Learning loss
 - Activities associated with implementing plans for the return to normal operations

The state has provided additional flexibility:

- STATE COMPLIANCE – Fund 199 will be combined with 266, 281, 282, and 283 for testing state compliance with state allotment spending (*uses actual ADA for state revenue portion, SOF run ID 33209*).
- Example: *We hired a reading interventionist to assist with our at-risk students. I have coded this position to Fund 282 with PIC 30. In calculating my fund 199 spending compliance, am I allowed to include the expense coded to Fund 282 and PIC 30 to meet our annual spending compliance?*
Yes, that is correct as long as the expenditures are allowable under both programs.

- Per federal statutes and regulations, IDEA-B LEA MOE, ESSA LEA MOE, Comparability, and local MOEquity do **not** include any ESSER federal funds in the compliance calculation; therefore, the state and local spending must meet the required compliance amounts.
 - **IDEA-B LEA MOE:** LEAs must maintain their current level of spending in PICs 23, 33, and 43.
 - **ESSA LEA MOE:** LEAs must spend at least 90% on a free public education as they did in the previous year/last compliant year.
 - **Title I, Part A Comparability of Services:** LEAs must use state and local funds to provide comparable services at their campuses receiving Title I, Part A funds compared to campuses that are not receiving Title I, Part A funds.
 - **Local MOEquity:** Applies to all recipients of section 2001, ARP funds, including ARP ESSER III, ESSER-SUPP, and TCLAS. LEAs must not reduce combined state and local per pupil funding or per-pupil FTEs in any "high-poverty" campus by an amount that exceeds the average for all campuses in the LEA or the grade span.

- IDEA-B LEA MOE applies to any LEA that accepts grant funding authorized by the IDEA-B statute.
- IDEA-B LEA MOE is a 100% compliance test, i.e., if an LEA expended \$100 of state and local funds on services to special education students in FY 2021, it must expend at least \$100 in FY 2022 to meet compliance.
- IDEA-B LEA MOE calculation includes only state and local funds, i.e., Fund Codes 199, 420, and 437. **Calculation does not include federal funds.**
- IDEA-B LEA MOE Calculation Tool is available on the [IDEA-B LEA MOE webpage](#) for LEAs to project their compliance status.

- ESSA LEA MOE applies to any LEA that accepts grant funding authorized by the ESSA statute.
- ESSA LEA MOE is a 90% compliance test, i.e., if an LEA expended \$100 of state and local funds in fiscal year (FY) 2021, it must expend \$90 in FY22 to meet compliance.
- ESSA LEA MOE calculation includes only state and local funds, i.e., Fund Codes 199 and 420. **Calculation does not include federal funds.**
- [ESSA LEA MOE webpage](#) includes a variety of technical assistance resources, including the [ESSA LEA MOE Calculation Tool](#) which enables LEAs to project their compliance status.

Title I, Part A Comparability of Services

- [Title I, Part A Comparability webpage](#) includes a variety of technical assistance resources.
- Applies to all LEAs that accept Title I, Part A funding.
- LEAs that do not meet the exemption criteria, must demonstrate that they have budgeted a comparable level of state and local funds for their campuses receiving Title I, Part A funds and their campuses that are not receiving Title I, Part A funds.
- Comparability includes only state and local funds, i.e., Fund Codes 199 and 420, and **does not include federal funds.**

Local Maintenance of Equity (MOEquity)

- [Local MOEquity webpage](#) includes a variety of technical assistance resources.
- LEAs that receive grant funding authorized by section 2001 of the ARP Act are subject to local MOEquity, including ARP ESSER III, ESSER-SUPP, and TCLAS.
- LEA MOEquity includes both funding and FTE components. The funding component includes state and local funds only, i.e., **all federal funds are excluded**. However, the FTE component includes all FTEs, including those that are federally-funded.
- LEAs must not reduce combined state and local per pupil funding or the per-pupil FTEs in any "high-poverty" campus by an amount that exceeds the average in all campuses in the LEA or in the grade span.

