This document has been updated to reflect new fiscal, accountability, and program guidelines as of August 2015.
Introduction

This guide is intended to support local educational agencies (LEAs) in understanding and applying Title I, Part A fiscal requirements. These requirements are critical to the success of the Title I, Part A program because the requirements ensure that Title I, Part A has an impact on the students the program is designed to serve. We will address both fiscal accountability and responsibility throughout the guide. Fiscal accountability refers to how LEAs are held accountable for fiscal activities related to managing Title I, Part A. Fiscal responsibility, on the other hand, is how the LEA carries out the activities to ensure that compliance is met.

Title I, Part A is a federally-funded program and there are numerous fiscal responsibilities which must be met to ensure compliance with federal rules and regulations. With millions of dollars in Title I, Part A funds flowing from the Texas Education Agency (TEA) to LEAs, LEAs that accept these funds must ensure that resources are used to meet the intent and purpose of the program and ensure that fiscal responsibility is a priority. LEA program administrators and business office staff should work in tandem to understand, implement, and document the requirements outlined in this guide. Understanding what is required increases the likelihood that compliance is met.

Title I, Part A provides funding to LEAs with high concentrations of children from low-income families to help ensure that all children meet challenging state academic standards. The purpose is to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on the challenging state content and academic achievement standards.

The purpose [of Title I, Part A] is to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on the challenging state content and academic achievement standards.

TEA applies the federal cost principles provided by the New EDGAR to both federal and state grants. New EDGAR clarifies fiscal decision-making for allowable or unallowable costs. With Title I, Part A funds originating as a federal fund source, this means that expenditures must first be allowable and allocable under Title I, Part A statute. TEA and auditors then use “reasonable and necessary” as additional filters when reviewing fiscal expenditures. Funds expended must be used only for those items that are reasonable and necessary for accomplishing the objectives of the program and for implementing activities as described in the funding application. All costs must be budgeted in the approved application, which is submitted to TEA each program year, to be eligible to be charged to the grant.

There are many individuals who directly or indirectly administer and carry out program and fiscal activities at the LEA level. The New EDGAR requires LEAs to establish a structured system where administrative processes and procedures are implemented and proven to ensure fiscal compliance (See Figure 1). On the next page, Figure 1 illustrates the scope of this fiscal guide. To learn more, see the respective 20on20 online modules at http://www.region10.org/capacity-building-initiative/capacity-building-links/nclb-publications, or visit the Texas Education Agency website for Title I, Part A statute and guidance at http://tea.texas.gov/About_TEA/Laws_and_Rules/NCLB_and_ESEA/Title_I__Part_A_-_Improving_Basic_Programs/Title_I__Part_A_-_Improving_Basic_Programs/.
Maintenance of Effort (MOE)

Statutory Reference (Elementary and Secondary Education Act – ESEA)
An LEA may receive its full allocation of Title I, Part A funds for any fiscal year only if the state educational agency (SEA) [i.e., TEA] determines that the LEA has maintained its fiscal effort in accordance with Section 9521 of ESEA.

Section 9521 provides that an LEA may receive funds under Title I, Part A for any fiscal year only if the state finds that either the combined fiscal effort per student or the aggregate expenditures of the LEA and the state with respect to the provision of free public education by the LEA for the preceding fiscal year was not less than 90% of the combined fiscal effort or aggregate expenditures for the second preceding fiscal year.

What does this mean?
Federal statute requires that LEAs receiving Title I, Part A funds must continue to maintain fiscal effort with state and local funds. In other words, state and local expenditures cannot be reduced because federal funds are available. An LEA may receive its full Title I, Part A entitlement if either the combined fiscal effort per student or the aggregate expenditures for the preceding fiscal year was not less than 90% of the combined fiscal effort or aggregate expenditures for the second preceding fiscal year.

MOE is determined using state and local operating expenditures by function, excluding expenditures for community services, capital outlay, debt service, and supplementary expenses as a result of a Presidential Declared Disaster, as well as any expenditure from funds provided by the federal government.
TEA includes the following categories of expenditures from state and local funds in determining whether the LEA has met the MOE requirement:

<table>
<thead>
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<th>Category</th>
<th>Function</th>
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<td>General Administration</td>
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</tr>
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<td>Plant Maintenance and Operation</td>
<td>51</td>
</tr>
<tr>
<td>Data Processing Services</td>
<td>53</td>
</tr>
</tbody>
</table>

**What is the LEA’s responsibility?**

The LEA is annually responsible for producing documentation of compliance with MOE for the LEA’s independent auditor.

**How is the LEA held accountable?**

TEA annually monitors compliance of LEAs with respect to MOE by using data on actual expenditures as reported by the LEA through the Public Education Information Management System (PEIMS). If an LEA fails to meet the MOE requirement, TEA must reduce the amount of Title I, Part A funds in any fiscal year in the exact proportion by which the LEA fails to maintain effort by falling below 90% threshold of either the combined fiscal effort per student or aggregate expenditures. In reducing an LEA’s allocation because it failed to meet the MOE requirement, TEA uses the measure most favorable to the LEA.

In determining MOE for the fiscal year immediately following the fiscal year in which the LEA failed to maintain effort, the LEA must consider the expenditures in the year the failure occurred to be no less than 90% of the expenditures for the second preceding year (this establishes a new base year). Note: MOE is based on actual expenditures, not on budget projections.

