



Supporting Early Literacy for Students with Disabilities with IDEA, Part B: Fiscal Guidance

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Supporting Early Literacy for Students with Disabilities with IDEA, Part B

The Mississippi Department of Education (MDE) is committed to helping schools and school districts improve the reading skills of all students, particularly those in grades K-3. To that end, this document explores how school districts may use grant funds under Part B of the Individuals with Disabilities Education Act (IDEA) to support promising reading initiatives.

IDEA focuses on students with disabilities, but IDEA-funded activities can be part of a comprehensive initiative to support improved literacy for all students. A comprehensive approach to literacy makes sense for many reasons including:

- Most students with disabilities participate in general education classrooms and therefore need support in general education settings,¹
- Disabled and non-disabled students who struggle to read often benefit from the same interventions,² and
- Struggling readers learn best when interventions are aligned to their core instruction.³

Therefore, the U.S. Department of Education (ED) encourages school districts to align their IDEA-funded activities to their larger efforts to improve education for all students.⁴

To help school districts understand how they may spend their IDEA, Part B funds, and how they may coordinate with other funding sources to support comprehensive approaches to literacy, this document:

- Provides an overview of IDEA, Part B spending rules,
- Explores common misperceptions that inhibit IDEA, Part B spending, and
- Provides examples of literacy-related activities districts can support with IDEA, Part B funds.

This guidance begins with an overview of IDEA, Part B's spending rules (Parts I and II) because misunderstandings about these rules often discourage school districts from exercising all of their Part B spending options. Part III of this guidance provides specific examples of permitted uses of IDEA, Part B funds. For more information about this guidance, or IDEA in general, please contact the Mississippi Department of Education, Office of Special Education at (601) 359-3498.

¹ See U.S. Department of Education, Non-Regulatory Guidance on Using ARRA Funds Provided Through Part B of the Individuals with Disabilities Education Act (IDEA) to Drive School Reform and Improvement (2009) [hereinafter IDEA ARRA Reform Guidance], <https://www2.ed.gov/policy/gen/leg/recovery/guidance/idea-b-reform.pdf>, at p. 2. In Mississippi, more than two-thirds of students with disabilities participate in regular classrooms for at least 80 percent of the day. See Mississippi's FFY2013 State Performance Plan/Annual Performance Report (2015), <https://osep.grads360.org/services/PDCService.svc/GetPDCDocumentFile?fileId=10840>.

² See, e.g. U.S. Department of Education Letter to Troy Couillard (2013), <https://www2.ed.gov/policy/speced/guid/idea/memosdcltrs/12-011637r-wi-couillard-rti3-8-13.pdf>.

³ Wonder-McDowell, C., Reutzel, D. R., & Smith, J.A. (2011). Does instructional alignment matter: Effects on struggling second-grade readers' achievement. *The Elementary School Journal* 112 (2), 259-279 (accessed at http://www.readinghalloffame.org/sites/default/files/esj_on_alignment.pdf)

⁴ See IDEA ARRA Reform Guidance at p. 2.

Key Points on IDEA Spending Rules

In General

- Districts have a broad array of spending options under IDEA, Part B. Examples in Part III of this guidance include:
 - Services delivered through a response to intervention framework such as:
 - Specialized small group instruction
 - Sharing the cost of relevant, comprehensive professional development
 - Sharing the cost of curricula redesign to better serve students with disabilities in inclusive settings
 - Sharing the cost of developing an RTI implementation strategy
 - Sharing the cost of screening and progress monitoring
 - Delivering interventions to students with disabilities
 - Coordinated early intervening services for non-disabled struggling students, particularly in grades K-3
 - Supporting effective teaching such as:
 - Professional development on literacy strategies to meet the needs of students with disabilities
 - Supporting programs that lead to special education certifications
 - Collaborative planning time
 - Supporting data systems such as:
 - Web-based IEP systems
 - Early childhood data systems for special education students
 - Sharing the cost of progress monitoring
- To access these spending options, districts must comply with three fiscal rules: (1) excess cost, (2) maintenance of effort, and (3) supplement not supplant. Districts that comply with these three rules can spend IDEA, Part B funds on any reasonable cost to provide special education and related services to eligible students with disabilities (so long as the cost is consistent with Federal spending rules known as cost principles, see Appendix B).
- Districts can also coordinate IDEA, Part B with other funding sources to support comprehensive initiatives that include students with disabilities.
- Districts demonstrate compliance with excess cost, maintenance of effort, and supplement not supplant by looking at their aggregate spending through calculations set out in Federal regulations.
 - Compliance is not evaluated by looking at individual costs charged to IDEA, Part B. This makes it easier to spend IDEA, Part B funds on comprehensive initiatives to support learners with diverse needs.

