

# Maintenance of Effort Monitoring—Beyond the Basics

## A Webinar Series: Part I

**August 9, 2022**

### Presented By:

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*Public Education's Point of Reference for Making Educated Decisions*



**Acronyms**

<b>ADA</b> .....	Average Daily Attendance
<b>CalPERS</b> .....	California Public Employees’ Retirement System
<b>CalSTRS</b> .....	California State Teachers’ Retirement System
<b>CDE</b> .....	California Department of Education
<b>CFR §</b> .....	Code of Federal Regulations Section
<b>COE</b> .....	County Office of Education
<b>DP/LR</b> .....	Dispute Prevention and Learning Recovery funds
<b>ERMHS</b> .....	Educationally Related Mental Health Services
<b>FAPE</b> .....	Free Appropriate Public Education
<b>FY</b> .....	Fiscal Year
<b>IDEA</b> .....	Individuals with Disabilities Education Act
<b>JPA</b> s.....	Joint Powers Authority
<b>LCFF</b> .....	Local Control Funding Formula
<b>LEA</b> .....	Local Educational Agency
<b>MOE</b> .....	Maintenance of Effort
<b>PCRA</b> .....	Program Cost Report Allocation
<b>SACS</b> .....	Standardized Account Code Structure
<b>SELPA</b> .....	Special Education Local Plan Area
<b>SEMA</b> .....	Special Education MOE Actuals
<b>SEMB</b> .....	Special Education MOE Budget
<b>SWDs</b> .....	Students with Disabilities
<b>SYT</b> .....	Subsequent Year Tracking



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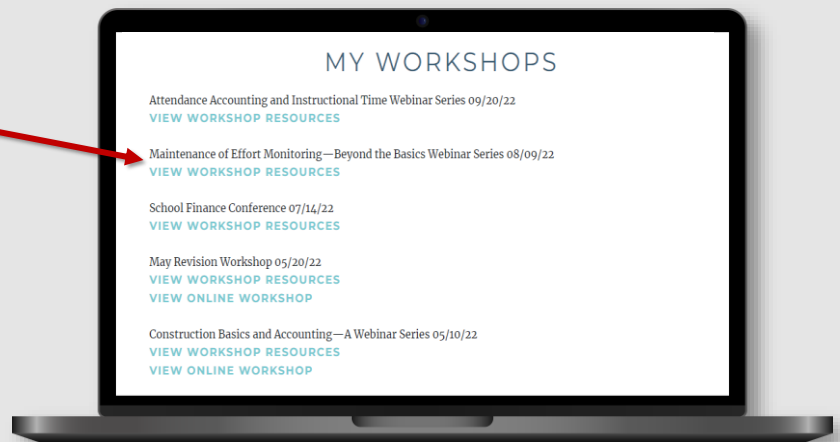
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### 3 Webinar Overview

 <p><b>Part I</b></p> <p><b>August 9, 2022</b></p> <ul style="list-style-type: none"><li>• Maintenance of Effort (MOE) Monitoring</li><li>• Subsequent Year Tracking (SYT) Sheet</li><li>• MOE Calculation</li><li>• MOE Results</li><li>• Exemptions</li><li>• Local Contribution</li></ul>	<p><b>August 11, 2022</b></p>  <p><b>Part II</b></p> <ul style="list-style-type: none"><li>• Maintenance of Effort Calculation</li><li>• Analysis of Forms</li><li>• Exemptions</li><li>• MOE Opportunities</li><li>• Annual MOE Monitoring Plan</li></ul>
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### Setting the Stage

#### Philosophy into Practice

- All students are general education students
- Local Control Funding Formula (LCFF) funds are for activities and resources for all learners
- General Fund contribution is an intended part of special education funding
- Effective outcomes for students start in the general education program
- Student needs and performance should be at the center of planning and decisions



#### Desired Outcomes

- Understanding the MOE beyond the forms
- Critical analysis of local conditions and allowable exemptions
- Development of monitoring and communication protocols aligned with local reporting needs
- Effective communication between departments to manage the MOE in the current year and the future

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## Maintenance of Effort Monitoring

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### What Is Maintenance of Effort?

- Federal eligibility requirement for Individuals with Disabilities Education Act (IDEA) Part B funding—Title 34, Code of Federal Regulations Sections (CFR §) 300.203(a), 300.204(b), and 300.205
- To ensure a continuation of at least a certain level of non-federal expenditures for the education of students with disabilities (SWDs)
- Compares Unaudited Actuals (Actuals) and Adopted Budget (Budget) from the current year to Actuals from a prior year (not necessarily the most immediate prior year)



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### MOE Compliance With Requirements

#### Compliance Standard

#### Special Education MOE Actuals (SEMA)

Requires that a local educational agency (LEA) not reduce their level of expenditures for the education of SWDs made from local funds, or state and local funds, below the level of those expenditures from the same source for the preceding fiscal year (FY)

(34 CFR § 300.203(b))

57 72678 0000000  
Report SEMA

	Column A	Column B	Column C
	Actual Expenditures (LE-CY Worksheet) FY 2020-21	Actual Expenditures Comparison Year FY 2019-20	Difference (A - B)
RES METHOD			
most recent year in the actual vs. comparison year			
Actuals	23,203,116.23		
State sources	2,178,844.18		
Local sources for MOE calculation adjusted for MOE	21,024,272.05	19,270,956.91	0.00
		19,270,956.91	
ADJUSTMENT 1		0.00	
ADJUSTMENT 2		0.00	
Total state and local sources	21,024,272.05	19,270,956.91	1,753,315.14

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## MOE Eligibility Funds

### Eligibility Standard

#### Special Education MOE Budget (SEMB)

To be eligible for IDEA Part B funds for the upcoming FY, the LEA should have budgeted for the education of SWDs at least the same amount of local funds, or state and local funds, as it spent for the education of SWDs during the most recent year for which information is available

(34 CFR § 300.203[a])


57 72702 000000  
Report SEMB

	Column A	Column B	Column C
	Budgeted Amounts (LB-B Worksheet) FY 2021-22	Actual Expenditures Comparison Year FY 2020-21	Difference (A - B)
RES METHOD			
the most recent year			
using the actual vs.			
local expenditures.			
ures	3,322,670.00		
ederal sources	329,563.00		
ed local sources	2,993,107.00	2,860,880.95	
PCRA required for		0.00	
s, adjusted for MOE		<u>2,860,880.95</u>	
SECTION 1		0.00	
TION 2		0.00	
e and local sources	<u>2,993,107.00</u>	<u>2,860,880.95</u>	<u>132,226.05</u>


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## Special Education MOE



**LEAs are required to maintain adequate spending on programs and services for SWDs each year**



**The compliance requirement is completed each year and measures comparable prior-year and current-year spending (SEMA)**



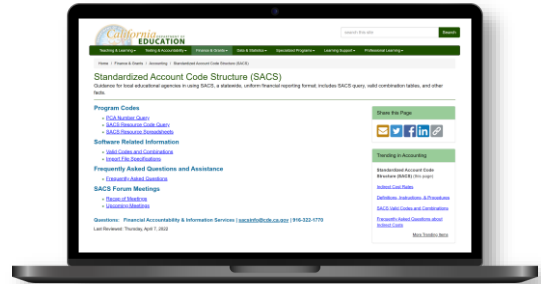
**The eligibility requirement is measured by comparing budget to comparable prior-year Actuals (SEMB)**

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### Scope of the MOE

- MOE as defined by the Standardized Account Code Structure (SACS)
- Funds 01, 09, and 62
  - All Resources
  - Goals 5000-5999
  - Objects 1000-6599, 6700-6999, 7130,7430-7439, 7310,7350, Program Cost Report Allocation (PCRA), and 8980
  - Missing Objects of Significance
    - 7141-7143 (Excess cost services between LEAs, county offices of education [COEs], and joint powers authorities [JPAs])
    - 7200-7299 (Pass-through/transfers between LEAs, COEs, charters, and JPAs)



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### MOE—Four Tests

#### SEMA: Compliance Standard

- State and Local
  - Total Expenditures
  - Per Capita\* Expenditures
- Local Only
  - Total Expenditures
  - Per Capita Expenditures

#### SEMB: Eligibility Standard

- State and Local
  - Total Expenditures
  - Per Capita Expenditures
- Local Only
  - Total Expenditures
  - Per Capita Expenditures



\*Per capita meaning based on that year's special education pupil count

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### Failure of Special Education MOE

**Compliance Standard  
SEMA**

If the LEA has spent less—in state and/or local resources—on special education in total or on a per-student basis

The LEA will pay dollar-for-dollar penalty out of local resources

**Eligibility Standard  
SEMB**

If the LEA cannot meet the MOE when adopting the budget

The SELPA<sup>1</sup> will not issue any federal funds until the LEA can demonstrate that it expects to meet the MOE requirement

There are limited exemptions available for not meeting the MOE requirement

<sup>1</sup>Special Education Local Plan Area

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### Failure of MOE

Monitor special education expenditures throughout the year to ensure MOE compliance and *prior* to the closing of financial records at the end of the FY.

