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The Individuals with Disabilities Education Act (IDEA) Funding: A Primer

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Summary

Since the enactment of the Education for all Handicapped Children Act (P.L. 94-142) in 1975, the predecessor legislation to the Individuals with Disabilities Education Act (IDEA), the federal government has played a prominent role in encouraging the principle of educational equality for children with disabilities through a permanent, broad-scale federal assistance program. The IDEA is a grants statute that provides federal funding for the education of children with disabilities and requires, as a condition for the receipt of such funds, that states agree to provide a free appropriate public education (FAPE) to every eligible child. FAPE means specially designed instruction, provided at no cost to the parents, that meets the needs of each individual child with a disability served under the IDEA.

The IDEA, most recently reauthorized by P.L. 108-446 in 2004, was appropriated approximately \$15.4 billion in FY2025. The largest part of the IDEA is Part B, Assistance for Education of All Children with Disabilities, which covers special education for children and youth with disabilities between the ages of 3 and 21. Approximately 95% of total IDEA appropriations fund the two Part B programs—the Section 611, grants-to-states program and the Section 619, preschool grants program. Part B was funded at \$14.6 billion in FY2025, and in the 2023-2024 school year (SY), approximately 7.9 million children ages 3 through 21 received educational services under it.

In addition to the Part B grants-to-states program, which provides special education and related services to school-aged children, the IDEA contains two programs for young children with disabilities. Part C authorizes federal funding for early intervention services to infants and toddlers with disabilities ages birth to three years, and Part B Section 619 authorizes supplementary grants to states for preschool programs serving children with disabilities ages three through five.

Each IDEA program serving children and youth with disabilities has followed a similar funding pattern. Appropriations for IDEA Part B (Sections 611 and 619) and Part C increased steadily from each program's inception until the early 2000s. Since the IDEA's most recent reauthorization in FY2004, the funding for both Part B and Part C programs has fluctuated.

The IDEA has two formulas for determining how to allocate grants to states under Part B: one for years when the appropriated amount available for grants to states is greater than or equal to the amount available for grants to states in the previous year, and one for years when the amount available for grants to states is less than the amount available for grants to states the previous year. In years when the appropriated amount for Part B increases or remains the same, each state receives its base-year (FY1999) grant amount plus a share of the new money (i.e., the amount above the FY1999 appropriation), based on the state's share of the national child population and national population of children living in poverty, adjusted according to maximum and minimum grant calculations, and ratably reduced when necessary. In years when the appropriated amount for Part B decreases, each state receives its base-year grant amount plus a share of the new money the state received the previous year, which has been ratably reduced in proportion to the total new money available for the current year.

This report will examine the development of the allocation formula for the Part B grants-to-states program, the major changes to the formula over the past 50 years, current funding levels and trends, and how allocations are currently calculated. Issues concerning the funding of special education and related services of interest to Congress will also be discussed.

those groups for the provision of early intervention services on reservations,⁶⁸ the Secretary allocates the remaining IDEA Part C amount among the 50 states, the District of Columbia, and Puerto Rico according to the ratio of infants and toddlers in each state to the number of infants and toddlers in all states. The minimum allotment for each state is either \$500,000 or one-half of 1% of the total Part C funds allotted to the states, whichever is greater.⁶⁹ If the appropriation for Part C is funded at a level insufficient to pay the full amounts that all states are eligible to receive in a given year, the Secretary must ratably reduce the states' payments, meaning the reduction will be proportionately reflected in the allotment for each state, including states initially receiving the minimum Part C grant amount.⁷⁰

IDEA Funding Issues

Full Funding

When Congress enacted the predecessor legislation to the IDEA in 1975, it strove to ensure that (1) states would provide every eligible child a FAPE in the least restrictive environment, and (2) states would not take on an undue burden by agreeing to provide special education and related services.⁷¹ At the time, the available estimate of the cost of educating children with disabilities was, on average, twice the cost of educating other children.⁷² A determination was made that the federal government would pay some of this additional or "excess" cost of educating children with disabilities. The metric for determining this excess cost was the national average per-pupil expenditure (APPE). Congress's final determination was that the federal government would pay up to 40% of the excess cost of providing special education and related services; 40% of the national APPE came to be known as the "full funding" amount of IDEA Part B grants to states.

IDEA funding has fallen short of the full funding amount each year from the formula's enactment through FY2025 (See **Figure 5**). For example, in FY2025 the amount appropriated for Part B⁷³ accounted for approximately 10.2% of the national APPE, just over 25% of the full funding level. In FY2009, Part B funding approached closer to the full funding amount than it had before or has since, when, with the addition of federal stimulus dollars (not shown in Figure 5) provided by the American Recovery and Reinvestment Act (ARRA; P.L. 111-5), IDEA funding rose to almost 35% of the national APPE.

⁶⁸ Section 643(b)(1) reserves 1.25% of the Part C appropriation for the Department of the Interior for the "coordination of assistance in the provision of early intervention services by the States to infants and toddlers with disabilities and their families on reservations served by elementary schools and secondary schools for Indian children operated or funded by the Department of the Interior."

