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United States District Court
Northern District of California

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

STATE OF MICHIGAN, et al.,
Plaintiffs,
v.
BETSY DEVOS, et al.,
Defendants.

Case No. [3:20-cv-04478-JD](#)

**ORDER RE PRELIMINARY
INJUNCTION**

Re: Dkt. No. 35

This case arises out of the funding provisions for elementary and secondary schools in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020. Plaintiffs, who are eight states, the District of Columbia, and four municipal school districts, have sued under the United States Constitution and the Administrative Procedure Act to block an interim final rule promulgated by defendants, the Secretary of Education and the United States Department of Education (the Department), that imposed a variety of conditions on how the CARES Act funds should be shared by public and private schools. Dkt. No. 24. Plaintiffs also moved for a preliminary injunction prohibiting enforcement of the interim final rule pending a full disposition of the case on the merits. Dkt. No. 35. The injunction is granted.

BACKGROUND

The salient facts are undisputed. The CARES Act was enacted on March 27, 2020, to provide trillions of dollars in financial relief, and other assistance, to Americans suffering from the coronavirus pandemic and its economic fallout. Dkt. No. 24 ¶ 2, Dkt. No. 68 at 1. The CARES Act earmarked approximately \$16 billion to help elementary and secondary schools maintain their operations and provide effective education during the pandemic. Dkt. No. 35 at 1, Dkt. No. 68 at 2.

1 The CARES Act channeled the distribution of this funding through two programs. The
2 Governor’s Emergency Education Relief (GEER) Fund provides state governors with funding to
3 distribute in their discretion to the local educational agencies most severely impacted by the
4 coronavirus. Coronavirus Aid, Relief, and Economic Security Act, P.L. No. 116-136 (Mar. 27,
5 2020), § 18002. The Elementary and Secondary School Emergency Relief (ESSER) Fund
6 allocates funds to each state “in the same proportion as each State received under part A of title I
7 of the [Elementary and Secondary Education Act] of 1965 in the most recent fiscal year.” *Id.*
8 § 18003(b).

9 Section 18005 of the CARES Act directs local educational agencies (LEAs) to share a
10 portion of GEER and ESSER funds with private schools. The allocation of public funds to private
11 schools has long been a feature of the Elementary and Secondary Education Act of 1965 (ESEA),
12 20 U.S.C. § 6301 *et seq.* (2015). LEAs have historically used a formula in Section 1117 of the
13 ESEA to calculate the funding to be shared with private schools. The formula in Section 1117
14 states that a private school located within a Title I-eligible area may receive a portion of the LEA’s
15 Title I funds “based on the number of children from low-income families who attend” the private
16 school. *Id.* § 6320(a)(4)(A)(i). In effect, the share of Title I funds awarded to private schools is
17 determined by the number of low-income children attending private schools in Title I-eligible
18 areas.

19 The CARES Act expressly incorporated Section 1117 in connection with the distribution
20 of the GEER and ESSER funding. Section 18005(a) of the CARES Act instructs LEAs receiving
21 GEER or ESSER funds to “provide equitable services in the same manner as provided under
22 section 1117 of the ESEA of 1965 to students and teachers in non-public schools, as determined in
23 consultation with representatives of non-public schools.”

24 The parties’ dispute is largely grounded in their disagreement over Congress’s intent in
25 incorporating Section 1117. The lawsuit and the injunction motion turn on the meaning of the
26 phrase “in the same manner as provided under section 1117.”

27 In response to Section 18005(a), LEAs began to formulate GEER and ESSER allocations
28 to private schools based on Section 1117. *See, e.g.*, Dkt. No. 35-2 at 9, 59, 132. This work

1 became uncertain when the Department indicated that the interpretation of Section 18005(a)
2 required additional “clarity.” Dkt. No. 35-3 at 66. On April 30, 2020, the Department published
3 its views on Section 18005(a) in a non-binding guidance document entitled “Providing Equitable
4 Services to Students and Teachers in Non-Public Schools Under the CARES Act Programs” (the
5 Guidance). Dkt. No. 35-3 at 65. The Guidance instructed LEAs to calculate the funds to be
6 shared with private schools on the basis of “the overall number of children who are enrolled in
7 public schools and non-public schools in the LEA that wish to participate under one or both
8 CARES Act programs.” *Providing Equitable Services* at 6. Put more plainly, the Department
9 directed that private schools should get a share based on their overall student population, and not
10 just their number of low-income students.

