

Budgeting and Monitoring IDEA Part B State Set-Aside Funds

CIFR **practice guides** help state staff understand how to implement the fiscal reporting requirements of the Individuals with Disabilities Education Act (IDEA). These guides are not an official interpretation of IDEA by the Office of Special Education Programs (OSEP) or the U.S. Department of Education.

Introduction

Every eligible state, outlying area, and freely associated state (as defined in 34 CFR §300.717) receives an annual federal grant under IDEA Section 611 to support special education and related services for children and youth with disabilities ages 3 through 21.¹ In addition, eligible states receive IDEA Section 619 grants to support special education for children with disabilities ages 3 through 5. While most of the IDEA funds flow through to local educational agencies (LEAs) as subgrants, states and outlying areas may reserve limited amounts of these grants for state administration of the Part B program and for other state-level activities. These are commonly referred to as “state set-aside funds.” See CIFR’s *Quick Reference Guide on IDEA Part B State Set-Aside Funds* for an overview of the permitted uses of these funds.

States decide how best to use set-aside funds for the allowable administrative and other state-level activities. This practice guide explains key IDEA requirements to assist with budgeting and managing state set-aside funds across the four steps in Exhibit 1.

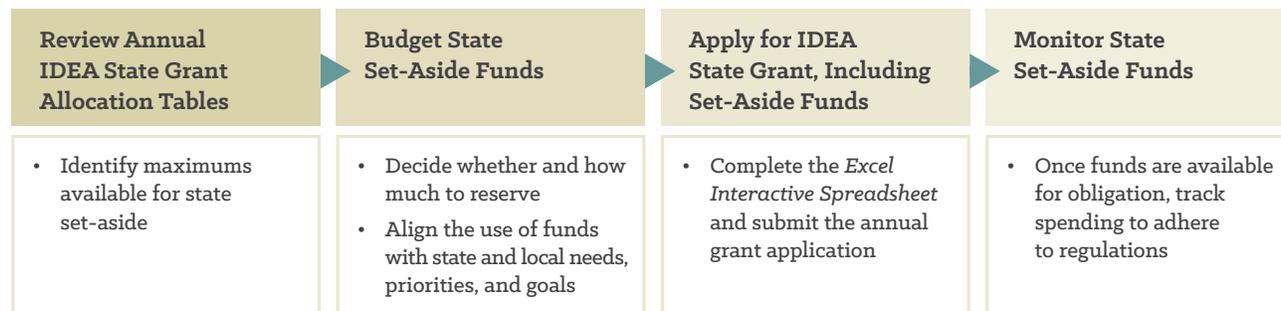
Suggested Uses

- Share with fiscal and program staff to promote appropriate budgeting of IDEA Part B state set-aside funds.
- Examine and update your state’s processes and procedures for set-aside funds.
- Facilitate conversations on how set-aside funds are used and monitored.

¹ “Eligible states” in this guide refers to the 50 states, the District of Columbia, and the Commonwealth of Puerto Rico. The Secretary of the Interior also receives a grant to allocate Section 611 funds to tribes or tribal organizations.



Exhibit 1. Process for Using IDEA Part B State Set-Aside Funds



Review Grant Allocation Information

Each year, OSEP provides grant allocation tables that specify the amount of IDEA Section 611 and Section 619 awards for each eligible state, along with the maximum amounts available for state administration and other state-level activities, dependent on the state submitting a substantially approvable grant application.² Adjusted for inflation, these maximums are defined in 34 CFR §§300.704 and 300.812–814. The amount permitted for other state-level activities under Section 611 depends on the amount that the state sets aside for administration and whether it has opted to set up a high cost fund under 34 CFR §300.704(c). See Table 1 for an overview.

