



Office of the



State Superintendent of Education

OSSE POLICY

Effective Date: January 1, 2012

Subgrantee Policy for Carryover and Reallocation

PURPOSE OF THIS POLICY

The purpose of this policy is to assist OSSE subgrantees in effectively managing their spending during the grant cycle while implementing federal formula grant programs. With this policy in place, the State Education Agency (SEA) will ensure that federal funds are used to support programmatic objectives in schools in a timely manner. This policy provides a standard process for understanding the State Education Agency policies and procedures related to reallocation and carryover of entitlement funds (Title I, Part A; Title II, Part A; Title III, Part A).

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I. Background

Federal funds are only made available for a limited time. Every federal fiscal year when Congress authorizes money for federal programs, the expectation is that the money will not idle in the U.S. Treasury or with the pass-through agencies. Federal funds are made available (through obligation) to applicable LEAs on July 1, of each year. This is the start date of the initial grant cycle for that year, which lasts until September 30th, of the succeeding year. This initial grant cycle lasts for a total of fifteen months.

At the end of this period of fifteen months, under certain conditions, a portion of the initial allocation may become available to LEAs for an additional year, thus extending total availability of the funds for a total of 27 months (including the initial grant cycle and the carryover (or Tydings) period). Each grant program has its own restrictions concerning carryover, which will be discussed later in this document. Besides this, the District of Columbia's fiscal systems cause carryover funds to be treated differently from initial grant cycle funds. Since Federal Fiscal Year 2010, federal funds from the initial grant cycle have been reimbursed on the thirty five day cycle. At the end of the initial grant cycle, the District of Columbia must close out, re-calculate, re-approve, and re-load its budget. During this period at the beginning of the carryover period (after October 15th of the federal fiscal year), all payment (applying to the previous fiscal year) stops for these budget processes to move forward. Although these carryover funds still are allocated to the LEA, payment of these funds should not be expected to move out on the regular cycle. Once all the carryover budgets are approved, then, at that time, these carryover payments will be made.

Finally, unspent federal funds, that either did not meet the requirements of the carryover cycle, or have been expended beyond the initial and carryover period, simply lapse. The money is returned to the U.S. Treasury without having served its purpose to provide educational services to the children of the District of Columbia. With this update to its carryover and reallocation policies, OSSE intends to minimize lapsed funds and to thus conversely maximize the programs and services provided to students in the District of Columbia.

II. Applicability

This policy applies to all subgrantees of federal formula grant awards made by the U.S. Department of Education under the Elementary and Secondary Education Act (ESEA) administered by OSSE. These awards include: Title I, Part A; Title II, Part A; and Title III, Part A.

III. Definitions

OSSE defines an *initial grant cycle* as the first fifteen months of the grant cycle. For federal funds, the initial grant cycle typically begins on July 1st of the first year of the award and ends on September 30th



of the following year. For example, in Federal Fiscal Year 2011, the initial grant period began on July 1, 2011. The ending date of the initial grant cycle for Federal Fiscal Year 2011 is September 30, 2012.

OSSE defines **carryover** as a portion of funds from allocated federal funds that were not obligated during the initial grant period and have been made available to the subgrantee for an additional twelve months, per the carryover regulations specific to the grant.

OSSE defines **reallocation** as the process the SEA will use to redistribute funds among the subgrantees.

OSSE defines a **carryover (Tydings) period** as an additional twelve month period in which a subgrantee may obligate federal funds. Carryover regulations differ for each grant. For federal funds the carryover period typically begins on the October 1st after the initial grant period has ended, and the carryover period ends one year later. For example, the carryover period for Federal Fiscal Year 2011 begins on October 1, 2012 and ends on September 30, 2013.

OSSE defines a **liquidation period** as the end of the initial grant period or the carryover period during which the SEA must pay out all pending expenditures. The liquidation period every year is from November 15th to December 31st.

IV. Carryover Process

Although most federal funds are available on a twenty seven month cycle (including the initial grant period and carryover), section 1127(a) of Title I of the Elementary and Secondary Education Act limits the amount of Title I, Part A funds an LEA may carry over to not more than 15 percent of the total Title I, Part A funds allocated to the LEA for that fiscal year. There are two notable exceptions to this regulation: 1) if the LEA's total Title I allocation for that fiscal year is less than \$50,000 or 2) if supplemental appropriations were made available in that same fiscal year (for example, ARRA Title I funds in FFY2009).

Title II, Part A and Title III, Part A differ from Title I, Part A in that there is not a mandated carryover limit for these two grants.

