A. What Is Consolidated Administration?

The Elementary and Secondary Education Act (ESEA) permits SEAs to consolidate the administrative funds they receive under any ESEA program that authorizes spending on administrative activities.¹

**EXAMPLE:** An SEA sets aside $1 million for Title I administrative costs and $100,000 for Title II, Part A administrative costs. It can consolidate those funds to create a pool of $1.1 million of consolidated administrative funds. (Note that an SEA can include any ESEA program that permits administrative spending in the consolidated administrative pool, but an SEA may choose to include certain ESEA programs and exclude others.)

SEAs may also consolidate the administrative funds they receive under other programs designated by the U.S. Secretary of Education. To date, the Secretary has designated the Elementary and Secondary School Emergency Relief Fund (ESSER), the Governor’s Emergency Education Relief Fund (GEER), the Emergency Assistance to Non-Public Schools (EANS) program, and the McKinney Vento Homeless Education program as also being eligible for consolidated administration.²

**EXAMPLE:** The SEA above sets aside $200,000 for EANS administrative costs. It can consolidate those EANS administrative funds with its Title I and Title II, Part A administrative funds to create a pool of $1.3 million of consolidated administrative funds.

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¹ ESEA, Section 8201. Most of the major ESEA programs authorize spending on administrative activities.
² ED confirmed the ESSER and GEER designations in a July 2020 communication:

Sections 8201(a)(2) and 8203(a) of the Elementary and Secondary Education Act of 1965, as amended (ESEA) permit a State educational agency (SEA) and local educational agency (LEA), respectively, to consolidate administrative funds under certain ESEA programs. The Secretary may designate additional programs from which administrative funds may be consolidated.

Under that authority, Assistant Secretary Brogan has designated the ESSER Fund and the Governor’s Emergency Education Relief (GEER) Fund as programs under which an SEA or LEA may consolidate administrative funds. Accordingly, an SEA that consolidates ESEA administrative funds may now also consolidate administrative funds under the ESSER Fund and GEER Fund, if applicable.

Specifically, an SEA may consolidate the one-half of one percent of its ESSER funds able to be reserved for State administration and, if the SEA is administering a portion of the GEER Fund on behalf of the Governor, a reasonable and necessary amount of those funds. If the SEA consolidates administrative funds under the ESSER Fund or GEER Fund, it is not required to keep separate records for how it uses those administrative funds.

The consolidated administrative funds may be used to administer the programs included in the consolidation as well administrative activities designed to enhance the effective and coordinated use of funds under programs included in the consolidation.

B. What Are the Benefits of Consolidation?

There are three key benefits to consolidating administrative funds. Consolidered funds:

1. Gives SEAs more **spending options** because consolidated administrative funds can be spent on more activities than non-consolidated administrative funds (see Section C below),
2. Can make it easier for staff to **work on multiple programs and coordinate** with each other and with other SEA staff (see Section C below), and
3. Can **reduce some of the paperwork** required of staff who work on federal programs (see Section F below).

C. How Can SEAs Spend Consolidated Administrative Funds?

SEAs may spend consolidated administrative funds on:

- The administration of any consolidated program regardless of how much money that program contributed.³ Consider, the example above where an SEA consolidates its Title I, Title II, Part A, and EANS funds to create a $1.3 million pool of consolidated administrative funds. Even though EANS only contributed $200,000 to the pool, the SEA could spend any part of the $1.3 million pool to administer the EANS program. (Please note that costs charged to the pool must be necessary and reasonable.)
- Administrative activities designed to enhance the **effective and coordinated use of funds** that are part of the consolidated pool, such as:
  - Coordinating consolidated programs with other federal and non-federal programs,
  - Disseminating information about model programs and practices,
  - Technical assistance under any consolidated program,
  - Training personnel engaged in audit and other monitoring activities,
  - Implementing cooperative audit resolution,
  - Implementing fiscal support teams that provide technical fiscal support assistance, which includes evaluating fiscal, administrative, and staffing functions, and any other key operational function.⁴
- Developing challenging state academic standards and assessments under Title I of ESEA.⁵

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<th>CONSOLIDATED ADMINISTRATION: STAFFING AND CONTRACTING EXAMPLE</th>
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<td>An SEA consolidates ESEA, ESSER, and EANS funds into a consolidated administrative pool. Any employee paid from that pool may work on any program that is part of the consolidation. For example, employees that typically work on equitable services under ESEA programs could work on the EANS program. Or, an SEA could hire a new staff member to work on the EANS program, and once that work is no longer needed, the staff member could work on any other consolidated program. Similarly, the SEA could use consolidated administrative funds to contract with an individual or entity for assistance with administering any program that is part of the consolidated pool, including providing technical assistance, disseminating information on model programs and practices, or any other allowable activity.</td>
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³ ESEA, Section 8201(b)(1).
⁴ For a full list of allowable uses of consolidated administrative funds, please see ESEA, Section 8201(b)(2)(A)-(F).
⁵ ESEA, Section 8201(f).
D. Which SEAs Are Eligible to Consolidate ESEA and other Designated Administrative Funds?