Option to Reserve Funds to Serve Non-disabled Struggling Students

- Districts may (and in some cases must) reserve up to 15% of their IDEA, Part B allocation to provide intervention services to non-disabled students struggling to succeed in the general education environment. This is a significant option for supporting comprehensive literacy programs, including services delivered through a response to intervention framework.

I. Overview of IDEA, Part B Spending Rules

IDEA, Part B includes two grant programs that help school districts provide a free appropriate public education⁵ to students with disabilities:

1. The *Grants to States for Education of Children with Disabilities* program (authorized under Section 611 of IDEA) to support students with disabilities ages 3 to 21, and
2. The *Preschool Grants for Children with Disabilities* program (authorized under Section 619 of IDEA) to support students with disabilities ages 3 to 5.

School districts can use these grants to pay for the excess cost of providing special education⁶ and related services⁷ to eligible students with disabilities.

Importantly, IDEA, Part B is meant to provide extra support to districts to supplement the state and local money they already spend on students with disabilities. This concept of extra is evaluated in the *aggregate* – looking at a district’s overall spending through three different fiscal rules, it is not evaluated by looking at a particular cost. As described in more detail below, this aggregate approach makes it easier for districts to coordinate IDEA services with other efforts to improve educational outcomes for all students.

The three IDEA, Part B fiscal rules are:

1. Excess cost, which requires districts to contribute a certain amount of non-IDEA money to elementary and secondary education so IDEA does not pay for the entire cost of educating students with disabilities. The amount of non-IDEA money a district must contribute is determined through a formula set out in IDEA, Part B regulations.⁸
2. Maintenance of effort (MOE), which requires districts to spend at least as much state and/or local money on special education as they did the year before. The procedures for determining MOE compliance are set out in IDEA, Part B regulations.⁹

⁵ A free appropriate public education (FAPE) means special education and related services that: (1) are provided without charge and under public supervision, (2) meet standards set by MDE, (3) include an appropriate preschool, elementary school, or secondary school education, and (4) conform to students’ individualized education programs. 34 CFR § 300.17. More information about FAPE standards in Mississippi is available here <http://www.mde.k12.ms.us/OSE/PP>.

⁶ Special education means specially designed instruction, at no cost to the parents, to meet the unique needs of a child with a disability. It includes physical education, speech-language pathology services or any other related services considered special education under state standards, travel training, and vocational education.

⁷ Related services means transportation and developmental, corrective, and other supportive services students with disabilities need to benefit from special education. They include speech-language pathology and audiology services, interpreting services, psychological services, physical and occupational therapy, recreation, including therapeutic recreation, early identification and assessment of disabilities in children, counseling services, including rehabilitation counseling, orientation and mobility services, and medical services for diagnostic or evaluation purposes. Related services also include school health services and school nurse services, social work services in schools, and parent counseling and training.

⁸ 34 CFR part 300, Appendix A.

⁹ 34 CFR part 300, Appendix D.

3. Supplement not supplant, which prohibits districts from using IDEA, Part B funds to replace the state, local and other Federal funds they would otherwise spend on special education if they did not participate in IDEA. It is ED's position that a district automatically satisfies supplement not supplant requirements under IDEA if it meets MOE under IDEA.¹⁰

These three rules influence how districts may spend IDEA, Part B funds; therefore, they are discussed briefly below.

A. Excess Cost and Its Effect on Part B Spending

IDEA, Part B supports "excess costs," which are the costs above and beyond what a district spends to educate students without special needs. In other words, school districts spend a certain amount of money to provide services to all students. Students with disabilities need extra supports that generate additional costs for districts. IDEA is meant to help defray these additional costs, not the entire cost of educating a student with a disability.¹¹

Compliance with the excess cost requirement is evaluated by looking a district's *aggregate* spending. Rather than looking at any particular cost to determine if it is a "general cost" or an "excess cost," districts must determine how much, on average, they spent per student¹² in the last school year, after deducting:

- Capital outlay and debt services,
- Costs paid with IDEA, Part B, Title I, Part A, and Title III, Part A funds¹³
- Costs paid with state and local funds for programs under Title I, Part A, Title III, Part A, and
- Costs paid with state and local funds for children with disabilities.¹⁴

The resulting amount represents the minimum a district must spend in the next school year with non-IDEA funds (that is, state, local or other Federal funds). Any spending above and beyond this minimum amount is considered a district's "excess cost" eligible for IDEA, Part B support.

