



IDEA-B LEA MAINTENANCE OF EFFORT GUIDANCE HANDBOOK

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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\(a\)](#).

This handbook provides Texas LEAs with guidance on the process of complying with the IDEA-B LEA MOE requirement.

MOE AND 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 for students with disabilities. Others include excess cost, comprehensive coordinated early intervening services (CCEIS), 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 CCEIS/CEIS requirements apply to federal IDEA funds while the MOE, voluntary MOE reduction, and excess cost 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, CCEIS/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 for students with disabilities 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 last compliant 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: CCEIS and CEIS

Spending of IDEA-B grant funds on CCEIS/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 CCEIS/CEIS. This relationship is further described in the Voluntary Reduction of MOE and CEIS section.

CCEIS is defined in 34 CFR 300.646(d)(2) as services for “children from age 3 through grade 12, particularly, but not exclusively, children in those groups that were significantly overidentified under paragraph (a) or (b) of this section, including - (i) Children 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; and (ii) Children with disabilities.”

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 CCEIS/CEIS. In accordance with 34 CFR 300.646, if the LEA is identified with significant proportionality, 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 CCEIS, 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 CCEIS, 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 IDEA-B LEA MOE Guidance Handbook, the Federal Fiscal Compliance and Reporting (FFCR) Division’s [IDEA-B LEA 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 LEA 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 GovDelivery bulletin](#). A notice will be sent via that GovDelivery bulletin when new resources are posted.

DEFINITION OF IDEA-B 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 last compliant year. Federal law provides four methods of demonstrating compliance (or “maintaining effort”), as described in the Methods of Determining Compliance section.

PURPOSE OF IDEA-B 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: (1) supplement, not supplant, and (2) 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 IDEA-B LEA MOE Calculation Tool available to assist LEAs in planning for satisfying the MOE compliance requirement.

Please note that 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.

COMPLIANCE WITH IDEA-B LEA 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 last compliant 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 last compliant 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 last compliant 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 last compliant 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 last compliant fiscal year.

An LEA needs to pass only 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 (if compliant in that year) rather than the preceding year when the LEA was noncompliant. (See the USDE guidance from April 4, 2012, posted on the [IDEA-B LEA MOE](#) page of the TEA website.) For example, if the LEA was noncompliant in the fiscal year 2019 final compliance review, then the fiscal year 2020 compliance review must compare fiscal year 2020 to fiscal year 2018 (if compliant in 2018).

Consequences of Noncompliance

If an LEA fails all four tests, it will be notified of its preliminary status 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 last compliant year and current year expenditures for 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 resulting in no refund to be required.

If the refund amount exceeds the LEA's IDEA-B maximum entitlement for the fiscal year under review, the LEA will be required to refund only the amount up to 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 last compliant 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 review and may result in the LEA becoming compliant or may reduce the amount of any refund due for noncompliance.

LEAs complete TEA's standardized exceptions workbook to document any reductions attributable to the allowable causes described above. The exceptions workbook will be posted on the [IDEA-B LEA](#)

[MOE](#) webpage and in the Grants and Federal Fiscal Compliance (GFFC) Reports and Data Collections application available in TEAL.

Departure of Personnel

To reduce the level of state and/or local expenditures 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 reason(s) why the employee departed the LEA
- Year-to-date payroll distribution journal

In addition, the following conditions must be satisfied:

- The departure from the special education teaching position must be voluntary (that is, the employee resigned from the position 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, including 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

To reduce the level of state and/or local expenditures on the basis of decrease in enrollment of children with disabilities, the LEA must provide the following source documentation:

- Enrollment numbers for children for disabilities for both applicable years, either at the level of LEA, campus, or special classroom/related service
- Source payroll record (e.g., personnel action form) indicating the reason(s) why an employee was reassigned due to decreased enrollment
- Year-to-date payroll distribution journal
- Any other support documents that justify the amount attributed to decrease in enrollment

In addition, the following conditions must be satisfied:

- Decrease in enrollment must have occurred between the compliance review year and the previous year
- The LEA must provide a narrative description of the expenditures reduced based on a decrease in enrollment of children with disabilities.
- Examples include, but are not limited to, special education staff reassignment to general education, special education teacher or administrator layoff, and/or closure of a self-contained classroom/unit (combining/merger with another).

