

Special Ed Finance Basics

Cole Shakespeare – Fiscal Monitor Program
Manager

Neil Stevens – Fiscal Monitor Team Lead/IDEA
Fiscal Specialist

Overview of Special Education Funds

State funds

- Appropriated by the legislature
- Seven different fund types with unique purposes
- Distributed to LEAs on a 1/12 basis
- No expiration date

Federal funds

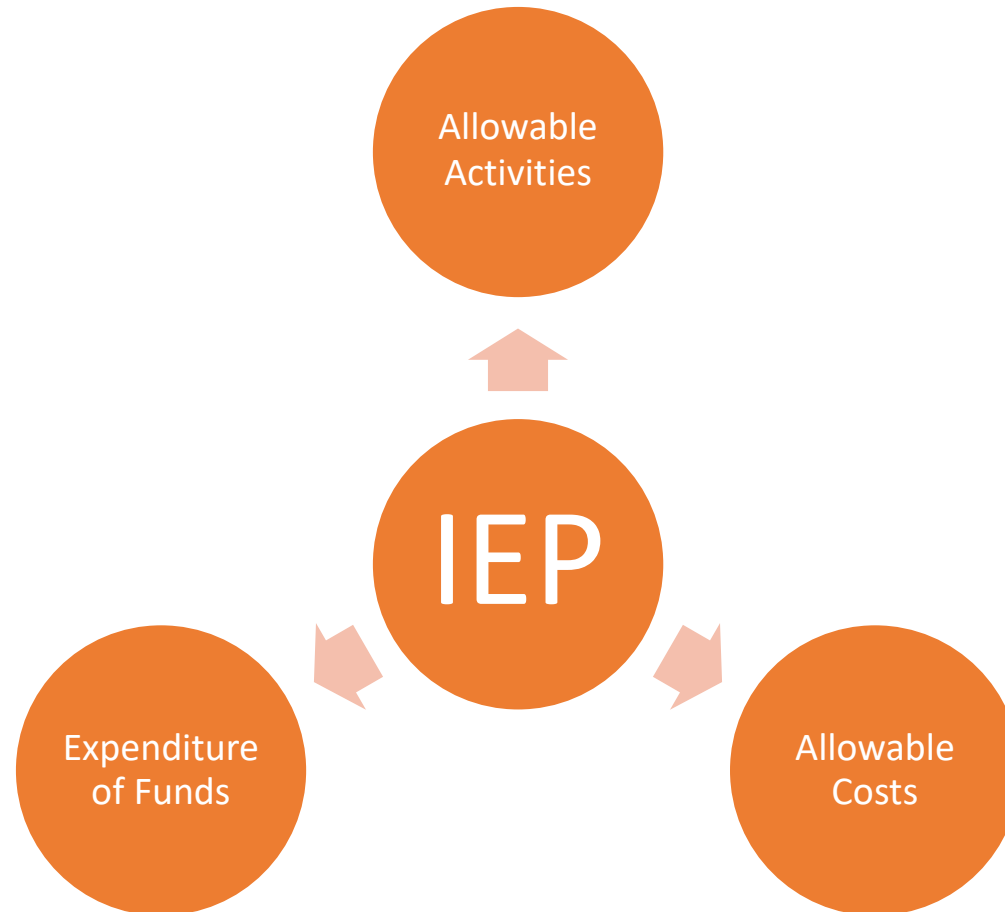
- Appropriated by U.S. Department of Education
- Two different fund types
- Distributed on a reimbursement basis
- 27-month period of availability

Special Education regulations

- [34 CFR 300](#)
- [2 CFR 200](#)
- [State Special Education Rules](#)



