

# Quick Reference Guide on the Timely Expenditure of IDEA Funds

## I What IDEA funds do states and entities receive?

A state or entity may receive up to three federal formula grants under IDEA each year: (a) an IDEA Part B Section 611 grant to support special education and related services for children with disabilities ages 3 through 21, (b) an IDEA Part B Section 619 grant to support special education of children with disabilities ages 3 through 5, and (c) a Part C grant to assist the state in implementing a coordinated system that provides early intervention services for infants and toddlers with disabilities from birth through age 2 and their families.

## I Why is the timely expenditure of IDEA grant funds important?

IDEA funds are provided to states to improve functional and educational outcomes for infants, toddlers, children, and youth with disabilities and their families. The timely expenditure of funds helps to ensure that funds are used to meet the purposes of IDEA.

IDEA funds that are not spent must be returned to the U.S. Treasury, which means they are not available to meet the purposes of IDEA and ultimately benefit children with disabilities and their families.

## I What can a state do to ensure the timely expenditure of IDEA grant funds?

States should closely monitor the expenditure of funds throughout the grant period—at both the state and local levels—for each grant. During a single state fiscal year, state grantees and local entities are planning for, obligating, expending, and liquidating three years of IDEA grant awards. Monitoring the expenditure of these awards will help ensure that older funds are expended prior to newer funds and provides opportunities for states to shift the use of funds as needed through the grant period, following the principle of first in, first out (FIFO).

## IDEA PART B FUNDS

An amount of IDEA Part B funds may be set aside for use at the state level, and states must monitor the expenditure of funds in each budget category, as reported in the state's annual IDEA Part B application. If there is a need to shift funds to different activities, states can make changes throughout the 27-month grant period. Cumulative budget revisions for amounts of 10 percent or more of the total state set-aside amount require prior approval from the Office of Special Education Programs (OSEP). Data on any revisions and areas where funds were not timely expended can be used in the planning process for future years.

A significant majority of IDEA Part B funds are used by local educational agencies (LEAs) to serve children and youth with disabilities. States should monitor LEAs' use of funds and establish procedures for communicating with LEAs about the timely expenditure of funds. Monitoring this throughout the grant period allows states to address low spending rates early and make connections to other general supervision activities that may inform how the LEA could expend fund balances. To facilitate draw down of the grant, states, in limited circumstances, may be able to reallocate funds from LEAs that do not need the funds to provide supports and services to other LEAs or for state-level purposes (see 34 CFR § 300.705 (c)).

## IDEA PART C FUNDS

States should monitor expenditures in each use of funds category for which funds are budgeted in Section III of the annual IDEA Part C application and request changes as needed throughout the 27-month grant period. Cumulative budget revisions between cost categories (e.g., direct services, activities by other state agencies, etc.) for amounts of more than 10 percent of the total budget require prior approval from OSEP. States can use data on the expenditures to inform the budget and planning process for future years.

States should monitor the rates at which they or local providers are expending funds and establish procedures for communicating with local providers about the timely expenditure of funds. Monitoring this throughout the grant period allows a state to address low expenditure rates early and potentially direct the use of funds. States may be able to reallocate funds, subject to state rules and contractual provisions, from local providers that do not need their full allocation to provide supports and services to other providers or for state-level purposes.

### I How long are IDEA funds available?

Each IDEA grant to states is available over a 27-month period:

- IDEA funds are “forward funded” through the Appropriation Act each year. This means a portion of the IDEA Part B Section 611 grant and the full Section 619 and IDEA Part C grants are made available on July 1, three months prior to the start of each fiscal year.
- The grant award period is the initial 12 months of the fiscal year for which the funds were appropriated.
- The Tydings period allows state grantees to carry over and obligate any IDEA funds that were not obligated in the fiscal year for which they were appropriated for an additional 12 months.<sup>1</sup>

This means there is a 27-month grant period, or period of availability, for IDEA funds, the time frame when states may obligate (i.e., commit to spend) appropriated IDEA funds. Beyond the 27-month grant period, states must liquidate all obligations (i.e., pay outstanding debts) within 120 days of the end of the grant period. For local entities the liquidation period is limited to 90 days after the grant period.<sup>2</sup>

**TABLE 1. GRANT PERIOD FOR IDEA FUNDS**

Grant award year	Period of availability			
	Forward funding period	Grant award period	Tydings period	Liquidation period
FFY 2022	Jul 1, 2022– Sept 30, 2022	Oct 1, 2022– Sept 30, 2023	Oct 1, 2023– Sept 30, 2024	Oct 1, 2024– Jan 28, 2025
FFY 2023	Jul 1, 2023– Sept 30, 2023	Oct 1, 2023– Sept 30, 2024	Oct 1, 2024– Sept 30, 2025	Oct 1, 2025– Jan 28, 2026
FFY 2024	Jul 1, 2024– Sept 30, 2024	Oct 1, 2024– Sept 30, 2025	Oct 1, 2025– Sept 30, 2026	Oct 1, 2026– Jan 28, 2027
FFY 2025	Jul 1, 2025– Sept 30, 2025	Oct 1, 2025– Sept 30, 2026	Oct 1, 2026– Sept 30, 2027	Oct 1, 2027– Jan 28, 2028

For a visual representation of the IDEA Part B and Part C funding cycles, please refer to the CIFR funding cycle resources linked below under “Resources.”

## I When are IDEA funds considered obligated?

For planning to obligate funds within the grant period, it is important to understand when different types of expenses are counted as obligated. The Education Department General Administrative Regulations (EDGAR), at [34 CFR § 76.707](#), provide details for different types of obligations that can be used to accurately plan for and timely expend IDEA funds:

**TABLE 2. WHEN OBLIGATIONS ARE MADE<sup>3</sup>**

If the obligation is for—	The obligation is made—
<b>a.</b> Acquisition of real or personal property	On the date on which the State or subgrantee makes a binding written commitment to acquire the property.
<b>b.</b> Personal services by an employee of the State or subgrantee	When the services are performed.
<b>c.</b> Personal services by a contractor who is not an employee of the State or subgrantee	On the date on which the State or subgrantee makes a binding written commitment to obtain the services.
<b>d.</b> Performance of work other than personal services	On the date on which the State or subgrantee makes a binding written commitment to obtain the work.
<b>e.</b> Public utility services	When the State or subgrantee receives the services.
<b>f.</b> Travel	When the travel is taken.
<b>g.</b> Rental of real or personal property	When the State or subgrantee uses the property.
<b>h.</b> A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR part 200, Subpart E—Cost Principles	On the first day of the grant or subgrant performance period.

## I Are there exceptions or extensions to the grant period?

IDEA does not provide the U.S. Department of Education (Department) with the authority to extend or waive the period of availability or obligation.

States may request a Phase 1 late liquidation to OSEP for up to 14 months after the end of the 120-day liquidation period (18 months after the end of the obligation period) but only for funds that were obligated within the 27-month grant period (i.e., July 1, 2023–September 30, 2024, for FFY 2023 grants). Late liquidation requests require documentation of the obligation of funds within the period of availability, such as contracts, purchase orders, or dated invoices, and a clear explanation of the circumstances that led to the failure to liquidate the funds in a timely manner along with the specific steps the state is taking to avoid reoccurrence.

Note that after 14 months, states may also request a Phase 2 late liquidation. However, Phase 2 late liquidation requests are only granted under extraordinary circumstances, require the involvement of additional Department offices, and ultimately must be approved by the Office of the Chief Financial Officer (OCFO). Requests made during this time period may only be approved if construction contracts or extraordinary circumstances are at issue. Five years from the end of the fiscal year when the funds were made available, the funds revert to the U.S. Treasury.

**TABLE 3. SAMPLE LIQUIDATION TIMELINE**

Grant award year	Period of availability	Liquidation period	Late liquidation	
			Phase 1 late liquidation available through OSEP	Phase 2 late liquidation available through OSEP/OCFO
FFY 2023	Jul 1, 2023–Sept 30, 2025	Oct 1, 2025–Jan 28, 2026	Jan 29, 2026–Mar 31, 2027	Apr 1, 2027–Sept 30, 2030; Funds revert to U.S. Treasury Oct 1, 2030

## I Questions for Part B and Part C to consider

*Note: Unitary systems that do not allocate funds to local entities should consider implications to state budgets for administrative activities, contracts, and direct services rather than tracking local expenditures.*

- How do you monitor the rate of expenditure of IDEA funds?
  - » How and how often are expenditure reports used to track use of funds by the state agency, subgrantees, or contractors? How valid and reliable are the expenditure data you have available internally and from partners?
  - » How, and at what frequency, do you communicate with state staff or local entities about rates of expenditure or large remaining balances?
  - » How do the fiscal and program offices work together to help state staff and local entities plan for the expenditure of any unplanned funds?
- How do you ensure obligations are being charged to the correct year’s account and that new funds are not expended prior to spending down older grants (FIFO)?
- How are internal controls<sup>4</sup> used to ensure that older grant funds are spent first?
- What are your procedures for rebudgeting and reallocating IDEA funds that may not be spent as planned? (*Note that Part B funds must be reallocated only as permitted by 34 CFR § 300.705(c) or 34 CFR § 300.817. For more information on the parameters for the reallocation of funds, please see CIFR’s resources below.*)
  - » When you determine the amounts for state-level activities, do you consider whether the state can repurpose funds returned by local entities for additional state-level activities?
  - » How do you evaluate whether priorities have changed, necessitating a potential change in the plan for state-level funds?

- » How do the program and fiscal offices work together to ensure that funds are not reallocated from a local entity where they are needed for program improvements or compliance?
- Do your contractual agreements and state contract law allow you to reallocate funds if it appears they may not be spent?
- Do you consider timely expenditure of funds, including large remaining grant balances or returned or lapsed funds, as a factor in local risk assessments?

## Resources

### PART B

- *Understanding the IDEA Part B State Grant Funding Cycle and Different Fiscal Years* (CIFR). <https://cifr.wested.org/wp-content/uploads/2021/04/CIFR-Understanding-Different-Fiscal-Years.pdf>
- *IDEA Part B Fiscal Timeline* tool (CIFR). <https://cifr.wested.org/resource/idea-fiscal-timeline/>
- *Practice Guide on Developing Written Procedures for the Allocation of IDEA Part B Subgrants to Local Educational Agencies* (CIFR). <https://cifr.wested.org/wp-content/uploads/2021/03/CIFR-Practice-Guide-Developing-Written-Procedures-Allocation.pdf> (see Section 7: Reallocation of Available Funds)

### PART C

- *Understanding the IDEA Part C State Grant Funding Cycle and Different Fiscal Years* (CIFR). <https://cifr.wested.org/resource/understanding-the-idea-part-c-state-grant-funding-cycle-and-different-fiscal-years/>
- *Quick Reference Guide on the Use of IDEA Part C Funds* (CIFR). <https://cifr.wested.org/resource/quick-reference-guide-on-the-use-of-idea-part-c-funds/>
- *IDEA Part C Annual Grant Budget Calculator* (CIFR). <https://cifr.wested.org/resource/part-c-budget-calculator/>

### PARTS B AND C

- *OSEP Guidance for Common Prior Approval Requests Under IDEA Part B and Part C*. <https://sites.ed.gov/idea/files/OSEP-Prior-Approval-Guidance-Policy-Support-22-03.pdf>
- *OSEP MEMO—Review of Obligation and Liquidation Timelines and Authority, and Process for Requesting Late Liquidations*. May 17, 2023 (OSEP). <https://sites.ed.gov/idea/idea-files/osep-memo-review-of-obligation-and-liquidation-timelines-and-authority-and-process-for-requesting-late-liquidations-may-17-2023/>
- *U.S. Department of Education Policy Memo—Extension of Liquidation Periods and Related Accounting Adjustments for Grantees under Department of Education State-Administered Programs*. June 5, 2007. <https://www2.ed.gov/policy/fund/guid/lateliquidation.doc>
- *Fiscal Webinar: Navigating the Reallocation of Unspent Part B LEA Subgrants* presentation slides (CIFR). <https://cifr.wested.org/event/cifr-2022-part-b-fiscal-webinar-navigating-the-reallocation-of-unspent-lea-subgrants/>

## Endnotes

- 1 Section 421(b) of the General Education Provisions Act (GEPA), 20 U.S.C. 1225(b) and 34 CFR § 76.709
- 2 2 CFR § 200.344(a)
- 3 34 CFR § 76.707
- 4 2 CFR § 200.303(a)

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WestEd is the lead organization for NCSI. For more information about the work of WestEd, NCSI, and their partners, please visit [www.ncsi.wested.org](http://www.ncsi.wested.org) and [www.wested.org](http://www.wested.org).

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