Table 1. Maximum Annual Set-Aside Amounts Under IDEA Part B

	Section 611	Section 619
State administration	<p>States may set aside no more than they were eligible to reserve for state administration under Section 611 for federal fiscal year (FFY) 2004 or \$800,000, whichever is greater, adjusted for inflation.</p> <p>Outlying areas may reserve not more than 5% of the amount the outlying area receives for the fiscal year or \$35,000, whichever is greater.</p> <p>See 34 CFR §300.704(a).</p>	<p>The total amount reserved for both administration and other state-level activities may not exceed 25% of the state’s Section 619 allocation in FFY 1997, adjusted by the lesser of the percentage increase in the state’s Section 619 grant from the prior year or the rate of inflation. The reservation for state administration may not exceed 20% of this amount.</p> <p>See 34 CFR §300.812–813.</p>
Other state-level activities	<p>The maximum amount depends on whether the state sets aside more than \$850,000 for state administration and whether it opts to finance a high cost fund under 34 CFR §300.704(c). The amount is adjusted for inflation annually.</p> <p>See 34 CFR §300.704(b)(2).</p>	<p>The amount of total set-aside that remains after reserving funds for state administration.</p> <p>See 34 CFR §300.812–814.</p>

² All 50 states, the District of Columbia, Puerto Rico, freely associated states, outlying areas, and the Department of the Interior (for tribal lands) receive Section 611 grants. The Department of the Interior and outlying areas may use Section 611 funds only for state administration. All 50 states, the District of Columbia, and Puerto Rico receive Section 619 grants.

Budget State Set-Aside Funds

After reviewing OSEP's grant allocation tables, states must determine whether to set aside grant funds, how much to set aside, and for what purposes the funds will be used. These funds have specific allowable and sometimes required uses, depending on whether they will be used for administration or for other state-level activities. Ultimately these budgeting decisions should address state and local needs as well as overarching education priorities and goals.

Allowed Uses for Section 611 Funds

State Administration

Section 611 funds reserved for state administration may be used to administer Section 611, Section 619, and IDEA Part C when the state educational agency (SEA) is also the Part C lead agency. The funds may also be used to coordinate activities under Part B, to provide technical assistance (TA), and to coordinate with other programs that provide services to children with disabilities. Under certain circumstances, administration funds may be used to support Part C services.³ See **Using State Set-Aside Funds to Support Part C** below.

In addition, the portion of the administration funds resulting from cumulative annual inflationary increases since FFY 2004 may be used for four other activities (34 CFR §300.704(e)):

- » providing support and direct services, including TA, personnel preparation, and professional development and training;
- » helping LEAs provide positive behavioral interventions and supports (PBIS) and appropriate mental health services for children with disabilities;
- » helping LEAs address personnel shortages; and
- » supporting capacity-building activities and strengthening the delivery of services by LEAs to improve results for children with disabilities.

Providing State Set-Aside Funds to LEAs

States have flexibility to allocate funds reserved for other state-level activities to LEAs in a manner that aligns with state priorities. This can be done through contracts or subgrants. The Consolidated Appropriations Act of 2021 (CAA 2021), as well as CAA 2022 and 2023, allowed states to use their IDEA funds “to make subgrants to local educational agencies, institutions of higher education, other public agencies, and private nonprofit organizations to carry out activities authorized by section 638 of IDEA.” This flexibility is not mandatory and is likely, but not guaranteed, to be included in future appropriation acts.

³ Part C of IDEA governs the provision of early intervention services (EIS) for infants and toddlers with disabilities from birth through age 2 and their families. Part C funds are allocated to the state lead agency following an annual grant application process that includes a description of how the funds will support the state's EIS programs. The state lead agency may be the SEA or another agency designated by the state to administer the state's responsibilities under Part C.

Other State-Level Activities

When reserving Section 611 funds for other state-level activities, states are required by 34 CFR §300.704(b)(3) to budget some portion of the funds:

- » for monitoring, enforcement, and complaint investigations; and
- » to establish and implement a mediation process, including the costs of mediators and support personnel.

These funds may also be used:

- » for support and direct services, including TA, personnel preparation, and professional development and training;
- » to help LEAs provide PBIS and mental health services for children with disabilities;
- » to help LEAs address personnel shortages;
- » to support capacity-building activities and improve the delivery of services by LEAs;
- » for paperwork-reduction activities;
- » to support and improve technology use in the classroom;
- » to support technology use to maximize accessibility to the general education curriculum for children with disabilities;
- » to develop and implement transition programs;
- » for alternative programming, services in correctional facilities, state-operated or state-supported schools, and children with disabilities in charter schools;
- » to support developing and providing accommodations or alternate assessments;
- » to provide TA to LEAs; and
- » to help LEAs address the needs of high need children with disabilities.

See 34 CFR §300.704(b)(4) and 704(c).

Financing an LEA High Cost Fund

To help LEAs (including charter school LEAs) or a consortium of LEAs address the needs of high need children with disabilities, states may use 10 percent of Section 611 funds designated for other state-level activities each year to finance a high cost fund. States may use these funds to provide financial assistance to LEAs and facilitate effective and innovative cost-sharing efforts. If a state sets up an IDEA high cost fund, its overall maximum for other state-level activities increases by 1 percent.

Section 611 funds reserved for state administration may be used for expenses related to establishing, supporting, or managing the high cost fund.

See 34 CFR §300.704(c).

Allowed Uses for Section 619 Funds

Up to 20 percent of funds set aside under Section 619 may be used to administer Section 619 and Part C programs and to coordinate with and provide TA to other programs that provide services to children with disabilities. Reserved funds not used for administration must be expended on any of the other permitted uses identified in 34 CFR §300.814, including:

- » for support services, including the mediation process, which must benefit children with disabilities ages 3–5 and may also benefit children with disabilities younger than 3 or older than 5;
- » for direct services for eligible children with disabilities ages 3–5;
- » for activities at the state and local levels to meet the state’s performance goals for children with disabilities;
- » to supplement other funds used to develop and implement a statewide coordinated services system (limited to 1 percent of total Section 619 funds); and
- » to provide certain Part C services (see the next section).

Using State Set-Aside Funds to Support Part C

In addition to using administration funds to administer the Part C program if the SEA is the lead agency, IDEA offers other opportunities to strengthen the transition from Part C to Part B for eligible children (see 34 CFR §§300.704(f) and 300.814). For example, states eligible to receive a Section 619 grant may allocate Section 611 dollars reserved for administration to provide early intervention services (EIS) to eligible preschool-aged children with disabilities who previously received Part C services. This effort must be jointly developed with the Part C lead agency.

Similarly, Section 619 funds designated for other state-level activities may also be used to provide EIS to these children. In both cases, the EIS must include an educational component that promotes school readiness and incorporates preliteracy, language, and numeracy skills. These services may be provided until the children enter or are eligible to enter kindergarten.

Section 619 funds for other state-level activities may also be used to continue service coordination or case management for families who receive services under Part C.

Alignment With State and Local Needs

To meaningfully plan the use of set-aside funds, state staff should regularly examine how the funds were budgeted in past years and whether those uses are effective and appropriate given current state and local needs and broader state educational goals and priorities. This may involve collaborating with other SEA offices and state agencies to identify statewide initiatives and policy goals and seeking input from other education leaders, such as the state board of education. IDEA emphasizes aligning set-aside funds with needs and requires that states consult their LEAs to gather input about state priorities (34 CFR §300.171(a)(2)). Staff may consider gathering input from the state’s special education advisory panel.

As part of this review process, staff should determine how other state and federal funds are budgeted and explore how IDEA state set-aside funds, within the allowed uses, may be integrated. Restrictions on commingling funds (in 34 CFR §300.162(b)) and supplanting other funds (in 34 CFR §300.162(c)) do not apply to Section 611 set-aside funds. This means that states may exercise greater flexibility in using these IDEA funds with other funding sources to create a cohesive approach to address the state’s needs and priorities.

Apply for IDEA State Grant, Including Set-Aside Funds

Each year, states submit substantially approvable applications to receive their IDEA Part B grant award. The applications must specify the uses of the Section 611 funds to be reserved (see 34 CFR §300.171). As part of that process, states complete OSEP's *Excel Interactive Spreadsheet* with the Section 611 amounts planned for each allowable activity.⁴ The spreadsheet automatically calculates maximums, required amounts for certain activities depending on the state's budget decisions, and amounts available for other activities due to inflation. The grant application must also describe how the state gathered input from LEAs on how the set-aside funds are budgeted and used to support state priorities (as required by 34 CFR §300.171(a)(2)).

States must publish their Part B grant applications with the proposed *Excel Interactive Spreadsheet* for at least 60 days and allow public comment for at least 30 days before submitting them to OSEP for approval (as required by 34 CFR §300.165(b)).

There are no application requirements for reserving Section 619 funds. Although states are not required to submit a budget for Section 619 set-aside funds, they must use those funds in a manner consistent with regulations. It is a best practice to create a budget for Section 619 set-aside funds and track expended amounts against the budget.

Once the applications are approved by OSEP, a portion of the Section 611 IDEA grant award is available for obligation on July 1 with the remainder on October 1. Section 619 grant awards are made available in full on July 1 each year.