Use of Funds





Allowable Costs

Reasonable and necessary cost

Incurred solely for special education program

Follows general procurement

Inventory assigned to special education program

Cannot be shifted to other programs

Supporting documentation is maintained

IDEA Part b allowable costs

IDEA Part B Grants

- For a particular cost to be allowed, it must be an excess cost of providing special education and related services. Only allowable costs may be charged to the IDEA Part B Section 611 (3–21) or Section 619 (3–5) entitlement grants (including IDEA Recovery funds).
- When determining whether a cost is an excess cost, ask the following guiding questions:
 - 1. In the absence of special education needs, would this cost exist? If the answer is... No, then the cost is an excess cost and may be eligible. Yes, then the cost is not an excess cost and is not allowed.
 - 2. Is this cost also generated by students without disabilities? If the answer is... No, then the cost is an excess cost and may be eligible. Yes, then the cost is not an excess cost and is not allowed.
 - 3. If it is a child specific service, is the service documented in the student's IEP? If the answer is... Yes, then the cost is an excess cost and may be eligible. No, then the cost is not an excess cost and is not allowed.
- For a particular cost to be allowed, it also must be necessary and reasonable for proper and efficient performance and administration of the grant. A cost is reasonable if it does not exceed what a district would normally incur in the absence of Federal funds.

Allowability of Costs 2 CFR § 200.403

Unless otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity
- (d) Be accorded consistent treatment.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP).
- (g) Be adequately documented.

Reasonable Costs 2 CFR § 200.404

- Prudent person test
- Ordinary and necessary
- Must be made with sound, business practices, arms length transactions and in compliance with Federal or State laws
- Must not exceed market prices