- Monitoring allowable exemptions can be critical to prevent failure of Actuals
- SEMA-I is a valuable tool for monitoring throughout the year

Must pass the MOE tests to be eligible for grant funding in budget year. If the LEA does not pass, the SELPA must ensure budget is revised and SEMB is met before passing through funds.

- Revisions can happen at First and Second Interim or end-of-year closing

2019-2020	Expenditures (Compliance) SEMA - SACS2018ALL	\$ 5,186,356.51	Fail	\$ 19,208.73	Fail	\$ 3,483,967.08	Fail	\$ 12,903.58	Fail	270	Fail
	Expenditures (Eligibility) PCRA)	\$ 6,155,064.61	Comparison Year	\$ 21,017.14	Comparison Year	\$ 3,884,483.81	Comparison Year	\$ 13,260.79	Comparison Year		
	SEMA - SACS2020ALL (Expenditures less PCRA for Comparison Year)	\$ 6,155,064.61	2018-2019	\$ 21,017.14	2017-2018	\$ 3,884,483.81	2018-2019	\$ 13,260.79	2017-2018		
2020-2021	Budget (Eligibility) SEMB - SACS2020ALL	\$ 5,124,062.00	Fail	\$ 18,978.01	Fail	\$ 3,613,385.00	Fail	\$ 13,382.91	Pass	270	Pass

The signature of authorized agent conveys agreement with and accuracy of the information provided.

Signature of Authorized Agent

Date Signed

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## Subsequent Year Tracking Sheet

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### Federal Requirement—Subsequent Year Comparison

Federal Subsequent Years rule requires the level of effort an LEA must meet in the year after it fails to maintain effort is the level of effort that would have been required in the absence of that failure and not the LEA's actual reduced level of expenditures in *the year in which it failed to maintain effort*.

(34 CFR § 300.203[c]).



*In English: If you fail a test, you must compare to last passed year of that test. We will call this the comparable year.*

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16 Subsequent Year Tracking Form

The SYT form was designed as a mechanism to ensure LEAs are meeting the requirement. LEAs are required to pass one of four tests to meet each MOE requirement. The SYT worksheet tracks the “rolling aggregate” data collection, which means LEAs will add to the data as each year ends.

- 2014-15 SYT was implemented
- 2011-12 is the base year for comparison
- Establishes comparison year for SEMA and SEMB for all four tests
- Each test could have a different comparison year
- Exemptions from most recent FY apply to your comparison year’s Actuals and student count
- Required to be submitted to the California Department of Education (CDE) with MOE forms

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School Year	State and Local Total Amount	State and Local Total MOE Result	State and Local Per Capita Amount	State and Local Per Capita MOE Result	Local Only Total Amount	Local Only Total MOE Result	Local Only Per Capita Amount	Local Only Per Capita MOE Result	Enrollment	Result for Fiscal Year
2011-2012 Expenditures (Compliance) SEMA - SACS2012ALL	\$ 11,523,746.05	Pass	\$ 13,718.75	Pass	\$ 6,619,821.76	Pass	\$ 7,880.74	Pass	840	Pass
2012-2013 Expenditures (Compliance) SEMA - SACS2013ALL	\$ 12,103,361.80	Pass	\$ 14,024.75	Pass	\$ 6,924,416.42	Pass	\$ 8,023.66	Pass	863	Pass
2013-2014 Expenditures (Compliance) SEMA - SACS2014ALL	\$ 12,885,184.79	Pass	\$ 15,848.94	Pass	\$ 9,344,694.13	Pass	\$ 11,494.09	Pass	813	Pass
2014-2015 Expenditures (Compliance) SEMA - SACS2015ALL	\$ 13,907,995.86	Pass	\$ 15,858.60	Pass	\$ 10,224,755.88	Pass	\$ 11,658.79	Pass	877	Pass
2015-2016 Expenditures (Compliance) SEMA - SACS2016ALL	\$ 15,391,476.38	Pass	\$ 16,567.79	Pass	\$ 11,965,864.43	Pass	\$ 12,880.37	Pass	929	Pass
2016-2017 Expenditures (Compliance) SEMA - SACS2017ALL	\$ 16,532,979.32	Pass	\$ 17,458.27	Pass	\$ 13,139,514.47	Pass	\$ 13,874.88	Pass	947	Pass
2017-2018 Expenditures (Compliance) SEMA - SACS2018ALL	\$ 18,119,665.56	Pass	\$ 17,439.52	Fail	\$ 14,422,219.82	Pass	\$ 13,880.87	Pass	1039	Pass
2018-2019 Expenditures (Compliance) SEMA - SACS2019ALL	\$ 19,989,873.15	Pass	\$ 18,682.12	Pass	\$ 14,630,754.79	Pass	\$ 13,673.60	Fail	1070	Pass
2019-2020 Expenditures (Compliance) SEMA - SACS2020ALL	\$ 19,270,950.91	Pass With Exemption(s)	\$ 17,314.42	Fail	\$ 14,232,754.90	Fail	\$ 12,787.74	Fail	1113	Pass
2020-2021 Expenditures (Compliance) SEMA - SACS2021ALL	\$ 21,024,272.05	Pass	\$ 18,605.55	Fail	\$ 14,354,453.72	Fail	\$ 12,703.06	Fail	1130	Pass
Expenditures (Eligibility No PCRA) SEMB - SACS2021ALL	\$ 21,024,272.05	Comparison Year	\$ 18,682.12	Comparison Year	\$ 14,630,754.79	Comparison Year	\$ 13,880.87	Comparison Year		
Expenditures less PCRA for SEMB - SACS2021ALL	\$ (1,010,078.34)		\$ (587.37)							
2021-2022 Budget (Eligibility) SEMB - SACS2021ALL	\$ 20,014,193.71	2020-2021	\$ 18,094.75	2018-2019	\$ 14,630,754.79	2018-2019	\$ 13,880.87	2017-2018	1130	Pass
	\$ 20,587,126.00	Pass	\$ 18,218.70	Pass	\$ 15,926,367.00	Pass	\$ 14,094.13	Pass		

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18 Determining Comparison Year

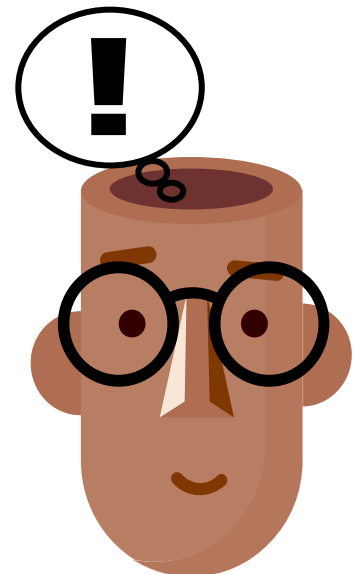
- For SEMA, start with the most recent FY at the bottom and work your way up until you find a “Pass”
- This LEA’s comparable year is 2017-2018 for the local only per capita test

		Local Only Per Capita Amount	Local Only Per Capita MOE Result
2016-2017	Expenditures (Compliance) SEMA - SACS2017ALL	\$ 13,874.88	Pass
2017-2018	Expenditures (Compliance) SEMA - SACS2018ALL	\$ 13,880.87	Pass
2018-2019	Expenditures (Compliance) SEMA - SACS2019ALL	\$ 13,673.60	Fail
2019-2020	Expenditures (Compliance) SEMA - SACS2020ALL	\$ 12,787.74	Fail
2020-2021	Expenditures (Compliance) SEMA - SACS2021ALL	\$ 12,703.06	Fail
	Expenditures (Eligibility No PCRA) SEMB - SACS2021ALL	\$ 13,880.87	Comparison Year
	(Expenditures less PCRA for Comparison Year)	\$ 13,880.87	2017-2018
2021-2022	Budget (Eligibility) SEMB - SACS2021ALL	\$ 14,094.13	Pass

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19 SYT Things to Remember

- The LEA does not need to pass all tests every year
  - If the LEA can pass, it will right size the LEA’s comparison point to current expenditures or the budget
  - Passing gives LEAs more options for future comparisons
- A change in student count generally does not yield a proportionate change in expenditures
  - Per capita tests may change significantly when counts fluctuate
  - As student count increases, per capita amount can decline dramatically even if expenditures do not decline



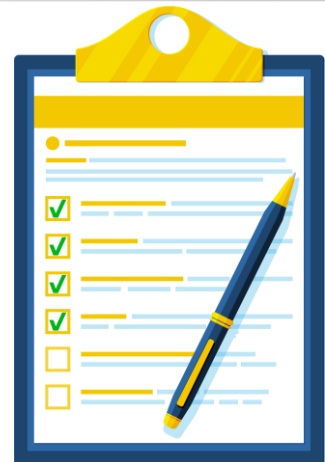
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## MOE Calculation

21 MOE Forms

- **SEMA**
  - LEA Exps CY
  - LEA Exps PY
  - LEA MOE Calc
  - SELPA Exps CY (SELPA only)
- **SEMB**
  - LEA Budget
  - LEA Exps
  - LEA MOE Calc
  - SELPA Budget (SELPA only)



