



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

**Contact Persons**

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OSEP-08-03

MEMORANDUM

TO : State Directors of Special Education

FROM : Stephanie S. Lee  
Director  
Office of Special Education Programs  
*Stephanie S. Lee*

SUBJECT : Implementing the Funding Formula Under the IDEA—  
State Formula for Allocating State Special Education Funds

ACTION : Due August 29, 2003

The Individuals with Disabilities Education Act (IDEA) funding formula for Section 611 of Part B, first allocates base amounts to States that are equal to the amounts they received from Federal Fiscal Year (FFY) 1999 funds. Then 85 percent of any remaining funds are allocated among the States, on the basis of their relative populations of children aged 3 through 21, who are of the same age as children with disabilities for whom the State ensures the availability of a free appropriate public education (FAPE), and 15 percent of remaining funds are allocated on the basis of the relative populations of those children who are living in poverty. See Section 611(e)(3)(A); see also 34 CFR §300.707. Starting with FFY 2000, States allocated minimum flow-through funds to their LEAs on the basis of a formula composed of three components--a fixed base amount, an amount based on total student population, and an amount based on the number of students living at poverty level. The fixed base figure for each local education agency (LEA) is the amount the LEA would have received for the base year (FFY 1999), if the State had distributed 75 percent of its grant for that year. The remaining flow-through funds are distributed based on each LEA's total public and private elementary and secondary school population (85 percent) and the number of children living in poverty (15 percent). See Section 611(g); see also 34 CFR §300.712.

During 2002, the U.S. Department of Education's Office of Inspector General conducted a series of audits of six selected State educational agencies to determine the level of compliance with the Federal funding formula requirements of IDEA. The objective of these audits was to determine if selected States complied with the new IDEA, Part B, Section 611 formula for distributing flow-through funds to LEAs. The audits focused on FFY 2000 and 2001, and revealed that three of the six States did not accurately allocate IDEA funds to their LEAs for one or both years. The

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findings detailed: (1) incorrect calculation of the base amount for FFY 2000, (2) inappropriate distributions of the base amount to LEAs for FFY 2001, and (3) over funding of the FFY 2000 base amount and inappropriate adjustments to the population and poverty allocation as compensation. Although the States selected for audits were judgmentally selected and the results cannot be projected to the remaining States not audited, the Office of the Inspector General believes that there is a high probability that more States have incorrectly calculated the funding formula or incorrectly distributed the allocations. The Office of Inspector General has directed the Office of Special Education and Rehabilitative Services (OSERS) to affirm that the remaining States have:

- Calculated the FFY 1999 base allocation figure using the December 1998 children with disabilities child count;
- Correctly distributed the base allocations in FFY 2000 and 2001 based on the December 1998 count
- Correctly distributed the FFY 2000 and 2001 population and poverty allocation.

Thus, OSERS requests that your State review for accuracy its base figure for each LEA (the amount the LEA would have received for the base year 1999), the base allocation amounts and the population and poverty amounts that were used to distribute the Part B flow through amounts to LEAs for FFY 2000 and 2001.

Attached is an Assurance Statement that I am requesting that you execute and return to the Office of Special Education Programs by August 29, 2003. In executing the attached Assurance, you are attesting to the accuracy of your State funding formula distributions. If, in reexamining your State's funding formula distributions, irregularities are identified, you should contact Ms. Ruth Ryder at (202) 205-5547.

If you should have questions regarding this memorandum, you can also contact Ms. Ryder.

Attachment



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

**Assurance Statement**

**Distribution of Funds to Local Educational Agencies  
Pursuant to Section 611 of Part B of the  
Individuals with Disabilities Education Act  
(20 U.S.C. §1400, et. seq.)**

I certify that the State/Commonwealth of \_\_\_\_\_ makes the following assurances:

1. The official within the State/Commonwealth of \_\_\_\_\_, responsible for overseeing the distribution of funds to local educational agencies pursuant to Section 611 of Part B of the Individuals with Disabilities Education Act (20 U.S.C. §1400, et. seq.), has reviewed the methodology used to make such distributions and determined that the methodology is consistent with all statutory and regulatory requirements; and
2. That all prior distributions starting with Federal fiscal year 2000 (funds that became available for distribution July 1, 2000) made to local education agencies pursuant to Section 611 of the Individuals with Disabilities Education Act were properly calculated and distributed in conformance with the funding formula.

\_\_\_\_\_  
Signature, Title

\_\_\_\_\_  
Date