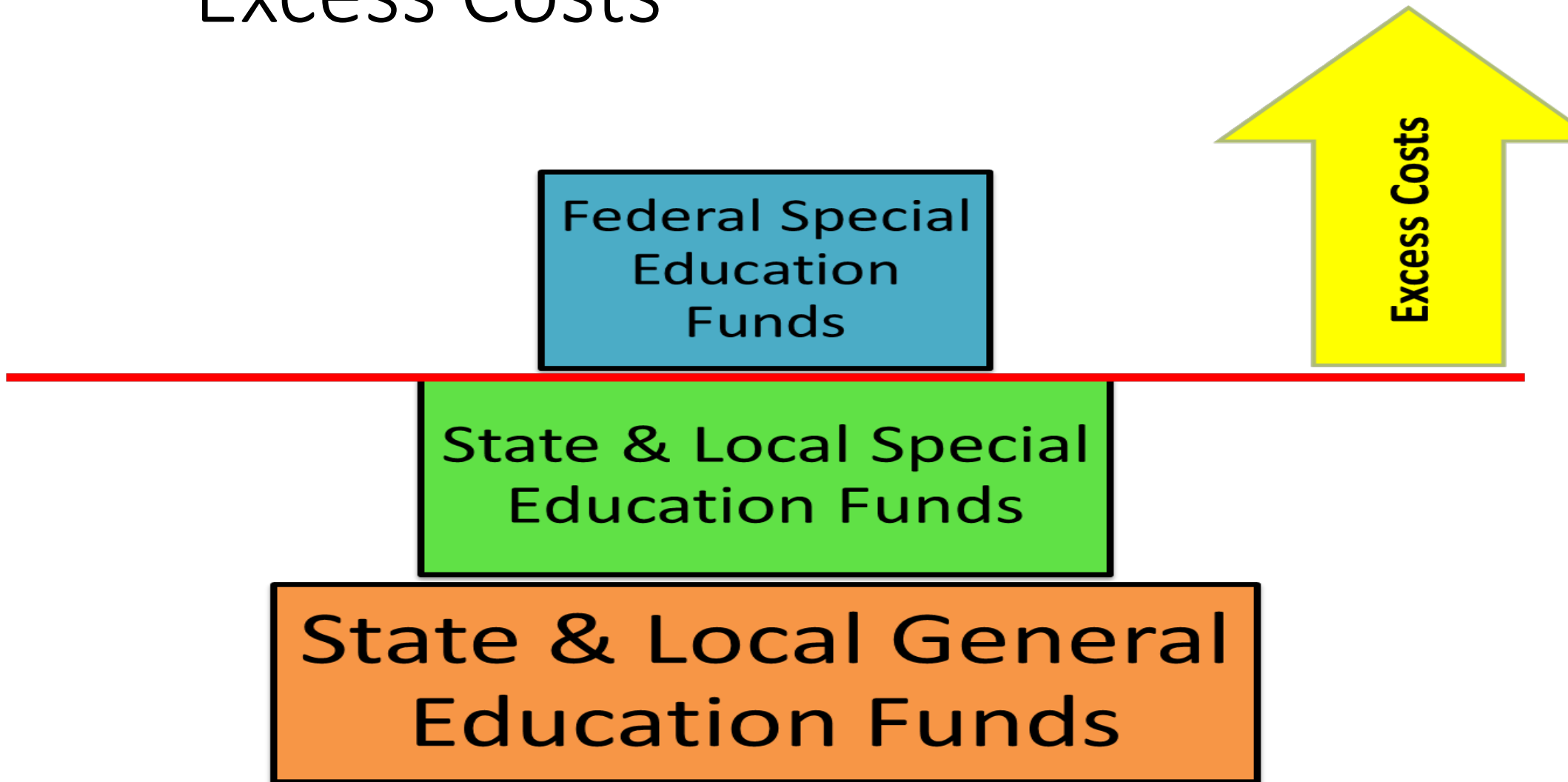
Allocability of Costs 2 CFR § 200.405

- Must be assignable or chargeable to the Federal award or cost objective
- Indirect costs are properly calculated for all activities , allowable and unallowable
- Costs charges to one federal award may not be charged to another federal award to overcome funding deficiencies.
- Costs benefiting two or more programs may be allocated on a proportional basis
- Costs benefiting two or more programs can be allocated with other methods with reasonable documentation

Unallowable Cost 2 CFR § 200.410

- Unallowable costs can be determined by Federal agency, cognizant agency or pass-through entity
- Unallowable costs can be for direct and indirect costs
- Unallowable costs must be repaid with interest
- [Special Education allowable costs list](#)

Excess Costs



IDEA Excess cost Principles

- Special education costs more
- State and local resources must be used to support special education costs
- Students with disabilities receive general education first
- Federal funds are intended as a supplement
- Use of Federal funds should not replace the use of Local and State funds

IDEA excess cost Requirements

- Each LEA is required to spend at least a minimum average amount for the education of students with disabilities before IDEA funds may be used
- Each LEA is required to demonstrate that this minimum amount was actually spent
- Calculate excess costs annually to show eligibility for funds

MOE & Excess Cost Differences

Key Differences between IDEA Local Educational Agency Maintenance of Effort and Excess Cost Requirements

The Individuals with Disabilities Education Act (IDEA) contains two separate requirements for local educational agencies (LEAs) to ensure sufficient funding for special education programs: maintenance of effort (MOE) and excess cost. While these requirements have some similarities, **they are separate requirements requiring separate calculations.**

LEA MOE

An LEA must maintain at least the same amount of local, or state and local, funds it spends for the education of children with disabilities from year to year. At 34 CFR §300.203, IDEA requires an LEA to budget and expend at least the same amount of local, or state and local, funds for the education of children with disabilities as it expended in previous years, on a total or per capita basis. This requirement is called LEA maintenance of effort, or LEA MOE.

Excess Cost

IDEA Part B funds can be used only for expenses above and beyond what is spent on average on an elementary or secondary school student, which is known as "excess cost." IDEA requires, at 34 CFR §§300.16 and 300.202(b), and at Appendix A to Part 300, that an LEA use its IDEA funds for costs of special education and related services that are in excess of the costs for all students. This ensures that the LEA spends at least as much on children with disabilities as on children without disabilities before using IDEA funds. An LEA meets the excess cost requirement if it has spent at least a minimum amount of non-IDEA dollars for the education of children with disabilities. That minimum amount is determined using a step-by-step method defined in IDEA and described in this document.