Termination of Obligation

To reduce the level of state and/or local expenditures 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 copy of 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 as an amount greater than the average per pupil expenditure (as defined in section 9101 of the ESEA) in Texas. 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 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

To reduce the level of state and/or local expenditures 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

To reduce the level of state and/or local expenditures 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 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 status 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 for 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 be taken only if the LEA's state Determination Level is "Meets Requirements" and the LEA has not been identified as having "significant disproportionality"** (an LEA identified with significant proportionality is required to reserve the maximum amount of funds, 15% of the IDEA-B allocation, to serve children in the LEA with CCEIS and may not voluntarily reduce MOE) [34 CFR 300.205(c)].

The amount of any "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 were 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 Every Student Succeeds Act (ESSA)] 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.

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 for both 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 sets 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 maximum 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 amount may not exceed that lesser maximum 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 Additional Resources Related to Other IDEA-B Fiscal Compliance Requirements section provides a list of resources where grantees may find additional details 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 USDE, Texas law, or adopted commissioner's rule, TEA may reconsider how certain costs are accounted for in the MOE calculation. One type of TEA state reconsideration available to LEAs includes significant errors in an LEA's reported expenditures in Texas State Data System (TSDS) Public Education Information Management System (PEIMS). The requirements, terms, and conditions for state reconsideration for significant TSDS PEIMS errors are identified below.

SIGNIFICANT TSDS PEIMS ERRORS

USDE has approved TEA's request to reconsider significant errors reported in the TSDS 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 actual expenditures.

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

If the results of the TEA IDEA-B LEA MOE calculation tool show a change in expenditures, TEA will recalculate a revised compliance review report using the corrected data. **The calculation performed by the IDEA-B LEA MOE 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 IDEA-B LEA MOE compliance review.**

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

- The results returned by the IDEA-B MOE calculation tool, signed by the LEA's external auditor, showing how the corrections change the LEA's expenditures.
- A detailed schedule prepared and signed by the LEA's external auditor containing the erroneous and the correct TSDS PEIMS data, along with the supporting documentation for such claims.
- A description of how the error occurred and the administrative procedures taken to ensure such TSDS 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 TSDS PEIMS data, which is the agency's official system of record. The official TSDS PEIMS data is final and will remain unchanged on all TEA products and reports that rely on that information.

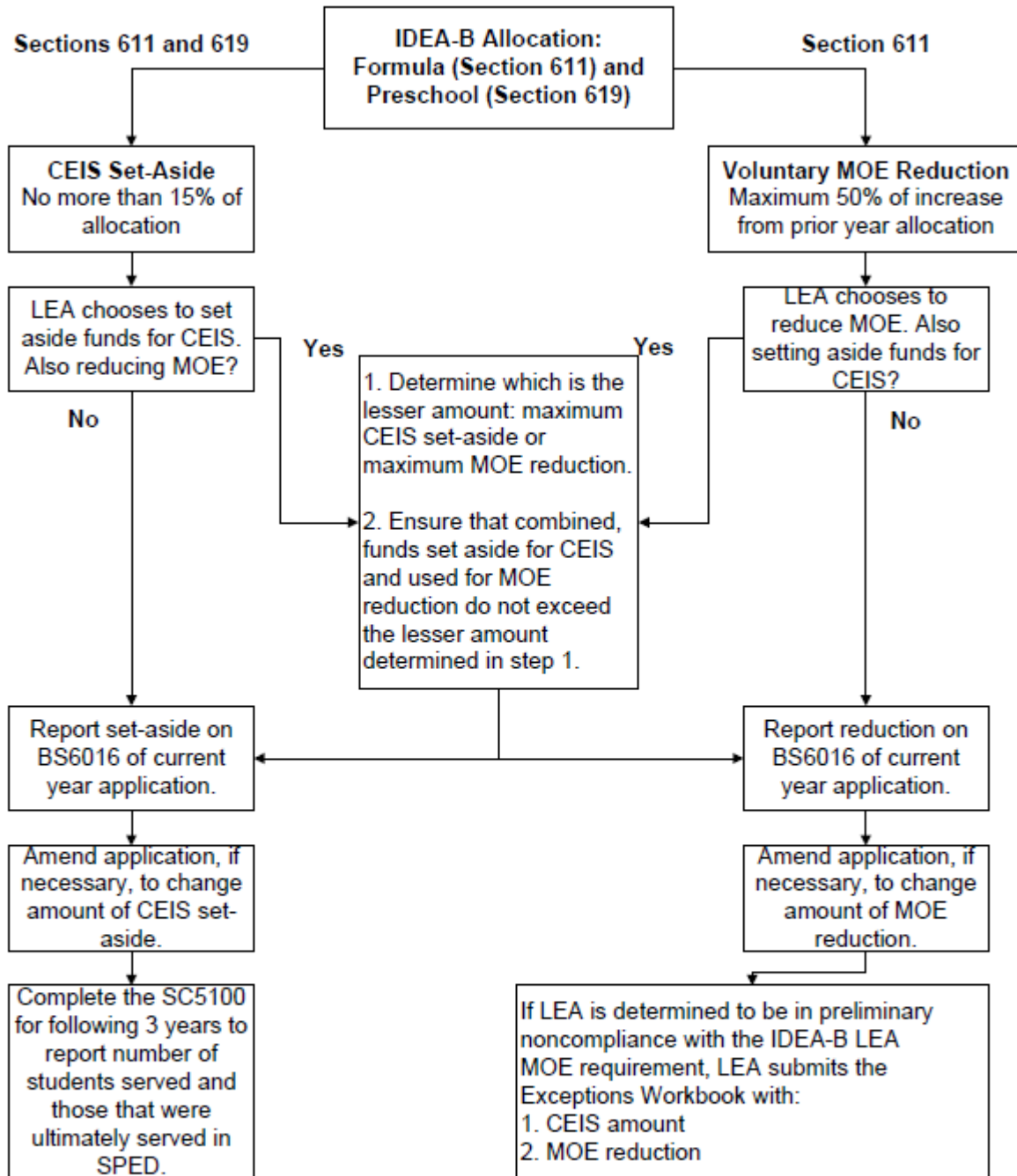
Possible Consequences of a State Reconsideration Request Due to Significant TSDS PEIMS Errors