All forms for 2021-22 SEMA and SEMB will be completed via the SACS Legacy system  
SEMA-I will be the first MOE form for LEAs in the SACS Web system

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LEA Exps CY Form									
Object Code	Description	Special Education, Unspecified (Goal 5001)	Regionalized Services (Goal 5050)	Regionalized Program Specialist (Goal 5060)	Special Education, Infants (Goal 5710)	Special Education, Preschool Students (Goal 5730)	Spec. Education, Ages 5-22 (Goal 5760)	Adjustments*	Total
<b>UNDUPLICATED PUPIL COUNT</b>									207
<b>TOTAL BUDGET (Funds 01, 09, &amp; 62; resources 0000-9999)</b>									
1000-1999	Certificated Salaries	128,556.00	0.00	0.00	0.00	23,150.00	485,377.00		637,083.00
2000-2999	Classified Salaries	10,877.00	0.00	0.00	0.00	13,794.00	1,013,245.00		1,037,916.00
3000-3999	Employee Benefits	46,502.00	0.00	0.00	0.00	12,641.00	676,018.00		735,161.00
4000-4999	Books and Supplies	11,288.00	0.00	0.00	0.00	0.00	39,595.00		50,883.00
5000-5999	Services and Other Operating Expenditures	10,535.00	0.00	0.00	0.00	1,245.00	692,811.00		704,591.00
6000-6999	Capital Outlay (except Object 6600 & Object 6910)	0.00	0.00	0.00	0.00	0.00	0.00		0.00
7130	State Special Schools	0.00	0.00	0.00	0.00	0.00	0.00		0.00
7430-7439	Debt Service	0.00	0.00	0.00	0.00	0.00	0.00		0.00
	<b>Total Direct Costs</b>	<b>207,758.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>50,830.00</b>	<b>2,907,046.00</b>	<b>0.00</b>	<b>3,165,634.00</b>
7310	Transfers of Indirect Costs	157,036.00	0.00	0.00	0.00	0.00	0.00		157,036.00
7350	Transfers of Indirect Costs - Interfund	0.00	0.00	0.00	0.00	0.00	0.00		0.00
	<b>Total Indirect Costs</b>	<b>157,036.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>157,036.00</b>
	<b>TOTAL COSTS</b>	<b>364,794.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>50,830.00</b>	<b>2,907,046.00</b>	<b>0.00</b>	<b>3,322,670.00</b>
<b>STATE AND LOCAL BUDGET (Funds 01, 09, &amp; 62; resources 0000-2999, 3385, &amp; 6000-9999)</b>									
1000-1999	Certificated Salaries	128,556.00	0.00	0.00	0.00	23,150.00	485,377.00		637,083.00
2000-2999	Classified Salaries	10,877.00	0.00	0.00	0.00	400.00	813,849.00		825,126.00
3000-3999	Employee Benefits	46,502.00	0.00	0.00	0.00	7,403.00	569,302.00		623,207.00
4000-4999	Books and Supplies	11,288.00	0.00	0.00	0.00	0.00	39,595.00		50,883.00
5000-5999	Services and Other Operating Expenditures	10,535.00	0.00	0.00	0.00	1,180.00	688,057.00		699,772.00
6000-6999	Capital Outlay (except Object 6600 & Object 6910)	0.00	0.00	0.00	0.00	0.00	0.00		0.00
7130	State Special Schools	0.00	0.00	0.00	0.00	0.00	0.00		0.00
7430-7439	Debt Service	0.00	0.00	0.00	0.00	0.00	0.00		0.00
	<b>Total Direct Costs</b>	<b>207,758.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>32,133.00</b>	<b>2,596,180.00</b>	<b>0.00</b>	<b>2,836,071.00</b>
7310	Transfers of Indirect Costs	157,036.00	0.00	0.00	0.00	0.00	0.00		157,036.00
7350	Transfers of Indirect Costs - Interfund	0.00	0.00	0.00	0.00	0.00	0.00		0.00
	<b>Total Indirect Costs</b>	<b>157,036.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>157,036.00</b>
	<b>TOTAL BEFORE OBJECT 8980</b>	<b>364,794.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>32,133.00</b>	<b>2,596,180.00</b>	<b>0.00</b>	<b>2,993,107.00</b>
8980	Contributions from Unrestricted Revenues to Federal Resources (Resources 3310-3400, except 3385, all goals; resources 3000-3178 & 3410-5810, goals 5000-5999)								0.00
	<b>TOTAL COSTS</b>								<b>2,993,107.00</b>

Student Count entered here

“LEA Budget” and “LEA Exps” forms in the SEMB look almost exactly the same

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2019-20 Expenditures by LEA (LE-PY)			LEA Exps PY Form	
			A. State and Local	B. Local Only
<b>2019-20 Expenditures</b>				
1. Enter Total Costs amounts from the 2019-20 Report SEMA, 2019-20 Expenditures by LEA (LE-CY) worksheet, Total Column, for the State and Local Expenditures section and the Local Expenditures section			1,605,016.21	860,265.81
2. Enter audit adjustments of 2019-20 special education expenditures from SACS2021ALL data, not included in Line 1 (explain below) (Funds 01, 09, and 62; resources 0000-2999 & 6000-9999; Object 9793)				
3. Enter restatements of 2020-21 special education beginning fund balances from SACS2021ALL data, not included in Line 1 (explain below) (Funds 01, 09, and 62; resources 0000-2999 & 6000-9999; Object 9795)				
4. Enter any other adjustments, not included in Line 1 (explain below)				
5. 2019-20 Expenditures, Adjusted for 2020-21 MOE Calculation (Sum lines 1 through 4)			1,605,016.21	860,265.81
<b>C. Unduplicated Pupil Count</b>				
1. Enter the unduplicated pupil count reported in 2019-20 Report SEMA, 2019-20 Expenditures by LEA (LE-CY) worksheet			119.00	
2. Enter any adjustments not included in Line C1 (explain below)				
3. 2019-20 Unduplicated Pupil Count, Adjusted for 2020-21 MOE Calculation (Line C1 plus Line C2)			119.00	

- Only in the SEMA
- Prior year’s Actuals and student count are entered here
- Does not impact the MOE calculation

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This form is used to check maintenance of effort (MOE) for an LEA, whether the LEA is a member of a SELPA or a single-LEA SELPA. If a member of a SELPA, submit this form together with the 2020-21 Expenditures by LEA (LE-CY) and the 2019-20 Expenditures by LEA (LE-PY) to the SELPA AU. If a single-LEA SELPA, submit the forms to the CDE.

Per the federal Subsequent Years Rule, in order to determine the required level of effort, the LEA must look back to the last fiscal year in which the LEA maintained effort using the same method by which it is currently establishing the compliance standard. To meet the requirement of the Subsequent Years Rule, the LMC-A worksheet has been revised to make changes to sections 3.A.1, 3.A.2, 3.B.1, and 3.B.2. The revised sections allow the LEA to compare 2020-21 expenditures to the most recent fiscal year the LEA met MOE, using that method, which is the comparison year. To ensure the LEA is comparing 2020-21 expenditures to the appropriate comparison year, the LEA is required to complete the Subsequent Years Tracking (SYT) worksheet with their LMC-A worksheet. The SYT worksheet tracks the result for each of the four methods back to FY 2011-12, which is the baseline year for LEA MOE calculations established by the Office of Special Education Programs. The SYT worksheet is available at: <http://www.cde.ca.gov/ps/leas/documents/subseqyr/trkwksht.xls>.

There are four methods that the LEA can use to demonstrate the compliance standard. They are (1) combined state and local expenditures; (2) combined state and local expenditures on a per capita basis; (3) local expenditures only; and (4) local expenditures only on a per capita basis.

The LEA is only required to pass one of the tests to meet the MOE requirement. However, the LEA is required to show results for all four methods. These results are necessary both for historical purposes and for the possibility that the LEA may want, or need, to switch methods in future years.

**SECTION 1 Exempt Reduction Under 34 CFR Section 300.204**

If your LEA determines that a reduction in expenditures occurred as a result of one or more of the following conditions, you may calculate a reduction to the required MOE standard. Reductions may apply to combined state and local MOE standard, local only MOE standard, or both. If the LEA needs one of the conditions below, the LEA must complete and include the IDEA MOE Exemption Worksheet available at: <http://www.cde.ca.gov/ps/leas/documents/learnoexempwrksh.xls>

- Voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel.
- A decrease in the enrollment of children with disabilities.
- The termination of the obligation of the agency to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child:
  - Has left the jurisdiction of the agency;
  - Has reached the age at which the obligation of the agency to provide free appropriate public education (FAPE) to the child has terminated; or
  - No longer needs the program of special education.
- The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.
- The assumption of cost by the high cost fund operated by the SEA under 34 CFR Sec. 300.704(c).

