



Elementary and Secondary School Emergency Relief (ESSER) II – Use of Funds and Expenditures

Introduction

This guidance serves as a supplement to the Iowa Department of Education’s (Department) initial guidance on Elementary and Secondary School Emergency Relief (ESSER) funds created by the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) and the [Coronavirus Response and Relief Supplemental Appropriations \(CRRSA\) Act of 2021](#), commonly referred to as ESSER I and ESSER II, respectively. The guidance that follows has been taken from the original language of both the CARES Act and the CRRSA Act, information provided by the U.S. Department of Education, and additional relevant federal and state code and regulations.

Purpose

The purpose of this document is to provide subgrantees (i.e., districts) with examples of allowable uses of ESSER II funds. While the focus of this document is on ESSER II, most requirements apply to both ESSER I and ESSER II. If requirements apply to both, it will be so indicated.

Iowa’s ESSER II Allocation and Reservations

Iowa received \$344,864,294 from the ESSER II fund and allocated \$310,377,865 to local education agencies (LEAs). This information is detailed in Table 1. Individual district allocations are available on the [Department’s website](#).

Table 1. Iowa’s ESSER Fund II Allocation and State Education Agency (SEA) Reservations Compared to the Total National Allocation and Reservations.

State	ESSER II Allocation	Minimum LEA Distribution	Maximum SEA Reservation	Maximum for SEA Administration
Iowa	\$344,864,294	\$310,377,865	\$34,486,429	\$1,724,321
Total	\$54,311,004,000	\$48,879,903,600	\$5,431,100,400	\$271,555,020

Source: Adapted from U.S. Department of Education’s (2021) [ESSER II Methodology for Calculating Allocations](#).

Guidelines for Use of Funds

General Guidelines

When determining if using grant funds received under ESSER I (CARES Act) or ESSER II (CRRSA Act) would be appropriate for a given item, there are several overarching questions districts must consider:

- 1) Did the expenditure occur on or after March 13, 2020?
- 2) How did the expenditure allow the district to prevent, prepare for, or respond to coronavirus (i.e., the stated purpose of the Educational Stabilization Fund from which the ESSER I and II grants were provided)?
- 3) Was the expenditure necessary to prevent, prepare for, or respond to coronavirus (2 CFR § 200.403(a))?
- 4) Was the cost considered “reasonable” under 2 CFR section 200.404 (i.e., its nature and amount does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost)?
- 5) Is the expenditure allocable to the ESSER I and II grants (2 CFR § 200.405)?

INFORMATION AND DOCUMENTATION

Districts may be asked to provide detailed information and written documentation on all grant expenditures (2 CFR § 200.403(g)). It is important to note that all districts are subject to on-site grant review from auditors or program staff (both state and federal). In the event of a monitoring visit or inquiry, districts must maintain and make evidence and documentation available to support all expenditures (2 CFR §§ 200.302 and 200.333). This would include documentation to support responses to the previous list of questions.

Additional Items to Consider

- Will coding the expenditure to the ESSER I/II grant result in the district having large carryover balances in state categorical funds?
- Will coding the expenditure to the ESSER I/II grant result in the district exceeding allowed carryover in federal program funds (e.g., Title I, Part A)?
- Will coding the expenditure to the ESSER I/II grant still allow the district to meet maintenance of effort (MOE) requirements for other federal awards for the fiscal year being expensed (e.g., those necessary under the Every Student Succeeds Act (ESSA) Title programs and the Individuals with Disabilities Education Act (IDEA))?
- Are there elements of federal Uniform Grant Guidance (2 CFR part 200) or other federal regulations that may come into play?

Standard for Review

Districts are provided “considerable flexibility in determining how best to use ESSER funds” ([U.S. Department of Education, 2020, p. 4](#)). When reviewing claims, Department staff give deference to districts by presuming that costs are allowable unless the statute or applicable federal grant guidelines indicate otherwise. If the Department disallows a cost included in a claim for reimbursement from federal grant funds, the burden of proof is on the Department to show that the expenditure is not permissible. Districts also have the right to appeal the Department’s decision to disallow a claim for reimbursement. Department staff are available to assist if districts need to find a way to fund an expense appropriately.

Monitoring

The Department is required to assess risk for all subgrantees and conduct monitoring for all federal funds. The Department will conduct desk audits to ensure that ESSER I/II funds are spent appropriately as part of our Differentiated Accountability system. On-site reviews may be used if necessary to complete the monitoring cycle. Districts must maintain records for monitoring and state or federal audit purposes for three years from the date of the final expenditure report (2 CFR § 200.334).