Any SEA that can demonstrate “the majority of its resources are derived from non-federal sources” may consolidate ESEA and other designated administrative funds.\(^6\)

ED has not issued any recent guidance explaining what “the majority of its resources are derived from non-federal sources” means, but ED issued guidance about that term under a prior version of the ESEA (known as the Improving America’s Schools Act (IASA)). In that guidance ED clarified that the term “resources” means resources used for administrative purposes. For example, when determining whether the majority of an SEA’s resources come from non-federal sources, the SEA cannot include state funds used for programmatic purposes such as operating state schools for children with disabilities.\(^7\) It is not clear the extent to which this old guidance reflects ED’s current policy.

In addition, federal regulations state that SEAs may adopt and use its own reasonable standards in determining whether . . . [t]he majority of its resources for administrative purposes comes from non-Federal sources .\(^8\)

E. How Do SEAs Consolidate Funds and Account for Spending?

In general, SEAs have flexibility to determine how to account for the consolidation of administrative funds in their accounting systems.\(^9\)

One option might be to charge allowable expenses proportionally among the consolidated programs.\(^10\) For example, if Title I, Part A made up thirty percent of the consolidated administrative funds, an SEA could charge thirty percent of allowable expenses to Title I, Part A.\(^11\)

However an SEA decides to account for consolidated administrative funds, it should be able to show:

- The amount of administrative funds from each program for each grant year that the agency consolidated for administrative activities,
- That the amount consolidated from each program does not exceed any statutory or regulatory cap on administrative funds,
- That funds were obligated within the period of availability, and
- That the activities for which the funds were used were allowable.\(^12\)

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\(^6\) ESEA, Section 8201(a)(1). Please note that IDEA and Perkins funding are not designated as eligible for inclusion in the consolidated administrative pool.

\(^7\) U.S. Department of Education, *Nonregulatory Guidance on Consolidated Plans and Consolidated Administrative Funds*, Q.12 (1997), available at https://www2.ed.gov/policy/gen/guid/caroi/tltitlexiv.html. (From now on, this guidance will be referred to as *ED 1997 Consolidated Administrative Funds Guidance*.) Please note this guidance was issued under an earlier version of the Elementary and Secondary Education Act and is not directly applicable to ESEA. It is cited here for its historical value.

\(^8\) 34 CFR § 299.4(a); see also *ED 1997 Consolidated Administrative Funds Guidance* at Q12.

\(^9\) *ED 1997 Consolidated Administrative Funds Guidance* at Q22.

\(^10\) *ED 1997 Consolidated Administrative Funds Guidance* at Q22.

\(^11\) Some states establish a separate code in their accounting systems to track consolidated administrative expenses. These expenses are then periodically allocated to the contributing funding sources proportionally. See, for example, these procedures from the California Department of Education https://www.cde.ca.gov/fg/ac/co/confunds0306.asp. These procedures address consolidated administrative funds at the local level, but the same process could work at the state level.

\(^12\) *ED 1997 Consolidated Administrative Funds Guidance* at Q22. Please note that although these criteria are cited in guidance from an earlier version of the ESEA, they are consistent with federal financial management standards that apply to all current programs such as the standards in 2 CFR § 200.302.
F. What Kind of “Time and Effort” Records Must Employees Paid with Consolidated Administrative Funds Keep?

All employees paid with federal funds must keep records demonstrating they worked on the programs that paid their salaries. These records are often called “time and effort records.”

Consolidated administration is treated as one “program” for time and effort purposes. Employees working on consolidated administrative activities are not required to separately track the time they spend on each consolidated program. For example, if an SEA consolidates its Title I, Title II, and EANS funds, then an employee paid with consolidated administrative funds could work on any of the programs without having to break out the time spent on each.

In practice, employees who work on one program typically sign a certification every six months verifying they spent all their time on that program. An employee paid with consolidative administrative funds could sign a certification that says something like, “I certify that I spent one hundred percent of my time on consolidated administrative activities.”

13 2 CFR § 200.430(i).
14 ED 1997 Consolidated Administrative Funds Guidance at Q22. Consolidated administration is considered to be a “single cost objective,” which is a technical term meaning a group of activities that can be charged together. For more information about cost objectives and their relationship to time and effort reporting, please see ED guidance at: https://www2.ed.gov/policy/fund/guid/gposbul/time-and-effort-reporting-c.doc. Please note that this document was issued in 2012, prior to both ESEA and the issuance of the Uniform Grant Guidance (see footnote below), so some of the examples are outdated, but concept of a “single cost objective” is still accurate.
15 Federal regulations used to require employees who work on one program (or cost objective) to maintain a semi-annual certification, but those regulations were revised in 2014. The current regulations (known as the Uniform Grant Guidance) now offer more flexibility in the kinds of records employees keep as long as they meet certain standards. ED has not provided much guidance on this flexibility, so in practice, most states and districts continue to use semi-annual certifications.