Quick Reference Guide on IDEA Local Educational Agency Maintenance of Effort

CIFR's quick reference guides are intended to assist states and other stakeholders in better understanding the basics of fiscal reporting requirements set forth in the Individuals with Disabilities Education Act (IDEA). The guides may be developed in collaboration with other national technical assistance centers. This informal guidance does not represent an interpretation of the IDEA by the Office of Special Education Programs (OSEP) or the U.S. Department of Education.

What is Local Educational Agency Maintenance of Effort?

The local maintenance of effort (MOE) requirement obligates any local educational agency (LEA) receiving IDEA Part B funds to budget and spend at least the same amount of local — or state and local — funds for the education of children with disabilities on a year-to-year basis (see textbox for regulatory language). The required MOE levels for budgeting and spending are referred to, respectively, as the "eligibility standard" and the "compliance standard."

Why is LEA MOE important?

The intent behind the LEA MOE requirement is to help ensure that the LEA is expending at least a certain level of non-Federal funds for the education of students with disabilities. Just as the Maintenance of State Financial Support requirement is intended to ensure that states set aside sufficient funds for special education and related services, thereby providing LEAs with a stable source of funds, the LEA MOE requirement helps ensure that LEAs continue to expend the funds necessary to provide those services. Please see CIFR's guide on Maintenance of State Financial Support (http://cifr.wested.org/resources/mfs/) for more information.

What are the consequences for failing to meet the MOE standards?

An LEA is not eligible to receive IDEA Part B funds until it has met the MOE eligibility (i.e., budget) standard. If an LEA fails to meet its MOE compliance (i.e., expenditure) standard, its state educational agency (SEA) must repay the U.S. Department of Education. The state's repayment obligation — which must be met using non-federal funds or funds for which accountability to the federal government is not required — is either the difference between what the LEA actually spent and what it should have spent to meet the MOE requirement, or the amount of the LEA's Part B subgrant for that fiscal year, whichever is lower. The SEA can require the LEA to reimburse the SEA for this amount or can opt to cover the penalty itself.

For purposes of establishing the LEA's eligibility for an award for a fiscal year, the SEA must determine that the LEA budgets, for the education of children with disabilities, at least the same amount, from at least one of the following sources, as the LEA spent for that purpose from the same source for the most recent fiscal year for which information is available: (i) Local funds only; (ii) The combination of State and local funds;(iii) Local funds only on a per capita basis; or (iv) The combination of State and local funds on a per capita basis. **34 CFR §300.203(a)(1)**

Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act 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(b)(1)**

An LEA meets this [compliance] standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205: (i) Local funds only; (ii) The combination of State and local funds; (iii) Local funds only on a per capita basis; or (iv) The combination of State and local funds on a per capita basis. **34 CFR §300.203(b)(2)**

The Center for IDEA Fiscal Reporting helps states improve their capacity to report special education fiscal data. The IDEA Data Center provides technical assistance to build capacity within states for collecting, reporting, and analyzing high-quality IDEA data.

The contents of this document were developed under grants from the U.S. Department of Education, #H373F140001 and #H373Y130002. However, those contents do not necessarily represent the policy of the U.S. Department of Education, and you should not assume endorsement by the Federal Government. Project Officers: Matthew Schneer and Matthew Clark (CIFR); Richelle Davis and Meredith Miceli (IDC).

December 2015

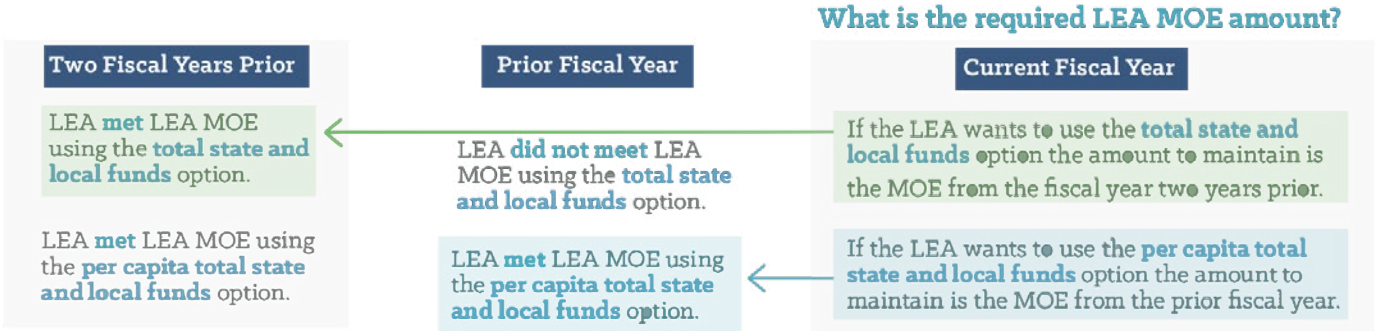
How is MOE calculated?

For both standards, LEAs have four options to demonstrate they have met the MOE requirement:

- Total amount of local funds,
- Total amount of state and local funds,
- Per capita (e.g., per child with disability) amount of local funds, or
- Per capita amount of state and local funds.

