

# High Need Fund (HNF) Manual

## Division of Financial and Administrative Services Special Education Finance For Services Provided in the 2019-20 School Year

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This manual reflects the Office of Special Education state plan for the implementation of a High Need/High Cost Fund meeting the requirements of Section 162.974, RSMo, and IDEA, Section 300.704 (c).

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## BACKGROUND

The Extraordinary Cost Fund (5 CSR 20-300.140) was utilized since 1998 to help support the costs of high need children with disabilities. Individual LEAs could access the Extraordinary Cost Fund when serving children with disabilities whose educational costs exceeded five times the LEA's Current Expenditure per Pupil.

A court ruling in 2004 determined that the Extraordinary Cost Fund did not provide sufficient funding to address contractual placements for special education services. Therefore, in 2005, the General Assembly introduced Senate Bill (SB) 287 to address the lawsuit findings and provide funding in order for LEAs to offer appropriate special education programs, whether within the LEA or through contractual placements. SB 287 was developed in conjunction with a selected group of LEAs, advocates, and advisory panels. This new legislation established the High Need Fund, which changed the funding mechanism from reimbursing 5x the Current Expenditure per Pupil under the Extraordinary Cost Fund to 3x the Current Expenditure per ADA under the High Need Fund. The selected group of LEAs and advocates also helped create the High Need Fund Manual, currently utilized as the state plan required in federal regulations.

In addition to state funding, the reauthorization of the Individuals with Disabilities Education Act (IDEA) in 2004 allowed States operating a high need fund prior to January 1, 2004 to start utilizing a portion of IDEA federal grant funds to assist in paying educational costs for high needs students.

## PURPOSE

The High Need Fund (HNF) was established pursuant to Section 162.974, RSMo, to provide additional funding support to Local Education Agencies (LEAs) delivering special education instruction and related services to high need students with disabilities being served through an Individualized Education Program (IEP). Reimbursement to LEAs under the HNF for qualifying students is made without regard to disability.

## FUNDING

Funding support may be claimed for students with disabilities when special education and related services costs exceed three times the LEA's current expenditure per Average Daily Attendance (ADA). LEAs may seek reimbursement for any special education costs that exceed three times the LEA's Current Expenditure per ADA threshold.

### STEP 1: Determine Threshold Amount

LEA Current Expenditure per ADA Amount	\$6,500
3X LEA Current Expenditure per ADA Amount	\$19,500

## STEP 2: Determine Reimbursement Amount

Total Special Educational Costs for Student	\$32,000
3X LEA Current Expenditure per ADA Amount	<u>-\$19,500</u>
HNF Reimbursement Amount	\$12,500

The Current Expenditure per ADA amount is calculated on an annual basis through the LEA's Annual Secretary of the Board Report (ASBR). Initial calculations are utilized in the HNF application to meet the September 30 submission deadline. However, once ASBR data is reviewed and finalized, any changes to the Current Expenditure per ADA amount in excess of \$500 will be applied to the LEA application.

### **ALLOWABLE COSTS**

Per 34 CFR 300.704, only costs associated with providing direct special education and related services that are identified in an IEP will be reimbursed by the HNF. Costs may be claimed for special education instruction, related services, transportation, tuition, contractual costs, cooperative fees, assistive technology, supplies, and other miscellaneous costs. Any expenditures for general education services are not allowed to be claimed on the HNF. Expenditures supporting legal fees, court costs or other costs associated with a cause of action brought on behalf of a child with a disability to ensure FAPE for the child are not allowable expenditures. Students over the age of 21 are not eligible for the HNF, as FAPE is only required for student until the age of 21.

### **STUDENT ELIGIBILITY**

Students K-12 and under the age of 21 with a disability served through an IEP whose special educational costs exceed three times the Current Expenditure per ADA may trigger the LEA's eligibility for reimbursement through the HNF. It is not feasible that students with disabilities served outside of the special education classroom would be eligible for the fund.

Examples of costs that may trigger reimbursement include: one-on-one special instruction, personal aides, personal nurses, tuition, transportation costs for contractual placements, and extraordinary amount of related services.

Students should NOT be claimed on the both the HNF and Public Placement Fund applications.

