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STATE OF MICHIGAN

RICK SNYDER

DEPARTMENT OF EDUCATION

BRIAN J. WHISTON

GOVERNOR

LANSING

STATE SUPERINTENDENT

MEMORANDUM

DATE: April 25, 2016

TO: Intermediate School District Superintendents,
Directors of Special Education

FROM: John A. Andrejack, Supervisor, Program Finance,
Office of Special Education

SUBJECT: Initial Review of Maintenance of Effort For Fiscal Year 2014-2015

The Federal law implementing the Individuals with Disabilities Education Act (IDEA) at 20 USCS §1413 requires that all intermediate school districts (ISDs), local education agencies (LEAs), and public school academies (PSAs) that expend IDEA, Part B funds comply with "maintenance of effort" provisions. These provisions state that IDEA, Part B funds may not be used to reduce the level of state and local expenditures for the education of children with disabilities from one year to the next.

The Office of Special Education (OSE) has completed the review of Maintenance of Fiscal Effort (MOE) for compliance for the attached ISD, LEAs and PSAs for the fiscal year 2014-15.

We are pleased to introduce a new format for the MOE worksheets. This year you will see four tests: State and Local Total Funds, Local Only Total Funds, State and Local Total Funds Per Capita and Local Only Total Funds Per Capita.

Packet Contents

1. This letter (ISD superintendents will receive a copy of only this letter. ISD Special Education Directors will receive this letter and attachments for itself and all constituent districts included in the MOE test.)
2. "Four Tests" completed Maintenance of Effort (MOE) worksheets for the 2014-2015 year with comparison to the subsequent year.
3. "Four Tests" Summary Page
4. An assurance statement (in case it is needed)
5. MOE Status Descriptions
6. Exceptions Worksheet

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What Stayed the Same

Aggregate Testing - The Maintenance of Effort Test for the State of Michigan is conducted on an aggregate analysis based on totaling amounts and headcount from the Intermediate School District and its constituent districts that received Federal IDEA Part B funds.

2013-14 and Prior Years Test Results - The results of compliance testing for MOE for fiscal years 2013-14 and prior years stand as the updated guidance for LEA MOE is integrated with testing for fiscal years 2014-15 going forward.

Changes to Note

50% flexibility calculation has not been calculated on the worksheets - In recent years the 50% rule has rarely been available. In addition, districts have asked to see the MOE analysis without the 50% flexibility calculation. Districts that need to resolve a shortfall may utilize the 50% flexibility adjustment if it is available.

Subsequent Years Rule is Included - The updated worksheets incorporate the Subsequent Years Rule that was referenced in the memorandum with subject LEA MOE Final Regulations issued by the Michigan Department of Education, Office of Special Education on May 21, 2015.

The Subsequent Years rule governs what level of effort an LEA must maintain in the year after the LEA fails to maintain effort. Under this rule, if during a fiscal year an LEA fails to maintain effort, in the subsequent year, the LEA must restore its level of effort to the level that would have been required had the LEA not failed LEA MOE. The Subsequent Years rule prevents an LEA that failed to maintain effort in one year from permanently reducing its required level of effort due to an LEA MOE failure. This provision was clarified in a 2012 policy letter and has been included in appropriations language in 2014 and 2015.

Threshold Levels - The threshold levels for each district back to the 2011-12 fiscal year are noted on the "Four Tests" Worksheets. The addition or subtraction of districts within an ISD from receiving Federal IDEA Part B allocations from one year to the next may have an impact on the Maintenance of Effort testing and threshold levels at the aggregate level as expenditures for districts are added or removed.

Status Descriptions - Results are now communicated with two statuses: Pass or Not Met. Each test has its own status. Please see the attached for further clarification of each status and resolution options.

Action Steps

ISDs please distribute - Included is one set of the letters and worksheets, please make a copy to forward to your local education agencies (LEAs) or public school academies (PSAs). Please review the calculations for accuracy and contact us if you have any questions.

April 25, 2016

ISDs please review LEA/PSA information – An ISD who passes MOE at the aggregate level must still review the status of its LEAs and PSAs to see where improvement is needed. If left unmonitored, and too many of the ISDs, LEAs or PSAs do not pass MOE, the ISD who received a "Pass" in one year could fail MOE in a future year.

Submit Exceptions And/or Assurance Statements If Needed - If an ISD does not pass the initial MOE test and receives a "not met" status for all four tests, allowable exceptions may be submitted and the 50% flexibility adjustment may be used if applicable. The ISD needs to review the MOE analysis of its LEAs and PSAs to help determine the best place to start looking for allowable exceptions. Allowable exceptions may be obtained from the ISD or any LEA or PSA that received Federal IDEA Part B funds and was included in the MOE testing regardless of the result of the MOE test.

