

## Guidance Regarding Title I Carryover Funds<sup>1</sup>

---

### Introduction

Under section 421(b) of the General Education Provisions Act (GEPA), districts and states must obligate funds during the 27 months extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second succeeding fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover. However, section 1127(a) of Title I of the ESEA limits the amount of Title I, Part A funds a district may carry over from one fiscal year's allocation to **not more than 15 percent** of the total Title I, Part A funds allocated to the district for that fiscal year.

The following illustrates how the 27-month availability for Title I, Part A funds and the carryover limitation would operate for a district that receives an allocation under the FY 2011 appropriation.

**FY 2011 Appropriation (Title I, Part A Funds Allocated to the district from Funds Made Available on July 1, 2010 Total \$1,500,000)**

Total allocation	\$1,500,000
Minimum amount district must obligate between July 1, 2010 – September 30, 2011 to avoid excess carryover (85 percent of total appropriation)	1,275,000
Amount district may carryover and obligate during October 1, 2011 – September 30, 2012 (carryover period provided under section 421(b) of GEPA)	225,000

During the first 15 months that a district's Title I, Part A funds are available, the district must, by September 30, 2011, obligate at least \$1,275,000 (85 percent) of the total allocated to it. The district may carry over a maximum of \$225,000 (15 percent) into the next fiscal year and must obligate those funds by September 30, 2012. Any funds that remain unobligated after that date revert to the U.S. Treasury.

---

<sup>1</sup> Adapted from the U.S. Department of Education's Non-Regulatory Guidance on Title I Fiscal Issues: <http://www.ed.gov/programs/titleiparta/fiscalguid.doc>.

## Questions and Answers on Carryover

### 15 Percent Carryover Limitation

#### 1. What actions must a state take with respect to a district that exceeds the 15 percent carryover limitation?

Unless it grants the district a waiver of the carryover limitation (see Q6), a state must reduce that district's allocation by the exact amount it exceeds its 15 percent carryover limitation. The following chart illustrates how much a state would reduce a district's allocation because it exceeded its carryover limitation.

#### EXAMPLE:

		Amount	Percent of Total Allocation
1	Total FY 2011 allocation (funds become available on July 1, 2010)	\$1,500,000	
2	Minimum obligation for period July 1, 2010 – September 30, 2011	1,275,000	85%
3	Maximum amount a district may carry over into next fiscal year (October 1, 2011 – September 30, 2012)	225,000	15%
4	Actual amount district obligated for period July 1, 2010 – September 30, 2011	1,200,000	80%
5	Amount unobligated as of September 30, 2011	300,000	20%
6	Amount by which the district is over the 15% carryover limitation and would be reduced (Line 5- Line 3) *	75,000	

\* This amount would be available for the state to reallocate to other LEAs as provided under section 1126(c) of Title I.

#### 2. On what amount is the 15 percent limitation on carryover based?

The percentage limitation is applied to the amount allocated to the district for Title I, Part A under Subpart 2 for the current year, **plus any funds transferred into Title I, Part A** under the authority in Title VI, Part A, Subpart 2 (see Q4). It *does not include* carryover funds from the preceding year, excess funds that the state reallocated to the district under section 1126(c) of Title I, school improvement funds received under section 1003, or funds received under the State Academic Achievement Awards program.

#### 3. Does the percentage limitation on carryover funds apply to all districts?

**No.** The percentage limitation does not apply to a district that receives an allocation of **less than \$50,000** in Title I, Part A, Subpart 2 funds. [Section 1127(c)]

#### 4. May a state waive the 15 percent limitation on carryover funds?

**Yes.** Section 1127(b) of Title I provides that a state may, once every three years, waive the 15 percent carryover limitation if--

- The state determines that the request of a district is reasonable and necessary; or
- Supplemental appropriations for Title I, Part A become available. [Section 1127(b)]

#### 5. If a State's fiscal year is not the same as the Federal fiscal year and ends June 30 rather than September 30, may the state apply the percentage limitations on carryover funds as of June 30?

**No.** A state may establish a project year that is the same as its State fiscal year so that it begins on July 1 and ends on June 30 of the following year. However, a district is entitled to access Title I funds for the full 15-month period (until September 30) before the limitation on carryover funds applies. Therefore, a state may not apply the limitation on carryover until after September 30, even if the state approves projects for a period from July 1

through June 30. The state should establish controls to ensure that, after September 30 of each year, a district is not allowed to use any prior-year funds that exceed the 15 percent carryover limitation. If a district's project includes both prior-year and current-year funds, charges should be made against prior-year funds first in order to reduce any amounts that are in excess of the carryover limitation. The state or district must continue to account for funds by grant year.

