

**IDEA-B LEA
MAINTENANCE OF EFFORT
(MOE)
GUIDANCE HANDBOOK**
FOR FISCAL YEAR 2014 AND BEYOND

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Introduction

For a local educational agency (LEA) to be eligible to receive Individuals with Disabilities Education Act, Part B (IDEA-B) grant funds, the LEA must meet the federal fiscal accountability requirement known as maintenance of effort (MOE), defined under Title 34 of the Code of Federal Regulations (34 CFR) [300.203](#).

This handbook provides Texas LEAs with guidance on the process of complying with the IDEA-B LEA MOE requirement beginning with fiscal year 2014 (school year 2013–2014).

Relationship of Maintenance of Effort (MOE) to Other IDEA-B Fiscal Compliance Requirements

Prior to defining and providing specific guidance on compliance with IDEA-B LEA MOE, it is helpful to understand the relationship of MOE to other IDEA-B fiscal compliance requirements.

MOE is only one of several fiscal compliance requirements governing the expenditure of federal funds on students with disabilities. Others include excess cost and coordinated early intervening services (CEIS) requirements. To assist LEAs, this handbook includes definitions of these fiscal compliance requirements. Additional resources on those topics are listed below. It is important to note that the excess cost and CEIS requirements apply to the federal IDEA funds while the MOE and voluntary MOE reduction requirements relate to the expenditure of state and local funds. Voluntary MOE reduction is further described in the Voluntary Reduction of MOE section.

Before budgeting both federal and state and/or local funds for services to identified students with disabilities, the LEA should first review and determine the requirements for excess cost, CEIS, voluntary reduction, and MOE.

Definition of Excess Costs

The excess cost requirement mandates how much the LEA must expend in state and local funds before it may begin expending IDEA-B grant funds. The excess cost requirement focuses on per-student spending in special education as compared to per-student spending across all students, whereas the IDEA-B LEA MOE requirement focuses on special education spending in the current year as compared to special education spending in the previous year.

Per 34 CFR 300.202(a)(2), IDEA-B funds “Must be used only to pay the **excess** costs of providing **special** education and related services to children with disabilities” [emphasis added]. Per 34 CFR 300.16, “Excess costs means those costs that are in excess of the average annual per-student expenditure in an LEA during the preceding school year for an elementary school or secondary school student.” Per 34 CFR, Appendix A to Part 300, “An LEA must spend at least the average annual per student expenditure on the education of an elementary school or secondary school child with a disability before funds under Part B of the Act are used to pay the excess costs of providing special education and related services.”

Definition of Coordinated Early Intervening Services (CEIS)

Spending of IDEA-B grant funds on CEIS is related to IDEA-B LEA MOE in that when an LEA is eligible and intends to voluntarily reduce MOE, a voluntary reduction in MOE must be planned for at the same time as any funds are set aside for CEIS. This relationship is further described in the Relationship between Voluntary Reduction of MOE and CEIS section.

CEIS is defined in 34 CFR 300.226(a) as services “for students in kindergarten through grade 12 (with a particular emphasis on students in kindergarten through grade 3) who are not currently identified as needing special education or related services but who need additional academic and behavioral support to succeed in a general education environment.”

An LEA may use up to 15% of IDEA-B funds received by the LEA for any fiscal year to develop and implement CEIS. In accordance with 34 CFR 300.646, if the LEA is identified with significant disproportionality, the LEA is required to reserve the maximum amount of funds (i.e., 15% of the IDEA-B allocation) to serve children in the LEA with CEIS, particularly children in those groups that were over identified. In other words, if the percentage of children of certain racial or ethnic backgrounds who are identified as disabled is significantly greater than the percentage that children of

those racial and ethnic backgrounds represent of the LEA's entire population, the LEA is required to set aside the maximum amount for CEIS, particularly for serving those children. See the [Significant Disproportionality](#) page of the TEA website for additional information on significant disproportionality.

Additional Resources Related to Other IDEA-B Fiscal Compliance Requirements

In addition to the information provided in this MOE handbook, the Division of Federal Fiscal Compliance and Reporting's (FFCR's) [IDEA-B MOE](#) page of the TEA website provides links to the IDEA-B [Excess Cost Guidance](#) and IDEA-B CEIS Guidance Handbook. Additional resources will be linked to FFCR's [IDEA-B MOE](#) page of the TEA website as they become available. To receive an alert when those resources become available, [subscribe to TEA's Grants Administration and Federal Program Compliance listserv](#). A notice will be sent via that listserv when new resources are posted.

Definition of LEA MOE

34 CFR 300.203(a) defines LEA MOE for IDEA-B as follows: "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) requires TEA to ensure that the LEA spent (for that purpose) at least the same total or per capita amount of local funds only or the combination of state and local funds.

In other words, an LEA that accepts IDEA-B funds is required under IDEA-B to expend, for services to students with disabilities, at least an amount equal to 100% of the state and/or local funds it expended on students with disabilities during the previous year. Federal law provides four methods of demonstrating compliance (or "maintaining effort"), as described in the Methods of Determining Compliance section.

Purpose of LEA MOE

In awarding grant funds for education purposes, the federal government does not intend for LEAs to use federal funds as the primary means of providing services to students with disabilities. The LEA agrees when it accepts the IDEA-B funds that it will expend nonfederal (that is, state and local) funds in accordance with two federal fiscal accountability requirements: (i) supplement, not supplant, and (ii) MOE.