If an LEA cannot meet the spending requirements of Title I, according to section 1127(b), there is an option to apply for a waiver of the carryover limit (See attachment A). This waiver may only be awarded to the LEA once every three years . Once an LEA has determined that a waiver is necessary, an LEA must fill out the LEA Waiver for Carryover Limitation Form and submit it to con.app@dc.gov . This form is due no later than May 31st in the initial grant period. Notification from the SEA will be sent two weeks after the form is received to confirm the approval or denial of the waiver. To be granted by the SEA, the waiver must be reasonable and necessary (as determined by the SEA).



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If, during this time, a waiver is denied (and this would result in the LEA not being able to appropriately spend all of its original allocation) or the LEA voluntarily releases funds it expects to not use back to the SEA, these funds will be reallocated to other LEAs per OSSE's reallocation policy. As this would change the total allocation an LEA receives, an LEA, to continue spending any of its funds, would be required to submit an amendment to its application to align with the reduced award. This amendment process would follow the general subgrantee amendment procedures, including timelines and requirements. Once the amendment has been approved by SEA staff, an updated Grant Award Notification (GAN) would be sent to the LEA and would reflect the reduced amount.

In addition, starting in Federal Fiscal Year 2011, each LEA will be responsible for closely managing its spending, including carryover, from the beginning of the grant cycle. As an LEA plans its consolidated application, the timeline of potential spending should be factored into the planning, as this will reduce having lapsed funds. By May 31st of the initial grant cycle, every LEA who received funds must report to the SEA how much carryover it will have at the end of the initial grant cycle. All LEAs must submit this Carryover Reporting Sheet (See Attachment A), even if all funds will be expended during the initial grant cycle, or if the LEA will maintain its spending below the carryover limit. The forms should be sent to con.app@dc.gov.

OSSE will monitor LEAs spending throughout the grant cycle at regular intervals. OSSE has set quarterly targets for spending for the grant programs. If an LEA falls significantly below the target (as defined by the chart below), the LEA will receive a notice to indicate that they are failing to meet spending targets. Upon receiving notice, an LEA will have an opportunity to explain the circumstances that unexpectedly lead to a deficiency in spending. If the LEA can prove that this deficiency was due to extraordinary, unforeseen circumstances, and a plan is expressed on how the LEA will readjust to make subsequent targets, an LEA may receive reprieve from the notice of deficiency.

In the tables below, you will see the quarterly spending targets set for and the minimum targets that will put the LEA at risk of significant deficiency Title I, Part A; Title II, Part A; and Title III, Part A.



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Quarterly Targets for Title I and Title III: Initial Grant Period

	(Q1/2) of initial grant cycle:	Q3 of initial grant cycle:	Q4 of initial grant cycle:	Q5 of initial grant cycle:
Date of Expenditures	From July 1 to December 31	From January 1 to March 31	April 1 to June 30	July 1 to September 30
Latest date a reimbursement request is due	January 31	April 30	July 31	November 15
Expected Target	30%	50%	70%	85%
Threshold to receive a Notice of deficiency	>25%	>38%	>51%	>85%

Quarterly Targets for Title I and Title III: Carryover Period

	(Q6/7) of initial grant cycle:	Q8 of initial grant cycle:	Q9 of initial grant cycle:
Date of Expenditures	From July 1 to December 31	From January 1 to March 31	April 1 to June 30
Latest date a reimbursement request is due	January 31	April 30	July 31
Expected Target	90%	95%	100%
Threshold to receive a Notice of deficiency	>85%	>90%	>100%



Targets for Title II: Initial Grant Period

	(Q1/2) of initial grant cycle:	Q3 of initial grant cycle:	Q4 of initial grant cycle:	Q5 of initial grant cycle:
Date of Expenditures	From July 1 to December 31	From January 1 to March 31	April 1 to June 30	July 1 to September 30
Latest date a reimbursement request is due	January 31	April 30	July 31	November 15
Expected Target	20%	25%	33%	50%

Targets for Title II: Carryover Period

	(Q1/2) of initial grant cycle:	Q3 of initial grant cycle:	Q4 of initial grant cycle:
Date of Expenditures	From July 1 to December 31	From January 1 to March 31	April 1 to June 30
Latest date a reimbursement request is due	January 31	April 30	July 31
Expected Target	70%	85%	100%

During two checkpoints during the year (in May and in December), OSSE will conduct a review of the LEAs spending for that bi-annual period for Title I, Part A; Title II, Part A; and Title III, Part A. LEAs must be up-to-date on the submission of reimbursement requests (per their chosen schedule). On the chart above, the checkpoints highlighted in yellow coincide with the periods after which OSSE will make reallocation determinations.