11 The Guidance prompted a torrent of responses. The Chairs of the United States House of
12 Representatives Committee on Education and Labor, and Committee on Appropriations, and the
13 Ranking Member of the United States Senate Committee on Health, Education, Labor and
14 Pensions, voiced concerns to the Department that it was implementing a share formula at odds
15 with Section 18005(a) and Section 1117. *See* Dkt. No. 35-3 at 79. A number of state and local
16 public education officials represented by the Council of Chief State School Officers expressed the
17 same concerns, and advised the Department that the Guidance would cause significant adverse
18 financial and operational impacts on public schools. *See* Dkt. No. 35-3 at 82.

19 On July 1, 2020, the Department issued an interim final rule (the Rule) that adopted and to
20 a degree expanded the directives in the Guidance. *See* “CARES Act Programs; Equitable Services
21 to Students and Teachers in Non-Public Schools,” 85 Fed. Reg. 39479 (July 1, 2020) (to be
22 codified at 34 C.F.R. pt. 76). As an interim final rule, the Rule went into immediate effect without
23 a notice-and-comment period. *Id.*

24 The Department stated that the Rule was intended to resolve “a critical ambiguity” in
25 Section 18005(a). 85 Fed Reg. at 39479. In the Department’s view, the “context” of the CARES
26 Act was the harm inflicted on “*all* of our Nation’s students” by the pandemic. *Id.* (emphasis in
27 original). A “mechanistic application” of the share formula in Section 1117 would award funds to
28 private schools based only on their low-income students, and not all of their students. *Id.* Because

1 the Department believed that the use of the formula in Section 1117 would be inconsistent with
2 the concern for all students implicit in the CARES Act, it concluded that “the phrase ‘in the same
3 manner as provided under section 1117’ does not simply mean ‘as provided under section 1117.’”
4 *Id.* The Department also noted certain consultation and funding control terms overlapped in
5 Section 18005(a) and Section 1117, which it saw as another indication that “in the same manner”
6 meant something other than what those words would ordinarily denote. *Id.* at 39481.

7 The Department invoked “our interpretive authority under *Chevron U.S.A., Inc., v. Natural*
8 *Res. Def. Council, Inc.*, 467 U.S. 837, 844 (1984),” to implement a different share formula to
9 govern the distribution of funds to private schools. *Id.* at 39479. The Rule presented LEAs with
10 two options. Under the first option, LEAs could use the low-income student formula in Section
11 1117, but only if they limited CARES Act funding to public and private schools that were already
12 participating in Title I funding. 85 Fed Reg. at 39488. School districts could not use CARES Act
13 funding for district-wide measures that would also benefit schools not participating in Title I
14 funding. Dkt. No. 35 at 23. LEAs would also have to comply with “supplement-not-supplant”
15 requirements, meaning they could not use CARES Act funding to replace or exceed state and local
16 funding allocations. 85 Fed Reg. at 39488.

17 The second option would allow LEAs to avoid these limitations but only if they followed
18 the method in the Department’s Guidance and shared funds with private schools based on the total
19 number of students enrolled, and not on the total number of low-income students attending private
20 schools. *Id.*

21 In response to the Rule, over 100 members of the House and Senate again stated concerns
22 that the Department was not adhering to the text of Section 18005(a). *See, e.g.*, Dkt. No. 73-1 at
23 1-4. They noted that public schools in their home states would lose millions of dollars they would
24 otherwise be entitled to if the Rule were enforced. *See, e.g.*, Dkt. No. 73-1 at 31. A report by the
25 nonpartisan Congressional Research Service observed that “a straightforward reading of section
26 18005(a) based on its text and context suggests that the CARES Act requires LEAs to follow
27 section 1117’s method for determining the proportional share, and thus to allocate funding for
28 services for private school students and teachers based on the number of low-income children

1 attending private schools.” Cong. Research Serv., 7-5700, *Analysis of the CARES Act’s Equitable*
 2 *Services Provision 2* (July 1, 2020). The Department indicated it is considering these and other
 3 responses to the Rule, and plans to release a final rule at some point in the future. Dkt. No. 81
 4 (August 18, 2020 hearing transcript (Hrg. Tr.)) at 34:3.