The supplement, not supplant provision of IDEA-B (34 CFR 300.202(a)(3)) mandates that state and local funds may not be diverted to other purposes simply because federal funds are available. The MOE requirement ensures, moreover, that the LEA continues to expend its state and/or local funds at the same level from year to year, either in the aggregate or on a per-pupil basis, instead of limiting services to what can be provided using federal dollars.

IDEA-B LEA MOE Methodology

This handbook includes, in Appendix 3, a detailed description of the steps the Texas Education Agency (TEA) takes to calculate an LEA's compliance with the IDEA-B LEA MOE requirement. Appendix 4 contains information on an LEA MOE Determination Calculation Tool available to assist LEAs in planning for satisfying the MOE compliance requirement. Please note, beginning in fiscal year 2014, the PIC 99 allocation (which is used to allocate PIC 99 expenditures among specific organizations and programs within the LEA) is not used in the IDEA-B LEA MOE calculation. LEAs may use the calculation tool described in Appendix 4 to calculate their own compliance for fiscal year 2014 and beyond.

Compliance with IDEA-B MOE Requirement

Per 34 CFR 300.203, LEAs that expend IDEA-B funds must comply with the IDEA-B MOE requirement. This section describes the methods of determining compliance, the consequences of noncompliance, and allowable federal exceptions and state reconsiderations to the MOE requirement.

Methods of Determining Compliance

To meet the IDEA-B MOE requirement in any fiscal year, an LEA is required to expend state and/or local funds on special education at 100% of the level at which it expended state and/or local funds on special education in the

preceding fiscal year. 34 CFR 300.203 provides the following four methods for determining whether an LEA has met the IDEA-B MOE requirement:

- The *total* amount the LEA expended in *state and local funds* must equal or exceed the amount it expended from those sources for special education during the previous fiscal year.
- The *per-pupil* amount the LEA expended in *state and local funds* must equal or exceed the amount it expended per capita from those sources for special education during the previous fiscal year.
- The *total* amount the LEA expended in *local funds* must equal or exceed the amount it expended from that source for special education during the previous fiscal year.
- The *per-pupil* amount the LEA expended in *local funds* must equal or exceed the amount it expended per capita from that source for special education during the previous fiscal year.

An LEA only needs to pass one of the four tests to be compliant.

If the LEA was noncompliant in maintaining effort in the preceding year, then the current year must be compared to the second preceding year rather than the preceding year when the LEA was noncompliant. (See the USDE guidance from April 4, 2012, posted on the Division of Federal Fiscal Compliance and Reporting [IDEA-B MOE](#) page of the TEA website.) For example, if the LEA was noncompliant in the fiscal year 2013 final determination, then the fiscal year 2014 determination must compare fiscal year 2014 to fiscal year 2012.

Consequences of Noncompliance

If an LEA fails all four tests, it will be notified of its preliminary determination of noncompliance and given the opportunity to respond by claiming allowable federal exceptions, voluntary MOE reduction, and/or requesting state reconsiderations.

If an LEA does not have sufficient allowable federal exceptions, a voluntary MOE reduction, and/or state reconsiderations to offset the decline in fiscal effort, the LEA **must refund** to TEA the amount by which the LEA failed to maintain effort (i.e., the difference between its prior and current year expenditures on students with disabilities after all applicable federal exceptions, voluntary MOE reduction, and state reconsiderations have been applied). Likewise, note that sufficient allowable federal exceptions, voluntary MOE reduction, and/or state reconsiderations may offset, or exceed, the entire decline in fiscal effort causing no refund to be required.

If the refund amount exceeds the LEA's IDEA-B maximum entitlement for the fiscal year under determination, the LEA will only be required to refund the amount of the LEA's maximum entitlement. **The repayment must be made from nonfederal funds or from funds for which accountability to the federal government is not required, that is, from state and/or local funds.**

Federal Exceptions to the MOE Requirement

As stated in 34 CFR 300.204, the LEA may reduce the level of its state and/or local expenditures below the level of those expenditures for the preceding fiscal year only if the reduction is attributable to any of the following:

- (a) The voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel.
- (b) A decrease in the enrollment of children with disabilities.
- (c) The termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the State Education Agency (SEA), because the child—
 - (1) Has left the jurisdiction of the agency;
 - (2) Has reached the age at which the obligation of the agency to provide FAPE to the child has terminated;
or
 - (3) No longer needs the program of special education.
- (d) The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.

(e) The assumption of cost by the high cost fund operated by the SEA under 34 CFR 300.704(c).”

These federal exceptions, if applicable, reduce the IDEA-B LEA MOE requirement in the fiscal year under determination and may result in the LEA becoming compliant or may reduce the amount of any refund due for noncompliance.

LEAs complete TEA’s standardized assertion forms to document any reductions attributable to the allowable causes described above. The assertion forms will be posted on the [IDEA-B MOE](#) page of the TEA website.

Departure of Personnel

In order for the level of state and/or local expenditures to be reduced on the basis of departure of personnel, the LEA must provide the following source documentation:

- Source payroll record (e.g., personnel action form, resignation letter signed and dated by the employee) indicating the reasons why the employee departed the LEA
- Year-to-date payroll distribution journal
- Employee’s State Board of Educator Certification (SBEC) record (i.e., certification)
- Employee’s signed and dated job description

In addition, the following conditions must be satisfied:

- Departed personnel may no longer be employed by the LEA. If a special education teacher has been reassigned to other duties within the LEA, the reassignment **does not qualify** the LEA to claim the “departure of personnel” exception.
- The departure must be voluntary (that is, the employee resigned or retired) or for just cause (the employee was terminated as the result of misconduct or negligence). If the LEA reduces the number of special education personnel as the result of a reduction in force, the LEA **may not** claim the “departure of personnel” exception.
- The LEA **may not** claim the “departure of personnel” exception when releasing or failing to renew the contract of a probationary employee, as neither of those cases meets the “just cause” requirement.

