

IDEA, PART B
EXCESS COSTS
GUIDANCE HANDBOOK

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Introduction

Local educational agencies (LEAs), including school districts and open-enrollment charter schools, must follow certain requirements when accepting federal funds. One of the federal requirements under the Individuals with Disabilities Education Act, Part B (IDEA-B) is the concept of excess costs. This handbook explains the concept of excess costs and gives instructions on how to calculate it.

Purpose

Title 34 of the Code of Federal Regulations (34 CFR §300.202) explains the excess costs requirement. If your LEA receives a federal grant awarded under IDEA-B, you must spend those funds only on the excess costs of providing special education and related services to eligible students. LEAs may not use IDEA-B funds to pay all the costs of educating students with disabilities, with certain exceptions (see “Exception” section below). Excess costs are those costs over and above what the LEA spends on average for students enrolled at the elementary or secondary level, including special education students.

Every student enrolled in a public school in Texas receives educational support, including students with disabilities. Because a student with a disability is a student entitled to an education first, the concept of excess costs establishes the following:

1. Students with disabilities receive educational support in the same way and to the same extent as non-disabled students.
2. IDEA-B funds only pay for the excess costs of educating students with disabilities.

Again, the purpose of the excess costs rule is to prevent an LEA from using IDEA-B funds to pay for all costs to educate a student with a disability. Federal funds (IDEA-B) must be used to supplement state and local and other federal funds and not to supplant them (34 CFR 300.202(a)(3)). To make sure your LEA complies with the excess costs requirement, the LEA must calculate the average amount of funds to be spent for the education of students with disabilities at the elementary level and at the secondary level before using IDEA-B funds.

Exception

There is an exception to the excess costs requirement if an LEA is paying to educate students with disabilities, ages 3-5 or 18-21, and there are no local or state funds available to educate non-disabled students of these ages. In any case, the LEA must follow the supplement-not-supplant rule and other requirements of IDEA-B in providing special education and related services for these students (34 CFR 300.202(b)(ii)).

Definition of Excess Costs

Excess costs are the extra costs paid from IDEA-B funds to meet the needs of educating students with disabilities. To determine excess costs, LEAs must calculate the annual average expenditures for the education of elementary and secondary students. This will provide you with the total expenditure amount, at minimum, to spend on students with disabilities before using IDEA-B funds for excess costs. Statute requires the LEA to compute the excess costs calculation separately for elementary and secondary levels.

Compliance Requirement

An LEA meets the excess costs requirement when it spends at least the minimum annual average amount for its students with disabilities before it uses IDEA-B funds. For practical purposes, the LEA may spend IDEA-B funds at the same time it spends state, local, and other federal funds. However, the LEA must spend the minimum average amount per student by the end of the fiscal year to meet compliance.

Enrollment Data

For purposes of the excess costs calculation, use the Public Education Information Management System (PEIMS) October Snapshot data to obtain the following:

- Previous year enrollment data for all students in elementary and secondary levels
- Current year enrollment data for students with disabilities in elementary or secondary levels

Total Expenditures – Campus and District Level

The excess cost calculation must include *all* expenditures (not just those identified as instructional expenditures) from *all fund sources* (federal, state, and local sources) of the LEA to provide for the education of all students at the elementary and secondary levels. How the LEA classifies grade levels as elementary and secondary should follow local policy and be consistent with other reporting to TEA.

The LEA can identify campus level expenditures by the organization codes assigned to elementary and secondary campuses. LEA expenditures for organization codes which cannot be attributed directly to a school level, such as general operations or district level director positions, must be allocated to elementary and secondary levels based on local written policies and procedures. For example, the LEA may consider a written policy to prorate expenditures for district level general operations based on the ratio of elementary students and secondary students.

Excess Costs Calculation Steps

Below is an illustration of the basic steps on how to perform the excess costs calculation for **elementary and secondary levels**.

Using **previous year** expenditure data:

1. Determine total expenditures from all sources: local, state, and federal (including IDEA, Part B, Title I, and any other federal funds expended by the LEA). Exclude capital outlay and debt service (see Appendix 1 for a list of codes assigned to these expenditures).

Previous Year School Expenditures	Elementary	Secondary
State and local tax funds	\$6,210,000	\$7,400,000
Federal funds (including IDEA-B)	+\$600,000	+\$750,000
Total expenditures from all sources (previous year)	\$6,810,000	\$8,150,000
• exclude Capital Outlay	(\$40,000)	(\$30,000)
• exclude Debt Service	(\$20,000)	(\$15,000)
Total adjusted expenditures (previous year)	\$6,750,000	\$8,105,000

2. From the amount determined in Step 1, subtract the **previous year** expenditures identified below (see Appendix 1 for a list of codes assigned to these expenditures). These are funds actually spent, not funds received and carried over to the subsequent year.