Provide the condition number, if any, to be used in the calculation below:

	State and Local	Local Only
1	107,145.00	
Total exempt reductions	107,145.00	0.00

California Dept of Education  
SACS Financial Reporting Software - 2021.2.0  
File: sema (Rev 05/06/2020)

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**LEA MOE Calc Form**

Section 1: This is where exemptions are entered if needed

Generally, you do not know if you need exemptions until completing Section 3 of this page

It is best practice to always track allowable exemptions all year long

We will go into exemptions in greater detail later in the presentation

**SECTION 2 Reduction to MOE Requirement Under IDEA, Section 613 (a)(2)(C) (34 CFR Sec. 300.205)**

**IMPORTANT NOTE:** Only LEAs that have a "meets requirement" compliance determination and that are not found significantly disproportionate for the current year are eligible to use this option to reduce their MOE requirement.

Up to 50% of the increase in IDEA Part B Section 611 funding in current year compared with prior year may be used to reduce the required level of state and local expenditures. This option is available only if the LEA used or will use the freed up funds for activities authorized under the Elementary and Secondary Education Act (ESEA) of 1965. Also, the amount of Part B funds used for early intervening services (34 CFR 300.220(a)) will count toward the maximum amount by which the LEA may reduce its MOE requirement under this exception [P.L. 108-446].

**LEA MOE Calc Form (Cont.)**

	State and Local	Local Only
Current year funding (IDEA Section 611 Local Assistance Grant Award - Resource 3310)		
Less: Prior year's funding (IDEA Section 611 Local Assistance Grant Awards - Resource 3310)		
Increase in funding (if difference is positive)	0.00	
Maximum available for MOE reduction (50% of increase in funding)	0.00 (a)	
Current year funding (IDEA Section 619 - Resource 3315)		
Maximum available for early intervening services (EIS) (15% of current year funding - Resources 3310 and 3315)	0.00 (b)	
<b>If (b) is greater than (a).</b> Enter portion to set aside for EIS (cannot exceed line (b), Maximum available for EIS)		(c)
Available for MOE reduction. (line (a) minus line (c), zero if negative)	0.00 (d)	
Enter portion used to reduce MOE requirement (cannot exceed line (d), Available for MOE reduction).		
<b>If (b) is less than (a).</b> Enter portion used to reduce MOE requirement (first column cannot exceed line (a), Maximum available for MOE reduction, second and third columns cannot exceed (e), Portion used to reduce MOE requirement).		(e)
Available to set aside for EIS (line (b) minus line (e), zero if negative)	0.00 (f)	
Note: If your LEA exercises the authority under 34 CFR 300.205(a) to reduce the MOE requirement, the LEA must list the activities (which are authorized under the ESEA) paid with the freed up funds:		

Section 2: If an LEA had an increase in the federal local assistance allocation or preschool grant from the prior year, this is where the calculation of the 50% rule occurs

LEAs are only allowed to use 50% of the increased allocation to decrease the MOE requirement if:

- They confirm eligibility
- Funds were used on allowable restricted activities

This exemption is unusual

- Please check with local SELPA
- In 2021-22, it will be very rare

SECTION 3	Column A	Column B	Column C
	Actual Expenditures (LE-CY Worksheet) FY 2020-21	Actual Expenditures Comparison Year 2019-20	Difference (A - B)
<b>A. COMBINED STATE AND LOCAL EXPENDITURES METHOD</b>			
1. Under "Comparison Year," enter the most recent year in which MOE compliance was met using the actual vs. actual method based on state and local expenditures.			
a. Total special education expenditures	1,736,698.69		
b. Less: Expenditures paid from federal sources	203,298.00		
c. Expenditures paid from state and local sources	1,533,400.69	1,605,016.21	
Add/Less: Adjustments required for MOE calculation Comparison year's expenditures, adjusted for MOE calculation		1,605,016.21	
Less: Exempt reduction(s) for SECTION 1		107,145.00	
Less: 50% reduction from SECTION 2		0.00	
Net expenditures paid from state and local sources	1,533,400.69	1,497,871.21	35,529.48
If the difference in Column C for the Section 3.A.1 is positive or zero, the MOE compliance requirement is met based on the combination of state and local expenditures.			
2. Under "Comparison Year," enter the most recent year in which MOE compliance was met using the actual vs. actual method based on the per capita state and local expenditures.			
a. Total special education expenditures	1,736,698.69		
b. Less: Expenditures paid from federal sources	203,298.00		
c. Expenditures paid from state and local sources	1,533,400.69	1,605,016.21	
Add/Less: Adjustments required for MOE calculation Comparison year's expenditures, adjusted for MOE calculation		1,605,016.21	
Less: Exempt reduction(s) from SECTION 1		107,145.00	
Less: 50% reduction from SECTION 2		0.00	
Net expenditures paid from state and local sources	1,533,400.69	1,497,871.21	
d. Special education unduplicated pupil count	122	119	
e. Per capita state and local expenditures (A2c/A2d)	12,568.86	12,587.15	(18.29)
If the difference in Column C for the Section 3.A.2 is positive or zero, the MOE compliance requirement is met based on the per capita state and local expenditures.			

### LEA MOE Calc Form (Cont.)

Section 3: State and local calculation

Column A: Automatically populates from the SACS data

Column B: Needs to be filled in using the comparison year from the SYT sheet

Column C: Determines if the LEA passes or fails each test

SECTION 3	Column A	Column B	Column C
	Actual FY 2020-21	Comparison Year 2018-19	Difference
<b>B. LOCAL EXPENDITURES ONLY METHOD</b>			
1. Under "Comparison Year," enter the most recent year in which MOE compliance was met using the actual vs. actual method based on local expenditures only.			
a. Expenditures paid from local sources	570,464.95	958,882.33	
Add/Less: Adjustments required for MOE calculation Comparison year's expenditures, adjusted for MOE calculation		958,882.33	
Less: Exempt reduction(s) from SECTION 1		0.00	
Less: 50% reduction from SECTION 2		0.00	
Net expenditures paid from local sources	570,464.95	958,882.33	(388,417.38)
If the difference in Column C for the Section 3.B.1 is positive or zero, the MOE compliance requirement is met based on the local expenditures only.			
2. Under "Comparison Year," enter the most recent year in which MOE compliance was met using the actual vs. actual method based on the per capita local expenditures only.			
a. Expenditures paid from local sources	570,464.95	958,882.33	
Add/Less: Adjustments required for MOE calculation Comparison year's expenditures, adjusted for MOE calculation		958,882.33	
Less: Exempt reduction(s) from SECTION 1		0.00	
Less: 50% reduction from SECTION 2		0.00	
Net expenditures paid from local sources	570,464.95	958,882.33	
b. Special education unduplicated pupil count	122	119	
c. Per capita local expenditures (B2a/B2b)	4,675.94	8,057.83	(3,381.89)
If the difference in Column C for the Section 3.B.2 is positive or zero, the MOE compliance requirement is met based on the per capita local expenditures only.			

### LEA MOE Calc Form (Cont.)

Section 3: Local only calculation

Column A: Automatically populates from the SACS data

Column B: Needs to be filled in using the comparison year from the SYT sheet

Column C: Determines if the LEA passes or fails each test

Amounts must be entered in Column B for both sections 3.A and 3.B; if no costs, enter 0.



File Forms Reports Setup TRC Window Help  
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Object Code	Description			
<b>TOTAL BUDGET - All Sources</b>				
1000-1999	Certificated Salaries	6,887,196.61	579,361.80	10,391,533.00
2000-2999	Classified Salaries	3,662,076.07	232,345.78	3,818,695.00
3000-3999	Employee Benefits	6,305,694.96	313,128.89	6,085,852.00
4000-4999	Books and Supplies	297,167.30	9,000.00	62,350.00
5000-5999	Services and Other Operating Expenditures	4,005,804.12	348,375.00	9,859,695.00
6000-6999	Capital Outlay	0.00	0.00	0.00
7130	State Special Schools	0.00	0.00	0.00
7430-7439	Debt Service	0.00	0.00	0.00
	<b>Total Direct Costs</b>	<b>20,157,829.06</b>	<b>1,482,211.47</b>	<b>30,208,026.00</b>
7310	Transfers of Indirect Costs	826,925.92	0.00	5,834.00
7350	Transfers of Indirect Costs - Interfund	0.00	0.00	0.00
	<b>Total Indirect Costs</b>	<b>826,925.92</b>	<b>0.00</b>	<b>5,834.00</b>
	<b>TOTAL COSTS</b>	<b>20,984,754.98</b>	<b>1,482,211.47</b>	<b>30,213,860.00</b>
<b>BUDGET - State and Local Sources</b>				
1000-1999	Certificated Salaries	6,887,196.61	499,864.30	9,830,357.00
2000-2999	Classified Salaries	3,662,076.07	232,345.78	2,533,980.00
3000-3999	Employee Benefits	6,305,694.96	289,348.19	5,283,506.00
4000-4999	Books and Supplies	297,167.30	8,974.00	51,801.00
5000-5999	Services and Other Operating Expenditures	3,991,765.12	348,375.00	8,890,343.00
6000-6999	Capital Outlay	0.00	0.00	0.00
7130	State Special Schools	0.00	0.00	0.00
7430-7439	Debt Service	0.00	0.00	0.00
	<b>Total Direct Costs</b>	<b>20,143,790.06</b>	<b>1,378,907.26</b>	<b>26,596,987.00</b>
7310	Transfers of Indirect Costs	826,363.92	0.00	2,866.00
7350	Transfers of Indirect Costs - Interfund	0.00	0.00	0.00
	<b>Total Indirect Costs</b>	<b>826,363.92</b>	<b>0.00</b>	<b>2,866.00</b>
	<b>TOTAL BEFORE OBJECT 8980</b>	<b>20,970,153.98</b>	<b>1,378,907.26</b>	<b>26,598,853.00</b>
8980	Contributions from Unrestricted Revenues to Federal Resources	0.00	0.00	565,821.00
	<b>TOTAL COSTS</b>	<b>20,970,153.98</b>	<b>1,378,907.26</b>	<b>27,164,674.00</b>
<b>BUDGET - Local Sources</b>				
1000-1999	Certificated Salaries	0.00	0.00	0.00
2000-2999	Classified Salaries	34,446.00	0.00	77,120.00
3000-3999	Employee Benefits	18,531.00	0.00	59,609.00
4000-4999	Books and Supplies	0.00	0.00	12,500.00
5000-5999	Services and Other Operating Expenditures	0.00	167,000.00	2,010,240.00
6000-6999	Capital Outlay	0.00	0.00	0.00
7130	State Special Schools	0.00	0.00	0.00
7430-7439	Debt Service	0.00	0.00	0.00