**What is the required documentation?**

LEAs must maintain the following:

- MOE Calculation Template
- Budget Data (Both fiscal years compared)
- PEIMS Data (Refined Average Daily Attendance, Membership, Enrollment)
- Verification of Review by Independent Auditor

Comparability of Services

Statutory Reference (Elementary and Secondary Education Act – ESEA)
Section 1120A(c) of the ESEA provides that an LEA may receive Title I, Part A funds only if it uses state and local funds to provide services in Title I schools that, taken as a whole, are at least comparable to the services provided in schools that are not receiving Title I funds. If the LEA serves all of its schools with Title I funds, the LEA must use state and local funds to provide services that, taken as a whole, are substantially comparable in each Title I school.

What does this mean?
Comparability of Services is an annual test required of all LEAs and charter schools receiving funds under Title I, Part A of the ESEA. Statute requires that campuses receiving Title I, Part A funding must receive the same level of services through state and local funds as campuses that are not receiving Title I, Part A funding. The tests verify whether campuses are receiving their fair share of state and local funds. There are two exemptions to the Title I, Part A Comparability of Services Requirement at the LEA level (See Figure 2.)

Figure 2. Exemptions to the Title I, Part A Comparability of Services Requirement

<table>
<thead>
<tr>
<th>Exemption 1</th>
<th>Exemption 2</th>
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</thead>
<tbody>
<tr>
<td>An LEA that does not receive Title I, Part A funding is exempt from the comparability calculations requirement.</td>
<td>An LEA that is receiving Title I, Part A funding and only has one campus per grade span group is also exempt from the comparability calculation requirement.</td>
</tr>
</tbody>
</table>

In both instances, LEAs must notify TEA and are required to submit the Comparability Assurance Document. There must be at least two campuses per grade span group in order to perform comparability testing. If there is only one campus in the grade span group, conducting comparisons is not an option.

In addition, certain campuses and certain supplemental state and local funds may be excluded from the comparability calculation process. LEAs should determine which of the following apply to them:
- **Campuses with 100 or fewer students** may be excluded from the comparability calculation process.
- **If an LEA has a grade-span group with no Title I, Part A campuses**, the LEA does not have to calculate comparability of services for that grade-span group.
• **Certain services which are designed individually for a specific student.** Expenditures for those services could vary greatly from campus to campus depending on the student populations. Therefore, for the purpose of determining compliance with the comparability of services requirement, an LEA may exclude supplemental state and local funds expended for any of the following:
  - Bilingual education for children with limited English proficiency
  - English as a second language (ESL) services
  - The excess costs of providing services to children with disabilities as determined by the LEA
  - Programs that meet the exclusion requirements described in Title 34 of the Code of Federal Regulations (CFR) Section 200.79

**What is the LEA’s responsibility?**

LEAs that participate in Title I, Part A and have more than one building for each grade span are required to submit the Comparability Assurance Document and Comparability Computation Form (CCF). LEAs with only one campus per grade span group, or that do not participate in Title I, Part A, must notify TEA and are required to submit the Comparability Assurance Document. This information is due mid-fall. LEAs conduct comparability testing on the CCF using their latest budgeted data for the current school year.

**How is the LEA held accountable?**

For every test with a noncompliant result, the LEA must make the appropriate adjustments to bring all of the campuses into compliance. This must be done before the LEA submits the CCF to TEA.

**What is the required documentation?**

Maintaining supporting documentation for data used in comparability calculations is critical to show TEA how tests were derived on annual comparability reports. LEAs must maintain all documentation below and submit items as noted:

- ✔ Assurance document submission required of all LEAs
- ✔ Comparability Computation Form (CCF) submission required of LEAs that are not exempt
- ✔ Budget data maintained if used for CCF calculations
- ✔ PEIMS data maintained if used for CCF calculations
- ✔ Staff FTE data maintained if used for CCF calculations

Supplement, Not Supplant

Statutory Reference (Elementary and Secondary Education Act – ESEA)

Section 1120A of ESEA states that Title I funds shall be used only to supplement the funds that would, in the absence of federal funds, be made available from non-federal sources for students participating in Title I programs. In no case may Title I funds be used to supplant funds from non-federal sources. In Texas, any program activity required by state law, State Board of Education (SBOE) rules, or local board policy may not be paid with these funds for LEA or targeted assistance activities. State or local funds may not be decreased or diverted for other uses merely because of the availability of federal funds.

Schoolwide Programs Versus Targeted Assistance Models

While supplement, not supplant applies to all ESEA programs, it differs in targeted assistance versus schoolwide program models for Title I, Part A.

Schoolwide Programs - A campus participating in a schoolwide program shall use Title I, Part A funds only to supplement the amount of funds available from non-federal sources for the campus, including funds needed to provide services that are required by law for children with disabilities and children with limited English proficiency. A schoolwide campus does not have to demonstrate that activities are supplemental, only the funds must be supplemental. The school is not required to identify particular children or to provide supplemental services to identified children. Other funds may be used on a schoolwide campus in consolidation with Title I, Part A to upgrade the entire educational program. Such schoolwide programs are exempt from statutory or regulatory requirements of other federal education programs, provided that the intent and purposes of such programs are met and the needs of the intended beneficiaries of the federal fund sources combined are met. The effectiveness of the program is measured by student performance.