5 Plaintiffs are the States of Michigan, California, Hawaii, Maine, Maryland, New Mexico,
 6 Pennsylvania, and Wisconsin; the District of Columbia; and the New York City Department of
 7 Education, Chicago Public Schools, the Cleveland Municipal School District Board of Education,
 8 and the San Francisco Unified School District. Dkt. No. 24 ¶¶ 27-39. They assert six legal claims
 9 against the Department and Secretary of Education Betsy DeVos, for violation of separation of
 10 powers principles; ultra vires action; violation of the Spending Clause, Article I, Section 8, Clause
 11 1 of the United States Constitution; and three separate violations of the Administrative Procedure
 12 Act, 5 U.S.C. § 706 (2012). *Id.* ¶¶ 155-195.

13 On July 20, 2020, plaintiffs moved for a preliminary injunction barring enforcement of the
 14 Rule. Dkt. No. 35. The Department opposed the injunction request. Dkt. No. 68. The Court
 15 heard oral argument on the motion on August 18, 2020. Dkt. No. 77.¹

16 DISCUSSION

17 I. LEGAL STANDARDS

18 Preliminary injunctions are “an extraordinary remedy never awarded as of right.” *Winter*
 19 *v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 24 (2008). “A plaintiff seeking a preliminary
 20 injunction must establish that he [or she] is likely to succeed on the merits, that he [or she] is
 21 likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities
 22 tips in his [or her] favor, and that an injunction is in the public interest.” *Id.* at 20; *see also Garcia*
 23 *v. Google, Inc.*, 786 F.3d 733, 740 (9th Cir. 2015) (same). In our circuit, a plaintiff may also
 24 obtain a preliminary injunction under a “sliding scale” approach by raising “serious questions”
 25 going to the merits of plaintiff’s claims and showing that the balance of hardships tips “sharply” in
 26 his or her favor. *A Woman’s Friend Pregnancy Res. Clinic v. Becerra*, 901 F.3d 1166, 1167 (9th
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28 ¹ Non-parties The Council of the Great City Schools, and 38 private school associations and advocacy groups, have asked to file amicus briefs. Dkt. Nos. 47, 60. The requests are granted.

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1 Cir. 2018); *Vanguard Outdoor, LLC v. City of Los Angeles*, 648 F.3d 737, 740 (9th Cir. 2011). At
2 “an irreducible minimum,” the party seeking the injunction “must demonstrate a fair chance of
3 success on the merits, or questions serious enough to require litigation.” *Airbnb, Inc. v. City and*
4 *Cnty. of San Francisco*, 217 F. Supp. 3d 1066, 1072 (N.D. Cal. 2016) (citation omitted); *see also*
5 *Garcia*, 786 F.3d at 740.

6 **II. THE INJUNCTION FACTORS**

7 **A. Likelihood of Success on the Merits**

8 The parties agree that the merits inquiry turns on whether the Rule was a permissible
9 interpretation of the phrase “in the same manner as provided for in section 1117 of the ESEA of
10 1965” in CARES Act Section 18005(a). *See* Dkt. No. 35 at 12-13, Dkt. No. 68 at 7. The
11 Department does not dispute the ripeness or justiciability of plaintiffs’ claims, as it has in other
12 CARES Act cases. *See, e.g., State of Washington v. DeVos*, ___ F. Supp. 3d ___, No. 2:20-cv-
13 0182-TOR, 2020 WL 3125916, at *4-8 (E.D. Wash. June 12, 2020).

14 Plaintiffs may show a likelihood of success on the merits by demonstrating that the Rule is
15 likely to be held an unlawful administrative action under the APA. As the APA provides in
16 pertinent part, the Court shall:

- 17 (2) hold unlawful and set aside agency action, findings, and
- 18 conclusions found to be --
- 19 (A) arbitrary, capricious, an abuse of discretion, or otherwise
- 20 not in accordance with law; [or]
- 21 . . .
- 22 (C) in excess of statutory jurisdiction, authority, or
- 23 limitations, or short of statutory right.

