



# Maintenance of Effort (MOE)

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*Supporting Schools and Students to Achieve*

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# MOE Requirement for ESSA Programs



## Overview

- What is MOE?
- Who calculates MOE?
- MOE Test
- Comparison of Fiscal year
- MOE Calculation
- Examples
- Failure to Meet the Requirement
- Federal Allocations Affected
- Uncontrollable Circumstances
- U.S. Department of Education Waiver Process

# What is MOE?



## Maintenance of Effort

An LEA must demonstrate that the level of State and local funding remains constant from year to year, regardless of Federal funding.

# Who Calculates MOE?



MOE calculation for ESSA Programs is performed by the State Department of Education (SDE).



# MOE Test (Aggregate)



- State and Local Funds (i.e. 100 – General)
  - 2019-2020 - \$125,000 total
    - 2020-2021 - \$130,000 total
    - 2021-2022 - \$135,000 total

# MOE Test (Per Student)



- State and Local Funds (i.e. 100 – General)
  - 2019-2020 - \$155 per student
    - 2020 -2021 - \$160 per student
      - 2021 -2021 - \$165 per student

# Fiscal Years Compared



In June 2021, the SDE will compare:

- Fiscal Year **2019-2020** with Fiscal Year **2018-2019**
  - 2019-2020  **$\geq 90\%$**  2018-2019
  - Per student **or** aggregate total
  - The LEA must spend at least 90% of what was spent the prior year, on a per student basis or in aggregate.

# MOE Calculation

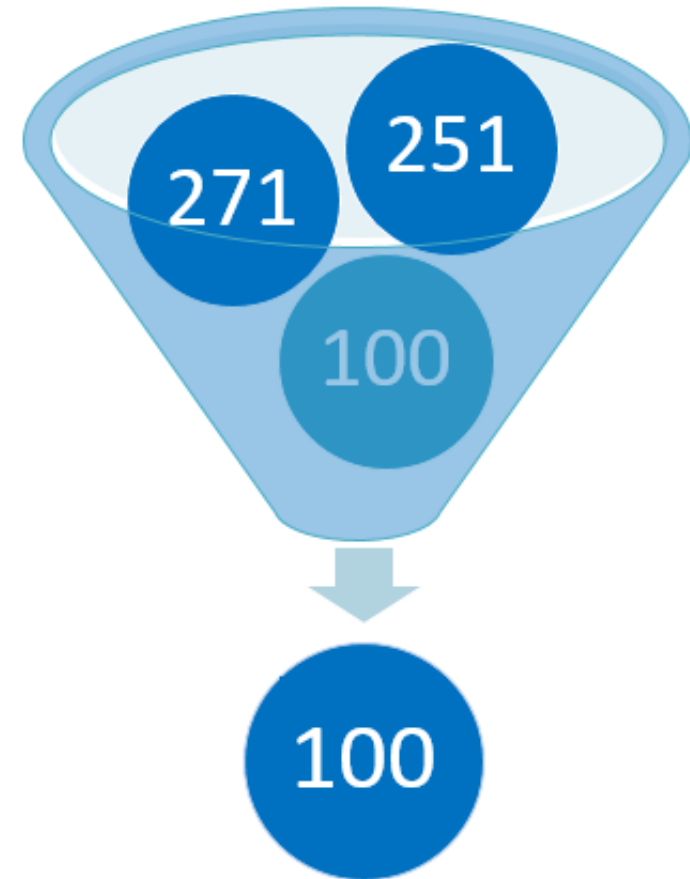


## Excluded Expenditures (Federal)

- Federal funds
- Community services
- Capital outlay
- Debt service

## Included Expenditures (State & Local)

- Administration
- Instruction
- Attendance
- Health services
- Pupil transportation
- Operation & maintenance of plant
- Fixed charges





# Example One



MOE TEST	FY 19-20	FY 18-19 at 100%	Is FY 19-20 < 90% of FY 1819?	Difference%
ADA full term	5.00	6.00		
Net expenditures	211,512	280,000	YES	16.07%
FY 18 per student expenditures	42,302	46,667		
If both tests are failed-the most favorable reduction				

