



TO: Superintendents
Directors of Special Education
Business Managers

A handwritten signature in black ink that reads "Carol Hokenson".

FROM: Carol Hokenson, Supervisor
General and Special Education Funding and Data Team
Division of Program Finance

DATE: January 22, 2010

SUBJECT: FY 2009 Federal Requirements for Maintenance of Effort (MOE)
for Special Education Services

Individuals with Disabilities Education Act (IDEA) Requirements for MOE

The IDEA requires that federal funds "...may not be used to reduce the level of expenditures for the education of children with disabilities made by the Local Education Agency (LEA) from (state and) local funds below the level of those expenditures for the preceding fiscal year...." (34 C.F.R. § 300.203). This requirement is referred to as maintenance of effort.

Annually, the Division of Program Finance, Special Education Funding and Data Team reviews the MOE of each LEA, including each local school district, charter school and special education cooperative and reports the state's MOE to the federal office. This memorandum summarizes the IDEA requirements used in that review.

The IDEA, 20 U.S.C. § 1413(a)(2)(A) specifically requires that federal funds:

"...provided to the local education agency under this part...

- (i) Shall be used only to pay the excess cost of providing special education and related services to children with disabilities;*
- (ii) Shall be used to supplement state, local and other federal funds and not to supplant such funds; and,*
- (iii) Shall not be used ... to reduce the level of expenditures for the education of children with disabilities made by the local education agency from local funds below the level of those expenditures for the preceding fiscal year."*

Exceptions to these requirements, also set forth in 20 U.S.C. § 1413(a)(2)(B), allow LEAs to:

"...reduce the level of expenditures where such reduction is attributable to:

- (a) The voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel;*
- (b) A decrease in the enrollment of children with disabilities;*

- (c) *The termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the state educational agency, because the child-*
- (I) *Has left the jurisdiction of the agency;*
 - (II) *Has reached the age at which the obligation of the agency to provide a free appropriate public education has terminated;*
 - (III) *No longer needs such program of education.*
- (d) *The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.”*

Calculation of MOE

The Special Education Funding and Data Team calculates MOE by comparing expenditures reported to the Minnesota Department of Education (MDE) from FY 2008 with those expended in FY 2009. The MOE comparison may be made on total expenditures or on a per-capita amount (34 C.F.R. § 300-203).

The MOE calculation pulls data from the Electronic Data Reporting System (EDRS) and Uniform Financial Accounting and Reporting Standards (UFARS) used by districts and hosts/cooperatives to report eligible expenditures to MDE. The data used in the MOE calculation for two years are:

Special Education

- Funding Source Code A Special Education Regular Year (include service code F, home-based travel)
- Funding Source Code E Extended Year
- Funding Source Code M Court Placement (non-Minnesota residents)
- Funding Source Code P Out-of-State Tuition (Minnesota residents out-of-state) and
- Funding Source Code U Full State Payment (students with Individualized Education Programs (IEPs) only)
- Allocated special education expenditures from hosts/cooperatives (regular and extended year)
- Serving District: Students served Birth – 21 (students with IEPs only)
- Employee Benefits Reported on UFARS Finance Code 740, Object Code 199, Object Code 200 series and Object Code 397

Special Transportation

- All expenditures reported on UFARS under Finance Code 723

Transition Disabled

- All expenditures reported on EDRS
- Allocated Transition Disabled expenditures from hosts/cooperatives
- Serving District: Students served Birth - 21 (students with IEPs only)
- Employee Benefits Reported on UFARS Finance Code 835, Object Code 199, Object Code 200 series and Object Code 397

MOE calculation does not include the following:

Special Education

- Funding Source Code i Third Party Expenditures Extended School Year*
- Funding Source Code j Third Party Expenditures Regular School Year*
- Funding Source Code C Alternative Delivery Program Regular Year
- Funding Source Code N Alternative Delivery Program Extended Year
- Funding Source Code R Local Collaborative Time Study Regular Year
- Funding Source Code X Full State Payment (students without IEPs)
- Employee Benefits Reported on UFARS Finance Code 799, Object Code 199, and Object Code 200 series
- UFARS object code 252 Other-Post-Employment Benefits (OPEB) (up to or equal to the Annual Required Contributions (ARC))
- UFARS object code 289 OPEB Contributions (not pay as you go or ARC)
- UFARS object code 290 Other Post Employment Benefits (in excess of the ARC)
- UFARS object code 291 Other Post Employment Benefits (pay as you go)
- Tuition Billing
- Any Lines in error on EDRS