Purpose

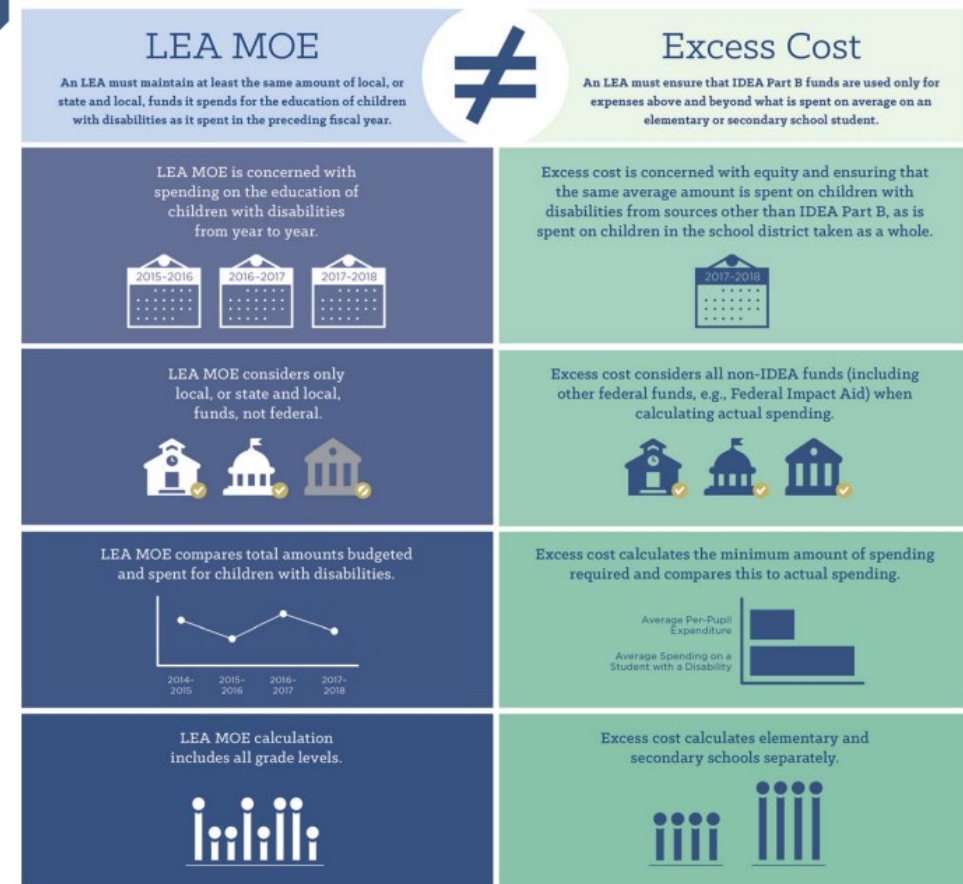
The purpose of this document is to describe key differences between the requirements and the methods for calculating compliance with each separate requirement. **One calculation cannot be used to satisfy both the LEA MOE and excess cost requirements. An LEA might meet one requirement, but not the other.**

<https://cifr.wested.org/wp-content/uploads/2018/01/CIFR-MOE-vs-Excess-Cost-Document.pdf>

Key Differences between IDEA LEA MOE and Excess Cost Requirements

IDEA contains two separate requirements for LEAs to ensure sufficient funding for special education programs: LEA MOE and excess cost. While these requirements have some similarities, **they are separate requirements requiring separate calculations.**

🔗 This graphic, intended to be used together with the following question and answer table, illustrates key differences.