- Two tests: aggregate and per student
- The LEA meets the MOE requirement because **one of the two tests was met.**

# Example Two



MOE TEST	FY 19-20	FY 18-19 at 100%	Is FY19-20 < 90% of FY1819?	Difference%
ADA full term	5.00	6.00		
Net expenditures	211,512	300,000	YES	21.66%
FY 18 per student expenditures	42,302	50,000	YES	5.99%
If both tests are failed-the most favorable reduction				<b>5.99%</b>

- Two tests: aggregate OR per student
- The LEA does not meet MOE requirement because **both tests are failed**

# MOE - Failure to Meet the Requirement



If an LEA fails to meet the MOE requirement, the SEA must reduce ESSA Federal allocations by the most favorable percentage.

In this example, the reduction would be **5.99%**.

# Federal Allocations Affected



2019-2020 **<90%** 2018-2019

2021-2022 ESSA Allocations will be reduced by **5.99%**

This includes all covered programs authorized by:

- Part A of Title I - Improving Basic Programs
- Part C of Title I – Migrant Education
- Part D of Title I - Neglected, Delinquent, or At-Risk
- Part A of Title II - Supporting Effective Instruction
- Part A of Title III - English Language Acquisition
- Part A of Title IV - Student Support & Academic Enrichment
- Part B of Title IV - 21st CCLC
- Subpart 2 of Part B of Title V - Rural and Low-Income School Program
- Subpart 1 of Part A of Title VI - Indian Education

*(ESEA sections 8101(11), 6118(c), 8521(a))*



## Waiver from the SDE

- SDE may grant a waiver if the LEA has met MOE in at least four out of the last five previous years
- ESSA section 8521(b)(1)



## Waiver from the US Department of Education

If one of the following applies:

- Exceptional or **uncontrollable circumstances**
- A precipitous decline in the financial resources of the LEA
- A change in the organizational structure of the LEA



## Examples of Changes in the Organizational Structure

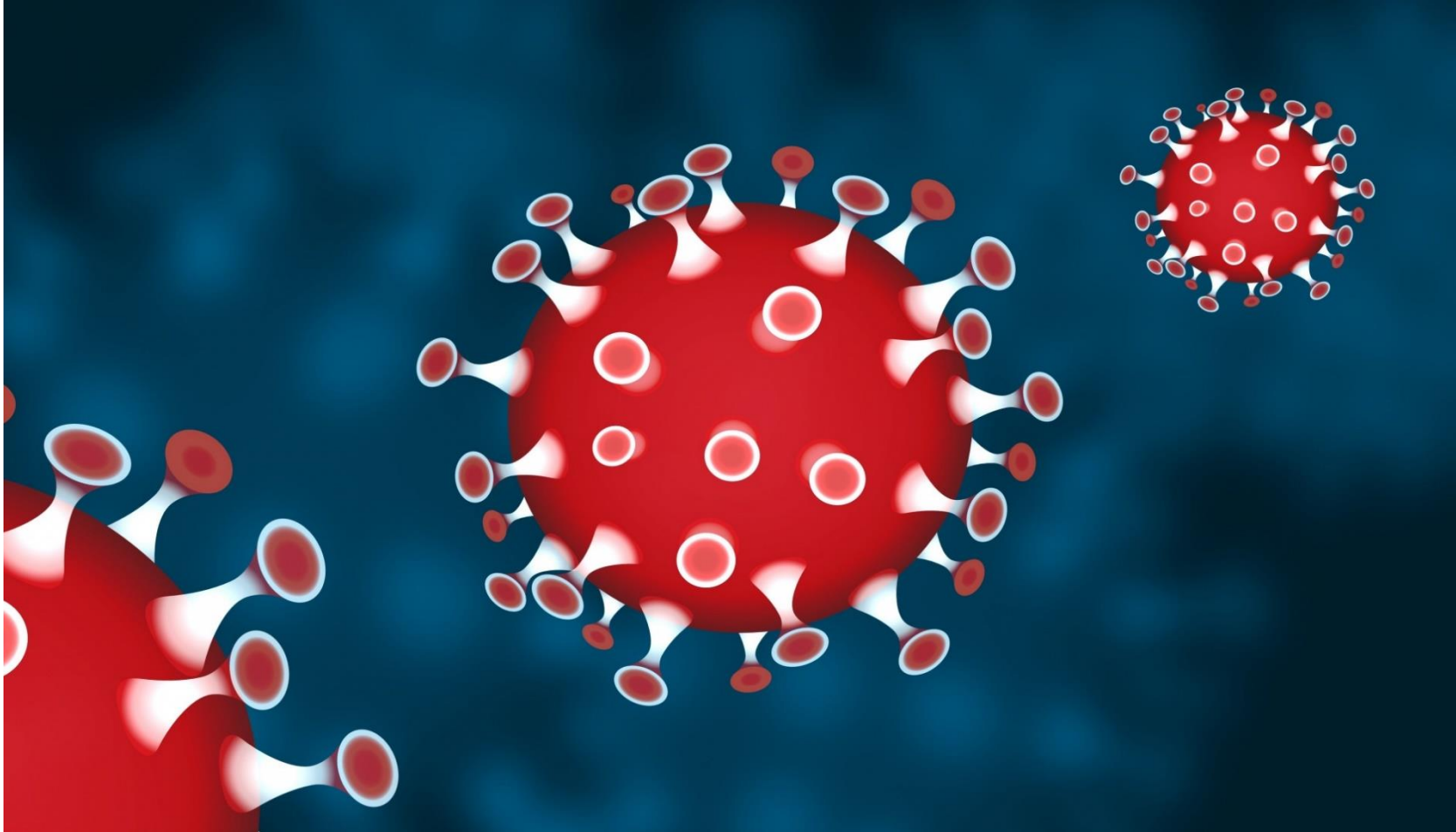
The LEA changes its configuration:

