



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

DEC 19 2002

Mr. Robert Pasternack
Assistant Secretary
Office of Special Education and Rehabilitative Services
U.S. Department of Education
330 C Street S.W., Room 3006
Washington, DC 20202

Dear Mr. Pasternack:

This **Final Audit Report** (Control Number ED-OIG/A06-B0029) presents the results of our audits of six-selected State's compliance with the funding formula requirements of the Individuals with Disabilities Education Act (IDEA). The objective of our audit was to determine if selected States complied with the new IDEA, Part B, § 611 formula for distributing flow-through funds. Our audit focused on federal fiscal years (FY) 2000 and 2001.

We provided a draft of this report to the Office of Special Education and Rehabilitative Services (OSERS). In its response dated November 15, 2002, OSERS generally concurred with the conclusions in the draft audit report. OSERS' comments are summarized in the section that follows the Recommendations. A copy of the complete response is enclosed with this report.

AUDIT RESULTS

Three of the six States reviewed did not comply with the new IDEA, Part B, § 611 formula for distributing flow-through funds. Although the six States selected for audit were judgmentally selected and the results cannot be projected to the remaining States, we believe a high probability exists that more States have incorrectly calculated the funding formula or incorrectly distributed the allocations. Specifically, we found that:

- Florida incorrectly calculated the base amount for FY 2000 and inappropriately distributed the base amount to the Local Education Agencies (LEAs) for FY 2001.
- Tennessee incorrectly calculated the base amount for FY 2000.
- Rhode Island over funded the FY 2000 base amount and inappropriately adjusted the population and poverty allocation to compensate.
- Texas, Missouri, and Idaho correctly distributed IDEA flow-through funds to the LEAs.

Our audit identified a 50% error rate of noncompliance and the error existed within each of the stratified categories of States reviewed (large, medium, and small). Because Florida, Tennessee, and Rhode Island did not comply with the new IDEA funding formula, all 332 LEAs in those States received the wrong funding. Specifically, 140 LEAs were under funded, some by as much as \$599,000, while 192 LEAs were over funded, some by as much as \$838,000. Florida, Tennessee, and Rhode Island officials stated they incorrectly calculated and distributed the base amounts because the existing guidance was confusing and unclear. Additionally, several of the States indicated that receiving the Grant Notification Letter in July is too late for planning purposes and contributes to LEAs being over and under funded. The States provide the anticipated funding to the LEAs earlier in the school year and once the Grant Notification Letters are received, the States do not always go back and make adjustments because the LEAs have already set their budgets for the coming year.

Florida

Florida did not comply with the IDEA, Part B, § 611 for FYs 2000 and 2001. While the total base allocation remained the same for both years, Florida distributed the base allocation for each LEA to correspond with the change in each year's children with disabilities child count. According to Enclosure A of the FY 2000 and FY 2001 Grant Notification Letters, "[L]ocal awards, like state awards, are no longer based on [children with disabilities] child count." In addition, federal regulations [34 CFR § 300.712(b)(2)] allow for adjustments to the base figure only under very specific conditions--when a new LEA is created, LEAs are combined, or the administrative responsibility or geographic boundary of an LEA is changed.

For FY 2000, Florida applied the children with disabilities child count (356,296) that was in effect when the allocation was received from the Department, instead of the children with disabilities child count (345,171) that should have been used to establish the base amount. Consequently, Florida incorrectly calculated the initial base allocation to each LEA. As a result, 38 LEAs were under funded and the remaining 34 LEAs were over funded.

For FY 2001, Florida distributed the base allocation for each LEA to correspond with the change in the current children with disabilities child count. As a result, 31 LEAs were under funded and 41 LEAs were over funded.

Tables A-1 and A-2 represent the amounts Florida was required to allocate for FYs 2000 and 2001, according to the U. S. Department of Education's (Department) Grant Notification Letters, and the actual amounts that Florida allocated. The Department's final FY 2001 Grant Notification Letter awarded Florida \$287,672,377 in minimum flow-through funds. However, Florida allocated \$289,488,126 based on an earlier estimate provided by the Department. To fund the additional \$1,815,749, Florida used part of the State's administrative funds.

Tables B-1 and B-2 illustrate the effect that redistributing the LEAs' base allocation had on six of the LEAs.

TABLE A-1

FY 2000		
Funding Component	Grant Notification Letter Required Funding Amounts	Florida Actual Funding Amounts
Total Minimum Flow Through to LEAs	\$223,668,878	*\$223,668,887
LEA Base Allocation	\$179,007,131	*\$179,007,133
LEA Population/Poverty	\$ 44,661,747	\$ 44,661,756
85% Population Allocation	**\$ 37,962,485	\$ 37,962,485
15% Poverty Allocation	**\$ 6,699,262	*\$ 6,699,271

* Difference due to rounding.

