



OSEEL

Office of Special Education & Early Learning

**Kentucky Department of Education (KDE),
Office of Special Education and Early Learning
(OSEEL)**

**Use of Federal Funds to Support Individuals with Disabilities
Education Act (IDEA)**

Introduction

This document provides comprehensive guidance from the Kentucky Department of Education (KDE), Office of Special Education and Early Learning (OSEEL), on the appropriate use of federal funds available under Part B of the Individuals with Disabilities Education Act (IDEA), specifically sections 611 and 619. These funds are designed to assist states and local education agencies (LEAs) in providing a Free Appropriate Public Education (FAPE) to children with disabilities. The principles outlined herein are based on federal statutes and regulations and are reinforced by Kentucky state laws and administrative regulations.

I. Definition of Special Education and Related Services

IDEA provides specific definitions for what constitutes “Special Education” and “Related Services.” The Kentucky Department of Education (KDE), Office of Special Education and Early Learning (OSEEL) provides guidance to ensure these definitions are consistently applied.

- [20 U.S.C. § 1401\(29\) \(Definition of special education\)](#) defines "special education" as specially designed instruction, at no cost to the parents, to meet the unique needs of a child with a disability. [20 U.S.C. § 1401\(26\) \(Definition of related services\)](#) defines "related services" as transportation and such developmental, corrective, and other supportive services as are required to assist a child with a disability to benefit from special education. These definitions are further elaborated in [34 CFR §300.39 \(Special Education\)](#) and [34 CFR §300.34 \(Related Services\)](#). [707 KAR 1:002 \(Definitions\)](#) explicitly adopts and incorporates the federal definitions of "special education" and "related services," ensuring Kentucky's regulations are in direct alignment with IDEA.

II. Purpose of IDEA-B Funds: Excess Costs and the "Supplement, Not Supplant" Principle

Federal funds available under Part B of the Individuals with Disabilities Education Act (IDEA), specifically sections 611 and 619, are primarily designated to pay the **excess costs** of providing special education and related services to children with disabilities. This concept is explicitly defined in [34 Code of Federal Regulations \(CFR\) §300.202 \(Use of amounts\)](#), which mandates that these federal funds must be used to **supplement** (add to) and not **supplant** (replace) State, local, and other Federal funds. This foundational principle is also explicitly enshrined in the IDEA statute itself, under [20 U.S.C. § 1413\(a\)\(2\)\(C\)](#). The Commonwealth of Kentucky's commitment to providing a comprehensive educational program for its exceptional children and youth, with the KDE coordinating and monitoring this program, is established in [Kentucky Revised Statutes \(KRS\) 157.224](#). Furthermore, [KRS 157.360](#) outlines the Support Education Excellence in Kentucky (SEEK) funding program, which includes "add-ons" for exceptional children. These "add-ons" acknowledge the inherent additional costs, or "excess costs," associated with educating students with disabilities, thereby reinforcing the supplemental role of federal IDEA funds. [707 Kentucky Administrative Regulation \(KAR\) 1:002 \(Definitions\)](#) further defines terms related to special education in Kentucky, ensuring alignment with federal definitions.

III. Allowable Uses of IDEA Funds

All expenditures from IDEA funds must be both reasonable and necessary for the proper and efficient administration of the special education program, in accordance with the federal cost principles detailed in [2 CFR Part 200, Subpart E \(Cost Principles\)](#).

A. Personnel Employed by the District

- IDEA funds may be used for the salaries of personnel directly employed by the district who have responsibilities specific to the program supports for children with disabilities.
- Salaries paid from IDEA-B funds must strictly adhere to the district's established salary schedule.
- When an employee's duties involve other programs not related to children with disabilities, IDEA-B funds may only cover the pro-rated portion of the employee's salary that directly corresponds to the amount of time devoted to the special education program. There are no exceptions to this pro-rating rule. This aligns with federal requirements for proper allocation of costs under [2 CFR §200.405 \(Allocable costs\)](#).
- To ensure the quality of services, personnel providing special education and related services in Kentucky must be appropriately qualified. [16 KAR 4:020 \(Certification requirements for teachers of exceptional children\)](#) specifies the certification requirements for special education teachers in Kentucky, . [707 KAR 1:002 \(Definitions\)](#) further defines "specially designed instruction" and "related services," which are services delivered by appropriately qualified personnel, thus reinforcing alignment with federal and state mandates.

