

FISCAL BRIEF

ARP ACT EDUCATION-RELATED ALLOCATIONS

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FAST FACTS

- The ARP Act provides federal funds to states in response to the COVID-19 pandemic. In Michigan, \$5.4 billion is allocated for education-related purposes.
- \$4.2 billion is allocated to K-12 districts and ISDs.
- \$1.1 billion is allocated to institutions of higher education.
- \$142.4 million is allocated to nonpublic schools, MDE, community-based organizations (CBOs), and other education-related organizations.

INTRODUCTION

The American Rescue Plan (ARP) Act, signed March 11, 2021, was the sixth of six federal relief packages enacted in response to the COVID-19 pandemic and the third of three to authorize funds for education-related purposes.¹ The ARP Act includes \$165.1 billion Education Stabilization Fund (ESF) (**Michigan: \$4.9 billion**), allocated in three categories:

- \$122.8 billion Elementary and Secondary School Emergency Relief (ESSER) II Fund (**Michigan: \$3.7 billion**).
- \$39.6 billion Higher Education Emergency Relief Fund (HEERF) III (**Michigan: \$1.1 billion**).
- \$2.8 billion for Emergency Assistance to Nonpublic Schools (**Michigan: \$86.9 million**).

The ARP Act also includes \$219.8 billion Coronavirus State Fiscal Recovery Fund (SFRF) (**Michigan: \$6.5 billion**) for a broad range of COVID-19 response expenditures, of which **\$529.3 million** is allocated for education-related purposes. As of this writing, \$740.8 million is not yet allocated.

This fiscal brief describes the education-related allocations for Michigan from funds established under the ARP Act.

FUND AUTHORIZATIONS

ARP Act funds related to education are allocated in Michigan through the following means:

- 2021 PA 47 authorized \$3.3 billion ESSER III Fund and \$86.9 million Emergency Assistance to Nonpublic Schools (EANS).²
- 2021 PA 48 authorized \$364.4 million ESSER III Fund and \$196.0 million CSFR Fund.³

¹ See the House Fiscal Agency [CARES Act Fiscal Brief](#) and [CRRSA Act Fiscal Brief](#) for details on the first two federal packages that authorized funds for education-related purposes.

² 2021 PA 47 appropriated \$93.0 million for EANS, but the federal allocation was later revised down to \$86.9 million.

³ 2021 PA 48 originally appropriated an additional \$6.0 million CSFR Fund for engineering and manufacturing programs, but this was repealed by 2022 PA 144. The item was moved to the MDE budget and funded with GF/GP.

- 2022 PA 9 authorized \$250,000 CSFR Fund.
- 2022 PA 166 authorized \$10.3 million ESSER III Fund.
- 2022 PA 144 authorized \$333.0 million CSFR Fund.
- \$1.1 billion HEERF III is appropriated directly to institutions of higher education (IHEs).

FUND DISTRIBUTIONS

The education-related funds described above are allocated to K-12 districts and intermediate school districts (ISDs), IHEs, and other entities. **Table 1** groups each allocation by recipient type. Allocations are described in further detail in the following sections.

Table 1: Allocations by Recipient Type

Allocations	Amount (in millions)	Page
<u>K-12 Districts/ISDs</u>		
ESSER III: Subgrants to LEAs	\$3,350.2	4
ESSER III: \$1,093 Per-Pupil Equalization	\$362.0	5
CSFR: Year-Round Infrastructure Grants	\$75.0	7
CSFR: Great Start Readiness Program	\$204.0	7
CSFR: Grow Your Own Programs	\$155.0	8
CSFR: TRAILS Program	\$50.0	8
Subtotal	\$4,196.2	
<u>Institutions of Higher Education</u>		
HEERF III: Student Aid and Institutional Portions for Public and Nonprofit Institutions	\$1,025.2	3
HEERF III: Awards to HBCUs, Minority-Serving Institutions, and Strengthening Institutions Program	\$24.9	3
HEERF III: Supplemental Support under ARP	\$0.7	4
HEERF III: Proprietary Institutions Grant Funds for Students	\$9.7	4
Subtotal	\$1,060.5	
<u>Other Entities</u>		
ESSER III: MDE Administration	\$10.3	5
Emergency Assistance for Nonpublic Schools (EANS)	\$86.9	6
CSFR: Work-Based Learning Health Services Academies	\$0.3	8
CSFR: Before/After and Summer School Programs ⁴	\$25.0	8
CSFR: Teach for America	\$20.0	8
Subtotal	\$142.4	
TOTAL	\$5,399.2	

⁴ Eligible recipients for Before/After School Programs include ISDs and IHEs, but also include community-based organizations (which must receive at least 60% of total funding), community or adult education programs, public libraries, and local governments.

