IDEA Part B LEA
Maintenance of Effort

March 2, 2020

Anthony Mukuna
Special Education Funding & Accountability Coordinator

Grace Dehner
Financial Specialist

Idaho State Dept. of Education

Supporting Schools and Students to Achieve

SHERRI YBARRA, ED.S., SUPERINTENDENT OF PUBLIC INSTRUCTION
Agenda

• LEA Maintenance of Effort Overview
• Allowable Costs for MOE
• MOE Standards for determination
• Maintenance of Effort Test
• Maintenance of Effort Exceptions
• Accounting for MOE and School-Based Medicaid
• MOE Failure and Fiscal monitoring
• Maintenance of Effort Scenarios
• IDEA Part B Funds must not be used to reduce the state and local level of expenditures for the education of children with disabilities.

• The amount of local, or state and Local Funds expended for the education of children with disabilities, is the amount of funds that establishes the level of expenditures to be maintained from year-to-year and establishes the MOE level.
Maintenance of What?

The Federal government only sends small amounts for federal grants.

So...why do we care about your maintenance of effort?
Equality vs Equity
• IDEA is a federal law that requires schools to serve the educational needs of eligible students with disabilities

• Children with disabilities in education are protected groups

• IDEA is not only about your IDEA Part B federal grants

• IDEA is also about putting mechanisms in place to encourage LEAs to do more for special education.
Excess Cost of Special Education

• Excess costs are costs generated from the existence of a special education program.

• Students in the special education program are general education students first, but IDEA regulation was designed for the special education program.

• IDEA federal grants are allocated for the excess costs related to the education of students with disabilities.

• Excess costs are costs of providing special education and related services to students with disabilities.

• Maintenance of effort expenditures are also excess costs of special education.
• The US Federal government supports state and local governments by providing IDEA federal grants.

• The US Federal government must ensure that state and local governments support the education of students with disabilities in that State by maintaining or increasing the level of special education excess cost expenditures from year to year.
State of Idaho Special Education Annual Funding

Federal - IDEA Part B
- School Age: $52,276,730 (20%)
- Preschool Age: $2,123,353 (1%)

Federal Medicaid School-Based Services: $28,174,682 (11%)

State & Local Funding: $177,435,548 (68%)

(Reported via 2018 Financial Summary Report data)
Allowable Expenditures to Meet MOE
Idaho State Department of Education
• Maintenance of effort (MOE) is the matching requirement of IDEA.

• MOE is special education expenditures excluding federal funds.

• MOE must be excess costs that would not have been incurred if the LEA did not have a special education program.
Matching funds must meet the following criteria:
• Verifiable from the non-Federal entity's records;
• Necessary and reasonable for accomplishment of project or program objectives;
• Allowable under Subpart E—Cost Principles of this part;
• Not a contribution for any other Federal award;
• If not allowable under the grant, most likely not allowable under MOE.
2 CFR §200.430  Compensation—personal services

• Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.

• Time and effort with Personnel Activity report (PAR) or semi-annual certification.
• Costs associated with salaries and fringe benefits of superintendent.
• Not allowed for IDEA and MOE.
• It is not an excess cost of special education. LEAs have administrators regardless.
Principals Or Assistant Principals

• Costs associated with salaries and fringe benefits of school principals and assistant principals.

• Not allowed for IDEA and MOE.

• Maybe allowed for IDEA and MOE. If an individual is employed as a part-time principal and also as a part-time special education teacher or provider, the salary and fringe benefits for teaching special education or providing other special education services may be charged to the IDEA grant.
Business Manager Salary

• Costs associated with salaries and fringe benefits of business manager
• Not allowed in IDEA and MOE. It is not a direct cost of the program.
Medicaid Billable Expenses

• Costs of reimbursable Medicaid billable expenses
• Never allowed for IDEA or MOE
• The costs are already paid with other federal funds so they cannot be charged to IDEA or MOE.
Medicaid State Match