B. Contract Services

Contract services paid with IDEA-B funds are permissible only when made with service providers who are fully qualified to render the specific service.

- "Qualified" means that the service provider possesses any state or federally required certifications, licensures, or other endorsements necessary to perform the service, as supported by [34 CFR §300.156 \(Personnel qualifications\)](#).
- Contract services paid with IDEA-B funds must meet the same conditions and criteria as contract services paid from any other district fund source.
- All contracts must be signed in writing, signed, and dated, clearly specifying the service to be provided and the agreed-upon amount to be paid. Adherence to federal procurement standards, as outlined in [2 CFR Part 200, Subpart D \(Procurement Standards\)](#), is mandatory to ensure these services are necessary and reasonable.
- The requirement for contract services to meet the same conditions as those paid from other fund sources implies adherence to general state procurement laws. These typically include [KRS 45A.345 to 45A.460 \(Kentucky Model Procurement Code\)](#), which provides the framework for procurement by state agencies and local governments (including school districts), or [KRS 424.260 \(Bid Law\)](#).

C. Supplies and Materials

IDEA funds may be used for the purchase of supplies and materials that are necessary for the implementation of Individualized Education Programs (IEPs), or for the general

administration and operation of programs serving children with disabilities. This usage is directly supported by [34 CFR §300.202 \(Use of amounts\)](#). General procurement regulations in Kentucky, such as those found in [KRS 45A](#) (Kentucky Model Procurement Code) and [KRS 424.260](#) (Bid Law), apply to the purchase of supplies and materials with IDEA funds, ensuring these expenditures are necessary and follow proper procedures.

D. Equipment

IDEA funds may be utilized for equipment essential for the implementation of IEPs, or for the administration and operation of programs for children with disabilities.

- Equipment costing more than \$5,000 requires prior approval from the KDE OSEEL through the [OSEEL Use of IDEA Funds](#) approval form and upload to GMAP with subsequent approval, consistent with federal capitalization thresholds and equipment management requirements under [2 CFR §200.313 \(Equipment\)](#).
- Kentucky's general procurement laws (e.g., [KRS 45A](#), [KRS 424.260](#)) and district purchasing manuals must follow federal and state appropriate acquisition and management of equipment purchased with IDEA funds.

IV. Disallowed Uses of IDEA-B Funds: Prohibition Against Supplanting

A cornerstone of IDEA funding is the strict prohibition against **supplanting**, meaning IDEA-B funds cannot be used to replace (or reduce) State, local, or other Federal funds that would otherwise be allocated for special education. Instead, these federal funds are intended to **supplement** existing resources, as explicitly mandated by [20 U.S.C. § 1413\(a\)\(2\)\(C\)](#) and [34 CFR § 300.202](#).

Examples of actions that would constitute supplanting include:

- **Replacing services normally provided to all students:** IDEA-B funds may not pay for an activity or service for a child with a disability that the child is otherwise entitled to as a student in the district. For instance, IDEA-B funds cannot be used to pay for general guidance counselor services if these are normally provided to all students. However, if a guidance counselor provides a service specifically for the special education program (e.g., a full and individual evaluation for possible disability identification), this would be considered an excess cost and could be paid partially with IDEA-B funds using documentation of the time spent offering services as completed in a PAR for each employee.
- **Prorated costs for general education programs:** IDEA-B funds may not pay for the prorated portion of costs for children with disabilities who participate in programs and activities provided to all students in a school or district. For example, if a school offers a reading program to all students, IDEA-B funds cannot be used to pay the pro-rated portion of costs for children with disabilities participating in that general program. Specialized materials or equipment uniquely needed for a child with a disability to access or participate effectively in such a program may be paid with IDEA-B funds.