HIGHER EDUCATION EMERGENCY RELIEF FUND: \$39.6 BILLION (MICHIGAN: \$1.1 BILLION)

The Higher Education Emergency Relief Fund (HEERF) III is allocated in the following four categories.

Student Aid and Institutional Portions for Public and Nonprofit Institutions

91% (\$36.0 billion; **Michigan: \$1.0 billion**) is allocated to each IHE using the following formula:

- 75% is distributed according to the enrollment of federal Pell Grant recipients who are not exclusively enrolled in distance education courses, split evenly between the calculated measure of full-time equivalent (FTE) enrollment and total enrollment.
- 23% is distributed according to the enrollment of students who are not federal Pell Grant recipients and who are not exclusively enrolled in distance education courses, split evenly between the calculated measure of FTE enrollment and total enrollment.
- 2% is distributed according to the enrollment of federal Pell Grant recipients who were exclusively enrolled in distance education courses, split evenly between the calculated measure of FTE enrollment and total enrollment.

Similar to the federal funds provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, the institutions may use funds to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. Institutions must use a portion of funds to implement evidence-based practices to monitor and suppress the coronavirus in line with public health guidelines and have direct outreach to financial aid applicants about receiving financial aid adjustments due to unemployment related to the pandemic. However, at least 50% of the funds must be used to provide emergency financial aid grants directly to students for expenses related to the disruption of campus operations due to the coronavirus, such as food, housing, technology, or health care expenses.

Institutions are prohibited from using HEERF appropriations for the following costs:

- Payment to contractors for the provision of pre-enrollment recruitment activities.
- Endowments.
- Capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship.

Out of the \$1.0 billion allocation for Student Aid and Institutional awards for Michigan IHEs, public community colleges received \$356.8 million and public universities received \$632.3 million. See **Appendix A** for allocations to Michigan public IHEs.

Awards to Historically Black Colleges and Universities (HBCUs), Minority-Serving Institutions, and Strengthening Institutions Program

7.5% (\$2.97 billion; **Michigan: \$24.9 million**) is allocated for additional awards to IHEs under Parts A (Strengthening Institutions Program) and B (Strengthening Historically Black Colleges and Universities Program) of Title III, Parts A (Developing Hispanic-Serving Institutions Program) and B (Promoting Postbaccalaureate Opportunities for Hispanic Americans) of Title V, and Subpart 4 of Part A of Title VII (Master's Programs at HBCUs and Predominantly Black Institutions) of the Higher Education Act. These funds are allocated in proportion to the funding of such programs in the 2020 Further Consolidated Appropriations Act.

Awards may be used for:

- Defraying expenses, including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll.
- Carrying out student support activities that addresses needs related to the COVID-19 pandemic.

- Grants to students for any component of the student’s cost of attendance, including food, housing, course materials, technology, health care, and child care.

Michigan public community colleges received \$8.6 million, and public universities received \$5.7 million. See **Appendix A** for allocations to eligible Michigan public IHEs.

Supplemental Support under ARP

2.5% (\$197.9 million; **Michigan: \$684,000**) is allocated to IHEs that the U.S. Department of Education (U.S. ED) determines have the greatest unmet needs related to the coronavirus. Funds may be used for the same purposes described under the HBCU 7.5% allocation. Priority must be given to any institution that is not otherwise eligible for at least \$500,000 under the 90% formula-based allocation and that demonstrates significant unmet needs related to expenses associated with the coronavirus.

Proprietary School Funding

3.0% (\$395.8 million; **Michigan: \$9.7 million**) is allocated to IHEs that are defined as proprietary schools under the Higher Education Act of 1965. Institutions must apply to receive their allocated funding. All grant funding received under this category must be used towards financial aid grants to students.

ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER) III FUND: \$122.8 BILLION (MICHIGAN: \$3.7 BILLION)

ESSER III funds are allocated to each state in the same proportion as the state’s FY 2019-20 Title I, Part A allocation under the Elementary and Secondary Education Act (ESEA).

The ARP Act includes a new requirement that an LEA receiving ESSER III funds must develop a plan for the safe return to in-person instruction and continuity of services.

