

Carrying Over ESEA Funds Across Fiscal Years

What the Federal Law, Regulations, and Guidance Says

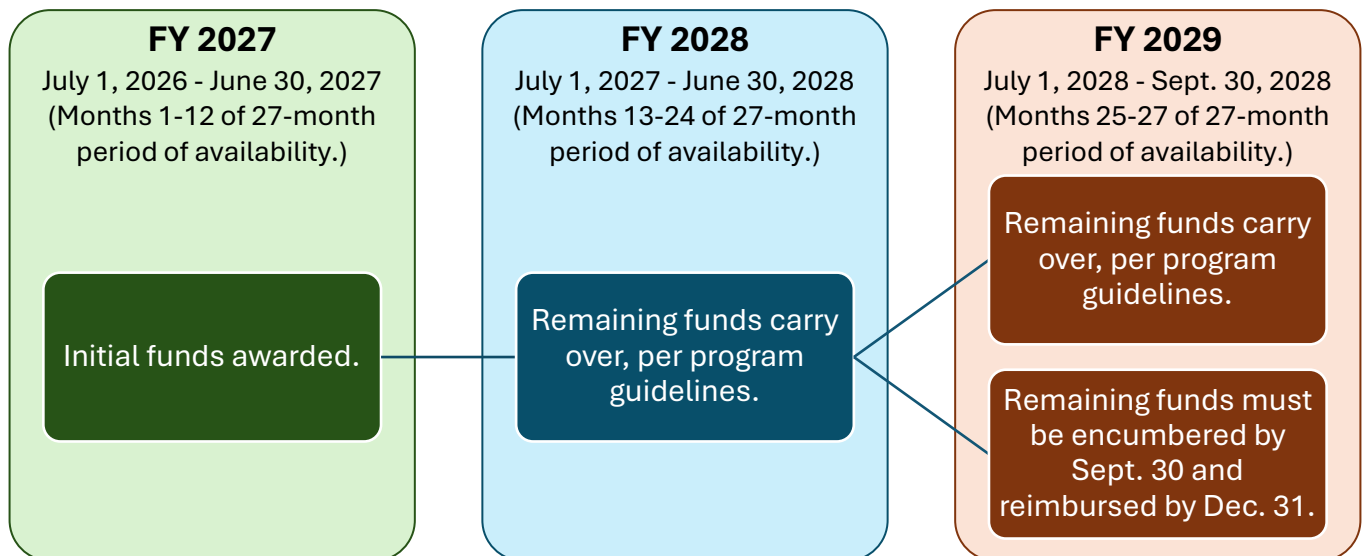
Federal formula funds become available to districts once final district allocations are determined and loaded into GMS after July 1 of the state fiscal year and may be obligated for up to 27 months, depending on each program's rules. This 27-month window includes the first 12-month fiscal year, a second 12-month fiscal year due to an automated extension allowed by the Tydings Agreement, and finally, the first three months of a third fiscal year. Funds that remain unspent after their original 12-month obligation period are commonly referred to as carryover funds. Districts are encouraged to expend ESEA funds within the fiscal year they are awarded, though there may be legitimate circumstances in which carrying funds forward for use in the next fiscal year is appropriate.

Federal Statute

The Tydings Amendment, located in Section 421(b) of the General Education Provisions, allows federal education funds that are not obligated during their initial period of availability to remain available for one additional fiscal year. In effect, this gives recipients 27 months to obligate and spend federal awards. This enables states and school district extra time to use federal funds, avoiding immediate return to the federal government.

The extension does not apply if a program's authorizing legislation specifically prohibits it (e.g., Title I-A has a 15% carryover limitation).

Example using State Fiscal Year 2027



Requirements by ESEA Program

The percentage of funds a district may carry over depends on the specific ESEA program, as shown in the table below. Note: If a district transferred funds during the initial grant period, any carryover must be used according to the requirements of the program into which the funds were transferred.

Carryover funds become available to districts once the Final Expenditure Report (FER) for the prior fiscal year has been submitted and approved. For example, to access carryover funds in the FY2027 ESEA Consolidated Application, a district must first close out its FY2026 application by completing the FER. After the FER is approved by the Alaska Department of Education and Early Development's grants team, all eligible carryover funds are loaded into the district's FY2027 ESEA Consolidated Application.

ESEA Program	Carryover Rules
Title I, Part A	Receive more than \$50,000 in I-A Cannot carry over more than 15% of funds from one fiscal year to another. May request a waiver once every three years to carryover in excess of the 15% carryover limitation. Receive less than \$50,000 in I-A There is no carryover limitation. Can carry over until funds expire (27 months).
Title I, Part C	There is no carryover limitation. Can carry over until funds expire (27 months).
Title I, Part D	There is no carryover limitation. Can carry over until funds expire (27 months).
Title II, Part A	There is no carryover limitation. Can carry over until funds expire (27 months).
Title III, Part A	There is no carryover limitation. Can carry over until funds expire (27 months).
Title IV, Part A	There is no carryover limitation. Can carry over until funds expire (27 months).
Title IV, Part B	Can typically carry over up to 10% of base award. The percentage allowed may be decreased or increased based upon availability of federal funds. Individual grantee's access to carryover may be reduced or eliminated if not compliant or meeting grant requirements.
School Improvement	Cannot carry over funds.
McKinney-Vento	Can carry over until funds expire (27 months) or until end of grant cycle, whichever occurs first.