### **REIMBURSEMENT**

LEAs with qualifying high need students may receive reimbursement from both state and federal sources. Reimbursement is made the following fiscal year in which services were provided due to the Current Expenditure per ADA calculation. The payment schedule for reimbursement is listed below. In the event of a shortfall in funding, a supplemental request will be made to legislators and state reimbursement payments

may be delayed until receipt of the supplemental. If a supplemental request is not passed, LEAs **with the highest impact when comparing HNF expenditures to total LEA revenues will be paid first.**

ANNUAL PAYMENT SCHEDULE		
Year Services Provided	Federal Reimbursement Payment	State Reimbursement Payment
2018-19	January 2020	January, February, or March 2020
2019-20	January 2021	January, February, or March 2021
2020-21	January 2022	January, February, or March 2022
2021-22	January 2023	January, February, or March 2023

Reimbursement is received through the school transmittal process under the following codes:

PAYMENT TRANSMITTAL		
Type of Revenue	Revenue Code	Description
State	5381	Spec Ed High Need Fund - State
Federal	5437	Spec Ed High Need Fund - Federal

The Cash Management Improvement Act (CMIA) requires LEAs to demonstrate when receiving federal funds that the federal funds are coded to an expenditure by the date the federal funds are received. Therefore, LEAs that receive federal funds through the HNF payments must code the total amount of federal funds received to current year K-12 special education expenditures originally paid with non-federal funds through the journal entry correction process. It is not necessary to code HNF federal funds to high need costs. Because the funds are IDEA funds, they can be coded to any allowable current year K-12 special education expenditure.

## CODING HIGH NEED FUND EXPENDITURES

Project and source codes are not required for the receipt of HNF revenue. However, project and source codes are required on the expenditure side when expending HNF revenue.

**State** revenue received through the HNF reimbursement can be used for any LEA current year expenditure. If the LEA uses the revenue for current year K-12 special education program costs, the expenditure must be coded to the appropriate fund, function, object, and location code, with a source code 3 and project code 12210.

**Federal** HNF revenue spent for current year K-12 special education program, costs must be coded to the appropriate fund, function, object, and location code, with a source code 4 and project code 43703. It is up to the LEA to determine on which current year K-12 special education expenditures the HNF federal funds are coded to and ensure that federal expenditure requirements are followed for those expenditures, including obligation periods.

- If federal HNF reimbursement is expended for salaries and benefits of employees, the LEA must ensure employees paid with HNF federal funds sign a semi-annual certification form or personnel activity report (PAR).
- If federal HNF reimbursement is expended for equipment, the LEA must ensure the equipment is added to an inventory log.
- If federal HNF reimbursement is expended for contracted services, the LEA must ensure the contract process followed LEA procurement requirements.

## MONITORING

The HNF will be monitored on the following criteria:

- Random selection of 10% of applications received
- A change in reimbursement greater than 10% from prior year
- Students claimed with educational placements of 1100 and 1201
- Costs claimed by disability
- Costs claimed by placement

Monitoring findings may require the LEA to submit supporting documentation, such as expenditure calculations, proration methods, payroll records, invoices, general ledgers, check stubs, IEPs, etc.

LEAs must maintain and be able to provide documentation relating to the expenditures claimed on the HNF application. If documentation to support all costs claimed on the application can't be provided to DESE during a fiscal monitoring review, the HNF reimbursement amount will be adjusted based on the actual documentation available.

## PUBLIC INPUT

The Office of Special Education allows public input on the structure and operation of the HNF. Please complete the form on Appendix B with any comments, concerns, or suggestions regarding the fund, and follow the submission instructions.

# APPLICATION INSTRUCTIONS

LEAs will complete the HNF application through the DESE web applications ePeGs system beginning in 2020-21 for services provided in the 2019-20 school year. Applications prior to that year are not be able to be viewed in ePeGS. A copy of the application may be requested from the technical assistance contact.

## USER ACCESS

To grant access to the new High Needs Fund Grant within the ePeGS web application, the User Manager or Authorized Representative for the LEA will need to assign the new security roles of Authorized Representative and Data Entry for this ePeGS grant. A user must have Authorized Representative permission to be able to submit on behalf of the LEA. Data entry role will allow access to the application and the ability to enter and save data. It will not allow the user to submit.