23 5 U.S.C. § 706(2). Plaintiffs contend that the Rule is substantively unlawful under Sections
24 706(2)(A) and (C) because it is “not in accordance with” Congress’s mandate to allocate GEER
25 and ESSER funds to non-public schools “in the same manner” as in Section 1117 of the ESEA,
26 and so is necessarily “in excess of statutory jurisdiction, authority, or limitations.” Dkt. No. 24
27 at 56.

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1 The point is well taken. As in all contested questions of statutory interpretation, “[o]ur
2 analysis begins and ends with the text.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572
3 U.S. 545, 553 (2014). We give Congress’s words their ordinary and everyday meaning, and may
4 consult dictionary definitions to ensure a plain interpretation. *City of Los Angeles v. Barr*, 941
5 F.3d 931, 940 (9th Cir. 2019). When construing a statute, a virtuoso feat of analysis is neither
6 required nor particularly useful. “[T]he plain, obvious, and rational meaning of a statute is always
7 to be preferred” to interpretations that only “an acute and powerful intellect would discover.”
8 *Lynch v. Alworth-Stephens Co.*, 267 U.S. 364, 370 (1925). The ultimate goal of construction is to
9 give effect to Congress’s purpose in enacting the statute. “In every case, ‘it is the intent of
10 Congress that is the ultimate touchstone.’” *Barr*, 941 F.3d at 940 (quoting *Arizona v. United*
11 *States*, 567 U.S. 387, 453 (2012) (Alito, J., concurring and dissenting in part)).

12 The words Congress used in Section 18005(a) of the CARES Act are familiar and
13 uncomplicated, to say the least. In everyday usage, “same” means “corresponding so closely as to
14 be indistinguishable,” and “conforming in every respect,” particularly when used in a sentence
15 with “as.” See Merriam-Webster Dictionary, <https://www.merriam-webster.com/dictionary/same>
16 (last viewed Aug. 26, 2020). “Manner” means “a mode of procedure or way of acting.” Merriam-
17 Webster Dictionary, <https://www.merriam-webster.com/dictionary/manner> (last viewed Aug. 26,
18 2020). Taken together, to do something “in the same manner” is to perform an action using a
19 method or procedure that is identical to that used in another action. This straightforward
20 construction has been adopted in other statutory interpretation contexts. See, e.g., *Nat’l Fed’n of*
21 *Indep. Bus. v. Sebelius*, 567 U.S. 519, 545-46 (2012) (“in the same manner” means “to use the
22 same methodology and procedures”) (internal quotation omitted).

23 Consequently, Congress’s intent in Section 18005(a) is plain as day. Congress expressly
24 directed local educational entities such as plaintiffs “to provide equitable services in the same
25 manner as provided under section 1117 of the ESEA of 1965 to students and teachers in non-
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1 public schools.”² This command unambiguously requires plaintiffs to calculate the non-public
 2 school portion of the GEER and ESSER funds they receive under Section 18005(a) according to
 3 the formula in Section 1117 of the ESEA, which is “based on the number of children from low-
 4 income families who attend private schools.” 20 U.S.C. § 6320(a)(4)(A)(i). The statute’s
 5 quintessentially plain language, and the “surgical precision” with which Congress incorporated
 6 Section 1117 into Section 18005(a), leave no room for any other reading. *See Navajo Nation v.*
 7 *Dep’t of Health & Human Servs.*, 325 F.3d 1133, 1139-40 (9th Cir. 2003).

8 In light of these factors, one might wonder, as Justice Scalia did in similar circumstances,
 9 how “[c]ould anyone maintain with a straight face that [Section 18005(a)] is unclear?” *King v.*
 10 *Burwell*, 576 U.S. 473, 510 (2015) (Scalia, J., dissenting). The Department does not argue that the
 11 words in Section 18005(a) are themselves ambiguous or unclear in any way. To the contrary,
 12 counsel for the Department acknowledged during the hearing that such a contention would be hard
 13 to support. Hrg. Tr. at 29:15-18. Instead, the Department said that the Rule was necessary to
 14 resolve “a critical ambiguity in section 18005(a),” namely an alleged tension between the focus on
 15 low-income students in Section 1117 and the fact that the pandemic has affected “*all* our Nation’s
 16 students.” 85 Fed. Reg. at 39479 (emphasis in original).