Decrease in Enrollment of Children with Disabilities

TEA automatically accounts for a decrease in the enrollment of children with disabilities when calculating the LEA’s IDEA-B MOE in the following two ways.

1. If the number of students with disabilities decreases, and per-pupil special education expenditures remain the same or increase, the LEA will pass the second and fourth tests described in the Methods of Determining Compliance section.
2. In addition, TEA implements allowable flexibility to reduce the refund due by the percentage decrease in enrollment of children with disabilities from the preceding comparison year to the most recent year. For example, if the special education enrollment in the LEA decreased by 5% and the LEA was determined to be noncompliant, then the refund due would be decreased by 5%. This reduction is reflected on the LEA’s MOE report.

Termination of Obligation

In order for the level of state and/or local expenditures to be reduced because the LEA no longer has an obligation to serve a child with an exceptionally costly program, the LEA must provide the following supporting documentation:

- A schedule summarizing the total costs for each special education student that participated in an exceptionally costly program. The schedule must reconcile to the LEA’s detailed general ledger and source records which must include the fund/net asset code and object code for each cost description.
- A detailed general ledger and source records supporting costs identified on the summary schedule provided.

- TEA may also request a student's individualized education program (IEP). If the IEP is requested, the LEA must provide it to TEA through a secure transmission method (provided by TEA) within 24 hours of the request.

An exceptionally costly program for serving a student with a disability is defined by the state as being services costing \$35,000 or greater. Examples of reductions in an exceptionally costly program include, but are not limited to, the following:

- A student in a residential placement graduates or moves out of the LEA.
- A residential facility closes.
- A charter school or another school district begins providing educational services for a student.
- A student with a high number/level of personnel assigned to implement the student's individualized education program (IEP) leaves the LEA. Such students would include but are not limited to students who are identified as deaf, blind, deaf-blind, autistic, medically fragile, emotionally disturbed, or having a severe disability across eligibility categories.
- A settlement agreement/corrective action ends.

Termination of Costly Expenditures

In order for the level of state and/or local expenditures to be reduced because of a termination of costly expenditures for long-term purchases, the LEA must provide the following supporting documentation:

- A schedule listing all of the items purchased, description of the items purchased, and the general ledger classification of the purchases, i.e., fund/net asset code, function code and object code. The schedule must agree to the LEA's detailed general ledger and source records, which must include the fund/net asset code and object code.
- A detailed general ledger and source records supporting the costs identified on the summary schedule provided.

Assumption of Cost by High Cost Fund

In order for the level of state and/or local expenditures to be reduced because of assumption of cost by the high cost fund operated by TEA, meaning the expenditure in the current year was charged to the IDEA-B High Cost grant received from TEA, the LEA must provide the following supporting documentation:

- A detailed general ledger for the previous school year indicating the cost was previously recorded under fund code 199 or net asset code 420.
- A detailed general ledger for the current school year indicating the cost was subsequently recorded under fund code 226 (High Cost Grant).
- The source records supporting costs identified on the detailed general ledgers.

Voluntary Reduction of MOE

The federal exceptions described in the preceding section provide LEAs with possible means of addressing a preliminary determination of noncompliance with IDEA-B LEA MOE. In addition, under certain circumstances, the LEA may have the option to voluntarily reduce the amount of state and/or local expenditures on special education required to comply with IDEA-B LEA MOE.

In accordance with 34 CFR 300.205(a), if an LEA's federal IDEA-B allocation for the current year is greater than the allocation for the preceding year, the LEA may choose to reduce the level of its state and/or local expenditures below what was spent on special education services in the preceding year. **In addition, the voluntary reduction may only be taken if the LEA's state Determination Level is "Meets Requirements" and the LEA has not been identified as having "significant disproportionality."** [34 CFR 300.205(c)] The amount of that "voluntary" reduction may not exceed 50% of the allocation increase in IDEA-B formula funding.

For example, assuming the LEA has a state determination level of "Meets Requirements" and is not identified for significant disproportionality, if the LEA was allocated \$100,000 more in IDEA-B formula funding for the current year than it received in the previous year, it would be eligible to reduce its state and/or local special education spending by

\$50,000 while still maintaining compliance with IDEA-B LEA MOE. Note, however, that before voluntarily reducing MOE, LEAs should carefully consider the relationship of CEIS and voluntary MOE reduction and how the state and/or local funds which are reduced may be expended.

To ensure the LEA properly applies any voluntary MOE reduction, the LEA must take two requirements into consideration:

1. Per 34 CFR 300.205(b), the amount by which IDEA-B MOE is voluntarily reduced must be expended “to carry out activities that could be supported with funds under the ESEA [Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act (NCLB) of 2001] regardless of whether the LEA is using funds under the ESEA for those activities.”

The LEA must spend the amount of the reduction for ESEA activities in the same year that it takes the IDEA-B MOE reduction. The LEA must also demonstrate in the detailed general ledger that the amount of the reduction was spent on ESEA activities by using a local option code that uniquely identifies the amounts expended for ESEA activities.