⁶⁹ \$500,000 is one half of 1% of \$100 million. Part C of the IDEA has been appropriated more than \$100,000,000 every year since FY1991. Therefore, in practice, the minimum Part C allotment for each state is one half of 1% of the IDEA Part C appropriation available to be allocated to states; in recent years, the minimum amount has been over \$2,000,000.

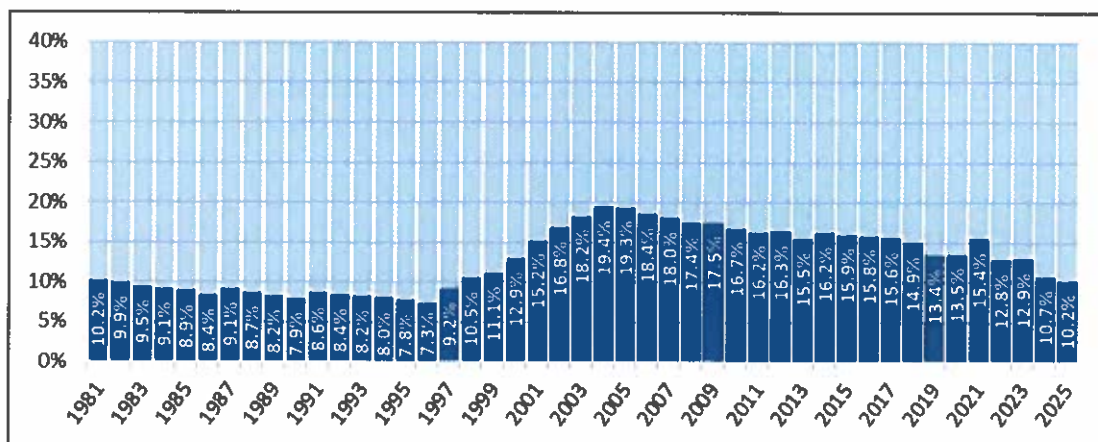
⁷⁰ If additional funds become available for making payments for a fiscal year in which payments to states were ratably reduced, the allotments that were reduced must be increased on the same basis the allotments were reduced. §643(c)(3).

⁷¹ P.L. 94-142 and U.S. Congress, House Education and Workforce Committee, Early Childhood, Elementary, and Secondary Education Subcommittee, *Financial Assistance for Improved Educational Services for Handicapped Children*, 93rd Cong., 2nd sess., March 6, 7, 18, and 22, 1974.

⁷² U.S. Congress, House Education and Workforce Committee, Early Childhood, Elementary, and Secondary Education Subcommittee, *Financial Assistance for Improved Educational Services for Handicapped Children*, 93rd Cong., 2nd sess., March 6, 1974, pp. 58-84.

⁷³ Based on continuing resolutions that kept IDEA grants-to-states funding at its FY2024 appropriation level of \$14.2 billion.

Figure 5. Historical Comparison of the Percentage of APPE Funded through Appropriations for IDEA and the IDEA Full-Funding Level (40% of APPE)
FY1981 to FY2025



Source: Prepared by CRS using data from the U.S. Department of Education (ED).

Notes: Calculations of the percentage of the national average per pupil expenditure (APPE) funded through regular appropriations and the 40% of national APPE full-funding level are based on data provided by ED, including annual IDEA appropriation amounts, national APPE for the relevant year, applicable child count, and funds set aside for technical assistance and related activities. In 1975, P.L. 94-142 set the federal maximum payment for Part B grants to states at 40% of the national APPE and phased in the maximum over a period of five years beginning in FY1977. FY1981 is the initial year shown in this figure because it was the first year for which full funding was set at 40% of APPE. The percentage of the national APPE for FY2009 was calculated based on regular appropriations; calculations based on additional IDEA funding provided by the American Recovery and Reinvestment Act (ARRA, P.L. 111-5) are not displayed.

P.L. 108-446 set a new calculation to determine the maximum amount that each state may receive in IDEA grants-to-states funding.⁷⁴ P.L. 108-446 tied its new maximum grant calculation to the full funding calculation developed in P.L. 94-142 by setting it to 40% of the national APPE multiplied by a number of child count measures.⁷⁵

Prior to the enactment of P.L. 108-446, the IDEA authorized “such sums as may be necessary” for the Part B grants-to-states program. In response to debate over how and when to reach full funding for the IDEA, P.L. 108-446 (§611(i)) amended the act to include several years of specific authorization of appropriations levels, which culminated in an amount estimated to provide each state with its maximum grant amount in FY2011. The Part B grants-to-states program was not appropriated the amounts authorized by P.L. 108-446 and did not obtain full funding in FY2011.

Maintenance of Effort (MOE)

The IDEA was intended to help states and LEAs increase overall educational spending for special education, rather than substituting federal funds for special education spending at the state and local levels. The grants to states made under Part B may only be used to pay for the excess costs of providing special education and related services to students with disabilities⁷⁶ and may not

⁷⁴ For more information on the changes made in the method of calculating the maximum amount of states’ grants in P.L. 108-446, see the “Funding Formula Changes” section in this report.

⁷⁵ Ibid.

⁷⁶ For more information on Part B of the IDEA see CRS Report R41833, *The Individuals with Disabilities Education Act (IDEA), Part B: Key Statutory and Regulatory Provisions*.