**Late Liquidation of Certain American Rescue Plan**

**ESSER III Grant Expenditures – Quick Reference Guide**

**Standard Liquidation Period for Federal Grants**

The liquidation period for federal grants refers to the time after a grant deadline when properly obligated expenditures can be claimed and the grant closed out. In almost all cases, the liquidation period for federal grant awards and expenses is 120 days after the grant expires (90 days for grant subrecipients (districts) to claim funds and an additional 30 days for the recipient (the state) to close out the grant), as described in DESE’s [*Obligation, Performance, and Liquidation of Federal Grants Subject to Tydings – Quick Reference Guide*](https://www.doe.mass.edu/federalgrants/resources/obligation-performance-liquidation.docx).

**A Liquidation Extension is available for ESSER III in Some Cases**

The United States Department of Education (USED) announced that states can request, on an expense-by-expense basis, an extension of the standard liquidation period of *up to* an additional 14 months to liquidate ESSER III funds that were properly obligated by September 30, 2024 *(see U.S. Department of Education General and Technical* [*Frequently Asked Questions (FAQs)*](https://oese.ed.gov/files/2024/01/Updated-Technical-FAQs-for-Liquidation-Extensions-1.9.24-v-2-for-posting.pdf) *for Liquidation Extension Requests, January 9, 2024)*. Importantly, the federal government is not offering a blanket extension of the liquidation period and is requiring a justification for any extension. USED has stated that solely needing more time to spend funds is not a sufficient justification. Expense-by-expense late liquidation requests are subject to both DESE and USED approval, and DESE must apply on the district’s behalf to the USED for late liquidation flexibility. The obligation deadline for ESSER III remains unchanged; all grant expenses must be properly obligated in a timely fashion and no later than September 30, 2024.

**Expenditures Eligible for Late Liquidation**

Generally, a federal grant’s liquidation period is used to claim final expenditures and file final reports for LEAs, and to accomplish final closeout tasks for states. Because contracts for goods and certain services are deemed obligated when the contract is signed (even though services are often provided thereafter), the standard liquidation window allows districts a short window of additional time (60 days) to receive these contractual benefits after the grant deadline and before the final claims against the grant must be made.

Notably, ESSER III allowed for capital projects at a time when supply shortages and pandemic-related delays were prevalent. To provide some additional time to use these funds, USED, which cannot extend the 9/30/2024 grant deadline, is using its authority to extend the liquidation period for federal grants. An extension of the liquidation period may allow districts to both receive certain goods and services through validly obligated contracts (i.e., contracts executed by 9/30/2024) and pay for those expenditures during an extended period of time for ESSER III.

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.


**Figure 1: Standard Obligation and Liquidation Timelines of ESSER, ESSA, and IDEA Federal Grants**

If a district can demonstrate suitable justification for a given expense, and their late liquidation application is approved by DESE and USED, late-liquidation flexibility can be applied to such expenditures as capital projects that experienced unforeseeable delays/supply shortages where the equipment or supplies cannot be delivered by November 29, 2024, the standard window available for post-deadline performance of validly obligated contracts. Another possible circumstance justifying late liquidation could be for contracts with third-party providers to support the continuity of educational support services through the end of the school year, such as contracts for tutoring, mental health support, curriculum materials, professional development, technology tools, and substitute teachers.

As stated above, solely needing more time to expend funds is not an adequate justification for late liquidation. Rather, late liquidation requests must be aligned to specific projects, contracts, or other expenses based on properly obligated funds. The table below outlines some possible justifications for late liquidation and corresponding timelines.