Subgrants to Local Educational Agencies (LEAs)

90% (**Michigan: \$3.4 billion**) of a state’s grant is allocated for formula subgrants to LEAs in proportion to Title I, Part A allocations. The [Federal COVID K-12 Education-Related Allocations Spreadsheet](#) details the subgrant amount allocated to each eligible district in Michigan. At least 20% of a district's subgrant must be used to address learning loss (this provision is new as of ESSER III).

An LEA may obligate funds through September 30, 2023 for any of the following allowable expenses incurred on or after March 13, 2020:⁵

1. Any activity authorized by the ESEA.
2. Any activity authorized by the Individuals with Disabilities Education Act (IDEA).
3. Any activity authorized by the Adult Education and Family Literacy Act.
4. Any activity authorized by the Carl D. Perkins Career and Technical Education Act.
5. Coordination of preparedness and response efforts of LEAs with state, local, tribal, and territorial public health departments, and other relevant agencies, to improve coordinated responses among such entities to prevent, prepare for, and respond to coronavirus.

⁵ Allowable expenses for ESSER III Fund under the ARP Act are similar to those for ESSER II Fund under the CRRSA Act. The ARP Act adds item #17, although U.S. ED guidance notes that this additional allowable use already was permitted under the CARES Act and CRRSA Act.

6. Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population.
7. Developing and implementing procedures and systems to improve the preparedness and response efforts of LEAs.
8. Training and professional development for staff of LEAs on sanitation and minimizing the spread of infectious diseases.
9. Purchasing supplies to sanitize and clean the facilities of an LEA, including buildings operated by such agency.
10. Planning for, coordinating, and implementing activities during long-term closures, including providing meals to eligible students, providing technology for online learning to all students, providing guidance for carrying out requirements under IDEA, and ensuring other educational services can continue to be provided consistent with all federal, state, and local requirements.
11. Purchasing educational technology (including hardware, software, and connectivity) for students that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and children with disabilities, which may include assistive technology or adaptive equipment.
12. Providing mental health services and supports, including through the implementation of evidence-based full-service community schools.
13. Planning and implementing activities related to summer learning and supplemental afterschool programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, children with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.
14. Addressing learning loss among students by administering and using high-quality assessments; implementing evidence-based activities to meet students' comprehensive needs; providing information and assistance to parents and families on how they can effectively support students, including in a distance learning environment; and tracking student attendance and improving student engagement in distance education.
15. School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.
16. Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.
17. Developing strategies and implementing public health protocols for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff.
18. Other activities that are necessary to maintain the operation and continuity of services and continuing to employ existing staff.

State Education Agency (SEA) Reserve

Of the remaining 10% (**Michigan: \$372.2 million**) of a state's grant:

- At least 5% (\$186.1 million) of the total state grant must be reserved to address learning loss by supporting the implementation of evidence-based interventions.
- At least 1% (\$37.2 million) must be reserved to implement evidence-based summer enrichment programs.

- At least 1% (\$37.2 million) must be reserved to implement evidence-based comprehensive after-school programs.
- Up to 0.5% (\$18.6 million) may be reserved for administrative costs.
- The remainder (\$93.1 million) may be allocated as determined by the SEA⁶ to respond to the coronavirus.

Michigan appropriated its SEA Reserve as follows:

- \$362.0 million to bring districts that received less than \$1,093 per pupil through the ESSER III formula subgrants up to \$1,093 per pupil. To fulfill the above SEA Reserve requirements, each recipient was required to dedicate 51.4% of funds for activities to address learning loss, 10.3% for the implementation of summer enrichment programs, and 10.3% for the implementation of after-school programs.
- \$10.3 million for MDE administrative costs (MDE budget).

EMERGENCY ASSISTANCE TO NONPUBLIC SCHOOLS (EANS): \$2.8 BILLION (MICHIGAN: \$86.9 MILLION)

Under the ARP Act, unlike under the CRRSA Act, there is no Governor's Emergency Education Relief (GEER) Fund and the EANS Program is separated out from GEER Fund as a standalone appropriation. Michigan's **\$86.9 million** EANS allotment is based on the state's number of nonpublic school students aged 5 to 17 who are at or below 185% of the poverty guidelines.

SEAs are required to administer the EANS program, including distributing information, approving or denying applications within 30 days of receipt, and obligating funds within 6 months. SEAs must only provide assistance to nonpublic schools that enroll a significant percentage of low-income students and are most impacted by the COVID-19 emergency (previously, an SEA was required to *prioritize* schools that enrolled low-income students and were most impacted by the COVID-19 emergency).

