

# Purchasing Student Incentives and Rewards with ESEA Funds

## What the Federal Law, Regulations, and Guidance Says

### Federal Statute

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The Elementary and Secondary Education Act (ESEA) does not address student incentives or rewards. 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

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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 [reasonable](#), [necessary](#), and [allocable](#) as described in UGG.

### Federal Guidance

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While ED has not addressed incentives or rewards in its non-regulatory guidance, it has provided other forms of written direction on this topic.

#### [Letter to Saavedra](#)

The Letter to Saavedra is a response from ED staff to an inquiry from the Florida Department of Education regarding the use of Title I-A and Title I-C to provide “stipends to eligible at-risk children as an incentive for them to attend school during regular classes, participate in before- and after-school tutorial programs, or attend school-based and residential summer programs.” According to the letter:

*“We do not believe that an LEA’s use of Title I, Part A or Part C funds to pay cash stipends to students as a reward or incentive to attend class or to participate in Title I, Part A or Part C programs meet the reasonable or necessary standard because it is tantamount to paying students to attend class.”*

In addition to following the Uniform Grant Guidance cost principles, the Letter to Saavedra requires that incentives be non-monetary, of nominal value, and based on performance.

#### [Letter to Anderson](#)

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. Similar to the Letter to Saavedra, this letter states:

*“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 associated costs (such as gifts).”

In addition to following the Uniform Grant Guidance cost principles, the Letter to Anderson requires that incentives be non-monetary, of nominal value, and based on performance.

## Determining Allowability

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

- the cost principles described in UGG (necessary, reasonable, and allocable); and
- the direction provided in the letters discussed above (non-monetary, nominal value, performance versus attendance).

### Uniform Grant Guidance Cost Principles

Criteria	Guidance
<b>Reasonable</b>	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.
<b>Necessary</b>	To be considered necessary, the cost must be needed for the operation of the program.
<b>Allocable</b>	A cost is allocable if it benefits the program to which it is charged.

#### Questions to Ask

##### *Reasonable*

- Is this an incentive for participation or attendance in an activity or program, or a reward for good performance? Incentives or rewards to attend class or participate in programs are unallowable.
- Why did we pick these particular incentives or rewards?
- How many students will benefit?
- What is the cost for incentives or rewards in comparison to the overall budget?
- Would purchase of this item be considered reasonable by the general public if such purchase made the newspaper?
- Is there an alternative non-monetary activity that we could use in place of this incentive or reward?

##### *Necessary*

- How does this incentive or reward meet a need identified in our needs assessment?
- How do student incentives or rewards help us achieve the goals in our school/district plan (e.g., Title I-A Schoolwide Plan, Title I-C Service Delivery Plan)?
- How will we know if the incentives or rewards are working?

##### *Allocable*

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

## Non-Monetary, Nominal Value, and Performance-Based

Criteria	Guidance
<b>Non-Monetary</b>	The incentives or rewards cannot be provided as cash, which includes gift cards. Vouchers or a gift certificate for a specific item, such as a pizza, may be allowable.
<b>Nominal</b>	The cost of the incentive or reward should be small. While ED does not specifically define nominal, items whose value does not exceed \$20 each would likely meet this requirement.
<b>Performance-Based</b>	The incentives or reward should must be used to recognize achievement or improvement, not simply to incentivize attendance or participation.

## DEED Recommendations

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

**Center issues of equity.** Regardless of the funding source used, implementation of incentives or rewards must be equitable. Careful consideration of potential barriers to participation and differentiation in how goals for incentives or rewards can be met are necessary to ensure equity.

**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 motivates students might be surprising. Seeking student input is likely to increase buy-in toward achieving goals.

**Be creative.** Many districts have identified incentives or rewards that cost nothing, including:

- 5-minute dance parties
- Eating lunch with the principal or teacher
- Sitting in the principal's or teacher's chair for the day
- Extra recess time
- Extra computer time, game time, or reading time
- Game time with a friend
- Line leader
- Homework pass
- Wearing a hat all day or pajama day
- Supervising recess/reading with younger students
- Office Aide/Library Aide/Helping the custodian
- Making morning announcements on the intercom
- Free seating day
- Decorate a bulletin board
- Dress as the school mascot during a game
- Choosing the assignment the class does for homework
- Extra day to complete an assignment
- Read or work outdoors as a class
- Teach the class a lesson (maybe about a hobby or skill)
- Serve lunch to students
- Special parking spot for the day

## Questions for Reflection

- Are incentives or rewards necessary to achieve the identified goals?
- What might be the unintended consequences of the use of incentives or rewards?
- How will we know that incentives or rewards are having a measurable impact on improving student outcomes?
- Are the incentives or rewards evidence-based?