**6. Does the carryover limitation apply to school improvement funds a district may receive from the four percent state reserves under section 1003 of Title I?**

**No.** The carryover limitation applies only to funds a district is allocated under Subpart 2 of Title I, Part A, plus any funds transferred into Title I, Part A under the authority in Title VI, Part A, Subpart 2 (see Q4).

**7. Does the carryover limitation apply to funds a district may receive under the State Academic Achievement Awards program under section 1117(b)?**

**No,** because these funds are not part of the district's Title I, Part A, Subpart 2 allocation.

**8. Do funds a district transfers into its Title I, Part A program from other ESEA programs under the transferability authority in Title VI, Part A, Subpart 2 of the ESEA affect the base on which the 15 percent carryover limitation is calculated?**

**Yes.** Because transferred funds are subject to the rules and requirements of the programs to which they are transferred, the amount a district transfers into Title I, Part A from other ESEA programs increases the Part A resources available to the district. Thus, a state must base the calculation of a district's 15 percent carryover limitation on the Title I, Part A funds allocated to the district plus any funds the district transferred into Part A from other ESEA programs. The following chart illustrates how this would work:

**EXAMPLE:**

		Amount	Percent of Total Available for Title I
1	Total FY 2011 Title I, Part A allocation *	\$1,500,000	
2	Other ESEA Funds transferred into Title I, Part A under Title II, Part A for SY 2010-11 *	50,000	
3	Total (Lines 1 and 2)	1,550,000	
4	Minimum obligation for period July 1, 2010 – September 30, 2011 (85% of Line 3)	1,317,500	85%
5	Maximum amount a district may carry over into the next fiscal year (October 1, 2011 – September 30, 2012)	232,500	15%

\* These funds became available on July 1, 2010.

## Use of Carryover Funds

**9. How does a district handle Title I, Part A funds that are carried over when allocating funds to school attendance areas?**

Although a district may not use carryover funds to provide services in an ineligible Title I school, a district has considerable discretion in handling carryover funds. Some of these options include:

- Adding carryover funds to the district's current-year allocation and distributing them to participating areas and schools in accordance with allocation procedures that ensure equitable participation of private school children.

- Allocating to schools with the highest concentrations of poverty in the district, thus providing a higher per-pupil amount to those schools, ensuring equitable participation of private school children.
- Providing additional funds to any of the activities supported by the reservations outlined in §200.77 of the Title I regulations. **(Note that if a district adds carryover funds to a reservation to which equitable services apply (e.g., parental involvement), the district must also calculate and provide equitable services from the carryover funds.)**

**10. Does a district include funds carried over from the previous fiscal year in the current year’s allocation base to determine statutory reservations?**

**No.** Title I of the ESEA requires a district to reserve certain percentages of its Title I allocation for specific purposes. For example, under section 1118(a)(3), a district must generally reserve at least one percent of its allocation for parent involvement activities. The base for calculating any of the reserves required under Title I is **only the current year amount** allocated to the district for Title I, Part A under Subpart 2, **plus any funds transferred into Title I, Part A** under the authority in Title VI, Part A, Subpart 2 (see Q4). The district would not include carryover funds from the preceding year (or the other types of funds mentioned in Q2) when determining current-year reservations.

**11. If a district is required in a given year to reserve a specific amount of funds for a particular purpose but does not spend all of those funds in that year, may the district carry over those unspent funds and spend them in accordance with the flexibility noted in Question 9?**

**No.** If a district is required to spend a specific amount of its Title I, Part A allocation in a given year for a particular purpose, the district must meet that obligation. **If it does not do so in the year for which the funds were allocated, it must carry over the unspent funds and spend them for the specific purpose in the following year.** For example, under section 1116(c)(7)(A)(iii) of Title I, a district that has been identified for school improvement must reserve and use 10 percent of its Title I, Part A allocation for professional development activities. The district does not have any flexibility to spend less. Thus, a district that has been identified for improvement in SY 2010-11 must spend at least 10 percent of its SY 2010-11 allocation, which first became available on July 1, 2010, within 27 months. *Any funds that the district reserved for professional development in SY 2010-11, but did not use that year, must be carried over into SY 2011-12 and used for professional development activities.* These carryover funds may not be used for other Title I purposes. In addition to the 2010-11 funds carried over for professional development activities, the district, if it is still identified for improvement in SY 2011-12, must also reserve 10 percent from its SY 2011-12 Title I, Part A allocation for professional development activities.

