



FINANCIAL AND ADMINISTRATIVE SERVICES

**Special Education Fiscal
Monitoring and New
Federal Regulations
Related to Maintenance of
Effort (MOE)**

April 24, 2014

Missouri Department of Elementary
and Secondary Education

Topics



- 2014-15 IDEA Part B 611 Allocations
- Upcoming Changes That Will Impact MOE
 - New Proposed Federal Regulations
 - 2014-15 ECSE Federal Allocations
- Tiered Federal Monitoring



2014-15 IDEA K-12 Funding

2014-15 IDEA Part B (611) Allocations

IDEA Part B Entitlement funds (Section 611) are Federal funds your LEA receives to help support your special education program and implement IDEA.

2014-15 - \$177 million IDEA Part B (611)

2014-15 Population and Poverty Counts and Part B (611) Allocations will be posted soon at:

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



Current Maintenance of Effort

Maintenance Of Effort (MOE) Requirement

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.

(34 CFR §300.203)

This Translates To...

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

FY13 Sped Expenditures \geq FY14 Sped Expenditures

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

FY15 Budgeted Sped Expenditures \geq FY14 Sped Expenditures

Methods for Meeting MOE

LEAs can meet MOE by one of the following methods:

- ❑ Total Local Funds Only
- ❑ Per Child/Per Capita Local Funds Only
- ❑ Total Combination of State and Local Funds
- ❑ Per Child/Per Capita Combination of State and Local Funds

LEAs only have to report expenditures for the method they choose to meet. This will change with the new proposed regulations.



NEW Maintenance of Effort

State and Local Expenditure Tracking

- 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 as federal sources. 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 in ePeGs.

MOE Changes

- Report both Local and State Special Education Expenditures in MOE grid
- No longer select MOE method – state will run all tests to check MOE eligibility
- LEAs will receive federal ECSE allocation to help better plan for MOE requirements (explained later in presentation)

Steps to Prepare...

- First, determine where Special Education Funding is coming from...

Funding Sources

Local Funding	Revenue Code	State Funding	Revenue Code	Federal Funding	Revenue Code
Current Taxes	5111	Basic Formula – State Monies	5311	IDEA Part B (611) Entitlement	5441
Proposition C	5113	Transportation State Aid	5312	IDEA Grants (NOT Entitlement)	5437
City Sales Tax	5117	ECSE– State	5314	Non-IDEA Sped Grants	5438
Food Service Program	5150-5164	Public Placement Fund	5369	ECSE– Federal	5442
Other – From Local Sources	5190	High Need Fund - State	5381	Medicaid	5412
Tuition from other LEAs	5810				

Steps to Prepare...

- Second, determine how the LEA is currently meeting MOE requirements as 2013-14 expenditures will set the threshold.
 - LEAs currently reporting State and Local as the MOE method in 2013-14 will have \$0 as a Local amount for 2013-14
 - LEAs currently reporting Local Only as the MOE method in 2013-14 will have the MOE amount reported on the 2013-14 MOE actual grid as the Local amount for 2013-14

Steps to Prepare...

- Third, determine how the LEA wants to maintain MOE. If the LEA wants to change methods, this is the time to do it without penalty!
 - Are local funding sources stable? If not, the LEA probably shouldn't maintain effort by local funds only.
 - Is the LEA planning any major budget cuts? If so, the LEA probably shouldn't maintain effort by the combination of state and local so one portion of the funding can handle the budget cut.
 - Is the LEA planning any major projects? If so, the LEA probably doesn't want to use the same funding source to meet MOE as it is using for the major project.

Steps to Prepare...

Finally, the LEA needs to track expenditures from state, local, and federal sources separately. There are three options for doing this:

1. Use Source/Project Codes (Preferred Method)

Special Education Teacher paid with State funds:

1221-6100-**10** SE Teacher Salaries \$5,000

2. Use Expenditure Descriptors

Special Education Teacher paid with State funds:

1221-6100 SE **State** Teacher Salaries \$5,000

3. Use Varying Function Codes

Special Education Teacher paid with State funds:

1225-6100 SE Teacher Salaries \$5,000

Example of GL Coding

41 = Federal, 10 = State, 01 = Local

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

Calculating 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.

