

## USES OF FUNDS



### Editor's Note

Although this guidance was issued under the now-superseded Improving America's Schools Act of 1994, the principles in this guidance remain in force under the No Child Left Behind Act. Therefore, because of its continuing utility, the editors have elected to retain this guidance in the *Title I Handbook*.

**U.S. DEPARTMENT OF EDUCATION  
APRIL 1996  
FINAL**

# USES OF FUNDS GUIDANCE

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## USES OF FUNDS

The purpose of Title I, Part A funds is to enable schools to provide opportunities for children served to acquire the knowledge and skills contained in the challenging State content standards and to meet the challenging State performance standards developed for all children. The law provides many flexibilities and opportunities for LEAs and schools to meet the purpose of Part A. In schoolwide program schools, an LEA may use Part A funds for any activities that are part of the schoolwide program plan. In targeted assistance schools, however, Part A funds may only be used to meet the needs of participating children. Below is guidance on specific uses of Part A funds. This is not an exhaustive list of allowable Part A costs.

**Q1. May Part A funds be used to pay for employee benefits such as pension plans, unemployment insurance coverage, health insurance, severance pay, and life insurance?**

Yes. Employers' contributions for employee benefits such as these are an allowable use of Part A funds provided the benefits are granted under approved plans and the costs are distributed equitably to the Part A grant and to other activities.

**Q2. May Part A funds be used to pay the salary costs for employees during periods of authorized absences such as annual leave, sick leave, and sabbatical leave?**

Yes. Employee benefits in the form of compensation paid during reasonable authorized absences from the job are an allowable use of Part A funds if the benefits are provided under an established leave system and the costs are equitably allocated to all related activities, including the Part A program.

**Q3. What records are necessary to support the salary costs charged to Part A funds for an employee who works on Part A duties but also has other program responsibilities?**

If the State applies Part 80 of EDGAR, which incorporates the cost principles in Office of Management and Budget (OMB) Circular A-87, the grantee must maintain appropriate time distribution records. If the State applies its own procedure rather than the procedures in 34 CFR Part 80, the method used must produce an equitable distribution of time and effort. Records must be retained for three years. (A copy of OMB Circular A-87, which contains standards regarding time distribution, is provided in the section of the Handbook, "EDGAR and Related Administrative Guidance.")

**Q4. May Part A funds be used to pay the cost of renting or leasing privately owned facilities for instructional purposes or office space?**

The cost to rent or lease space in privately owned buildings is allowable if the space is necessary for the success of the program and space in publicly owned buildings is not available to the grantee.

**Q5. Are maintenance and operation costs such as janitorial services and utility costs allowable charges?**

Maintenance and operation costs are allowable charges to Part A to the extent that the costs are not otherwise included in rent or other charges for space, are reasonable and necessary for the success of the program, and are distributed on an equitable basis.

**Q6. May Part A be used to construct or acquire realty property?**

No. The Title I statute does not authorize the use of Part A funds for construction or acquisition of real property.

**Q7. Does this mean that Part A funds may not be used to buy mobile vans or install wiring for vans or computers?**

No. These are permissible uses of Part A funds. A mobile van is a piece of equipment, not real property. Items such as wiring for example, that make a van operational are part of the equipment.

**Q8. May Part A funds be used to provide training/professional development for instructional and pupil services personnel not paid with Part A funds?**

The cost of training personnel not paid with Part A funds is an allowable charge if the training is specifically related to the Part A program and designed to meet the specific educational needs of Part A participants and supplements, rather than supplants, State and local training.

**Q9. May equipment be purchased with Part A funds?**

Yes. An LEA, however, must determine that (1) the equipment is reasonable and necessary to effectively operate its Part A programs; (2) existing equipment will not be sufficient; and (3) the costs are reasonable.

**Q10. May Part A funds be used to pay the interest on lease purchase agreements for the purchase of, for example, computer equipment?**

Yes, in accordance with the cost principles in OMB Circular A-87 included below.

Financing costs (including interest) paid or incurred on or after July 1, 1995 (for Part A) associated with otherwise allowable costs of equipment is allowable subject to the conditions in (1)-(4). [sic]

1. The financing is provided (from other than tax or user fee sources) by a bona fide third party external to the governmental unit.
2. The assets are used in support of Federal awards.
3. Earnings on debt service reserve funds or interest earned on borrowed funds pending payment of the construction or acquisition costs are used to offset the current period's cost or the capitalized interest, as appropriate. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable.

**Q11. What procedures govern disposition of equipment purchased with Part A funds?**

A State's procedures concerning disposition of equipment govern the disposition of Part A equipment. Section 80.32(b) of EDGAR requires that a State will dispose of equipment "in accordance with State laws and procedures." However, the State may follow as its State procedures the disposition provisions in 80.32(e) of EDGAR.

**Q12. When an LEA recovers funds from the sale of equipment or real property purchased with Part A funds, may these funds be retained by the LEA or school?**

A State's procedures govern the disposition of Part A equipment and real property. If a State has decided to apply the provision in 80.32(e) of EDGAR as its State procedures, an LEA may retain, sell, or otherwise dispose of equipment with a current per unit fair-market value of less than \$5,000 with no further obligation to the Federal government. If the equipment has a per unit value of more than \$5,000, 80.32(e)(2) requires the LEA to compensate the Federal Government. Similarly, 80.31(c) requires an LEA to compensate the Federal Government if it disposes of real property purchased in whole or in part with Part A funds.

A State may also adopt other procedures for disposing of Part A equipment and property. For example, a State may establish a threshold lower than the \$5,000 amount established in 80.32(e). In addition, instead of returning the proceeds to the Federal Government under 80.31(c) and 80.32(e)(2), a State may permit LEAs to expend those proceeds in the Part A program.

