

ESSA Quick Reference Brief: Student Incentives and Federal Funds

(Titles I-A, I-C, II-A, II-A, & IV-A)

What the Law Says

The Elementary and Secondary Education Act (ESEA) does not address student incentives. In the absence of a reference in law, states and districts must look to regulations, non-regulatory guidance and other communications from the U.S. Department of Education (ED) for direction.

Regulations and Guidance from the U.S. Department of Education

All the administrative requirements for ED are found in the Education Department General Administrative Regulations (EDGAR), including Part 200 of Title 2 of the Code of Federal Regulations, commonly referred to as the Uniform Grants Guidance (UGG). The administrative rules and cost principles contained in Part 200 are applicable to all federal funding. This means that any use of federal funds, including for student incentives, needs to meet the definitions of “necessary, reasonable and allocable”¹ as described in UGG.



Letter to Anderson

While ED has not addressed incentives in its non-regulatory guidance, it has provided other forms of written direction on this topic. The *Letter to Anderson* is a response from ED staff to an inquiry from Milwaukee Public Schools regarding the use of Title I-A funds to purchase student incentives. According to the letter:

“Title I-A funds may be used for non-monetary rewards of nominal value (e.g. a plaque, gift certificate for a pizza, or a book) to recognize Title I-A students for good performance unless prohibited under state or local law. Title I-A funds may not be used to pay students a stipend or provide some other type of award as an incentive for participation as that is tantamount to paying students to attend class.”

The letter also notes the prohibition on the use of federal funds for entertainment, including “*amusement, diversions and social activities and any costs directly associated with such costs.*”²

In addition to following the cost principles, the *Letter to Anderson* requires that incentives be non-monetary, of nominal value, and based on performance. **Non-monetary** means that incentives cannot be provided as cash, which would include gift cards. To be **nominal**, the cost of the incentive should be small. While ED does not specifically define nominal, items whose value does not exceed \$10 would most certainly meet this requirement. **Performance-based** means that incentives should be used to recognize achievement or improvement, not simply to reward attendance or participation.

What it Means

In making determinations about purchasing student incentives with federal funds, districts must consider both:

- the **cost principles** described in UGG (necessary, reasonable and allocable); and
- direction provided in the **Letter to Anderson** (non-monetary, nominal value, performance versus attendance).

Additionally, ODE requires districts to provide examples in the CIP Budget Narrative of the incentives to be purchased with federal funds and acknowledgement that they meet the federal requirements and guidance.

¹ 2CFR 200.403

² 2CFR 200.438

Cost Principles in UGG

To be considered **necessary**, the cost must be needed for the operation of the program. A cost is considered **reasonable**³ if it does not exceed that which would be incurred by a prudent person. A cost is **allocable**⁴ if it benefits the program to which it is charged.

Questions to ask include:

Necessary

- How does this incentive meet a need identified in our needs assessment?
- How do student incentives help us achieve the goals in our school/district plan?
- How will we know if the incentives are working?

Reasonable

- Why did we pick these incentives?
- How many students will benefit?
- What is the cost for incentives in comparison to the overall budget?
- Would purchase of this item pass the “headline test?”
- Is there an alternative non-monetary activity that we could use in place of this incentive?

Allocable

- Does the incentive meet the purpose of the program?
- Will the incentive benefit the program in proportion to the percentage the program pays for the item?

Considerations for Field Trips and Celebrations

Federal grant funds must be used to serve a programmatic purpose.⁵ The cost of field trips may be allowable with federal funds, only if the purpose of the field trip is clearly connected to the school’s instructional program and student learning. Districts considering using funds in this way should reach out to ODE for guidance.

Likewise, entertainment for the purpose of a social activity, diversion, or amusement is not an allowable cost for a federal grant.⁶ Federal funds should not be used for activities such as graduations, promotions, carnivals, and other celebrations.

Recommendations

Districts should proceed with caution when considering the use of incentives, keeping the following in mind:

- **Center issues of equity.** Regardless of the funding source used, implementation of incentives must be equitable. Careful consideration of potential barriers to participation and differentiation in how goals for incentives can be met are necessary to ensure all students have an opportunity to benefit.
- **Monitor effectiveness.** As with any strategy, it is important to identify how you will know the strategy is successful and then track whether you are getting the results you want.
- **Involve students.** Student voice is powerful, and what incentivizes students might be surprising! Seeking student input is likely to increase buy-in toward achieving goals.
- **Be creative.** The *Letter to Anderson* highlights that incentives should be non-monetary. Many districts have identified options that meet this criterion including:

³ 2CFR 200.404

⁴ 2CFR 200.405

⁵ 2CFR 200.403(a)

⁶ 2CFR 200.438(a)

- 5-minute dance parties
- Eating lunch with the principal/sitting in the principal's chair
- Extra recess time
- Game time with a friend
- Line leader
- Homework pass
- Wearing a hat all day
- Supervising recess/reading with younger students
- Office Aide/Library Aide/Helping the custodian
- Making morning announcements on the intercom

Questions for Reflection

1. Are incentives necessary to achieve the identified goals?
2. What might be the unintended consequences of the use of incentives?
3. How will we know that incentives are having a measurable impact on improving student outcomes?

Resources

- [Education Department General Administrative Regulations](#)
- [Electronic Code of Federal Regulations](#)
- [Oregon Federal Funds Guide](#)