Targeted Assistance Programs - Title I, Part A funds and services must supplement, not supplant the services that would be provided, in the absence of Title I, Part A funds, from non-federal sources. Records must be maintained that document that Title I, Part A funds are expended on activities and services for only Title I, Part A eligible children identified as having the greatest need for special assistance. Any program activity required by local policy, state law, or State Board of Education rule may not be funded with Title I, Part A funds.

What does this mean?

The purpose of the federal fiscal requirement of supplement, not supplant is to ensure that the level of state and local support for programs remains at least constant and is not replaced by federal funds. LEAs must maintain documentation which clearly demonstrates the supplementary nature of the funds and activities. Keep in mind that any determination about supplanting is case-specific and requires examining the details of a situation. Because Title I funds are available, the state would use a set of presumptions of what the LEA would have provided in the absence of the Title I funds based on its behavior in other situations. There are three general tests for supplement, not supplant (See Figure 3.)
What is the LEA's responsibility for expenditures for LEA or targeted assistance activities?
The LEA must ensure that all funds expended at the LEA and campus levels are supplementary in nature and do not supplant other state and local funds or expenditures. In addition, LEAs must maintain documentation which clearly demonstrates the supplementary nature of the funds and activities.

How is the LEA held accountable for the Schoolwide Program “supplement not supplant requirement”?
It is generally an LEA's responsibility, and not a school's, to ensure that the “supplement, not supplant” requirement is met and that a schoolwide program campus receives all the state and local funds it would receive were it not a Title I schoolwide program campus. In other words, an LEA may not reduce its allocation of state and local funds and resources to a schoolwide program campus because the campus receives federal funds to operate a schoolwide program. An LEA should be able to demonstrate, through its regular procedures for distributing funds and resources, that it distributes state and local funds fairly and equitably to all its campuses—including schoolwide program campuses—without regard to whether those campuses are receiving federal education funds. For expenditures that are considered supplanting, the LEA must make the appropriate adjustments to bring all expenditures in compliance during a current fiscal year. If audits reveal that supplanting occurred in a prior fiscal year, these expenditures are considered questionable costs. The LEA may be required to refund those costs.

What is the required documentation?
Documentation must be maintained which clearly demonstrates the supplementary nature of federal funds and/or activities, as appropriate. Because the nature of the expenditures will vary, e.g., personnel costs, software, etc., the type of documentation will vary.

For additional information, go to the Texas Education Agency website and review the Supplement Not Supplant Guidance at http://tea.texas.gov/About_TEA/Laws_and_Rules/NCLB_and_ESEA/Title_I_Part_A_-_Improving_Basic_Programs/
LEA Funding Application and Process

This section addresses the LEA funding application and process at various phases.

Statutory Reference (Elementary and Secondary Education Act – ESEA) (TEA)

The ESEA requires that all states and LEAs submit applications to request and receive approval for federal funds. LEAs submit their Title I, Part A grant application to TEA for review and approval as part of the NCLB Consolidated Grant Application in the web-based eGrants system. The NCLB Consolidated Grant Application includes funding, as applicable, for Title I, Parts A, C, D; Title II, Part A; and Title III, Part A. All requirements of the grant can be found in the Request for Application (RFA) posted on TEA’s Grant Opportunities page at http://burleson.tea.state.tx.us/GrantOpportunities/forms/GrantProgramSearch.aspx

All parts of the RFA: General and Fiscal Guidelines, Program Guidelines, instructions, application, and Provisions and Assurances are incorporated by reference into the Notice of Grant Award (NOGA) issued by TEA. LEAs are strongly encouraged to review all parts of the RFA to become familiar with all program and fiscal requirements of the grant application. By certifying and submitting the grant application, the LEA is agreeing to comply with all the terms of the NOGA and thus the RFA.
What does this mean?

1. **Needs Assessment, Planning, and Decision-Making** - Title I, Part A funds must be used to address specific educational needs of the campus identified by the needs assessment and articulated in the district and/or campus improvement plans. Funds must be expended for programs, activities, and strategies that are scientifically based on research and meet needs identified through the comprehensive needs assessment process. The comprehensive needs assessment must be completed prior to applying for the funding because the application for funding must address the needs identified through the comprehensive needs assessment process. This process is conducted for each campus served and at the LEA level, if funding applies at the LEA level. No fiscal decisions should be made until the needs assessment is conducted and the need for programs and services has been justified. Expenditures must also be tied to the district or campus improvement plan, depending on how the expenditure will be used and coded, e.g., at the LEA or campus level. These two documentation sources—Comprehensive Needs Assessment and Improvement Plans—serve as the justification for program needs.

2. **Stamp-In Date** - In order to receive Title I, Part A funds, the LEA must submit an application for funding. The application may be submitted as early as July 1 to ensure no disruption of services, but no later than the September deadline. TEA establishes the dates when the application is available and due each year. The stamp-in date is the date in which the LEA’s authorized official certifies and submits the application. This application is originally prepared and submitted using the “Planning Amounts” provided by TEA and is based on the needs identified in the comprehensive needs assessment and improvement planning processes.