**Q13. What happens to equipment purchased with Part A funds when it is no longer needed for Part A activities?**

An LEA must dispose of unneeded Part A equipment in accordance with State law and procedures. If a State is following EDGAR, 80.32(c)(1) provides that when equipment is no longer needed for its original purpose, it may be used for activities currently or previously funded by other Federal programs. If a State's procedures permit, an LEA could also use the equipment for activities funded from non-Federal sources.

**Q14. What options does an LEA have to make maximum use of equipment purchased, in whole or in part, with Part A funds?**

An LEA has several options to increase flexibility in using Part A equipment. When an LEA purchases equipment with Part A funds, for example, it may share the cost with other Federal, State, or local programs that will also make use of the equipment on a proportional basis.

Likewise, an LEA that wishes to use Part A equipment in non-Part A activities may pay a reasonable user fee to the Title I program for the portion of time the equipment is used in non-Part A activities. Further, an LEA may use Part A equipment in non-Part A activities without paying a user fee or sharing costs in accordance with the standards described in Q15. below. Additionally, an LEA may take into consideration when it decides its equipment needs under Part A whether other equipment—e.g., LEA-funded adult education equipment used at night—would be available for Part A use during the day.

**Q15. Are there circumstances under which Part A equipment may be used in non-Part A activities without paying a user fee or sharing costs?**

Yes, subject to the standards described below. Any equipment purchased with Part A funds must be reasonable and necessary to implement a properly designed program for Part A participants. The Department recognizes, however, that under some circumstances, equipment purchased as part of a properly designed Part A program may, without constituting an improper expenditure, be used on a less than full-time basis. If that equipment could be made available for other educational uses without interfering with its use in the Part A program or significantly shortening its useful life, the Department would have no objection to the non-Part A use, given the fact that it would otherwise be idle.

This guidance is consistent with 34 CFR 80.32(c), which allows equipment to be made available for use on other projects or programs currently or previously supported by the Federal Government, "providing such use will not interfere with the work on the projects or programs for which it was originally acquired." This guidance is also consistent with parallel flexibility afforded to institutions of higher education, hospitals, and nonprofit

organizations in 34 CFR 74.137, which permits shared use of equipment purchased with Federal funds in non-Federally funded, as well as Federally funded, projects. Because a State may adopt its own procedures for use of Part A equipment, it could adopt the flexibility in 80.32(c) or 74.137. The guidance set forth below assists in ensuring that limited use of Part A equipment in non-Part A activities does not interfere with the Part A program and is consistent with the Part A statute and regulations.

An LEA that decides to use Part A equipment in non-Part A activities on a part-time basis must do so in a manner that protects the integrity of the equipment as a Part A expenditure. Accordingly, the LEA must ensure and document that the Part A equipment is part of a Part A program that has been properly designed to meet Part A participants' needs; that the equipment purchased with Part A funds is reasonable and necessary to operate the LEA's programs, without regard to any use in non-Part A activities; that the program has been designed to make maximum appropriate use of the equipment for Part A purposes; and that the use of the equipment in non-Part A activities does not decrease the quality or effectiveness of the Part A services provided to Part A children with the equipment, increase the cost of using the equipment for providing those services, or result in the exclusion of Part A children who otherwise would have been able to use the equipment.

LEAs should be judicious in applying these standards. The Secretary will presume, absent actual evidence to the contrary, that the standards have been met and that use of Part A equipment in non-Part A activities is proper if that use does not exceed 10 percent of the time the equipment is used in Part A activities. However, use above that amount in non-Part A activities is not necessarily improper if the standards are met on a case-by-case basis.

The following examples illustrate some situations in which Part A equipment may be used in non-Part A activities:

- (1) Computers purchased with Part A funds are used full-time during the school day but are idle during evening hours and would be beneficial to adult education classes that meet twice a week. The use in the adult education classes would not be extensive and, therefore, would not significantly shorten the useful life of the equipment. Under these circumstances, the Part A computers may be used for the adult education classes.

- (2) Part A computers that are part of a properly designed Part A program are being used full-time except for one period each school day. The proper amount of computer equipment was purchased for the Part A program and the Part A program cannot be redesigned effectively to use the computers in every period. Under these circumstances, the Part A computers may be used, for example, for State or locally funded supplemental education activities during the period they are idle.
- (3) Ten listening centers were purchased with Part A funds and are used regularly but not continuously in the Part A program. The Part A program cannot be redesigned effectively to use the centers more frequently. The listening centers are used in an extracurricular foreign language program for periods of time averaging 10 percent of the time devoted to Part A. If the useful life of the centers is not significantly reduced, the centers may be used in this manner.

**Q16. May Part A funds be used to pay for travel and conference costs?**

The costs for staff travel and conferences are allowable if the travel and conferences are specifically related to the Part A program and not to the general needs of the LEA or school and are reasonable and necessary.

**Q17. May Part A funds be spent for food and refreshments provided during parent meetings or training?**

Reasonable expenditures for refreshments of food, particularly when such sessions extend through mealtime, are allowable.

**Q18. May Part A funds be used to purchase insurance for vehicles used to transport school personnel for home visits or parents for school visits?**

Yes. However, the allowable portion of the cost should be calculated on the basis of the percentage of time the vehicle is used for Part A and home visits.

**Q19. May parents be paid to attend meetings?**

No. The statute does not authorize an LEA to pay a parent to attend a meeting or training session or to reimburse a parent for salary lost due to attendance at Part A parental involvement activities. Parental involvement expenditures are limited to costs that a parent may incur to participate, such as baby-sitting fees.

[The next page is Tab G, page 1751.]