MOE & Excess Cost Differences

	<i>LEA MOE</i>	<i>Excess Cost</i>
A. What are the requirements?	An LEA must budget and expend at least the same amount of either local, or state and local, funds for the education of children with disabilities from year to year . If an LEA meets the LEA MOE requirements, it also meets the requirement that LEAs use IDEA funds to supplement state, local, and other federal funds, and not supplant them (see 34 CFR §300.202).	An LEA must use IDEA funds to pay only the excess cost of providing special education and related services for children with disabilities in a given school year . The regulations state that non-IDEA funds must be expended BEFORE spending IDEA funds. OSEP has clarified that, as long as the non-IDEA funds are expended by the end of the fiscal year, IDEA funds may be expended concurrently.
B. Where can they be found in the regulations?	34 CFR §§300.203-300.205 Appendices D-E	34 CFR §§300.16, 300.202(a)(2) and (b) Appendix A
C. What are the major differences?	When calculating LEA MOE, an LEA performs one calculation inclusive of all grade levels. The LEA MOE test is a year-to-year comparison to determine whether or not an LEA budgeted and expended for the education of children with disabilities at least as much as it had in a previous fiscal year.	When calculating excess cost, an LEA must compute the minimum average amount separately for children with disabilities in its elementary schools and for children with disabilities in its secondary schools. The excess cost test is not a year-to-year comparison, but a test of whether or not the LEA spent a minimum average amount for the education of elementary (or secondary) school children with disabilities before using IDEA funds.

Maintenance of effort (MOE)

Calculation

- Based on Annual Financial Program Report (APR)
- Total local expenditures
- Total local and state expenditures
- Excludes Medicaid
- Includes 4 calculation methods (must meet MOE in at least one area)
 - State & local total
 - State & local per pupil
 - Local only
 - Local per pupil