For example, if a district with 100 elementary school students spent, on average, \$7,362 per elementary student in 2015-2016, it must spend at least \$736,200 in non-IDEA funds in 2016-2017. As long as the district spends that amount, it can use IDEA, Part B to pay for any cost to provide special and related

¹⁰ See U.S. Department of Education, Non-Regulatory Guidance on Funds for Part B of the Individuals with Disabilities Education Act Made Available Under The American Recovery and Reinvestment Act of 2009 (2010), <http://www2.ed.gov/policy/gen/leg/recovery/guidance/idea-b-revised-910.pdf>, at p. 13, Q&A C-6.

¹¹ The excess cost requirement does not prevent a district from using IDEA, Part B funds to pay for the entire cost of educating a child with a disability aged 3-5 or 18-21 if the district does not use state and/or local funds to provide services to non-disabled students in those age ranges.¹¹ In other words, if the district does not normally serve students in those age ranges, but serves a student with disabilities solely because of the district's responsibilities under IDEA, Part B, the district may use IDEA, Part B funds to pay for the entire cost of educating a student in that age range.

¹² Districts must separately calculate the per-student amount for elementary school students and the per-student amount for secondary school students.

¹³ Districts must also deduct spending under Title III, Part B but that program is not currently funded.

¹⁴ 34 CFR § 300.16.

services to eligible students with disabilities.¹⁵ There is no need to link the district’s IDEA spending to any particular “excess cost.”

An example of the excess cost calculation is included in Appendix A.

Previous MDE guidance suggested districts consider three questions when evaluating if a cost is an “excess cost” eligible for IDEA funding:

1. In the absence of special education needs, would this cost exist?
2. Is this cost also generated by students without disabilities?
3. If it is a child-specific service, is the service documented in the student’s IEP?

However, consistent with ED regulations and guidance, MDE has determined that excess cost is not evaluated by looking at any particular cost. The above three questions, therefore, are not applicable to excess cost compliance and districts should not use these questions to evaluate compliance with the IDEA excess cost requirement.

Excess Cost and Service Delivery

MDE encourages districts to carefully review their excess cost procedures to ensure they are not limiting their service delivery options by mistakenly applying the three questions above when determining what to support with IDEA, Part B funds.

For example, the fact a student with disabilities might receive the same service as a student without disabilities does not, by itself, prohibit a district from using IDEA, Part B funds for the service. For instance, several students in a school might benefit from the same reading intervention. If some of the students are eligible for special education services but others are not, a district could “split fund” the cost of the intervention. That is, a district could use IDEA, Part B funds to provide the intervention to the students with disabilities while using another funding source to provide the same intervention to the non-disabled students.¹⁶

Similarly, as discussed in more detail in Section III, districts can use IDEA, Part B funds to support comprehensive initiatives beyond the specific services listed in individual IEPs. For example, to serve more students with disabilities in the least restrictive environment a district may contribute IDEA, Part B funds to a larger effort to redesign reading curricula in early grades to better serve diverse learners (including students with disabilities) in an inclusive setting.¹⁷

¹⁵ Please note the district is not required to show it spent the required minimum *before* spending IDEA funds. Instead, the district must spend the required minimum by the end of the year. See U.S. Department of Education, PowerPoint Presentation on Excess Cost (2012), <https://osep.grads360.org/#communities/pdc/documents/4882>, at slide 6.

¹⁶ See, e.g. U.S. Department of Education Letter to Troy Couillard (2013), <https://www2.ed.gov/policy/speced/guid/idea/memosdcltrs/12-011637r-wi-couillard-rti3-8-13.doc>.

¹⁷ See IDEA ARRA Reform Guidance at p. 18.

B. Supplement Not Supplant/Maintenance of Effort Tests and Their Effect on IDEA, Part B Spending

Supplement not supplant, in general, means IDEA, Part B funds must add to (supplement) the state, local, and other Federal funds districts spend for special education, and not to replace (supplant) those funds.