## APPLICATION LOCATION

### **Instructions:**

#### **Step 1: Log into DESE Web Applications**

- DESE Web Applications URL: <https://apps.dese.mo.gov/webLogin/login.aspx>
- Enter User Name and Password, then click Login button.

#### **Step 2: Select ePeGS**

#### **Step 3: Select Funding Application Menu**

#### **Step 4: Select Special Education**

#### **Step 5: Select High Need Fund Application**

#### **Step 6: Select Appropriate Year from Dropdown Box**

#### **Step 7: Select Create HNF Application**

## DUE DATE

Applications are due September 30th each year and are optional to submit. Applications will be available to create beginning in August.

## APPLICATION GUIDANCE

- Student claimable expenses are actual educational expenses for the previous school year from July 1 to June 30. **These expenses must be special education expenses and supported by the IEP.**
- Student MOSIS numbers will be automatically populated on the application from the June MOSIS Student Core file in which the student was marked as high need. The LEA will need to resubmit the MOSIS file in order to make changes to the MOSIS numbers included in the application, if needed.

The application will need to be saved the next day after the MOSIS file is resubmitted to allow the student data to refresh in the application.

- The LEA will only be able to create an application after the ASBR has been submitted for the previous year. For instance, in order to create an application to report 2019-20 HNF costs, the 2019-20 ASBR must be submitted. The application pulls the current expenditure per ADA amount from the ASBR. Once the application is created the current expenditure per ADA will not update without contacting DESE and receiving approval of change.
- Cooperative fiscal agents or member LEAs may apply for HNF reimbursement. The submitting fiscal agent/member LEA must use their respective current expenditure per ADA in the application and a student may only be claimed on one application. LEAs and fiscal agents need to work closely to determine the educational costs for each student as well as necessary agreements to reimburse those costs.
- IDEA does not allow expenditures for legal fees, court costs, or other costs associated with a course of action brought on behalf of a child with a disability to ensure Free Appropriate Public Education (FAPE), or for costs that otherwise would be reimbursed under the State Medicaid program.

## **REPORTING HNF EXPENDITURES**

### **Instructions:**

#### **Step 1: Select for each student if they had costs billed to Medicaid**

The LEA must indicate if Medicaid was billed for reimbursement on occupational therapy, speech therapy, physical therapy, private duty nursing, personal care, behavior health or hearing aid services for each HNF student. This will allow DESE to ensure that funds paid under the HNF are drawn from the appropriate funding source as IDEA does not allow federal disbursements under this fund to pay costs that otherwise would be reimbursed under the State Medicaid program under Section XIX of the Social Security Act.

#### **Step 2: Enter each student's qualifying special educational costs**

- **Instructional Costs**
  - The LEA will enter special education instructional costs directly related to the student's education and supported by the student's IEP. This may include special education teachers, paraprofessionals, interpreters, and others as appropriate. Instructional costs not specifically allocated to an individual student must be prorated.
  - Example I: Self Contained. Special education teacher's salary plus benefits divided by the number of students in the class.  $\$45,000 \text{ salary and benefits} / 8 \text{ students} = \$5,625 \text{ per student}$
  - Example II: Itinerant. Special education teacher's salary plus benefits multiplied by the percentage of time the student spends in classroom during the day, then divide by the number of students present during that percentage of time.  $\$45,000 * 25\% \text{ of the day} / 3 \text{ students} = \$3,750 \text{ per student}$
- **Related Services Costs**
  - The LEA will enter related services costs directly related to the student's education and supported by the student's IEP. This may include, but is not limited to occupational therapy,

speech therapy, physical therapy, orientation and mobility, braille instruction, counseling, and ABA consulting. Related services not specifically allocated to an individual student must be prorated.