3. **Approved Activities** - Program Schedule 3101 in the application provides the LEA an opportunity to identify which LEA, campus, homeless, neglected, delinquent, and private non-profit activities will occur, along with the delivery methods. LEA-level reservations are also made on this schedule. Title I, Part A funds may not be used for districtwide initiatives, unless all campuses are served through the program and identified as such in the SC5000 schedule of the application for funding. LEAs must also refrain from funding initiatives with Title I funds for participating campuses and state or local funds for non-participating campuses. This is a classic example of supplanting federal funds (See Supplement, Not Supplant section for more detail). Title I, Part A funds are intended to ensure that students’ needs are met; therefore, the majority of these funds should flow to campuses. This schedule is submitted with the original application and dictates how fiscal expenditures will be coded in the budget schedule and LEA business management system.
4. **Campuses Served** - The LEA will initially determine campus eligibility using recent poverty measure data and maintain records to document the number of students from low-income families, the students who meet the eligibility criteria, and the students identified as having the greatest need for special assistance. Whichever poverty measure the LEA chooses to use, the LEA must use the same measure of poverty to
- identify eligible school attendance areas,
- determine the ranking of each attendance area, and
- determine campus allocations.

This information is included in the SC5000 schedule of the application. In addition, the LEA must use Title I, Part A Allocation Rules to make decisions regarding how to serve campuses and make determinations regarding campus allocations from Title I, Part A funds.

5. **Approved Budget and Amendments** - As part of the originally submitted application, the LEA submits a budget schedule identifying how funds are being budgeted by class-object code – 6100-payroll, 6200-contracted services, 6300-supplies and materials, 6400-other operating costs, 6600-capital outlay, etc. Once the application is approved by TEA, a NOGA is awarded. After the LEA has received a NOGA, subsequent changes to the application may require an amendment. To determine if the application requires an amendment, refer to the When to Amend the Application document and training presentation on TEA's Grant Management Resources page. The When to Amend the Application table lists common reasons for amendments. Identify your reason for amending and refer to the Federally Funded Formula Grant column to determine if an amendment is required to be submitted to TEA. An amendment, after being approved by TEA, is considered effective on the date it was received by TEA in substantially approvable form. All amendments are subject to negotiation. An amendment must be approved by TEA before any activities occur, such as purchase orders issued, funds encumbered or expended, goods received, or services rendered that are affected by the amendment.

6. **Fiscal Implementation, Compliance and Reporting** - Program staff, business office staff, and campus staff need to work together to ensure that everyone is informed about the Title I, Part A grant requirements, guidelines, and regulations. Per New EDGAR guidelines, each LEA is required to maintain, test, and follow District Policies and Procedures. Fiscal reporting occurs at various levels including the budget of the application and expenditure reporting. The general ledger and payroll journals should accurately reflect expenditures submitted to TEA. The compliance report will cross-check program information submitted in the application to that reported in the compliance report. The program described in the grant application should be the same or very similar as that reported in the compliance report.
What is the LEA’s responsibility?

Ensure that the:

<table>
<thead>
<tr>
<th>1. Comprehensive Needs Assessment and Improvement planning processes are conducted with fidelity and documented to identify how eligible campuses and students most at-risk of failing to meet the state’s performance standards will receive the necessary services and support to achieve expected results.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Program application for funding process is conducted with the appropriate stakeholders and includes strategies and funding aligned to address the needs of the targeted beneficiaries, including submitting the application by the due date.</td>
</tr>
<tr>
<td>3. Strategies and delivery methods included in the funding application improve the performance of campuses and students served through the program.</td>
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<tr>
<td>4. Campuses served follow the rules for appropriating funds to such eligible campuses and that the funds are sufficient to provide the necessary supplemental supports and services.</td>
</tr>
<tr>
<td>5. Approved budget and amendments reflect the needs of the LEA, campuses, and students, and amendments are submitted to adjust the application accordingly.</td>
</tr>
<tr>
<td>6. Fiscal implementation, compliance and reporting are accurate and LEA departments and campuses collectively work together to implement and document program and fiscal activities as required in federal and state statute, including the funding application Provisions and Assurances.</td>
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</tbody>
</table>

How is the LEA held accountable?

All funding application activities, along with program and fiscal implementation and compliance, are reviewed by various TEA divisions. USDE also conducts compliance visits and selects LEAs as part of the monitoring process when reviewing TEA’s compliance.

What is the required documentation?

Documentation includes, but is not limited to:

- ✔ Comprehensive Needs Assessments (LEA and participating campuses)
- ✔ Improvement plans (LEA and participating campuses)
- ✔ Planning and consultation meetings
- ✔ Funding application, amendments and supporting documents
- ✔ Budget data
- ✔ PEIMS data
- ✔ Payroll data
- ✔ Implementation of strategies and activities

For additional information, go to the Texas Education Agency website at [http://tea.texas.gov/About_TEA/Laws_and_Rules/NCLB_and_ESEA/No_Child_Left_Behind_and_Elementary_and_Secondary_Education_Act/](http://tea.texas.gov/About_TEA/Laws_and_Rules/NCLB_and_ESEA/No_Child_Left_Behind_and_Elementary_and_Secondary_Education_Act/)
Fiscal Decision-Making: Guiding Questions

Statutory Reference (Elementary and Secondary Education Act – ESEA)
Federal funds must be expended for programs, activities, and strategies that are scientifically based on research and meet needs identified in the comprehensive needs assessment and listed in the improvement plans.

What does this mean?
LEA and campus staff should use the Federal Costs Principles as referenced in the NCLB Application Guidelines and New EDGAR guidelines. Grantees should consult the complete set of applicable cost principles to determine allowable and unallowable costs prior to expending funds. All costs must be budgeted and approved in the budget summary in the applicable grant application prior to expenditure. Some costs require specific prior approval in the application, in which case the line item must be specifically budgeted and approved by TEA prior to expenditure.

In addition, the following guiding questions should be a part of fiscal decision-making. This means that whether funds are expended at the LEA or campus levels, budget managers must be able to respond appropriately to and maintain documentation for six critical questions to determine whether an expenditure would be allowable. Joint decision-making allows staff members to collectively justify how the expenditures align with the intent and purpose of the program. Similar questions are submitted to justify capital outlay expenditures.

1. How is the expenditure reasonable and necessary to carry out the intent and purpose of the program?
2. What need, as identified in the comprehensive needs assessment, does the expenditure address? Explain how the expenditure addresses this need.
3. Provide the description, as written in the campus or district improvement plan, of the program, activity, or strategy that will be addressed by the expenditure requested. How would the program, activity, or strategy be funded if the Title I, Part A funds were not available?
4. If for a schoolwide campus, how will the expenditure upgrade the entire educational program on the campus?
5. If for LEA or targeted assistance expenditure, how is the expenditure supplemental to other non-federal programs?
6. If for a LEA or targeted assistance expenditure, how will the expenditure be evaluated to measure a positive impact on student achievement?

What is the LEA’s responsibility?
The LEA must ensure that all funds expended at the LEA and targeted assistance campus levels are supplementary in nature and meet the intended purpose of Title I, Part A. In a schoolwide program, the district must maintain the amount of state and local funds it would receive were it not a Title I schoolwide campus. Documentation should exist to show that program requirements are met, internal controls exist, and appropriate documentation supports program and funding compliance for federal and state programs, particularly Title I, Part A. LEAs are strongly encouraged to coordinate their participation in federal, state, and local programs to eliminate duplication of resources.
How is the LEA held accountable?
The LEA's internal auditor should assist in conducting sample reviews. TEA conducts both desk audits and on-site reviews for real-time and prior year expenditures. Federal reviews are less frequent but also conducted.

What is the required documentation?
Documentation must be maintained which clearly demonstrates the supplementary nature of federal funds and/or activities, as appropriate. Because the nature of the expenditures will vary, e.g., personnel costs, software, etc., the type of documentation will vary. Documentation includes, but is not limited to:

✔ Comprehensive Needs Assessments (LEA and participating campuses)
✔ Improvement plans (LEA and participating campuses)
✔ Purchase orders
✔ General ledger
✔ Payroll journals
✔ Contracts, agreements, etc.
✔ Funding application, amendments and supporting documents
✔ Budget data
✔ PEIMS data
✔ Payroll data
✔ Implementation of strategies and activities

For additional information, go to the Texas Education Agency website and search for Grant Management Resources and view Provisions and Assurances at http://burleson.tea.state.tx.us/GrantOpportunities/forms/GrantProgramSearch.aspx
Accounting Code Structure and Coding

Statutory Reference (Elementary and Secondary Education Act – ESEA)

Section 44.007 of the Texas Education Code requires that a standard school district fiscal accounting system be adopted by each LEA. The system must meet at least the minimum requirements prescribed by the State Board of Education (SBOE) and also be subject to review and comment by the state auditor. Additionally, the accounting system must conform to Generally Accepted Accounting Principles (GAAP). Although certain codes within the overview may be used at local option, the sequence of the codes within the structure, and the funds and chart of accounts, are to be uniformly used by all LEAs in accordance with generally accepted accounting principles. The accounting code structure is as follows:

The Code Structure

What does this mean?

Each LEA in Texas must use the standard accounting code structure for consistency statewide. The Texas Education Code and other state statutes contain the legal requirements for public school finance, accounting, budgeting, and reporting. This system meets federal requirements. Principles and policies adopted by the SBOE are official rules and constitute minimum budgeting, accounting, auditing, and reporting requirements for independent LEAs. The SBOE intent in prescribing these rules is to cause the budgeting and financial accounting and reporting system of independent LEAs to conform with GAAP established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) for accounting treatments not specified in GASB.
It is important that LEA and campus personnel understand the frequently used codes, i.e., fund, function, object, etc., and properly code expenditures. When LEAs establish fiscal procedures with planning and budgeting, consideration should be given to developing training and support for the LEA’s unique operating environment.

**What is the LEA’s responsibility?**
The LEA must use the established accounting code structure and ensure that all budget codes are entered according to the Financial Accountability System Resource Guide (FASRG) definitions. This information can be found at the Texas Education Agency website by searching for Financial Accountability System Resource Guide. Overall grant management processes and practices have a direct link to overall accountability outcomes within an LEA. The focus should be the successful grant management of ESEA programs.

**How is the LEA held accountable?**
The PEIMS and LEA’s business management systems serve as documentation and reporting tools. The LEA’s internal auditor should assist in conducting sample reviews regarding the accounting system and coding. TEA conducts both desk audits and on-site reviews for real-time and prior year expenditures. Federal reviews are less frequent but also conducted.