• Costs of state/local share of Medicaid billable expenses
• Not allowed for IDEA. State match charged to IDEA is no longer a state match.
• Allowed for MOE. Per OSEP MEMO 15-10, LEAs must include state and local funds spent for the education of children with disabilities regardless of whether it uses those same funds to comply with other matching requirements i.e. Medicaid state match.
Medicaid Administration Fee

- Costs for claiming Medicaid funds including third-party administrators.
- Not allowed for IDEA or MOE. It is not a direct cost of the program.
Purchase of Meals

• Costs for the purchase of meals.
• Not allowed for IDEA or MOE. Meals purchased for staff meetings or sponsored training/conference/events.
• Maybe allowed for IDEA and MOE if purchase is related to student special education activities in accordance to an IEP.
Standards for MOE Determination
34 CFR §300.203 (a)

• The federal code establishes the eligibility standard based on the LEA’s prior year expenditures.

• The federal code outlines in detail, the 4 basic standards used by the Idaho State Department of Education Special Education to determine whether the LEA passed or failed the maintenance of effort test.
Standards for Determining Maintenance of Effort

The 4 basic criteria for compliance and eligibility:

- Combination of State and Local Funds – total amount
- Combination of State and Local Funds – per capita basis (Child count)
- Local Funds Only – total amount
- Local Funds Only – per capita basis (Child count)

From year to year, the LEA needs to spend at least the same amount as in prior fiscal years.
An LEA can elect to use the combination of State and Local or Local Funds Only to meet MOE requirement.

If Local Funds is selected, SDE requires the following:

- *Audited Financial Statements* indicating the source of Local Funds i.e. supplemental levy, etc.
- *Accounting processes* used to account for local funds
- *Previous FY Audited Financial Statements*
- Indication that *MOE is based on local funds only* in the application
• Idaho Financial Accounting Reporting Management System (IFARMS) does not separate expenditures by state and local funds.

• The majority of LEAs in Idaho use the combination of state and local funds for the purpose of meeting the MOE test.
Maintenance of Effort Test
The comparison of expenditures from the most recent year for which information is available to expenditures in the last fiscal year the LEA met the MOE test.

The test has two components:
1. Compliance test
2. Eligibility test
COMPLIANCE Test

Compares the LEA’s special education actual expenditures from the most recent fiscal year to prior year expenditures.

ELIGIBILITY Test

Compares the LEA’s special education budgets to prior year expenditures.
OSEP provided more guidance on the comparison rule. The SDE is required to use **FY 2012** as the starting fiscal year for MOE comparison purposes.

(In the Federal Register Vol. 80 No. 81 pages 23647-23648)

To determine the last time an LEA met the MOE test, the SDE can start the test in FY 2011-12 for comparison purposes.
Maintenance of Effort Exception
An LEA may reduce the level of its expenditures (local, or state and local; in total or per capita) below the level of those expenditures for the preceding fiscal year under certain circumstances.
MOE Exception cont’d

• Voluntary departure by retirement or departure for just cause of special education or related services personnel;

• Decrease in the enrollment of children with disabilities;

• Termination of costly expenditures for long-term purchases, such as the purchase of an IEP software program;

• Termination of an exceptionally costly obligation to a particular child with a disability because the child:
  1. Has left the jurisdiction of the administrative unit;
  2. Has reached the age at which the obligation to provide FAPE to the child is terminated; or
  3. No longer needs the program of special education.
In FY 2017-18, the LEA’s MOE Expenditures were $500,000.
In FY 2018-19, the LEA lost a teacher with a salary of $60,000/year.
In FY 2018-19, the LEA has a $60,000 eligible exception.
If the LEA elects to take the exception, the MOE threshold will be reset at $440,000 ($500,000-$60,000).
• In FY 2017-18, the LEA’s MOE Expenditures $500,000
• In FY 2018-19, child count was 100. Per student MOE was $5,000
• In FY 2018-19, child count decreased by 10 and is now 90
• The LEA has a $50,000 ($5,000 * 10) eligible exception
• If the LEA elects to take the exception, the MOE threshold will be reset at $450,000 ($500,000-$50,000)
For any fiscal year in which an LEA’s Part B allocation exceeds the amount the LEA received for the previous year, the LEA may reduce its State and Local support of special education by up to 50 percent of the amount of the increase in its Part B allocation.