2. Per 34 CFR 300.205(d), the amount by which IDEA-B MOE is voluntarily reduced is interconnected to the amount of IDEA-B funds the LEA chooses to set aside for CEIS, as described in the following section.

Relationship between Voluntary Reduction of MOE and CEIS

CEIS and the voluntary reduction of MOE provision are interconnected. 34 CFR 300.226(a) states the amount set aside for CEIS must include the amount used for voluntary MOE reduction. At the same time, 34 CFR 300.205(d) states the amount an LEA uses for CEIS shall count toward the maximum amount the LEA may voluntarily reduce the level of its expenditures for MOE. This interconnection may be due to the fact that both provisions are in essence diverting the use of federal funds (CEIS) or state and local funds (MOE reduction) away from providing services to students with disabilities for other uses.

The decisions an LEA makes about the amount of funds it uses for one purpose affects the amount it may use for the other. **The LEA must plan both for CEIS and MOE at the beginning of each grant year.** Otherwise the use of funds for CEIS could prohibit a later decision to voluntarily reduce MOE, as illustrated in 34 CFR, Appendix D to Part 300.

In summary, the rule for using funds for CEIS **and** MOE is as follows:

- If the LEA is either setting aside funds for CEIS or voluntarily reducing its MOE (but not doing both), it is unnecessary to consider the interconnection between CEIS and MOE. For CEIS, the LEA may set aside up to 15% of its IDEA-B allocation (Section 611 and Section 619 funds; 34 CFR 300.226(a)). For MOE, the LEA may voluntarily reduce its level of expenditures by up to 50% of any increase from the prior year to the current year’s IDEA-B allocation (Section 611 funds; 34 CFR 300.205(a)).
- If the LEA is both setting aside funds for CEIS and voluntarily reducing its MOE, the LEA should determine which amount is the lesser: the amount available for CEIS set-aside, or the amount available for voluntary MOE reduction. **Combined, the CEIS set-aside and MOE reduction may not exceed that lesser amount.**

See Appendix 1 for a flowchart illustrating the process the LEA should use in planning for its CEIS set-aside and voluntary reduction of MOE. The Definition of CEIS section provides a list of resources where grantees may find additional detail on CEIS. See Appendix 2 for examples of the relationship between CEIS and the voluntary MOE reduction provisions.

State Reconsiderations in the MOE Calculation

As authorized by the US Department of Education (USDE), Texas law, or adopted commissioner’s rule, TEA may reconsider how certain costs are accounted for in the MOE calculation. The types of state reconsiderations available to LEAs for consideration by TEA include the following:

- Legislatively mandated changes to account for funds (i.e., statutory data collection requirements)
- Federal funds that **may** be considered equivalent state or local funds (e.g., Ed Jobs funds)

- Significant errors in an LEA's reported expenditures

The requirements, terms, and conditions for state reconsiderations are identified below.

Legislatively Mandated Changes to Account for Funds

Occasionally, the Texas State Legislature passes a law that includes a statutory requirement for data collections that may affect the recording of special education expenditures. In those cases, if the statutory requirement affects the calculation of MOE adversely for the LEA, the LEA may submit a request for state reconsideration, and TEA may reconsider how certain costs are accounted for in the MOE calculation. For each fiscal year, where the Legislature has required specific reporting, TEA will provide the LEA a list of required supporting documentation, which identifies the special education costs coded to meet the Legislative requirement, which also meet the IDEA-B MOE requirement.

Federal Funds That *May* be Considered as State or Local Funds

In years when the federal government provides special and/or additional federal funds that TEA designates as state or local funds (such as ARRA SFSF, fund code 266), those specific funds will be automatically included in the total aggregated expenditures by function code for each respective compliance year in the MOE calculation.

However, federal funds that TEA does not specifically designate as state or local funds are not automatically included in the MOE calculation. For example, the federal Ed Jobs funds (fund code 287) *may* at the LEA's discretion be considered as state or local funds. In other words, the LEA was the entity that decided whether to consider the specially allocated federal funds as state or local funds.

The LEA may request a state reconsideration for inclusion of federal funds that the LEA used as state or local funds in the determination of compliance with IDEA-B LEA MOE. The following requirements apply:

- The LEA will be required to submit supporting documentation identifying the federal funds expended as state or local funds.
- The LEA must have available for inspection auditable documentation demonstrating that the federal funds treated as non-federal funds were spent in accordance with the requirements for use in determining compliance with IDEA-B LEA MOE.

Significant PEIMS Errors

USDE has approved TEA's request to reconsider significant errors reported in the Public Education Information Management System (PEIMS), the agency's official system of record, with "significant" defined to mean the following in relation to IDEA-B LEA MOE:

"Corrections that change the LEA's compliance status (from noncompliant to compliant or compliant to noncompliant)."

To demonstrate that an error is "significant", the LEA must enter its self-reported, corrected data into TEA's IDEA-B LEA MOE determination calculation tool (available on the [IDEA-B MOE](#) page of the TEA website) and the results must reflect a change in the LEA's compliance status.

If the results of the TEA IDEA-B LEA MOE determination calculation tool show a change in compliance status, TEA will recalculate a revised compliance determination using the corrected data. **The calculation performed by the IDEA-B LEA MOE determination calculation tool is an estimate only and does not duplicate the exact calculation process. The results of TEA's recalculation will be the basis of the final MOE determination.**

The LEA may request a state reconsideration for significant errors in the LEA's reported expenditures by providing the following to TEA:

- The results returned by the IDEA-B MOE determination calculation tool, signed by the LEA's external auditor, showing how the corrections change the LEA's compliance status.
- A detailed schedule prepared and signed by the LEA's external auditor containing the erroneous and the correct PEIMS data, along with the supporting documentation for such claims.

