

The FISCAL REPORT *an informational update*

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Why LEAs Need to Monitor the Maintenance of Effort for Special Education

Chief business officials (CBOs) and fiscal directors are often told by Special Education staff that they need to monitor the maintenance of effort (MOE) for Special Education. The role of the CBO and fiscal director is to understand, monitor, calculate, and report the MOE. Often times, we see this responsibility lie in the Special Education department or the Special Education Local Plan Area (SELPA) office. It is okay for the Special Education financial accountant to perform the calculations and monitor the MOE, but the impact on a local educational agency's (LEA) finances make it equally important for the CBO and fiscal director to fully understand the calculations, the subsequent-year rule, and the allowable exceptions to the MOE requirements.

In a nutshell, the MOE demonstrates that the LEA has not supplanted local funds with Individuals with Disabilities Education Act (IDEA) funds to pay the excess costs of providing Special Education and related services to children with disabilities (Code of Federal Regulations [CFR] Sections 300.203-300.205).

What Is the LEA MOE?

Generally, an LEA may not reduce the amount of local, or state and local, funds that it spends for the education of children with disabilities below the amount it spent for the preceding fiscal year. There are two components to the LEA MOE requirement—the eligibility standard (CFR 300.203[a]) and the compliance standard (CFR 300.203[b]).

What Is the Eligibility Standard?

The eligibility standard in CFR 300.203(a) requires that, in order to find an LEA eligible for an IDEA Part B subgrant for the upcoming fiscal year, the California Department of Education (CDE) must determine that the LEA has budgeted for the education of children with disabilities at least the same amount of local, or state and local, funds as it actually spent for the education of children with disabilities during the most recent fiscal year for which information is available.

What Is the Compliance Standard?

The compliance standard in CFR 300.203(b) prohibits an LEA from reducing the level of expenditures for the education of children with disabilities made by the LEA from local, or state and local, funds below the level of those expenditures from the same source for the preceding fiscal year. In other words, an LEA must maintain (or increase) the amount of local, or state and local, funds it spends for the education of children with disabilities when compared to the preceding fiscal year.

What Are the Four Methods an LEA May Use to Meet the Eligibility and Compliance Standards?

An LEA may use the following four methods to meet both the eligibility and compliance standards:

1. Local funds only;
2. The combination of state and local funds;
3. Local funds only on a per capita basis; or

4. The combination of state and local funds on a per capita basis.

This is demonstrated through four tests, which are performed in the Standardized Account Code Structure (SACS) software. LEAs need to meet only one test to meet the MOE requirement. The tests are run twice each year—for the Adopted Budget and then the Unaudited Actuals at year end.

What Is the Subsequent Years Rule?

The subsequent years rule prescribes the level of effort an LEA must meet in the year after the LEA fails one or more of the MOE tests.

To meet the federal subsequent year rule, the CDE is required to review prior-year expenditures and per capita amounts when an LEA chooses a different method to meet IDEA MOE. Thus, when an LEA changes its method to meet IDEA MOE, the CDE must determine the most recent year in which the test selected was met and/or the highest amount the LEA reported for previous fiscal years.

In other words, when an LEA fails to meet the MOE test in one year, the LEA is required in subsequent fiscal years to maintain effort at the level prior to the failure. Thus, the LEA must calculate its level of effort on the most recent fiscal year in which the MOE test was met.

Prior to the subsequent years rule, the CDE required that LEAs complete all four tests comparing the current-year data with the prior-year data. In 2016, the CDE added tests to the SACS LEA MOE templates that compares the current year to the most recent fiscal year that the LEA met using that method.

Note that charter schools are not required to use SACS, but are still required to provide documentation of the calculation. It is important to research when each of the last four tests were passed and to have that data ready for the next MOE calculation.

What Are the Consequences for Failure to Meet LEA MOE Compliance Standard?

Failure to meet the MOE compliance test (actual vs. actual test [LMC-A]) will result in the CDE billing the SELPA for the amount that the LEA failed to spend from local, or state and local, funds to maintain its level of effort. The amount must be paid to the CDE by the LEA from its state and/or local funding in the budget year.

What Are the Consequences for Failure to Meet the LEA MOE Eligibility Standard?

Failure to meet the MOE eligibility test (budget vs. prior-year actual expenditures [LMC-B]) will result in the CDE withholding the SELPA's IDEA funds.

What Are the Allowable Exceptions to the LEA MOE Requirement?

Under CFR 300.204, there are five instances where an LEA may reduce the level of expenditures for the education of children with disabilities made by the LEA below the level of those expenditures for the preceding fiscal year (for the compliance standard), and below the level of those expenditures for the most recent fiscal year for which information is available (for the eligibility standard). They are:

- Voluntary or just cause departure of Special Education or related personnel
- A decrease in Special Education enrollment
- The termination of the LEA's obligation to provide services because a high-cost student has either left the agency, reached the age at which the agency is no longer required to provide a free and appropriate public education, or no longer needs Special Education services
- Costly expenditures such as equipment or facilities are terminated

- Costs are covered by a separate high cost fund (CFR 300.704[c]) (*not applicable for California because IDEA funds are not set aside for a high cost pool*)

The CDE developed an LEA MOE exemption worksheet that must be completed and included with the submission of the LEA's MOE report and can be found [here](#).

LEA MOE Policies

Ensure the SELPA's MOE policy guidance is maintained in your LEA's fiscal office to raise the understanding of the requirements and the SELPA's expectations. We encourage LEA fiscal directors and/or CBOs to participate in SELPA meetings or on a SELPA finance committee.

—Debbie Fry and Jamie Metcalf

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