** OIG calculations from the Population/Poverty figure in the Grant Notification Letter.

TABLE A-2

FY 2001		
Funding Component	Grant Notification Letter Required Funding Amounts	Florida Actual Funding Amounts
Total Minimum Flow Through to LEAs	\$287,672,377	\$289,488,126
LEA Base Allocation	\$179,007,131	*\$179,007,133
LEA Population/Poverty	\$108,665,246	\$110,480,993
85% Population Allocation	**\$ 92,365,459	*\$ 93,908,846
15% Poverty Allocation	**\$ 16,299,787	*\$ 16,572,149

* Difference due to rounding.

** OIG calculations from the Population/Poverty figure in the Grant Notification Letter.

TABLE B-1

Florida Under/Over Funding Examples			
	FY 2000		
District	Incorrect Minimum Flow-through	Correct Minimum Flow-through	Difference
Duval	\$12,636,022	\$13,068,360	\$(432,338)
Seminole	\$ 4,725,920	\$ 5,027,374	\$(301,454)
Pinellas	\$12,594,386	\$12,839,064	\$(244,678)
Broward	\$18,094,694	\$17,593,633	\$ 501,061
Miami-Dade	\$27,086,346	\$26,677,932	\$ 408,414
Orange	\$14,440,510	\$14,064,499	\$ 376,011

TABLE B-2

Florida Under/Over Funding Examples			
	FY 2001		
District	Incorrect Minimum Flow-through	Correct Minimum Flow-through	Difference
Duval	\$15,944,983	\$16,544,780	\$(599,797)
Pinellas	\$15,393,788	\$15,779,671	\$(385,883)
Seminole	\$ 6,280,196	\$ 6,511,722	\$(231,526)
Hillsborough	\$19,236,517	\$18,398,118	\$ 838,399
Orange	\$19,024,855	\$18,194,055	\$ 830,800
Miami-Dade	\$37,435,562	\$37,018,131	\$ 417,431

Florida officials agreed that during the past two years, they incorrectly distributed the base allocation for each district to correspond with each year's change in the disabled child count. They concurred with our recommendation to recalculate the two fiscal years, FY 2000 and FY 2001. However, they believe that this recalculation of the base amount disproportionately allocates funds to districts with declining child counts. Florida officials believe this creates an inequitable advantage to some of the districts; however, they are prepared to comply with the findings of the audit. Florida has already taken steps to adjust funds for under- and over-funded districts for both FY 2000 and FY 2001.

Tennessee

In FY 2000, Tennessee did not comply with the IDEA, Part B, § 611 funding formula. Specifically, Tennessee incorrectly calculated the base allocation for each LEA using the 1999 children with disabilities child count instead of the 1998 count. As a result, 84 LEAs were over funded by amounts ranging from \$484 to \$92,043 and 62 LEAs were under funded by amounts ranging from \$82 to \$326,755. Tennessee corrected the base allocation and complied with the IDEA, Part B, § 611 requirements for FY 2001.

Tables C-1 and C-2 represent the amounts Tennessee was required to allocate for FYs 2000 and 2001, according to the Department's Grant Notification Letters, and the actual amounts that Tennessee allocated. Table D illustrates the effect that redistributing the LEAs' base allocation had on six of the LEAs.

TABLE C-1

FY 2000		
Funding Component	Grant Notification Letter Required Funding Amounts	Florida Actual Funding Amounts
Total Minimum Flow Through to LEAs	\$82,026,989	*\$82,034,232
LEA Base Allocation	\$66,522,917	**\$66,522,957
LEA Population/Poverty	\$15,504,072	\$15,511,275
85% Population Allocation	***\$13,178,461	\$13,184,579
15% Poverty Allocation	***\$ 2,325,611	\$ 2,326,696

* Tennessee over funded the Total Minimum Flow Through funds by \$7,243.

** Tennessee over funded the FY 2000 base allocation by \$40.

*** OIG calculations from the Population/Poverty figure in the Grant Notification Letter.

TABLE C-2

FY 2001		
Funding Component	Grant Notification Letter Required Funding Amounts	Florida Actual Funding Amounts
Total Minimum Flow Through to LEAs	\$106,503,848	*\$106,503,848
LEA Base Allocation	\$ 66,522,917	\$ 66,522,917
LEA Population/Poverty	\$ 39,980,931	*\$ 39,980,933
85% Population Allocation	**\$ 33,983,791	\$ 33,983,793
15% Poverty Allocation	**\$ 5,997,140	\$ 5,997,140

* Rounding difference of \$2.

