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# Tip Sheet: Use of Funds Decision Process

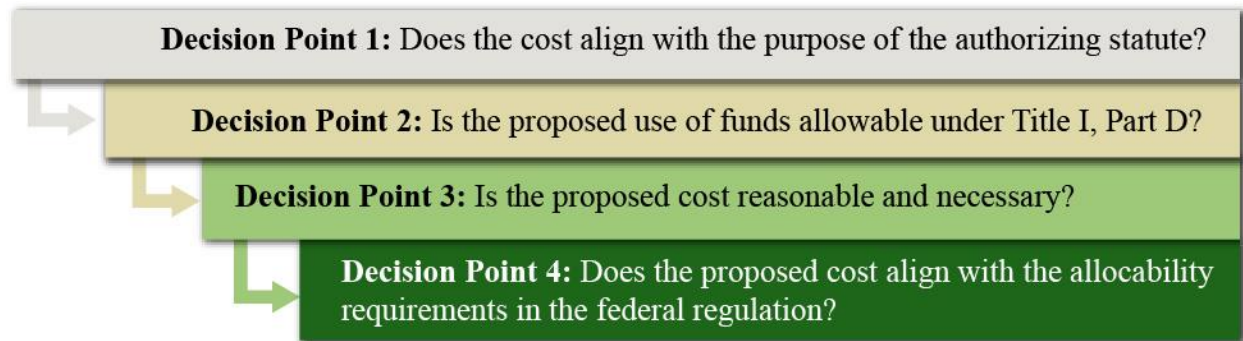


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**NATIONAL TECHNICAL  
ASSISTANCE CENTER**  
— FOR —  
**THE EDUCATION OF  
NEGLECTED OR DELINQUENT  
CHILDREN & YOUTH**

## Purpose of Use of Funds Decision Process

State coordinators must make educated decisions on allowable use of funds under Title I, Part D. To make an informed decision, State coordinators should familiarize themselves with the Federal Cost Principles stated in the Uniform Guidance 2 C.F.R. §§ 200.400. Additionally, they must ensure the use of funds meets program goals and are allowable expenditures under Title I, Part D. This resource provides an overview of these principles.

The infographic below provides a guide for understanding and assessing use of funds and provides guiding questions to help grant administrators in determining allowability.



*The cost is allowable!*

**Decision Point 1:** The proposed use of funds aligns with the purpose of the authorizing statute.

- Per the [non-regulatory guidance](#), ask:
  - Will the use of funds improve educational services for children and youth in local and State institutions for neglected or delinquent children and youth so that they have the opportunity to meet the same challenging state academic content and state student achievement standards that all children in the state are expected to meet;
  - Will the use of funds provide these children with services to enable them to transition successfully from institutionalization to further schooling or employment; and
  - Will the use of funds prevent at-risk youth from dropping out of school as well as to provide dropouts and children and youth returning from correctional facilities or institutions for neglected or delinquent children and youth, with a support system to ensure their continued education?
- **Explanation/Example:** The proposed use of funds must align with the purpose of the statute. For TIPD, this means it must serve students in local or state institutions for neglected or delinquent children to help them achieve state academic content and achievement standards, help them to transition from the institution back to school or employment, and/or assist with dropout prevention. For example, funds could be used for after school tutoring for students in a facility or in an LEA dropout prevention program because this would help students to meet the academic standards for the state. Conversely, funds could not be used for additional security staffing at the institution. Although this additional

staffing may help the students and institution, it is not directly related to the purposes of the statute and so would not be allowable.