MAINTENANCE OF EFFORT

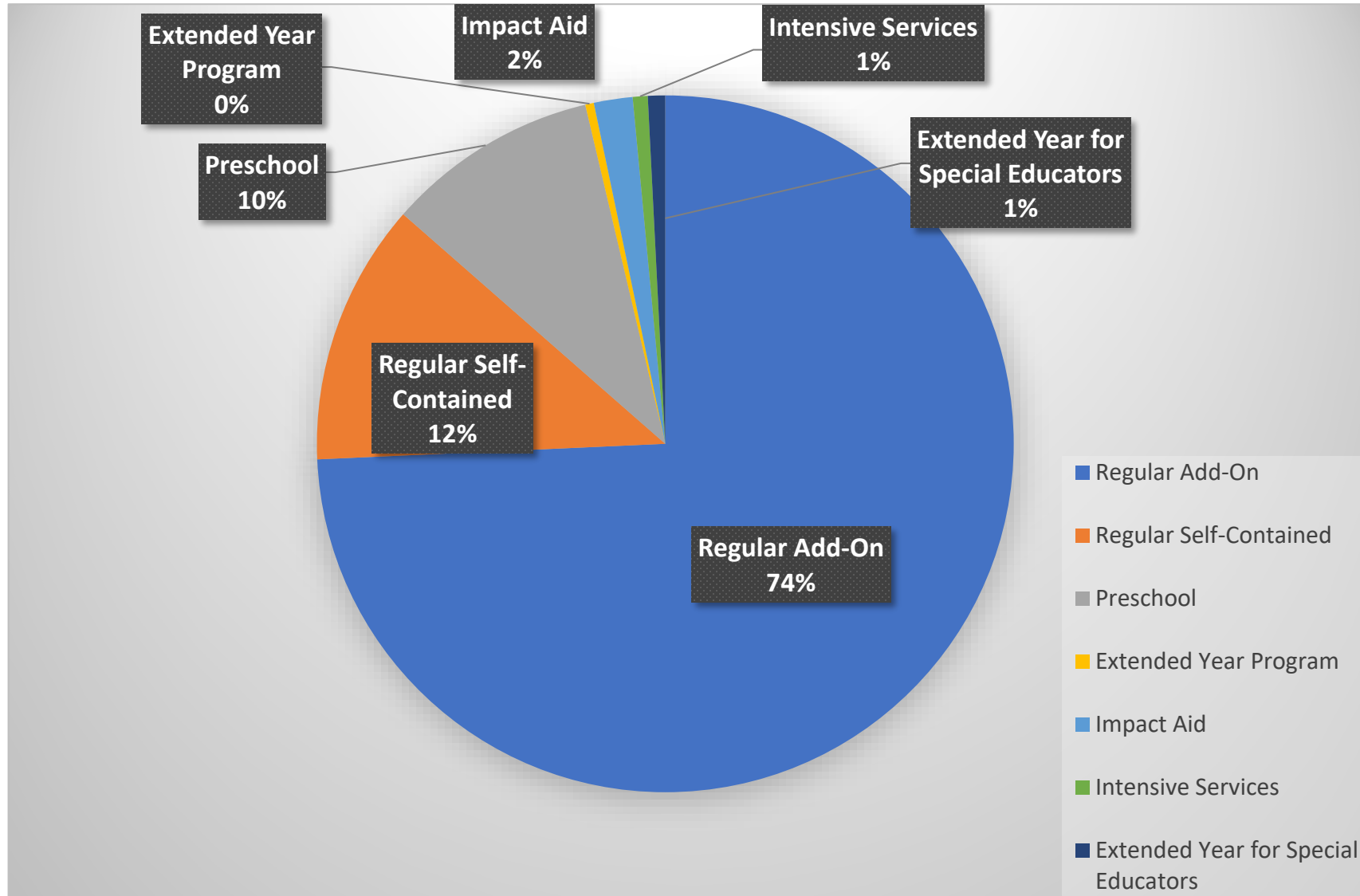
Multi-Year MOE Summary

Fiscal Year	Standard	Child Count	Local Total Amount	Local Total MOE Result	State and Local Total Amount	State and Local Total MOE Result	Local Per Capita Amount	Local Per Capita MOE Result	State and Local Per Capita Amount	State and Local Per Capita MOE Result
2010-2011	Compliance (Expenditures)	7389	\$ 17,318.00	Met as Baseline	\$ 27,829,190.00	Met as Baseline	\$ 2.34	Met as Baseline	\$ 3,766.30	Met as Baseline
2011-2012	Compliance (Expenditures)	7745	\$ 30,940.00	Did Not Meet	\$ 28,632,042.00	Met	\$ 3.99	Met	\$ 3,696.84	Did Not Meet
2012-2013	Compliance (Expenditures)	8462	\$ 68,409.00	Met	\$ 26,051,567.00	Did Not Meet	\$ 8.08	Met	\$ 3,078.65	Did Not Meet
2013-2014	Compliance (Expenditures)	8358	\$ 70,640.00	Met	\$ 27,422,994.00	Met	\$ 8.45	Met	\$ 3,281.05	Did Not Meet
2014-2015	Compliance (Expenditures)	8248	\$ 69,855.00	Met with Exceptions or Adjustments	\$ 29,299,437.00	Met	\$ 8.47	Met	\$ 3,552.31	Did Not Meet
2015-2016	Compliance (Expenditures)	8725	\$ 82,372.00	Met	\$ 30,123,722.00	Met	\$ 9.44	Met	\$ 3,452.58	Did Not Meet
2016-2017	Compliance (Expenditures)	7738	\$ 89,800.00	Met	\$ 33,878,810.00	Met	\$ 11.61	Met	\$ 4,378.24	Met

Allowable uses of state special education funds

- State special education funds are restricted funds which must be spent for the education of students with disabilities. These funds may be spent only for direct costs.
- Direct costs are those elements of cost which can be easily, obviously, and conveniently identified with specific special education activities or programs, as distinguished from those costs incurred for several different activities or programs and whose elements are not readily identifiable with specific special education activities.
- These funds are subject to fiscal monitoring and must be included with the LEA annual audit.
- See SPED Rules Handbook for list of allowable uses of funds