***With certain exceptions***
The LEA cannot reduce its State and Local support of special education under \textit{34 CFR §}300.205 if:

• Action has been taken against the LEA under IDEA Section 616;

• The LEA’s responsibility for providing FAPE has been taken away by the SDE; or

• The LEA has been found to have significant disproportionality (race and ethnicity) under \textit{34 CFR §}300.646
MOE Reduction Example

34 CFR §300.205

• The LEA’s Part B allocation for 2017-18 was $3,500,000
• The LEA’s Part B allocation for 2018-19 was $4,000,000
• Allocation increase is $500,000 so 50% of $500,000 is $250,000
• The LEA may reduce its state and local expenditures for 2018-19 by $250,000
• The $250,000 must be expended for activities and programs allowable under the Elementary and Secondary Education Act (ESEA).
Accounting for MOE and School Based Medicaid
The IDEA Part B Application has been broken up into two submissions:

1. Preliminary Application
2. Final Application
Open on May 1 with a submission date of June 15.
LEA will report MOE budgets used for the eligibility test.
Eligibility test compares MOE budget in Section III to the expenditures in MOE history.
• Open after the preliminary approval with a submission due date of **November 15**.
• LEA will report MOE actual expenditures used for the compliance test
• MOE compliance test compares actual expenditures in Section II to prior year expenditures
• LEAs might have to update their budgets in Section III accordingly if the actual expenditures in Section II are higher than the budget reported in Section III during the preliminary application.
# IDEA Application and MOE

## State and Local Maintenance of Effort Worksheet and Assurance Form - 2019-2020

<table>
<thead>
<tr>
<th>School Year</th>
<th>Combined Total</th>
<th>Other Expenditures</th>
<th>Medicaid Reimbursements</th>
<th>Post Annual Report Adjustments</th>
<th>Adjusted Total</th>
<th>Exceptions</th>
<th>Child Count</th>
<th>Per Pupil Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-2014</td>
<td>$21,008,984</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$21,008,984</td>
<td>$0</td>
<td>2589</td>
<td>$8,115</td>
</tr>
<tr>
<td>2014-2015</td>
<td>$21,767,723</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$21,767,723</td>
<td>$0</td>
<td>2676</td>
<td>$8,134</td>
</tr>
<tr>
<td>2015-2016</td>
<td>$21,759,604</td>
<td>$16,755</td>
<td>$0</td>
<td>$0</td>
<td>$21,776,359</td>
<td>$0</td>
<td>2687</td>
<td>$8,104</td>
</tr>
<tr>
<td>2016-2017</td>
<td>$22,489,689</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$22,489,689</td>
<td>$0</td>
<td>2810</td>
<td>$8,003</td>
</tr>
<tr>
<td>2017-2018</td>
<td>$23,646,291</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$23,646,291</td>
<td>$0</td>
<td>2953</td>
<td>$8,008</td>
</tr>
<tr>
<td>2018-2019</td>
<td>$25,317,454</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$25,317,454</td>
<td>$0</td>
<td>3029</td>
<td>$8,358</td>
</tr>
</tbody>
</table>

Adjusted Total Threshold = $25,317,454  
Per Pupil Amount Threshold = $8,358
## Budget Amounts for FY ending 6/30/2020

Enter your district/LEA’s Budgeted General M&O expenditures, from State and Local funds, for FY 2020.