**Decision Point 2:** The proposed use of funds is allowable under Title I, Part D.

- Per the [non-regulatory guidance](#), ask whether the proposed use of funds is consistent with the following allowable uses in the Title I, Part D statute:
  - For subpart 1:
    - The funds are provided to children and youth identified by the SA as failing, or most at-risk of failing, to meet the state’s challenging academic content and student academic achievement standards.
    - The funds are used to supplement and improve the quality of educational services provided to these children and youth by the SA. The statute further provides that Subpart 1 funds may be used to acquire equipment that will be used to help the children and youth the SA serves to meet challenging State academic content and student academic achievement standards, and to cover the costs of meeting the evaluation requirements of section 9601 of ESEA.
  - **For subpart 2:** Funds provided to LEAs under this subpart may be used, as appropriate, for:
    - Programs that serve children and youth returning to local schools from correctional facilities, to assist in the transition of such children and youth to the school environment and help them remain in school in order to complete their education;
    - Dropout prevention programs which serve at-risk children and youth;
    - The coordination of health and social services for such individuals if there is a likelihood that the provision of such services, including day care, drug and alcohol counseling, and mental health services, will improve the likelihood such individuals will complete their education;
    - Special programs to meet the unique academic needs of participating children and youth, including career and technical education, special education, career counseling, curriculum-based youth entrepreneurship education, and assistance in securing student loans or grants for postsecondary education;
    - Programs providing mentoring and peer mediation;
    - Programs for at-risk Indian children and youth, including such children and youth in correctional facilities in the area served by the local educational agency that are operated by the Secretary of the Interior or Indian tribes; and
    - Pay for success initiatives, as defined in ESEA section 8101(40).
- **Explanation:** When making decisions regarding the allowable use of funds, program administrators should consult the allowable use of funds in the statute and non-regulatory guidance. The provided list covers the allowable areas in which TIPD funds can be used to improve educational services for neglected and delinquent children. Please note that the allowable uses are not the same for Subparts 1 and 2; a state must consider whether each use of funds is appropriate for the Subpart under which it was appropriated.

**Decision Point 3:** Is the proposed cost reasonable and necessary? A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the cost is incurred. (2 C.F.R. § 200.404). To be necessary, a cost must be needed for the performance of a Title I, Part D program. Such cost must be consistent with policies and procedures that apply uniformly to both federally funded and other activities of an LEA and be accorded consistent treatment. (2 C.F.R. § 200.40 (c) and (d)). Necessity is evaluated relative to other competing needs.

- Ask:
  - Is the cost generally recognized as ordinary and necessary for the operation of the program?
  - Is it comparable to market prices for goods and services in the geographical area?
  - Would the cost be considered economical by most standards?
  - Is the expense needed to meet the goals of the TIPD program?
  - Will the expense cover the most pressing/crucial needs of TIPD students?
  - Are there other resources available?
  - Does the service/item benefit a significant number of students in the program, proportional to its cost?
  
- Explanation/Example: TIPD programs must ensure they are being reasonable in the purchase of goods and services. The items purchased should be comparable to the average market price in an area. For example, if a program is hiring an additional tutor and the average cost of a tutor is \$35 an hour in their region, it would not be reasonable to hire a tutor for \$70 an hour. Some ways programs can ensure this is by collecting multiple quotes on large purchases and examining what other LEAs are typically spending on a particular good or service.

Additionally, programs should evaluate if the expenditure will have a benefit relational to its cost. For example, are they purchasing an item/service that only benefits one student or is it something that will benefit a group of students or the entire school? If a program is spending the majority of their funds on services for just one student or a small group of students, it would most likely not be allowable. For example, if a program consisting of 15 students wanted to spend 90% of its funds on dual enrollment courses and tutoring for just two students, this would not be allowable, as the other students in the program are not able to benefit from this service.

Finally, SA's and LEA's must identify and prioritize the needs of their program so they can determine if a cost is necessary and what relevance that cost will have on the program. For example, if a program identifies that it has significant deficits in reading and their number one goal is to improve reading scores, it would be expected that the majority of their funding is used to target this goal. If, however, they decided to spend 90% of their funds on other activities like a vocational program, this might not be allowable, as it does not prioritize the needs of the program or help to achieve their goals. It is also important to note that, although an educational program may have a variety of needs, they can only be considered a necessary expense if they are tied to the goals of the TIPD program.

**Decision Point 4:** Does the proposed cost align with the allocability requirements in the federal regulation? A cost is allocable if goods or services are charged to Title I, Part D relative to the benefits the program receives. (2 C.F.R. § 200.405). |

- Ask:
  - Will the expenditure benefit the TIPD program?
  - Is the cost proportionate to the benefit that will be received?
  - Is TIPD the most appropriate program to incur the cost?
  - Should the cost be incurred solely by TIPD or should it be shared among other grants benefiting from the service/purchase?
  
- **Explanation/Example:** For a cost to be allocable it must benefit students in the Title I, Part D program. For example, if a program chooses to hire an additional teacher to provide supplemental reading instruction to TIPD students, but then ends up using that teacher to provide special education services to students to fulfill a student's IEP, they would be in violation of this principle. In this scenario, they have used TIPD funds to fund a teacher that is fulfilling obligations of a different federal program. Additionally, the cost of the item/service should be proportional to the number of Title I, Part D students it will serve. For example, if a program serves 50 Title I, Part D students and 50 non-Title I, Part D students, only half of the funding for that program may come from Title I, Part D funds.