State Special Education Funds



State Special Education Funds

- Calculation and Disbursement
 - Add-On
 - Impact Aid
 - Extended School Year (ESY)
 - Extended Year for Special Educators (EYSE)
 - Intensive Services
 - Preschool
 - Self-Contained
 - <https://schools.utah.gov/file/cf6f7cac-f226-4f6c-b179-909a0330c5f2>
 - Brief summary of each fund type
 - <https://schools.utah.gov/file/b18b4fdb-72cf-476c-8869-0492e673185c>
 - Allowable use of funds list

Special Education Add-On

- To provide educational services for students with disabilities as required by federal law
- <https://cobi.utah.gov/2020/1601/overview>
- Examples: Special Ed personnel, texts, supplies
- Law: 53E-7-202-207, 53F-2-307; R277-750
- Disbursement: 1/12th allotments
- The Utah State Board of Education uses an LEA's average number of special education add-on weighted pupil units determined by the previous five years' average daily membership data as a foundation for the special education add-on appropriation. This calculation is adjusted for overall growth in the LEA. An LEA's special education add-on WPU's for the current year may not be less than the foundation special education add-on WPU's.

Special Education Impact Aid

- To pay for higher administrative costs associated with providing special education services to students
- To pay special education costs for students in state custody (prisons, detention facilities, and the state hospital) and
- To provide additional funding for students with low-incident disabilities
- <https://cobi.utah.gov/2020/2516/overview>
- Law: 53F-2-307
- Disbursement
 - 1/12th allotments

Special Education Extended School Year (ESY)

- To provide additional services identified by the IEP team to students with disabilities whose regression over school breaks is so severe that an inordinate amount of time is necessary to recoup previous learning
- <https://cobi.utah.gov/2020/1604/overview>
- Law: 53F-2-308; R277-750, 751
- Disbursement: 1/12th allotments
- Calculation has two parts
 - Base amount
 - Relative population amount
 - December 1 child count from previous year

Extended Year for Special Educators (EYSE)

- To provide additional contract days for special education teachers to meet the added duties and responsibilities associated with complying with state and Federal regulations.
- <https://cobi.utah.gov/2020/2518/overview>
- Examples: additional workdays to perform duties associated with the student IEP (individualized education program) process, administering student assessments, conferring with parents, maintaining records and preparing reports.
 - Eligible costs are: Wages, Retirement, Workers Compensation, Social Security and Medicare.
- Law: 53F-2-310
- Disbursement: Two times per year, reimbursement
- Statute dedicates a total of 909 WPU's for the program. As a result, the number of WPU's is not adjusted for growth.
- The State Board of Education annually reviews the program and determines, based on the annual appropriation amount, the total number of extended contract days that can be funded. School districts and charter schools will receive funding based on the total number of qualifying teachers multiplied by the total number of contract days. Teachers not working full-time in a special education position may receive a partial stipend.
- FAQ sheet found at this link: <https://schools.utah.gov/file/d76b9d09-53d3-4f35-b48a-b262fd885ff8>

Special Education Intensive Services

- To meet the needs of high cost students
- LEAs with expenditures in excess of three times the state average cost of the special education student.
- <https://cobi.utah.gov/2020/2517/overview>
- Law: 53F-2-309
- Disbursement: Requires application (due June 30)