When an LEA notifies TEA of significant TSDS 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:

- Financial Compliance Division: Possible increased risk for audit, investigation and/or review
- State Funding Division: Possible effect on state funding
- Federal Fiscal Monitoring Division: 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
- Enforcement Coordination and Governance Division: 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, BS6016, and Exceptions Workbooks 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 is required to or voluntarily 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 is required to or voluntarily 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 sets aside \$150,000 for CCEIS/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 sets 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 sets 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 sets 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 sets 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 is required to or voluntarily 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 last compliant 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 last compliant 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 last compliant 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 last compliant fiscal year.

Calculating State and Local Funds

To calculate the total amount expended in state and local funds, TEA uses expenditures reported on TSDS PEIMS Record 032, Fund Code 199 for school districts or 420 for charter schools, coded to program intent codes (PICs) 23, 33, and 43 (PIC 43 will be included beginning in 2020–2021). TEA also includes PEIMS Record 033, Fund Code 437 Shared Services Arrangement – Special Education for Shared Service Arrangements (Type 11) expenditures.

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 PICs 23, 33, and 43 (PIC 43 will be included beginning 2020-2021).

Function Code	Description
11	Instruction
12	Instructional Resources and Media Services
13	Curriculum Development and Instructional Staff Development
21	Instructional Leadership
23	School Leadership
31	Guidance, Counseling, and Evaluation Services
32	Social Work Services
33	Health Services
34	Student Transportation
36	Extracurricular Activities
41	General Administration
51	Facilities Maintenance and Operations
53	Data Processing Services
71	Debt Services (only object codes 6512, 6514, 6522, and 6526)

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 PICs 23, 33, and 43:

Function Code	Description
35	Food Service
52	Security and Monitoring Services
61	Community Services
71	Debt Service (all except object codes 6512, 6514, 6522, and 6526)
81	Facilities Acquisition and Construction
91	Contracted Instructional Services between Public School
92	Incremental Costs Associated with the Purchase of WADA under the Texas Education Code, Chapter 41

Function Code	Description
93	Payments to the Fiscal Agent or Member Districts of Shared Services Arrangements
95	Payments to Juvenile Justice Alternative Education Programs
97	Payments to Tax Increment Fund
99	Other Intergovernmental Charges

Special Education Student Count

TSDS PEIMS report PDM1-121-003 (Special Education Students by Grade and Instructional Setting and Funding Type) is used to identify the Special Education Student Population. This special education student count is found on the line titled IDEA-B (not the Grade Total line).

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), the first Near-final report for 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's 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 IDEA-B LEA MOE Determination: Failure to Maintain Effort

As described in the Methods of Determining Compliance section, the LEA must pass at least one of four tests to determine whether it has 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 final deficiency amounts listed on line (j). This refund may not exceed the LEA's IDEA-B maximum entitlement for the school year under review.