Monitor State Set-Aside Funds

States should regularly monitor expenditures to make sure they obligate, spend, and liquidate set-aside funds within the required time frame and seek prior approval from OSEP as needed.

Timely Expenditures

Strong financial management practices, including following applicable laws and regulations and establishing systems, are essential to tracking and reporting how set-aside funds are expended within the period of performance. The period of performance for IDEA grants includes a forward funding period (3 months), the grant award year (12 months), and a carryover period also known as "Tydings" (12 months). Altogether this means that the funds, including set-aside amounts, must be used or obligated within 27 months. IDEA funds not obligated by the end of the period of performance expire and must be reverted to the federal government. States have 120 days after the Tydings period ends to liquidate obligated funds.

Spending down the funds in a timely manner and identifying unused set-aside funds that could be reallocated requires careful monitoring. Before the end of the period of performance, states may reallocate unspent set-aside funds to LEAs using the IDEA subgrant formula in 34 CFR §300.705. (Please note that prior approval from OSEP may be necessary for budget changes as described below.) As part of monitoring and ensuring timely expenditures, states should create procedures for obligating any unobligated funds.

⁴ In limited circumstances, a state may not need to submit a new *Excel Interactive Spreadsheet* with its application. See 34 CFR §300.171(b): "If a State's plans for use of its funds under §300.704 for the forthcoming year do not change from the prior year, the State may submit a letter to that effect to meet the requirement in paragraph (a) of this section."

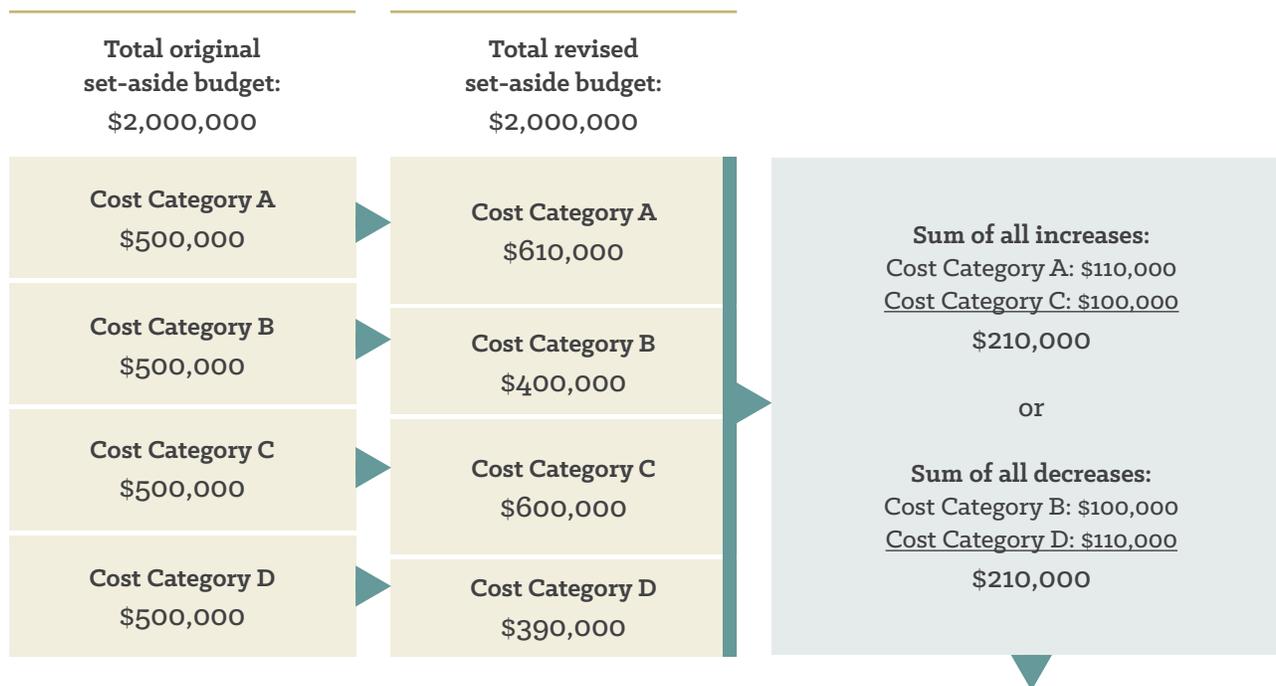
Prior Approval

After submitting the grant application, states may adjust their budgets for Section 611 set-aside funds, but changes above a certain threshold require prior approval from OSEP.⁵ Transfers among the budgeted cost categories adding up to more than 10 percent of the total amount of reserved Section 611 funds requires states to submit a revised *Excel Interactive Spreadsheet* to OSEP for approval. See 2 CFR §200.308(f).