17 The Department relies entirely on “context,” as opposed to anything inherent in the words
 18 Congress used, for this contention. In the Department’s view, the CARES Act was intended to
 19 benefit all students; given that context, “it is inequitable to apportion expenditures for private
 20 schools on the basis of low-income students, when public school districts may use their share of
 21 CARES Act funds to benefit all schools and students.” Dkt. No. 68 at 10. On this basis, and
 22 virtually nothing else, the Department concluded that “the phrase ‘in the same manner as provided
 23 under section 1117’ does not simply mean ‘as provided under section 1117.’” 85 Fed. Reg. at
 24 39479.

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27 ² Although eight of the plaintiffs are states, their LEAs make the final apportionment and
 28 distribution of funds to private schools in their area. *See* Dkt. No. 24 at 34-38. The states have
 filed this complaint both on behalf of their LEAs, and based on the risk of state-wide harm to their
 students. *Id.*

1 This is “interpretive jiggery-pokery” in the extreme. *King*, 576 U.S. at 506 (Scalia, J.,
2 dissenting). The Department’s conclusion that “in the same manner” does not mean “in the same
3 manner” invites immediate doubts. Why did Congress go out of its way to incorporate Section
4 1117 if it did not intend for its formula to be used in Section 18005(a)? If Congress did not mean
5 to use the formula in Section 1117, wouldn’t it simply have omitted any reference to it in the first
6 place? But since Congress expressly referred to Section 1117, what exactly does the Department
7 think that means?

8 These and other material questions are left unanswered by the Department. Instead, the
9 Department simply demands that the Court defer to the Rule under the *Chevron* doctrine. *See* Dkt.
10 No. 68 at 9-10; 85 Fed. Reg. at 39479. The courts “often apply the two-step framework
11 announced in *Chevron*” to determine the validity of an agency’s interpretation of a statute. *King*,
12 576 U.S. at 485 (citing *Chevron, U.S.A. v. Nat. Res. Def. Council*, 467 U.S. 837 (1984)). “This
13 approach ‘is premised on the theory that a statute’s ambiguity constitutes an implicit delegation
14 from Congress to the agency to fill in the statutory gaps.’” *Id.* (quoting *FDA v. Brown &*
15 *Williamson Tobacco Corp.*, 529 U.S. 120, 159 (2000)). When those circumstances are in
16 evidence, the courts will defer to the agency’s interpretation of the statute. *Chevron*, 467 U.S. at
17 843.

18 The problem for the Department is that it cannot make it past step one, which asks whether
19 the statute is ambiguous. When Congress has spoken clearly, as it did in Section 18005(a), “that is
20 the end of the matter.” *Chevron*, 467 U.S. at 843. An executive agency like the Department has
21 no authority to rewrite Congress’s plain and unambiguous commands under the guise of
22 interpretation, and no deference is owed when an agency acts in contravention of a statute. *Id.* at
23 842-43; *see also Utility Air Regulatory Grp. v. EPA*, 573 U.S. 302, 327 (2014) (agency may not
24 promulgate rules or guidelines that are inconsistent with an unambiguous statute). To hold
25 otherwise “would deal a severe blow to the Constitution’s separation of powers,” which provides
26 that Congress makes the laws and the President, through executive agencies like the Department,
27 “‘faithfully execute[s]’ them.” *Utility Air*, 573 U.S. at 327 (quoting U.S. Const., Art. II, § 3); *see*
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1 *also Clinton v. City of New York*, 524 U.S. 417, 438 (1998) (the Executive Branch is not
2 authorized “to enact, to amend, or to repeal statutes.”).