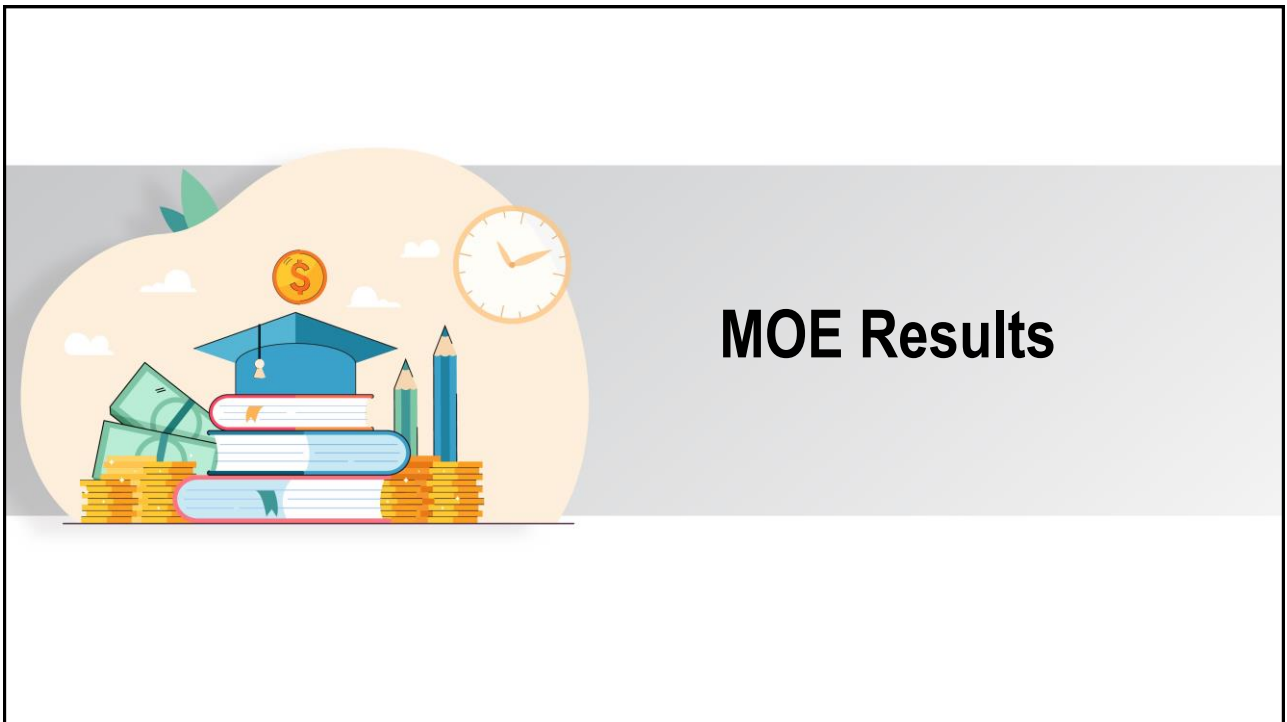
Print Save

**SELPA Exp CY Form**

**Completed by the SELPA/  
 Administrative Unit**

Used by many organizations statewide for comparison reporting such as the statewide average local contribution

The "SELPA Budget" form is the same



30 What Should I Do If I Pass by a Lot?

- MOE is not a contest; you do not want to pass by the most
- If the LEA passes by a large amount, the LEA may want to review expenditure allocation
  - Some costs charged to special education are discretionary and may not need to be considered special education expenditures
- Sometimes the increase is justified, like when an LEA gives an across-the-board raise, has a significant increase in benefit costs, or makes program adjustments to better provide a free appropriate public education (FAPE)



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31 Discretionary Special Education Expenditures

- Changing the PCRA for special education →
- Expenditures in unrestricted resources
  - Should they be in special education?
- Settlement agreements for services to specific student
- Legal fees—Not recommended in special education
- Potential non-special education costs
  - Nurses
  - Management
  - Supplies
  - Professional Development
  - Transportation
  - Technology
- Indirect costs



**PCRA = Program Cost Report Allocation**

This is a calculation for the distribution of general administration costs amongst LEA categorical programs

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## Discretionary Expenditure—State Mental Health Funds

- State Educationally Related Mental Health Services (ERMHS) Resource 6546
- Flexible to be spent on any students with mental or behavioral health needs
  - Prior to 2019-20, Resource 6512 required a 5XXX goal identifying it as special education only
  - Any goal code allowed if it can be justifiably related to mental or behavioral health services
- Funds shifting to LEAs in 2023-24
- Commonly used to support SWDs
  - However not required to use a 5XXX goal
- Coding of these expenditures could change from year to year to manage MOE impact
  - Generally, a significant allocation to SELPAs (\$67.18 per average daily attendance [ADA] in 2021-22)
- Need to review how the SELPA uses ERMHS
- Need to review current LEA MOE impact

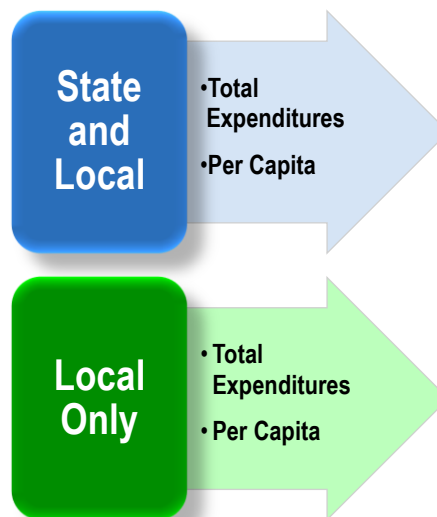


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## LEA Passed One Test but Not All Tests

- Best practice is to attempt to pass all four tests each year
  - This will right size the MOE requirement to the LEA's current spending and/or budget
- Look at the tests not passed and find eligible exemptions to pass as many as possible
- Depending on the situation and comparison year, passing a test may be out of reach
- Ensure the LEA has the maximum number of tools for future years



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34 What If an LEA Does Not Pass Any Tests?

- LEAs are required to pass at least one of the four tests each year using the correct comparison year
- If the LEA does not pass any test, there is work to do to meet the MOE requirement for compliance
- Search for allowable exemptions
- Consider adding flexible and/or discretionary expenditures mentioned on the previous slide



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35 Impact of Exemptions

- Sample LEA story

2016-2017	Expenditures (Compliance) SEMA - SACS2017ALL	\$ 11,589,329.71	Pass	\$ 14,255.02	Pass	\$ 7,356,522.38	Pass	\$ 9,048.61	Pass	813	Pass
		\$ -		\$ -		\$ -		\$ -			
2017-2018	Expenditures (Compliance) SEMA - SACS2018ALL	\$ 13,033,440.71	Pass	\$ 14,546.25	Pass	\$ 8,394,378.23	Pass	\$ 9,368.73	Pass	896	Pass
		\$ -		\$ -		\$ -		\$ -			
2018-2019	Expenditures (Compliance) SEMA - SACS2019ALL	\$ 14,923,534.74	Pass	\$ 16,600.15	Pass	\$ 9,022,090.75	Pass	\$ 10,035.70	Pass	899	Pass
		\$ -		\$ -		\$ -		\$ -			
2019-2020	Expenditures (Compliance) SEMA - SACS2020ALL	\$ 14,259,418.87	Pass With Exemption(s)	\$ 17,284.14	Pass	\$ 8,794,837.94	Pass With Exemption(s)	\$ 10,660.41	Pass	825	Pass
		\$ 1,228,411.09		\$ 1,366.42		\$ 1,228,411.09		\$ 1,366.42			
2020-2021	Expenditures (Compliance) SEMA - SACS2021ALL	\$ 13,394,550.28	Fail	\$ 14,751.71	Fail	\$ 8,020,329.23	Fail	\$ 8,832.96	Fail	908	Fail
		\$ -		\$ -		\$ -		\$ -			
	Expenditures (Eligibility No PCRA) SEMB - SACS2021ALL (Expenditures less PCRA for Comparison Year)	\$ 14,259,418.87	Comparison Year	\$ 17,284.14	Comparison Year	\$ 8,794,837.94	Comparison Year	\$ 10,660.41	Comparison Year		
		\$ (2,184,719.25)		\$ (2,648.14)							
		\$ 12,074,699.62	2019-2020	\$ 14,636.00	2019-2020	\$ 8,794,837.94	2019-2020	\$ 10,660.41	2019-2020		
2021-2022	Budget (Eligibility) SEMB - SACS2021ALL	\$ 12,026,457.00	Fail	\$ 13,245.00	Fail	\$ 8,104,506.00	Fail	\$ 8,925.67	Fail	908	Fail
				\$ -		\$ -		\$ -			

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# Exemptions

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## What Exactly Is an Exemption?