- A detailed schedule with the corrected PEIMS data in the appropriate PEIMS format provided by TEA to be used in lieu of the original PEIMS data. **This schedule will not be modified by TEA. It will be used exactly as provided.**
- A description of how the error occurred and the administrative procedures taken to ensure such PEIMS data errors do not reoccur.

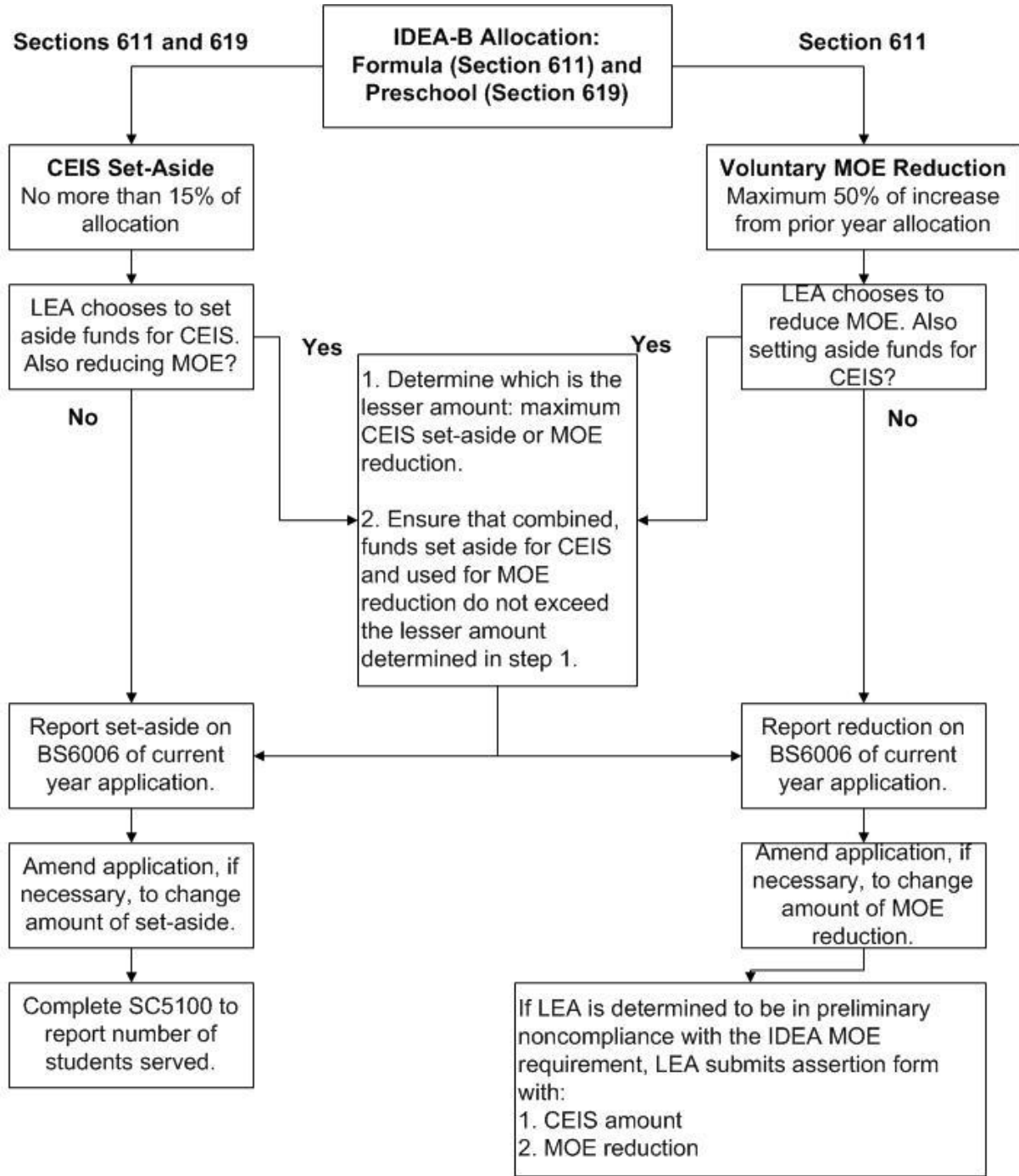
Any decision to use revised data in the calculation of IDEA-B MOE determinations will not change the official PEIMS data, which is the agency's official system of record. The official PEIMS data is final and will remain unchanged on all TEA products and reports that rely on that information.

Possible Consequences of a State Reconsideration Request Due to Significant PEIMS Errors

When an LEA notifies TEA of significant PEIMS errors in the LEA's reported expenditures in the process of requesting the state reconsideration, TEA's FFCR division will make the following notifications of the erroneous data submission to the following TEA divisions and departments, with the following possible results:

- Division of Financial Compliance: Possible increased risk for audit, investigation and/or review
- Division of State Funding: Possible effect on state funding
- Division of Federal Fiscal Monitoring: LEA's possible identification as a high-risk grantee. High-risk grantees may be subject to a review of all reimbursements across one or more grants or a random sampling of expenditures across one or more grants.
- Office for Statewide Education Data Systems: LEA's possible identification as a high-risk grantee
- Department of Accreditation and School Improvement: Possible increased risk for investigation and/or review
- Division of Enforcement Coordination and Governance: LEA possibly recommended for district-level interventions or sanctions based on investigation findings

Appendix 1: CEIS and Voluntary MOE Reduction LEA Process Flowchart



TEA reports data from SC5100 and BS6006 to USDE annually in the spring. Data reported includes allocations, amount of CEIS set-aside, CEIS students served, and amount of voluntary MOE reduction.