3 The Department’s main response to these well-established principles is to rely heavily on
4 the Supreme Court’s opinion in *King*. See Dkt. No. 68 at 8-9. The Department embraces *King* for
5 the proposition that “the meaning -- or ambiguity -- of certain words or phrases may only become
6 evident when placed in context.” *King*, 576 U.S. at 486 (internal quotation omitted); Dkt. No. 68
7 at 8-9. That is the ostensible legal grounds for the Department’s contention that the “context” of
8 the CARES Act trumps Congress’s instruction to use the share formula in Section 1117 to
9 apportion GEER and ESSER funds to private schools.

10 This is not a tenable theory. The Department misreads *King* as granting agencies the
11 freedom to disregard Congress’s words based on the *gestalt* of a statute. Nothing in *King* supports
12 such a radical revision of administrative law. *King* was a case about Congress’s plan for tax
13 credits under the Affordable Care Act. After conducting a deep and thorough analysis of the ACA
14 as a whole, the Supreme Court concluded that Congress intended a broader scope for the tax credit
15 provision than a “natural” reading of the words might initially suggest. *King*, 576 U.S. at 486-92.
16 In reaching this holding, the majority opinion took pains to underscore that it reviewed the ACA
17 as a whole to effectuate Congress’s intent, and not “undo what it has done.” *Id.* at 498. That is
18 because “[i]n a democracy, the power to make the law rests with those chosen by the people.” *Id.*

19 The Department’s argument departs from *King* at virtually every turn. The Department did
20 not present a detailed analysis of the overall structure of the CARES Act to support its conclusion
21 about Congress’s intent. It merely declared that Section 1117 “is inconsistent with the CARES
22 Act in several crucial respects,” without identifying a section or other provision in the CARES Act
23 that might evidence a conflict. Dkt. No. 68 at 5. The Department posited an inconsistency, but
24 did not prove one. That is lightyears away from the analysis done in *King*.³

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27 ³ It appears that the Department made much more of an effort at statutory analysis in a related
28 case, *Washington v. DeVos*, Case No. 2:20-cv-1119-BJR (W.D. Wash.). Even so, the district court
there had no trouble rejecting its discussion. See *State of Washington*, ___ F. Supp. 3d ___,
No. 2:20-cv-1119-BJR, 2020 WL 4922256 (W.D. Wash. Aug. 21, 2020).

1 The Department’s overall approach is also wholly at odds with *King’s* teaching about
2 effectuating Congress’s intent. The Department highlights “context” not to further Congress’s
3 mandate in Section 18005(a) but to cancel it altogether. The Supreme Court expressly cautioned
4 against this kind of activism. “Reliance on context and structure in statutory interpretation is a
5 ‘subtle business, calling for great wariness lest what professes to be mere rendering becomes
6 creation and attempted interpretation of legislation becomes legislation itself.’” *King*, 576 U.S. at
7 497-98 (quoting *Palmer v. Massachusetts*, 308 U.S. 79, 83 (1939)). The Department may prefer
8 to give CARES Act funds to private schools more generously than Congress provided, but it is
9 Congress who makes the law, and an “agency has no power to ‘tailor’ legislation to bureaucratic
10 policy goals by rewriting unambiguous statutory terms.” *Utility Air*, 573 U.S. at 325; *see also*
11 *Wisconsin Cent. Ltd. v. United States*, 138 S.Ct. 2067, 2073 (2018) (the Department cannot rewrite
12 a statute “‘under the banner of speculation about Congress might have’ intended.”).

13 The Department’s other arguments in defense of the Rule are equally unavailing. Its
14 contention about “superfluity” is not persuasive. It is true that Section 18005(a) and Section 1117
15 use virtually identical language to require school districts to consult with private schools on how
16 equitable services should be provided, and for public schools to maintain control over funding.
17 *See* Dkt. No. 68 at 8. But it is not at all apparent why this overlap indicates that “the phrase ‘in the
18 same manner’ must mean that § 18005 incorporates something less than every provision of
19 § 1117,” as the Departments says. *Id.* The canon advising that interpretations should avoid
20 surplusage and superfluity is a “preference” that “is not absolute.” *King*, 576 U.S. at 475 (internal
21 quotation omitted). Even if there were a few instances of inartful drafting in Section 18005(a),
22 that by no means creates an ambiguity which might justify a wholesale rewriting of the share
23 formula. That is all the more true because the overlapping provisions are external to the formula
24 itself.