- An exemption is an expenditure the LEA had in the previous year that it no longer has in the current year
  - The exemptible expenditure lowers the dollar amount from the comparison year to which the LEA is comparing current year expenditures or the budget
- The federal government provides specific justifiable reasons to reduce the MOE requirement
- Keep track of possible exemptions quarterly (Make a copy of the [exemptions form](#) and keep in a folder to update throughout the year)
  - Tracking of expenditures takes fiscal and program staff collaboration

EXEMPT REDUCTIONS TO MAINTENANCE OF EFFORT		
IDEA Regulations 34 Code of Federal Regulations § 300.204		
Local Education Agency (LEA) Name		Special Education Local Plan Area (SELPA)
Name of Person Completing Report		Telephone & Fax Numbers
Maintenance of Effort (MOE) Shortfall from LEA MOE Calculation (LMC-A or LMC-B) Worksheet	\$0.00	FY 2020/2021
<i>The LEA may reduce the level of expenditures below the level of the preceding fiscal year if the reduction is attributable to any of the following reasons. Provide specific details and dollar amounts. If the total justifications equal/exceed the MOE shortfall, fiscal effort has been maintained for the reporting year.</i>		
1. The voluntary departure, by retirement or otherwise, or departure for just cause, of certificated and/or classified special education or related services personnel (does not include contract non-renewal or staff lay-off due to budget shortfall).		\$0.00
ENTER INFORMATION on the detail reduction 1 tab: totals will carry forward to this section		
2. A decrease in enrollment of children with disabilities.		\$0.00
ENTER INFORMATION on the detail reduction 2 tab: totals will carry forward to this section		
3. The termination of the obligation to provide a program of special education to a particular child with a disability that is an exceptionally costly program because:		\$0.00
A. Child has left the jurisdiction of the agency. OR B. Child has reached the age at which the obligation of the agency to provide free appropriate public education (FAPE) to the child C. No longer needs the program of special education		
ENTER INFORMATION on the detail reduction 3 tab: totals will carry forward to this section		

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## Allowable Exemptions to Monitor Throughout the Year

### Allowable Exemptions

1. The voluntary departure, by retirement or otherwise, or departure for just cause, of certificated and/or classified special education or related services personnel (does not include contract non-renewal or staff layoff due to budget shortfall)
2. A decrease in enrollment of children with disabilities
3. The termination of the obligation to provide a program of special education to a particular child with a disability that is an exceptionally costly program because:
  - a) Child has left the jurisdiction of the agency; OR
  - b) Child has reached the age at which the obligation of the agency to provide FAPE to the child has terminated; OR
  - c) No longer needs the program of special education
4. The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities (must have per-unit cost of \$5,000 or more)

EXEMPT REDUCTIONS TO MAINTENANCE OF EFFORT		
IDEA Regulations 34 Code of Federal Regulations § 300.204		
Local Education Agency (LEA) Name		Special Education Local Plan Area (SELPA)
Name of Person Completing Report		Telephone & Fax Numbers
Maintenance of Effort (MOE) Shortfall from LEA MOE Calculation (LMC-A or LMC-B) Worksheet	\$0.00	FY 2020/2021
<i>The LEA may reduce the level of expenditures below the level of the preceding fiscal year if the reduction is attributable to any of the following reasons. Provide specific details and dollar amounts. If the total justifications equal/exceed the MOE shortfall, fiscal effort has been maintained for the reporting year.</i>		
1. The voluntary departure, by retirement or otherwise, or departure for just cause, of certificated and/or classified special education or related services personnel (does not include contract non-renewal or staff lay-off due to budget shortfall).		\$0.00
ENTER INFORMATION on the detail reduction 1 tab; totals will carry forward to this section		

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## Exemption 1

The voluntary departure, by retirement or otherwise, or layoff for just cause, of certificated and/or classified special education or related services personnel (does not include contract non-renewal or staff layoff due to budget shortfall)

- High-cost employees who leave and are replaced by less expensive staff
  - Make sure you take health and welfare staff costs into consideration
- Reduction for employees you do not replace will be subject to approval by your SELPA director and must have documentation of a reduced need for the services that employee was providing at your LEA

Local Education Agency (LEA) Name		Special Education Local Plan Area (SELPA)				
Sample LEA		Sample SELPA				
<b>EXEMPT REDUCTIONS TO MAINTENANCE OF EFFORT</b>						
1. The voluntary departure, by retirement or otherwise, or departure for just cause, of certificated and/or classified special education or related services personnel (does not include contract non-renewal or staff lay-off due to budget shortfall).						
<b>DEPARTING</b>						
No.	Position Title	Employee Name	Reason for Leaving	Salary	Benefits	Total
1.	SAI Teacher	Jonny Carson	Retirement	\$75,000.00	\$25,000.00	\$100,000.00
2.	School Psychologist	David Lettermen	Retirement	\$100,000.00	\$30,000.00	\$130,000.00
3.					\$0.00	\$0.00
4.					\$0.00	\$0.00
5.					\$0.00	\$0.00
6.					\$0.00	\$0.00
7.					\$0.00	\$0.00
<b>Departing Total</b>				<b>\$175,000.00</b>	<b>\$55,000.00</b>	<b>\$230,000.00</b>
<b>REPLACED BY</b>						
No.	Position Title	Employee Name		Salary	Benefits	Total
1.	SAI Teacher	Jay Leno		\$50,000.00	\$20,000.00	\$70,000.00
2.	School Psychologist	Staphen Colbert		\$60,000.00	\$22,000.00	\$82,000.00
3.					\$0.00	\$0.00
4.					\$0.00	\$0.00
5.					\$0.00	\$0.00
<b>Replacement Total</b>				<b>\$110,000.00</b>	<b>\$42,000.00</b>	<b>\$152,000.00</b>
<b>1. Departure Net Difference</b>				<b>\$65,000.00</b>	<b>\$13,000.00</b>	<b>\$78,000.00</b>
California Department of Education, Special Education Division, April 23, 2015						

Departing Employee(s) information here

Employee(s) replacing the existing employee's information here

Exemption amount is the difference in the salary

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### Exemption 1 Examples

- A veteran special education teacher retires and is replaced by a newly hired special education teacher
- The LEA expended \$150,000 in salary and benefits on the veteran teacher last school year and will expend \$90,000 on the new hire in the current school year
- The LEA can reduce its required level of effort by \$60,000 (\$150,000-\$90,000) in the current school year



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### Exemption 2

A decrease in enrollment of children with disabilities

- Simply a calculation of prior year vs current year Census Day unduplicated special education pupil count
- Great exemption if you are in a subsequent year calculation for the per capita tests
  - Doubles up the exemption
- Monitor your California Longitudinal Pupil Achievement Data System (CALPADS) count
  - Significant drop in students makes this exemption necessary

Local Education Agency (LEA) Name		Special Education Local Plan Area (SELPA)
Sample LEA		0
EXEMPT REDUCTIONS TO MAINTENANCE OF EFFORT		
<b>2. A decrease in enrollment of children with disabilities.</b>		
A. Current Year Special Ed. Unduplicated Pupil Count (SEMA or SEMB, Section 3, Line A4, Column A)		1,404
B. Prior Year Special Ed. Unduplicated Pupil Count (SEMA or SEMB, Section 3, Line A4, Column B)		1,479
C. Difference (only applicable if negative)		(75)
D. Fractional decline (Line 2C (expressed as positive) divided by Line 2B)		5.07099%
E. Prior Year Expenditures from State and Local Sources (SEMA or SEMB, Section 3, Line A3, Column B)		\$23,692,723.83
F. Allowable decline in expenditures related to decline in pupil count (Line D x Line E)		\$1,201,456.58
<b>2. Decrease in Enrollment</b>		<b>\$1,201,456.58</b>