To determine whether prior approval is needed, a state compares the approved budget with the revised budget, totaling the increases across all individual budget categories. Alternatively, the state could total all decreases. If the combined sum of increases (or decreases) from the 7 allowed state administration activities and 15 allowed other state-level activities surpasses 10 percent of the total set-aside budget (comprising both administration and other state-level activities amounts), prior approval from OSEP might be required. See Exhibit 2 for an example of changes in a budget with four cost categories.

There is no prior approval requirement for Section 619 because states do not submit Section 619 budgets with their grant application.

Exhibit 2. Example of Testing Budget Changes for Prior Approval Requirement



Total budget change of \$210,000 is greater than 10% of the total set-aside budget of \$2,000,000.

Prior approval from OSEP may be needed.



Note. Cost categories refer to the 7 allowable uses for state administration funds and 15 allowable uses for funds set aside for other state-level activities.

5 If the state has commingled Section 611 set-aside funds with other funds and is unable to track the expenditure of the set-aside funds explicitly, the state might not be able to modify the original budget.

In addition, using set-aside funds for equipment purchases and participant support costs may require prior approval from OSEP under certain circumstances. In a 2019 memo, the Office of Special Education and Rehabilitative Services (OSERS) granted prior approval for these two costs if their permitted uses are within the parameters defined in the memo. For a summary of the approval process and prior approval requirements, please refer also to OSEP's *Guidance for Common Prior Approval Requests under IDEA Parts B and C*.

Conclusion

States are encouraged to use this practice guide to facilitate collaborative conversations and effectively manage IDEA Part B funds set aside for state administration and other state-level activities. This should include developing written procedures for budgeting, reporting, and monitoring funds and establishing ways to gather input on needs and priorities. With a clear understanding of the permissible uses of set-aside funds and other requirements, states can better optimize their state set-aside funds and fulfill the goals of IDEA to improve outcomes for children with disabilities and their families.

Resources

- » From Data to Action: Using IDEA Fiscal Data
<https://cifr.wested.org/resource/from-data-to-action-using-idea-fiscal-data/>
- » OSEP Policy Support 22-03: Guidance for Common Prior Approval Requests under IDEA Parts B and C (December 2022)
<https://sites.ed.gov/idea/idea-files/policy-support-22-03-guidance-for-common-prior-approval-requests-under-idea-parts-b-and-c-december-2022/>
- » Quick Reference Guide on IDEA Part B State Set-Aside Funds
<https://cifr.wested.org/resource/quick-reference-guide-on-idea-part-b-state-set-aside-funds/>
- » Understanding the IDEA Part B State Grant Funding Cycle and Different Fiscal Years
<https://cifr.wested.org/resource/understanding-the-idea-grant-funding-cycle-and-different-fiscal-years/>

For more resources, visit <http://cifr.wested.org> or email cifr_info@wested.org.

The Center for IDEA Fiscal Reporting (CIFR) is a partnership among WestEd, AEM Corporation, American Institutes for Research (AIR), Emerald Consulting, the Frank Porter Graham Child Development Institute at the University of North Carolina at Chapel Hill, the Center for Technical Assistance for Excellence in Special Education (TAESE) at Utah State University, and Westat. The Improve Group is CIFR's external evaluator.

This document was developed under grant #H373F200001 from the U.S. Department of Education. It is not intended to be a replacement for the IDEA statute, regulations, and other guidance issued by OSEP and the U.S. Department of Education. IDEA and its regulations are found at <https://sites.ed.gov/idea>. This document does not necessarily represent the policy of the U.S. Department of Education, and you should not assume endorsement by the Federal Government.

Project Officers: Charles Kniseley and Susan Murray. April 2024.

Suggested Citation: Center for IDEA Fiscal Reporting. (2024). *Budgeting and monitoring IDEA Part B state set-aside funds*. WestEd.