**What is the required documentation?**
Required documentation includes, but is not limited to the following:
- ✔ Budget management data
  - PEIMS data
  - Payroll data
  - LEA fiscal policies and procedures
- ✔ Purchase orders
- ✔ General ledger
- ✔ Payroll journals
- ✔ Contracts, agreements, etc.
- ✔ Funding application, amendments and supporting documents

For additional information, go to the Texas Education Agency website at [http://tea.texas.gov/Finance_and_Grants/Grants/Administering_a_Grant/Administering_a_Grant/](http://tea.texas.gov/Finance_and_Grants/Grants/Administering_a_Grant/Administering_a_Grant/).
125% Allocation Rule

Statutory Reference (Elementary and Secondary Education Act – ESEA)

If an LEA serves any campus below 35% poverty, the LEA must allocate to ALL participating campuses an amount for each low-income child in each participating campus that is at least 125% of the LEA’s allocation per low-income child.

EXCEPTION: If an LEA uses the feeder pattern of an elementary school with a low-income percentage of 35% or more to establish the low-income percentage of a middle or high school whose original low-income percentage was below 35%, the LEA is not required to implement the 125% Special Allocation Rule. However, if the LEA uses the feeder pattern to qualify a campus, the LEA is required to provide base funding for the campus on the number of low-income students projected by the feeder pattern.

What does this mean?

As part of the LEA’s discretion, the LEA may designate as eligible any school attendance area or campus in which at least 35% of the children are from low-income families, i.e., the “35 percent rule.” If so, the LEA is required to apply the 125% Special Allocation Rule. This means that the LEA must allocate to all its participating areas or campuses an amount for each low-income child in each participating school attendance area or campus that is at least 125% of the LEA’s allocation per low-income child.

Figure 4. The 125% Per-Pupil Calculation

\[
\text{Total LEA Entitlement} = \frac{\text{Total low-income students in LEA}}{} = \text{Base amount per pupil}
\]

\[
\text{Base amount per pupil} \times 125\% = \text{Minimum amount per low-income student to ALL participating campuses}
\]

The calculation of the minimum per-pupil amount for each campus must be based on the LEA’s total entitlement, not on the amount available to campuses after the reservation of funds is determined. This rule applies regardless of whether the LEA is a Single Attendance Area or a Multiple Attendance Area.

- The LEA must calculate the 125% per-pupil amount based on the LEA’s total entitlement, not on the amount remaining after reserves are determined.
- The LEA must allocate at least the minimum amount for each low-income child at each campus the LEA serves with Title I, Part A funds, not just for those campuses below 35% poverty.
- If supplemental state and local funds are expended for programs that meet all requirements of Sections 1114 [Schoolwide] or 1115 [Targeted Assistance], the LEA may reduce the amount of Title I, Part A funds needed to meet the 125% Special Allocation Rule requirements at that campus by the amount of the supplemental state and local funds.
• If funds are not sufficient to allocate the full 125% per pupil to the next ranked eligible campus, the LEA may still allocate the funds to that campus if it determines that the funds are sufficient to enable children to make adequate progress toward meeting the state’s student performance standards.

**What is the LEA’s responsibility?**
The LEA must review all campus poverty percentages and apply the 125% Special Allocation Rule when necessary.

**How is the LEA held accountable?**
LEAs are responsible for submitting campus allocation spreadsheets (generated in a format determined by the LEA) as an attachment to the funding application. Based on the allocation process utilized and the campus ranking, TEA determines whether the 125% Special Allocation Rule was applied when required.

**What is the required documentation?**
The LEA must maintain the campus allocation spreadsheet and budgets which provide campus appropriation entries for any campus where the 125% Special Allocation Rule was applied.

For additional information, go to the Texas Education Agency website at [http://tea.texas.gov/Finance_and_Grants/Grants/Administering_a_Grant/Administering_a_Grant/](http://tea.texas.gov/Finance_and_Grants/Grants/Administering_a_Grant/Administering_a_Grant/)
Carryover Funds

Statutory Reference (Elementary and Secondary Education Act – ESEA)

An LEA may carry over no more than 15% of its Title I allocation from one fiscal year to the next. The 15% calculation does not include funds carried over from the previous year, reallocated funds, or school improvement funds. However, funds transferred into Title I, Part A under the transferability authority in Title VI, Part A, Subpart 2 of the ESEA are included in base. This percentage limitation does not apply, however, to an LEA that receives an allocation of less than $50,000. TEA may, once every three years, waive the percentage limitation if it determines that the request of an LEA is reasonable and necessary or if supplemental appropriations become available.

What does this mean?

Each LEA must carefully monitor current year expenditures against the 15% carryover limitation. There are a few exceptions to this rule.

- The percentage limitation does not apply to an LEA receiving a Title I, Part A entitlement that is less than $50,000 for any fiscal year.
- The LEA is granted a statutory waiver (granted every three years by TEA).
- LEAs that receive a significant increase in Maximum Entitlement may apply for/utilize an Ed-Flex waiver if the LEA has already utilized a Title I, Part A statutory carryover waiver within the last three years.

Per USDE guidance, if an LEA does not spend all of the funds it was required to reserve for a specific purpose in a given year, the LEA must carryover the unspent funds and spend them for the specific purpose in the following year. This would be in addition to the amount it would be required to reserve for that activity for the following year. This includes funds such as parent involvement and other required reservations, when applicable.

Also, if an LEA adds carryover funds to its reservation to which equitable services apply to private non-profit schools (e.g., parental involvement), the LEA must also provide equitable services from the carryover funds. The carryover funds, therefore, become part of the pool of funds available.

What is the LEA’s responsibility?