<table>
<thead>
<tr>
<th>Function Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFARMS 100-521</td>
<td>Special Education Program</td>
<td>$0</td>
</tr>
<tr>
<td>IFARMS 100-522</td>
<td>Special Education Preschool Program</td>
<td>$0</td>
</tr>
<tr>
<td>IFARMS 100-016</td>
<td>Special Education Support Services Program</td>
<td>$0</td>
</tr>
</tbody>
</table>

### Combined Total
$0

List below any general fund expenditures for the excess costs of providing Special Education and Related Services not included in one of the function program codes above:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Based Medicaid State match</td>
<td>$0</td>
</tr>
<tr>
<td>Professional Development</td>
<td>$0</td>
</tr>
<tr>
<td>Transportation Costs</td>
<td>$0</td>
</tr>
<tr>
<td>Other (Describe below)</td>
<td>$0</td>
</tr>
</tbody>
</table>

### Adjusted Total
$0

**Estimated Child Count - November 2019**

0

### Average Per Pupil budgeted amount FY 2020

$0

**Exception Amount (from Budget Exception worksheet)**

$0

**Adjustment to Local Fiscal Efforts**

2019-2020 Allocation: $285,927

**No Allocation Increase. Not eligible for Adjustment to Local Fiscal Efforts**
Accounting for MOE
Federal Expenditures

34 CFR §300.154 – Reimbursements from Federal Funds

• Reimbursements from Federal Funds, including Medicaid, will not be considered “State and Local” funds and cannot be used for the purposes of maintenance of effort provisions.

• SDE recommends you keep your Medicaid expenses and reimbursements separate
  • Do not commingle with other general fund expenses
  • School-based Medicaid has its own fund number 260.
LEAs must include state and local funds spent for the education of children with disabilities regardless of whether it uses those same funds to comply with other matching requirements i.e. Medicaid state match.

- Medicaid expense was $100,000
- Reimbursed portion was 71% or $71,000
- State match was 29% or $29,000
- Any portion of state match used for the education of children with disabilities must be included in the maintenance of effort report.
School Based Medicaid – Fund 260

Why?

• Commingling of federal funds is prohibited under 2 CFR §200.302

• SDE has reporting requirements to our state legislature
  • How much was spent on Special Education with State and Local Funds for FY 2016-17? $176.1 million in IFARMS but this also included Medicaid federal reimbursements.
  • How much of Federal Medicaid reimbursement was included? $10.9 million was reported by individual LEAs in the IDEA Part B application. But fiscal reviews reveal that some LEAs did not report to the SDE.
  • How much was spent on State match school-based Medicaid? We don’t know.

• Consistency is essential for accurate reporting
  • Different funds were used for school-based Medicaid: Fund 100, 230, 288, 283, 236 etc...
MOE Failure and Fiscal Monitoring
MOE Failure

• MOE Eligibility Failure Implications
  • LEA will be ineligible for IDEA Part B funds in the year for which the budgeted amount did not meet the test.

• MOE Compliance Failure Implications
  • LEA must return the amount by which it failed to meet MOE to the State.
  • Paybacks must be made out of non-Federal funds or funds for which accountability to the Federal government is not required i.e. Maintenance of Effort expenditures or Medicaid match cannot be used for repayment.
  • LEAs will be ineligible for IDEA Part B funds until the issue is resolved.
MOE Failure - Consequences

Maintenance of Effort level goes back to the year that LEA met MOE and not the year that it failed the test.

- LEA’s MOE for 2017-18 was $250,000
- LEA’s MOE for 2018-19 was $200,000 with no valid exception
- LEA’s MOE for 2019-20 must be $250,000 or more
1. The belief that the amount reported for MOE needs to be the same amount as last year.

2. Keeping excess maintenance of effort expenditures in other function codes and not reporting that amount for special education.

3. The misconception that Medicaid State Match does not have anything to do with IDEA.

4. Transferring general funds revenue in funds 257 & 258 to increase the budget and offset the excess of the grant expenditures.

*Just remember that Maintenance of Effort means special education expenditures with non-federal funds.*
Maintenance of Effort Scenarios
Practice Time
### SCENARIO 1
What Should NOT be included within MOE?