Process based on 34 CFR, Appendix D to Part 300.

Appendix 2: Examples of CEIS and Voluntary MOE Reduction

USDE Example 1

In this example, the maximum amount the LEA may use for CEIS is greater than the amount the LEA may use for voluntary MOE reduction. **MOE is therefore the lesser amount.** If the LEA chooses to set funds aside for CEIS and not to reduce MOE, the LEA may set aside up to the maximum of 15% of the allocation. **However, if the LEA chooses to set aside funds for CEIS and voluntarily reduce MOE, the combination of the LEA's CEIS set-aside and MOE reduction may not exceed the maximum amount available for MOE.**

Prior Year's Allocation: \$900,000

Current Year's Allocation: \$1,000,000

Increase: \$100,000

Maximum Available for Voluntary MOE Reduction: \$50,000 (50% of increase, or 50% of \$100,000)

Maximum Available for CEIS: \$150,000 (15% of current-year allocation, or 15% of \$1,000,000)

- If the LEA chooses to set aside \$150,000 for CEIS, it may not reduce its MOE (MOE maximum \$50,000 less \$150,000 for CEIS means \$0 can be used for MOE).
- If the LEA chooses to set aside \$100,000 for CEIS, it may not reduce its MOE (MOE maximum \$50,000 less \$100,000 for CEIS means \$0 can be used for MOE).
- If the LEA chooses to set aside \$50,000 for CEIS, it may not reduce its MOE (MOE maximum \$50,000 less \$50,000 for CEIS means \$0 can be used for MOE).
- If the LEA chooses to set aside \$30,000 for CEIS, it may reduce its MOE by \$20,000 (MOE maximum \$50,000 less \$30,000 for CEIS means \$20,000 can be used for MOE).
- If the LEA chooses to set aside \$0 for CEIS, it may reduce its MOE by \$50,000 (MOE maximum \$50,000 less \$0 for CEIS means \$50,000 can be used for MOE).

USDE Example 2

In this example, the maximum amount the LEA may use for voluntary MOE reduction is greater than the amount the LEA may use for CEIS. **CEIS is therefore the lesser amount.** If the LEA chooses to voluntarily reduce MOE and not to set funds aside for CEIS, the LEA may reduce MOE by up to 50% of the increase from the prior year's allocation. **However, if the LEA chooses to set aside funds for CEIS and voluntarily reduce MOE, the combination of those two amounts may not exceed the maximum amount available for CEIS.**

Prior Year's Allocation: \$1,000,000

Current Year's Allocation: \$2,000,000

Increase: \$1,000,000

Maximum Available for Voluntary MOE Reduction: \$500,000 (50% of increase, or 50% of \$1,000,000)

Maximum Available for CEIS: \$300,000 (15% of current-year allocation, or 15% of \$2,000,000)

- If the LEA chooses to use no funds for MOE, it may set aside \$300,000 for CEIS (CEIS maximum \$300,000 less \$0 means \$300,000 for CEIS).
- If the LEA chooses to use \$100,000 for MOE, it may set aside \$200,000 for CEIS (CEIS maximum \$300,000 less \$100,000 means \$200,000 for CEIS).
- If the LEA chooses to use \$150,000 for MOE, it may set aside \$150,000 for CEIS (CEIS maximum \$300,000 less \$150,000 means \$150,000 for CEIS).
- If the LEA chooses to use \$300,000 for MOE, it may not set aside anything for CEIS (CEIS maximum \$300,000 less \$300,000 means \$0 for CEIS).
- If the LEA chooses to use \$500,000 for MOE, it may not set aside anything for CEIS (CEIS maximum \$300,000 less \$500,000 means \$0 for CEIS).

Appendix 3: IDEA-B MOE Calculation Methodology

The methodology for calculating IDEA-B MOE compliance is based on both federal and state requirements. 34 CFR 300.203 provides the following four methods for determining compliance:

- The *total* amount the LEA expended in *state and local* funds must equal or exceed the amount it expended from those sources for special education during the previous fiscal year.
- The *per-pupil* amount the LEA expended in *state and local* funds must equal or exceed the amount it expended per capita from those sources for special education during the previous fiscal year.
- The *total* amount the LEA expended in *local* funds must equal or exceed the amount it expended from that source for special education during the previous fiscal year.
- The *per-pupil* amount the LEA expended in *local* funds must equal or exceed the amount it expended per capita from that source for special education during the previous fiscal year.

Calculating State and Local Funds

To calculate the total amount expended in state and local funds, TEA uses expenditures reported on PEIMS Record 032, Fund Code 199 for school districts, or 420 for charter schools, coded to program intent code (PIC) 23 and PIC 33. TEA also includes PEIMS Record 033, Fund Code 437 Shared Services Arrangement – Special Education for Shared Service Arrangements (Type 11) expenditures.

As described in the Federal Funds That *May* be Considered as State or Local Funds section, in years when the federal government provides special and/or additional federal funds that TEA designates as state or local funds (such as ARRA SFSF, fund code 266), those specific funds will be automatically included in the total aggregated expenditures by function code for each respective compliance year in the MOE calculation.