** OIG calculations from the Population/Poverty figure in the Grant Notification Letter.

TABLE D

Tennessee Under/Over Funding Examples			
	FY 2000		*Difference
	Incorrect Base	Correct Base	
Memphis	\$6,381,862	\$6,709,701	\$(327,839)
Knox	\$3,646,553	\$3,906,127	\$(259,574)
Shelby	\$3,178,333	\$3,298,841	\$(120,508)
Nashville	\$5,103,180	\$5,011,791	\$ 91,389
Tipton	\$ 975,284	\$ 912,225	\$ 63,059
Rutherford	\$1,581,555	\$1,524,178	\$ 57,377

* The difference represents errors in calculating the base allocation for these districts and not the total amount under or over allocated.

Tennessee agreed that allocations for FY 2000 and FY 2001 should be based on the same children with disabilities child count, when determining the base allocation. Tennessee stated that the base allocation should be calculated using the December 1998 children with disabilities child count, and that the allocations for FY 2000 were incorrectly based on the December 1999 children with disabilities child count, while allocations for FY 2001 were correctly based on the December 1998 children with disabilities child count. Regarding the recommendation to reallocate for FY 2000, Tennessee stated, "Since this award is no longer available for use, we propose utilizing some of Tennessee's discretionary money from the FY 2001 award to reallocate funds to those LEAs who did not receive their fair share."

Rhode Island

Rhode Island over funded the FY 2000 base allocation and, in order to compensate for the over funding, inappropriately adjusted downward the population and poverty amounts. As a result, nine LEAs were under funded and the remaining 33 LEAs were over funded.

The LEA base allocation should have been \$13,181,363 instead of the \$13,767,447 initially computed by Rhode Island. When Rhode Island officials received the final IDEA Grant Notification Letter in July 2000, they did not recompute and make downward adjustments to their initial base allocations because the LEAs had already been notified of their expected funding level (the expected funding levels are provided to the LEAs earlier in the year so the LEAs can plan for the upcoming school year). Instead of lowering the base allocations, Rhode Island lowered the population and poverty allocations in order to meet the minimum flow-through amounts. Rhode Island should have allocated \$2,979,698 for the population and poverty amounts (85 percent or \$2,532,743.30 based on population and 15 percent or \$446,954.70 based on poverty). Instead, Rhode Island allocated a total of \$2,393,604--\$2,034,563 for population and \$359,041 for poverty. Rhode Island correctly allocated IDEA flow through funds for FY 2001.

Table E represents the amounts Rhode Island was required to allocate for FY 2000, according to the Department's Grant Notification Letter, and the actual amounts that Rhode Island allocated. Table F illustrates the effect that redistributing the LEAs' base allocation had on six of the LEAs.

TABLE E

FY 2000		
Funding Component	Grant Notification Letter Required Funding Amounts	Florida Actual Funding Amounts
Total Minimum Flow Through to LEAs	\$16,161,061	\$16,161,051
LEA Base Allocation	\$13,181,363	\$13,767,447
LEA Population/Poverty	\$ 2,979,698	\$ 2,393,604
85% Population Allocation	**\$ 2,532,743	\$ 2,034,563
15% Poverty Allocation	**\$ 446,955	\$ 359,041

** OIG calculations from the Population/Poverty figure in the Grant Notification Letter.

TABLE F

Rhode Island Under/Over Funding Examples			
	FY 2000		
	Incorrect Minimum Flow-through	Correct Minimum Flow-through	Difference
Providence	\$2,355,098	\$2,403,314	\$(48,217)
East Providence	\$ 662,555	\$ 666,421	\$ (3,866)
Pawtucket	\$1,002,046	\$1,005,769	\$ (3,723)
Cranston	\$1,191,794	\$1,185,173	\$6,621
Cumberland	\$ 531,669	\$ 527,589	\$ 4,080
Warwick	\$1,310,747	\$1,306,739	\$ 4,008

Rhode Island officials requested that our recommendation to reallocate FY 2000 funds be modified. We did not change our recommendation based on Rhode Island's response. Rhode Island stated, "Rhode Island prepared the FFY [Federal Fiscal Year] 2000 allocation based on the interpretation of the regulations to mean that the base amount of 75% required by the new

allocation method was the minimum amount that could be allocated to LEAs. We believed that if in that base year a state had allocated more than 75%, as we did in RI, it was allowable to use that higher amount as a hold harmless for the base. In preparing the [second year's] allocation, it was learned that this was an incorrect premise. The base amount of 75% of FFY 2000 funds was to be used even if the SEA had given out higher amounts than that to the LEAs in FFY 2000. The appropriate base was used to prepare the FFY 2001 LEA allocations.”

