

To the listserv member addressed:

## **News from the Office of Grants and Federal Fiscal Compliance**

### **Federal Funding Update: Multiple Topics**

#### **Sequestration**

The sequester that went into effect on March 1, 2013, will result in an estimated 5% reduction for grantees in most federal education programs. This 5% reduction will be taken in the July 1, 2013, allocations to the states and will be reflected in the LEA's 2013–2014 entitlements. The exception to this July 1, 2013, date is federal grant programs funded directly to LEAs from USDE, such as Impact Aid Programs. USDE will provide information on these programs directly to LEAs regarding the impact of the sequester.

For most formula programs, LEAs will see a general across-the-board reduction of 5% from last year's allocations. However, for programs with hold-harmless provisions in the statutory formulas (such as Title I, Part A; Title II, Part A; and Perkins CTE), there will be a more variable amount in the reductions between LEAs. Formulas containing hold-harmless provisions ensure that an LEA receives a certain percentage of the prior year's allocation.

#### **Additional 0.2% Reduction**

As a result of the federal Continuing Resolution passed last week to fund the federal fiscal year 2013 appropriations, all federal programs will be reduced by an additional 0.2% across the board. This 0.2% reduction is in addition to the 5% sequestration reductions and will be reflected in the LEA's 2013-2014 entitlements.

#### **LEA Planning Amounts**

TEA has not received allocation data from USDE and does not expect to receive that data before May 2013. At this point, TEA can only estimate amounts based on current year data. TEA will notify LEAs in the coming weeks how planning amounts for federal grant applications will be calculated.

#### **Explanation of Title I, Part A Hold-Harmless Provision and Anticipated Reductions**

The formula for calculating Title I, Part A allocations includes the statutory variable hold-harmless provision (ESEA Section 1122 (c)(1)), which requires that based on updated US Census poverty data, an LEA's allocation may not drop below a certain percentage of its prior-year allocation:

- If not less than 30 percent of the children in the LEA are "formula children," the LEA's hold-harmless percentage is 95. The LEA's allocation may not drop below 95% of its prior-year allocation.
- If the percentage of formula children in the LEA is between 15 and 30, the LEA's hold-harmless percentage is 90. The LEA's allocation may not drop below 90% of its prior-year allocation.
- If the percentage of formula children in the LEA is below 15, the LEA's hold-harmless percentage is 85. The LEA's allocation may not drop below 85% of its prior-year allocation.

Because of the complexity of the Title I, Part A grant formula, LEAs will fall into one of three categories: some degree of decreased allocation, no significant change in allocation, and

possibly some degree of increased allocation (for those LEAs whose increases in US Census counts pushed them into different funding categories of eligibility).

An LEA whose formula children percentages decrease based on updated US Census poverty data will either remain stable or drop below its calculated hold-harmless percentage. If the LEA remains stable, then its allocation stays at the same hold-harmless percentage. If the LEA drops below its hold-harmless percentage, then the LEA's allocation has to be brought up to that minimum hold-harmless amount. **In either case, solely based on the formula, the LEA may see a decrease in its allocation from the prior year down to the calculated 85%, 90%, or 95%.** The hold-harmless provision acts to protect LEAs from widely variable **decreases** in their formula allocations.

If the percentage of an LEA's formula children **increases**, based on the updated US Census poverty data, the formula calculates a ratable percentage of the increase in that LEA's generated funding. An amount of that ratable percentage is deducted from the LEA's allocation and used to bring those LEAs that are below their calculated hold-harmless percentages up to the statutorily required amounts.

In other words, the LEA's allocation is not increased in direct proportion to the increase in its percentages of formula children. The amount of the increase is reduced, and the reduction is used to bring other LEAs up, as needed, to their hold-harmless percentages. This step in the formula causes the wider variation in the amount of reduction an LEA receives.

### **Federal and State Allocation Calculation**

Any estimated Title I, Part A allocations for LEAs listed on the USDE website represent raw allocation data. USDE does only part of the allocation formula. It then sends the data to the state, and the state runs the remaining part of the allocation formula process.

Because USDE's calculation does not include the statutorily required reservations (such as state administration, the required set-aside for the School Improvement Program, and the impact of charter schools), the USDE estimated allocations are not the actual entitlements the LEA will receive.

### **Most Current Information**

Current funding information will be posted in the Chief Grants Administrator section of the [Grants](#) page of the TEA website (under the "Funding Information" heading) and communicated via this listserv.

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