During this review, if an LEA has demonstrated that it is not on track to spend the Title I, Part A and Title III, Part A money it was allocated (based on the discussed targets), OSSE has the option to reduce an LEA’s award in proportion to the amount for which the LEA did not show need during that period (per ESEA 1126(c)). For example, if, by April of the initial grant period an LEA has only spent 10% of its total Title I allocation (instead of the required 38%), OSSE will reduce the LEA’s overall Title I allocation by 28%.

If an LEA receives a reduction in its award, and the LEA wishes to rebut the action taken by OSSE, the LEA has two weeks to submit an appeal request letter, and subsequently OSSE has two weeks to deny or accept the rebuttal. Letters may be sent to con.app@dc.gov . If an LEA does experience a reduction



in its award for any grant period, the LEA will be required to revise its application to match the new allocations. Please keep in mind, if this is an award has any required reservations or set-asides, the same percentages will apply to the new allocation amount. For example, if your LEA is required to reserve 10% for the Professional Development set aside, this set aside amount will be recalculated based on 10% of the new Title I allocation. Finally, once a revision has been approved by OSSE, the LEA will receive a Grant Award Notifications (GAN) stating the new allocations.

Any LEA that has given back funds or has had its funds reallocated, will not be eligible to receive any supplemental grants from the collected reallocated funds.

V. Reallocation Process

During the grant cycle, sometimes more funds become available that OSSE can reallocate to the subgrantees. Sources of funds that could be reallocated may include:

- Funds from an eligible LEA that elected to forego its award and not apply for the grants
- Funds from a closing LEA that cannot be used
- Funds from an LEA that the SEA can decide will exceed the 15% carryover limit
- Funds recovered by the SEA after determining that an LEA has failed to spend Part A funds in accordance with the spending and drawdown requirements
- Funds from and LEA after the SEA reduced the award for non-compliance.
- LEA funds voluntarily given back to the SEA for any reason.

Additionally, if a public charter school LEA closes after April 30th of a school year, the LEA must fill out a form (see attachment B) no later than 30 days after its closing to detail how much of its funds will be obligated and how much will be returned to the SEA. Forms may be submitted to con.app@dc.gov.

As explained earlier in this document, some LEAs may experience a forced reduction of their allocations if they do not meet certain spending targets. This money and other money returned to the SEA will be reallocated per the authority of the Elementary and Secondary Education Act (section 1126(c)). If the money to be reallocated is Title I money, the SEA has the authority to determine how the pool of money will be reallocated. OSSE will give priority to the LEAs who demonstrate the greatest need for Title I funds (as determined by the SEA). After OSSE calculates the allocations, each LEA's allocation must calculate to at least \$1,000, or another minimum set by OSSE, for OSSE to make the award to the LEA. Any LEA who qualifies for and accepts reallocation money will be required to amend its application based on the new award amounts. When the application amendment is fully approvable, OSSE will issue a new GAN to the LEA.

If the funds to be reallocated are Title II, Part A, the money will be reallocated per the established allocation formulas for those grants. OSSE has set recommended quarterly targets for LEAs to follow, but the SEA cannot require an LEA to relinquish its Title II, Part A award during the initial grant period



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or the carryover period. Any LEA who qualifies for and accepts reallocation money will be required to amend its application based on the new award amounts. When the application amendment is fully approvable, OSSE will issue a new GAN to the LEA.

For Title III, Part A funds, LEAs need to adhere to the drawdown target or their awards may be subject to reallocation. OSSE will reallocate any Title III, Part A funds based upon the current allocation formula. Any LEA who qualifies for and accepts reallocation money will be required to amend its application based on the new award amounts. When the application amendment is fully approvable, OSSE will issue a new GAN to the LEA.

When an LEA consolidates its funds (schoolwide program, (SWP) funds), these funds are treated collectively as Title I, Part A funds. Drawdown targets for SWP funds follow the regulations for Title I, Part A funds.

As a pass-through agency, one of OSSE's responsibilities is to ensure that its LEAs are complying with grants management procedures and that they are being good stewards of the federal dollars. With these policy changes, OSSE hopes to support good grants management practices across all LEAs in the District of Columbia.

V. Subgrantee Application Amendment Reminder

Starting in Federal Fiscal Year 2010, please be advised that there is a period of the year when application amendments are not processed. From July 31st through September 30th, OSSE will not accept or approve any amendments from previous fiscal years. Please keep these dates in mind as you manage your funds, for any amendments that you may need to submit for carryover funds must be completed and submitted before the end of July. Additionally, per the amendment policy, no amendments for retroactive costs will be approved after July 2012.

VI. Calendar of the Grant Cycle

See Attachment C.