**12. If a district reserves 20 percent of its Title I, Part A allocation for supplemental educational services (SES) and choice-related transportation, but spends less than that amount, is the district required to carry over the unspent funds for SES and choice-related transportation costs in the following year?**

**It depends.** There are several situations in which a district would need to carry over unspent Title I, Part A funds in this context. For example, if a district has documented demand (e.g., parent applications) to absorb the full 20 percent on choice-related transportation and SES but, for whatever reason, spends less than 20 percent, a district would be out of compliance with the statute and subject to enforcement sanctions unless it reopens enrollment for SES and/or public school choice. If reopening enrollment is impossible, the district must carry over to the following school year the unexpended balance of the set-aside and use that balance for choice-related transportation and SES in that year—in addition to spending an amount equal to 20 percent of that year’s Title I, Part A allocation. An district may find itself in this position if there is a lower than expected enrollment rate among eligible students that applied for SES, or if the student attendance levels in SES tutoring sessions are lower than anticipated, but there is unmet demand for choice or SES among other eligible students.

Another scenario in which a district would need to carry over unspent funds for choice and SES is if the district initially prioritizes the students to whom it offers SES—e.g., its lowest-achieving, low-income students—and demand from those students does not absorb the full 20 percent. In this instance, the district would need to reopen enrollment to all eligible students or carry over to the following year the unexpended balance of the set-aside and use that balance for choice-related transportation and SES in that year—again, in addition to spending an amount equal to 20 percent of that year’s Title I, Part A allocation too.

On the other hand, if a district offers the opportunity to transfer to other schools and to receive SES to all eligible students and demand for those services does not absorb an amount equal to 20 percent of the district's allocation, the district may use those funds for other allowable activities during the year in which the reservation was made or carry over the unexpended balance and use those funds for any purposes for which carryover funds may be used (see Q12). If these funds are carried over, the equitable participation requirements for private school children in Title I would apply. [Section 1120; 34 CFR 200.64]

**13. Are unspent funds from required reservations included in the carryover limitation?**

**Yes.** The 15 percent carryover limitation applies to the district's entire Part A, Subpart 2 allocation and, therefore, includes any funds reserved but not spent. For example, if the combination of unused funds reserved for professional development and other unspent Part A funds exceeds 15 percent of a district's total Part A, Subpart 2 allocation, the excess funds must be returned to the state for reallocation to other LEAs, unless the state grants the district a waiver. However, the district must still meet its obligations with respect to the statutory reservations from funds available for the subsequent school year.

**14. Do funds carried over from reserves affect the amount of money a district must reserve in the following year?**

**No.** For example, a district identified for improvement reserves funds for professional development in SY 2010-11 and carries over some of those funds into SY 2011-12. That district would still be required to reserve 10 percent from its SY 2011-12 Title I allocation for professional development if it were still in program improvement status. The 10 percent reserve taken from SY 2011-12 funds would be in addition to the funds the district carried over from the previous year for this purpose.

**15. How does the carryover provision apply to equitable services to private school children?**

In general, if a district provided equitable services for private school students in the first year, any carryover funds would be considered additional funds for the entire Title I program in the subsequent year and would be part of the district's Title I resource base in the next year. Those funds would be used, along with any other carryover funds, for serving both public and private school students on an equitable basis. This situation might occur, for example, if private school students did not fully participate in the Federal program in the first year, even though an equitable program was planned and offered for those students.

However, there may be a circumstance in which equitable services were not provided. For example, there was a delay by a district in implementing an equitable program for private school children because of consultation and notification issues between private school officials and the district. As a result, the district could not spend all the funds it had available for providing equitable services to private school children and needed to carry over those funds and use them to provide services to private school children in the following year. *These carryover funds would be in addition to funds that the district would otherwise be required to use to provide equitable services for private school students out of the district's current-year allocation.*

Under either situation, the district retains control of the Federal funds carried over into the following year. No funds are provided directly to private schools.

## **Additional Issues**

**16. What happens to excess funds carried over by a district?**

If a district does not have a waiver of the carryover limitation, the excess funds become available to the state to reallocate to other LEAs in accordance with the criteria it has established under section 1126(c) of Title I.

**17. May a state carry over State administration funds authorized in section 1004?**

**Yes.** A state may carry these funds over, and the percentage limitation in section 1127(a) does not apply because the limitation only applies to Title I, Part A, Subpart 2 funds allocated to LEAs.