Like excess cost, compliance with supplement not supplant is sometimes mistakenly evaluated by looking at the particular costs charged to the grant. While that evaluation is appropriate for some ED grant programs, compliance with supplement not supplant in IDEA, Part B does not look at individual costs. Instead, a district is in compliance with supplement not supplant in IDEA, Part B if it meets its maintenance of effort obligations.¹⁸

In other words, the three presumptions of supplanting¹⁹ that apply in some ED grant programs do not apply to district-level IDEA, Part B funds.²⁰

II. Optional Set-Aside for Coordinated Early Intervening Services

IDEA permits all school districts to set aside up to 15% of their IDEA, Part B allocation to provide Coordinated Early Intervening Services (CEIS) to non-disabled students in kindergarten through 12th grade who need additional academic and behavioral supports to succeed in the general education environment.²¹ IDEA particularly encourages districts to emphasize students in kindergarten through 3rd grade for CEIS.

Districts that have been identified as having significant disproportionality²² must set aside 15% of their grant for CEIS.²³

The rationale for using IDEA funds for CEIS is based on research showing that the earlier a child's learning problems or difficulties are identified, the more quickly and effectively the problems and difficulties can be addressed and the greater the chances that the child's problems will be ameliorated

¹⁸ See U.S. Department of Education, Non-Regulatory Guidance on Funds for Part B of the Individuals with Disabilities Education Act Made Available Under The American Recovery and Reinvestment Act of 2009 (2010), <http://www2.ed.gov/policy/gen/leg/recovery/guidance/idea-b-revised-910.pdf>, at p. 13, Q&A C-6.

¹⁹ In some Federal education programs, supplanting is presumed when a district uses Federal funds to pay for something the district:

1. Is legally required to do,
2. Supported with state/local funds last year, or
3. Also provides to non-eligible students with state, local, or sometimes other Federal funds.

These three presumptions do not apply to district-level IDEA Part B funds.

²⁰ See U.S. Department of Education, Non-Regulatory Guidance on Funds for Part B of the Individuals with Disabilities Education Act Made Available Under The American Recovery and Reinvestment Act of 2009 (2010), <http://www2.ed.gov/policy/gen/leg/recovery/guidance/idea-b-revised-910.pdf>, at pp. 13-14, footnote 1.

²¹ 34 CFR § 300.226.

²² Significant disproportionality means students from a particular racial/ethnic background who receive special education services are overrepresented when compared to the overall student population.

²³ 34 CFR § 300.646(b)(2).

or decreased in severity.²⁴ Conversely, the longer a child goes without assistance, the longer the remediation time and the more intense and costly services might be.

CEIS can include:

- Professional development for teachers and other school staff to enable them to deliver scientifically based academic and behavioral interventions, including scientifically based literacy instruction, and, where appropriate, instruction on the use of adaptive and instructional software, and
- Providing educational and behavioral evaluations, services, and supports, including scientifically based literacy instruction.²⁵

For example, in the context of literacy, districts could use CEIS funds to fund reading specialists to work with non-disabled students who have not reached grade-level proficiency, or for after-school tutoring for non-disabled students who are not proficient on state assessments.²⁶

Districts may use CEIS funds to carry out services aligned with its ESEA activities, but CEIS funds must be used to supplement those activities.²⁷ For example, CEIS activities could supplement a district's effort to improve literacy in low-performing Title I schools.

Districts have discretion to determine which students need additional support, and may consider a variety of factors including state assessment results, disciplinary referrals, or suspensions and expulsions.²⁸

III. Examples of Allowable Uses of IDEA, Part B Funds to Support Literacy

IDEA, Part B does not contain a list of specific activities districts must support with Part B funds. This is because Congress intended to give districts discretion to decide how best to spend their grant money to meet the needs of their students with disabilities.

This does not mean districts have unlimited discretion when it comes to spending. All costs charged to IDEA, Part B must:

- Relate to the special education and related services needs of students with disabilities (the one exception being funds set aside for CEIS, which must be used for non-disabled struggling students),
- Be targeted to eligible students with disabilities, and

²⁴ See U.S. Department of Education, Office of Special Education Programs Memo 08-09 [hereinafter OSEP Memo 08-09] (2008), <https://www2.ed.gov/policy/speced/guid/idea/memosdcltrs/osep08-09coordinatedearlyinterveningervices.doc>.

²⁵ 34 CFR § 300.226.

²⁶ See OSEP Memo 08-09, Q1.

²⁷ 34 CFR § 300.226(e).

²⁸ See OSEP Memo 08-09, Q2.

