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## FISCAL REPORT

*PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS*

### Monitoring the Special Education MOE

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As with all financial transactions, the maintenance of effort (MOE) requirement should be monitored and adjusted throughout the year to ensure compliance. Monitoring the MOE can also help local educational agencies (LEAs) identify costs that may be artificially inflating the MOE, and thus, obligating the LEA to a higher level of expenditures than expected in the following year.

The special education MOE is a federal requirement of the Individuals with Disabilities Education Act (IDEA) and monitors both compliance and eligibility standards of each LEA and Special Education Local Plan Area (SELPA). The eligibility standard measures the budgeted amounts for special education expenditures against the prior-year actuals to ensure that the budget reflects the appropriate spending levels. Although there is not a penalty for not meeting the eligibility standard, SELPAs cannot issue any IDEA funds to LEAs that are not meeting the eligibility standard.

The compliance standard is the heavy weight! It requires that LEAs and SELPAs demonstrate spending for special education at the same or higher level than the prior year. Not meeting the compliance standard will penalize the agency on a dollar-for-dollar basis in the year that the standard is not met, but also requires that the subsequent year expenditures meet the level of spending that should have been met in the prior year (the Subsequent Years rule). This could potentially be a recurring penalty if the expenditure levels do not meet the standard. The MOE compliance standard is considered passed when the LEA can meet one of four tests:

1. State and local total expenditures
2. Local only total expenditures
3. Local only expenditures per capita
4. State and local expenditures per capita

LEAs can change the test used each year, but the comparisons must be from the same test. In addition to monitoring the expenditures and budgetary impact, monitoring the MOE also provides an opportunity for LEAs to determine eligibility for any exemptions to the MOE and to have the proper paperwork prepared at year-end. Exemptions to the MOE are limited to the following:

- Departure (voluntary or for just cause) of personnel replaced by lower-cost staff
- Decrease in enrollment of students with disabilities (SWDs)
- Termination of high-cost, long-term expenditures—for example:
  - Termination of the local agency's obligation for a high-cost placement of a SWD who may have left the LEA of residence, aged out, or is no longer in need of the services

The [LEA MOE Exemption Worksheet](#) is used to calculate the amount of MOE required and is filed with the MOE forms at year-end.

We at School Services of California Inc. recommend that the MOE reports (both during the year and when final) not be completed in silos in the business office or in the special education realm, but instead, that all parties be engaged in the process and have a full understanding of the financial impact as reported throughout the year. End-of-year surprises generally result in significant emotional events!