

The High Cost Fund (HCF) State Plan was created in consultation with stakeholders from across the state and is reviewed annually and amended as necessary with current processes.

Federal Legislation

The federal regulations outlined in [34 CFR §300.704\(c\)](#) allow the Texas Education Agency (TEA) to reserve state-level Individuals with Disabilities Education Act, Part B (IDEA-B) funds to assist local educational agencies (LEAs), which includes Independent School Districts (ISDs) and open-enrollment charter schools, in addressing the needs of high need children with disabilities¹. TEA will annually finance and make disbursements from the High Cost Fund reserve to LEAs in accordance with these regulations. TEA will not use any of the High Cost Fund reserve for costs associated with establishing, supporting, and otherwise administering the High Cost Fund.

Texas Legislative Intent

The Texas Legislature requires the Commissioner of Education to implement the provisions of [34 CFR §300.704\(c\)](#) and allocate allowable amounts under IDEA to establish the High Cost Fund to assist LEAs with students with disabilities who have high support needs. It is the intent of the Legislature that these funds be used by LEAs in a manner that does not violate the least restrictive environment (LRE) requirements of IDEA, relating to placement and state funding systems that distribute funds based on type of setting.

Purpose of the High Cost Fund (HCF)

The High Cost Fund is intended to assist LEAs in the provision of direct special education and related services to children with disabilities who have high support needs, as identified in the child's individualized education program (IEP), by providing a HCF reimbursement allocation to eligible LEAs, subject to availability of funds.

Definition of High Need Child with a Disability

For the purposes of the High Cost Fund, a child with a disability who has high support needs is a student whose costs exceed three times the State average per-pupil expenditure (APPE), as defined [in section 8101 of the Elementary and Secondary Education Act of 1965 \(ESEA\)](#), thereby creating a financial impact on the LEA's budget. Only those costs associated with providing direct special education and related services to the child that are identified in the child's IEP are considered when determining whether a child qualifies as a child with high support needs.

LEA Participation Eligibility Criteria

An LEA may request a High Cost Fund reimbursement allocation provided the following criteria are met:

- The LEA must ensure that placements supported by the HCF are consistent with the least restrictive environment requirements of IDEA-B ([34 CFR §§300.114 through 300.118](#)).
- The LEA must not have carried forward 25% or more of its IDEA-B Formula funds from the previous grant year*.

¹ The term "high need children with disabilities" is used in this section to align with the terminology in 34 CFR §300.704(c). Person-first language is used in the remaining sections of this document.

*For the 2026-2027 HCF application: Remaining 2025-2026 IDEA-B Formula funds carried over into the 2026-2027 Special Education Consolidated Grant (Federal) application.

High Cost Fund Application

To request a High Cost Fund reimbursement allocation, an LEA must submit the web-based HCF application via the APEX application program through the [Texas Education Agency Login \(TEAL\)](#) by the date designated by TEA. Information on how to apply for a TEAL account or APEX application account is located on the [TEA Secure Applications Information](#) webpage.

The LEA special education director or designee must submit the HCF application. If an LEA is a member of a special education shared services arrangement (SSA), the SSA fiscal agent must submit the application on behalf of the SSA member(s).

An LEA may submit multiple student applications; all HCF applications submitted to TEA by the date designated by TEA will be reviewed by TEA staff for approval.

Documentation

LEAs must create and maintain adequate and sufficient documentation for all expenditures requested for HCF reimbursement. The LEA must upload into the HCF application the student's IEP, as well as appropriate contract documentation for any contracted services included in the HCF application. TEA may require additional evidence for any cost items included in the HCF application, such as paid invoices or other supporting documentation.

Use of Funds

For purposes of the HCF, the costs associated with educating a child with a disability who has high support needs are only those costs associated with providing direct special education and related services to the child that are identified in that child's IEP, including the cost of room and board for a residential placement determined necessary, consistent with [34 CFR §300.114](#), to implement a child's IEP.

Additional requirements and information regarding the use of the HCF include the following:

- Eligible LEAs receive IDEA-B Discretionary Residential reimbursement funds to assist with the costs of children with disabilities who are served in a residential facility for educational purposes for the provision of a free appropriate public education (FAPE); therefore, the HCF request for a specific residential placement is limited to the LEA's 25% Residential Set-Aside amount designated in the finalized Residential APEX application for the applicable child.
- The LEA may not use the HCF disbursement to limit or place conditions on the right of a child with a disability to receive FAPE in the LRE.
- The LEA may not use the HCF disbursement for placements that are determined inconsistent with the LRE requirements of IDEA-B ([34 CFR §§300.114 through 300.118](#)).
- The LEA may not use the HCF disbursement to support legal fees, court costs, or other costs associated with a cause of action brought on behalf of a child with a disability to ensure FAPE for such child.
- The LEA may not use the HCF disbursement to pay costs for the student that otherwise would be reimbursed as medical assistance for a child with a disability under the State Medicaid program under Title XIX of the Social Security Act, through the [School Health and Related Services \(SHARS\)](#) program.
- All cost items documented in the HCF application must be clearly identified in the child's IEP.

- All cost items documented in the HCF application must be incurred between August 1 through July 31 of the year associated with the HCF application.
- The HCF disbursement must only be used for reimbursement of the costs documented and approved in the HCF application. The LEA must not use the HCF disbursement to support other activities.

LEAs are responsible for providing the services required by the child's IEP and must not limit the provision of services based on the availability of a HCF reimbursement allocation.

Distribution of Funds

Once all HCF applications are finalized, reimbursement award amounts will be determined.

TEA will reimburse LEAs for allowable expenses identified and approved in the HCF application, based on availability of funds and subject to thresholds and other parameters established by TEA.

If the total eligible requests exceed the available funds reserved by TEA for the HCF, the LEA's reimbursement award amount will be prorated with a weighted formula based on LRE placement. In-district placement types will carry the highest weight, followed by day placement programs, and then residential placement programs.

The amount of the HCF reimbursement award will be displayed in the LEA's HCF application by the first business day in July. Eligible LEAs must then submit a payment request form via instructions provided by TEA in mid-July as the means to receive their reimbursement payment. The payment request must be submitted to TEA by the deadline established by TEA. The requested reimbursement amount cannot exceed the LEA's posted award amount or the amount of actual expenditures incurred by the LEA for the approved costs, whichever amount is less.

The approved reimbursement payment will be issued via direct deposit in August. If the LEA is a member of a special education SSA, the payment will go to the fiscal agent on behalf of the SSA member.

Reclassification of Expenditures Required

After receiving the HCF reimbursement payment, the recipient must reclassify the approved special education expenditures from the **original** fund source to the HCF [FAR Fund Code 226 (if an independent LEA) or FAR Fund Code 315 (if a special education SSA)], up to the amount of the HCF reimbursement allocation.

It is the responsibility of the recipient to monitor the [TEA Payment Report](#) to confirm the payment and then reclassify the original expenditures in a timely manner since the payment is a reimbursement of expenditures incurred between August 1 through July 31 of the year associated with the HCF application. The payment cannot be used toward subsequent year expenditures.

Consult your auditor or the [Federal Fiscal Monitoring Division](#) for reclassification guidance.