Maximizing ESSER funds to extend education supports

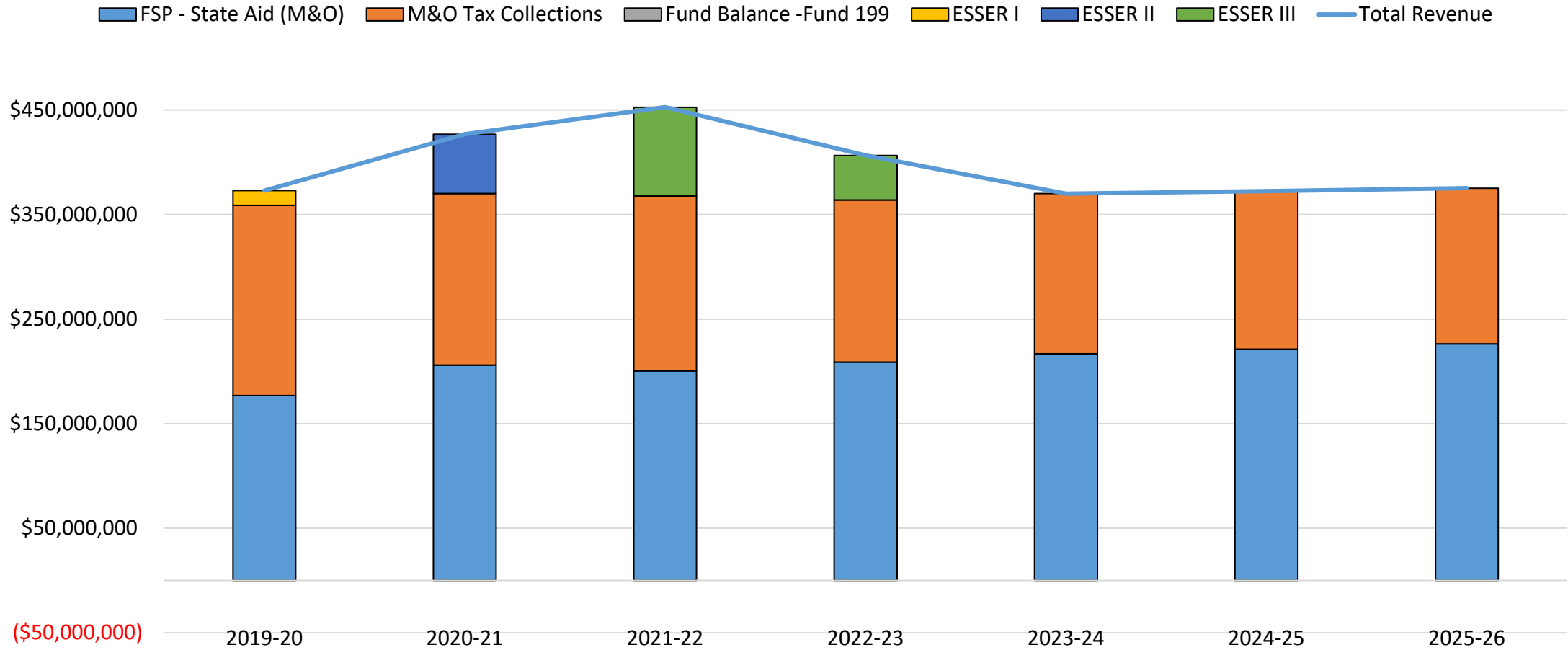
Strategy to support extending education efforts

- The following information describes one method of strategically utilizing the ESSER grant funds to extend educational interventions beyond the date the ESSER funds expire.
 - This could support student learning recovery and district financial planning.
- However, each LEA and their school board makes decisions based on what is in the best interest of their students within the boundaries of federal and state requirements.



XYZ District – Expenditures w/ Funding Cliff

Without other adjustments, using ESSER III funds in the years funds are available will create a funding cliff in 2023-2024.



(\$50,000,000)

Accounting for ESSER Funds

- Because the ESSER funds allow for supplanting local and state funds and recognizing expenditures beginning March 13, 2020, the LEA may reimburse the operating funds of the district.
- The LEA would recognize the activities as long as the activities relate to the pandemic, meet the intent of the ESSER funds, are allowable, and is supported by documentation.
- The reimbursement would be recorded as a federal revenue in the operating fund if from a prior year; and if it is a current year expense it would be recorded in the current year under one of the ESSER funds 281 or 282.



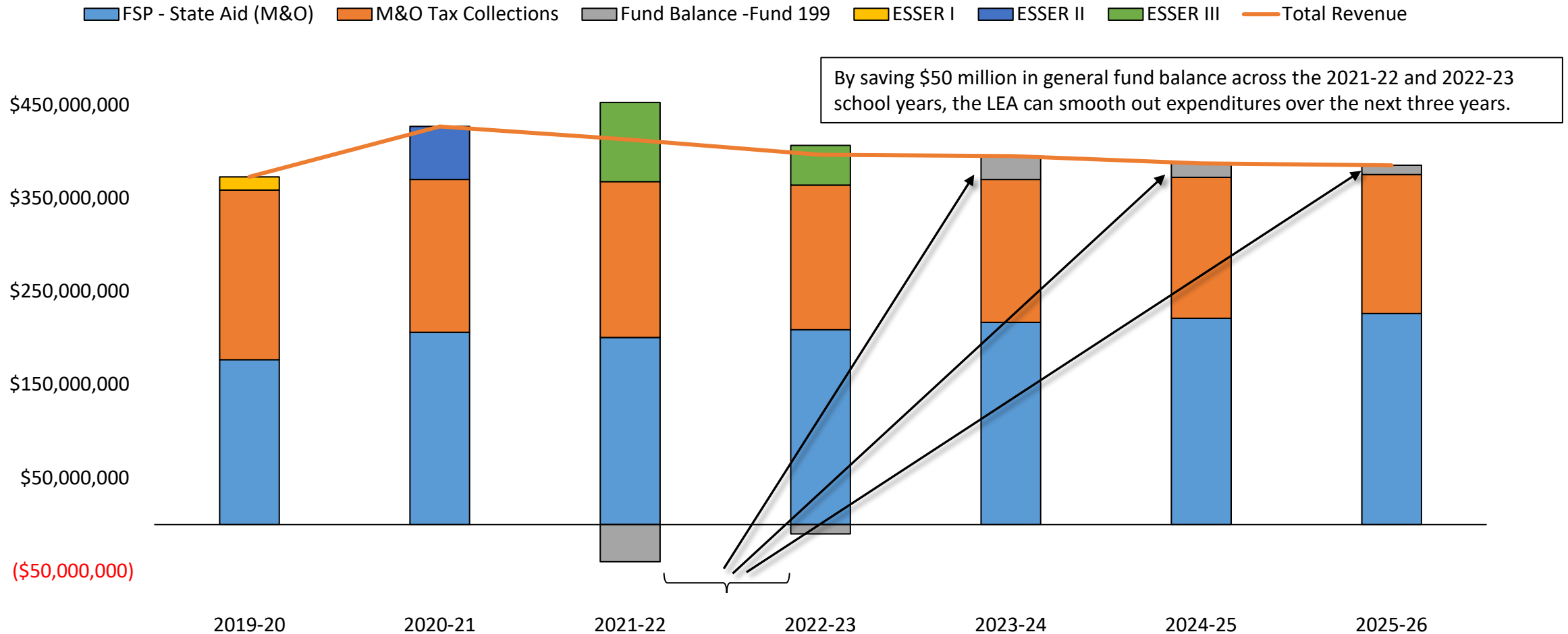
Example of a journal entry to reimburse general fund

<p>\$1,000,000 spent on air filters typically would use local and state funds but the air filters purchased filtered the air better</p>										
<p>Typical recording of purchase of air filters before pandemic</p>										
		Dr	Cr							
Expense	199-51-6319	1,000,000								
Cash	199-51-1110		1,000,000							
<p>With ESSER funds the air filters can be coded to federal grant for reimbursement of general fund</p>										
		Dr	Cr							
Expense Federal grant	282-51-6319	1,000,000								
Cash	282-00-1110		1,000,000							
Cash	199-00-1110	1,000,000								
Expense	199-51-6319		1,000,000							
<p>Now the general fund has \$1,000,000 that would have been used that can now be reserved for future use</p>										
<p>The ESSER revenue reimbursement would be recorded for the purchase of the air filters</p>										
		Dr	Cr							
Cash	282-00-1110	1,000,000								
Revenue	282-00-5929		1,000,000							



XYZ District – Expenditures w/ Glide Path

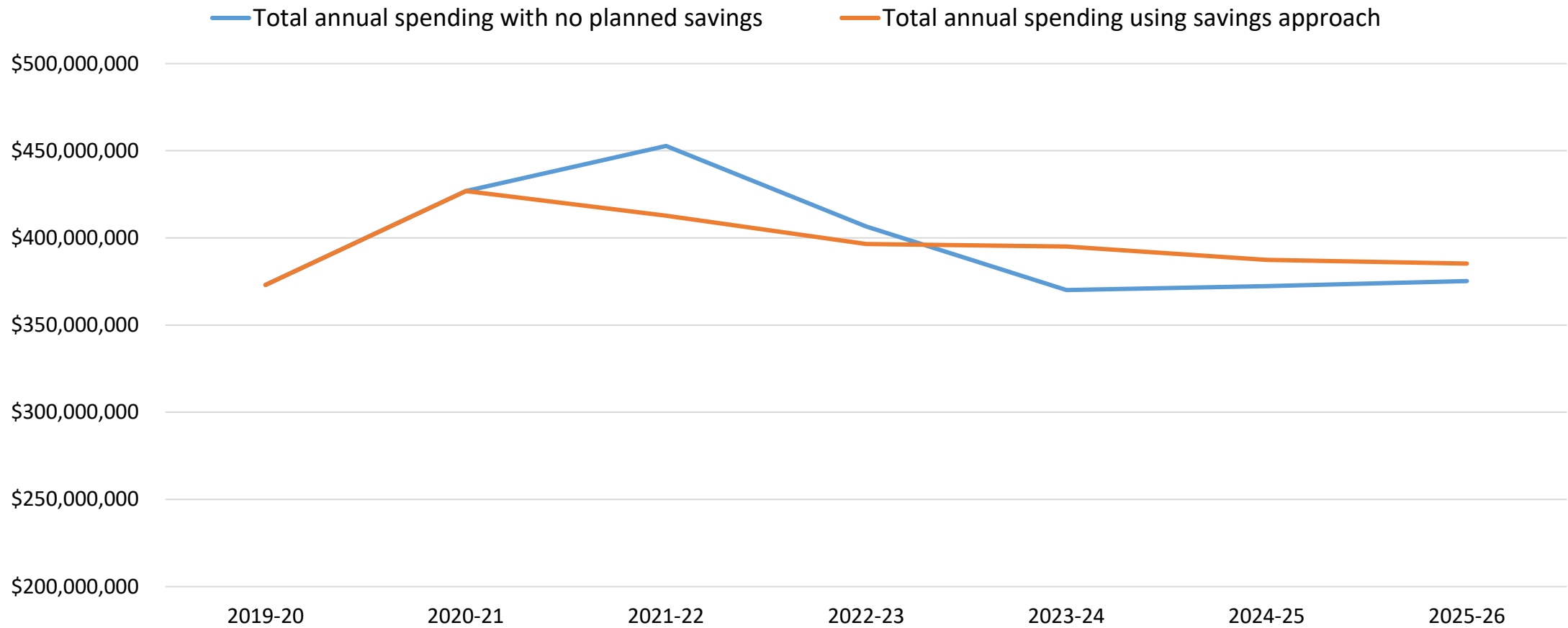
Maximizing ESSER III funds before they expire provides the LEA a way to lessen the impact of the loss of federal stimulus funds in future years and allows programs to extend further.





Comparison of Total Funding including State, Local, and ESSER Funds

By planning for the long-term use of state, local, and ESSER funds, the LEA will avoid a sharp decline in funding when ESSER dollars expire in 2023-2024.



FIRST Indicators and ESSER Funds



Indicator 6 Fund Balance:

Assigned and Unassigned fund balance less than a 25% change over three years or greater than 75 days of operational expenditures in the current year.

- *Measurement:*

At a minimum the current year assigned and unassigned fund balance must exceed 75 days of operational expenditures or your district or charter may fail this indicator.

Consider:

As you review this indicator you may consider how utilizing state, local funds, and federal funds can help support a sufficient fund balance in looking ahead and preparing for strategies and future events.



Indicator 10 Budget to Actual:

- Compares Budgeted revenues to Actual revenues for 3 years

Change for the rating year 2021-2022

TEA has waived this indicator because we recognize the difficulty in budgeting for revenue due to the impact of the pandemic and the flow of federal state stimulus funds has had on LEA budgeting practices.



Indicator 13 Administrative Cost Ratio:

Administrative cost ratio compares administrative functions to instruction functions.
Function codes 21 and 41 ÷ Sum of amounts for function codes 11, 12, 13, and 31

Consider: This indicator measures the administrative cost compared with instruction type activities based on the ratio the LEA may look top heavy. Depending on how the LEA coded expenditures to the federal stimulus funds it may look even more top heavy if they chose to code teachers (fn 11) to the federal funds. Because supplanting federal funds is allowable, moving local and state expenditures into the federal funds potentially causing a LEA to fail this indicator.

TEA is exploring a change to this indicator for the *rating year 2021-2022 to combine ESSER with 199 or to grant 10 points for this indicator.*

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Indicator 15 ADA Projections:

- ADA projections compares a district's biennial pupil projection with actual ADA. A variance is provided based on the size of the district.

