

Determining Allowability of Costs for Funds Issued to the SCDE under the Elementary and Secondary School Emergency Relief (ESSER) Fund Programs

Program offices that manage federal funds must follow all applicable statutory and regulatory requirements in determining the allowability of costs and whether costs are reasonable and necessary, especially the U.S. Office of Management and Budget's (OMB's) Cost Principles for Federal grants located at [2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) and the general criteria provided in §§[200.403](#).

However, due to the disruptions caused by COVID-19, the federal government issued emergency grant funds to states, beginning with the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Pub. L. No. 116-136, March 2020) that established the Elementary and Secondary School Emergency Relief (ESSER) Fund. Subsequent additional emergency grant funds were issued under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, 2021, (Pub. L. No. 116-260, December 2020, ESSER II), and the American Rescue Plan Act (ARP) Act (Pub. L. No. 117-2, March 2021, ESSER III).

The U.S. Department of Education issued ESSER grants to state education agencies for states and local education agencies (LEAs, i.e., school districts) to use these funds to safely reopen schools, maximize in-person instructional time for all students, and provide opportunities to address the impacts of lost instructional time resulting from the COVID-19 pandemic.

When making decisions about how to use ESSER funds, staff are encouraged to take into consideration how the funds can be used to address inequities, including focusing supports and services on students from low-income families, students of color, students with disabilities, English learners, students experiencing homelessness, children and youth in foster care, migratory students, children who are incarcerated, and other underserved students who have been disproportionately impacted by the pandemic.

Program offices also must comply with all applicable state laws and agency policies (see P:\Policy). To assist program offices, the SCDE provides internal training sessions, including Tuesday Minis. The agency provides an annual Funding Manual (accessible at <http://ed.sc.gov/finance/financial-services/manual-handbooks-and-guidelines/funding-manuals/>) and an annual Financial Accounting Handbook (accessible at <http://ed.sc.gov/finance/auditing/manuals-handbooks-and-guidelines/financial-accounting-handbook/>) for subgrantees.

Necessary, Allowable, Allocable, Reasonable, and Consistently Treated Costs

The following guidance relates to determining the allowability of costs for expenditures for all federal ESSER discretionary and formula grant programs. Staff are reminded that to charge an expenditure to a federal grant project, each cost must be necessary, allowable, allocable, reasonable, and consistently treated. In determining whether an activity is an allowable use of ESSER funds, staff must determine:

- Is the use of funds intended to prevent, prepare for, or respond to the COVID-19 pandemic, including its impact on the social, emotional, mental health, and academic needs of students?
- Does the use of funds fall under one of the authorized uses of ESSER or GEER funds?

- Is the use of funds permissible under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, 2 CFR Part 200)? In particular, is it necessary and reasonable for the performance of the ESSER award?

Staff should follow the standard protocol below that aligns with the questions in the last bullet above, to determine the necessity and reasonableness of the proposed use of ESSER funds:

When is a cost necessary?

- When it is necessary for the performance or administration of the specific grant award
- When purchaser can answer “Do I really need this?” and “Is this the minimum amount I need to spend to meet the need?”

When is a cost allowable? (Note: allowable activities may differ for March 13 – September 30, 2020; see paragraphs above.)

- When it is permitted according to the approved budget of the specific award, the terms and condition of the specific award, SCDE policies, the SCDE Funding Manual, and federal regulations.
- When it serves a purpose consistent with the SCDE's mission.

When is a cost allocable?

- When the cost provides a sole benefit to the project (incurred specifically for the grant);
- When the cost benefits the project and other work proportions that can be readily estimated/approximated using reasonable methods;
- When the cost is necessary to the overall operation of the SCDE (i.e., is an indirect cost).

When is a cost reasonable?

- When it follows sound business practices:
 - involves arms-length bargaining (follows the established procurement processes)
 - follows federal, state, and local laws
 - follows the terms of the grant award
- When a prudent person would purchase the item at that price given the circumstances (Am I paying a fair rate? Can I prove it? If I were asked to defend this purchase, would I be comfortable?);
- When the cost is targeted to valid programmatic and/or administrative considerations;
- When there is no significant deviation from established prices; and
- When the incurrence of the cost is consistent with established SCDE policies and practices.

When is a cost consistently treated?

When like expenses are treated in the same manner under like circumstances. That is, costs are either directly charged to the award or included in indirect costs, not both.

All expenditures charged to a federal grant project must be adequately documented as evidence that the cost is necessary, allowable, allocable, reasonable, and consistently treated. For the use of all emergency grant funds awarded under all ESSER programs during the COVID-19 emergency, this documentation is extremely important.