The LEA must monitor expenditures and know whether any waivers were previously granted. There is LEA discretion in how to use carryover funds from the prior year. Some options include:

- Allowing each campus to retain its carryover funds for use in the subsequent year.
- Adding carryover funds to the LEA’s subsequent year’s entitlement and distributing to participating campuses in accordance with allocation procedures.
- Designating carryover funds for particular activities or campuses in greatest need.
- Allocating to campuses with the highest concentrations of poverty in the LEA, thus providing a higher per-pupil amount to those campuses.
- Providing additional funds for specific activities such as school improvement activities.

How is the LEA held accountable?

TEA monitors carryover funds. If the LEA exceeds the 15% statutory limitation and a waiver is not an option, the carryover difference above the 15% is withheld by TEA.
What is the required documentation?
LEAs should track entitlements against final expenditures and maintain documentation regarding waivers.

For additional information, go to the Texas Education Agency website at http://tea.texas.gov/About_TEA/Laws_and_Rules/NCLB_and_ESEA/Title_I_Part_A_-_Improving_Basic_Programs/Title_I_Part_A_-_Improving_Basic_Programs/.

Indirect Cost Rates

Statutory Reference (Elementary and Secondary Education Act – ESEA)
TEA, in cooperation with USDE, developed an indirect cost proposal to be used for independent school districts in Texas. TEA has been delegated the authority by the USDE to review indirect cost applications and to approve indirect cost rates for independent school districts. To recover any indirect costs for the administration of federal grants, an independent school district or charter school must have an approved indirect cost rate. A new indirect cost rate must be obtained for every fiscal year.

In order to receive an indirect cost rate certification letter from TEA, an independent school district must submit an Indirect Cost Rate proposal to the Division of Federal Fiscal Compliance and Reporting. Charter schools must submit the SC5050—NCLB Data Request Form for Federal Funding to request a rate.

What does this mean?
Two indirect cost rates are published for each LEA, the restricted rate and the unrestricted rate.
- The restricted rate is used for grant programs to which the supplement, not supplant provision applies.
- The unrestricted rate is used for grant programs to which supplement, not supplant does not apply.

Supplement, not supplant states that grant expenditures supplement a grantee’s state and local expenditures but do not replace the state and local funds or activities. Supplement, not supplant is a restriction that federal (or state) funds may only be used to supplement programs that would otherwise not be available without those funds. The supplement, not supplant provision applies to all federal- and state-funded grant programs administered by TEA, unless specifically stated in the request for application. Therefore, since the supplement, not supplant provision applied to ESEA grants—including Title I, Part A—the restricted rate is used to calculate indirect costs. If the LEA claims indirect costs for ESEA grants, the LEA will use either the LEA’s approved restricted rate or 8%, whichever is less.

What is the LEA’s responsibility?
The LEA must calculate indirect cost rates for each program in the ESEA (NCLB) funding application. Indirect costs may only be claimed based on the expenditure amounts. In other words, indirect costs are earned based on expenditures and are credited to the general fund as revenue. There are indirect costs which must be excluded from the indirect cost calculations. For specific information, see http://tea.texas.gov/Finance_and_Grants/Grants/Administering_a_Grant/Administering_a_Grant/. 
How is the LEA held accountable?
The LEA’s internal auditor should assist in reviewing indirect cost rate calculations and funds. TEA conducts both desk audits and on-site reviews for real-time and prior year expenditures.

What is the required documentation?
LEAs should maintain documentation regarding:
✔ LEA indirect cost rates
✔ Grants where indirect costs were included
✔ Budget data for indirect costs and source(s)

For additional information, go to the Texas Education Agency website and search for Grant Management Resources and view Provisions and Assurances at http://tea.texas.gov/index4.aspx?id=8339&menu_id=951.

Funding Transferability

Statutory Reference (Elementary and Secondary Education Act – ESEA)
LEAs have the option to participate in the Funding Transferability through Title VI, Part A, Subpart 2. This means that they may transfer funds from another program in the application to Title I, Part A. The funds then assume the purpose and intent of Title I, Part A. If an LEA transfers funds from another federal education program into Title I, Part A under the transferability provision in section 6123, then the additional amount transferred is added to the LEA’s Title I, Part A allocation, and the combined amount becomes the base for calculating the specific reserves required for choice-related transportation and supplemental educational services, professional development, and parent involvement.

The LEA is limited by statute to carryover into the following fiscal year no more than 15 percent of its Title I, Part A current-year entitlement. [Note that if an LEA transfers funds from another federal program into Title I, Part A under the transferability provision in Section 6123, then the additional amount transferred is added to the LEA’s current year allocation and the combined amount becomes the base for calculating the 15% carryover limitation.] If funds are transferred into the Title I program, the LEA must provide equitable services for private school students which include these funds.

What does this mean?
The LEA may transfer funds into the Title I, Part A program using the respective schedule in the funding application. LEAs may choose to transfer the funds if, for example, the funds in the other program are not sufficient to operate the program, the LEA needs funds in Title I program based on the needs assessment, etc.

What is the LEA’s responsibility?
The LEA must submit the request to transfer funds through the funding application schedule and calculate all reservations, equitable services to private school students, carryover, campus allocations, etc., accordingly. The LEA must also work closely with the business office staff to manage, draw down, and report transferred funds.
How is the LEA held accountable?
TEA monitors transferability of funds through the funding application, compliance report, and other monitoring methods.

