



DATE:	September 21, 2023
SUBJECT:	Planning for ESSER Closeout
CATEGORY:	ESSER Grant Compliance
NEXT STEPS:	Share information with program, grant, and business staff.

This letter provides an overview of CRRSA ESSER II and ARP ESSER III closeout procedures and related compliance requirements. Effective liquidation and closeout of the ESSER funds requires careful planning and budgeting to minimize the potential for a fiscal cliff and to prevent lapsing of the federal funds. Currently, over ten percent (10%) of the ESSER II funding and forty percent (40%) of ESSER III funding remains unspent by LEAs.

As described in the August 11, 2022, TAA letter, [Planning and Use of ESSER Funds](#), ESSER funding was one-time in nature but included unprecedented flexibility to allow LEAs to plan an effective transition in support of their students. The flexibilities offered by USDE under ESSER do not apply to other federal grant programs and represent an uncommon opportunity to maximize the use of state, local, and federal funding. As the LEA assured TEA in the applications for funding for ESSER II and ESSER III, your local board is aware that the ESSER funds would not be replaced by any future state dollars.

Reclassifying Allowable Costs to ESSER II Grants

To prevent lapsing of ESSER II formula funds, LEAs who are not going to expend their full award within the grant period are strongly encouraged to reclassify expenditures from other federal and state sources. To be eligible for reclassification, the original expense must:

1. Have occurred between March 13, 2020, and September 30, 2023;
2. Be reasonable and necessary as per federal guidelines;
3. Be an allowable ESSER expenditure; and
4. Meet the intent of the ESSER statute (must be directly tied to the pandemic).

The following funds may be considered for reclassification to spend down the LEA's ESSER II grant allocation.

- Previously coded **ESSER III** activities may be reclassified to ESSER II funds which will free up ESSER III funding for other uses (see the [step-by-step video](#) to assist LEAs with completing this process, or for further information, please contact ESSERexpenditures@tea.texas.gov).
- Previously coded **state and/or local** funds expenditures may be classified to ESSER II funds for allowable activities, such as teacher salaries, to free up local maintenance and operations funds that can be used after ESSER II funds are no longer available.

- Previously coded **other federal** grant funds may be classified to ESSER II funds which will free up federal funds in the original source. Since any allowable activity under ESSA, IDEA, McKinney-Vento, or Perkins is also allowable under ESSER, any such activity may be considered for reclassification if it was pandemic related.

Please take note of the possible impact on federal maintenance of effort requirements if pursuing any of these options other than reclassifying ESSER III activities to ESSER II.

ESSER II Standard Liquidation Period

Liquidation is the draw-down and expenditure of funds by the subgrantee (LEA) for obligations legally incurred during the grant's obligation period (March 13, 2020, through September 30, 2023). Timely liquidation occurs during the grant period and the first 90 days after the end of the grant period.

This means all costs under ESSER II must be fully obligated (in accordance with 34 CFR 76.707) for allowable grant uses by Saturday, September 30, 2023. Goods and services obligated by the deadline may continue to be received and paid during the normal 90-day liquidation period (October 1, 2023, through January 2, 2024). TEA then has 30 days to liquidate and closeout all funds for the state.

ESSER II Liquidation Extension

USDE has offered a 14-month extension in addition to the standard 120-day liquidation period. LEAs may request a liquidation extension for certain obligated contracted services costs. Approval would allow the contracted service to continue to be received and paid during the liquidation period extension. Please note that the liquidation extension does not cover all types of costs (e.g., indirect costs, staff salary, or travel) due to the federal rules defining when an obligation was made.

TEA will request the extension for fourteen (14) additional months after the standard liquidation period (until February 28, 2025) on behalf of LEAs that need it. TEA will then have one additional month to liquidate and closeout all LEA grant funds.

Who Should Request the Liquidation Extension

Any LEA who legally obligates ESSER II funds by September 30, 2023, and has a portion of those funds for distinct types of contracted services that will not be fully liquidated (services not received and costs not paid) by January 2, 2024 (the grant's standard liquidation period) may request the extension. The LEA must be able to describe the contracted service and provide an acceptable justification for needing the extension. Note that needing additional time to expend the funds is not an allowable justification. Allowable justifications include, but are not limited to, supply chain delays, delays in receiving services, or procurement delays.

