

Procedure: Maintenance of Effort Testing	Policy: Maintenance of Effort		Number: GP0700.1
	<input type="checkbox"/> Complete Revision <input type="checkbox"/> Partial Revision <input checked="" type="checkbox"/> New	Supersedes:	Page: Page 1 of 6

Overview of Procedure

The Pennsylvania Department of Education (PDE) assesses the District’s compliance with federal maintenance of effort (MOE) requirements after the end of each fiscal year. PDE relies on the District’s annual financial statements and related data to perform the federal MOE calculations. If PDE determines that effort was not maintained for any federal education program, the allocation of funds to the District may be reduced.

Though uncommon, if non federal grants contain MOE requirements, Grant Program Managers (GPMs) are responsible for ensuring compliance with all grant requirements and should reference the grant documents to determine the best methodology. Any questions or concerns should be addressed to the Office of Grant Development and Compliance (OGDC).

In order to proactively identify the District’s risk of federal MOE noncompliance, the District will annually perform the MOE calculation using methodology similar to PDE’s. After the Yearly Financial Close and the production of the Annual Financial Report (January), the District will perform two MOE calculations, one for ESEA and one for IDEA, pertaining to funding for the next fiscal year. The District will also perform two preliminary MOE calculations, one for ESEA and one for IDEA, in May pertaining to funding two years in advance. This process will improve the District’s ability to cope with potential MOE requirement violations.

If, at any time, the District believes the MOE requirements cannot be fulfilled, and if the required criteria of (1) exceptional or uncontrollable circumstances, such as a natural disaster; or (2) a precipitous decline in the financial resources of the District are met, the District will begin the process of applying for a MOE waiver through PDE.

Most MOE requirements the District must comply with are for federal programs. If there are non-federal programs with MOE requirements, the Grant Program Manager (GPM) is responsible for monitoring the requirements, ensuring that compliance is maintained, or, if applicable, applying for a grant specific waiver.

Procedure Details

The District has historically received funds under two acts that have MOE requirements: the Elementary and Secondary Education Act (ESEA) and the Individuals with Disabilities Education Act (IDEA). The procedural details related to these acts are described below.

Elementary and Secondary Education Act (ESEA)

The requirements for ESEA apply to the following programs:

- Title I, Part A (Improving Basic Education Programs)
- Title I, Part B, Subpart 3 (Even Start)
- Title I, Part D (Neglected and Delinquent Program)
- Title I, Part F (Comprehensive School Reform)
- Title II, Part A (Improving Teacher Quality)
- Title VI, Part B, Subpart 2 (Rural & Low Inc Program)
- Title II, Part D (Education Technology)
- Title III, Part A (Language Acquisition Program)
- Title IV, Part A (Safe and Drug Free Communities and Schools)

- Title IV, Part B (21st Century Community Learning Centers)
- Title V, Part A (Innovative Education Programs)

Year Following an MOE-Compliant Year

To determine MOE for the above-mentioned programs in the year after a year of MOE compliance, the District must compare what it spent in state and local funds on free public education in the “preceding fiscal year” to what it spent in state and local funds on free public education in the “second preceding fiscal year.”

In reality, LEA financial data for the “preceding fiscal year” is not available in time to make the MOE determination. Therefore, for purposes of this MOE calculation, the Department of Education has defined the “preceding fiscal year” to be the second preceding fiscal year and the “second preceding fiscal year” to be the third preceding fiscal year. For example, for federal funds made available on July 1, 2013, the “preceding fiscal year” is the 12-month period that begins on July 1, 2011 and ends on June 30, 2012. The “second preceding fiscal year” is the period that begins on July 1, 2010 and ends on June 30, 2011.

Year Following an MOE-Non-Compliant Year

To determine MOE for the above-mentioned programs in the year after a year of MOE failure or noncompliance, the District must compare what it spent in state and local funds on free public education in the “preceding fiscal year” to 90% of what it spent in state and local funds on free public education in the “third preceding fiscal year.”

According to 2 CFR, Subpart F (Audit Requirements) Appendix XI (Compliance Supplement), state and local funds for free public education consist of the following types of expenditures:

Included Expenditures

- Administrative
- Instructional
- Attendance and health services
- Pupil transportation services
- Operational and maintenance of plant
- Fixed charges
- Net expenditures to cover deficits for food services and student body activities

Excluded Expenditures

- Community services
- Capital outlays
- Debt services
- Supplementary expenses as a result of a presidentially declared disaster
- Any expenditure made from funds provided by the federal government

ESEA Procedure Steps

RESPONSIBLE POSITION	Step	ACTION TAKEN
Office of Accounting Services and Audit Coordination	1	<p style="text-align: center;">Actual Test (replicated from PDE)</p> <p>The Office of Accounting Services and Audit Coordination will utilize the same data inputs and methods used by PDE for these calculations.</p> <p>If the previous year’s MOE requirement was met, the calculation will compare the preceding fiscal year’s actual state and local funding levels to 90% of the second preceding fiscal year’s actual state and local funding levels. The calculation will be in total and per pupil. This calculation shall occur as quickly as possible after the Yearly Financial Close and production of the AFR. The MOE analysis will lead to one of two conclusions:</p> <p>Note: If the previous year’s MOE requirement was NOT met, the calculation will compare the preceding year’s actual state and local funding levels to 90% of the third preceding fiscal year’s actual state and local funding levels.</p> <ul style="list-style-type: none"> • <u>Conclusion One:</u> There is NO likelihood of an MOE compliance violation. If so, no action is required. • <u>Conclusion Two:</u> There IS a likelihood of an MOE compliance violation. If so, the Office of Accounting Services and Audit Coordination will contact the Office of Grant Development and Compliance (OGDC) which will generate recommendations to take to the Grants Oversight Committee (GOC). <p style="text-align: center;">Preliminary Test</p> <p>The Office of Accounting Services and Audit Coordination will also perform a preliminary test. This preliminary test will be conducted immediately after the City Council Budget for the Current Year and Next Year are complete, usually early May. This will be an early indication of whether the next year spend will be at least 90% of current year.</p>
GOC	2	The GOC shall determine the most appropriate course of action. This may include applying for an MOE requirement wavier from PDE.
OGDC	3	Implement MOE plan of action.