Rhode Island further stated that, although the FY 2000 allocation was prepared based on an invalid interpretation of the methodology, the nine LEAs that were under funded did not spend all allocated funds. Also, even if they were given the additional monies due them, they could not have spent it. Consequently, no harm had been done to the Federal or to the local interest. They further stated that in view of the absence of harm, to undergo the complex administrative process of reallocating funds would be burdensome and unproductive.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Special Education and Rehabilitative Services:

- 1.1 Provide clearer guidance to all of the States on calculating and distributing the base, population, and poverty allocations.
- 1.2 Require the remaining 44 States, the District of Columbia, and Puerto Rico to reaffirm that they: (1) calculated the FY 1999 base allocation figure using the 1998 children with disabilities child count; (2) correctly distributed the base allocations, based on the 1998 count, in FYs 2000 and 2001; and (3) correctly distributed the FYs 2000 and 2001 population and poverty allocations.
- 1.3 Provide an accurate estimate of the final IDEA Grant to the States earlier in the year to allow more time for budget planning and allocations.

DEPARTMENT'S COMMENTS and OIG'S RESPONSE

The Office of Special Education and Rehabilitative Services generally concurred with the conclusions and Recommendation 1.2 in the report. The Department did not specifically address Recommendation 1.1; however, OSERS did include the guidance that was provided to the States during our audit period. Regarding Recommendation 1.2, OSERS proposed to send a Memorandum to the other 44 States, the District of Columbia and Puerto Rico explaining that they should examine the methodology that was used to distribute the IDEA funds in order to ensure that each state allocates funds correctly. With respect to Recommendation 1.3, OSERS agreed that earlier notification would be beneficial; however, it was concerned that if it provided the States with funding figures earlier in the year, accuracy of the estimates might be compromised. Census data on which the estimates are based have a tendency to change because of the constant revisions of the census data.

OIG's Response

Based on the comments received by the Department, we are not changing our recommendations. With regards to Recommendation 1.3, we understand that the recommendation might not be feasible to implement at this time. However, to the extent reliable data becomes available earlier in the process, we believe the Department should implement this recommendation.

BACKGROUND

The IDEA Grants to States program provides formula grants to assist the 50 States, the District of Columbia, Puerto Rico, and the outlying areas of the Pacific Basin and Freely Associated States in meeting the excess costs of providing special education and related services to children with disabilities. IDEA, Part B requires the Department to allocate funds to the States who are required to allocate a portion of the funding to each LEA. Prior to 1997, the formula for calculating the funds that each State and LEA would receive was based on the total number of children with disabilities. The IDEA Amendments of 1997 changed the formula to require States to allocate funds to the LEAs based on total student population and the number of students living in poverty. The new formula was slated to take effect when the Grants to States program exceeded \$4.925 billion. This trigger figure was reached in FY 2000, making it the first year of the new formula and FY 1999 the base year.

The new funding formula has several components, some of which are funds the States may use at the State level. Although the new formula has several components, our audit focused on the funds designated for allocation to the LEAs. These funds are known as the "minimum flow-through funds." The minimum flow-through funds are 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 LEA is the amount the LEA would have received for the base year (FY 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). Each year in July, the Department provides a Grant Notification Letter to each State that identifies the funding level for the flow-through components.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine if selected States complied with the new IDEA, Part B, § 611 formula for distributing flow-through funds.

We selected six States for our audit by stratifying the 1998-1999 State Grant Awards into three strata: large States with a funding level greater than \$100 million; medium States with funding levels between \$20 and \$100 million; and small States with a funding level under \$20 million. We selected the first two States in each stratum with the largest funding levels, except for Florida and Rhode Island. After consulting with Department officials, we agreed not to visit California and New York because of several recent audits in California and the events occurring in New

York. This resulted in the selection of Florida, the State with the fourth largest funding level. Department officials also asked that we visit Rhode Island because of difficulties that the State has had implementing the revised formula contained in the 1997 IDEA amendments. The six States selected were: large – Texas and Florida; medium – Missouri and Tennessee; and small – Idaho and Rhode Island.