<table>
<thead>
<tr>
<th>Salaries and Benefits</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Superintendent coded in Fund 100-521</td>
<td>$250,000</td>
</tr>
<tr>
<td>Business Manager</td>
<td>$180,000</td>
</tr>
<tr>
<td>Special Education Director</td>
<td>$180,000</td>
</tr>
<tr>
<td>Special Education Teachers</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Special Education Support Staff</td>
<td>$800,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Medicaid</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Administrative Billing</td>
<td>$6,000</td>
</tr>
<tr>
<td>Total Medicaid Billable Expenses</td>
<td>$200,000</td>
</tr>
<tr>
<td>Federal Medicaid Reimbursement from DHW</td>
<td>$140,000</td>
</tr>
<tr>
<td>Medicaid State Match</td>
<td>$60,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased Services coded in fund 100-616</td>
<td>$300,000</td>
</tr>
<tr>
<td>SPED Professional development coded in fund 100-651</td>
<td>$15,000</td>
</tr>
<tr>
<td>SPED meals purchased for staff meeting coded in fund 100-521</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

| Total State and Local Maintenance of Effort     | $      |
### Scenario 1 Answer

<table>
<thead>
<tr>
<th>Salaries and Benefits</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superintendent coded in Fund 100-521</td>
<td>$250,000 (excluded)</td>
</tr>
<tr>
<td>Business Manager</td>
<td>$180,000 (excluded)</td>
</tr>
<tr>
<td>Special Education Director</td>
<td>$180,000 (included)</td>
</tr>
<tr>
<td>Special Education Teachers</td>
<td>$1,200,000 (included)</td>
</tr>
<tr>
<td>Special Education Support Staff</td>
<td>$800,000 (included)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Medicaid</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Administrative Billing</td>
<td>$6,000 (excluded)</td>
</tr>
<tr>
<td>Total Medicaid Billable Expenses</td>
<td>$200,000 (excluded)</td>
</tr>
<tr>
<td>Federal Medicaid Reimbursement from DHW</td>
<td>$140,000 (excluded)</td>
</tr>
<tr>
<td>Medicaid State Match</td>
<td>$60,000 (included)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Expenses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased Services coded in Fund 100-616</td>
<td>$300,000 (included)</td>
</tr>
<tr>
<td>SPED Professional development coded in fund 100-651</td>
<td>$15,000 (included)</td>
</tr>
<tr>
<td>SPED meals purchased for staff meeting coded in fund 100-521</td>
<td>$1,500 (excluded)</td>
</tr>
</tbody>
</table>

**Total State and Local Maintenance of Effort**

$2,555,000.00
## Scenario 2 - Medicaid State Match

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid budgeted in fund 260</td>
<td>$400,000</td>
</tr>
<tr>
<td>Actual Medicaid expenses in fund 260</td>
<td>$360,000</td>
</tr>
<tr>
<td>Medicaid State Match paid from fund 260</td>
<td>$108,000</td>
</tr>
<tr>
<td>Medicaid reimbursement from DHW (including state match deposited in trust account)</td>
<td>$360,000</td>
</tr>
<tr>
<td><strong>Medicaid State match to be reported to in the application</strong></td>
<td>$ -</td>
</tr>
</tbody>
</table>
## Fund 260

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid budgeted in fund 260</td>
<td>$ 400,000</td>
</tr>
<tr>
<td>Actual Medicaid expenses in fund 260</td>
<td>$ 360,000</td>
</tr>
<tr>
<td>Medicaid State Match paid from fund 260</td>
<td>$ 108,000</td>
</tr>
<tr>
<td>Medicaid reimbursement from DHW (including state match deposited in trust account)</td>
<td>$ 360,000</td>
</tr>
<tr>
<td>Medicaid State match to be reported to in the application</td>
<td>$ 108,000</td>
</tr>
</tbody>
</table>
Special Education Funding Contact Information

Dr. Charlie Silva  
Special Education Director  
csilva@sde.idaho.gov  
Phone: (208) 332-6806

Anthony Mukuna  
Funding and Accountability Coordinator  
amukuna@sde.idaho.gov  
Phone: (208)332-6916

Grace Dehner  
Contracts & Fiscal Specialist  
gdehner@sde.idaho.gov  
Phone: (208) 332-6910

Website: [http://www.sde.idaho.gov/sped/](http://www.sde.idaho.gov/sped/)