We are asking that ISD personnel will work directly with LEA and PSA personnel to ensure that all assurances and federal exceptions to the MOE requirement are applied appropriately in the attempt to document state and local effort. Exceptions and assurances that are being submitted for consideration are to be documented on the appropriate worksheets and returned to the OSE with the required supporting documentation **no later than May 20, 2016**.

A List of Allowable Exceptions, the Exceptions Worksheet and other Technical Assistance materials may be found online as follows: <http://www.michigan.gov/mde>

1. Select "MDE Offices"
2. Select "Special Education"
3. Select "Program Finance"
4. Select "LEA Maintenance of Effort (MOE)"

The failure of an ISD, LEA or PSA to maintain state and local effort will result in repayment with non-federal funds to the Michigan Department of Education the lesser of the effort that was not maintained, or the total of the federal allocation.

If you have further questions regarding Maintenance of Effort, please contact Ms. Rene Richardson. Ms. Richardson can be reached by email at RichardsonR2@Michigan.gov, or by calling the OSE, Program Finance at 517-241-1235.

Enclosures
JAA:RR:eh

c: LEA Superintendent
PSA Administrator

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State of Michigan
Office of Special Education
Federal IDEA Part B Funds Maintenance of Fiscal Effort COMPLIANCE
FOUR TESTS

District Code:

				TEST 1	TEST 2	TEST 3	TEST 4
Fiscal Year	Special Education Actual Costs*	Transportation Costs**	Headcount	State and Local Total Funds	Local*** Only Total Funds	State and Local Total Funds Per Capita	Local Total Funds Per Capita
2012-13 Tests							
2011-2012	21,731.00	-	4.00	21,731.00	15,512.94	5,432.75	3,878.23
2012-2013	20,448.00	-	6.00	20,448.00	14,597.05	3,408.00	2,432.84
				per capita surplus/(shortfall)		(2,024.75)	(1,445.39)
\$\$Surplus/\$(Shortfall) in Dollars				(1,283.00)	(915.88)	(12,148.50)	(8,672.35)
Exceptions				-	-	-	-
\$\$Surplus/\$(Shortfall) in Dollars				(1,283.00)	(915.88)	(12,148.50)	(8,672.35)
2012-13 MOE Status				Not Met	Not Met	Not Met	Not Met
Required Threshold for 2013-14 for each method				21,731.00	15,512.94	5,432.75	3,878.23
2013-14 Tests							
2013-2014	20,669.00	-	5.00	20,669.00	14,983.25	4,197.80	2,996.65
				per capita surplus/(shortfall)		(1,234.95)	(881.58)
\$\$Surplus/\$(Shortfall) in Dollars				(742.00)	(529.69)	(6,174.75)	(4,407.92)
Exceptions				-	-	-	-
\$\$Shortfall/\$\$Surplus				(742.00)	(529.69)	(6,174.75)	(4,407.92)
2013-14 MOE Status				Not Met	Not Met	Not Met	Not Met
Required Threshold for 2014-15 for each method				21,731.00	15,512.94	5,432.75	3,878.23
2014-15 Tests							
2014-2015	22,245.00	-	2.00	22,245.00	15,879.86	11,122.50	7,939.93
				per capita surplus/(shortfall)		5,689.75	4,061.70
\$\$Surplus/\$(Shortfall) in Dollars				514.00	366.93	11,379.50	8,123.39
2014-15 MOE Status				Pass	Pass	Pass	Pass

Fiscal Year	Summary STATUS			
2012-2013	Not Met	Not Met	Not Met	Not Met
2013-2014	Not Met	Not Met	Not Met	Not Met
2014-2015	Pass	Pass	Pass	Pass

Notes:
 The Maintenance of Effort Test for the State of Michigan is conducted on an aggregate analysis based on aggregated dollars and headcount from all members districts of the Intermediate School District that received Federal IDEA Part B Funds.
 The addition or subtraction of districts within an ISD from receiving Federal IDEA Part B allocations from one year to the next may have an impact on the Maintenance of Effort testing at the aggregate level as expenditures for districts are added or removed.
 The data and statuses shown incorporates the new subsequent years rule that was referenced in the memorandum with subject LEA MOE Final Regulations issued by the Michigan Department of Education Office of Special Education on May 21, 2015.
 The results of compliance testing for MOE for fiscal years 2013-14 and prior stands as the updated guidance for LEA MOE is integrated going forward. For example, in 2012-13 some districts passed utilizing the file count, which is no longer a part of this analysis.
 If exceptions were submitted, they appear on the ISD reports. To calculate the threshold in the year after exceptions were submitted, the amount of the exceptions were subtracted from the applicable SE-4096 value.

