Guidance Regarding Title I Carryover from Year 1 to Year 2[[1]](#footnote-1)

# Overview

The federal Title I grant program annually provides supplemental financial assistance to eligible school districts to help ensure that all students in the district, particularly those who struggle academically, are able to meet the state’s academic standards. Each district is expected to spend at least 85 percent of its annual Title I allocation within the first year of the grant. The Title I carryover provision, however, allows districts access to Title I grant funds for a total of up to 27 months.

Beginning with the 2012-2013 school year, the Massachusetts Department of Elementary and Secondary Education (DESE) changed its end of year grant procedures for Title I to facilitate district access to grant funds beyond the Year 1 (June 30th) grant end date. A district that does not expend the full amount of its Title I allocation in Year 1 of the grant period may carry over up to 15 percent of its total allocation into Year 2 without submitting an additional carryover application.[[2]](#footnote-2) Districts must continue to track and report on Title I expenditures by grant year. FY23 funds expended between July 1, 2022 and June 30, 2023 are considered to be spent in Year 1. Funds expended between July 1, 2023 and June 30, 2024 are considered Year 2 of the grant cycle.

# What this means in practice

While DESE strongly encourages all districts to spend at least 85 percent of their annual Title I grant by June 30 each year, the state and federal fiscal years start and end at different times. The state fiscal year runs from July 1 to June 30, whereas the federal fiscal year runs from October 1 to September 30.

For this reason, although Year 1 of the Title I grant period ends on June 30, a district actually has until September 30 to spend at least 85 percent of its Title I allocation. If at least 85 percent of FY23 Title I funds are expended by September 30, 2023, then the remainder of the district’s Title I allocation (15 percent or less) can be spent in Year 2. Please see below for an example.

**FY 2023 allocation (Title I, Part A funds allocated to the district for 2022-23 school year – Total $1,000,000)**

|  |  |
| --- | --- |
| Total allocation | $1,000,000 |
| Minimum amount district must obligate between July 1, 2022 – September 30, 2023 to avoid excess carryover (85 percent of total allocation) | $850,000 |
| Amount district may carry over and obligate during October 1, 2023 – September 30, 2024 (carryover period provided under the federal Tydings Amendment, section 421(b) of GEPA)  | $150,000 |

During the first 15 months that a district’s Title I, Part A funds are available, the district must, by September 30, 2023, obligate at least $850,000 (85 percent) of the total allocation. The district may carry over a maximum of $150,000 (15 percent) into the next fiscal year (Year 2) and must obligate those funds by September 30, 2024. Any funds that remain unobligated after that date revert to the U.S. Treasury.

If a district is unable to expend 85% of its Title I funds within the first year, then the district must either return the excess funds or request a waiver. Section 1127(b) of Title I states that a state may, once every three years, waive the 15% carryover limitation if the state determines the request is reasonable and necessary or if supplemental appropriations to Title I become available. If the waiver is not granted, then the unspent funds in excess of 15% will be reallocated to other eligible districts in accordance with section 1126(c) of Title I.For an example, please see below.

|  |  |  |  |
| --- | --- | --- | --- |
|   |  | *Amount*  | *Percent of total allocation*  |
| 1 | Total FY 2023 allocation (funds become available on July 1, 2022) | $1,000,000 | 100% |
| 2 | Minimum obligation for period July 1, 2022 – September 30, 2023 | $850,000 | 85% |
| 3 | Maximum amount a district may carry over into next fiscal year (October 1, 2023 – September 30, 2024) | $150,000 | 15% |
| 4 | Actual amount district obligated for period July 1, 2022 – September 30, 2023 | $800,000 | 80% |
| 5 | Amount unobligated as of September 30, 2023 | $200,000 | 20% |
| 6 | Amount by which the district is over the 15% carryover limitation and would be reduced (Line 5- Line 3) \* | $50,000 |  |

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

Districts are not required to submit a separate grant (“carryover”) application to access unspent funds after the initial project year has ended. Instead, DESE will extend the project end date of the initial year grant funding. The project will remain open for an additional year to provide the time needed to utilize and expend remaining funds. In the spring of the first year of the project, districts will conduct a preliminary expenditure review to determine, as closely as possible, the amount of grant funds likely to be expended by the standard grant end date of June 30, and the amount of funds likely to be carried over (if any) to the next fiscal year (beyond June 30). The district will then complete a multiyear delegation form in EdGrants to indicate this spending, and the grant will be extended for an additional year if necessary. For further inquiries on this process, please contact edgrants@mass.gov.