- Comply with other Federal spending rules known as the Uniform Grant Guidance. Please see Appendix B for a brief overview of these rules.

Costs that meet these criteria generally can be supported with IDEA, Part B funds. What follows are examples of how these fiscal rules permit diverse spending opportunities to support special education students at the school and district level.

Response to Intervention

State Board Policy 4300 requires every school district to provide three tiers of instruction:

- Tier 1: Quality classroom instruction based on Mississippi College- and Career-Ready Standards (MCCRS)
- Tier 2: Focused supplemental instruction
- Tier 3: Intensive interventions specifically designed to meet the individual needs of students

Commonly known as response to intervention (RTI), this approach generally requires districts to:

- Identify students at-risk for poor learning outcomes,
- Monitor student progress,
- Provide evidenced-based interventions, and
- Adjust the intensity and nature of those interventions depending on a student's responsiveness.²⁹

Districts can use IDEA, Part B to support instruction through an RTI framework in two key ways.

(Please note the fact that RTI is required by State Board policy does not preclude a district from supporting RTI with Part B funds.³⁰ In certain other ED programs this might raise supplanting concerns, but it is not an issue in IDEA, Part B. See Part I for more information.)

Specific Services for Specific Students

First, districts can use Part B funds to *target specific students with disabilities* by paying for any special education and related services required by their IEPs. This can occur at any tier of the RTI framework.

Example: Specialized Small Group Instruction

A district could use IDEA, Part B to pay for a teacher that provides specialized reading instruction to several students with disabilities consistent with their IEPs.³¹

The district could further leverage its resources by including non-disabled students who could benefit from the same specialized reading instruction in the group. The district can continue to pay for the teacher with IDEA, Part B funds if including the non-disabled students does not require the teacher to perform any additional duties.³² Otherwise, the district can contribute another funding source to the teacher's salary, such as CEIS, Title I, or state or local funds, to cover the time the teacher spends with non-disabled students.

²⁹ National Center on Response to Intervention (March 2010). Essential Components of RTI – A Closer Look at Response to Intervention. Washington, DC, http://www.rti4success.org/sites/default/files/rtiessentialcomponents_042710.pdf, at p. 2.

³⁰ See e.g., U.S. Department of Education Letter to Carol Hokenson (2013), <http://www2.ed.gov/policy/speced/guid/idea/memosdcltrs/11-024336r-mn-hokenson-ceis-moe-1-30-13-final.doc>.

³¹ See Letter to Troy Couillard at p. 2.

³² See Letter to Troy Couillard at p. 2.

Comprehensive RTI Initiatives

Second, districts can contribute Part B funds to pay for *part of the cost of a more comprehensive initiative* that benefits both disabled and non-disabled students. This can also occur at any tier of the RTI framework, but is particularly helpful in Tier 1 for high quality instruction and universal screening.

Example: Comprehensive Professional Development for Teachers

A district could use IDEA, Part B combined with other funding sources (sometime known as “braiding” multiple funding sources) to provide professional development to all elementary teachers on effective strategies for struggling readers. IDEA, Part B could support a percentage of the overall cost based on the proportion of special education teachers who participate in the professional development.³³ For example, if 15 percent of the participating teachers are special education teachers, IDEA can pay for 15 percent of the overall cost.

Example: Redesign Reading Curricula in Early Grades Based on Universal Design for Learning

A district could use IDEA, Part B and other funding sources to redesign reading curricula in early grades to accommodate the needs of all learners in an inclusive setting.³⁴ This could include purchasing instructional materials that provide multiple means of representation, assistive technology, support tools such as graphic organizers, etc. It could also include integrating behavior supports, social and emotional skills training, or strategies to minimize classroom disruptions to support student learning. The percentage that could be charged to IDEA, Part B will depend on the nature of the initiative. Please contact the Mississippi Department of Education, Office of Special Education at (601) 359-3498 for more information.

Other RTI-Related Examples

A district could also use IDEA, Part B to pay for **part** of the cost of:

- Developing a district strategy for implementing RTI including:
 - Determining the specific tiers the district will use,
 - The instructional programs and approaches appropriate for each tier,
 - The appropriate use of data,
 - The supports that will be needed to implement RTI effectively, and
 - How the district will evaluate success
- Screening and progress monitoring tools
- Intervention materials³⁵

CEIS Funds for RTI

³³ See IDEA ARRA Reform Guidance at pp. 20-21.

³⁴ See, e.g. IDEA ARRA Reform Guidance at pp. 16-19.