Function Codes Used in MOE Determination

The function codes listed in the following table meet the requirements of the IDEA regulations and are used to aggregate state and/or local expenditures within PIC 23 and PIC 33.

Function Code	Description
11	Instruction
12	Instructional Resources and Media Services
13	Curriculum and Instructional Staff Development
21	Instructional Leadership
23	School Leadership
31	Guidance and Counseling Service
32	Social Work Services
33	Health Services
34	Student (Pupil) Transportation
36	Cocurricular/Extracurricular Activities
41	General Administration
51	Plant Maintenance and Operations
53	Data Processing Services

Function Codes Not Used in MOE Determination

The function codes listed in the following table do *not* meet the requirements of the IDEA regulations and are *not* used to aggregate state and/or local expenditures within PIC 23 and PIC 33.

Function Code	Description
35	Food Service
52	Security/Monitoring Service
61	Community Service
71	Debt Service
81	Facilities Acquisition and Construction
91	Contract Services
92	Cst/SI WADA
93	PMT – SSA
95	PMT – JJAEP
97	PMT – TIF
99	Other Intragov Chgs

School Health and Related Services (SHARS)

Medicaid services provided by school districts in Texas to Medicaid-eligible students are known as SHARS. The oversight of SHARS is a cooperative effort between the Texas Education Agency (TEA) and Health and Human Services Commission (HHSC). SHARS allows school districts, including public charter schools, to obtain Medicaid reimbursement for certain health-related services documented in a student's Individualized Education Program (IEP). Using existing state and local special education allocations as the state match, SHARS providers (LEAs) are reimbursed the federal share of the established reimbursement rate of approximately 60%.

If your LEA received SHARS payment during the year, you must calculate the Medicaid cost share amount. This amount is deducted from the total state and local special education expenditures for the year.

[34 CFR 300.203\(b\)\(3\)](#) (Maintenance of effort) states:

The SEA may not consider any expenditures made from funds provided by the Federal Government for which the SEA is required to account to the Federal Government or for which the LEA is required to account to the Federal Government directly or through the SEA in determining an LEA's compliance with the requirement in paragraph (a) of this section.

[42 CFR 433.51](#) (Public funds as the state share of financial participation) states, in relevant part:

(b) The public funds are appropriated directly to the State or local Medicaid agency, or are transferred from other public agencies (including Indian tribes) to the State or local agency and under its administrative control, or certified by the contributing public agency as representing expenditures eligible for FFP under this section.

Because the LEA must provide for the calculated state/local share of the Medicaid payment and because this amount cannot contribute to more than one federal cost share requirement, the calculated state/local share is reduced from the total state and local expenditures for IDEA-B MOE purposes.

Special Education Student Count

PEIMS Record 163 - Child-Count-Funding-Type-Code 3 is used to identify the Special Education Student Population. This special education student count is also found on the line titled IDEA-B of the PEIMS Edit+ report PRF5D010, Special Education Child Counts by Funding Type.

Local Funds

As the State's current expenditure reporting systems do not allow tracking of which LEA expenditures (or portions thereof) are made using local funds, the local portion of these expenditures must be imputed for use in the MOE calculation.

Imputing the total local portion of LEA special education expenditures requires the following data:

- The LEA's total state and local special education expenditures.
- The LEA's Tier I Special Education Adjusted Allotment, Total Cost of Tier I, and Local Fund Assignment from the Legislative Planning Estimate (LPE) column in the Summary of Finance (SOF) dated September 10 or first date thereafter in the year under determination.

Below describes how the LEA total local special education expenditures are imputed for purposes of IDEA-B LEA MOE. The total local expenditures are imputed through a three-step process.

1. Determine the LEA's local special education expenditures that are in excess of its Tier I Special Education Adjusted Allotment.
 - a. This determination is done by subtracting the Tier I Special Education Adjusted Allotment from the LEA's total state and local special education expenditures.
 - b. If the LEA's total state and local special education expenditures is greater than the LEA's Tier I Special Education Adjusted Allotment, then the difference (the expenditures made in excess of the Tier I Special Education Adjusted Allotment) is considered to be expended from local funds.
2. Impute the LEA's local special education expenditures using the ratio of local funding within its total Tier I Allotment.
 - a. First, determine the percentage of local funding within the Tier I Allotment by dividing the LEA's Local Fund Assignment by the Total Tier I Allotment. If the Local Fund Assignment is greater than the Total Tier I Allotment, then the percentage of local funding within Tier I is automatically adjusted to 100%.
 - b. Next, multiply that percentage by the total state and local expenditures up to the Special Education Adjusted Allotment. The result is the LEA's imputed local special education expenditures.
3. Determine the LEA total local special education expenditures for IDEA-B LEA MOE by summing (a) the LEA's local special education expenditures that are in excess of its Special Education Adjusted Allotment (determined in Step 1 above); and (b) the LEA's imputed local special education expenditures (determined in Step 2 above).

Sample MOE Determination: Failure to Maintain Effort

As described in the Methods of Determining Compliance section, the LEA must pass one of four tests to determine whether it met the IDEA-B LEA MOE requirement.

In this example because the LEA failed to maintain effort, the LEA must refund to TEA the lesser of the amounts listed on lines 1 through 4. This refund may not exceed the LEA's IDEA-B maximum entitlement for the current school year.

The example below is provided for purposes of demonstrating the calculation methodology and is not intended to reflect the actual formatting of the LEA's actual MOE report that will be provided by TEA.