Initially, our audit (Texas) covered FY 2000. The scope was expanded to include FY 2001 in the remaining five States. To accomplish our objective, we:

- Obtained the States' formula allocation to all the LEAs, including the allocation breakdown of the base, population and poverty amounts for FYs 2000 and 2001 (FY 2000 only in Texas).
- Reviewed State Auditor reports for 2000 where available.
- Interviewed State officials regarding the data used in the allocation formula, the methodology used in the formula, and other applicable procedures.
- Recalculated the allocation for the LEAs in each of the States.
- Performed limited data reliability tests on the data used in the allocation formula and found the data to be reliable for our purposes.

We performed fieldwork at the six States from November to December 2001. We conducted an exit conference with officials from each of the six States. We also conducted an exit conference with Department officials on June 5, 2002. Our work was performed in accordance with generally accepted government auditing standards appropriate to the scope of the audit described above.

STATEMENT OF MANAGEMENT CONTROLS

As part of our review of each State, we gained an understanding of the system of management controls, policies, procedures, and practices applicable to each State's compliance with the new IDEA, Part B, § 611 formula for distributing flow-through funds.

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. However, we identified management control weakness that affected the allocation of flow-through funds to LEAs in Florida, Tennessee, and Rhode Island. The weaknesses are discussed in the Audit Results section of this report and in each of the three State audit reports.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions or if you wish to discuss the contents of this report, please contact Sherri L. Demmel, Regional Inspector General for Audit, Dallas, Texas, at 214-880-3031. Please refer to the control number in all correspondence related to the report.

Sincerely,



Helen Lew

Acting Assistant Inspector General
for Audit Services

Enclosure



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

THE ASSISTANT SECRETARY

NOV 15 2002

TO: Thomas A. Carter
Assistant Inspector General

FROM: Robert H. Pasternack, Ph.D.

SUBJECT: State Educational Agencies' Compliance with the Funding Formula Requirements of Section 611 of Part B, the Individuals with Disabilities Education Act

This memorandum provides the Office of Inspector General (OIG) with the Office of Special Education and Rehabilitative Services' (OSERS) advanced review comments concerning the OIG's Draft Audit Report Control Number ED-OIG/A06-B0029 (Report). This Report presents the results of audits of six selected States' compliance with the funding formula requirements of the Individuals with Disabilities Education Act (IDEA). The audits' objective was to determine if selected States complied with the new IDEA, Part B, section 611 formula for distributing flow-through funds to local educational agencies (LEAs).

OSERS reviewed the content and recommendations detailed in the above-referenced Report, and concurs with the conclusions reached as a result of your audit sample of the six States. Understanding the concerns raised as a result of this audit sample, OSERS would like to inform OIG about the efforts that OSERS is taking to minimize the potential for State educational agencies (SEAs) to make mistakes in the Part B funding formula distributions to LEAs. Also, OSERS would like to note concerns with recommendation three in the Report.

Documentation accompanying each Part B of IDEA grant award includes *Enclosure A* (copy attached). This enclosure provides specific details explaining the minimum flow-through amount to LEAs, including the section 611 base allocation and population/poverty allocation. Also included in *Enclosure A* is a numerical chart listing the total dollar amount of the Part B, section 611 grant award for each State, as well as the total dollar minimum flow-through amount, including the exact base allocation, along with the population/poverty allocation amounts. These detailed data provide the States with the specific amounts, in the aggregate, that must be distributed to the LEAs.

Regarding the Report's second recommendation, OSERS proposes to send a Memorandum to all 44 States, the District of Columbia and Puerto Rico explaining that OIG found errors in several SEAs' distribution of IDEA funds to their LEAs for FYs 2000 and 2001 and that the SEAs need

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to examine the methodology that was used to distribute those IDEA funds in order to ensure that the State is allocating funds correctly (and to prevent future audit findings against the State). If, through the reexamination of its procedures, an SEA concludes that it has incorrectly calculated the LEAs' allocation of section 611 funds for FYs 2000 or 2001, the SEA will be instructed to take appropriate steps to ensure that those LEAs that were under funded receive the amount of section 611 funds to which they were entitled in FYs 2000 and 2001.

With respect to OIG's third recommendation that addresses the provision of an accurate estimate of the final IDEA grant to States earlier in the year to allow more time for budget planning and allocations, OSERS has some concern that such a shift in the notification to States may present complications not considered by OIG. The IDEA grant estimates are based on data obtained from the U.S. Census Bureau. The Census data are not necessarily compiled at a point in the year that would permit OSERS to move up the notification of the funding amounts and at the same time provide accurate final estimates. Although OSERS could provide the States with funding figures earlier in the year, accuracy of the estimates would be compromised in that the Census data on which the estimates are based have a tendency to change as a result of the constant revision of the Census data. Although OSERS agrees that an earlier notification to SEAs would be beneficial, the use of earlier Census data has the likely potential of compromising the accuracy of the figures.

