

Purchasing Gift Cards or Store Cards with ESEA Funds

What the Federal Law, Regulations, and Guidance Says

In general, purchasing gift cards would not be an allowable use of federal funds. Uniform Grant Guidance requires that federal funds be used for reasonable ([§200.404](#)), necessary ([§200.403\(a\)](#)), and allocable ([§200.405](#)) costs. It also requires that costs be adequately documented. In general, how gift cards are used cannot be controlled or adequately documented. In addition, if the individuals receiving the gift cards do not utilize all the funds on the gift cards the federal funds would be wasted.

Federal Statute

The Elementary and Secondary Education Act (ESEA) does not address gift cards or store cards. 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.

Federal Regulations

While some spending provisions for title grants are outlined in the Every Student Succeeds Act (ESSA), all federal funds are governed by a framework for grants management called the Uniform Grant Guidance (UGG). UGG obliges districts to implement and maintain financial management systems that comply with federal systems management requirements detailed in the [Code of Federal Regulations \(CFR\)](#).

There are a number of citations within the CFR that are relevant to the discussion of the purchase of store cards with federal funds:

[§200.303 Internal controls](#) The recipient and subrecipient (district) must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

[§200.445 Goods or Services for Personal Use](#) (a) Costs of goods or services for personal use of the non-Federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

[§200.423 Alcoholic beverages](#) and [§200.438 Entertainment costs](#): Federal regulations specifically prohibit the use of federal funds for the purchase of alcoholic beverages ([§200.423](#)) and entertainment costs ([§200.438](#)). Compliance with these regulations is crucial to uphold the integrity of financial management when using federal funds.

Federal Guidance

While ED has not addressed gift cards or store cards in its non-regulatory guidance, it has provided other forms of written direction on similar topics.

The purchase and distribution of gift cards or store cards using federal funds are typically considered unallowable expenses. This means that public funds, especially federal funds, should not be used for this purpose unless there are specific, authorized exceptions in place. The reason for this is to maintain transparency and accountability in public spending and ensure that funds are utilized for their intended, appropriate purposes.

There are some exceptions in which nominal store cards can be used to purchase supplies and basic needs that remove barriers to attendance and full participation for students (or children and youth) experiencing homelessness. This is addressed below.

Determining Allowability

Homeless Children and Youth (HCY)

The McKinney-Vento (MKV) Act defines homeless children and youth “as individuals who lack a fixed, regular, and adequate nighttime residence.” The term includes children and youth, 21 and under, who are:

- i. children and youth who are sharing the housing of other persons due to loss of housing, economic hardship, or a similar reason; are living in motels, hotels, trailer parks, or camping grounds due to the lack of alternative adequate accommodations; are living in emergency or transitional shelters; or are abandoned in hospitals;
- ii. children and youth who have a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings;
- iii. children and youth who are living in cars, parks, public spaces, abandoned buildings, substandard housing, bus or train stations, or similar settings; and
- iv. migratory children who qualify as homeless for the purposes of this subtitle because the children are living in circumstances described in clauses (i) through (iii).

The McKinney-Vento Act is designed to address the challenges that homeless children and youth face in enrolling, attending, and succeeding in school. To that end, the purchase of store cards with federal funds for the benefit only of students who meet the definition above, is allowable under the following circumstances:

- Items of clothing, particularly if necessary to meet a school’s dress or uniform requirement,
- Clothing and shoes necessary to participate in physical education classes
- Laundry services,
- Personal school supplies such as backpacks and notebooks, and
- Emergency food and bottled water.

Potential Funding Sources

Districts have several federal funding sources at their disposal to support children and youth experiencing homelessness:

- **Title I, Part A Homeless Set Aside**

Two principles govern the use of Title I-A funds to provide such services to homeless students. First, the services must be reasonable and necessary to assist homeless students to take advantage of educational opportunities. Second, Title I-A funds must be used only as a last resort when funds or services are not available from other public or private sources. Because students

experiencing homelessness are automatically eligible for Title I-A services, districts may use Title I-A set aside funds to purchase store cards for MKV eligible students for the allowable uses described above.

- **McKinney-Vento Subgrants**

DEED awards McKinney-Vento subgrants to districts competitively based on the need of the LEAs requesting assistance and the quality of their applications. Districts must use McKinney-Vento funds to assist homeless children and youth in enrolling, attending, and succeeding in school.

Transportation

Due to the unique geography of Alaska that can complicate the provision of transportation to and from schools, DEED will sometimes approve the use of bus tokens or gas station cards or vouchers to a family member, in merited situations, if usage is carefully tracked as described in the section below. Merited situations may include providing a gas card to a family member who is providing a student in foster care or a student experiencing homeless transportation to and/or from school when needed to maintain their school of origin. Additionally, when providing out-of-school time programming, such as after school, during breaks, or summer, it may be allowable to provide municipal bus tokens or gas cards if transportation would otherwise be a barrier to the student’s participation in the programming.