***IDEA references to third-party payments**

34 C.F.R. § 300.154 Methods of ensuring services. (g) Proceeds from public benefits or insurance or private insurance.(2) If a public agency spends reimbursements from federal funds (e.g., Medicaid) for services under this part, those funds will not be considered “state or local” funds for purposes of the maintenance of effort provisions in Section 34 C.F.R. § 300.163 and 34 C.F.R. § 300.203.

Local Expenditures

For those LEAs that have not maintained effort (MDE will compare total local expenditures or on a per-capita amount), MDE will review the LEAs local expenditures minus the state revenue to determine if the district’s local expenditures increased or decreased from the previous year. If the LEA’s local expenditures did not decrease, then the LEA has maintained effort.

What Happens When MOE Is Not Maintained?

LEAs that failed to maintain effort from FY 2008 to FY 2009 will forfeit General Education Revenue this current year (FY 2010) equal to the amount that they fell short in FY 2009 (Minn. Stat. § 126C.21, Subd.5). For example, if the LEA below could only justify \$54,000.00 of the \$64,811.24 in reduction of expenditures in FY 2009, the unjustified amount of \$10,811.24 would then be subtracted from the district’s General Education Revenue in FY 2010. The LEA will still be responsible to provide a free appropriate public education under IDEA.

Comparison Example			
District ABC	2007-2008	2008-2009	Difference
State expenditures	\$1,151,934.39	\$1,087,123.15	
Total	\$1,151,934.39	\$1,087,123.15	\$(64,811.24)

If a district cannot justify the total amount of the decrease from the previous year, that amount will be added to the current year of the two years being compared. This will be the district’s new adjusted MOE base amount.

For example: District ABC still has expenditures of \$10,811.24 that could not be justified. District ABC MOE base state expenditures in FY 2009 were \$1,087,123.15. The new adjusted MOE base expenditures will be \$1,097,934.39 in FY 2010.

Fifty percent MOE Reduction under IDEA

Under IDEA section 613(a)(2)(C) (34 CFR§ 300.205);

- In any fiscal year that an LEA's subgrant allocation exceeds the amount the LEA received in the previous fiscal year, the LEA may reduce the level of local, or state and local, expenditures otherwise required by the LEA MOE requirements (in IDEA, section 613(a)(2)) by up to 50 percent of the increase in the LEA's subgrant allocation.
- The LEA must spend the freed-up local, or state and local funds on activities that are authorized under the Elementary Secondary Education Act (ESEA) of 1965.
- If an LEA chooses to utilize the flexibility available under IDEA Section 613(a)(2)(C) to reduce the level of local, or state and local, expenditures otherwise required in the current fiscal year, in subsequent fiscal years the LEA would be required to maintain effort at the reduced level-except to the extent that an LEA increases the level of expenditures for the education of children with disabilities made by that LEA above the level of expenditures in FY 2009, using local or state and local funds.
- In other words, an LEA choosing to take advantage of this flexibility may reduce the required MOE level in subsequent years, until that LEA increases the level of special education expenditures, using state or local funds, on its own.

Timelines

In the month of April, the Division of Program Finance, Special Education Funding and Data Team, will begin the MOE review process. A memo will be mailed to every LEA informing them if they have or have not maintained effort for FY 2009. For the districts/hosts/cooperatives that have not maintained effort, a memo will be sent and the districts/hosts/cooperatives will have 30 days to respond. If MDE does not receive a justification memo from the districts/hosts/cooperatives within the allotted time, MDE will assume the districts/hosts/cooperatives did not maintain effort. The maintenance of effort process will be finished no later than June 30, 2010.

Questions related to this memorandum may be directed to Mike Matlock at 651-582-8379 or e-mail mike.matlock@state.mn.us.