SEC. 619. PRESCHOOL GRANTS.

(a) IN GENERAL- The Secretary shall provide grants under this section to assist States to provide special education and related services, in accordance with this part--
'(1) to children with disabilities aged 3 through 5, inclusive; and
'(2) at the State's discretion, to 2-year-old children with disabilities who will turn 3 during the school year.

(b) ELIGIBILITY- A State shall be eligible for a grant under this section if such State--
'(1) is eligible under section 612 to receive a grant under this part; and
'(2) makes a free appropriate public education available to all children with disabilities, aged 3 through 5, residing in the State.

(c) ALLOCATIONS TO STATES-
'(1) IN GENERAL- The Secretary shall allocate the amount made available to carry out this section for a fiscal year among the States in accordance with paragraph (2) or (3), as the case may be.
'(2) INCREASE IN FUNDS- If the amount available for allocations to States under paragraph (1) for a fiscal year is equal to or greater than the amount allocated to the States under this section for the preceding fiscal year, those allocations shall be calculated as follows:
'(A) ALLOCATION-
'(i) IN GENERAL- Except as provided in subparagraph (B), the Secretary shall--
'(I) allocate to each State the amount the State received under this section for fiscal year 1997;
'(II) allocate 85 percent of any remaining funds to States on the basis of the States' relative populations of children aged 3 through 5; and
'(III) allocate 15 percent of those remaining funds to States on the basis of the States' relative populations of all children aged 3 through 5 who are living in poverty.

(ii) DATA- For the purpose of making grants under this paragraph, the Secretary shall use the most recent population data, including data on children living in poverty, that are available and satisfactory to the Secretary.

(B) LIMITATIONS- Notwithstanding subparagraph (A), allocations under this paragraph shall be subject to the following:
'(i) PRECEDING YEARS- No State's allocation shall be less than its allocation under this section for the preceding fiscal year.
'(ii) MINIMUM- No State's allocation shall be less than the greatest of--
'(I) the sum of--
(aa) the amount the State received under this section for fiscal year 1997; and

(bb) 1/3 of 1 percent of the amount by which the amount appropriated under subsection (j) for the fiscal year exceeds the amount appropriated for this section for fiscal year 1997;

(ii) the sum of--

(aa) the amount the State received under this section for the preceding fiscal year; and

(bb) that amount multiplied by the percentage by which the increase in the funds appropriated under this section from the preceding fiscal year exceeds 1.5 percent; or

(iii) Maximum- Notwithstanding clause (ii), no State's allocation under this paragraph shall exceed the sum of--

(I) the amount the State received under this section for the preceding fiscal year; and

(II) that amount multiplied by the sum of 1.5 percent and the percentage increase in the amount appropriated under this section from the preceding fiscal year.

(C) Ratable Reductions- If the amount available for allocations under this paragraph is insufficient to pay those allocations in full, those allocations shall be ratably reduced, subject to subparagraph (B)(i).

(3) Decrease in Funds- If the amount available for allocations to States under paragraph (1) for a fiscal year is less than the amount allocated to the States under this section for the preceding fiscal year, those allocations shall be calculated as follows:

(A) Allocations- If the amount available for allocations is greater than the amount allocated to the States for fiscal year 1997, each State shall be allocated the sum of--

(i) the amount the State received under this section for fiscal year 1997; and

(ii) an amount that bears the same relation to any remaining funds as the increase the State received under this section for the preceding fiscal year over fiscal year 1997 bears to the total of all such increases for all States.
(B) RATABLE REDUCTIONS- If the amount available for allocations is equal to or less than the amount allocated to the States for fiscal year 1997, each State shall be allocated the amount the State received for fiscal year 1997, ratably reduced, if necessary.

(d) RESERVATION FOR STATE ACTIVITIES-

(1) IN GENERAL- Each State may reserve not more than the amount described in paragraph (2) for administration and other State-level activities in accordance with subsections (e) and (f).

(2) AMOUNT DESCRIBED- For each fiscal year, the Secretary shall determine and report to the State educational agency an amount that is 25 percent of the amount the State received under this section for fiscal year 1997, cumulatively adjusted by the Secretary for each succeeding fiscal year by the lesser of--

(A) the percentage increase, if any, from the preceding fiscal year in the State's allocation under this section; or

(B) the percentage increase, if any, from the preceding fiscal year in the Consumer Price Index For All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

(e) STATE ADMINISTRATION-

(1) IN GENERAL- For the purpose of administering this section (including the coordination of activities under this part with, and providing technical assistance to, other programs that provide services to children with disabilities) a State may use not more than 20 percent of the maximum amount the State may reserve under subsection (d) for any fiscal year.

(2) ADMINISTRATION OF PART C- Funds described in paragraph (1) may also be used for the administration of part C.

(f) OTHER STATE-LEVEL ACTIVITIES- Each State shall use any funds the State reserves under subsection (d) and does not use for administration under subsection (e)--

(1) for support services (including establishing and implementing the mediation process required by section 615(e)), which may benefit children with disabilities younger than 3 or older than 5 as long as those services also benefit children with disabilities aged 3 through 5;

(2) for direct services for children eligible for services under this section;

(3) for activities at the State and local levels to meet the performance goals established by the State under section 612(a)(15);

(4) to supplement other funds used to develop and implement a statewide coordinated services system designed to improve results for children and families, including children with disabilities and their families, but not more than 1 percent of the amount received by the State under this section for a fiscal year;

(5) to provide early intervention services (which shall include an educational component that promotes school readiness and incorporates preliteracy, language, and numeracy skills) in accordance with part C to
children with disabilities who are eligible for services under this section and who previously received services under part C until such children enter, or are eligible under State law to enter, kindergarten; or (6) at the State's discretion, to continue service coordination or case management for families who receive services under part C.

`(g) SUBGRANTS TO LOCAL EDUCATIONAL AGENCIES-

(1) SUBGRANTS REQUIRED- Each State that receives a grant under this section for any fiscal year shall distribute all of the grant funds that the State does not reserve under subsection (d) to local educational agencies in the State that have established their eligibility under section 613, as follows:

(A) BASE PAYMENTS- The State shall first award each local educational agency described in paragraph (1) the amount that agency would have received under this section for fiscal year 1997 if the State had distributed 75 percent of its grant for that year under section 619(c)(3), as such section was then in effect.

(B) ALLOCATION OF REMAINING FUNDS- After making allocations under subparagraph (A), the State shall--

(i) allocate 85 percent of any remaining funds to those local educational agencies on the basis of the relative numbers of children enrolled in public and private elementary schools and secondary schools within the local educational agency's jurisdiction; and

(ii) allocate 15 percent of those remaining funds to those local educational agencies in accordance with their relative numbers of children living in poverty, as determined by the State educational agency.

(2) REALLOCATION OF FUNDS- If a State educational agency determines that a local educational agency is adequately providing a free appropriate public education to all children with disabilities aged 3 through 5 residing in the area served by the local educational agency with State and local funds, the State educational agency may reallocate any portion of the funds under this section that are not needed by that local educational agency to provide a free appropriate public education to other local educational agencies in the State that are not adequately providing special education and related services to all children with disabilities aged 3 through 5 residing in the areas the other local educational agencies serve.

(h) PART C INAPPLICABLE- Part C does not apply to any child with a disability receiving a free appropriate public education, in accordance with this part, with funds received under this section.

(i) STATE DEFINED- In this section, the term 'State' means each of the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico.

(j) AUTHORIZATION OF APPROPRIATIONS- There are authorized to be appropriated to carry out this section such sums as may be necessary.