Current year (or projected for the SEMB) pupil count

Prior year pupil count

Prior year state and local expenditures from your SEMA report

The calculation will take the percent decrease and apply it to your total expenditures to give you your allowable exemption

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### Exemption 3

The termination of the obligation to provide a program of special education to a particular child with a disability that is an exceptionally costly program because:

- A. Child has left the jurisdiction of the agency; OR
- B. Child has reached the age at which the obligation of the agency to provide FAPE to the child has terminated; OR
- C. No longer needs the program of special education

- Monitor high-cost programs
  - Nonpublic school/residential treatment center
  - Inter- or intra-SELPA transfers
  - Equipment or services for low incidence disabilities
- Student step down and/or placement/program change
  - Savings to new lower cost program may be exemptible

Qualifying student(s) info here. Do not use student name. Use student ID or make a list and label 1, 2, 3. Enter reason from above and the cost of the student

The total cost for all the departing students will be here

EXEMPT REDUCTIONS TO MAINTENANCE OF EFFORT		
3. The termination of the obligation to provide a program of special education to a particular child with a disability that is an exceptionally costly program because:		
A. Child has left the jurisdiction of the agency; OR		
B. Child has reached the age at which the obligation of the agency to provide free appropriate public education (FAPE) to the child has terminated; OR		
C. No longer needs the program of special education		
Student Name	Reason (indicate A, B, or C)	Total
1. 00001	B	\$180,000.00
2. 00002	A	\$90,000.00
3. 00003	C	\$25,000.00
4.		\$0.00
29.		\$0.00
30.		\$0.00
3. Total of Termination of Obligation		\$295,000.00

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### Exemption 3 Examples

- An LEA sends a child with a disability to a private residential facility. The cost of this program is \$180,000
  - Student no longer needs program as they graduated with a regular diploma last year
- The LEA can reduce its MOE by \$180,000 in the current FY
- An LEA sent a child with a disability to an in-state residential facility. The cost of this program was \$90,000
  - Individualized Education Program team determines residential facility services are no longer needed and changes the child's placement
  - Under the new placement, the LEA provides services to the child for \$30,000
- The LEA can reduce its MOE by \$60,000 (\$90,000-\$30,000)



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### Exemption 4

The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities (must have per-unit cost of \$5,000 or more)

- Low Incidence Equipment
- Busses/Vans
- Embossers

#### EXEMPT REDUCTIONS TO MAINTENANCE OF EFFORT

4. The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities (must have per unit cost of \$5,000 or more).

Description of the expenditure(s) to be used as an exemption and the dollar amount associated

Total cost for all the exempt expenditures will be here

Description of Expenditure	Total
1. New Van for Special Education Transportation	\$60,000.00
2. Construction Contract for Special Education Renovation	\$100,000.00
3.	\$0.00
4.	\$0.00
29.	\$0.00
30.	\$0.00
<b>4. Total Termination of Costly Expenditures</b>	<b>\$160,000.00</b>

California Department of Education, Special Education Division, April 23, 2015

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### Exemption 4 Example

- LEA expends funds for a two-year construction contract to retrofit and renovate a building for special education purposes

Year	Cost (\$)
Year 1	70,000
Year 2	100,000
Year 3	N/A

- The LEA can reduce its level of effort by \$100,000 in Year 3



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**46 Power of Exemptions**

- This LEA struggled with MOE in 2019-20 and was in danger of failing in 2020-21 without exemptions
- Budgeted amounts, minus the PCRA, were also below the threshold for eligibility

2016-2017	Expenditures (Compliance) SEMA - SACS2017ALL	\$ 11,589,329.71	Pass	\$ 14,255.02	Pass	\$ 7,356,522.38	Pass	\$ 9,048.61	Pass	813	Pass
		\$ -		\$ -		\$ -		\$ -			
2017-2018	Expenditures (Compliance) SEMA - SACS2018ALL	\$ 13,033,440.71	Pass	\$ 14,546.25	Pass	\$ 8,394,378.23	Pass	\$ 9,368.73	Pass	896	Pass
		\$ -		\$ -		\$ -		\$ -			
2018-2019	Expenditures (Compliance) SEMA - SACS2019ALL	\$ 14,923,534.74	Pass	\$ 16,600.15	Pass	\$ 9,022,090.75	Pass	\$ 10,035.70	Pass	899	Pass
		\$ -		\$ -		\$ -		\$ -			
2019-2020	Expenditures (Compliance) SEMA - SACS2020ALL	\$ 14,259,418.87	Pass With Exemption(s)	\$ 17,284.14	Pass	\$ 8,794,837.94	Pass With Exemption(s)	\$ 10,660.41	Pass	825	Pass
		\$ 1,228,411.09		\$ 1,366.42		\$ 1,228,411.09		\$ 1,366.42			
2020-2021	Expenditures (Compliance) SEMA - SACS2021ALL	\$ 13,394,550.28	Fail	\$ 14,751.71	Fail	\$ 8,020,329.23	Fail	\$ 8,832.96	Fail	908	Fail
		\$ -		\$ -		\$ -		\$ -			
	Expenditures (Eligibility No PCRA) SEMB - SACS2021ALL (Expenditures less PCRA for Comparison Year)	\$ 14,259,418.87	Comparison Year	\$ 17,284.14	Comparison Year	\$ 8,794,837.94	Comparison Year	\$ 10,660.41	Comparison Year		
		\$ (2,184,719.25)		\$ (2,648.14)							
		\$ 12,074,699.62	2019-2020	\$ 14,636.00	2019-2020	\$ 8,794,837.94	2019-2020	\$ 10,660.41	2019-2020		
2021-2022	Budget (Eligibility) SEMB - SACS2021ALL	\$ 12,026,457.00	Fail	\$ 13,245.00	Fail	\$ 8,104,506.00	Fail	\$ 8,925.67	Fail	908	Fail
				\$ -		\$ -		\$ -			

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**47 Power of Exemptions**

- Once exemptions were added in, the LEA is now passing at least one test that they passed the year before—local only total
- The budgeted amounts are now well within eligibility, and the LEA should monitor to potentially capture lower MOE obligations if allowed in 2021-22

2016-2017	Expenditures (Compliance) SEMA - SACS2017ALL	\$ 11,589,329.71	Pass	\$ 14,255.02	Pass	\$ 7,356,522.38	Pass	\$ 9,048.61	Pass	813	Pass
		\$ -		\$ -		\$ -		\$ -			
2017-2018	Expenditures (Compliance) SEMA - SACS2018ALL	\$ 13,033,440.71	Pass	\$ 14,546.25	Pass	\$ 8,394,378.23	Pass	\$ 9,368.73	Pass	896	Pass
		\$ -		\$ -		\$ -		\$ -			
2018-2019	Expenditures (Compliance) SEMA - SACS2019ALL	\$ 14,923,534.74	Pass	\$ 16,600.15	Pass	\$ 9,022,090.75	Pass	\$ 10,035.70	Pass	899	Pass
		\$ -		\$ -		\$ -		\$ -			
2019-2020	Expenditures (Compliance) SEMA - SACS2020ALL	\$ 14,259,418.87	Pass With Exemption(s)	\$ 17,284.14	Pass	\$ 8,794,837.94	Pass With Exemption(s)	\$ 10,660.41	Pass	825	Pass
		\$ 1,484,711.24		\$ 1,851.51		\$ 1,484,711.24		\$ 1,851.51			
2020-2021	Expenditures (Compliance) SEMA - SACS2021ALL	\$ 13,394,550.28	Fail	\$ 14,751.71	Fail	\$ 8,020,329.23	Pass With Exemption(s)	\$ 8,832.96	Fail	908	Pass
		\$ 774,880.36		\$ 939.25		\$ 774,880.36		\$ 939.25			
	Expenditures (Eligibility No PCRA) SEMB - SACS2021ALL (Expenditures less PCRA for Comparison Year)	\$ 14,259,418.87	Comparison Year	\$ 17,284.14	Comparison Year	\$ 8,020,329.23	Comparison Year	\$ 10,660.41	Comparison Year		
		\$ (2,184,719.25)		\$ (2,648.14)							
		\$ 12,074,699.62	2019-2020	\$ 14,636.00	2019-2020	\$ 8,020,329.23	2020-2021	\$ 10,660.41	2019-2020		
2021-2022	Budget (Eligibility) SEMB - SACS2021ALL	\$ 13,816,457.00	Pass	\$ 15,216.36	Pass	\$ 11,304,506.00	Pass	\$ 12,449.90	Pass	908	Pass
				\$ -		\$ -		\$ -			

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## Notable Unallowable Exemptions

In FYs with economic uncertainty, LEAs may have to make significant cuts, not all of which are allowable exemptions under the MOE obligation. Keeping the MOE requirement low can be beneficial during these times.

### Common costs that are not allowable exemptions:

- CalSTRS<sup>1</sup> and CalPERS<sup>2</sup> in lieu
- Furloughs or negotiated cost savings
- Changes in health and welfare benefits
- Program restructures and efficiencies
- Emergency occurrences and emergency funding
- Legal fees
- Layoffs or vacancies (unless justified by a decrease in student services needed)



<sup>1</sup>California State Teachers Retirement System; <sup>2</sup>California Public Employees Retirement System

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## I Have Exhausted My Exemptions and Still Don't Pass—What Now?