- The LEA merges with another LEA
- The LEA divides into two or more LEAs
- The LEA eliminates grade levels (e.g., previously served grades K-12 and now serves grades K-8)

The LEA changes its management or operations structure to create economies of scale to be more efficient:

- The LEA makes the decision to consolidate budget and fiscal management staff into a single team located in the central office

# MOE – Uncontrollable Circumstances





# MOE – AFFECTED BY FEDERAL EMERGENCY RELIEF FUNDING AND REDUCTION OF STATE FUNDING



- In light of the Coronavirus Pandemic, LEAs (who are failing MOE for the first time) may file for a waiver with the U.S. Department of Education rather than receiving a waiver through the SDE.
- The SDE waiver may be reserved for future use.
- LEAs failing MOE for the second time will have to request a waiver from the U.S. Department of Education through the SDE.

# MOE – AFFECTED BY FEDERAL EMERGENCY RELIEF FUNDING AND REDUCTION OF STATE FUNDING - PROCESS



- LEAs to provide a detailed explanation that addresses their decline in the aggregate spending and the per-student-spending.
- SDE to send data summary and with a letter of support to the U.S. Department of Education.
- U.S. Department of Education review process is lengthy.
- Immediate LEA response to the MOE notification is essential.

# MOE – AFFECTED BY FEDERAL EMERGENCY RELIEF FUNDING AND REDUCTION OF STATE FUNDING – ADDITIONAL DOCUMENTS



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## MAINTENANCE OF EFFORT PROCEDURES

### What is Maintenance of Effort?

An LEA must demonstrate that the level of state and local funding remains constant from year to year, regardless of federal funding. An aggregate test and a per-student test will be performed. Only if the LEA fails both tests - the aggregate spending and the per-student-spending is less than 90% of the prior year spending - federal allocations will be reduced by the appropriate percentage.

