

# Reallocating Local Educational Agency IDEA Part B 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

Each year state educational agencies (SEAs) distribute federal IDEA Part B funds to eligible local educational agencies (LEAs) using a formula in the IDEA regulations. Sometimes an LEA does not need some or all of its Part B funds to provide free appropriate public education (FAPE), or it may not spend them in a timely manner. In certain cases, the SEA may reallocate these unused funds to other LEAs or reserve them for state-level activities. However, there are specific IDEA requirements that must be followed. This practice guide reviews the circumstances for reallocating Part B funds originally distributed to an LEA and the requirements for doing so.

## Overview of the Allocation of IDEA Funds

Every eligible state, freely associated state, and outlying area receives an annual federal grant under IDEA, called a Section 611 grant, to support special education and related services for children and youth with disabilities ages 3 through 21.<sup>1</sup> In addition, eligible states receive Section 619 grants to support special education for children with disabilities ages 3 through 5.

<sup>1</sup> “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.

### Suggested Uses

- Share with fiscal and program staff to facilitate appropriate reallocation of unused LEA IDEA Part B funds.
- Develop and document your state’s processes and procedures for identifying and reallocating unspent funds.
- Identify ways to proactively reduce the risk of reverting unspent funds to the federal government.



Before allocating these funds to LEAs, each SEA may reserve a limited amount of its Section 611 and Section 619 grants for the state administration of the Part B program and other specific state-level activities. These funds are known as “state set-aside funds.” See 34 CFR §§300.704 and 300.812–300.814. SEAs then allocate the remaining funds as subgrants to eligible LEAs, including charter schools that are LEAs. The allocation is made up of base payments and payments based on population and poverty counts in each LEA. See 34 CFR §§300.705 and 300.815–300.816.

Both the Section 611 and Section 619 grants to states and subgrants to LEAs have a specific time frame, or period of performance, that includes a forward funding period (3 months), the grant award year (12 months), and a carryover period called the Tydings Period (12 months). Altogether, this means that the funds must be used or obligated within 27 months. IDEA funds not obligated by the end of the period of performance expire and are reverted to the U.S. Department of the Treasury.

## Reallocation Requirements

IDEA describes two circumstances in which an SEA may reallocate an LEA’s IDEA funds (see sidebar).

In the first circumstance, an LEA may not need any or some portion of its Section 611 or Section 619 funds because it is adequately providing FAPE to all children with disabilities using state and local funds. In this case, the SEA must determine whether the LEA is adequately providing FAPE to all children with disabilities in its jurisdiction.

The second circumstance is when an LEA (a) is not serving any children with disabilities and (b) has not obligated funds within a reasonable time frame before the end of the grant’s carryover period. The SEA must determine whether both conditions have been met before reallocating those funds.

In both circumstances above, the SEA may reallocate the unused funds to other LEAs that it determines are “not adequately providing special education and related services to children with disabilities residing in their jurisdictions” (34 CFR §§300.705(c) and 300.817). Additionally, the SEA may retain the funds as part of its state set-aside up to the maximum amount allowed (see sidebar).

“If an SEA determines that an LEA is adequately providing FAPE to all children with disabilities residing in the area served by that agency with state and local funds, the SEA may reallocate any portion of the funds under this part that are not needed by that LEA to provide FAPE, to other LEAs in the State that are not adequately providing special education and related services to all children with disabilities residing in the areas served by those other LEAs.”

**34 CFR §300.705(c)(1) for Part B Section 611. See 34 CFR §300.817(a) for Part B Section 619.**

“After an SEA distributes funds under this part to an eligible LEA that is not serving any children with disabilities, as provided in paragraph (a) of this section, the SEA must determine, within a reasonable period of time prior to the end of the carryover period in 34 CFR 76.709, whether the LEA has obligated the funds.”

**34 CFR §300.705(c)(2) for Part B Section 611. See 34 CFR §300.817(b) for Part B Section 619.**

“The SEA may also retain those funds for use at the State level to the extent the State has not reserved the maximum amount of funds it is permitted to reserve for State-level activities pursuant to §300.704.”