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| --- | --- | --- | --- | --- | --- |
| **ESSER III Obligation, Liquidation, Performance (Certain Contracts), and Grant Closeout** | | | | | |
| *Reminder: Best Practice is to obligate, liquidate, and closeout a grant by end of the Period of Availability (i.e., by the obligation deadline)* | | **Obligation Must Occur By:** | **Performance of Validly Obligated Contract Must be Completed By:** | **District Liquidation/Drawdown of Grant Expenditures By:** | **DESE Liquidation of Federal Grant By:** |
| **Standard ESSER III Deadlines** | | September 30, 2024 | November 29, 2024 | December 29, 2024 | January 28, 2025 |
| **ESSER III Deadlines with**  **Late Liquidation Flexibility**  *(if approved by DESE and USED)* | Continuity of services through end of school year | September 30, 2024 | June 30, 2025  (example of a 7-month extension) | July 30, 2025  (example of a 7-month extension) | August 29, 2025  (example of a 7-month extension) |
| Unforeseeable delays  (e.g., supply chain issues or delivery delays) | September 30, 2024 | January 31, 2026 (example of a 14-month maximum extension) | February 28, 2026 (example of a 14-month maximum extension) | March 28, 2026  (example of a 14-month maximum extension) |

**Requesting an Extension of the Liquidation Period for ESSER III**

Districts that are interested in applying for late liquidation for one or more expenses for ESSER III funds should **submit a request in** [**GEM$**](https://mass.egrantsmanagement.com/) **(navigate to “Application Supplements” and click on “ESSER III Late Liquidation Request”) and provide the required information outlined below by September 30, 2024**. Approval of a grantee’s request will be based upon the specific facts and circumstances, in accordance with 2 CFR §200.344(b). Both DESE, and then USED, will review submissions on a rolling, first-come-first-served basis. If approved under this process, districts will be notified by DESE as soon as USED makes a final determination. Further, if a late liquidation request is approved by DESE and USED, no changes can be made to the specific project or contract. If the executed contract cannot be fulfilled, the funds subject to late liquidation must be forfeited.

Please note that submission of a request does not guarantee approval for a liquidation extension, as DESE has the ability to deny requests based on the information it receives from districts as well as on other factors related to an LEA’s recent history of financial management practices (significant audit findings, for example). Awardees should plan for an alternative source of funds for any contractual performance extending beyond November 29, 2024 should an extension request not receive approval. Further, if a late liquidation request is approved by DESE and USED, no changes can be made to the specific project or contract. If the executed contract cannot be fulfilled, the funds subject to late liquidation must be forfeited.

**Required Information to Request an Extension of the Liquidation Period for ESSER III:**

1. **Description of the Expense** – a brief, simple description of the ESSER III expense for which you’re seeking an extension of the liquidation period. Examples might include construction contract(s), HVAC contract(s), instructional services contract(s), materials/supplies, or other allowable uses.
2. **Justification for Request** – Provide an explanation for each expenditure that will not be liquidated by the end of the 90-day liquidation period already provided. Needing more time to expend funds is not an adequate justification for a liquidation extension. Examples might include delays related to supply or labor shortages. The justification for each request will be reviewed consistent with state and federal oversight practices.
3. **Amount of Time Requested** – Provide the amount of time, in months, needed to liquidate funds for each expense beyond the 3-month window already provided. Remember that 14 additional months is the maximum extension.
4. **Justification for Amount of Time** – Provide an explanation for why you requested this amount of additional time.
5. **Amount of Obligated Funds** - The amount of money for which a liquidation extension is requested – this expense should already be included in your approved ESSER III budget.
6. **Supporting Documentation** – Upload supporting documentation that demonstrates the timely obligation of funds, such as purchase orders or contracts for services, as well as any documentation supporting a delay in receiving services, if applicable.

**Timing of Submissions and Potential Approvals**

Districts may start submitting requests to DESE through the GEM$ system on May 13, 2024, and may submit requests to DESE through September 30, 2024. DESE will submit completed and approvable ESSER III late liquidation requests to the US Department of Education as close to October 1, 2024 as possible. Then, as soon as USED notifies DESE of its decisions, DESE will pass that information on to all districts that applied.

For additional information, please contact the Federal Grant Programs Office at [federalgrantprograms@mass.gov](mailto:federalgrantprograms@mass.gov)