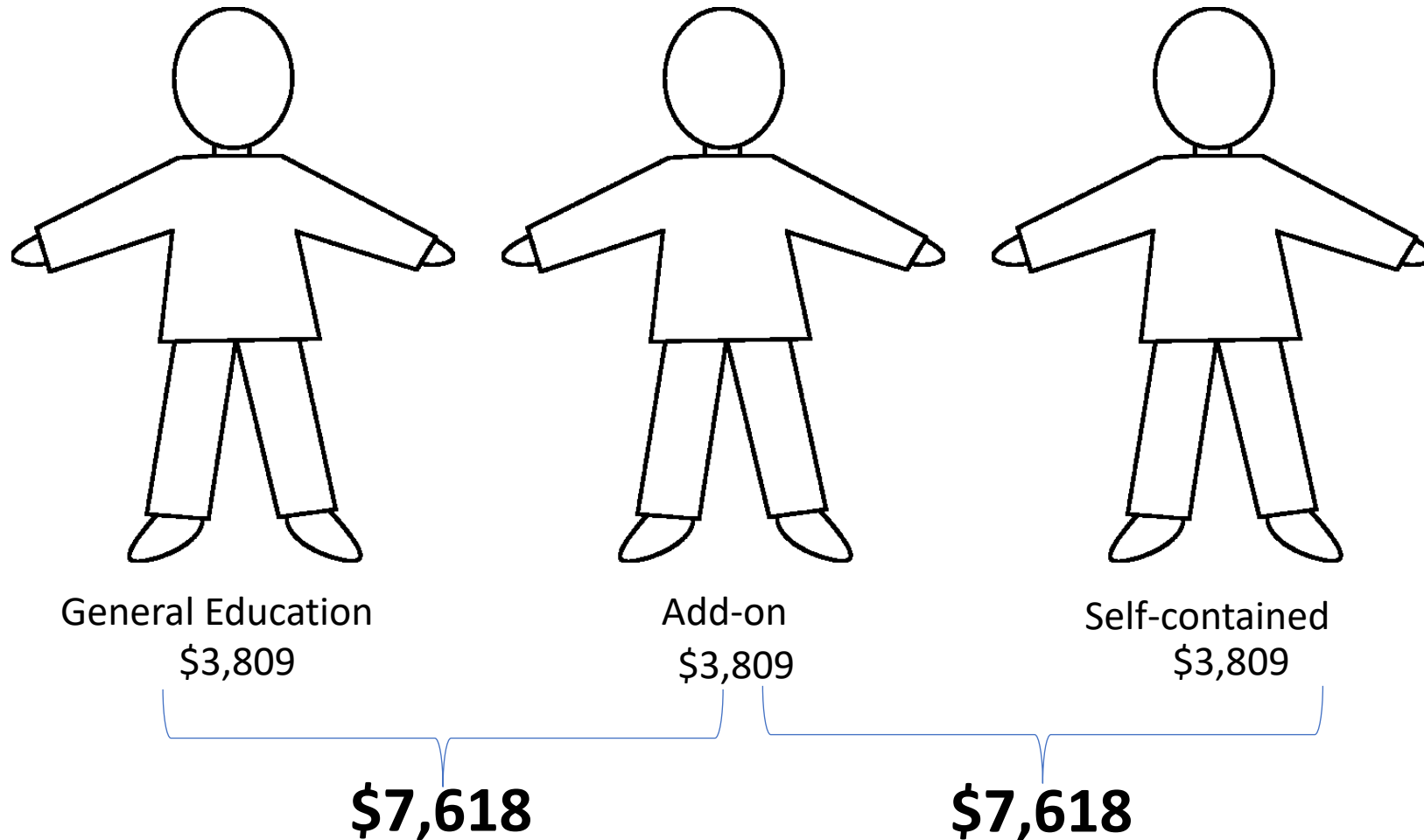
Special Education Preschool

- To provide educational services to children with disabilities who are 3-5 years of age
- <https://cobi.utah.gov/2020/1602/overview>
- Law: 53F-2-308
- Disbursement: 1/12th allotments
 - (Districts only)
- Total statewide growth limited to 8% by statute

Special Education Self-Contained

- To compensate LEAs "for the higher cost of providing more extensive educational services to students who are in a self-contained setting"
- Self-contained means a student a student is enrolled in a special education class for 180 minutes or more each school day
- <https://cobi.utah.gov/2020/1603/overview>
- Law: 53F-2-307; R277-750
- Disbursement: 1/12th allotments

Add-On versus Self-Contained



Questions?

Neil Stevens

USBE Fiscal Monitor Team Lead/IDEA Fiscal Compliance Specialist

Neil.stevens@schools.Utah.gov

(801) 538-7819

Cole Shakespear

USBE Fiscal Monitor Program Manager

Cole.Shakespear@schools.Utah.gov

(801) 538-7576