If you have any questions on this matter, please do not hesitate to contact JoLeta Reynolds at (202) 205-5507.

ENCLOSURE A

**SECTION 611 (PART B – GRANTS TO STATES)
Total Grant Award (Column A of Table I)**

Column A includes your total grant award for FFY 2002. The amount that you have received in the accompanying grant award, plus the additional funds that you will receive in October 2002, will make up your total award amount.

State grants are calculated as follows: States are first provided an amount equal to the amount they received in FFY 1999. Of the funds in excess of the FFY 1999 level, 85% are allocated to States on the basis of their relative populations of children aged 3 through 21, who are the same age as children with disabilities for whom the State ensures the availability of FAPE, and 15% on the relative populations of children of those ages who are living in poverty. The statute also contains a number of floors and ceilings below and above which a State's allocation may not fall.

Minimum Flow Through to LEAs (Column B of Table I)

Column B includes the total minimum amount that you must flow through to local educational agencies (LEAs). This amount is in addition to any funds that the State may choose to flow through to LEAs from its State set-aside funds or funds required for Capacity Building. Note that local awards, like State awards, are no longer based on child count. The minimum flow through is comprised of the base allocation and population and poverty amounts listed below.

Section 611 Base Allocation (Column C of Table I)

The amount shown in Column C is the portion of the LEA flow-through amount that must be distributed to LEAs based on the amounts that the LEAs would have received from FFY 1999 funds had the State education agency (SEA) flowed through 75% of the State award to LEAs. Note that this amount is less than the minimum amount that you were required to provide to LEAs from FFY 1999 funds. Section 300.712(b)(1)-(2) of the Part B regulations clarifies how base payments are made to LEAs.

Section 611 Population/Poverty (Column D of Table I)

The amount shown in Column D is the remaining amount that must be flowed through to LEAs. Of this amount, 85% is distributed on a pro rata basis to LEAs according to public and private elementary and secondary school enrollment, and 15% on a pro rata basis to LEAs according to the number of children in LEAs living in poverty, as determined by the State.

Capacity Building and Improvement Activities (Column E of Table I)

Column E includes **the minimum amount that must be used for Capacity Building and Improvement Activities**. The minimum amount that a State must use for subgrants to LEAs for capacity building and improvement activities is equal to the maximum amount that the State was allowed to retain for **State level activities for FFY 2001**, multiplied by the difference between the percentage increase in the State's allocation under **Section 611** from FFY 2001, and the rate of inflation. These funds are to be used by LEAs to provide direct services and make systemic change to improve results for children with disabilities through: (1) direct services, including alternative programming for children who have been expelled from school, and services for children in correctional facilities, children enrolled in State-operated or State-supported schools, and children in charter schools; (2) addressing needs or carrying out improvement strategies identified in the State Improvement Plan; (3) adopting promising practices, materials, and technology, based on knowledge derived from education research and other sources; (4) establishing, expanding or implementing interagency agreements and arrangements between LEAs and other agencies concerning the provision of services to children with disabilities and their families; and (5) increasing cooperative problem-solving between parents and school personnel and promoting the use of alternative dispute resolution.

Section 611 State Set-aside (Columns F and G of Table I)

Column F includes the **maximum State set-aside amount (including funds for administration)** and Column G includes the **maximum portion of the State set-aside amount that may be used for administration**. State set-aside amounts are limited to the maximum amount that a State could set aside in the prior FFY, plus an adjustment based on the lesser of the rate of inflation or the percentage increase in the State's allocation over the preceding fiscal year. For FFY 2002, the maximum amount that each State may use for State-level activities is the State 2001 level plus approximately 2.13% for inflation. SEAs may use the State set-aside funds for: (1) support and direct services, including technical assistance and personnel development and training; (2) administrative costs of monitoring and complaint investigation, but only to the extent that those costs exceed the costs incurred for those activities during Fiscal Year 1985; (3) establishing and implementing the mediation process required by the Individuals with Disabilities Education Act (IDEA) Section 615(e), including providing for the costs of mediators and support personnel; (4) assisting LEAs in meeting personnel shortages; (5) developing a State Improvement Plan under subpart 1 of Part D of the IDEA; (6) conducting activities at the State and local levels to meet the performance goals established by the State; (7) supporting implementation of the State Improvement Plan; (8) supplementing other amounts used to develop and implement a Statewide coordinated services system designed to improve results for children and families, including children with disabilities and their families (not to exceed 1% of the funds received under this program); and (9) as an additional source of funding for providing subgrants to LEAs for capacity building and improvement activities as described above. Funds that a State sets aside may also be distributed to LEAs, at the State's discretion, in any manner determined appropriate by the State. States may also use up to 20% of the maximum funds available for State set-aside activities for administration (see Column G).

