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MEMORANDUM

TO: Superintendents, Principals, Business Managers, Special Education
Administrators, Curriculum Coordinators and School Board Members

FROM: Secretary Rebecca Holcombe, Ed.D. *RH*

SUBJECT: Strategic Use of Federal Funds

DATE: February 1, 2018

Many of you have communicated both a need for additional resources for vulnerable students and substantial budget pressures in the current year.

At the state level, as we review usage of federal funds, we notice that many systems are not fully deploying their federal dollars, and in particular, their Title IIA, Title I, and IDEA dollars. Of greater concern, some systems have had to return unexpended dollars to the federal government. With the uncertainty in federal funding, a sound strategy can involve expending most of your federal funds but holding back a bit to allow for accommodating or responding to any fluctuations in your allocations. However, holding back too much can put you at risk of forfeiture.

As you review your budget proposals, we want to stress how important it is to make sure you are strategically using your federal dollars before you make new investments of state dollars.

This is particularly important at a time when many districts are contemplating budget cuts and cost containment. In addition, two concepts you should be actively discussing are "supplanting" and "maintenance of effort."

Here are some considerations to keep in mind:

- 1.) Federal dollars are intended to provide "in addition" support, not "instead of" support for historically disadvantaged populations. This means these dollars can pay for interventions over and beyond your regular education program that help historically disadvantaged students thrive.
- 2.) These federal dollars should be fully expended before you ask taxpayers to make additional new investments in serving these populations.
- 3.) These dollars cannot be used to back fill when you are cutting local investments. (For example, if you used to pay for full day PreK beyond the required 10 hours with education funds, you cannot now replace that Education Fund investment with Title dollars (supplanting).
- 4.) Federal special education dollars can support 15% General Education costs when they are used for activities that are likely to reduce special education services.

In order to maintain maintenance of effort, local funds must continue to be used to support local operations where federal funds supplement programs.

Most of the federal grant programs allow subgrantees to earn indirect costs as a percentage of actual direct costs expended, but only if the subgrantee has a current approved indirect cost rate. Only about one-third of VT LEAs apply for and receive a federally negotiated indirect cost rate and of those approved, only a few apply the indirect rate to all federal grants.

If you have questions about the best way to plan spending of federal dollars, please reach out to one of our staff below:

CFP Grants - Jen Gresham: Jennifer.Gresham@vermont.gov or 479-1191

Questions Related to IDEA - Karin Edwards: Karin.Edwards@vermont.gov or 479-1407

Indirect Cost Rates - Cassandra Ryan: Cassandra.Ryan@vermont.gov or 479-8545

Please help us support our communities and their children by carefully and strategically reviewing your use of federal dollars.