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# Minnesota Department of Education

## Division of Program Finance

May 5, 2010

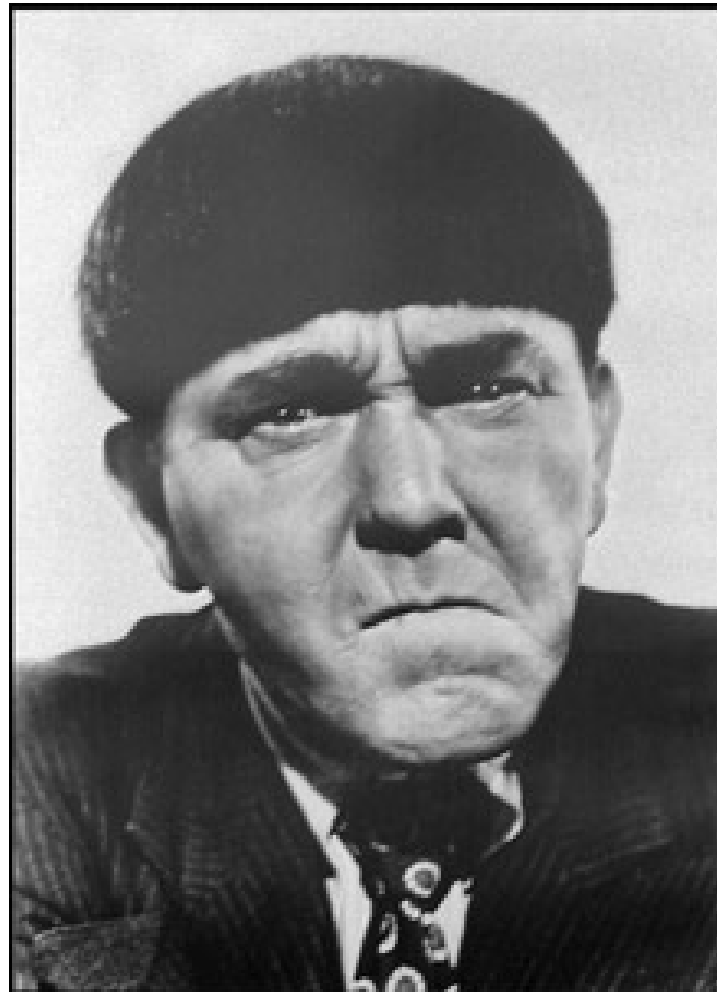
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**Special Education  
Maintenance of Effort (MOE)  
Under Individuals with  
Disabilities Education Act (IDEA)**

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Division of Program Finance

Special Education Funding & Data  
Team



**Just Say Moe**

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## IDEA Requires Federal Funds

- To pay the excess cost of providing special education and related services to children with disabilities;
- Supplement, not supplant, state funds and
- Maintain state/local expenditures at the same level as the preceding fiscal year.

## Requirements for MOE

The Individuals with Disabilities Education Act (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).

## Exceptions to MOE:

- The voluntary departure by retirement or otherwise, or departure for just cause, of special education or related services personnel,
- The language from IDEA 97 to replace staff that leave with “qualified, lower-salaried staff” was removed from IDEA 2004.
- The requirement to replace staff is gone, as long as the LEA continues to provide an appropriate program of special education and related services.

## Exceptions to MOE: (continued)

- A decrease in the enrollment of children with disabilities,
- The termination of the obligation of the agency, consistent with the 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 SEA, because the child:

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## Exceptions to MOE: (continued)

- Has left the jurisdiction of the district,
- Has reached the age at which the obligation of the district to provide Free Appropriate Public Education (FAPE) to the child has terminated or
- No longer needs the program of special education.

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## Exceptions to MOE: (continued)

To determine if a student is a high cost student:

- The per pupil average cost, as calculated for the MOE review will be used to establish the average special education student cost.
- The Funding and Data team will use the tuition billing system to determine if the student in question is a high cost student.

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## Exceptions to MOE: (continued)

- Termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.

## 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 that the LEA received in the previous fiscal year, that 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.

## Fifty percent MOE reduction under IDEA (continued)

- 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 or local funds.

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## Fifty percent MOE reduction under IDEA (continued)

- 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.
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## Fifty percent MOE reduction under IDEA (continued)

- Federal Part B Section 619 (3-5) funds are not eligible for inclusion in the 50 percent MOE reduction calculation. Only Federal Part B Section 611 (3-21) funds are eligible for inclusion in the 50 percent MOE reduction calculation (300.705).

## Three Tiers of Fifty Percent MOE Reduction Funds

- Tier One
  - Here is where the district will use federal special education Section 611 funds to pay the benefits for the special education state funded funds using Finance 419/480 and Object 295.

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## Three Tiers of Fifty Percent MOE Reduction Funds (continued)

### Tier Two

- Here is where the district will use the funds ‘freed-up’ from the first tier to pay for ESEA activities, such as regular education teachers.
- It is advisable that you do not split a teacher who is charged to FIN 000 Course Code 633 as you can claim more expenditures on Course Code 633 that you are eligible.

## Three Tiers of Fifty Percent MOE Reduction Funds (continued)

### Tier Two (continued)

- It is a good idea to have this tier very clean as far as eligibility as it will have the most scrutiny.
- If the district uses the second tier of funds for instructions there is little question as it being an appropriate use of funds.
- MDE will use the expenditures reported under FIN 000 Course Code 633 to determine an LEA's MOE base in 09-10.

