

<b>DATE:</b>	<b>June 27, 2024</b>
<b>SUBJECT:</b>	<b>ESSER III Closeout, ARP Liquidation Extension, and Pre-Payment Flexibility</b>
<b>CATEGORY:</b>	<b>ESSER Grant Compliance</b>
<b>NEXT STEPS:</b>	<b>Share information with program, grant, and business staff.</b>

This letter provides an overview of the American Rescue Plan (ARP) Act Elementary and Secondary Schools Emergency Relief (ESSER III) closeout procedures and related compliance requirements, ARP liquidation extension process, and guidance related to the U.S. Department of Education's (USDE) pre-payment flexibility for software-based subscriptions under ESSER III.

As described in the August 11, 2022, TAA letter, \_\_\_\_\_ ESSER funding was one-time in nature but included unprecedented flexibility to allow local educational agencies (LEAs) to plan an effective transition in support of their students.

\_\_\_\_\_ . As your LEA assured TEA in the applications for funding for ESSER III, your local board is aware that the ESSER funds will not be replaced by any future state dollars.

Liquidation is the draw-down and expenditure of funds by the subgrantee (the LEA) for obligations legally incurred during the grant's obligation period (March 13, 2020, through September 30, 2024). Timely liquidation occurs during the grant period and the first 90 days after its end.

This means all costs under ESSER III must be fully obligated (in accordance with 34 CFR 76.707) for allowable grant uses by Monday, September 30, 2024. Goods and services obligated by the deadline may continue to be received and paid during the normal 90-day liquidation period (October 1, 2024, through December 29, 2024). TEA then has 30 days to liquidate and closeout all funds for the state.

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 14 additional months after the standard liquidation period (until February 28, 2026) on behalf of LEAs that need it. TEA will then have one additional month to liquidate and closeout all LEA grant funds. The LEA may request a liquidation extension of the following programs for allowable contracted services:

- < ARP ESSER III Formula Grant
- < ARP Homeless
- < TCLAS Federally funded Projects
- < Other ESSER III funded projects

Any LEA that legally obligates ESSER III funds by September 30, 2024, 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 December 29, 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 supply chain delays, delays in receiving services, or procurement delays.