V. Specific Allowable Costs

The following are examples of costs that are generally allowable when directly supporting special education and related services for children with disabilities, consistent with [34 CFR §300.202](#) and federal cost principles ([2 CFR Part 200, Subpart E](#)):

- **Child find and Evaluation Activities for Children Ages 3-21** 34 CFR § 300.111 (Child find) and 707 KAR 1:300 (Evaluations and reevaluations):
 - Child find activities as mandated, including public awareness campaigns to locate children with disabilities;
 - Development and dissemination of child identification information to parents;
 - Screening activities to determine if a child needs further evaluation for a suspected disability;
 - Individual evaluations to determine eligibility for special education and related services.
- **Procedural Safeguards** (34 CFR Part 300, Subpart E (Procedural Safeguards)) and 707 KAR 1:340 (Procedural safeguards and dispute resolution):
 - Provision of written prior notice, written procedural safeguards notices, and ensuring access to educational records for parents.
 - Arrangement of due process hearings and mediation, including costs for hearing officers, mediators, and independent educational evaluations (IEEs) when required.
- **Child Evaluation** 34 CFR § 300.301 (Initial evaluations), 34 CFR § 300.303 (Reevaluations) and 707 KAR 1:300 (Evaluations and reevaluations):
 - Costs associated with comprehensive initial evaluations and reevaluations of children with disabilities.
- **IEP Development and Implementation** 34 CFR § 300.320 (Definition of individualized education program), 34 CFR § 300.34 (Related services) and 707 KAR 1:320 (Individual education program):
 - Services and activities directly related to the development, review, and revision of Individualized Education Programs.
 - Provision of specially designed instruction and related services explicitly specified within a child's IEP.
 - Purchase of equipment, supplies, and instructional materials necessary for the direct implementation of an IEP.
- **Program Services** 20 U.S.C. Chapter 33:
 - Activities related to the provision of special education and related services as defined in IDEA.
 - Transition services, including those from preschool and from school to post-school activities.
 - Extended school year (ESY) services when determined necessary by the IEP Team, as per 34 CFR § 300.106 (Extended school year services).
 - Behavioral supports, including positive behavioral interventions and supports (PBIS).
 - Assistive technology devices and services, as per 34 CFR § 300.105 (Assistive technology).
- **Parental Involvement** 34 CFR § 300.322 (Parent participation) and 34 CFR § 300.501 (Opportunity to examine records; parent participation in meetings):
 - Training for parents of children with disabilities to help them understand their child's needs and their rights under IDEA.

- Activities designed to encourage meaningful parental participation in the education of their children as outlined in the Individual Education Plan (IEP).
- **Comprehensive System of Personnel Development (CSPD) 20 U.S.C. § 1412(a)(14) and 16 KAR Chapter 6 (Professional Learning):**
 - Professional development activities for special education and related services personnel, including training on evidence-based practices.
 - Preparation of personnel through tuition reimbursement or scholarships for individuals pursuing special education credentials if part of an approved and cost-effective CSPD program.