- Example I: Speech Therapist. A Speech Therapist has a total of 1800 minutes per week of therapy time with students. The salary and benefits total \$60,000. The therapist spends 60 minutes per week with Alex. In order to determine the portion of cost for Alex, use the following calculation:  $60 \text{ minutes} / 1800 \text{ minutes} = 3 \%$ .  $3 \% * \$60,000 = \$1,800$  for Alex. If seen in a group session, prorate by the number of students.  $\$1,800 / 3 \text{ students} = \$600$  for Alex.
- Example II: Occupational Therapist. An Occupational Therapist is paid by an hourly rate of \$35 per hour. The therapist spends 20 minutes per week with one student. There are 36 weeks in the school year. In order to determine the portion of cost for the individual student, use the following calculation:  $20 \text{ minutes} * 36 \text{ weeks} = 720 \text{ minutes per year}$ .  $720 \text{ minutes} / 60 \text{ minutes} = 12 \text{ hours}$ .  $12 \text{ hours} * \$35 = \$420$  per student. If seen in a group, prorate by the number of students.  $\$420 / 2 \text{ students} = \$210$  per student.
- Example III: ABA Consultant. The LEA contracts with an ABA consultant to provide services for three students. The contracted rate is \$1,800 per month. In order to determine the portion of cost for one student, use the following calculation:  $\$1,800 * 9 \text{ months (or actual \# of months of service)} = \$16,200$  per year.  $\$16,200 \text{ per year} / 3 \text{ students} = \$5,400$  per student per year.

- **Transportation Costs**

- The LEA will enter transportation costs for LEA disabled routes for students with disabilities, individualized routes for students with disabilities, cab fare for students with disabilities, contractual transportation costs for students with disabilities, and/or transportation reimbursements paid to parents with students with disabilities.
- Example I: Individualized Special Education Route. Student rides an individualized/special education route. This may include bus, cab, contractual, and/or parent reimbursement. Actual costs for these routes should be reported on the application.
- Example II: LEA Operated Disabled Route for Students with Disabilities. Student rides a LEA operated route for students with disabilities. Use actual prorated costs or Line 48 - Cost per ADT for disabled students from the BU110 School Transportation State Aid Formula Sheet (Cost per ADT for disabled students can be found on the supporting documentation tab on the HNF Application). Report this amount as the cost on the application.

- **Tuition/Contractual/Cooperative Costs**

- The LEA will enter tuition/contractual/cooperative costs paid to approved private agencies, other LEAs, or cooperatives for students with disabilities. The LEA should report the actual cost from the invoices received for the student with a disability.
- Example: Private Agency or Other LEA. Cost per day multiplied by the number of days in attendance.  $\$80 \text{ per day} * 162 \text{ days of attendance} = \$12,960$  per year. Cost per month \* number of months enrolled.  $\$2,000 \text{ per month} * 9 \text{ months enrolled} = \$18,000$  per year.

- **Assistive Technology/Supplies Costs**
  - The LEA will enter assistive technology/supply costs directly related to the student’s education and supported by the student’s IEP. This may include, but is not limited to harnesses, braille writer, speech to text software, and computers. The LEA will report the actual cost from the invoices received on the assistive technology/supply for the student with a disability. However, if the assistive technology/supply is shared between students, the cost must be prorated.
  - Example: Lifting Harness. A Lifting Harness is utilized by 2 students. The cost of the harness was \$6,300.  $\$6,300 / 2 \text{ students} = \$3,150$  per student
  
- **Other Costs**
  - The LEA will enter other educational costs that are associated with implementing the student’s IEP. The LEA must include a description in the lines provided for any costs reported under this category. These costs are subject to DESE approval. Legal fees, court costs, or other costs associated with a course of action on a student with a disability are unallowable expenditures under IDEA.

**SUBMITTING THE APPLICATION**

**Instructions:**

**Step 1: Enter LEA contact information**

**Step 2: Agree to assurance statement**

**Step 3: Save and Submit**

Once the application is final and accurate submit by clicking the save and submit button.

**TECHNICAL ASSISTANCE CONTACT**

Additional assistance is available by contacting the Special Education Finance Technical Assistance Contact:

Michael Dierking, Supervisor  
[Michael.Dierking@dese.mo.gov](mailto:Michael.Dierking@dese.mo.gov)  
 Phone: (573) 522-2523

**Address:** P.O. Box 480, Jefferson City, MO 65102-0480  
**Section Phone:** 573-751-0622  
**Section Email:** [spedfunding@dese.mo.gov](mailto:spedfunding@dese.mo.gov)  
**Website:** <http://dese.mo.gov/financial-admin-services/special-education-finance>

## FREQUENTLY ASKED QUESTIONS

**1. This application does not require a lot of detailed expenditure documentation. Does the LEA have to keep documentation of the expenditures reported on the application?**