Uniform Grant Guidance Cost Principles

In making determinations about purchasing gift cards or store cards with federal funds for the exceptions mentioned above, districts must consider both:

- the cost principles described in UGG (necessary, reasonable, and allocable); and
- the direction provided in the guidance referenced above.

Criteria	Guidance
Reasonable	A cost is reasonable if it does not exceed an amount that a prudent person would incur under the circumstances prevailing when the decision was made to incur the cost.
Necessary	To be considered necessary, the cost must be needed for the operation of the program.
Allocable	A cost is allocable if it benefits the program to which it is charged.

Questions to Ask

Reasonable

- Why did we pick this activity?
- How many students will benefit?
- What is the cost for the gift cards or store cards in comparison to the overall budget?
- Would purchase of this item be considered reasonable by the general public if such purchase made the newspaper?

Necessary

- How does the gift card or store card meet an identified need in our needs assessment?
- How do the gift cards or store cards help us achieve the goals of our school/district plan (e.g., Title I-A Schoolwide Plan, Title I-C Service Delivery Plan)?
- How will we know if the gift cards or store cards are working?
- Is there an alternative way we could structure programming to meet same goal?

Allocable

- Does the gift card or store card meet the purpose of the program?

- Will the gift card or store card benefit the program in proportion to the percentage the program pays for the item?
- How will we maintain financial control of the funds and ensure that costs are adequately documented?

DEED Recommendations

Districts should proceed with caution when considering the use of gift cards or store cards. Districts are advised to use general funds and not federal funds as it is difficult to track and manage how gift cards are used (or if they are used at all).

Tracking Usage for Homeless Children and Youth

While the purchase of store cards to support students experiencing homelessness is allowable, districts are expected to implement systems to ensure that store cards are used in alignment with the requirements of the program.

Examples of these controls could include:

- Developing an online form accessible on a phone or other device (such as Google Forms) that parents complete assuring consent as to how the cards will be used,
- Having the district McKinney-Vento Liaison meet families at the register to review items prior to purchase,
- Obtaining store cards with limited purchasing power to prevent misuse, and/or
- Requiring submission of receipts to document purchases with store cards.

Potential Alternatives to Gift Cards or Store Cards

There are several ways to achieve the programmatic needs and satisfy federal fiscal requirements simultaneously. Below are a few options. Note that regardless of the method used to make these small item purchases, adequate back up documentation must be on file to prove the expense is reasonable and necessary, allowable and pre-approved within the grant.

Employee Purchase. The simplest option is for an employee to go to a store and purchase the eligible item(s). The employee can either pay using the district's credit card or use their own funds and apply for reimbursement by submitting detailed receipts and following the district's reimbursement policy.

Voucher System. A voucher is a document which is worth a maximum dollar value, and which may be used only for specific items at a specific vendor (almost always a store). Vouchers are very similar to purchase orders. In advance, the district establishes agreements with a vendor under which the vendor agrees to accept a "voucher" at the point of sale and then invoices the district for the actual purchase. The voucher is created in multiple parts with one copy being sent to the vendor, one copy given to the individual making the purchase and at least one copy retained by the district. The voucher should be uniquely numbered and must clearly detail the allowed item(s) and the maximum cost the purchaser is allowed to spend on the item(s). The vendor will invoice for the actual amount of the purchase up to the maximum established cost listed on the voucher.

- Example: A migratory child requires a pair of athletic shoes to participate on a sports team. The district will create a voucher and send one copy to the chosen store and give one copy to the child's parent. The voucher will clearly detail the name of the store and provide a description of the allowed purchase "One pair of athletic shoes appropriate for basketball - cost not to exceed \$75.00." The parent would take the child to the store and pick out an appropriate item of their choice in the correct size. At the register the parent presents the voucher to the cashier. The voucher is matched up with the vendor's copy for verification. The vendor will send an invoice and a copy of the sales receipt to the district for the actual amount of the purchase not to exceed the \$75.00 maximum. The invoice and receipt will provide supporting backup to document the expense as allowable under federal guidelines.

Online Purchases. The district can use a credit card to purchase the item through an online vendor and have the item shipped either directly to the family or to the district to then be disseminated.

Reimburse Families for to/from School Transportation Costs. Many districts have developed an In Lieu of Transportation Agreement form that can be used to reimburse families for ongoing and allowable transportation costs. Typically, the form must be set up in advance of travel, can cover several weeks, and sets a per mile or per trip rate. Families must record their instances of transportation and then provide this documentation to the district periodically to receive reimbursement. The district should ensure the submitted dates match student attendance.