What is the required documentation?
LEAs should maintain the following:
- Funding application
- LEA reservations, if applicable
- Equitable services calculations, if applicable
- General ledger
- Campus allocations

For additional information, go to the Texas Education Agency website and search for Title I, Part A – Improving Basic Programs at http://tea.texas.gov/About_TEA/Laws_and_Rules/NCLB_and_ESEA/Title_I,_Part_A_-_Improving_Basic_Programs/Title_I,_Part_A_-_Improving_Basic_Programs/.

Consolidating Funds

Statutory Reference (Elementary and Secondary Education Act – ESEA)
Section 1114 of Title I of the ESEA allows a school in which 40 percent or more of its students are from low-income families to use its Title I funds, along with other federal, state, and local funds, to operate a schoolwide program to upgrade the entire educational program in the school to improve the academic performance of all students, particularly the lowest-achieving students.

A schoolwide program campus may consolidate funds from federal, state, and local sources to implement the campus’ comprehensive plan to upgrade its entire educational program [Section 1114(a)(1)]. In consolidating state and local funds with funds from Title I, Part A and most other federal elementary and secondary programs administered by the department, a schoolwide program campus does not need to meet most of the statutory and regulatory requirements of the federal programs included in the consolidation as long as it meets the intent and purposes of those programs [Section 1114(a)(3)(A)-(B)]. Moreover, the campus is not required to maintain separate fiscal accounting
records by program that identify the specific activities supported by those particular funds in order to demonstrate that the activities are allowable under the program [Section 1114(a)(3)(C)]. Each campus, however, must identify the specific programs being consolidated, and the amount each program contributes to the consolidation [Section 1114(b)(2)(A)(iii)], and maintain records that demonstrate that the schoolwide program addresses the intent and purposes of each of the federal programs whose funds are being consolidated to support the schoolwide program. This information is usually included in the improvement plan.

There are three ways to consolidate funds on a Title I schoolwide program based on USDE's latest guidance on implementing schoolwide programs.

1. **Full consolidation of federal, state, and local funds in the schoolwide program budget:**
   - This option involves pooling some or all of the campus's eligible state and local funds, and provides the most flexibility in terms of operating schoolwide programs. All expenditures must align to identified needs in the Comprehensive Needs Assessment and activities in the Campus Improvement Plan.

2. **Federal consolidation—only combining federal funds in schoolwide program budget:**
   - This option involves pooling some or all of the campus's federal funds, but does not involve state or local funds. All expenditures must align to needs identified in the Comprehensive Needs Assessment and to activities in the Campus Improvement Plan.

3. **No consolidation—only Title I, Part A funds in schoolwide program budget:**
   - This option does not pool any funds, but allows the campus to use its Title I, Part A allocation on a schoolwide basis. All expenditures must align to needs identified in the Comprehensive Needs Assessment and to activities in the Campus Improvement Plan.

For more information about consolidating funds on a schoolwide campus, go to [http://tea.texas.gov/grants/schoolwideoptions/](http://tea.texas.gov/grants/schoolwideoptions/)

**What does this mean?**
Consolidating funds in a schoolwide program means that a campus treats the funds it is consolidating like they are a single “pool” of funds. In other words, the funds from the contributing programs in the campus lose their individual identity and the campus has one flexible pool of funds. The campus uses funds from this consolidated schoolwide pool to support any activity of the schoolwide program without regard to which program contributed the specific funds used for a particular activity. A schoolwide school must identify in its schoolwide plan which programs are included in its consolidation and the amount each program contributes to the consolidated schoolwide pool.

**What is the LEA’s responsibility?**
The LEA must ensure that the SC5000 schedule of the NCLB Consolidated Application for Federal Funding is completed to reflect the appropriate consolidation of funds for each campus served through Title I, Part A; maintain appropriate fiscal records; identify the specific programs being consolidated, and the amount each program contributes to the consolidation; and maintain records that demonstrate that the schoolwide program addresses the intent and purposes of each of the federal programs whose funds are being consolidated to support the schoolwide program.
How is the LEA held accountable?
TEA uses the information noted in the above section to ensure that the LEA tracks and documents consolidation of funds. The independent auditor should also monitor these program funds.

What is the required documentation?
Documentation includes:
✔ SC5000 application schedule
✔ General ledger
✔ Comprehensive Needs Assessment
✔ Improvement plans
✔ Program evaluation

For additional information, go to the Texas Education Agency website and search for Title I, Part A – Improving Basic Programs and select Policy Guidance at http://tea.texas.gov/About_TEA/Laws_and_Rules/NCLB_and_ESEA/Title_I_Part_A_-_Improving_Basic_Programs/Title_I_Part_A_-_Improving_Basic_Programs/.

Fiscal Documentation
It is important that all grant managers at the LEA and campus levels, along with business office staff responsible for approving and posting expenditures, understand the fiscal provisions and assurances. LEAs should maintain adequate and accurate documentation to justify fiscal activities. This will ensure that Title I, Part A federal funds awarded are spent in accordance with federal requirements and compliance is met.

Each topic addressed in this publication tool provides clarification regarding the types of documentation required to address specific fiscal areas. While each LEA is unique and may have additional circumstances, the lists are not exhaustive and are intended to provide general guidance. LEAs are encouraged to consult with the LEA’s independent auditor or contact their respective Education Service Center Title I, Part A staff, if additional support or guidance is needed.
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