Previous Year School Expenditures	Elementary	Secondary
• IDEA, Part B	(\$200,000)	(\$130,000)
• Elementary and Secondary Education Act (ESEA), Title I, Part A	(\$250,000)	(\$220,000)
• ESEA, Title III, Parts A and B	(\$50,000)	(\$43,000)
• State and local funds for students with disabilities	(\$500,000)	(\$350,000)
• State and local funds for programs under ESEA, Title I, Part A, and ESEA Title III, Parts A & B	(\$150,000)	(\$80,000)
Final adjusted expenditures (previous year)	\$5,600,000	\$7,282,000

3. Divide the final adjusted expenditures calculated in Step 2 by the **previous year** number of enrolled students (including students with disabilities) from PEIMS October Snapshot. This yields the previous year annual average per pupil expenditure (APPE).

Previous Year APPE	Elementary	Secondary
Final adjusted expenditures (previous year)	\$5,600,000	\$7,282,000
Number of all students enrolled, including students with disabilities (previous year PEIMS October Snapshot)	÷ 800	÷ 600
APPE (previous year)	\$7,000	\$12,136

Obtain the student enrollment for all elementary and secondary students from the previous year PEIMS October Snapshot date. The LEA may round (up or down) without cents after dividing by the number of students.

Finally, using the **previous year** APPE and **current** number of students with disabilities:

4. Multiply the **previous year** APPE calculated in Step 3 by the **current** number of students with disabilities. The current year is the school year to which the excess costs apply. The amount calculated in Step 4 is the total aggregate amount of non-IDEA-B funds, at minimum, an LEA must spend on the education of students with disabilities. IDEA-B funds are only for the excess costs above this minimum amount.

Current Year Amount	Elementary	Secondary
APPE (previous year)	\$7,000	\$12,136
Number of students with disabilities (current year PEIMS October Snapshot)	X50	X45
Minimum annual aggregate expenditure to be spent on the education of students with disabilities	\$350,000	\$546,120

In this example, the LEA must document and spend \$350,000 for elementary and \$546,120 for secondary levels for the education of students with disabilities. The documented expenditure

amount is from all fund sources (excluding capital outlay and debt service) other than IDEA-B. The LEA must use IDEA-B funds only for the excess costs of educating students with disabilities above the minimum annual aggregate expenditure amount calculated in Step 4.

Chart 1 below shows the flow of compliance or non-compliance for an elementary level within a period of four school years. Using the elementary APPE from the example above, you can see how this LEA demonstrates elementary level compliance with excess cost requirements in the second and fourth columns (years 2013–2014 and 2015–2016).

Chart 1: Elementary Excess Cost Compliance Calculations for Four School Years

2012-2013	2013-2014	2014-2015	2015-2016
<p>Audited 2012-2013 Elementary Expenditures = \$5,600,000</p> <p>Calculated 2012-2013 average per pupil expenditure = \$7,000</p> <p>What the LEA must expend:</p>	<p>Audited 2012-2013 Elementary Expenditures = \$5,600,000</p> <p>Calculated 2012-2013 APPE = \$7,000</p> <p>PEIMS Oct Snapshot 2013 student count = 50 (<i>students with disabilities</i>)</p> <p>$\\$7,000 \times 50 =$ \$350,000</p> <p>Aggregated amount to be spent on students with disabilities in 2013-2014 = \$350,000</p>	<p>Audited 2013-2014 Elementary Expenditures = \$5,724,000</p> <p>Calculated 2013-2014 APPE = \$7,200</p> <p>PEIMS Oct Snapshot 2014 student count = 53 (<i>students with disabilities</i>)</p> <p>$\\$7,200 \times 53 =$ \$381,600</p> <p>Aggregated amount to be spent on students with disabilities in 2014-2015 = \$381,600</p>	<p>Audited 2014-2015 Elementary Expenditures = \$5,893,000</p> <p>Calculated 2014-2015 APPE = \$7,100</p> <p>PEIMS Oct Snapshot 2015 student count = 49 (<i>students with disabilities</i>)</p> <p>$\\$7,100 \times 49 =$ \$347,900</p> <p>Aggregated amount to be spent on students with disabilities in 2015-2016 = \$347,900</p>
<p>What the LEA actually expended:</p>	<p>Audited 2013-2014 Elementary Expenditures = \$5,724,000</p> <p>Calculated 2013-2014 APPE = \$7,200</p> <p>$\\$7,200 \times 50 =$ \$360,000</p> <p>So, in 2013-2014, the LEA spent \$360,000 on students with disabilities. They meet the excess cost test because they spent at least \$350,000.</p>	<p>Audited 2014-2015 Elementary Expenditures = \$5,893,000</p> <p>Calculated 2014-2015 APPE = \$7,100</p> <p>$\\$7,100 \times 53 =$ \$376,300</p> <p>So, in 2014-2015, the LEA spent \$376,300 on students with disabilities. They failed to meet the excess cost test by \$5,300.</p>	<p>Audited 2015-2016 Elementary Expenditures = \$6,075,000</p> <p>Calculated 2015-2016 APPE = \$7,500</p> <p>$\\$7,500 \times 49 =$ \$367,500</p> <p>So, in 2015-2016, the LEA spent \$367,500 on students with disabilities. They meet the excess cost test because they spent at least \$347,900.</p>