Function Code	Function Code Name	Prior Year	Current Year	Comparison
11	Instruction	\$4,387,613.00	\$4,102,277.00	(\$285,336.00)
12	Instructional Resources and Media Services	\$109,175.00	\$101,820.00	(\$7,355.00)
13	Curriculum and Instructional Staff Development	\$36,822.00	\$45,485.00	\$8,663.00
21	Instructional Leadership	\$0.00	\$0.00	\$0.00
23	School Leadership	\$477,316.00	\$434,765.00	(\$42,551.00)
31	Guidance and Counseling Service	\$205,576.00	\$215,552.00	\$9,976.00
32	Social Work Services	\$0.00	\$0.00	\$0.00
33	Health Services	\$49,250.00	\$49,313.00	\$63.00
34	Student (Pupil) Transportation	\$365,551.00	\$424,995.00	\$59,444.00
36	Cocurricular/ Extracurricular Activities	\$0.00	\$0.00	\$0.00
41	General Administration	\$0.00	\$0.00	\$0.00
51	Plant Maintenance and Operations	\$467,082.00	\$437,156.00	(\$29,926.00)
53	Data Processing Services	\$1,678,862.00	\$839,848.00	(\$839,014.00)
n/a	Shared Services Arrangement (from Record 033)	\$149,573.00	\$177,818.00	\$28,245.00
n/a	SHARS Medicaid Cost Share	(\$50,000.00)	(\$10,000.00)	\$40,000.00
Special Education Student Population (Student Count)		576	568	
1.	Total state and local expenditures	\$7,876,820.00	\$6,819,029.00	(\$1,057,791.00)
2.	Per capita expenditure of state and local funds (total state and local expenditures divided by student count)	\$13,675.03	\$12,005.33	(\$1,669.70) X 568 = (\$948,389.60)
3.	Total local expenditures	\$5,809,263.81	\$4,521,587.98	(\$1,287,675.83)
4.	Per capita expenditure of local funds (total local expenditures divided by student count)	\$10,085.53	\$7,960.54	(\$2,124.99) X 568 = (\$1,206,994.32)
Refund Due (Lesser of 1, 2, 3, or 4):				\$948,389.60

In this example, if the LEA's current maximum entitlement is greater than the refund amount, then the refund amount would be due to TEA upon request. If the LEA's current maximum entitlement is less than the refund amount, then the amount equal to the maximum entitlement would be due to TEA upon request.

Sample MOE Determination: Effort Maintained

In this example, the result shown on line 2 of the table is a positive number, indicating that expenditures for the determination year exceeded expenditures in the prior year. The LEA thus met the MOE requirement.

Function Code	Function Code Name	Prior Year	Current Year	Comparison
11	Instruction	\$4,387,613.00	\$4,102,277.00	(\$285,336.00)
12	Instructional Resources and Media Services	\$109,175.00	\$101,820.00	(\$7,355.00)
13	Curriculum and Instructional Staff Development	\$36,822.00	\$45,485.00	\$8,663.00
21	Instructional Leadership	\$0.00	\$0.00	\$0.00
23	School Leadership	\$477,316.00	\$434,765.00	(\$42,551.00)
31	Guidance and Counseling Service	\$205,576.00	\$215,552.00	\$9,976.00
32	Social Work Services	\$0.00	\$0.00	\$0.00
33	Health Services	\$49,250.00	\$49,313.00	\$63.00
34	Student (Pupil) Transportation	\$365,551.00	\$424,995.00	\$59,444.00
36	Cocurricular/ Extracurricular Activities	\$0.00	\$0.00	\$0.00
41	General Administration	\$0.00	\$0.00	\$0.00
51	Plant Maintenance and Operations	\$467,082.00	\$437,156.00	(\$29,926.00)
53	Data Processing Services	\$1,678,862.00	\$839,848.00	(\$839,014.00)
n/a	Shared Services Arrangement (from Record 033)	\$149,573.00	\$177,818.00	\$28,245.00
n/a	SHARS Medicaid Cost Share	(\$50,000.00)	(\$10,000.00)	\$40,000.00
Special Education Student Population (Student Count)		657	568	
1. Total state and local expenditures		\$7,876,820.00	\$6,819,029.00	(\$1,057,791.00)
2. Per capita expenditure of state and local funds (total state and local expenditures divided by student count)		\$11,989.07	\$12,005.33	\$16.26 X 568 = \$9,235.68
3. Total local expenditures		\$5,809,263.81	\$4,521,587.98	(\$1,287,675.83)
4. Per capita expenditure of local funds (total local expenditures divided by student count)		\$8,842.11	\$7,960.54	(\$881.57) X 568 = (\$500,731.76)
Refund Due (Lesser of 1, 2, 3, or 4):				\$0

Appendix 4: IDEA-B MOE Determination Calculation Tool

To assist LEAs in complying with the MOE requirements for FY2014 and beyond, TEA has developed a determination calculation tool (available on the FFCR [IDEA-B MOE](#) page of the TEA website) that LEAs may use to estimate their MOE compliance. To use the tool, LEAs must be prepared to enter the following data:

- Prior year and current year state and/or local expenditures in relevant function codes as described in Appendix 3.
- Special Education Student counts for the prior year and current year (PEIMS Record 163, Child-Count-Funding-Type-Code=3).
- Tier I Special Education Adjusted Allotment, Total Cost of Tier I, and Local Fund Assignment data from the LPE Column of the LEA's Summary of Finance (SOF) dated September 10 or the first date thereafter in the year under determination.

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