³⁵ See IDEA ARRA Reform Guidance at p. 21.

As discussed in Part II, a district can set-aside up to 15 percent of its IDEA, Part B allocation to provide coordinated early intervening services to struggling non-disabled students. These services can be delivered through an RTI framework. For example, a district could use CEIS funds to provide specialized small group instruction for at-risk general education students, or to provide specialized individual support for non-disabled students with intensive needs.³⁶

³⁶ See U.S. Department of Education Letter to Rick Dale (2012), <http://www2.ed.gov/policy/speced/guid/idea/memosdcltrs/12-008431r-me-dale-rti-11-14-12.doc>.

Effective Teaching

Teaching a child to read requires specialized knowledge and practices. Effective teachers of reading:

- Understand the essential components of reading instruction (phonemic awareness, phonics, reading fluency, vocabulary, and comprehension),
- Implement effective practices for teaching each component,
- Demonstrate knowledge of methods for evaluating student learning, and
- Utilize information from their own and external assessments to inform their teaching practices.³⁷

IDEA, Part B can support teachers in mastering these skills to improve student literacy, including the examples below.

Example: Professional Development for Teachers

Districts can use IDEA, Part B to train both special education and general education teachers who serve students with disabilities on literacy strategies for meeting the unique needs of disabled students.³⁸ This can include both out-of-the-classroom training, and classroom-embedded supports such as coaching, peer-to-peer observations and feedback, etc.

Districts can also use IDEA, Part B as part of a comprehensive professional development initiative to train teachers on meeting the needs of all struggling and/or emergent readers. IDEA, Part B could support a percentage of the overall cost based on the proportion of special education teachers who participate in the professional development.³⁹ For example, if 15 percent of the participating teachers are special education teachers, IDEA can pay for 15 percent of the overall cost.

Example: Certification Programs

To increase the number of certified teachers available to support students with disabilities districts can use IDEA, Part B funds to support general education teachers in earning special education certification.⁴⁰ Districts can also use IDEA, Part B to support special education teachers in earning content certification relevant to literacy.⁴¹

³⁷ U.S. Agency for International Development, What Works To Improve Reading (2011), RTI International, <https://www.eddataglobal.org/documents/index.cfm?fuseaction=pubDetail&ID=321> and Classroom Reading Instruction That Supports Struggling Readers: Key Components for Effective Teaching, <http://www.rtinetwork.org/essential/tieredinstruction/tier1/effectiveteaching>

³⁸ See IDEA ARRA Reform Guidance at p. 3.

³⁹ See IDEA ARRA Reform Guidance at pp. 20-21.

⁴⁰ See IDEA ARRA Reform Guidance at p. 8.

⁴¹ See IDEA ARRA Reform Guidance at p. 8 and p. 23.

Example: Collaborative Planning Time

IDEA, Part B can support costs to provide teachers of students with disabilities time to collaborate with each other and their general education peers. This can include the cost of stipends as well as substitute teachers to provide release time. Teachers can use this time to provide peer support and mentoring,⁴² collaborate on strategies for meeting the needs of students with disabilities,⁴³ reviewing data to identify struggling students,⁴⁴ etc.

⁴² See IDEA Reform Guidance at p. 10.

⁴³ See e.g., IDEA Reform Guidance at p. 12.

⁴⁴ See IDEA Reform Guidance at p. 33.

Data Systems

A key component of an effective literacy program is identifying students struggling to read, and targeting appropriate interventions to meet their specific needs. This requires access to data about student performance to inform instructional decisions. IDEA, Part B can support districts in using data in various ways, including the examples below.

Example: Web-Based IEPs

Districts can use IDEA, Part B to support the cost of developing and implementing a web-based tool that helps to track and manage IEPs.⁴⁵ Such a system could help IEP teams select appropriate accommodations and interventions, contain sample instructional modules, lesson plans, and task analyses, and help districts ensure special education services are aligned to the general education curriculum.

Example: Early Childhood Data Systems

Districts can use IDEA, Part B to develop and implement an early childhood data system to collect and maintain data on preschool children with disabilities.⁴⁶ Both of the IDEA, Part B grants can serve students ages 3-5, and such a system can help districts identify preschool students who need special education and related services. It can also help districts align their preschool and elementary school supports.

Example: Progress Monitoring

As discussed in the section RTI, districts can use IDEA, Part B to pay for part of the cost of a progress monitoring system to identify struggling students and pinpoint their needs.⁴⁷ This could include helping with the cost of purchasing progress monitoring tools, training teachers on the use of the tools, and training teachers on using the data obtained from the tools to inform instruction.