Note: Chart 1 is for illustration purposes only. The LEA is required to calculate and demonstrate compliance for excess cost for both elementary and secondary separately.

Members of Shared Services Arrangements

Individual member LEAs of a Shared Services Arrangement (SSA) are responsible for their own excess costs calculations and for maintaining documentation of compliance, not the fiscal agent. Member districts of SSAs must include their own expenditures and any expenditures made on their behalf by the fiscal agent in their excess costs calculation.

Expenditure information for each member LEA is reported by the SSA fiscal agent via PEIMS record 033. Each member LEA in an SSA should request the actual amount expended on behalf of the member LEA from the SSA fiscal agent for inclusion in its excess costs calculation.

Excess Costs Calculation Timeline

To ensure compliance with the excess costs requirement in a given year, LEAs should perform both a preliminary and a final calculation. LEAs must plan for and certify compliance with the provision in the Special Education Consolidated Grant application's CS7000 schedule. Since audited financial data is not available at the time LEAs apply for the special education funding, a preliminary calculation will enable LEAs to certify compliance in the Special Education Consolidated Grant application. The preliminary calculation will be an estimate of excess costs. LEAs should complete the preliminary calculation as soon as possible after submission of the annual final expenditure report for the prior year, using financial information available from its unaudited general ledger.

As a final check for compliance, LEAs should complete the excess costs final calculation after their annual audit is finalized. For this calculation, LEAs must use actual previous year expenditures based on the audited annual financial report.

Your LEA should maintain supporting documentation, including the data and calculations, for audit and monitoring purposes.

Excess Costs Calculator Tool

TEA has developed an Excess Costs Calculation Tool and other resources for use by LEAs. An LEA can find these resources on the [Excess Cost](#) page of the TEA website.

Statutory Citations and Additional Resources

- 34 CFR 300.16 - Excess costs
- 34 CFR 300.202 (a-b) - Use of amounts
- 34 CFR Appendix A to Part 300 – Excess Costs Calculation
- OMB Circular A-133 – Compliance Supplement
- Letter to Kennedy, Office of Special Education Programs (OSEP), 9/25/09
- Letter to Plagata-Neubauer, OSEP, 4/8/08

Appendix 1 – Select Fund, Object, and Program Intent Codes for Excess Costs Calculation

This is a list of fund, object, and program intent codes from TEA's Financial Accountability System Resource Guide to be subtracted in Steps 1 or 2 of the excess costs calculation.

Capital Outlay and Debt Service	
Object 66xx	Capital Outlay
Object 65xx	Debt Service
IDEA, PART B	
Fund 224	IDEA - Part B, Formula
Fund 225	IDEA - Part B, Preschool
Fund 226	IDEA - Part B, Discretionary
Fund 227	IDEA - Part B, Deaf
Fund 228	IDEA - Part B, Preschool Deaf
ESEA, Title I, Part A	
Fund 211	ESEA, Title I, Part A - Improving Basic Programs
ESEA, Title III, Parts A and B	
Fund 263	Title III, Part A - English Language Acquisition and Language Enhancement
State and local funds for students with disabilities	
Fund 199/420; PICs 23 and 33	State and local funds for students with disabilities
State and local funds for programs in support of ESEA, Title I, Part A, and Title III, Parts A and B	
Fund 199/420; PIC 24	Accelerated Education
Fund 199/420; PIC 25	Bilingual Education and Special Language Programs
Fund 199/420; PIC 26	Nondisciplinary Alternative Education Programs – AEP Services
Fund 199/420; PIC 28	Disciplinary Alternative Education Program – DAEP Basic Services
Fund 199/420; PIC 29	Disciplinary Alternative Education Program – DAEP State Compensatory Education Supplemental Costs
Fund 199/420; PIC 30	Title I, Part A Schoolwide Activities Related to State Compensatory Education (SCE) and Other Costs on Campuses with 40% or More Educationally Disadvantaged Students
Fund 199/420; PIC 34	Prekindergarten – Compensatory Education
Fund 199/420; PIC 35	Prekindergarten – Bilingual Education

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