### ESEA 8521 (b)(1) states that

“The State educational agency shall reduce the amount of the allocation of funds under a covered program in any fiscal year in the exact proportion by which a local educational agency fails to meet the requirement of subsection (a) of this section by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the local agency), if such local educational agency has also failed to meet such requirement (as determined using the measure most favorable to the local agency) for 1 or more of the 5 immediately preceding fiscal years.” (emphasis added)

### What years are compared?

A preceding fiscal year is compared to the second preceding fiscal year. The preceding fiscal year is a full 12-month period prior to the beginning of the current state fiscal year.

What Federal grant allocation was affected?	When is it calculated by the SDE?	Preceding Year "prior to 12-month period"	Second Preceding Year
7/1/2021– 6/30/2022 Fiscal Year 21 - 22	June 2021	7/1/2019 – 6/30/2020 Fiscal Year 19-20	7/1/2018 – 6/30/2019 Fiscal Year 18-19
7/1/2022 – 6/30/2023 Fiscal Year 22 - 23	June 2022	7/1/2020 – 6/30/2021 Fiscal Year 20-21	7/1/2019 – 6/30/2020 Fiscal Year 19-20
7/1/2023 – 6/30/2024 Fiscal Year 23 - 24	June 2023	7/1/2021 – 6/30/2022 Fiscal Year 21-22	7/1/2020 – 6/30/2021 Fiscal Year 20-21
7/1/2024 – 6/30/2025 Fiscal Year 24 - 25	June 2024	7/1/2022 – 6/30/2023 Fiscal Year 22-23	7/1/2021 – 6/30/2022 Fiscal Year 21-22



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### Furthermore, subsection (c) states that

“The Secretary may waive the requirements of this section if the Secretary determines that a waiver would be equitable due to— (1) exceptional or uncontrollable circumstances, such as a natural disaster or a change in the organizational structure of the local educational agency; or (2) a precipitous decline in the financial resources of the local educational agency.” (emphasis added)

### Timeline of MOE Calculation

The Federal Programs Department, in conjunction with School Finance, will perform MOE calculations in June 2021. Staff will calculate Maintenance of Effort for the year 2021-2022, by comparing compare FY 2018-2019 with FY 2019-2020. LEAs will be notified if they have failed MOE for one or more of five immediately preceding fiscal years.

### Filing A Waiver with The U.S. Department of Education

The practical application of ESEA subsections (b) and (c) may result in the following:

ESEA 8521 (b): For LEAs that have met Maintenance of Effort requirements in four of the last five prior fiscal years, the State Department of Education may issue a waiver to the LEA.

ESEA 8521 (c): For LEAs that have not met Maintenance of Effort requirements in four of the last five prior fiscal years, the LEA may request a waiver from the U.S. Department of Education.

## MAINTENANCE OF EFFORT AFFECTED BY FEDERAL EMERGENCY RELIEF FUNDING AND REDUCTION OF STATE FUNDING

### Concerns

Due to the reduction of state funding and the impact of federal emergency relief funding, LEAs are concerned that they will not be able to meet Maintenance of Effort requirements as outlined by ESEA Section 8521. Should this situation arise, subsection (c) allows for a waiver due to “exceptional or uncontrollable circumstances, such as a natural disaster”. In light of the Coronavirus Pandemic, LEAs (who are failing MOE for the first time) may file for a waiver with the U.S. Department of Education rather than receiving a waiver through the SDE. In other words, the SDE waiver may be reserved for future use, LEAs failing MOE for the second time will have to request a waiver from the U.S. Department of Education through the SDE.

If an LEA receives a waiver of the maintenance of effort requirement from the Department for a given fiscal year, the LEA has effectively maintained effort for that fiscal year. Accordingly, in determining whether the LEA had failed to maintain effort for the last five prior years, the SEA would count the year in which the LEA received a waiver as a year of maintaining effort.

### Process

LEAs that have been identified by the SDE as failing MOE - who wish to request a U.S. Department of Education MOE waiver - will be asked by the SDE to provide a detailed explanation that addresses their decline in the aggregate spending and the per-student-spending. The SDE will then compile individual data into a summary sheet and send that information, along with a letter of support, to the U.S. Department of Education. The review process by the U.S. Department of Education may take several months; consequently, immediate LEA response to the MOE notification is essential.

# Questions?



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