An SEA may reserve the greater of \$200,000 or 0.5% of funds for administration.

OTHER MAJOR PROVISIONS RELATED TO THE EDUCATION STABILIZATION FUND

The following provisions apply to entities receiving ESSER III funds.

Maintenance of Effort

A state receiving ESSER III funds must maintain support for elementary and secondary education and for higher education in both FY 2021-22 and FY 2022-23 at least at the average level of such support relative to the state's overall spending in FY 2016-17 through FY 2018-19. For this calculation, state support for higher education includes funding to IHEs and need-based financial aid, but does not include support for capital projects, support for research and development, or tuition and fees paid by students.

The U.S. ED may waive this requirement for the purpose of relieving the fiscal burden incurred by a state in preventing, preparing for, and responding to the coronavirus. Michigan did not submit a waiver request under the ARP Act.

⁶ In Michigan, funds may not be appropriated without legislative authorization. Therefore, the SEA cannot solely determine ESSER III Fund appropriations.

Maintenance of Equity

The ARP Act includes a new maintenance of equity requirement for states and LEAs receiving ESSER III funds.

A state receiving ESSER III funds must ensure both of the following for FY 2021-22 and FY 2022-23:

- It does not reduce state funding per pupil for any high-need LEA⁷ by an amount exceeding the overall reduction in state funding per pupil across all LEAs in that fiscal year.
- It does not reduce state funding per pupil for any highest poverty LEA⁸ below the state funding per pupil provided to that LEA in FY 2018-19.

An LEA receiving ESSER III funds must ensure both of the following for FY 2021-22 and FY 2022-23:

- It does not reduce the combined state and local funding per pupil for any high-poverty school⁹ served by the LEA by an amount exceeding the overall reduction in funding per pupil across all schools served by the LEA.
- It does not reduce the full-time equivalent (FTE) staff per pupil for any high-poverty school served by the LEA by an amount exceeding the overall reduction in FTE staff per pupil across all schools served by the LEA.

The above LEA requirements do not apply to an LEA that enrolls less than 1,000 students, operates a single school, serves all students within each grade span with a single school, or demonstrates an exceptional or uncontrollable circumstance as determined by the U.S. Secretary of Education.

Employee Pay

The ARP Act does not include the provision under the CARES Act and CRRSA Act requiring Education Stabilization Fund recipients to continue paying employees and contractors during coronavirus-related disruptions or closures.

CORONAVIRUS STATE FISCAL RECOVERY FUND: \$219.8 BILLION (MICHIGAN: \$6.5 BILLION; \$529.3 MILLION FOR EDUCATION)

The ARP Act established the SFRF for states, territories, and tribal governments to mitigate the fiscal effects stemming from the public health emergency with respect to COVID-19. Funds may be used for the following purposes:¹⁰

- Responding to the pandemic and its negative economic impacts.
- Providing premium pay to essential workers.
- Providing government services to the extent of the reduction in revenue due to the pandemic.
- Making necessary investments in water, sewer, or broadband infrastructure.

Funds may not be used for deposit into any pension fund or to offset a reduction in net tax revenue resulting from a change in law, although the latter provision is currently being litigated in federal court.

Of Michigan's **\$6.5 billion** SFRF allocation, **\$529.3 million** is appropriated for education-related purposes and \$740.8 million is not yet appropriated.

⁷ High-need LEAs include those that have the highest percentage of economically disadvantaged students in the state and collectively serve at least 50% of the state's total students.

⁸ Highest poverty LEAs include those that have the highest percentage of economically disadvantaged students in the state and collectively serve at least 20% of the state's total students.

⁹ High-poverty schools are schools in the highest quartile of schools served by an LEA based on the percentage of economically disadvantaged students.

¹⁰ See the [Treasury webpage](#) for more information.

The education-related SFRF appropriations to date include the following:

- \$75.0 million for matching grants to districts for year-round calendar infrastructure costs.
- \$204.0 million over two fiscal years to expand the Great Start Readiness Program (GSRP), with a plan to spend an additional \$51.0 million in FY 2023-24.
- \$250,000 for districts and ISDs to partner with NAF to expand opportunities for work-based learning health services academies (MDE budget).
- \$155.0 million for a Grow Your Own Program for districts and ISDs to provide no-cost pathways for support staff to become certified teachers.
- \$50.0 million for grants to ISDs to implement the TRAILS program for school mental health training.
- \$25.0 million for grants to eligible entities to expand access to before/after and summer school programs.
- \$20.0 million for Teach for America.