Recoding of FY20 Expenditures

As was the case with ESSER I, ESSER II funds can be used for allowable expenditures that have occurred on or after March 13, 2020. Since FY20 has closed, additional steps will be needed if a district elects to recode expenditures that occurred within the March 13, 2020 to June 30, 2020 timeframe.

Districts seeking to claim allowable ESSER II expenses from FY20 must meet the following criteria:

- Expenses must have a project code 0000, 0019, 4051, or 4052;
- Expenses must have been incurred between March 13, 2020 and June 30, 2020;
- Expenses must not have been previously claimed for reimbursement;
- The district must inform the Department, by communication through the Consolidated Accountability and Support Application (CASA), indicating that FY20 expenses are being claimed in the current claiming period;
- A general ledger including the expense being claimed must be included with the claim filed in the CASA; and
- The FY20 expenses must be claimed no later than the 3rd quarter claiming period of FY21.

Depending on the item being claimed, additional documentation may be required (e.g., submission of a request for written prior approval through the CASA). Districts seeking reimbursement for FY20 expenditures will be contacted by the Bureau of School Operations in regard to the accounting entries for ESSER II.

Use of ESSER I/II Funds

Use of Funds for Student Activity Programs

As stated in 2 CFR section 200.469, costs incurred for intramural activities, student publications, student clubs, and other student activities are unallowable (unless “specifically provided for” in the federal award). One example of being specifically provided for is found in section 135 (Local Uses of Funds) of the Carl D. Perkins Career and Technical Education Act of 2006 (Perkins V):

“(O) supporting career and technical student organizations, including student preparation for and participation in technical skills competitions aligned with career and technical education program standards and curricula;”

While ESSER I/II allowed uses do not explicitly reference student activity programs, the following are specified as allowable:

- “Providing principals and other school leaders with the resources necessary to address the needs of their individual schools” (CARES Act § 18003(d)(3); CRRSA Act § 313(d)(15)).
- “Purchasing supplies to sanitize and clean the facilities of a local educational agency, including buildings operated by such agency” (CARES Act § 18003(d)(7); CRRSA Act § 313(d)(15)).
- “Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency” (CARES Act § 18003(d)(12); CRRSA Act § 313(d)(15)).

Under Iowa Administrative Code (IAC) 281 – Chapter 12, General Accreditation Standards, all school districts in Iowa are required to provide “a student activity program sufficiently broad and balanced to offer opportunities for all pupils to participate” (281—IAC 12.6(1)). When considering this requirement in relation to the ESSER I/II provisions as a whole, it is the Department’s opinion that ESSER I/II funds could be used to support certain costs related to student activity programs that are also appropriate to the district’s general fund. These are limited to the following:

- Costs to continue to employ district staff responsible for supervision of the district’s activity program.
- Costs to clean and sanitize event facilities.
- Costs to clean and sanitize equipment used by participants.

- Additional transportation costs necessary to provide social distancing of participants to and from events. For example, if two vehicles are used to transport participants to an event for which the district would typically use one vehicle, the cost for providing the additional vehicle.

Districts may submit other items for Department consideration. If approved, they will be added to the aforementioned list.

The following have been deemed as not allowed from the federal ESSER I/II funds:

- Replenishing activity fund balances due to reduced revenues.
- Costs for event officials.
- Regular costs for transportation of participants to and from events.

Use of Funds for Salaries and Benefits

There are several specified allowed uses of ESSER I/II grant funds that would encompass staff salaries and benefits. General rules governing reimbursement of salaries and compensation for staff working on grant projects are addressed in 2 CFR section 200.430 (Compensation – Personal services) and 2 CFR section 200.431 (Compensation – Fringe benefits).

Districts should remain mindful that these funds are “one-time” funds; therefore, should consider sustainability of positions for which costs are covered by the grant funding – particularly if a new position is added.