Title I, Part A Requirements

Required District Set-Asides

If a district is required to spend a designated portion of its Title I-A allocation on a specific purpose (such as 1% for parent and family engagement), the district must meet that obligation. If it does not fully expend the required amount during the year for which the funds were allocated, the unspent portion must be carried over and used for that same required purpose in the following year.

School Level Allocations

If a Title I-A school does not expend its full Title I-A allocation in a given fiscal year, any eligible carryover funds do not automatically return to that school the following year. As with original allocations, Title I-A carryover funds are distributed to Title I-A schools based on the per-pupil allocation after all district-level reservations have been applied.

15% Carryover Limitation

Section 1127(a) of the ESEA limits the amount of Title I-A funds that a district receiving more than \$50,000 in Title I-A may carry over from one fiscal year to the next to no more than 15 percent of its total allocation for that year. Although Title I-A carryover is capped at 15 percent, Section 1127(b) authorizes the Alaska Department of Education and Early Development (DEED) to waive this limitation once every three years for a district that demonstrates reasonable cause.

Each summer (typically after the Final Expenditure Report (FER) is approved), the ESEA Administrator at DEED notifies districts that are at risk of exceeding the Title I-A carryover limitation. Districts have the first quarter of the following fiscal year to expend any Title I-A carryover that exceeded the 15 percent limitation. Final determinations of excess carryover are made in the fall, after the first-quarter reimbursement for the fiscal year has been approved. The ESEA Administrator provides affected school districts with guidance on the options available to them.

Important Considerations

Transferred Funds

Funds may be transferred from Title II-A or Title IV-A into other ESEA programs for which the district receives an allocation. It is important to note that once funds are transferred, they assume the requirements and allowable uses of the program into which they were transferred and must be expended in accordance with that program's rules.

If a district transferred funds during the initial grant period, any carryover must be used according to the requirements of the program into which the funds were transferred.

REAPed Funds

Under certain circumstances, Title II-A and/or Title IV-A can be REAPed into several other Title programs. If a district REAPed funds during the initial grant period, any carryover *from those funds* reverts back into the original program(s) from which the funds were REAPed, though the district can opt to re-REAP the carryover funds in the current fiscal year.

Equitable Services

Section 8501(a)(4)(B) of the ESEA says that funds allocated to a district for educational services and other benefits to eligible private school children and educators must be obligated in the fiscal year for which the funds are received by the district. If a district is engaging in ongoing consultation, providing equitable services as required, and meeting the obligation of funds requirement in ESEA section 8501(a)(4)(B), it generally should not have any, and certainly no significant, carryover. The ESEA, however, does not prohibit carryover of funds for equitable services and, in most cases, requires it. Some circumstances that might require carryover include delayed service due to a natural disaster, delayed consultation, inability to employ qualified personnel, or unexpected procurement challenges; or, after services were provided, the cost was less than anticipated, and the district, in consultation with the private school, determines that there are additional needs.

DEED Recommendations

Collaboration and Communication

Build Connections Between Program and Fiscal Staff: Ongoing coordination between program and fiscal staff ensures that spending aligns with program requirements, supports accurate budgeting, and reduces the risk of unspent funds or noncompliance.

Coordinate with School Leaders: Engaging principals and school-level teams helps ensure that funds are expended in a timely manner and that any carryover funds support school priorities and strengthen alignment between district- and school-level planning.

Engage the Community: Input from the community helps ensure that funds are expended in a timely manner and that any carryover funds address identified needs and reflect local priorities. Stakeholder engagement also strengthens transparency and supports more effective planning.

Financial Management and Monitoring

Set Up Tracking Methods: Reliable systems for monitoring expenditures, obligations, and remaining balances help districts identify underspending early and make timely adjustments.

Conduct Regular Budget Reviews: Scheduled reviews throughout the year support timely decision-making, help identify spending trends, and keep staff informed of progress toward meeting spending requirements.

Submit Timely Reimbursement Requests: Quarterly reimbursement submissions maintain accurate financial records and reduce the likelihood of spending challenges near the end of the grant period.

Strategic Planning and Program Integrity

Use Data to Inform Spending Decisions: Student performance data, needs assessments, and program evaluations should guide decisions to ensure carryover funds address the most significant and current needs.

Develop a Multi-Year Spending Strategy: A multi-year approach to planning federal funds helps districts anticipate future needs, align spending with long-term goals, and minimize large carryover balances.

Monitor Program Implementation Timelines: Tracking the progress of planned activities allows districts to identify delays early and ensure that implementation occurs as intended.

Maintain Program Focus: Carryover funds must continue to support activities consistent with the intent and requirements of each ESEA program, ensuring compliant and meaningful use of funds.

Questions for Reflection

- What systems are in place for tracking the allocation and spending of funds at the district level?
- Who is involved in the review of expenditures and remaining funds?
- How frequently does the district review the status of expenditures and remaining funds?
- How much funding does our district carry over each year?
- What are the reasons for carryover balances and are there any strategies the district can implement to reduce carryover?

- In what way is this impacting our ability to support students and achieve districts goals?