VI. Specific Disallowed Costs

The following costs are generally **disallowed** under federal grant regulations (2 CFR Part 200, Subpart E - Cost Principles) to ensure that federal funds are used solely for their intended public purpose and are not misused:

- Attorney fees (except for very limited instances specifically allowed for prevailing parents under IDEA, which is not a general allowable cost for districts),
- Bad debts,
- Contingencies (funds set aside for unforeseen events without clear justification),
- Contributions and donations,
- Day care,
- Entertainment costs,
- Fines, penalties, damages, and other settlements,
- Fund raising and investment management costs,
- General government expenses (unless directly and specifically attributable to the special education program),
- Interest and other financial costs,
- Lobbying activities,
- Memberships in organizations engaged in lobbying activities,
- Personnel certification costs (e.g. cost of any licensure required as a condition of employment to qualify an individual as a teacher or to offer services to special education students).
 - For the only limited exception to apply, the cost meet the specific requirements:
 - Must be a direct and necessary component for the individual to provide services *as a related service* to children with disabilities, and;
 - align with the child(ren)'s IEP(s);
 - contribute to the certified person's "highly qualified" status; and
 - meet the "excess cost" **and** "supplement, not supplant" requirement,
- Preservice (training leading to a degree, unless explicitly part of an approved, cost-effective CSPD program),
- Real property (purchase of land or buildings),
- Third party billers (e.g. Medicaid, etc) for services offered to special education students,
- Under recovery of costs under grant agreements.

VII. Obligations

The rules governing the timing of obligations (when costs are incurred) and the liquidation period (when payments must be made) are standard requirements for all federal grants. These are primarily outlined in 2 CFR Part 200, Subpart D (Pre-Federal Award Requirements and Contents of Federal Awards), Subpart E (Cost Principles), and specifically 2 CFR §200.344 (Closeout).

- An **obligation** is defined as the amount of purchase orders, contracts, subgrants awarded, services received, and similar transactions for which the district is legally required to make payment. An obligation signifies an intent to pay an actual cost, not an estimated cost.
- **Timing:** All obligations must be incurred by the end of the grant period, as specified in 2 CFR 1108.285 (Period of performance).
- **Outstanding Obligations:** These refer to valid unpaid invoices, bills, or contracts that were incurred within the grant period.
- **Liquidation Period:** Obligations must typically be paid within 90 calendar days after the last day that funds were eligible for obligation. No new obligations are permitted during this liquidation period.
- **Reporting:** The expenditure report submitted at the close of the grant period, which includes outstanding obligations, should reflect them as encumbrances or include clear documentation verifying that these obligations occurred before the grant period end date. Kentucky's financial management systems and accounting procedures for school districts, including the Kentucky Uniform Chart of Accounts (KUCOA) and KDE's financial guidance, are designed to align with and facilitate adherence to these federal requirements for grant accounting, obligation tracking, and grant closeout.

Table AFunds Obligation Timeline per [34 CFR § 76.707](#)

If the obligation is for:	The obligation is made:
Acquisition of real or personal property	On the date the district makes a binding written commitment to acquire the property.
Personal services by an employee of the State or subgrantee	When the services are performed (e.g., date the evaluation is conducted, date the service is provided, date in-service is conducted)
Personal services by a contractor who is not an employee of the district (e.g., contracted transportation, contracted speech/language services, contracted OT/PT)	On the date on which the district makes a binding written commitment to obtain the services (e.g., date when a formal contract is signed between the district and a hospital to provide OT/PT services for a given number of children for a given number of hours/sessions at an established cost per hour/session)
Performance of work other than personal services (e.g., maintenance of equipment)	On the date when the recipient makes a binding written commitment to obtain the work
Public utility services (e.g., electricity, gas, water, telephone)	When the district receives the services
Travel (e.g., meals, lodging, air fare, mileage)	When the travel is taken
Rental of real or personal property (e.g., rental of instructional equipment such as visualteks, audiometers, etc.)	When the district uses the property (e.g., the dates when the audiometer is used to test hearing)
A pre-agreement cost that is properly approved by the district prior to the effective date of the grant or contract under the cost principles in 2 CFR part 200, subpart E (e.g., audits)	On the first day of the grant period

U.S. Department of Education. (2023). *Education Department General Administrative Regulations (EDGAR)*, 34 CFR § 76.707: *When obligations are made*. Retrieved from <https://www.ecfr.gov/current/title-34/subtitle-A/part-76/section-76.707>.