

Division: Federal Finance
Program/Procedure: Reallocation of Funds
Updated: March 2019

The state educational agency (SEA) has the responsibility to minimize the occurrence of unliquidated federal funds. The SEA will reallocate funds as necessary to ensure timely expenditure of the state's federal grants. This reallocation will make excess funds available to other eligible local education agencies (LEAs) in the state that need additional funds in accordance with the criteria established by the SEA.

There are three main sources of funds that may be available for reallocation of Title I, Part A funds:

- Excess carryover funds
 - Title I, Part A – 85% of the current year allocation must be expended by September 30 of the following year (within 15 months). An LEA may apply for a waiver once every three years (see waiver procedures).
 - Title I, School Improvement (1003a) –
 - Thru June 30, 2018: 95-percent of the current year allocation must be expended by September 30 of the following year (within 15-months). Grantees that fail to meet this requirement may obtain an approved corrective action plan for expending the excess carryover and then be permitted to retain all funds through their federal expiration.
 - Beginning July 1, 2018: Any carryover amount from prior year grant award (beginning with 2018-19 grant awards) will offset the next year's award total.
 - Title V, Part B, Subpart 2 Rural and Low-income Schools (RLIS) – 95% of the current year allocation must be expended by September 30 of the following year (within 15 months).
- Funds from not meeting the maintenance of effort requirement
 - The SEA shall reduce the amount of the allocation of funds to an LEA by the exact proportion by which an LEA fails to meet the requirement that either the combined fiscal effort per student or the aggregate expenditures of the LEA for the preceding fiscal year were not less than 90-percent of the combined fiscal effort or aggregate expenditures for the second preceding year.
- Funds from LEA audit reports

- Audit findings that identify misspent funds require the grantee to restore appropriate funds to the federal program that incurred the identified expenditure.
- Other
 - Unused state set-aside funds from the prior year.
 - Funds remaining after LEA closures.
 - Funds declined by LEAs.

Timeline

The SEA will notify LEAs of the amount of excess funds that will be subject to reallocation. The SEA will also notify all LEAs receiving additional funds through the reallocation process.

The SEA reallocates funds during mid-year allocations or as needed.

Reallocated funds are distributed based on the formula (and associated data) used in the original formula of the year corresponding to which the age of the funds.

- Exception – Title I funding formulas have a component that allows redistribution of funding within the current year calculation.

LEAs must expend grant funds within the grant period, July 1–September 30, in which funds are reallocated and all applicable requirements for expenditure of funds must be met.