



Is Your District in Compliance with Excess Cost Federal Requirement?

**Region One Finance Advisory Council Meeting
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Excess Cost Guidance

- Amounts provided to the local educational agency (LEA) under Part B of the Individuals with Disabilities Education Act (IDEA) must be used to pay
 - excess costs of providing special education and related services to children with disabilities
 - used to supplement State, local, and other Federal funds and not to supplant those funds.
- The excess cost requirement prevents an LEA from
 - using funds provided under Part B of the Act (IDEA-B) to pay for all of the costs directly attributable to the education of a child with a disability.

Excess Cost Guidance

- However, the excess cost requirement **does not prevent** an LEA from using IDEA-B funds
 - to pay for all of the costs directly attributable to the education of a child with a disability in any of the ages 3, 4, 5, 18, 19, 20, or 21, if no local or State funds are available for nondisabled children of these ages.

The LEA must comply with the nonsupplanting and other requirements of this part in providing the education and services for these children

Definition of Excess Cost

Excess costs means those costs that are in excess of the average annual per-student expenditure in an LEA during the preceding school year for an elementary school or secondary school student, as may be appropriate, and that must be computed after deducting –

- (a) Amounts received –
 - Under Part B of the Act;
 - Under Part A of Title I of the ESEA; and
 - Under Parts A and B of Title III of the ESEA and;
- (b) Any State or local funds expended for programs that would qualify for assistance under any of the parts described in paragraph (a) of this section, but excluding any amounts for capital outlay or debt service.[34 CFR §300.16]

Requirements

According to 34 CFR §300.202 (b)(2)(i), an LEA meets the excess cost requirement if

- it has spent at least a minimum average amount for the education of its children with disabilities before funds under Part B of the Act are used.

For practical purposes, the LEA may expend IDEA-B funds simultaneously with State, local and other Federal funds, provided that the minimum average amount per student is expended by the end of the school year with funds other than IDEA-B funds.

Computation of Excess Cost

An Excess Cost Calculator tool has been developed by TEA for use by the LEA.

- The calculation must be completed annually by the LEA based on previous year expenditures as soon as possible after submission of the final expenditure report.
- The calculation and supporting documentation must be maintained by the LEA and made available to auditors.



Computation of Excess Cost

When calculating excess cost for 2015-2016 based on 2014-2015 expenditures or calculating excess cost for 2016-2017 based on 2015-2016 expenditures.

Section 602(8) of the Act and 34 CFR §300.16 require the LEA to compute the minimum average amount separately for children with disabilities in its elementary schools and for children with disabilities in its secondary schools.

LEAs may not compute the minimum average amount it must spend on the education of children with disabilities based on a combination of the enrollments in its elementary schools and secondary schools.

Computation of Excess Cost

Designation of grade levels as “elementary” or “secondary” should follow district practice.

The following example shows how to compute the minimum average amount an LEA must spend for the education of each of its elementary school children with disabilities with fund sources other than IDEA-B.

Computation of Excess Cost

Step 1

Determine the total amount of expenditures for elementary school students from *all* sources – local, State and Federal (including IDEA-B) – in the preceding school year. Exclude capital outlay and debt services.

| | |
|---|------------------|
| State and local tax funds | \$6,500,000 |
| Federal funds | <u>\$600,000</u> |
| Total Expenditures | \$7,100,000 |
| Less capital outlay and debt service relating to the education of elementary school students | <u>- 60,000</u> |
| Total Adjusted Expenditures | \$7,040,000 |

Computation of Excess Cost

Step 2:

Subtract from the Total Adjusted Expenditures amounts *spent* for:

- (a) IDEA–B
- (b) ESEA, Title I, Part A
- (c) ESEA, Title III, Parts A and B State and local funds for children with disabilities, and
- (d) State or local funds for programs under ESEA, Title I, Part A, and Title III, Parts A and B.

Computation of Excess Cost

Step 2:

These are funds that the LEA actually spent, not funds received last year but carried over for the current school year.

| | |
|--|-------------------|
| (a) IDEA-B | \$200,000 |
| (b) ESEA, Title I, Part A | 250,000 |
| (c) ESEA, Title III, Parts A & B | 50,000 |
| (d) State and local funds for children with disabilities(pic 23,33) | 500,000 |
| (e) State and local funds for programs under ESEA, Title I, Part A, and Title III, Parts A & B (Pic 24,25,26,28,28,29,30,34,35) | <u>150,000</u> |
| Total Deductions | \$1,150,000 |
| Total Adjusted Expenditures | \$7,040,000 |
| Less Total Deductions | <u>-1,150,000</u> |
| Total | \$5,890,000 |

Computation of Excess Cost

Step 3:

Determine the average annual per student expenditure for elementary school students by dividing the average number of students enrolled in the elementary schools of the LEA during the preceding year (including children with disabilities) into the total amount computed in Step 2.

| | |
|--|-------------|
| Total Amount from Step 2 | \$5,890,000 |
| Average number of students enrolled in preceding year (October PEIMS snapshot) | <u>÷800</u> |
| Average annual per student expenditure | \$7,362 |

The amount obtained through this computation is the minimum amount the LEA must spend (on the average) for the education of each of its elementary school children with disabilities with fund sources other than IDEA-B.

Computation of Excess Cost

Step 4:

Determine the total minimum amount of funds the LEA must spend for the education of its elementary school children with disabilities in the LEA (not including capital outlay and debt service) with fund sources other than IDEA-B by multiplying the number of elementary school children with disabilities in the LEA times the average annual per student expenditure obtained in Step 3.

| | |
|--|------------------|
| Number of students with disabilities in the LEA's elementary schools in the preceding year (October PEIMS snapshot) | 100 |
| Average annual per student expenditure (obtained from Step 3) | <u>x \$7,362</u> |

Total minimum amount of funds the LEA must spend for the education
of children with disabilities enrolled in the LEA's elementary schools \$736,200
with fund sources other than IDEA-B

**Funds under IDEA-B can only be used for excess costs over
and above this minimum.**

Members of Shared Services Arrangement

- *Individual member LEAs of a Shared Services Arrangement (SSA) are responsible for their own excess costs calculations and for maintaining documentation of compliance, not the fiscal agent.*
 - Member districts of SSAs must include their own expenditures and any expenditures made on their behalf by the fiscal agent in their excess costs calculation.
- Expenditure information for each member LEA is reported by the SSA fiscal agent via PEIMS record 033.
- Each member LEA in an SSA should request the actual amount expended on behalf of the member LEA from the SSA fiscal agent for inclusion in its excess costs calculation

Excess Cost Calculation Timeline

- LEAs should perform both a preliminary and a final calculation.
- LEAs must plan for and certify compliance with the provision in the Special Education Consolidated Grant application's CS7000 schedule.
 - Since audited financial data is not available at the time LEAs apply for the special education funding, a preliminary calculation will enable LEAs to certify compliance in the Special Education Consolidated Grant application. The preliminary calculation will be an estimate of excess costs.
 - LEAs should complete the preliminary calculation as soon as possible after submission of the annual final expenditure report for the prior year, using financial information available from its unaudited general ledger.
- As a final check for compliance, LEAs should complete the excess costs final calculation after their annual audit is finalized. For this calculation, LEAs must use actual previous year expenditures based on the audited annual financial report.
- Your LEA should maintain supporting documentation, including the data and calculations, for audit and monitoring purposes.



Excess Cost Calculator Tool

- TEA has developed an Excess Costs Calculation Tool and other resources for use by LEAs.
- An LEA can find these resources on the [Excess Cost](#) page of the TEA website.



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