⁴⁵ See IDEA Reform Guidance at p. 35.

⁴⁶ See IDEA Reform Guidance at pp. 37-38.

⁴⁷ See IDEA Reform Guidance at pp. 32-34.

Appendix A: Sample Excess Cost Calculation

Appendix A of the IDEA, Part B regulations sets out the formula school districts must use to determine the average annual per student expenditure, which is the amount districts must spend out of non-IDEA funds.⁴⁸ The required formula is as follows:

1. Determine the total amount of district *expenditures for elementary or secondary school students* from all sources in the preceding school year. The total amount of expenditures includes expenditures made from state, local and Federal funds, including IDEA, Part B funds, but excludes capital outlay and debt services.

Expenditures for elementary or secondary school students include all costs spent for the education of children with disabilities, whether those costs are characterized as “educational” or not.⁴⁹ For example, the costs may include transportation and food services, not just instructional costs. They may also include an allocable portion of regular education costs (such as the salaries of regular education teachers who serve children with disabilities in inclusion settings).

Example: A district had an average elementary school enrollment for the preceding school year of 800 (including 100 children with disabilities). The district spent the following amounts last year for elementary school students (including its elementary school children with disabilities):

• State and local funds:	\$6,500,000
• <u>Federal funds:</u>	<u>\$ 600,000</u>
• Total:	\$7,100,000
• <u>Less capital outlay:</u>	<u>-\$ 60,000</u>
• Total for Step 1:	\$7,040,000

2. Subtract, from the total amount determined in step 1, the amount *spent* (not simply received) from the following sources:

- IDEA, Part B
- Title I, Part A
- Title III, Part A (and Title III, Part B, which is not currently funded)
- State and local funds for children with disabilities
- State and local funds for programs under Title I, Part A, Title III, Part A (and Title III, Part B)

Example: From the \$7,040,000 in Step 1, the district subtracts:

⁴⁸ 34 CFR part 300, Appendix A, available at: http://www.ecfr.gov/cgi-bin/text-idx?SID=c151b1f28a570d4c57cef14041d6a786&mc=true&node=pt34.2.300&rgn=div5#ap34.2.300_1818.a

⁴⁹ See OSEP Policy Letter (Apr. 8, 2008), available at: <http://www.ed.gov/policy/speced/guid/idea/letters/2008-2/plagataneubauer040808fiscal2q2008.doc>.

- IDEA, Part B funds spent: -\$425,000
- Title I, Part A funds spent: -\$475,000
- Title III, Part A funds spent: -\$ 50,000
- State/local funds spent for children with disabilities: -\$ 50,000
- State/local funds spent for Title I and Title III: -\$150,000
- Total for Step 2: \$5,890,000

3. Divide the amount determined in step 2 by the average number of students enrolled in the district's elementary or secondary schools during the preceding year (including children with disabilities). This amount is the average annual per student expenditure.

Example: $\$5,890,000/800 \text{ students} = \$ 7,362$

4. Multiply the amount determined in step 3 by the number of elementary or secondary school children with disabilities. This is the amount the district must spend with non-IDEA funds.⁵⁰

Example: $\$7,362 \times 100 \text{ students} = \$736,200$

⁵⁰ Please note the average annual per student expenditure is determined by looking at *all* of an LEA's funding sources, including Federal funds (except for the limited amounts deducted in step two). Thus, some of the minimum amount determined in step four may be paid for with Federal funds. The key is to ensure the minimum amount is funded with non-IDEA, Part B funds.

Appendix B: Additional Federal Government Spending Rules that Apply to IDEA, Part B

The Office of Management and Budget (OMB) is the Federal entity responsible for developing uniform rules for managing Federal grant funds. These rules apply to all Federal grant programs – including U.S. Department of Education (ED) programs – and apply *in addition to* ED rules.

Example 1: Many ED grant programs permit LEAs to purchase materials to benefit eligible students. OMB rules require LEAs to follow certain procedures for purchasing and managing those materials; therefore, part of spending ED dollars appropriately is following OMB procurement and inventory management rules.

Example 2: Under OMB rules, entertainment costs are unallowable. Therefore, paying for a recognition banquet for teachers would not be a permissible use of ED funds.