IDEA, Part B: Services for School-Aged Children

Under IDEA, Part B, the District is prohibited from reducing the level of local fund expenditures for the education of children with disabilities below the preceding fiscal year level, regardless of the District's compliance with the MOE requirement in the previous year. PDE will examine the budgeted amounts of local funding for the current fiscal year and determine whether the District has budgeted for the education of children with disabilities at least the same total or per capita amount as the District spent during the most recent preceding fiscal year for which information is available. The following types of expenditures are used to make the determination:

Included Expenditures

- Local fund expenditures on the education of children with disabilities
- State fund expenditures on the education of children with disabilities

Excluded Expenditures

- Federal fund expenditures on the education of children with disabilities for which the District or PDE is required to account to the federal government

The District may reduce its local spending on special education and related services below the preceding fiscal year level **if** the reduction is due to any of the following circumstances:

- voluntary departure of special education personnel;
- a decrease in the enrollment of children with disabilities;
- termination of the recipient's obligation to a particular child because the child has left the LEA, aged out or no longer needs services;
- termination of costly expenditures (such as equipment purchases or school construction);
- the LEA's exercise of specific IDEA exceptions to support ESEA activities; or
- the assumption of costs by the high-cost fund operated by the SEA

If the District violates the IDEA part B MOE requirement, PDE may not reduce the District's IDEA part B allocation. The US Department of Education (USDE) will handle any District MOE violations by seeking a recovery of funds from PDE. The recovery is based on the degree to which the District failed to maintain effort, and would not exceed the amount of the District's subgrant for the applicable year.

For any fiscal year for which the federal allocation received by the District exceeds the amount received for the previous fiscal year, the District may reduce the level of local or state and local expenditures by not more than 50 percent of the excess. If the District exercises this authority, it must use an amount of local funds equal to the reduction in expenditures to carry out activities authorized under the ESEA. The amount of funds expended by the District for early intervening services counts toward the maximum amount of state and local expenditures that the District may reduce. However, if PDE determines that the District is unable to establish and maintain free appropriate public education programs that meet IDEA requirements or if PDE has taken action against the District under Section 616 of the IDEA, PDE shall prohibit the District from reducing its local or state and local expenditures for that fiscal year.

IDEA, Part C: Early Intervention for Babies and Toddlers

The MOE requirements for IDEA Part C are similar to IDEA Part B, above. The total amount of state and local funds budgeted in the current fiscal year for early intervention services for children eligible under IDEA Part C and their families must be at least equal to the total amount of state and local funds actually expended for early intervention services for these children and their families in the most recent preceding fiscal year for which the information is available. Again, regardless of whether or not the District was compliant with the MOE requirement in the previous year.

The District may reduce its local spending on early intervention services below the preceding fiscal year level **if** the reduction is due to any of the following circumstances:

- decreases in the number of children who are eligible to receive Part C early intervention services
- unusually large amounts of funds expended for such long-term purposes as the acquisition of equipment and the construction of facilities.

The School District of Philadelphia does not receive IDEA Part C funding and thus no MOE test is performed.

IDEA Procedure Steps

RESPONSIBLE POSITION	Step	ACTION TAKEN
Office of Accounting Services and Audit Coordination	1	<p style="text-align: center;">Actual Test (replicated from PDE)</p> <p>The Office of Accounting Services and Audit Coordination will utilize the same data inputs and methods used by PDE for these calculations.</p> <p>The Office of Accounting Services and Audit Coordination will compare the state and local funding levels for education of children with disabilities budgeted in the current fiscal year to the actual state and local funding levels for education of children with disabilities for the preceding fiscal year. The calculation will be in total and per pupil. This calculation shall occur as quickly as possible after the Yearly Financial Close and production of the AFR. The MOE analysis will lead to one of two conclusions:</p> <ul style="list-style-type: none"> • <u>Conclusion One:</u> There is NO likelihood of an MOE compliance violation. If so, no action is required. • <u>Conclusion Two:</u> There IS a likelihood of an MOE compliance violation. If so, the GAU will contact the Office of Grant Development and Compliance (OGDC) which will generate recommendations to take to the Grants Oversight Committee (GOC). <p style="text-align: center;">Preliminary Test</p> <p>The Office of Accounting Services and Audit Coordination will also perform a preliminary test. This preliminary test will be conducted immediately after the City Council Budget for the Current Year and Next Year are complete, usually early May. This will be an early indication of whether the next year spend will be at</p>

RESPONSIBLE POSITION	Step	ACTION TAKEN
		least equal to the current year.
GOC	2	The GOC shall determine the most appropriate course of action. This may include applying for an MOE requirement wavier from PDE.
OGDC	3	Implement MOE plan of action.

Policy

- *GP0700: Maintenance of Effort*

Forms

Definitions

Contacts

- *Office of Accounting Services and Audit Coordination*
- *Office of Grant Development and Compliance*
- *Grants Oversight Committee*

Frequently Asked Questions

Related Information

- *2 CFR, Subpart F, Appendix XI*

History

Amended:

- Amended 4/23/2015 to make clarifications and technical edits.

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