



## FAST FACTS

### Issue: Using Title I Funds for Incentives (including programs under Title I)

The North Dakota Office of Federal Title Programs has seen a surge in the number of requests to use Title I funds for purchasing items to use as incentives with students. For the purpose of this guidance, Title I also includes the programs under the Title I umbrella.

Due to the lofty goals in the *No Child Left Behind Act*, requirements for all students to reach proficiency by 2014 and an increased focus on attendance and graduation rates, schools are looking for ways to motivate students. Typically, schools are requesting to use incentives to increase attendance, increase assessment scores, and encourage positive behavior. In addition, sometimes incentives are used to gain support for increased parental involvement. The federal regulations are vague regarding the allowability of using Title I funds for incentives. The federal guidance that has been issued on the topic basically indicates that it is allowable if the expenditures can pass the following three tests:

- **Reasonability Test:**  
All expenditures using Title I funds must be reasonable. It helps to determine if the expenditure is reasonable by picturing yourself having to justify an expenditure to an auditor.
- **Nominal Test:**  
Title I funds are meant to be used for staff and programs aimed at helping students achieve. A small portion of Title I funds can be used for other expenditures such as supplies, equipment, incentives, maintenance, etc., to support a Title I program. Expenditures for incentives should be nominal rewards that reflect a small portion of the total Title I funds available.
- **Educationally-Related Test:**  
Incentives purchased with Title I funds should be educationally related, such as books or educational games. If food certificates for pizza or ice cream are distributed, it should be for meeting educational goals such as regularly attending school or finishing a project. *Please note, gift cards are not allowable as there is no guarantee they are educationally-related. The only exception to this would be a gift card that is to a bookstore that is also reasonable and nominal.*

<u>Examples of Allowable Incentives Using Title I Funds</u>	<u>Examples of Non-Allowable Incentives Using Title I Funds</u>
▶ Providing a couple of randomly distributed nominal door prizes as an incentive for parents to attend a Title I meeting.	▶ Providing all parents who attend a Title I parent meeting with a door prize.
▶ Distributing ice cream or pizza certificates as an incentive for increased attendance.	▶ Giving away bikes, CD players, or other high priced items as an incentive for increased attendance.
▶ Distributing gift certificates to a book store as an incentive to students who read a specific number of books or complete a project. If a <u>book</u> certificate is provided, it must be reasonable and nominal. While a \$5-\$10 gift card is reasonable, a \$50-\$75 gift card is <u>not</u> reasonable.	▶ Giving cash to students who read a specific number of books or complete a project. It is <u>never</u> allowable to distribute cash to students or parents using Title I funds.
▶ Using a few incentives to support an academic goal.	▶ Using multiple incentives for many different activities.
	▶ It is never allowable to provide students with a gift card that is non-educational or when you can't guarantee that it will be used for education. (i.e., Wal-Mart gift card, gas cards)

The U.S. Department of Education staff has urged state agency personnel to carefully monitor and approve Title I expenditures for incentives. School personnel need to ensure that all requests for incentives pass the three tests indicated to refrain from having an audit concern and being required to repay funds for inappropriate expenditures. School personnel need to outline requests for incentives in the consolidated application and keep thorough documentation for auditing purposes.