Funding Information - Example

Amount to run Special Education Program in 2013-14:
\$500,000

IDEA Part B (611) Allocation in 2013-14: \$150,000

MOE from State and Local Combination: \$350,000

(MOE not broken out in 2013-14 by State and Local, so DESE will report local as \$0 until LEA sets threshold in 2014-15.)

MOE Examples

Year	State	Local	MOE Combo Method Test	MOE Local Method Test
2013-2014	\$350,000	N/A	\$350,000 Met	\$0
2014-2015	\$300,000	\$25,000	\$325,000	\$25,000 Met
2015-2016	\$340,000	\$10,000	\$350,000 Met	\$10,000
2016-2017	\$285,000	\$30,000	\$315,000	\$30,000 Met

*This LEA met MOE in 2013-14 using the State and Local method



2014-15 ECSE Federal Allocations

Federal Funding for ECSE

LEAs receive funding from multiple sources for ECSE programs, including state, federal IDEA 611 funds, and federal IDEA 619 funds.

Currently, LEAs can't determine their ECSE federal funding until after funding is received, which makes planning for MOE difficult. In addition, federal funding amounts can fluctuate depending on when an FER is submitted, cash flow, state allotments, etc.

This will change in FY15.

Determining ECSE MOE Amount

Currently, LEAs must calculate MOE for ECSE expenditures with the following formula:

Total ECSE Expenditures – Federal Funding = MOE Amount

This will change in FY15.

FY15 ECSE Federal Allocations



Starting in FY15, Special Education Finance will post estimated ECSE federal allocations in July.

To do this, the current ECSE FER must be changed.

ECSE FER

- Phase 1 – ECSE Payment System
 - Beginning in 2014-15, we will post 619 & 611 allocation amounts for LEAs with ECSE costs
 - Although this amount may change it will assist the LEA in planning for MOE

- Phase 2 – Revamp ECSE FER
 - We are moving the ECSE FER into ePeGs and making reporting of ECSE expenditures a more streamlined process while retaining accountability



Tiered Federal Monitoring

Tiered Monitoring Timeline

Task	2014-15	2015-16	2016-17
Desk Audit	Cohorts 1,2,3	Cohorts 1,2,3	Cohorts 1,2,3
Desk Monitoring/ Self-Assessment (Tiered Monitoring System)	Cohort 1	Cohort 2	Cohort 3
On-site /Telephone (Tiered Monitoring System)	Cohort 3 – 10%	Cohort 1 – 10%	Cohort 2-10%

Tiered Monitoring Process

- Tiered Monitoring Process at <http://www.dese.mo.gov/ls/index.html>
 - Description
 - Cohort Groups
 - Timeline

Tiered Federal Monitoring

- Possible Risk Factors – On-site or Telephone
 - Amount of federal funds (large amounts = greater risk)
 - A-133 audit findings
 - Late MOSIS/Core Data Reports
 - Financial Distress
 - Administrator Changes/Other Issues Reported by Auditor or LEA
 - Late FER
 - Late Budget Application
 - Violation of CMIA

Common Findings

- Expenditures not tracked separately
- Time distribution for federally paid employees
- Obligations prior to budget applications
- Cash Management Improvement Act (CMIA)
- Allowable Costs/Uses of Funds
- No inventory/tracking of equipment
- Special Education MOE documentation
- Proportionate Share

Monitoring/Fiscal Resource



Special Education Fiscal Monitoring Guide

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

Resources

- ❑ 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>
- ❑ Fiscal Monitoring Resources
<http://dese.mo.gov/divspered/Finance/FiscalMonitoring.html>

ANGIE NICKELL
DIRECTOR
SPECIAL EDUCATION FINANCE

angie.nickell@dese.mo.gov
573-751-4385