TIME DISTRIBUTION RECORDS

Regarding ESSER I/II funds, the [2020 Compliance Supplement Addendum](#) (p. 62) states the following regarding time distribution records (sometimes referred to as “time and effort” records):

“For all ESF funds, auditors should note that SEAs, LEAs, IHEs [institutions of higher education], and other subrecipients will not need to maintain time distribution records. The requirements in the Uniform Guidance apply to expenditures of ESSER funds, including the requirements related to documenting personnel expenses in 2 CFR section 200.430(i). This would mean, for example, that an LEA maintains the records it generally maintains for salaries and wages, including for employees in leave status as permitted under CARES Act Section 18003(d)(12), except that an LEA must maintain time distribution records (sometimes called ‘time and effort’ reporting) if an individual employee is splitting their time between activities that may be funded under ESSER or GEER and activities that are not allowable under ESSER or GEER. However, there are very few situations when an employee of an LEA would perform multiple activities that are not allowable under ESSER or GEER, and thus would be required to maintain time distribution records, given that an LEA is authorized to use funds on ‘activities that are necessary to maintain the operation of and continuity of services in [an LEA] and continuing to employ existing staff of the [LEA]’ in order to ‘prevent, prepare for, and respond to’ the COVID-19 pandemic (CARES Act § 18003(d)(12)).”

If an employee’s assignment is split between multiple, separately funded federal grant programs, districts are advised to maintain time distribution records to support the allocation of employee salaries and benefits among each funded program (e.g., if an individual was funded through both Title I, Part A and ESSER).

INCENTIVE PAY

Use of ESSER I/II funds for incentive compensation, bonuses, “hero pay,” “hazard pay,” or similar purposes is allowed only to the extent that it is tied to COVID-related disruptions and closures, an agreement for the pay was in place prior to the services being provided (200 CFR § 200.430(f)), and is adequately documented (2 CFR § 200.403(g)). Districts will also need to be able to document that use of ESSER I/II funds for this purpose is necessary and the amount provided is reasonable (2 CFR § 200.404).

ADMINISTRATOR SALARIES AND BENEFITS

Use of ESSER I/II funds for superintendent salaries and expenses is not allowed (2 CFR § 200.444(i)). There is an exception for travel costs that are necessary for the federal grant, subject to prior approval by the Department (2 CFR § 200.474).

Generally, salaries of administrative (e.g., principals) and clerical staff are treated as indirect costs.¹ However, Iowa's approved indirect cost rate plan treats these items as direct costs. Therefore, direct charging of these costs may be appropriate if all of the following apply:

- 1) The services provided are integral to a project or activity of the grant;
- 2) The individuals involved can be specifically identified with the project or activity;
- 3) The costs are explicitly included in the budget or have prior written approval of the federal awarding agency; and
- 4) The costs are also not recovered as indirect costs (2 CFR § 200.413(c)).

Use of Funds for the Food and Nutrition Program

Many districts have indicated they continued to pay school nutrition program employees throughout periods of closure and have retained school nutrition program staff despite reductions in program revenues. It is appropriate for ESSER I and ESSER II funds to support school nutrition program staff costs including, but not limited to, additional time necessary to prepare and distribute individually packaged meals and for continuing to employ staff during periods of closure (CARES Act §§ 18003(d)(8) and 18006; CRRSA Act §§ 313(d)(8) and 315). Refer to the section regarding use of ESSER funds in relation to [employee salaries and benefits](#).

Districts are cautioned to verify that school nutrition program costs have not been addressed with funds received through the U.S. Department of Agriculture (USDA) programs prior to submission of reimbursement requests under ESSER I/II. ESSER funds may not be used to simply replenish nutrition fund balances.

Use of Funds and Employee Leave

For employees whose salaries are paid with ESSER I/II funds, it is appropriate to also include leave-related costs.

It would also be appropriate to use ESSER I/II funds for costs incurred by the district for meeting requirements of the Families First Coronavirus Response Act (FFCRA), regardless of whether the impacted employee's salary was paid with ESSER funds. The FFCRA was specifically in response to COVID-19. This would include the costs of substitutes necessary to meet the needs of individual schools or provide for continuity of district services (CARES Act §§ 18003(d)(3) and 18003(d)(12); CRRSA Act §§ 313(d)(3) and 313(d)(15)).

Use of Funds for Facility Improvements

ESSER II includes two facility-related uses of funding:

- School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards and to support student health needs (CRRSA Act § 313(d)(13)).
- Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air

¹ Since neither ESSER I nor ESSER II federal funds include a "supplement, not supplant" provision, indirect costs may be collected up to the district's approved unrestricted [indirect cost rate](#) (CCSSO FAQ Document, 2020). Care must be taken to ensure an expenditure is not claimed as both a direct and indirect cost.

conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement (CRRSA Act § 313(d)(13)).