25 The Department’s reliance on a general delegation of discretion to implement the
26 Education Code also is misplaced. *See* Dkt. No. 68 at 9. It would be “anomalous” indeed to
27 conclude that Congress specified the allocation formula with surgical precision in Section
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1 18005(a) only to allow the Department to change or even depart from it as a matter of general
2 administrative authority. *See Gonzales v. Oregon*, 546 U.S. 243, 262 (2006).

3 In addition, the Department overlooks the fact that Section 18005(a) is a formula grant that
4 does not allow for agency modifications. *See Hrg. Tr.* at 8:6-7 (agreeing at the hearing that
5 Section 18005(a) is a formula grant). A formula grant awards funds based on a statutory formula
6 that specifies how they will be allocated among eligible participants. *See Barr*, 941 F.3d at 935;
7 *City of Los Angeles v. McLaughlin*, 865 F.2d 1084, 1088 (9th Cir. 1989). It is the opposite of a
8 discretionary grant, which might allow an agency to impose conditions and guidelines of its own.
9 *See Barr*, 941 F.3d at 942. Because Congress set the exact formula for the expenditures on non-
10 public schools by incorporating Section 1117, the Department had no authority to impose its own
11 conditions. *Id.* (agency-created conditions are “antithetical to the concept of a formula grant.”).

12 Consequently, plaintiffs have established that they are likely to prevail on their claim that
13 the Rule must be set aside under Sections 706(2)(A) and (C) of the APA. They have also
14 established that there was no ambiguity in Section 18005(a) for the Department to fill in, and so its
15 sole duty was to ““give effect to the unambiguously expressed intent of Congress.”” *Utility Air*,
16 573 U.S. at 326. The Department went well beyond its statutory authority by trying to replace the
17 share formula mandated by Congress in Section 18005(a) with one of its own choosing. *Id.*

18 This is enough to find that the merits inquiry weighs in plaintiffs’ favor. The Court need
19 not take up plaintiffs’ other contentions with respect to whether the Department provided an
20 adequate period of notice and comment before promulgating the Rule, or acted arbitrarily and
21 capriciously in ignoring evidence about the Rule’s impacts. The Court also declines at this time to
22 reach the constitutional argument plaintiffs assert under the Spending Clause. *See Jean v. Nelson*,
23 472 U.S. 846, 854 (1985); *United States v. Kaluna*, 192 F.3d 1188, 1197 (9th Cir. 1999) (“courts
24 are not ‘to decide questions of a constitutional nature unless absolutely necessary to a decision of
25 the case’”) (quoting *Burton v. United States*, 196 U.S. 283, 295 (1905)).

26 **B. Irreparable Harm**

27 Plaintiffs have demonstrated a likelihood of irreparable harm. They submitted a number of
28 substantial declarations detailing, often on a district and school-level basis, the financial and

1 operational harms enforcement of the Rule would inflict. The Court's task in evaluating this
2 evidence was made considerably easier by the fact that the Department does not meaningfully
3 dispute it. Counsel for the Department forthrightly acknowledged at the hearing that plaintiffs
4 would sustain measurable financial and budgetary hardships under the Rule. *See* Hrg. Tr. at
5 34:17-18.

6 Since irreparable harm is largely conceded by the Department, the Court will highlight just
7 some of plaintiffs' evidence, mainly for the sake of illustration. Michigan, for example, submitted
8 evidence that it had planned to reserve \$5,107,921 in ESSER funds for private schools according
9 to Section 1117 calculations, but that the Rule would require it to divert \$21,604,648.63 to private
10 schools -- over four times as much. Dkt. No. 35-2, Ex. 1 at 6. Losing \$16,496,727.63 of federal
11 funding to private schools would be the equivalent of laying off 466 teachers from public schools
12 in Flint, Michigan. Dkt. No. 35-2, Ex. 1 at 10. As much as 33% of Grand Rapids, Michigan's
13 total ESSER funding would be sent to private schools under the Rule's option two calculations.
14 *Id.*

15 The Oakland Unified School District has resorted to private donations of food and
16 education technology for low-income students while waiting for its CARES Act funding. Dkt.
17 No. 35-2, Ex. 3 at 10-11. The district cannot use its CARES Act funds for these same purposes
18 because the Rule's supplement-not-supplant requirement bars it from replacing other sources of
19 funding like private donations. *Id.* To comply with the Rule, the district has had to mothball \$2.2
20 million in CARES Act funding -- money that the district would use now for students returning to
21 school. *Id.* at 9.

