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FISCAL REPORT

Ask SSC . . . Can I Spend the One-Time Learning Loss Dollars on Special Education Without Affecting My MOE?

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Q. The 2020–21 State Budget includes \$1.5 billion in federal one-time resources based on students with disabilities (SWDs) for learning loss mitigation. Can I spend these one-time dollars on special education without affecting my maintenance of effort (MOE)?

A. Yes. The keys to balancing the MOE, especially this year, are keeping track of the various funding sources—federal, state, and local—and recognizing that the MOE calculation is based on the expenditure of *state and local funds*.

Local educational agencies (LEAs) are seeing additional, one-time learning loss mitigation resources based on SWDs—these are considered *federal resources* (see our July 2020 *Fiscal Report* article, “[By the Way . . . CDE Posts Learning Loss Mitigation Entitlements](#)” for funding generated by each LEA). As we have explained previously, all of these funds, including those based on an LEA’s count of SWDs (see columns I and J in CDE’s entitlement spreadsheet) are to be used for learning loss mitigation and come with a set of requirements on how they can be spent. Specifically, the Learning Continuity and Attendance Plan includes a section on how an LEA will address learning loss and accelerate learning progress for pupils, including how these strategies will differ for pupils with exceptional needs. *Because these one-time learning loss funds are federal, their use for the learning loss needs of students with disabilities will not increase the MOE.*

This year, all Special Education Local Plan Areas (and their member districts) are experiencing an increase in ongoing state special education revenues thanks to the \$545 million provided in ongoing resources to equalize Assembly Bill 602 and \$100 million to increase funding for students with low-incidence disabilities. These ongoing resources will very likely serve to *reduce* the local contributions to special education programs that have been significantly increasing over the years because state funding has not kept pace with special education expenditures. *Replacing local funding contributions with state funding contributions should not affect the MOE since this calculation tracks expenditure of state and local resources.* This additional, ongoing state funding provides ongoing relief to local districts’ General Fund contributions to special education programs.

In addition to using new state resources to reduce the local general fund contribution, LEAs may be tempted to also replace local General Fund contributions with the one-time federal funds discussed above as a budget relief valve. We would caution against this for three reasons:

1. If using these federal resources *decreases* the expenditure of state and local resources, your LEA may fall short of the local- and state-based MOE calculation—which will be in direct violation of the supplement not supplant rules.
2. Swapping in one-time funds to support ongoing spending does not resolve long-term spending issues.
3. It will be hard to explain how ongoing expenditures are supporting one-time learning loss mitigation.

In conclusion, LEAs should not be afraid to use the one-time funding for learning loss mitigation based on SWDs *for the benefit* of the SWDs who generated them. With this year's funding increase—both one-time and ongoing, state and federal—it will be key to track the MOE this year even more closely than usual to make sure that there are no unwelcome surprises at the closing of the books next year.