



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

THE ASSISTANT SECRETARY

SEP 18 2000

Honorable Lisa Graham Keegan
Superintendent of Public Instruction
1535 West Jefferson
Phoenix, AZ 85007

Dear Superintendent Keegan:

I am writing to you concerning the allocation of section 619 (Preschool Grant) funds to local educational agencies (LEAs) under the Individuals with Disabilities Education Act (IDEA). In a March 2, 1999 letter, you requested a waiver of the population payment portion of the statutory formula that IDEA requires all States to use in suballocating section 619 funds. As I stated in a July 9, 1999 letter (a copy of which is enclosed), the formula is statutorily based and the United States Department of Education has no authority to waive the requirements of the statute. According to your September 1, 1999 letter, because of the configuration of Arizona's LEAs, "unified" school districts that serve grades K-12 receive more funds under the population payment portion of the formula than "elementary" school districts that serve grades K-8, even though both districts may be serving an equal number of preschool children with disabilities. Over the last several months, we have had numerous conference calls with members of your staff to discuss how Arizona can address its concerns and comply with the statutory formula.

Under section 619(g)(1) of IDEA, the State allocation of Preschool Grant funds to each eligible LEA is the total of three amounts. The base payment is the amount the LEA would have received under section 619 for Federal fiscal year 1997 had the State allocated 75% of its grant to the local level. The population payment (85 percent of the remaining flow-through funds after base payments are made) is an amount based on the agency's relative numbers of children enrolled in public and private elementary and secondary schools within the agency's jurisdiction. The poverty payment (15% of the remaining flow-through funds after base payments are made) is an amount based on the agency's relative numbers of children living in poverty, as determined by the SEA.

In order to address your concern regarding distribution of the population payment, the Arizona State legislature recently adopted section 15-771 F. This section was enacted to enable Arizona to comply with the requirements of section 619 of IDEA. It states that "for the purpose of allocating monies pursuant to 20 U.S.C. 1419(g)(1)(B)(i), "jurisdiction" includes high school pupils whose parents reside within the boundaries of a common school district. The common school district shall ensure such high school pupils are not counted by any other school district". This legislative change permits "elementary" districts to include high school pupils in their enrollment count and is

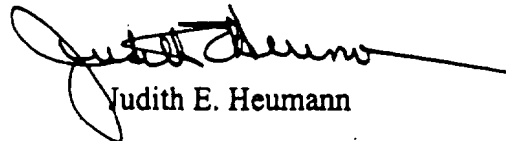
consistent with the intent of section 619(g)(1)(B)(i) of IDEA that the number of children enrolled in private and public elementary and secondary schools reflect the LEA's population.

I am pleased that during these conference calls, members of your staff agreed to make adjustments to Federal fiscal year (FFY) 1998 and 1999 Preschool Grant allocations to ensure that each local educational agency (LEA) receives the amount of Preschool Grant funds it was entitled to under section 619(g) and 34 CFR 301.30-301.31 in FFY 1998 and 1999. Based on conversations with your staff, it is our understanding that the Arizona Department of Education (ADE) is planning to make adjustments by using section 611 and section 619 FFY 1998 and 1999 State set-aside carry over funds to provide additional funds to school districts that serve students in grades K-12. These districts were underpaid in FFY 1998 and 1999 because ADE did not count children enrolled in secondary schools when calculating the population payment portion of the LEA's subgrant. As explained in the next paragraph, it is permissible for ADE to provide these additional funds to LEAs that were underpaid when it distributes its FFY 2000 section 619 funds.

I want to emphasize that ADE does have flexibility as to when adjustments can be made. In order to minimize any disruptions, ADE may make adjustments for FFY 1998 any time before September 30, 2000 (the date when FFY 1998 funds expire under the Tydings Amendment). This would enable ADE to make adjustments to FFY 1998 allocations to LEAs by increasing or decreasing the LEA's subgrant for school year 2000-2001 (assuming allocations to LEAs are made by September 30, 2000). ADE may make adjustments for FFY 1999 any time before September 30, 2001. This would enable ADE to make adjustments to FFY 1999 allocations to LEAs by increasing or decreasing the LEA's subgrant for school year 2000-2001 or school year 2001-2002 (assuming allocations to LEAs are made by September 30, 2001).

I hope that the information in this letter adequately addresses your concerns regarding the Preschool Grant funding formula. Please contact the Arizona State contact, Ms. Debra Jennings at (202) 260-5250; the Preschool Grants Coordinator, Nancy Treusch at (202) 205-9097; or JoLeta Reynolds at (202) 205-5507 if you need further assistance.

Sincerely,



Judith E. Heumann

Enclosure

cc: Lynn Busenbark
Steve Mishlove