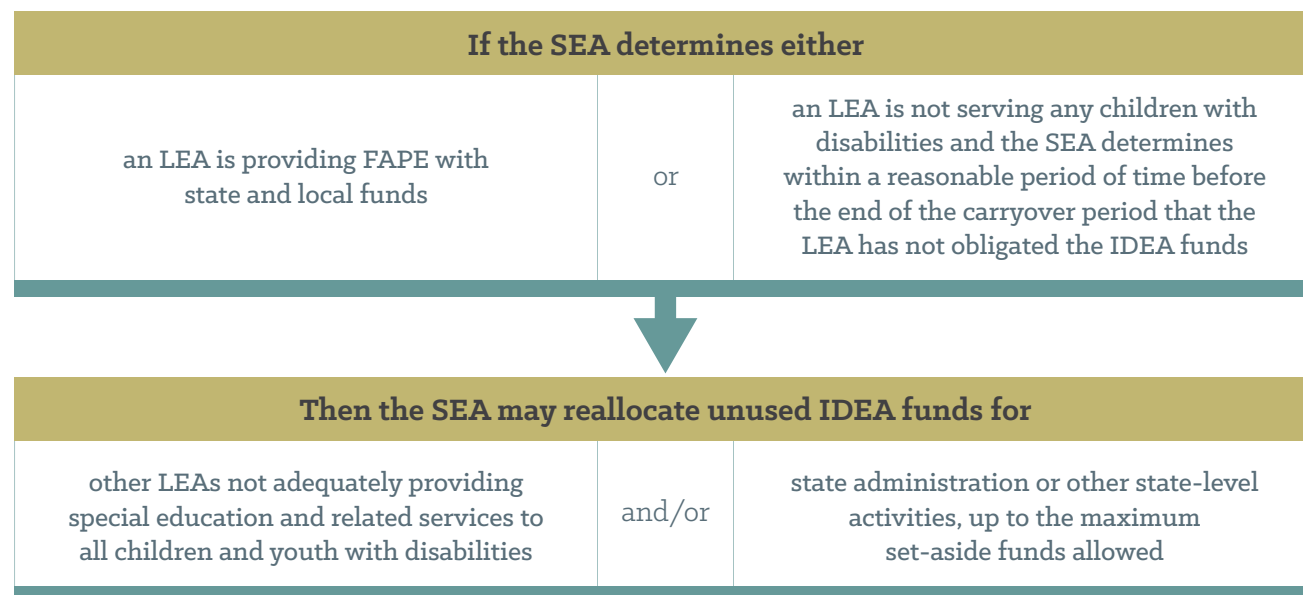
**34 CFR §300.705(c)(1) for Part B Section 611. See 34 CFR §300.817(a), (b) for Part B Section 619.**

## Reallocation Processes

As part of the reallocation process, SEAs must have procedures to determine whether an LEA not needing any or some portion of its IDEA Part B funds is adequately providing FAPE with state and local funds to all children with disabilities residing in the area served by that agency. In addition, before transferring funds from one LEA to another LEA or LEAs, the SEA must determine whether the LEA or LEAs receiving funds are not adequately providing special education and related services to children with disabilities in the areas they serve.

When developing state fiscal procedures, keep in mind the two-part process for determining whether Part B funds may be reallocated: (a) identifying funds available for reallocation and (b) reallocating available unused funds. See Exhibit 1.

### Exhibit 1. Process for Reallocating Unused LEA IDEA Funds



### Identifying Funds for Reallocation

The first step in identifying funds that may be available to reallocate is establishing a process to monitor unneeded or unused funds. An SEA may determine whether funds are available in one of two ways.

In the first circumstance, the SEA determines that the LEA is *adequately providing FAPE* with state and local funds and therefore does not need some or all of the Part B funds reserved for the LEA by the SEA. The SEA sets its own criteria for making this determination, and fiscal and program teams should collaborate and review monitoring data and other available information. Data to review may include LEA-monitoring reports, state complaint findings, hearing decisions, long-standing noncompliance, State Performance Plan/Annual Performance Report indicator data, annual LEA determinations, state and local funding, and previous reports of IDEA Part B fund data use.

In the second circumstance—an LEA not serving children with disabilities—the SEA’s considerations will be different. The SEA needs to determine that (a) the LEA does not serve children with disabilities and (b) the LEA has not obligated federal IDEA Part B funds “within a reasonable period of time prior to the end of the carryover period” (as stated in 34 CFR §§300.705(c)(2) and 300.817(b)). This requires the SEA to define what it considers a “reasonable” time frame and establish a process for tracking LEAs’ obligations during the period of performance. Typically, SEAs assess the use of LEA funds at the 12-month and 18-month marks after the funds become available. If the LEA is found not to be serving children with disabilities and has not spent or obligated some or all of the IDEA funds in the state-established time frame before the end of the carryover period, the funds may be reallocated.

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## Determining Which LEAs Are Eligible to Receive Reallocated Funds

The SEA next determines which LEAs are eligible to receive reallocated funds. Only LEAs that have established eligibility for an LEA subgrant and for which the SEA has reserved IDEA funds can receive reallocated funds. An LEA must not be adequately providing special education and related services as determined by the SEA (see 34 CFR §§300.705(c) and 300.817). SEAs typically use factors such as corrective actions required by the state, findings of noncompliance, state complaints, performance data, or sudden or unexpected changes in child count that may create challenges for providing FAPE. The SEA may also consider whether the amount of funding received by the LEA is adequate.

It is up to the SEA to determine how the funds will be reallocated and how much each eligible LEA may receive. Some SEAs may reallocate based on the IDEA Part B population and poverty allocation formula. Others may use factors that are similar to those the state used to determine whether an LEA is eligible to receive reallocated funds. The SEA’s written procedures should detail the eligibility criteria and reallocation process.