Due to the unpredictability of ADA during the pandemic TEA has waived this indicator for rating year 2021-2022 .



Indicator 20 Board funding discussion:

Did the board discuss its property values within 120 days before adopting the budget?

Consider: Discussion with your board this budget cycle about flexibility of the ESSER federal funds and how they could be maximized congruent with state and local funds so that the educational supports can be continued after the federal funds end; therefore, increasing the fund balance.

Review of Frequently Asked Questions

Question:

How can we address potential fiscal deficits in future years?

Answer:

The LEA has the option to supplant state and local funds with the ESSER grant funds as long as it uses the ESSER grant funds for allowable uses under the ESSER Statute (see AU-Q1 above). When the LEA does this, it frees up state and local funds for other uses or to be "saved" for use at a later date. Saving state or local funds for use after the ESSER grant ends can provide the LEA more time to address student learning loss.

Question:

How could MOE requirements impact how the LEA expends ESSER funds?

Answer:

There is no local ESSER MOE requirement. Independent of ESSER there is a local ESSA LEA MOE requirement for all expenditures and a local IDEA-B LEA MOE requirement for special education expenditures. (See GR-Q5 above)

If the LEA supplants state and local funds with the ESSER funds (which is allowable) the LEA's state and local fund spending will decrease. The ESSA and IDEA-B LEA MOE compliance requirements test the LEAs spending of state and local funds at a level to match prior year spending. The ESSA requirement is to meet at least 90% of the prior year spending and the IDEA-B requirement is 100%.

See the ESSA LEA MOE Guidance Handbook at [IDEA-B LEA Maintenance of Effort \(MOE\) Guidance Handbook](#)

Question:

Now that we can supplant state and local funds with the ESSER grant funds what should we do with the unexpended state and local funds?

Answer:

The LEA will restrict the use of state and local M&O funds in a restricted or committed fund balance account. This could be a one-time reservation or certain amounts that equal up to the ESSER grant award over the period of availability of the ESSER grant.

Question:

What is an example of changes I would make to expenditure codes in the event my school system used ESSER grant funds for allowable purposes that are currently being funded with general fund dollars?

Answer:

"For example, if the district received \$1,000,000 in ESSER grant funds, the district would reclass up to \$1,000,000 of allowable expenditures in the general fund (199) to the new ESSER fund code (266, 281, or 282 as appropriate). Therefore, unencumbering general fund budgeted funds to be restricted for later use to continue to support the students of the district after the ESSER grant award ends.

Or, for example, if the district receives the same \$1,000,000 award but determines to use it over the three-year grant period the district would reclass \$334,000 in general fund expenditures in the 2021 fiscal year to the ESSER III fund (282) and then restrict \$334,000 of unencumbered budgeted funds as restricted or committed fund balance. In the two subsequent years 2022 and 2023 the district would code \$333,000 to the ESSER III grant fund (282) and restrict \$333,000 in fund balance in the general fund for later use to continue to support the students of the district."

Question:

How could my LEA reserve the state and local funds that were supplanted by ESSER for future uses to continue to educate students after the ESSER grant ends?

Answer:

If LEAs take steps to use federal funds for purposes previously paid for with state and local funds, that will allow state local funds to be used for other purposes. Some LEAs may want to designate or otherwise preserve a portion of these freed up state and local funds for long term COVID-19 learning loss intervention support.

One method to do this would be to add these funds on a restricted basis to your general fund balance. A school district and its board will determine the amount of funds that will be reserved in fund balance either as restricted or as committed in a fund balance account as defined by Governmental Accounting Standards Board Statement 54.

The amount of state and local funds can be restricted all at one time or up to three annual installments based on the ESSER grant awards.

A non-profit open-enrollment charter school would use "Net Assets with Donor Restrictions" to restrict the use of state and local funds that became available due to supplanting the state and local funds with ESSER grant award funds.

Avoiding the ESSER Fiscal Cliff. How are you building a budget for the long-term to avoid a sharp decline in funding when ESSER dollars expire?

Sustaining the ESSER Impact. How are you organizing your resources in ways that enable new ways of working to continue long after ESSER dollars are exhausted?

Seizing a unique opportunity. LEAs may supplant locally with ESSER funds. How are you crafting your fiscal strategy?

Contact info

David Marx
O: 512.463.2945
david.marx@tea.texas.gov

THANK YOU!

QUESTIONS?