Section 611 State Set-aside Percentages (Columns H and I of Table I)

Column H is the percentage of the total award that is the maximum amount that may be set aside for State-level activities (including funds for administration) and Column I is the percentage of the total award that may be used for administration.

Funding Revisions

The sum of Columns B, E, and F equals the total award for your State in Column A. Please note that, while no changes are expected, total grant award, capacity building, and flow-through amounts may be revised when final awards are made in October 2002. No changes are expected in the maximum amounts available for set-aside, since these amounts have been calculated for all States based on their FFY 2001 maximum set-aside amounts and the rate of inflation.

TABLE I

**FISCAL YEAR 2002 ALLOCATIONS
GRANTS TO STATES
INDIVIDUALS WITH DISABILITIES EDUCATION ACT - PART B, SECTION 611**

	Column A	Column B Minimum Flow-Through to LEAs	Column C LEA Base Allocation	Column D Minimum LEA Population/ Poverty Allocation	Column E Minimum Capacity Building and Improvement	Column F Maximum State Set-Aside	Column G Portion of Maximum State Set-Aside Available for Administration	Column H Maximum State Set-Aside Percent of Total Award	Column I Portion of Maximum State Set-Aside Available for Administration as Percent of Total Award
US TOTAL	\$7,528,533,000	\$6,400,559,589	\$3,158,948,901	\$3,241,610,688	\$141,807,508	\$853,500,980	\$173,401,408		
Alabama	119,960,334	103,058,512	51,763,442	51,295,070	2,451,393	14,450,429	2,890,086	12.0%	
Alaska	22,199,605	19,136,095	9,185,518	9,950,577	461,773	2,601,737	549,814	2.5%	
Arizona	111,045,656	97,227,559	45,947,295	51,280,264	2,082,846	11,735,251	2,347,050	10.6%	
Arkansas	71,962,298	62,304,868	30,654,695	31,650,173	1,455,695	8,201,735	1,640,347	11.4%	
California	781,662,507	679,958,560	323,428,031	356,530,529	15,330,161	86,373,786	17,274,757	11.1%	
Colorado	94,048,771	81,604,212	38,914,504	42,689,708	1,875,808	10,568,751	2,113,750	11.2%	
Connecticut	89,245,788	76,261,973	39,795,094	36,466,879	1,674,964	11,308,851	2,261,770	12.7%	
Delaware	20,345,877	17,615,171	8,418,502	9,198,669	411,608	2,319,098	549,814	11.4%	
Florida	405,878,306	350,785,138	179,007,131	171,778,007	7,349,058	47,744,110	9,548,822	11.8%	
Georgia	195,216,655	170,639,615	80,774,679	89,864,936	3,704,576	20,872,464	4,174,493	10.7%	
Hawaii	25,660,148	22,711,406	10,617,384	12,094,022	444,473	2,504,269	549,814	9.8%	
Idaho	34,533,972	30,145,863	14,289,101	15,856,762	661,434	3,726,675	745,335	10.8%	
Illinois	336,446,325	290,916,158	145,798,830	145,117,328	6,409,163	39,121,004	7,824,201	11.6%	
Indiana	170,853,119	147,315,778	76,006,114	71,309,664	3,084,325	20,453,016	4,090,603	12.0%	
Iowa	82,526,911	70,975,591	36,799,117	34,176,474	1,490,167	10,061,153	2,012,231	12.2%	
Kansas	70,893,325	61,448,458	30,299,450	31,149,008	1,258,071	8,186,796	1,637,359	11.5%	
Kentucky	104,503,321	89,967,110	45,623,168	44,343,942	1,958,955	12,577,256	2,515,451	12.0%	
Louisiana	119,376,775	103,220,337	49,394,457	53,825,880	2,435,312	13,721,126	2,744,225	11.5%	
Maine	36,989,288	31,460,019	16,493,688	14,966,331	713,298	4,815,971	963,194	13.0%	
Maryland	131,443,233	113,558,662	57,921,866	55,636,796	2,409,628	15,474,943	3,094,989	11.8%	
Massachusetts	191,890,947	164,887,660	85,565,027	79,322,633	3,483,533	23,519,754	4,703,951	12.3%	