In December 2014, OMB updated its grant management rules, which are now called **the Uniform Grant Guidance**. These rules can be found in Title 2 of the Code of Federal Regulations, Part 200:

http://www.ecfr.gov/cgi-bin/text-idx?SID=fecf95fee4590925cf5312e8cc6c6206&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

The Uniform Grant Guidance includes **cost principles**, which are general spending rules that apply to all Federal grants, including ED programs. These cost principles cover:

- Costs that may never be charged to Federal grants,
- General principles for evaluating whether an otherwise permissible cost can be charged to Federal funds, and
- Specific considerations for certain costs.

Costs that may never be charged to Federal grants

The following costs may not be charged to ED programs:⁵¹

- Advertising and public relations costs such as promotional items and memorabilia, including models, gifts and souvenirs (with limited exceptions)⁵²
- Advisory councils unless permitted by the grant or Federal awarding agency⁵³
- Alcoholic beverages⁵⁴
- Bad debts⁵⁵
- Contributions and donations⁵⁶

⁵¹ This list is not exhaustive, other cost restrictions may apply

⁵² 2 CFR § 200.421

⁵³ 2 CFR § 200.422

⁵⁴ 2 CFR § 200.423

⁵⁵ 2 CFR § 200.426

⁵⁶ 2 CFR § 200.434

- Entertainment, including amusement, diversion, and social activities and any associated costs, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved grant or by the Federal awarding agency⁵⁷
- Fines, penalties, damages and other settlements (with limited exceptions)⁵⁸
- Fund raising and investment management costs (with limited exceptions)⁵⁹
- General costs of government (such as the salaries and other expenses of a school board, or the costs of the school district's chief executive (superintendent))⁶⁰
- Goods or services for personal use⁶¹
- Lobbying⁶²
- Organizing activities, such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, in connection with establishment or reorganization of an organization, except with prior approval of the Federal awarding agency⁶³
- Selling and marketing⁶⁴
- Student activity costs (such as costs incurred for intramural activities, student publications, student clubs, and other student activities) unless specifically allowed under the grant⁶⁵

General Principles for Evaluating Costs

All costs charged to Federal grants, including U.S. ED programs, must meet several key criteria including that costs must be:

- Necessary and reasonable for the performance of the Federal award
- Allocable
- Adequately documented⁶⁶

In general, **necessary and reasonable** means an objective observer would understand the decision to spend funds on an activity considering the amount of money being spent, the needs of the program, and other relevant circumstances. Factors to consider include:

- Whether the cost is needed to carry out the grant program properly and efficiently,
- Whether the LEA followed sound business practices,

⁵⁷ 2 CFR § 200.438

⁵⁸ 2 CFR § 200.441

⁵⁹ 2 CFR § 200.442

⁶⁰ 2 CFR § 200.444

⁶¹ 2 CFR § 200.445

⁶² 2 CFR § 200.450

⁶³ 2 CFR § 200.455

⁶⁴ 2 CFR § 200.467

⁶⁵ 2 CFR § 200.469

⁶⁶ 2 CFR § 200.403

- The cost of the good, service, or activity being supported and whether the cost is consistent with market prices,
- Whether the LEA acted prudently considering its responsibilities to the LEA, its students, the public, and the Federal government, and
- Whether the LEA generally followed its internal practices and policies.⁶⁷

In general, **allocable** means the grant supporting the cost benefits in proportion to the amount charged.⁶⁸ For example, if an LEA uses IDEA, Part B funds to pay for 100% of a teacher's salary, that teacher should spend 100% of her time working on IDEA, Part B activities. LEAs must also be able to track items purchased with Federal funds in order to demonstrate they are being used for program purposes, and must be able to link each item purchased with Federal funds to a transaction/cost in the financial management system.

In general, a cost is **adequately documented** if the LEA has records to show how funds were spent (not just how they were budgeted), that the program benefitted from the cost, and that the LEA complied with any grant-related requirements (such as ensuring participants are eligible for program services, etc.).

Specific considerations for certain costs

Subpart E of the Uniform Grant Guidance contains special rules for certain kinds of costs – for example, how to charge audit costs to Federal grants, the circumstances under which Federal grant funds can be used for conferences, and the like. These rules are available here: http://www.ecfr.gov/cgi-bin/text-idx?SID=0b8b61af3172d6bed650dc218ecd26dc&node=sg2.1.200_1419.sg16&rgn=div7.

⁶⁷ 2 CFR § 200.404

⁶⁸ 2 CFR § 200.405