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## Reallocating for State Use

In some situations, the SEA may reallocate funds for use at the state level instead of, or in addition to, reallocating the funds to other LEAs. This option depends on whether the SEA has already reserved the maximum allowable amount of Part B funds for state-level activities from the same grant from which the unused funds originated. OSEP annually calculates the maximum amounts of Section 611 and Section 619 funds that may be reserved by each SEA, including separate maximums for state administration and for other state-level activities. The SEA may retain funds available for reallocation up to the maximum calculated for that grant program and federal fiscal year (FFY). For example, if reallocated funds come from the Section 611 FFY 2022 grant award, the SEA will need to assess what it initially set aside from the Section 611 FFY 2022 grant and how much reallocated funding can be added. The SEA will also need to be sure that the specific maximums for the state administration amount and for the other state-level activities amount are not exceeded when increasing set-aside funds.

As SEAs create their initial set-aside budgets, they should be aware of the impact of budget decisions on reallocation options. Reserving the maximum of state set-aside funds during the budgeting process will prevent the SEA from using reallocated funds for state-level use. Another issue to consider is that supplementing the original set-aside budget for Section 611 with reallocated funds may require prior OSEP approval if the cumulative changes across all cost categories exceed 10 percent of the total set-aside budget. See OSEP’s *Policy Support 22-03: Guidance for Common Prior Approval Requests under IDEA Parts B and C* in **Resources**.

## Impact on Other Grant Requirements

Funds reallocated to LEAs by the SEA are considered supplemental funds for the FFY of the subgrant from which the reallocated funds were drawn even if the supplemental funds are distributed in the following fiscal year. An LEA's original subgrant plus any funds from the same FFY that were reallocated to that LEA make up the LEA's total subgrant award for that FFY. This total—original subgrant plus supplemental funds—is held to the same obligations as the original subgrant and must be

- » obligated and liquidated in the same 27-month period of performance,
- » reported by the SEA as the LEA's total subgrant amount in the ED Facts Metadata and Process System data collection for that FFY, and
- » used to recalculate the funds reserved for voluntary or comprehensive coordinated early intervening services (see 34 CFR §§300.226(a) and 300.646(d)) and to calculate the required expenditures for equitable services for parentally placed private school children with disabilities (see 34 CFR §300.133). The SEA has discretion to require or not require this recalculation if the LEA receives the reallocated funds close to the end of the obligation period.

An LEA receiving reallocated funds would not be eligible to reduce its maintenance of effort under 34 CFR §300.205(c).

## Mitigating the Risk of Unspent Funds

As noted earlier, IDEA funds that are not obligated by the end of the period of performance revert to the federal government. SEAs should be proactive in their efforts to mitigate this risk by ensuring that the funds are used to provide special education and related services to children with disabilities. While LEAs have the full period of performance to use the funds, the SEA may need to intervene to help LEAs make timely expenditures. Examples of proactive approaches the SEA may take to reduce the risk of returned funds include

- » regularly monitoring the spending, or drawdown, of IDEA funds at the LEA level (this can be done through regular LEA reporting and state review of obligations and expenditures, risk assessments, and fiscal monitoring);
- » providing targeted outreach to LEAs that have not drawn down funds in a timely manner (for instance, the SEA may request an LEA with a substantial portion of unobligated funds with 6 months left in the period of performance to provide detailed information about how those funds will be used);
- » providing technical assistance and guidance to all LEAs about fund use and general supervision activities; and
- » documenting and implementing comprehensive procedures to identify funds for reallocation, including a process for LEAs to notify the SEA if IDEA funds are not needed to provide FAPE to children with disabilities, and to identify eligible LEAs.

These activities are an important part of state fiscal controls by allowing for the timely identification of funds available for reallocation and helping to ensure that they will be used before the end of the period of availability. CIFR recommends that SEAs develop written procedures that describe how Part B funds are reallocated, in alignment with IDEA regulations. Please see Component 7 (“Reallocation of Available Funds”) in CIFR's *Developing Written Procedures for the Allocation of IDEA Part B Subgrants to Local Educational Agencies* for more information and guiding questions.

## Resources

- » Developing Written Procedures for the Allocation of IDEA Part B Subgrants to Local Educational Agencies  
<https://cifr.wested.org/resource/developing-written-procedures-for-the-allocation-of-idea-part-b-subgrants-to-the-leas/>
- » Policy Support 22-03: Guidance for Common Prior Approval Requests under IDEA Parts B and C  
<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 the Timely Expenditure of IDEA Funds  
<https://ncsi-library.wested.org/resources/782>
- » Quick Reference Guide on the Allocation of IDEA Part B Subgrants to Local Educational Agencies  
<https://cifr.wested.org/resource/quick-reference-guide-on-the-allocation-of-idea-part-b-subgrants-to-local-educational-agencies/>
- » Understanding the IDEA Part B State Grant Funding Cycle and Different Fiscal Years  
<https://cifr.wested.org/wp-content/uploads/2021/04/CIFR-Understanding-Different-Fiscal-Years.pdf>

For more resources, please visit CIFR at <https://cifr.wested.org> or contact us at [cifr\\_info@wested.org](mailto:cifr_info@wested.org).

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