22 Wisconsin schools had to choose between diverting over \$4 million of CARES Act
23 funding to private schools or abandoning district-wide coronavirus preparation such as sanitizing
24 school buses. Dkt. No. 35-2, Ex. 11 at 10. Wisconsin also estimates that its Department of Public
25 Instruction will need to devote approximately 7,000 hours of work between July 1 and September
26 30 to planning and budgeting in response to the Rule. Dkt. No. 35-2, Ex. 11 at 8. Other plaintiffs
27 have also reported serious disruptions to their budgets and planning efforts.

28

1 These impacts amount to irreparable harm. *See, e.g., Certain Named and Unnamed Non-*
2 *Citizen Children and Their Parents v. Texas*, 448 U.S. 1327, 1332-33 (1980) (finding that
3 delaying or hampering students’ participation in school is considered an irreparable harm).
4 Economic injuries in the APA are deemed irreparable because plaintiffs are unable to recover
5 money damages. *E. Bay Sanctuary Covenant v. Barr*, 964 F.3d 832, 854 (9th Cir. 2020). The
6 Ninth Circuit has held that disruptions to budget plans also are a cognizable irreparable harm.
7 *Washington v. Trump*, 847 F.3d 1151, 1168-69 (9th Cir. 2017). Consequently, the irreparable
8 harm inquiry weighs in plaintiffs’ favor.

9 **C. Balance of Hardships and the Public Interest**

10 The balance of hardships and the public interest are considered together in this case. *See*
11 *E. Bay Sanctuary Covenant*, 964 F.3d at 854 (“When the government is a party, the third and
12 fourth preliminary injunction factors merge.”) (citing *Drakes Bay Oyster Co. v. Jewell*, 743 F.3d
13 1073, 1092 (9th Cir. 2014)). There is a strong public interest in ensuring that the laws duly
14 enacted by elected representatives are not undermined by agency actions. *See id.* at 855 (citing
15 *Maryland v. King*, 567 U.S. 1301, 1301 (2012)). There is also a strong public interest in
16 safeguarding our nation’s public schools from the pandemic, and giving school districts access to
17 the funds that Congress authorized for this very purpose. “Providing public schools ranks at the
18 very apex of the function of the state.” *Wisconsin v. Yoder*, 406 U.S. 205, 213 (1972).

19 To be sure, there is a public interest in sharing CARES Act funds with private schools, as
20 the Department suggests. That is what Congress provided for in Section 18005(a), and the
21 evidence before the Court also indicates that private schools have had access to additional funding
22 under the Paycheck Protection Program. Dkt. No. 35 at 25. But allowing the Department to
23 rewrite the statutory formula for sharing education funds is manifestly not in the public interest.
24 *See E. Bay Sanctuary Covenant*, 964 F.3d at 855. Consequently, the balance of hardships and
25 public interest inquiries for injunctive relief weigh in plaintiffs’ favor.

CONCLUSION

A preliminary injunction is granted as follows.


(1) The United States Department of Education, Secretary Betsy DeVos, and their officers, agents, employees, attorneys, and any person acting in concert with them, or at their behest, and who has knowledge of this injunction, are preliminarily enjoined from implementing or enforcing against plaintiffs the provisions in the Guidance (April 30, 2020) or the interim final rule, 85 Fed. Reg. 39479 (July 1, 2020). The injunction will remain in place pending further order of the Court.

(2) Plaintiffs are excused from posting a bond under Federal Rule of Civil Procedure 65(c).

The Court sets a case management conference for September 17, 2020, at 10:00 a.m. A joint case management statement is due by September 10, 2020.

IT IS SO ORDERED.

Dated: August 26, 2020



JAMES DONATO
United States District Judge

United States District Court
Northern District of California

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