## Three Tiers of Fifty Percent MOE Reduction Funds (continued)

- Tier Three
  - The district has now replaced a budgeted item (the regular education teachers on Finance 000 Course Code 633) that frees up those funds that were budgeted for instruction. This last tier has no restrictions and would be funds that the district could use as it chooses.

## MOE Calculation Uses Data From

- Electronic Data Reporting System (EDRS),
- Uniform Financial Accounting and Reporting Standards (UFARS) and
- Minnesota Automated Reporting Student System (MARSS)

## MOE Review

- Annual review of LEA's expenditures
  - The MOE process starts on April 15<sup>th</sup> after the data year is officially closed and the MOE process ends on June 30<sup>th</sup>.
- Comparison of expenditures reported to MDE from the FY 2008 school term with those expended in the FY 2009 school term.
- The MOE comparison may be made on total expenditures and/or on a per-capita amount.

## MOE Review (continued)

**There are two phases, Phase I and Phase II.**

- In Phase I the state/local expenditures are compared and the LEA per pupil capita is calculated. If the LEA state/local expenditures are equal to or higher than the previous year and/or the per pupil capita amount is equal to or higher than the previous year the LEA has maintained effort.
- If the LEA expenditures and/or the per pupil capita are lower than the previous year the LEA did not maintain effort in Phase I, the process moves to Phase II.

MINNESOTA DEPARTMENT OF EDUCATION SPECIAL EDUCATION MAINTENANCE OF EFFORT		06-07	07-08
RUN DATE 06/15/09	DISTRICT PUBLIC SCHOOL DISTRICT		
STATE AND LOCAL EXPENDITURES			
SPECIAL EDUCATION EXPENDITURES FROM DISTRICT	829,355.18	844,153.37	
SPECIAL EDUCATION EXPENDITURES FROM COOP/HOST	16,270.98	0.00	
SPECIAL EDUCATION TRANSPORTATION EXPENDITURES	22,095.39	19,767.76	
SPECIAL EDUCATION BENEFITS FROM DISTRICT	167,264.90	225,784.34	
SPECIAL EDUCATION BENEFITS FROM COOP/HOST	3,413.60	0.00	
TRANSITION DISABLED EXPENDITURES FROM DISTRICT	0.00	0.00	
TRANSITION DISABLED EXPENDITURES FROM COOP/HOST	21,310.65	20,925.11	
TRANSITION DISABLED BENEFITS FROM DISTRICT	0.00	0.00	
TRANSITION DISABLED BENEFITS FROM COOP/HOST	0.00	0.00	
MDE ADJUSTMENT	0.00	0.00	
TOTAL EXPENDITURES	1,059,710.90	1,110,630.58	
STUDENTS WITH IEP'S SERVED BIRTH - AGE 21	174	176	
DISTRICT AVERAGE	6,090.29	6,310.40	
STATE AID			
REGULAR SPECIAL EDUCATION	496,119.30	579,108.60	
SPECIAL PUPIL	0.00	0.00	
HOME BASED TRAVEL	0.00	0.00	
EXCESS COST	106,797.18	162,751.31	
COURT PLACED	0.00	0.00	
LITIGATION	0.00	0.00	
OUT-OF-STATE	0.00	0.00	
CROSS SUBSIDY	0.00	0.00	
TRANSITION DISABLED	0.00	0.00	
TOTAL STATE AID	610,519.11	737,857.91	
LOCAL EXPENDITURES (TOTAL EXP LESS TOTAL STATE AID)	449,191.79	372,772.67	
MDE ADJUSTMENT	0.00	0.00	
DISTRICT LOCAL AVERAGE	2,591.56	2,118.03	

## MOE Review (continued)

- In Phase II state aid is subtracted from the LEA state/local expenditures to come up with the LEA local expenditures.
- The LEA local expenditures are compared and the per pupil capita is calculated.
- If the LEA local expenditures are equal to or higher than the pervious year and/or the per pupil capita amount is equal to or higher than the pervious year then the LEA has maintained effort.
- If the LEA local expenditures and/or the per pupil capita are lower than the pervious year the LEA did not maintain effort in Phase I and Phase II.

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## MOE Notification

- All LEAs will receive an official memo from the Minnesota Department of Education that they have or have not maintained effort.
- The LEAs that were determined to have not maintained effort in both Phase I and Phase II must send a justification into MDE as to why their local expenditures decreased from the pervious year.

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## What Happens When MOE is Not Maintained:

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

## What Happens When MOE is Not Maintained: (continued)

Example:

- District #999 MOE base was \$120,000.00 (07-08)
- District #999 MOE base was \$100,000.00 (08-09)
- The decrease between the two years is \$20,000.00 which could not be justified.
- The new adjusted MOE base for district #999 will be \$120,000.00 (08-09)

## What Happens When MOE is Not Maintained: (continued)

- LEAs that fail to maintain effort will have their General Education Aid reduced in the amount they failed to justify in the current year Minn. Stat. § 126C.21, Subd.5.
- These funds are then sent to the U.S. Department of Education.

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## Questions may be directed to:

- MOE
  - Mike Matlock at 651-582-8379 or [mike.matlock@state.mn.us](mailto:mike.matlock@state.mn.us)