*ANSWER: Yes, the LEA must keep all supporting documentation and calculations used to determine costs for the High Need Fund for a period of three (3) school years from the date of reimbursement of High Need Funds. DESE reserves the right to review this documentation at any time and make adjustments to the HNF calculation/reimbursement.*

**2. What will happen if the LEA fails to keep copies of documentation used to support HNF calculations?**

*ANSWER: If the documentation is not available for review during the three year period as outlined above, the assumption will be made that the costs cannot be supported for that year. An adjustment may be made to reduce a current year reimbursement equal to an amount that cannot be supported by documentation.*

**3. Should support and related services expenditures be claimed under related services or instructional costs?**

*ANSWER: It doesn't matter where the expenditure is reported on the application as long as the LEA can document/justify the cost.*

**4. Can LEAs claim warranties on assistive technology equipment?**

*ANSWER: Warranty and required maintenance costs for IEP specified assistive technology is allowable.*

**5. Many of the LEA's special education students do not generate enough costs on an expenditure per ADA basis to allow the LEA to access the HNF. Should the LEA still submit a HNF application?**

*ANSWER: The HNF was never intended to provide reimbursement to a LEA for all special education students. This fund was designed to assist with the costs for extremely high need students. LEAs are responsible for all costs up to 3 times the current expenditure per ADA using federal, state and local revenues. If special education student costs do not exceed 3 times the current expenditure per ADA, the LEA should not submit a HNF application.*

**6. Can the LEA claim the purchase or lease-purchase amount of a bus/vehicle if it is required to transport a special needs student?**

*ANSWER: No, bus and vehicle purchase and lease-purchase costs are unallowable costs for the HNF application.*

**7. Can the LEA apply for reimbursement through both the Excess Cost for Public Placement and High Need Fund if they have a student qualifying for both funds?**

*ANSWER: No, the LEA may access only one fund per student.*

**8. Can the LEA claim a portion of facility costs (lease/utilities/insurance/maintenance and upkeep, etc.) through the HNF?**

*ANSWER: No, facility costs including lease costs and lease-purchase costs are unallowable costs for the HNF application.*

**9. Can costs for Renovation/Construction be claimed?**

*ANSWER: No, renovation and construction costs are unallowable costs for the HNF application.*

**10. Can the 3x the Current Expenditure per ADA amount be prorated if the student only attended a partial year?**

*ANSWER: No. The statute does not allow for prorating the threshold the LEA must meet.*

**11. How does the LEA know which students to target for the fund?**

*ANSWER: Students whose educational costs may exceed three times the Current Expenditure per ADA may include, but are not limited to those students who meet the following criteria:*

- *Students in contractual placements*
- *Students with a personal aide/interpreters*
- *Students with a large amount of related services*
- *Students with private nurses*

**12. Who is responsible for completing the HNF application; the member LEA or the cooperative fiscal agent?**

*ANSWER: Cooperative fiscal agents or member LEAs may apply for HNF reimbursement. The submitting fiscal agent/member LEA must use their respective current expenditure per ADA in the application and a student may only be claimed on one application. LEAs and fiscal agents need to work closely to determine the educational costs for each student as well as necessary agreements to reimburse those costs.*

**13. How does Medicaid affect the HNF reimbursable amount?**

*ANSWER: The amount billed for Medicaid does not affect the amount of reimbursement to a LEA. It only affects which funds are used to reimburse the LEA.*

**14. Can LEAs claim general educational expenses (regular education teachers, non-curricular teachers, etc.)?**

*ANSWER: No, federal regulations state that the costs associated with educating a high need child with a disability are only those costs associated with providing direct special education and related services to such child that are identified in such child's IEP (20 USC 1411 (e) (3) (D)).*

## HNF PUBLIC COMMENT FORM

The Office of Special Education allows public input on the structure and operation of the HNF. Please complete the form below with any comments, concerns, or suggestions regarding the fund, and return to:

DESE – Division of Financial and Administrative Services  
Attn: Special Education Finance  
PO Box 480  
Jefferson City, MO 65102

Or email to: [spedfunding@dese.mo.gov](mailto:spedfunding@dese.mo.gov)

Name (Optional):

Phone Number (Optional):

Residing Local Education Agency:

Comments/ Concerns/ Suggestions: