



**DIVISION OF
FINANCIAL AND
ADMINISTRATIVE SERVICES**
Special Education Finance

**2014 Bookkeeper
Training**

March 2014

Missouri Department
of Elementary and Secondary Education

STAFF

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Topics

- ❑ Special Education Funding
- ❑ Special Education Payment Information
- ❑ Special Education Expenditure Coding
- ❑ Separate Tracking of Expenditures
- ❑ Cash Management Improvement Act
- ❑ IDEA Maintenance of Effort Requirement



Special Education Finance Web Page

<http://dese.mo.gov/divspeced/Finance/>



Special Education Funding



Funding Sources — Revenue Codes

Funds are assigned a Revenue Code to indicate the Fund Source:



Local: 51xx, 52xx, 58xx



State: 53xx



Federal: 54xx



Local Funding



Sources may include:

Description	Revenue Code
Current Taxes	5111
Proposition C	5113
City Sales Tax	5117
Food Service Program	5150-5164
Other – From Local Sources	5190
Tuition from other Districts	5810



State Funding



Sources may include:

Description	Revenue Code
Basic Formula – State Monies	5311
Transportation State Aid	5312
Early Childhood Special Education – State	5314
Public Placement Fund	5369
High Need Fund - State	5381



State Special Education Funding



\$149 million State Monies included in
Basic Formula

State funding formula changed in FY07
which removed a separate state
categorical payment for Special Education

Change allows LEA to determine actual
amount needed for Special Education



Federal Funding



Sources may include:

Description	Revenue Code
IDEA Part B (611) Entitlement	5441
IDEA Grants (NOT Entitlement): Statewide Collaborative Work Initiative, SWIS, SET, High Need Fund, etc	5437
Non-IDEA Special Education Grants	5438
Early Childhood Special Education – Federal	5442
Medicaid	5412



Special Education Payment Information

Tracking Payments From DESE



DESE Monthly Payment Transmittals

Revenue Code	Revenue Name	CFDA Number	Organization Making Payment	Monthly Payment	Payment to Date
5311	Basic Formula - State Monies		Admin & Financial Administrative Services	\$3,020,241	\$34,754,671
5314	ECSE - Prior Year		IDEA	\$479,909	\$1,704,955
5381	Sp Ed High Need Fund-State		IDEA	\$144,366	\$144,366
5441	Special Education Part B Entitlement	84027A	IDEA	\$792,000	\$3,389,918
5442	ECSE – Current Year	84027A	IDEA	\$284,917	\$423,567
5437	Statewide Collaborative Work Initiative	84027A	IDEA	\$28,825	\$28,825

Finding Payment Transmittals

1. Go to DESE Web Applications
2. Click on School Finance
3. Select District from Drop-down List
4. Click on Payment Transmittal
5. Select Year
6. Select Month



DESE Audit Confirmation

Project or Grant	Revenue Code	CFDA Number	Amount	Totals
Basic Formula - State Monies	5311		\$3,020,241	\$3,020,241
ECSE - Current Year	5314		\$479,909	\$479,909
Sp Ed High Need Fund-State	5381		\$144,366	\$144,366
Special Education Part B Entitlement	5441	84027A	\$792,000	\$792,000
ECSE – Current Year	5442	84027A	\$284,917	\$284,917
Statewide Collaborative Work Initiative	5437	84027A	\$28,825	\$28,825

Finding Audit Confirmations

1. Go to DESE Web Applications
2. Click on School Finance
3. Select District from Drop-down List
4. Click on Reports
5. Select Year
6. Select Month of June
7. Click on Audit Confirmation Report



Special Education Expenditure Coding

Missouri Financial Accounting Manual

http://dese.mo.gov/divadm/finance/acct_manual/CompleteAccountingManual.html



2014-15 Function Codes

Description	Function Code
Special Education and Related Services	1221
Coordinated Early Intervening Services	1223
Proportionate Share Services	1224
Tuition, Severely Disabled Program Within the State	1931
Professional Development	2200
Transportation and Maintenance	2500
Facility Acquisition and Construction	4000
ECSE Transportation (MOE only*)	2559
All other ECSE Services (MOE only*)	1280

These are the function codes that we highly recommend using when coding special education expenditures for reporting purposes.

Special Education Function Codes

1221 – Special Education and Related Services

Instruction specially designed to meet the unique needs of a child with a disability and other such developmental, corrective and supportive services as required by the child's Individualized Education Program (IEP) through the Individuals with Disabilities Education Act (IDEA)

Includes Homebound Instruction for students with IEP's



Special Education Function Codes

1223 – Coordinated Early Intervening Services (CEIS)

Programs supported with IDEA funds for students in grades K-12 who need additional academic support to succeed in their general education environment, but who have not been identified as needing special education services



Special Education Function Codes

1224 – Proportionate Share Services

Programs and services supported with IDEA funds for home schooled and parentally-placed private/parochial school students with disabilities. This code may **only** be used to record those expenditures made to meet the requirements of 34 CFR 300.130-300.148 and Appendix B to Part 300 for the above stated services.

Budgeting and Releasing Proportionate Share Funds Webinar

<http://dese.mo.gov/webinar/RecordedWebinars-Jan2014.htm>



Special Education Function Codes

1931 – Tuition, Severely Disabled Program Within the State

Tuition paid to state institutions approved by the Department's Office of Special Education. For ePeGs purposes, tuition paid to out of state institutions or private institutions outside of the state approved by the Department's Office of Special Education will also be included under 1931.

This does not include any Local Tax Effort (LTE) payments to other school districts or MO Schools for the Severely Disabled (MSSD).



Object Codes

Description	Object Code
Certificated Salaries	6100
Non-Certificated Salaries	6150
Employee Benefits	6200
Purchased Services	6300
Materials and Supplies	6400
Capital Outlay (including equipment)	6500

Separate Tracking of Expenditures



Separate Tracking – Federal



- Current regulations require LEAs to track special education expenditures from IDEA Part B funds separately from all other expenditures



Separate Tracking – State and Local



- New proposed IDEA regulations related to Maintenance of Effort (MOE) will require LEAs to track special education expenditures from state and local sources separately as well. Previously, LEAs were not required to track state and local expenditures separately.
- These MOE changes will be effective on the FY15 Part B FER MOE actual grid in ePeGs



Expenditure Source

QUESTION:

How can a LEA track State, Federal, and Local expenditures separately?

ANSWER:

You have **three** options:

1. Use Source/Project Codes (**Preferred Method**)
2. Use Expenditure Descriptors
3. Use Varying Function Codes



Source/Project Code Option



Source/Project Code Option

Assign source/project code to each funding source as shown below:

- 41 – Federal IDEA Part B Entitlement Funds
- 42 – Federal Statewide Collaborative Improvement Grant
- 10 – State Special Education Funding
- 01 – Local Special Education Funding



Source/Project Code Option Examples

Special Education Teacher paid with Part B funds:

1221-6100- 41	SE Teacher Salaries	\$5,000.00
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Special Education Teacher paid with State funds:

1221-6100- 10	SE Teacher Salaries	\$5,000.00
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Special Education Teacher paid with Local funds:

1221-6100- 01	SE Teacher Salaries	\$5,000.00
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Advantages / Disadvantages

Advantages

- Easily able to query expenditure data for ePeGS payment requests and FER reporting (including Maintenance of Effort)
- Identify staff who need to complete time and effort requirements
- Identify equipment that needs to be listed on inventory.
- Easy to audit and distinguish in the general ledger

Disadvantages

- Only able to use this method when the grant amount is known upfront; otherwise journal entries/vouchers must be completed after funds are received to account for through source/project code



Expenditure Descriptor Option



Expenditure Descriptor Option

Create a expenditure descriptor to identify the funding source as shown below:

Federal - IDEA

State - State Sped

Local - Local Sped



Expenditure Descriptor Option Examples

Special Education Teacher paid with Part B funds:

1221-6100 SE **IDEA** Teacher Salaries \$5,000.00

Special Education Teacher paid with State funds:

1221-6100 SE **State** Teacher Salaries \$5,000.00

Special Education Teacher paid with Local funds:

1221-6100 SE **Local** Teacher Salaries \$5,000.00



Advantages / Disadvantages

Advantages

- Able to track expenditures separately

Disadvantages

- Data isn't easily queried, must be manually sorted and compiled
- Have to create descriptors for all special education function codes
- Not easy to audit



Function Code Option



Function Code Option

Assign a function code to each funding source as shown below:

1221 – Federal Expenditures

1222 – State Expenditures

1225 – Local Expenditures

NOTE: Function codes must be within a range to still “roll-up” to 1220 in ASBR



Function Code Option Examples

Special Education Teacher paid with Part B funds:

1221-6100 SE Teacher Salaries \$5,000.00

Special Education Teacher paid with State funds:

1225-6100 SE Teacher Salaries \$5,000.00

Special Education Teacher paid with Local funds:

1222-6100 SE Teacher Salaries \$5,000.00



Advantages / Disadvantages

Advantages

- Able to track expenditures separately

Disadvantages

- Must keep a current chart of accounts to indicate which function codes are for which funding source. Hard to distinguish in general ledger without chart of accounts.
- Even though DESE has only a few identified function codes for special education (1221, 1223, 1224), it's possible DESE could choose to use more in the future and may select a code the district is also using.
- Not as easy to audit



Cash Management Improvement Act (CMIA)



CMIA Compliance

RULE: Districts can't "sit" on federal funds; an action must be taken to tie federal funds to an expenditure under one of the following three options:

OPTIONS:

- Expend as Federal Upfront
- Journal Voucher as Federal
- Request & Expend as Federal



Expend as Federal Upfront

- ❑ **Code the expenditure as a federal account expenditure and then request the funds for that expenditure**
- ❑ The district would incur the expenditure and code to the federal account upfront. The district would then request and receive reimbursement for the expenditure. Since the reimbursement is already tied to the expenditure, there is no need to take further action. Districts should ensure they do not request more than they have incurred in expenditures under this option.
- ❑ Examples: Entitlement and Statewide Collaborative Improvement Grants where grant amounts are known up-front



Expend as Federal Upfront

EXAMPLE

Step 1:

Incur and Code to Federal Account

1221-6311-41	\$15,000.00	10/10/13
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Step 2:

Request and Receive Funds

Payment Request	\$15,000.00	11/21/13
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Journal Voucher as Federal

- ❑ **Code the expenditure as a general account or state/local expenditure and request funds for that expenditure. Then, upon receipt of funds, the district would journal voucher the expenditure to a federal account within 3 days to tie the funds to a federal expenditure.**
- ❑ The district would incur the expenditure and code to the general or state/local account upfront. The district would request and receive reimbursement for the expenditure. Then, upon receipt of funds, the district must journal voucher the expenditure to the federal account since this step wasn't completed up-front.
- ❑ Examples: ECSE and HNF federal reimbursements
- ❑ *Caution: Don't JV to equipment or purchased services over procurement threshold amount



Journal Voucher as Federal

EXAMPLE

Step 1:

Incur Expenditure and Code to General Account/State Funds in General Ledger

1280-6311	\$5,000.00	10/10/13
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Step 2:

Receive Federal Funds in Monthly School Payment Transmittal

Federal payment amount	\$5,000.00	4/21/14
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Step 3:

Journal Voucher to Recode the Expenditure to Federal (“41”) Account w/in 3 Days

1280-6311	-\$5,000.00	
1280-6311-41	\$5,000.00	4/24/14



Request & Expend as Federal

- Request funds, code as a federal account expenditure to an upcoming expenditure within 3 days of receipt**
- The district would request funds first based on an obligated amount, receive the funds, and then code to the general ledger under a federal expenditure account. This option is not recommended unless an expenditure is a certainty or reoccurring on a regular basis, such as payroll.
- Example: Payroll



Request & Expend as Federal

EXAMPLE

Step 1:

Request and Receive Funds (Based on Obligations)

Payment Request	\$5,000.00	11/21/13
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Step 2:

Incur and Code to Federal Account within 3 Days

1221-6111-41	\$5,000.00	11/24/13
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IDEA Maintenance of Effort



Maintenance Of Effort (MOE)

(34 CFR §300.203)

Funds provided to a LEA under Part B must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

- LEA must **SPEND** same amount in **CURRENT YEAR** as compared to **PRIOR YEAR** to be in compliance;
- LEA must **BUDGET** same amount in **NEXT YEAR** as compared to **CURRENT YEAR** to be in compliance.



Maintenance of Effort (MOE)

Meet MOE on -

Total Expenditure OR Per capita (child) basis
using:

Local Funds Only



OR

Combination of State and Local Funds



MOE – What to Include

Description	Function Code
Special Education and Related Services	1221
Proportionate Share Services (<u>supplemental only</u>)	1224
Tuition, Severely Disabled Program Within the State	1931
Professional Development	2200
Transportation and Maintenance	2500
Facility Acquisition and Construction	4000
ECSE Transportation	2559
All other ECSE Services	1280

All Special Education expenditures within these function codes paid for with **non-Federal** funds must be included in MOE.



MOE – What NOT to Include

Do **Not** Include Expenditures Paid With:

- Federal Part B Entitlement
- Federal Proportionate Share
- Federal ECSE
- Medicaid
- Federal High Need Fund
- Federal Grants

NO Federal Expenditures on MOE



Including ECSE Expenditures in MOE

Current year Early Childhood Special Education (ECSE) expenditures must be included in MOE.

How do I determine which ECSE expenditures to include in MOE?

Answer:

1. Re-code Federal Expenditures
2. Expend Federal Funds Within 3 days and Track Separately

*This must also be done to be in compliance with the Cash Management Improvement Act (CMIA)



Including ECSE Expenditures in MOE

Re-coding Expenditures

Step 1:

Incur Expenditure and Code to General Account/State Funds in General Ledger

1280-6311	\$5,000.00	10/10/13
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Step 2:

Receive Federal Funds in Monthly School Payment Transmittal

Federal payment amount	\$5,000.00	4/21/14
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Step 3:

Journal Voucher to Recode the Expenditure to Federal (“41”) Account w/in 3 Days

1280-6311	-\$5,000.00	
1280-6311-41	\$5,000.00	4/24/14



Including ECSE Expenditures in MOE

Expending Federal Funds within Three Days

Step 1:

Receive Federal Funds in Monthly School Payment

Federal amount	\$500.00	4/21/14
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Step 2:

Incur and Code to Federal Account (“41”) Within 3 Days

1280-6111-41	\$500.00	4/24/14
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Calculating ECSE Expenditures in MOE

Districts must take the following steps to determine amount of ECSE expenditures to include in MOE:

1. Pull from general ledger all ECSE expenditures (function codes 1280/2559) for year just concluded that have been coded as NON-Federal
2. Calculate total by function/object code of ECSE expenditures paid with NON-Federal funds for year just concluded and enter into MOE grid



Steps to Take Prior to Calculating K-12 MOE

1. Code all K-12 Special Education expenditures to a Special Education function code
2. Determine what K-12 Special Education expenditures will be paid with Federal, State, and Local funds
3. Determine how you will track Federal, State, and Local Special Education expenditures separately
4. Tag all Federal, State, and Local Special Education expenditures separately



Calculating K-12 Expenditures in MOE

LEAs should not calculate MOE for K-12 expenditures by deducting Federal revenue from total K-12 Special Education expenditures to determine MOE.

Due to the upcoming MOE regulation changes, LEAs must calculate MOE using the following method...



Calculating K-12 MOE

1. Anything tagged with a Federal code will **NOT** be included in MOE
2. Anything tagged with a State code will be included toward the State and Local combination amount
3. Anything tagged with a Local code will be included toward the State and Local combination amount AND will also be pulled out separately for the Local Only amount



Example of GL Coding

Function Code	Object Code	Source Code	Description	Amount
1221	6100	41	Certificated Salaries	\$10,000
1221	6150	41	Non-Cert Salaries	\$10,000
1221	6200	10	Employee Benefits	\$5,000
1221	6400	01	Materials/Supplies	\$1,000
2500	6300	10	Transp. Purch. Services	<u>\$2,000</u>
			Total State and Local Combo MOE Amount	\$8,000

Recap...

- No Federal expenditures should be reported on MOE actual grid

Federal Funds = **F**ER Grid

- MOE = State and Local OR Local Only
- Separate Tracking = Easy MOE calculation
- Use Special Education Function Codes for Special Education Expenditures
- Include ECSE non-Federal expenditures in MOE



MOE Exceptions

- ❑ Voluntary Departure of Special Education Staff
- ❑ Decrease in Enrollment of Children with Disabilities
- ❑ Termination of a Costly Obligation for a Specific Child
- ❑ Assumption of the Cost by the High Need Fund
- ❑ Termination of a Costly Long-Term Purchase

These are the ONLY allowable exceptions to MOE



MOE Adjustment

- ❑ IDEA allows the LEA to reduce MOE threshold when allocations increase from one year to next
- ❑ This reduction assists LEA in spending increase in Federal funds

MOE Adjustment is calculated by taking 50% of the increase in allocation from prior year to current year Part B allocation.

Example:

Prior Year's Allocation:	\$900,000
Current Year's Allocation:	\$1,000,000
Increase:	\$100,000
Max Available for MOE reduction:	\$50,000



MOE Adjustment Facts

- ❑ The MOE Adjustment DOES NOT decrease Part B Allocation but instead the amount of Local/State Funds that must be spent on students with disabilities (MOE)
- ❑ MOE Adjustment must be taken in the year of the increase
- ❑ MOE Adjustment resets the MOE for MOE Adjustment year and future years until LEA voluntarily increases
- ❑ MOE Adjustment may be taken with any allowable MOE exceptions



What If MOE is Not Met?

- If there are no allowable exceptions or adjustments and MOE is Not Met, the LEA must pay DESE back the amount of MOE not met from either **LOCAL** or **STATE** funds
- The MOE is **NOT** re-set to the lower amount; it is maintained at the amount from the previous year



Resources

- ❑ General Federal Guidance • OMB Circulars • EDGAR – Education Department General Administrative
<http://dese.mo.gov/fas/GeneralFederalGuidance.html>
- ❑ DESE Accounting Manual (School Finance)
http://dese.mo.gov/divadm/finance/acct_manual/
- ❑ Individuals with Disabilities Education Act (IDEA) Regulations
<http://www2.ed.gov/legislation/FedRegister/finrule/2006-3/081406a.pdf>
- ❑ MO State Plan for Special Education
<http://dese.mo.gov/se/stateplan/index.html>
- ❑ Special Education Fiscal Monitoring Guide
<http://dese.mo.gov/divspeced/Finance/documents/sef-MonitoringGuide2014.pdf>
- ❑ Fiscal Monitoring resources
<http://dese.mo.gov/divspeced/Finance/FiscalMonitoring.html>
- ❑ Maintenance of Effort resources
<http://dese.mo.gov/divspeced/Finance/mofeindex.html>



FY15 Due Dates

Title	Services Year	Due Date
FY15 Part B Budget Application	2014-15	July 1, 2014
FY14 Part B Final Expenditure Report	2013-14	Sept. 30, 2014
FY14 ECSE Expenditure Report	2013-14	Oct. 17, 2014
Public Placement Fund Application	2013-14	Oct. 31, 2014
High Need Fund Application	2013-14	Nov. 30, 2014
Readers for the Blind Application	2014-15	Nov. 30, 2014
FY15 Part B Budget Application Amendment	2014-15	April 30, 2015