



State of Arizona Department of Education



Date: September 12, 2018
To: Public Education Agency Administrators
From: Exceptional Student Services – Operations
Subject: Individuals with Disabilities Education Act (IDEA) Audit Resolution for IDEA Entitlement Allocations

A notice was recently disseminated from ADE Communications regarding the resolution of audit findings for the Title I and IDEA allocations. While all allocations will be finalized prior to October 1, 2018, ESS is providing additional information regarding timelines and amounts for this year's allocations.

The preliminary allocations that have already been loaded into Grants Management (GME) represented approximately 90% of a normal entitlement allocation. The upcoming revision to the allocation in the GME will be comprised of a few difference sources. Additional funds loaded could be: a) from the federal fiscal audit resolution for entities that were underfunded; b) from an additional 10% of the state set-aside funds (approximately 2 million) proportionately split, which allows for flexibility in allocations where when any public education agency (PEA) closes, recalculations are not required; and c) beyond these additional allocation factors, there was a natural increase in the IDEA federal award of approximately 4%. Understanding these factors, most PEAs can expect an increase in entitled amounts for the 2018 – 2019 school year.

Audit Resolution

In fiscal year 2016, the Arizona Department of Education (ADE), Exceptional Student Services (ESS) section underwent a federal fiscal audit from the Office of Special Education Programs (OSEP). This audit reviewed the IDEA entitlement allocations for IDEA Section 611 (3-to-21-year-old students) and 619 (3-to-5-year-old students). The audit identified areas of non-compliance related to policies and procedures for federal allocation calculations and issued required actions to be completed by the ADE. One of the required actions was to bring entities whole for the affected fiscal years of 2015, 2016, and 2017. The terms of this repayment begin in the fiscal year 2019 and finish in fiscal year 2023, spread evenly over five years.

As previously stated by Superintendent Douglas, districts and charters that were overfunded will not be penalized or asked for funds to be returned, as this error was not the fault of the overfunded entities and funds were spent appropriately on students with disabilities. Underfunded PEAs will be made whole, and overfunded PEAs will not be asked to return overfunded IDEA allocations.

The specific area of noncompliance did not impact the whole allocation for the IDEA but specifically refers to the base calculation. While the base calculation constitutes the majority of funding under the section 619 subgrant, the proportion of funding the base represents under 611 is much smaller (approximately 23% and decreasing over the years). The base amount for sections 611 and 619 has been the same since each section’s inception. Section 611 base funding has been approximately \$45.9 million and section 619 base funding has been approximately \$3.75 million each year. The ADE was required to provide additional monies for those entities that were shorted the full base amount for the stated fiscal years. The base amounts were established in federal fiscal year 1999 for section 611 and federal fiscal year 1997 for section 619. Entities were recalculated the first year they went into operation and adjustments were made appropriately for any affected PEAs. The base adjustment meets the criteria described in 34 CFR §300.705 and §300.816.

“...the State must divide the base allocation determined under paragraph (b)(1) of this section for the LEAs that would have been responsible for serving children with disabilities now being served by the new LEA, among the new LEA and Affected LEAs based on the relative numbers of children with disabilities...”

After the recalculation, ESS identified many entities that were overfunded and underfunded by amounts ranging from under a thousand dollars for smaller entities to over fifteen thousand for some larger entities in the state.

Fiscal Year	Amounts to Bring Whole	Fiscal Year	Amounts to Bring Whole
15	\$4,852,909.17	15	\$628,207.26
16	\$5,156,711.25	16	\$646,091.42
17	\$5,222,456.93	17	\$595,013.84
611 Total			
	\$15,232,077.34	619 Total	\$1,869,312.52

As mentioned previously, the total adjustments to bring entities whole has been proposed to be paid in five disbursements beginning in fiscal year 2019 and ending in fiscal year 2023 spread out evenly. The state will be utilizing set-aside funds to flow additional funds to entitlement to implement the final component of the federal fiscal audit.

As approved by OSEP, these additional funds will be loaded into Grants Management by October 1, 2018. Additionally, a full published list organized by PEA, will be posted for all entities to review the information affecting each entity.

Proportionate Share

This school year, ESS will publish the obligations districts must spend for proportionate share services. The amount of these funds must be expended on parentally-placed private school children with disabilities within the boundaries of the district (34 § 300.133). Any funds that are identified under this obligation must be a separate budget item in the funding application and clearly marked for services to be used in proportionate share. At the end of the year, the completion report requires districts to indicate in a detailed expenditure report how much money was spent on proportionate share. Any funds that are unable to be expended under proportionate share for this fiscal year will have to be carried over and added on to the following year. Any funds required to be used under proportionate share cannot be used for regular grant activities. More details on proportionate share can be found on the [ESS Operations website](#).

Timeline

ESS will complete the revisions to the allocations and related actions with the following timelines:

- **September 18** – Publish the spreadsheet with all allocation revisions (detailed by source) for IDEA Entitlement grants
- **September 21** – Provide Grants Management with the required information and indicate notes in the history log of individual PEA grants of the adjustments
- **September 24 to 28** – Grant applications will be moved into a revision status if they are already approved. Grants that are not approved will have the revision loaded with no status change.
- **October 1** – ESS will begin to review any grant revisions utilizing the revised funds.

If there are any questions, please contact ESS Program Management at essprogmgmt@azed.gov.