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**Obligation, Performance, and Liquidation of Federal Grants**

**Subject to Tydings – Quick Reference Guide**

**Best Practice: Obligate and liquidate all grant expenditures by the grant deadline**

**When does obligation occur?**

All grant expenses must be obligated by the grant deadline. When obligation occurs depends on the type of expenditure ([34 CFR 76.707](https://www.ecfr.gov/current/title-34/subtitle-A/part-76/subpart-G/subject-group-ECFRae39e5300d1271f/section-76.707)). Please review the categories below to determine when obligation must occur for your expenses:

| If the obligation is for: | The obligation is made: |
| --- | --- |
| 1. Acquisition of real or personal property | On the date on which the State or subgrantee makes a binding written commitment to acquire the property. |
| 1. Personal services by an employee of the State or subgrantee | When the services are performed. |
| 1. Personal services by a contractor who is not an employee of the State or subgrantee | On the date on which the State or subgrantee makes a binding written commitment to obtain the services. |
| 1. Performance of work other than personal services | On the date on which the State or subgrantee makes a binding written commitment to obtain the work. |
| 1. Public utility services | When the State or subgrantee receives the services. |
| 1. Travel | When the travel is taken. |
| 1. Rental of real or personal property | When the State or subgrantee uses the property. |
| 1. A pre-agreement cost that was properly approved by the Secretary [of Education] | On the first day of the grant or subgrant performance. |

**Must validly obligated third-party contracts for goods and services (Nos. 1, 3, & 4, in the above chart) be completed by the grant deadline?**

No. For contracts signed during the period of availability for the grant (by the grant deadline), performance of the contract may continue into the liquidation period for up to 60 days past the grant deadline.

***For ESSER II and ESSER III Only:***

**Further Extension for Performance of Software Licenses and Subscriptions**: Because software subscriptions and licenses are 1) usually bundled so that purchase for less than a year is impractical, 2) these licenses are often essential for curriculum delivery for the entire school year, and 3) licenses and subscriptions are unlikely to be returned or canceled resulting in a return of funds, DESE has authorized an exception to the performance rules for these licenses and subscriptions **for ESSER II and III funds only** (all other grants must follow general rules for contractual performance).

As long as these expenditures are 1) otherwise allowable, necessary, and reasonable, 2) obligated prior to the grant deadline, and 3) liquidated by no later than 60 days past the grant deadline, **software licenses and subscriptions may continue for no later than 1 year past the grant deadline if purchased with ESSER II and/or ESSER III funds.** Note that if a software license or subscription is cancelled after the obligation date, the funds are not available for use for a new contract but must be returned to DESE.

**When do districts need to make final claims for expenditures (liquidation) and close out grants?**

Districts must draw down all funds for services/goods received and closeout the grant by 90 days past the grant deadline (District Liquidation) at the latest. Reimbursements may be claimed for 60 days after the grant deadline. Districts may take one final drawdown upon filing its final expense report, no later than 90 days past the grant deadline. DESE has an additional 30 days (until 120 days past the grant deadline) to closeout its federal grants (DESE Liquation). DESE recommends, however, that all grant expenditures be liquidated by the grant deadline as a best practice.

**Obligation, liquidation, performance (certain contracts), and grant closeout deadlines:**

Graphic depicting deadlines across the 27 month period of availability for federal grants, which begin on July 1:

1. Obligation must occur by September 30th in Year 3.
2. Performance of a Validly Obligated Contract must happen by December 28 of year 3 of the grant.
3. District liquidation/drawdown of validly obligated contract and closeout of grant must be completed by February 8th of year 3 of the grant.
4. DESE liquidation of federal grant must occur by January 28th of year 3 of the grant.
*Reminder: Best Practice is to obligate, liquidate, and closeout grant by end of Period of Availability for Grant (first bar)*

**Will there be extensions for contract performance for ESSER II and ESSER III?**

In almost all cases, the liquidation period for grant expenses follows the schedule shown in the above chart. However, the United States Department of Education (USED) has the authority to approve liquidation extension requests for properly obligated funds upon written requests made by DESE. If the liquidation period is extended for certain funds by USED, the contract performance and District Liquidation and closeout periods can also be extended. (See Letter from Robert J. Rodriguez, USED, to Daniel Domenech, The School Superintendents Association, May 13, 2022.)

Because ESSER funds allowed capital projects that experienced delays/supply shortages due in large measure to the pandemic, USED did allow up to an additional 14 months for liquidation for ESSER I and ESSER II funds upon state request, appropriate support and documentation, and USED approval (see [USED Liquidation Extension FAQ from May 5, 2023](https://oese.ed.gov/files/2023/05/Updated-Technical-FAQs-for-Liquidation-Extensions-5.5.23.pdf)). USED has not indicated whether liquidation extensions will be available upon state request for ESSER III. **DESE will inform districts as soon as it has been notified of any decision on liquidation extensions, as well as the procedures in place to make such requests. In the interim, ESSER III grantees should not plan on having a longer period to accept contract services and goods using these funds than is shown in the above chart**.