For the eligibility standard, the amount an LEA budgets for the education of children with disabilities in a given fiscal year (budget year) is compared to the amount spent in the most recent fiscal year for which information is available and in which the LEA met the MOE requirement, using the same option for both the comparison year and the budget year. Similarly, for the compliance standard, the amount an LEA spends for the education of children with disabilities in a given fiscal year is compared to the amount spent in the most recent fiscal year in which the LEA met MOE, using the same option for both the comparison year and the current year. For example, if an LEA wants to use total local funds to meet MOE in a given fiscal year, the comparison year would be the most recent fiscal year in which it met MOE using total local funds. If an LEA fails to maintain effort during one fiscal year, its MOE obligation the following year would be based on the expenditure level for the most recent fiscal year in which it met the MOE requirement, using the same option in both years. Please see Exhibit 1 for an example.

Exhibit 1. Examples of the required LEA MOE amounts for different MOE options.



What are the allowable exceptions to MOE?

An LEA may reduce its MOE obligation for budgeting or expenditures if there is an allowable exception. Allowable exceptions are those due to a) voluntary or for-cause departure of special education staff, b) decrease in enrollment of IDEA-eligible children, c) termination of an exceptionally costly program for a particular child, under certain circumstances, d) termination of costly expenditures for long-term purchases, and e) assumption of cost by its SEA's high-cost fund (see 34 CFR §300.204).

An LEA may reduce its budget for the education of children with disabilities if it anticipates an allowable exception in the coming school year, such as the expected retirement of a staff member. However, by reducing its budget in anticipation of an allowable exception later in the year, an LEA puts itself at risk of budgeting less than it will ultimately need to meet MOE, should the expected exception not occur.

Are there other ways to reduce the MOE obligation without penalty?

An LEA may reduce its MOE obligation by up to 50 percent of any increase over the preceding year in its IDEA Part B Section 611 allocation (see 34 CFR §300.205(a)). That is, if an LEA receives more IDEA Section 611 funds than it received for the previous fiscal year, it may reduce its state and/or local contributions by up to 50 percent of the amount of the increase. To adjust its MOE obligation in this manner, an LEA must ensure that it provides FAPE for children with disabilities; the SEA must determine that the LEA "meets requirements" of the IDEA Part B; the SEA must not have taken action against the LEA under IDEA Section 616; and the LEA must not have been identified as having significant disproportionality

based on race or ethnicity with respect to identification of children as children with disabilities, including identification as children with particular impairments, placement in particular educational settings, or the incidence, duration, and type of disciplinary actions.

LEAs are also permitted to voluntarily use up to 15 percent of IDEA Part B Sections 611 and 619 funds to provide coordinated early intervening services (CEIS). These are services provided to children who are not currently identified as needing special education or related services, but who need additional academic or behavioral support to succeed in general education. If an LEA chooses to take advantage of both provisions — using funds for CEIS and reducing its MOE obligation by up to 50 percent of its IDEA Section 611 funding increase — the combined total of Part B funds used under both provisions cannot exceed the lesser of the maximum dollar amounts available for either CEIS (15 percent of Sections 611 and 619 funds) or MOE reduction (50 percent of the increase in Section 611 funds). Please see CIFR's guide on CEIS (http://cifr.wested.org/resources/ceis/) for more information.

What are the Part B reporting obligations for MOE?

States have annual reporting requirements for both MOE and CEIS, which are combined in a single data collection form in the EDFacts Metadata and Process System (EMAPS). For MOE, states must report the amount, if any, by which each LEA reduced its MOE obligation under 34 CFR §300.205(a), as well as the state's determination of whether the LEA has met the requirements of Part B of the IDEA. For CEIS, states must report on the amount of Part B funds that each LEA set aside for CEIS, whether voluntary or required, and the number of children who received those services. LEAs are responsible for tracking and reporting this information to the SEA. States must also report, for each LEA that was required to reserve funds for CEIS, the reason for which the LEA was identified with significant disproportionality. Please see the EMAPS IDEA Part B MOE Reduction and CEIS User Guide (http://www2.ed.gov/about/inits/ed/edfacts/emaps-idea-part-b-moe-reduction-ceis-user-guide.pdf) for more information.

What are some questions for states to consider?

Do LEAs understand the four options for calculating, and the allowable exceptions and adjustment for reducing, the budget and expenditure requirements of MOE?

LEAs may not fully understand the different methods they can use in calculating MOE or the allowable ways to reduce their MOE obligation. State training to assist LEAs in these areas may be useful.

How does the state's accounting system track expenditures for the education of children with disabilities?

Some accounting systems may not disaggregate expenditures by state and local funds. This could limit the ability of LEAs to use the local-only options for calculating their MOE.

What are the SEA's procedures for identifying LEAs that are eligible to use an IDEA Section 611 funding increase to adjust MOE?

SEAs are responsible for ensuring that only eligible LEAs reduce MOE by up to 50 percent of the IDEA Section 611 funding increase. Documented procedures for identifying eligible or ineligible LEAs and for identifying LEAs that intend to use this adjustment could help avoid potentially costly confusion.

Resources

- **LEA MOE Regulations (released April 28, 2015)**
  https://www.federalregister.gov/articles/2015/04/28/2015-09755/assistance-to-states-for-the-education-of-children-with-disabilities
- **CIFR LEA MOE resource library**
  http://cifr.wested.org/resources/lea-moe/
- **OSEP webpage on policy documents on Maintenance of Effort**
  http://www2.ed.gov/policy/speced/guid/idea/letters/revpolicy/tpmtseff.html
- **For additional resources and information, we invite you to visit the CIFR and IDC websites:**
  http://cifr.wested.org/
  https://ideadata.org/

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Suggested Citation: Center for IDEA Fiscal Reporting & IDEA Data Center. (2015). *Quick reference guide on IDEA local educational agency maintenance of effort*. San Francisco, CA: WestEd