How to Access and Submit the ESSER II Liquidation Extension Data Collection Tool

An LEA who wishes to request an ESSER II Liquidation Extension from USDE must complete and submit a liquidation extension request form to TEA by November 30, 2023, through the [ESSER Compliance WorkApp](#).

LEAs will see pre-populated data (LEA Name, Grant Award, etc.) and fields that require data to be entered by the LEA. LEAs are required to submit all required information in the data collection tool for the request to be approved by TEA and forwarded to USDE for final review

and acceptance. LEAs submitting a request must be available to consult with TEA staff during December 2023.

Limited ESSER Extended Service Pre-payment of Costs Flexibility

USDE has offered unusual flexibility, which may allow for pre-payment for services not yet received where the LEA is unable to liquidate some limited contracted service costs (which were properly and timely obligated by September 30, 2023) during the standard 120-day or extended 14-month liquidation periods. This flexibility is limited to instructional software subscription services that can be justified through internal controls as a prudent business decision to extend beyond the liquidation extension period.

The LEA is required to request the liquidation extension period and liquidate as much of the funding through the extension period as possible before requesting any additional flexibility. Pre-payment of services not received is usually unallowable with federal funds; this potential allowance elevates the LEA’s risk of lapsing funds in the event the vendor is unable to fulfill the pre-paid obligation. With the pre-payment of funds, the LEA cannot re-obligate any lapsed funds and would be required to refund the lapsed amount to TEA for return to USDE.

TEA must pre-approve any such pre-payment requests. If needed, the LEA may contact the TEA Department of Grant Compliance and Administration staff to discuss this flexibility toward the end of the liquidation extension period.

ESSER III Compliance Requirements Ending Soon

The statutory end date of ESSER III is September 30, 2023, with carryover until September 30, 2024. Based on the statutory end date of the ESSER III program, Maintenance of Equity (MOEquity) reporting is no longer required past September 30, 2023. In addition, if the LEA has completed a review, with applicable revision and posting of its Return to In Person Instruction and Continuity of Services (RIPICS) plan within the last six months the bi-annual RIPICS plan review requirement also ends September 30, 2023.

Please note that all ESSER state fiscal and USDE annual reporting requirements continue until all ESSER funds are fully expended and reported.

Key Dates related to ESSER Funding

LEAs should keep in mind the following key dates related to ESSER II and ESSER III funding.

9/30/2023	<ul style="list-style-type: none"> • End of carryover period for ESSER II funds, last day to legally obligate funds. • End of statutory performance period for ESSER III; 12-month carryover period is from October 1, 2023, through September 30, 2024. • Last date LEA is required to have a six-month review and update of ESSER III RIPICS Plan
11/30/2023	ESSER II Liquidation Extension Data Collection due to TEA by 11:59pm CST.
01/02/2024	ESSER II Final Expenditure Report/Revised Final Expenditure Report due.
01/31/2024	USDE must respond to state’s ESSER II Liquidation Extension
07/02/2024	Last day to amend ESSER III Application for Funding

09/30/2024	End of carryover period for ESSER III funds, last day to legally obligate funds.
11/30/2024	Anticipated ESSER III Liquidation Extension Data Collection due to TEA.
01/02/2025	ESSER III Final Expenditure Report/Revised Final Expenditure Report due.
01/31/2025	USDE must respond to state's ESSER III Liquidation Extension
02/28/2025	End of ESSER II Liquidation Extension Period for approved LEAs.
02/28/2026	Anticipated End of ESSER III Liquidation Extension Period for approved LEAs.

For Further Information

For information and guidance on information contained in this letter, please contact Nick Davis (nick.davis@tea.texas.gov) in the Department of Grant Compliance and Administration.

Sincerely,

Cory Green, Associate Commissioner
and Chief Grants Officer
Department of Grant Compliance and Administration