Michigan	260,135,764	226,498,694	107,923,610	118,575,084	5,010,570	28,626,500	5,725,300	11.0%	
Minnesota	128,321,623	111,133,036	55,057,097	56,075,939	2,217,397	14,971,190	2,994,238	11.7%	
Mississippi	77,199,160	65,800,526	32,007,733	33,792,793	1,718,153	9,680,481	1,936,096	12.5%	
Missouri	153,553,541	132,219,616	68,230,162	63,989,454	2,752,162	18,581,763	3,716,353	12.1%	
Montana	23,559,507	20,320,275	9,748,203	10,572,072	488,260	2,750,972	550,194	11.7%	
Nebraska	50,475,888	43,704,138	22,507,423	21,196,715	873,583	5,898,167	1,179,633	11.7%	
Nevada	41,760,879	36,541,193	17,279,374	19,261,819	786,780	4,432,906	886,581	10.6%	
New Hampshire	32,080,256	27,593,943	14,262,653	13,331,290	578,752	3,907,561	781,512	12.2%	
New Jersey	244,340,509	209,972,164	108,952,520	101,019,644	4,433,655	29,934,690	5,986,938	12.3%	
New Mexico	61,594,953	53,253,334	27,026,021	26,227,313	1,076,102	7,265,517	1,453,103	11.8%	
New York	509,305,853	438,449,982	224,098,730	214,351,252	9,808,308	61,047,563	12,209,513	12.0%	
North Carolina	202,724,229	176,103,858	85,734,091	90,369,767	3,897,510	22,722,861	4,544,572	11.2%	
North Dakota	16,520,608	14,307,135	6,835,722	7,471,413	333,644	1,879,829	549,814	11.4%	
Ohio	288,468,284	249,117,401	119,359,351	129,758,050	5,931,484	33,419,399	6,683,880	11.6%	
Oklahoma	98,502,970	85,654,029	41,638,213	44,015,816	1,936,762	10,912,127	2,182,436	11.1%	
Oregon	86,394,113	75,362,307	36,242,655	39,119,652	1,603,671	9,428,135	1,885,627	10.9%	
Pennsylvania	281,508,625	244,176,527	117,400,583	126,775,944	5,466,996	31,865,102	6,373,020	11.3%	
Rhode Island	29,560,959	25,294,038	13,181,363	12,112,675	550,450	3,716,471	743,294	12.6%	
South Carolina	115,429,949	99,984,508	51,358,930	48,625,578	2,021,745	13,423,696	2,684,739	11.6%	
South Dakota	19,680,342	17,059,180	8,143,124	8,916,056	395,096	2,226,066	549,814	11.3%	
Tennessee	154,805,179	132,972,777	66,522,917	66,449,860	3,290,868	18,541,534	3,708,307	12.0%	
Texas	608,102,898	527,719,235	252,423,854	275,295,381	12,116,487	68,267,176	13,653,435	11.2%	
Utah	68,595,427	59,212,808	28,382,690	30,830,118	1,414,272	7,968,347	1,593,669	11.6%	
Vermont	15,929,020	13,879,599	6,590,941	7,288,658	308,916	1,740,505	549,814	10.9%	
Virginia	181,253,563	156,606,894	79,717,764	76,889,130	3,261,136	21,385,533	4,277,107	11.8%	
Washington	142,673,221	123,985,987	59,195,558	64,790,429	2,809,250	15,827,984	3,165,597	11.1%	
West Virginia	51,337,699	43,636,253	22,891,709	20,744,544	993,517	6,707,929	1,341,586	13.1%	
Wisconsin	140,599,055	121,407,379	60,304,853	61,102,526	2,863,341	16,328,335	3,265,667	11.6%	
Wyoming	16,711,120	14,468,913	6,914,550	7,554,363	337,975	1,904,232	549,814	11.4%	
District of Columbia	10,229,967	9,066,805	4,232,848	4,833,957	175,327	987,835	549,814	9.7%	
Puerto Rico	67,879,755	59,858,310	28,086,566	31,771,744	1,209,098	6,812,347	1,362,469	10.0%	
Department of the Interior	79,377,301								
American Samoa	5,705,650					285,283		5.0%	
Guam	12,629,887					631,494		5.0%	
Northern Marianas	4,372,921					218,646		5.0%	
Virgin Islands	7,999,858					399,993		5.0%	
Pacific Basin Competition	6,579,306								
Evaluation	16,000,000								

NOTES: Column A = B + E + F
Column A = C + D + E + F
Column H = 20% of Column G except for Outly
Column B = C + D
Amounts for Outlying Areas are not based
on Maximum State Set-Aside amounts

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