Appendix A: HEERF III Allocations to Michigan IHEs

Institution	Total Student Aid and Institutional Awards (Sec. 2003(a)(1))	Minimum for Student Aid Portion	Maximum for Institutional Portion	Minority Serving Institutions & Strengthening Institutional Programs (Sec. 2003(a)(2))	Total Allocation under HEERF III
Alpena Community College	\$3,067,352	\$1,546,463	\$1,520,889	\$135,054	\$3,202,406
Bay De Noc Community College	3,077,440	1,599,735	1,477,705	-	3,077,440
Central Michigan University	39,775,767	20,155,497	19,620,270	-	39,775,767
C. S. Mott Community College	19,824,146	10,053,575	9,770,571	-	19,824,146
Delta College	18,648,759	9,490,800	9,157,959	807,569	19,456,328
Eastern Michigan University	40,313,310	20,461,718	19,851,592	1,772,855	42,086,165
Ferris State University	28,514,035	14,442,305	14,071,730	1,254,338	29,768,373
Glen Oaks Community College	2,219,516	1,115,620	1,103,896	-	2,219,516
Gogebic Community College	2,156,105	1,109,457	1,046,648	93,232	2,249,337
Grand Rapids Community College	25,723,053	13,057,485	12,665,568	1,128,261	26,851,314
Grand Valley State University	51,216,939	25,624,210	25,592,729	-	51,216,939
Henry Ford College	34,135,616	17,230,269	16,905,347	1,475,954	35,611,570
Jackson College	13,116,377	6,853,673	6,262,704	556,398	13,672,775
Kalamazoo Valley Community College	16,573,208	8,338,989	8,234,219	-	16,573,208
Kellogg Community College	8,496,138	4,379,169	4,116,969	-	8,496,138
Kirtland Community College	3,472,073	1,782,541	1,689,532	-	3,472,073
Lake Michigan College	6,266,190	3,164,500	3,101,690	272,932	6,539,122
Lake Superior State University	5,095,529	2,555,521	2,540,008	225,131	5,320,660
Lansing Community College	20,388,784	10,480,302	9,908,482	-	20,388,784
Macomb Community College	36,439,840	18,605,657	17,834,183	-	36,439,840
Michigan State University	81,753,998	40,911,660	40,842,338	-	81,753,998
Michigan Technological University	12,364,790	6,187,436	6,177,354	-	12,364,790
Mid Michigan College	5,077,764	1,320,530	3,757,234	370,884	5,448,648
Monroe County Community College	4,898,160	2,486,363	2,411,797	214,800	5,112,960
Montcalm Community College	3,229,993	1,638,663	1,591,330	-	3,229,993
Muskegon Community College	8,367,136	4,247,002	4,120,134	366,607	8,733,743
North Central Michigan College	3,546,219	1,799,768	1,746,451	-	3,546,219
Northern Michigan University	17,395,283	8,740,347	8,654,936	-	17,395,283
Northwestern Michigan College	7,212,333	3,679,516	3,532,817	313,892	7,526,225
Oakland Community College	28,773,430	14,442,004	14,331,426	-	28,773,430
Oakland University	39,413,779	19,783,510	19,630,269	-	39,413,779
Saginaw Valley State University	19,906,061	9,980,353	9,925,708	882,217	20,788,278
Schoolcraft College	18,544,862	9,515,825	9,029,037	-	18,544,862
Southwestern Michigan College	5,202,164	2,601,083	2,601,081	-	5,202,164
St. Clair County Community College	6,550,018	3,380,531	3,169,487	284,143	6,834,161
University of Michigan - Ann Arbor	64,724,747	32,363,695	32,361,052	-	64,724,747
University of Michigan - Dearborn	21,370,771	10,709,416	10,661,355	941,162	22,311,933
University of Michigan - Flint	14,314,634	7,342,634	6,972,000	628,290	14,942,924
Washtenaw Community College	20,772,036	10,658,542	10,113,494	915,128	21,687,164
Wayne County Community College District	28,863,888	14,698,204	14,165,684	1,641,138	30,505,026
Wayne State University	57,175,156	28,681,732	28,493,424	-	57,175,156
West Shore Community College	2,148,773	1,098,083	1,050,690	-	2,148,773
Western Michigan University	43,881,718	22,060,846	21,820,872	-	43,881,718
TOTAL	\$894,007,890	\$450,375,229	\$443,632,661	\$14,279,985	\$908,287,875

Source: U.S. Department of Education (last updated 5/11/2021)