* Special Education Actual Costs for Maintenance of Effort are extracted from the SE-4096 Special Education Actual Cost Report and includes the subtotal of expenditures from page 3 of the SE-4096 for section 52; the subtotal of expend Lines from page 3 for section 53 if applicable; and TU17 amount for Michigan State for the Deal.
 ** Special Education Transportation costs for Maintenance of Effort are extracted from the SE-4094 Transportation Expenditure Report (and includes total expend Lines for section 52 plus the total expenditures for section 53, minus the amount for amounts for section 52 and the amount for amounts for section 53).
 *** Local calculations of 75.2662% of expend Lines from the Special Education Actual Cost Report (SE-4096) and 29.3832% of expenditures from the Transportation Expenditure Report (SE-4094).

MDE Approval:

Date Completed:

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State of Michigan Office of Special Education Federal IDEA Part B Funds Maintenance of Fiscal Effort COMPLIANCE FOUR TESTS Summary Page

District Code:

Required Threshold for 2012-13 for each method
 Required Threshold for 2013-14 for each method
 Required Threshold for 2014-15 for each method

Threshold Levels			
State and Local Total Funds	Local*** Only Total Funds	State and Local Funds Per Capita	Local Funds Per Capita
20,448.00	14,597.05	3,408.00	2,432.84
21,731.00	15,512.94	5,432.75	3,878.23
21,731.00	15,512.94	5,432.75	3,878.23

2014-15 Costs and Headcount			TEST 1	TEST 2	TEST 3	TEST 4
Special Education Actual Costs*	Transportation Costs**	Headcount	State and Local Total Funds	Local*** Only Total Funds	State and Local Funds Per Capita	Local Funds Per Capita
22,245.00	-	2.00	22,245.00	15,879.86	11,122.50	7,939.93
			per capita surplus/(shortfall)		5,689.75	4,061.70
			\$Surplus/\$Shortfall in dollars		11,379.50	8,123.39

2014-15 MOE Status			Pass	Pass	Pass	Pass
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Notes:
 The Maintenance of Effort Test for the State of Michigan is conducted on an aggregate analysis based on aggregated dollars and headcount from all members districts of the Intermediate School District that received Federal IDEA Part B funds.
 The addition or subtraction of districts within an ISD from receiving Federal IDEA Part B allocations from one year to the next may have an impact on the Maintenance of Effort testing at the aggregate level as expenditures for districts are added or removed.
 The data and statuses shown incorporates the new subsequent years rule that was referenced in the memorandum with subject LEA MOE Final Regulations issued by the Michigan Department of Education Office of Special Education on May 21, 2015.
 The results of compliance testing for MOE for fiscal years 2013-14 and prior stands as the updated guidance for LEA MOE is integrated going forward. For example, in 2012-13 some districts passed utilizing the file count, which is no longer a part of this analysis.
 If Exceptions were submitted, they appear on the ISD reports. To calculate the threshold in the year after exceptions were submitted, the amount of the exceptions were subtracted from the applicable SE-4096 Value.

*Special Education Actual Costs for Maintenance of Effort are extracted from the SE-4096 Special Education Actual Cost Report and includes the subtotal of expenditures from page 3 of the SE-4096 for section 52; the subtotal of expenditures from page 3 for section 53 if applicable and Tuition amount for Michigan School for the Deaf.
 **Special Education Transportation costs for Maintenance of Effort are extracted from the SE-4094 Transportation Expenditure Report and includes total expenditures for section 52 plus the total

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Michigan Department of Education
Office of Special Education

Maintenance of Effort
Other Expenditure and Exceptions Worksheet
as required under IDEA (34 CFR §300.203)

District Code: _____

District Name: _____

- Test 1 State and Local Total Funds
- Test 2 Local Only Total Funds
- Test 3 State and Local Funds Per Capita
- Test 4 Local Funds Per Capita

Please select a test (enter 1, 2, 3 or 4)
If the test you selected shows a status of pass, no further action is required, otherwise please complete the rest of this form.

Status	Status in \$
Pass	514.00
Pass	366.93
Pass	11,379.50
Pass	8,123.39

Exceptions to Maintenance of Effort (see Federal IDEA Regulations 34 CFR §300.204):
Justify only to the amount of fiscal effort not maintained as noted on the Maintenance of Fiscal Effort Worksheet. If the total justifications equal/exceed this amount then fiscal effort has been maintained for the reporting year.