In order for costs for facility repairs and improvements to be an allowable expense under ESSER II, the following criteria must be met:

- The reason for the improvement or repair must be to mitigate the risk of virus transmission to support student health (i.e., prevent, prepare for, or respond to coronavirus);
- Planning of the facility improvement or repair must have occurred on or after March 13, 2020. Costs for modifications (e.g., change orders) to facility projects that were planned prior to March 13 would also be allowed, provided the modification occurs on or after March 13 and it meets requirements of the first bullet;
- A request for prior written approval must be submitted and approval received from the Department through the CASA (2 CFR §§ 200.407 and 200.439(b)); and
- Procurement processes used by the district must meet federal requirements (2 CFR §§ 200.318-326).

RELATED CDC REFERENCES

- [Employer Information for Office Buildings](#)
- [Ventilation in Buildings](#)
- [Ventilation in Schools and Child Care Programs](#)

Use of Funds for the Purchase of Equipment

If the item of equipment or educational technology equals or exceeds a per unit acquisition cost of \$5,000, the district must receive prior written approval from the Department through the CASA before purchasing the technology. All other items of equipment or educational technology purchases are allowable expenses without prior written approval from the Department (for state tracking purposes, these items have a transaction cost threshold of \$500 or more; refer to 281—IAC 98.64“e”).

In order for costs for equipment meeting the \$5,000 acquisition cost threshold to be an allowable expense under ESSER I/II, the following criteria must be met:

- The item of equipment must assist the district to prevent, prepare for, or respond to coronavirus;
- Acquisition of the equipment must occur on or after March 13, 2020;
- A request for prior written approval must be submitted and approval received from the Department through the CASA (2 CFR §§ 200.407 and 200.439(b)); and
- Procurement processes used by the district must meet federal requirements (2 CFR §§ 200.318-326).

Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.

Districts using ESSER I/II funds to purchase items of equipment must also adhere to federal procedures for managing the equipment, such as inventory records and location, use, and condition, maintenance, and eventual disposition (2 CFR § 200.313).

Use of Funds for the Purchase of Vehicles

Purchasing vehicles for student transportation to provide for physical distancing is an allowed use of ESSER I/II funding only to the extent that the following conditions are met. The district must also receive prior written approval from the Department through the CASA.

- The purchase is necessary to provide continuity of district services (e.g., adding routes);
- The purchase expands the district’s fleet of student transportation vehicles rather than replacing an existing vehicle; and

- Purchase of the vehicle is more cost efficient than other options (e.g., leasing the vehicle; 2 CFR § 200.465).

Purchase of vehicles for uses other than student transportation, such as delivery of meals or instructional materials to remote locations, is allowed provided the following conditions are met:

- The purchase is necessary to provide continuity of district services (i.e., unable to meet needs with current fleet);
- The purchase expands the district’s non-student transportation fleet rather than replacing an existing vehicle; and
- Purchase of the vehicle is more cost efficient than other options (e.g., leasing the vehicle; 2 CFR § 200.465).

All local, state, and federal procurement processes (2 CFR §§ 200.318-326), state school vehicle construction standards (as applicable), and federal procedures for managing equipment (2 CFR § 200.313) will apply.

Application Assurances: Reminder

Two items from the list assurances included as part of the state’s applications for ESSER I funding and for ESSER II funding are provided below. Similar assurances were part of the districts’ applications submitted through the CASA.

The SEA will comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requirements in Subpart D—Post Federal Award Requirements (2 CFR §§ 200.300-345) and Subpart E—Cost Principles (2 CFR §§ 200.400-475) to ensure that LEAs, including charter schools that are LEAs, are using ESSER funds for purposes that are reasonable, necessary, and allocable under the CARES Act.

The SEA and other entities will comply with the provisions of all applicable acts, regulations, and assurances; the following provisions of Education Department General Administrative Regulations (EDGAR), 34 CFR parts 76, 77, 81, 82, 84, 97, 98, and 99; the OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement) in 2 CFR part 180, as adopted and amended as regulations of the Department in 2 CFR part 3485; and the Uniform Guidance in 2 CFR part 200, as adopted and amended as regulations of the Department in 2 CFR part 3474.

Questions and Additional Guidance

If you have questions, please contact steve.crew@iowa.gov or tom.cooley@iowa.gov. For additional COVID-19 guidance and information, please visit the Department’s [COVID-19 webpage](#) and its [CRRSA Act for PK-12 Schools](#) section.