The example below is provided for purposes of demonstrating the formatting of the LEA's actual IDEA-B LEA MOE Compliance Review report that will be provided by TEA:

IDEA-B LEA MOE Compliance
Review School Year (SY) 20XX-20XY
(Fiscal Year 20XY)

LEA Name: Anywhere ISD

CDN: 123456

Region: 00

Status: Noncompliant

	Item Description	Test Methods				Special Ed Student Population	Refund Due*
		Test 1 Local Only	Test 2 State and Local	Test 3 Per-Capita Local Only	Test 4 Per-Capita S&L		
(a)	Last Compliant SY for test method	2017-2018	2017-2018	2015-2016	2015-2016		
(b)	Last Compliant SY total expenditure and per-capita expenditure amounts	\$131,581.13	\$252,190.00	\$4,878.84	\$9,372.77		
(c)	Last Compliant SY special education Student Count			22	22		
(d)	2018-2019 SY total expenditure and per-capita expenditure amounts	\$117,508.17	\$216,072.00	\$3,357.38	\$6,173.49	35	
(e)	Variance (negative only)	(\$14,072.96)	(\$36,118.00)	(\$53,251.13)	(\$111,975.05)		
(f)	Intervening Years-total exceptions and/or adjustments to fiscal effort validated by TEA	\$0.00	\$0.00	\$0.00	\$0.00		
(g)	Preliminary deficiency amounts (only for failing results)	(\$14,072.96)	(\$36,118.00)	(\$53,251.13)	(\$111,975.05)		
(h)	Preliminary compliance result (Pass/Fail)	Fail	Fail	Fail	Fail		
(i)	Current Year-total exceptions and/or adjustment to fiscal effort validated by TEA	\$0.00	\$0.00	\$0.00	\$0.00		
(j)	Final deficiency amounts (only for failing results)	(\$14,072.96)	(\$36,118.00)	(\$53,251.13)	(\$111,975.05)		
(k)	Final compliance result (Pass/Fail)	Fail	Fail	Fail	Fail		\$14,072.96

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

SAMPLE IDEA-B LEA MOE DETERMINATION: EFFORT MAINTAINED

In this example, the expenditures indicated on line d is greater than the amount on line b for three of the four tests, indicating that expenditures for the year under review exceeded expenditures in the last compliant year. Compliance is then indicated on line k as pass/fail – an LEA must pass at least one of the four tests to be deemed compliant. This LEA thus met the IDEA-B LEA MOE compliance requirement.

IDEA-B LEA MOE Compliance
Review School Year (SY) 20XX-20XY
(Fiscal Year 20XY)

LEA Name: Anywhere ISD

CDN: 123456 Region: 00 Status: Compliant

	Item Description	Test Methods				Special Ed Student Population	Refund Due*
		Test 1 Local Only	Test 2 State and Local	Test 3 Per-Capita Local Only 189	Test 4 Per-Capita S&L		
(a)	Last Compliant SY for test method	2017-2018	2017-2018	2017-2018	2015-2016		
(b)	Last Compliant SY total expenditure and per-capita expenditure amounts	\$482,543.08	\$1,158,203.00	\$2,757.39	\$7,109.78		
(c)	Last Compliant SY special education Student Count			175	156		
(d)	2018-2019 SY total expenditure and per-capita expenditure amounts	\$686,315.60	\$1,337,729.00	\$3,631.30	\$7,077.93		
(e)	Variance (negative only)				(\$6,018.60)		
(f)	Intervening Years-total exceptions and/or adjustments to fiscal effort validated by TEA	\$0.00	\$0.00	\$0.00	\$0.00		
(g)	Preliminary deficiency amounts (only for failing results)				(\$6,018.60)		
(h)	Preliminary compliance result (Pass/Fail)	Pass	Pass	Pass	Fail		
(i)	Current Year-total exceptions and/or adjustment to fiscal effort validated by TEA	\$0.00	\$0.00	\$0.00	\$0.00		
(j)	Final deficiency amounts (only for failing results)				(\$6,018.60)		
(k)	Final compliance result (Pass/Fail)	Pass	Pass	Pass	Fail		\$0.00

APPENDIX 4: IDEA-B MOE CALCULATION TOOL

To assist LEAs in complying with the IDEA-B LEA MOE requirements, TEA has developed a calculation tool and a data sources document (both available on the [IDEA-B LEA 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 as specified in the data sources document:

- Last compliant 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 (TSDS PEIMS report PDM1-121-003).
- 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), first Near-final report in the year under review.
- Amounts reported in the Special Education Fiscal Compliance Survey for
 - School Health and Related Services (SHARS) Reimbursement
 - PIC 37 Dyslexia Expenditures (PIC 37 data will be collected only for 2019–2020)
 - Special Education Fiscal Support funds awarded by Region 20 Education Service Center, Fund Codes 429 and 459 (Fund Codes 429 and 459 data will be collected only for 2019–2020).