<u>Exception Code</u>	<u>Detailed Explanation</u>	<u>Amount(s)</u>
300.204 _____ 1.	_____	_____
300.204 _____ 2.	_____	_____
300.204 _____ 3.	_____	_____
300.204 _____ 4.	_____	_____
Total	Allowable Federal Exceptions to Maintenance of Effort	_____
	50% Flexibility (if applicable)	_____
	Total Adjustments (exceptions plus adjustments)	_____
	Surplus/Shortfall (based upon the test chosen)	_____

Upon Department review and approval, districts that did not demonstrate maintenance of effort, will be provided with instructions for repayment.

Authorized Signature: _____
Title: _____
District Contact: _____
Telephone: _____
Approved by - MDE: _____

Date _____

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Maintenance of Effort (MOE) Status Descriptions, Resolution Options And Exceptions

Michigan Department of Education
Office of Special Education

April, 25, 2016

Status Descriptions

Pass: If the 2014-15 Maintenance of Effort (MOE) Status section indicates Pass, it has been determined that state and local effort has been met by at least one of the four tests. A copy should be retained for your records.

Not Met: If the 2014-15 MOE Status section indicates not met for all four tests, it has been determined that state and local effort may not have been maintained. The district may be able to demonstrate that their MOE has been met by utilizing the "50% Rule" and/or by identifying and clearly documenting allowable exceptions, or a combination of both. The 50% Rule is not available in all cases, for example, if a district is required to do Coordinated Early Intervening Services.

Resolution Options for Shortfalls

50% Rule: Under certain circumstances, in accordance with IDEA §1413(a)(2)(C), in any fiscal year that an LEA's flowthrough allocation (under §1411(f)) exceeds the amount the LEA received in the previous fiscal year, that LEA may reduce their required level of MOE (local, or state and local expenditures for special education) by up to 50% of the increase in the LEA's flowthrough allocation. The LEA must spend the 'freed-up' local funds, on activities that are authorized under the Elementary and Secondary Education Act (ESEA) of 1965. The amount of the 50% Rule that may be used to meet MOE is found on the "All Calculations" page of the MOE worksheet next to the "50% Rule Used".

50% Rule Assurance Statement: For LEAs utilizing the 50% Rule, an Assurance Statement must be provided indicating that the requirements in IDEA §1413(a)(2)(C) have been met. This form is provided for districts with either a Conditional Pass or Conditional Continue status.

Exceptions

An LEA may reduce the level of expenditures for the education of children with disabilities where such reduction is attributable to the allowable exceptions found in IDEA §1413(a)(2)(B). The allowable exceptions must be shown on the MOE

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Worksheet along with documentation that clearly details how the amount was determined.

Allowable Exceptions: In accordance with IDEA §1413(a)(2)(B), an LEA may reduce the level of expenditures for special education where the reduction is attributable to -

- the voluntary departure, by retirement or otherwise, or departure for just cause, of special education personnel;
 - a decrease in the enrollment of children with disabilities;
 - the termination of the obligation of the agency consistent with this part (20 USCS §§1411 et seq.), 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 educational agency, because the child -
 - has left the jurisdiction of the agency;
 - has reached the age at which the obligation of the agency to provide a free appropriate public education to the child has terminated; or
 - no longer needs such program of special education; or
 - the termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school.
- The following information is required to verify eligibility of special education pupils (defined as students who have an active Individualized Education Plan (IEP)) to be counted for Section 53a on the DS-4061. Verification must be sent to the intermediate school district (ISD) for each pupil whose name is listed on the A Worksheets. The ISD will check the information, keep it on file, and provide it to the Department of Education upon request.

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Maintenance of Effort - "50% Rule" Assurance Statement

If an Intermediate School District (ISD), Local Education Agency (LEA) or Public School Academy (PSA) reduces their level of expenditures under the authority of §1413(a)(2)(C) (the 50% rule) they must use an amount of local funds equal to the reduction to carry out activities authorized under the Elementary and Secondary Education Act (ESEA) of 1965. ISDs, LEAs, or PSAs utilizing the 50% rule must complete and return this assurance statement indicating that an equal amount of local funds was spent on ESEA activities. The amount of the 50% rule that has been accessed in order to maintain MOE is located at the bottom of the "All Calculations" page of the MOE worksheet.

Assurance

A local education agency that chooses the flexible spending option under §1413(a)(2)(C)(i)(ii) assures that the agency shall use an amount of local funds equal to the reduction in expenditures under clause (i) to carry out activities under the Elementary and Secondary Education Act of 1965.

2014-2015

Amount of local funds used to carry out ESEA activities

\$ _____

District Code

Authorized ISD/LEA/PSA Signature

Date

Title

District Contact (Please print)

Phone

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