- Contact your local SELPA
  - SELPA may have some options available to help
  - Be sure to exhaust all options
- In the event the LEA cannot pass
  - SEMA
    - The CDE will send an invoice for the dollar-for-dollar amount by which the LEA did not pass
  - SEMB
    - LEA cannot submit any expense reports for federal funds until documentation of pass is submitting
      - Option 1: A SEMA-I report run at either First or Second Interim and submitted to the SELPA to prove passage of test
      - Option 2: Pass the following year's SEMA report



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## Things to Consider

### MOE Challenges

- **FY 2021-22**
  - SELPAs received a significant increase in state revenue—\$820 per ADA
    - May impact local only calculations
  - Dispute Prevention and Learning Recovery funds (DP/LR)
- **FY 2022-23**
  - ERMHS funding shift to LEA
  - Final year for DP/LR funds
  - Increase in federal funding
    - May impact all four tests

### Local Decisions That Impact MOE

- **Negotiated salary agreements, including cost-of-living adjustment**
- **Off-schedule increases, stipends or add-ons**
- **Benefit increases**
- **Increased central cost distributed through the PCRA**
- **Utilization of contracted services—increase or decrease**
- **Allocation of settlement costs and legal fees**
- **Charge of indirect cost**

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## Communication Is Key

### Opportunities for Collaboration

- **Regular meetings between departments ensure shared understanding of revenues, expenditures, and adjustments to budgets**

### Align Planning with Requirements

- **Alignment of compliance monitoring and LEA strategic plans, including the Local Control Accountability Plan, increases effectiveness and efficiency of programs**

### Fiscal Timelines and Dates

Budget Adopted	July 1st
First Interim due to COE <i>For the period ending Oct. 31st</i>	December 15th
Second Interim due to COE <i>For the period ending Jan. 31st</i>	March 15th
Final Close of Books	September 15th
MOE Submission to CDE	November 15th



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# Local Contribution

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## Local Contribution

- Most LEAs contribute from the local General Fund to special education
- LCFF per ADA revenues are the base funding for all students
- Federal and state revenues for special education are supplemental to the LCFF
  - Local contribution to special education is an intended part of the funding model

### Special Education Is Relatively Costly

Average Expenditures Per Student, 2017-18

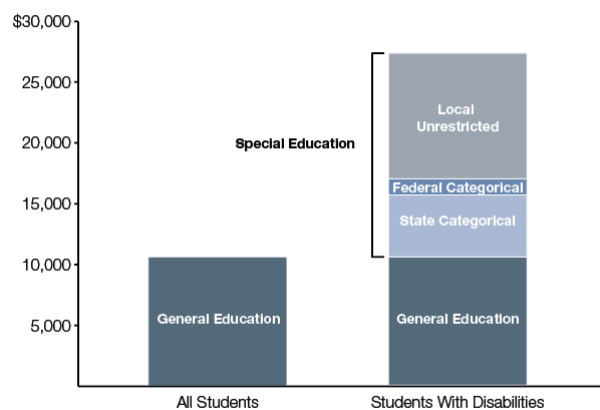


Image from Outcomes for Students with Disabilities, LAO 2019

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## Local Contribution

- 2020-21 state average local contribution = 64%
  - Up from 52% a decade before
- Federal investment in special education was largely stagnant until 2021-22 amid cost-of-living hikes, increased operating costs, increased student population, and increased severity of disabilities
  - Originally, IDEA identified that federal support should be 40% of the excess cost
  - Increases in 2021-22 and 2022-23 in federal funds start the path towards full funding of the federal obligation

### Unrestricted Funds Covering Growing Share of Special Education Costs

Special Education Spending by Fund Source, 2017-18 Dollars (In Billions)

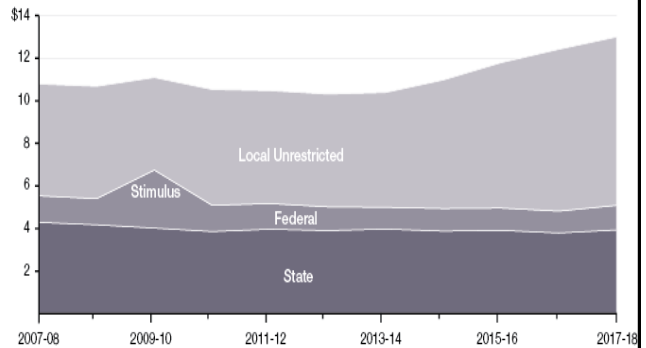


Image from Outcomes for Students with Disabilities, LAO 2019

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## Federal Budget Summary

### Special Education Federal Budget Summary

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES (OSERS)	2019 Mini-Omnibus Appropriation	2020 Mini-Omnibus Appropriation	2021 Trump Final Appropriation	2021 ARP COVID 19	2022 Omnibus	2023 President's Appropriations	2023 House Appropriations	House Increase Over FY 2022
<b>Special Education (IDEA)</b>				15,517,457,000				
1. State grants:								
(a) Grants to States (Part B-611):	12,364,392,000	12,764,392,000	12,937,457,000	2,580,000,000	13,343,704,000	16,259,193,000	16,259,193,000	2,915,489,000
(b) Preschool grants (Part B-619)	391,120,000	394,120,000	397,620,000	200,000,000	409,549,000	502,620,000	439,620,000	30,071,000
(c) Grants for infants (Part C)	470,000,000	477,000,000	481,850,000	250,000,000	496,306,000	932,000,000	621,306,000	125,000,000
<b>Total, State grants</b>	<b>13,225,512,000</b>	<b>13,635,512,000</b>	<b>13,816,927,000</b>	<b>3,030,000,000</b>	<b>14,249,559,000</b>	<b>17,693,813,000</b>	<b>17,320,119,000</b>	<b>3,070,560,000</b>
2. National activities (Part D):								
State personnel development (Subpart 1)	38,630,000	38,630,000	38,630,000		38,630,000	38,630,000	38,630,000	-
Technical assistance & dissemin. (section 663)	44,345,000	44,345,000	44,345,000		44,345,000	49,345,000	44,345,000	-
Personnel preparation (section 662)	87,200,000	89,700,000	90,200,000		95,000,000	250,000,000	250,000,000	155,000,000
Parent information centers (sections 671-673)	27,411,000	27,411,000	27,411,000		30,152,000	45,152,000	40,152,000	10,000,000
Technology and media services (section 674)	28,047,000	29,547,000	29,547,000		30,433,000	29,547,000	32,433,000	2,000,000
<b>Subtotal National Activities</b>	<b>225,633,000</b>	<b>229,633,000</b>	<b>230,133,000</b>		<b>238,560,000</b>	<b>412,674,000</b>	<b>405,560,000</b>	<b>167,000,000</b>
Special Olympics	17,583,000	20,083,000	23,683,000		31,000,000	23,683,000	35,000,000	4,000,000
<b>Total Appropriation</b>	<b>13,468,728,000</b>	<b>13,885,228,000</b>	<b>14,070,743,000</b>		<b>14,519,119,000</b>	<b>18,130,170,000</b>	<b>17,760,679,000</b>	<b>3,241,560,000</b>

#### California ARP Increase

Grants to States (Part B-611):	256,352,472
Preschool grants (Part B-619)	21,351,909
Grants for infants (Part C)	24,462,156

Updated 6/29/22

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**56 Homework—Preparation for Day 2**

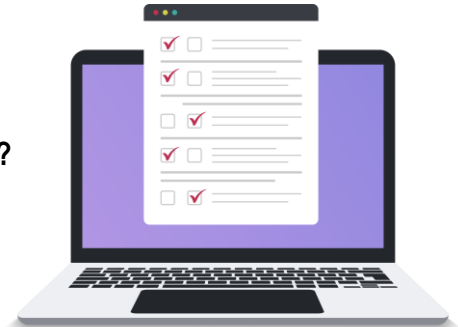
*Bring your 2021-22 SEMA and SEMB, and if you have it, your 2021-22 SYT to Day 2 for reference. Your 2020-21 forms will also be useful for reference.*

Ask the following questions:

- What can you do to monitor the impact of MOE locally?
- How does your team document any changes to the budget?
- How often should you track changes?

Things to consider . . .

- Ensure flexibility to respond to increased student needs
- Ensure programs are designed for current and future needs
- Right size budgets to take advantage of opportunities to lower the MOE obligation or plan for shifts in the future



**57 Legal References**

- 34 CFR § 300.203 MOE
  - (a) Eligibility standard (including intervening years)
  - (b) Compliance standard
- 34 CFR § 300.204 Exception to MOE
- 34 CFR § 300.205 Adjustment to local fiscal efforts in certain FYs
- 34 CFR § 300.203 MOE
  - (c) Subsequent years
  - (d) Consequences of failure to maintain effort



# Thank you!

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