**Questions and answers on carrying over funds from year 1 to year 2**

1. **I hear the term Year 2 used now instead of carryover. What does that mean?**

Since districts can spend funds at any time during the two year grant cycle (as long as 85% is spent in the first year) there is technically not any money that is “carried over.” DESE uses the terms Year 1 and Year 2 instead to connote where in the grant cycle the money is being spent. Since no more than 15% of funds can be left unspent in the first year, districts still need to track funds expended in Year 1 and Year 2 of the grant cycle.

1. **Are any districts with a Title I allocation exempt from the 85% rule?**

**Yes**. The 85% rule does not apply to districts with an allocation of less than $50,000.

1. **Must 85% of a district’s Title I allocation be spent by the end of the initial project, which is the end of the state fiscal year (June 30th), or by the end of the federal fiscal year (September 30th)?**

At least 85% of a district’s allocation must be spent by September 30th. As a state agency, we are obligated to track funds according to the state fiscal year, which runs from July 1st through June 30th. As a federal grant, however, Title I grant awards are governed by federal law that uses the federal fiscal year, which runs from October 1st through September 30th. As a result, districts have three additional months beyond the initial grant period, if necessary, to spend at least 85% of their grant allocation for the year. DESE encourages districts to spend at least 85% of the grant by June 30, where possible.

1. **Does this mean the start date for the Title I grant is now July 1?**

**No.** The start date continues to be when the application is approved.

1. **Our district will need to carry over more than 15% of our Title I allocation. Can this limitation be waived?**

**Yes.** If the district has not exceeded the carryover limit in the past three years, then a waiver may be requested to allow for more than 15% of the district’s allocation to be available in the next fiscal year. Specific instructions regarding carryover limitations and waivers are provided to grant recipients every spring.

1. **Are funds transferred into Title I, Part A from another grant subject to the 85% rule?**

**Yes.** The 85% rule is based on the total Title I allocation figure allocated to the district, plus any funds transferred into Title I, Part A. Funds transferred into Title I are subject to Title I rules, including the Title I spending requirements in the first year. For instance, if a district has a Title I allocation of $100,000, and transfers $25,000 from Title II, Part A, then the 85% rule will apply to the $125,000 figure.

1. **Are funds expended in Year 2 subject to the 85% rule the following year?**

**No**. With regard to the 85% rule, Year 2 funds do **not** apply towards the annual spending requirement. If a district has FY22, Year 2 funds to expend, those funds will not affect how much a district has to spend in FY23 Year 1 to meet the 85% threshold.

1. **What if spending plans change during the course of the two year grant cycle?**

If spending plans change during the grant cycle, then the district must apply for an amendment. Amendments are required when spending plans change regardless of whether the change happens with funds expended in Year 1 or Year 2. To complete an amendment, email FederalGrantPrograms@mass.gov and request that an amendment be issued in EdGrants. Then log into EdGrants, revise the budget as needed, and submit the amendment.

1. **Do school allocation rules apply to funds spent in Year 2?**

**Yes**. Districts still need to allocate funds to schools by rank order of poverty regardless of year. This means a school with a higher poverty rate must receive the same Title I per-pupil funding or greater than all Title I schools in the district with lower student poverty rates. This applies whether the funds are being expended in Year 1 or Year 2.

1. **What activities can be funded in Year 2?**

The same Title I allowable costs guidelines apply, regardless of the year in which the funds are being expended. The district should prioritize spending Year 2 funds first to ensure they are spent within the grant cycle and not reverted back to the US Treasury.

1. **How does the Year 2 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 Year 2 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 Year 2 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 Year 2 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. Funds are **never** provided directly to private schools.

1. 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>. [↑](#footnote-ref-1)
2. The 85% rule, requiring a district spend at least 85% of its grant in Year 1, does not apply to districts with an allocation of less than $50,000. [↑](#footnote-ref-2)