CIFR
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Quick Reference Guide on IDEA Maintenance of State Financial Support

CIFR's quick reference guides are intended to assist states and stakeholders in better understanding the basics of fiscal reporting requirements stipulated in the Individuals with Disabilities Education Act (IDEA). This informal guidance does not represent an interpretation of the IDEA by the Office of Special Education Programs (OSEP) or the U.S. Department of Education.

What is the Maintenance of State Financial Support requirement?

To receive federal IDEA funds to provide educational services to children with disabilities, states must meet certain eligibility requirements, including a requirement commonly referred to as "maintenance of state financial support" (MFS). Under Part B of the IDEA (which covers children ages 3–21), states are required to make available at least the same amount of state financial support from one year to the next for the education of children with disabilities (see textbox for regulatory language). This MFS requirement includes reporting obligations as well.

Why is MFS important?

Local educational agencies (LEAs) rely on state appropriations as a major source of funds that are ultimately distributed to LEAs for the purpose of providing a free appropriate public education. By requiring states to maintain their annual level of amount of funds made available (i.e., appropriated) for special education and related services for children with disabilities, the MFS requirement ensures that sufficient funds are set aside by the state for that purpose and allows LEAs to more predictably plan their special education programs.

The consequences for states not meeting MFS are significant. States that fail to maintain support will have their Part B Section 611 grant reduced by the same amount by which the state failed to meet the requirement. The penalty may be spread over a period of no more than five consecutive years.

What is "state financial support"?

State financial support refers to funds appropriated through the state budget process, or otherwise made available by the state, for special education and related services to children with disabilities. These funds may be allocated by the state educational agency to LEAs and state-funded schools (such as schools for the deaf).

"A State must not reduce the total amount of State financial support for special education and related services for children with disabilities, or otherwise made available because of the excess costs of educating those children, below the amount of that support for the preceding fiscal year."

34 CFR 300.163(a)

State financial support also includes funds used by other state agencies to provide services designated in children's individualized education programs, such as mental health services, educational services to students in juvenile facilities, and vocational rehabilitation services. To implement these services, state agencies might use contractors, give grants to LEAs, or provide the services directly.

State financial support does *not* include funds from local revenues or private sources, unless the state determines those funds to be state funds.

What needs to be reported for the MFS requirement?

To receive Part B IDEA grants, states complete and submit an annual state application to the U.S. Department of Education. The application has multiple assurances, including an assurance that states will meet the MFS requirement in the upcoming year in exchange for receiving IDEA funds. As of Federal Fiscal Year 2013, the U.S. Department of Education added a new data requirement, Section V, to the grant application. In Section V, states report the total dollar amount of state financial support for the two prior state fiscal years, as certified by the state budget officer or authorized representative. Although it is not explicitly mentioned in Section V, states can include a per capita (i.e., "per child") dollar amount for the two years, in addition to the totals. This is helpful information to report if the total dollar amount declined but the dollar amount per child with a disability remained the same (due to declining enrollments).

When reporting year-to-year information in Section V, the comparison calculations must be based on the same components, plus any new funding for special education that was not reported previously. For example, if the state fiscal year 2014 amount is based on allocations to LEAs, mental health services, and vocational rehabilitation services provided to children with disabilities, the calculation for fiscal year 2015 must be based on those same components, as well as any new sources of state funding for special education and related services.

Exhibit 1: Comparison calculations for state financial support

FY 2014 state financial support calculations based on:

- LEA allocations
- State-run schools (e.g. schools for the deaf or blind)
- Other state agency support for...
  - mental health services
  - students in juvenile facilities
  - vocational rehab

FY 2015 state financial support calculations will need:

- LEA allocations
- State-run schools (e.g. schools for the deaf or blind)
- Other state agency support for...
  - mental health services
  - students in juvenile facilities
  - vocational rehab
- Any new sources of state support

What adjustments can be made to the amount of state financial support under the MFS requirement?

No adjustments can be made to lower the state financial support amount. However, states may apply for a one-year waiver for meeting the MFS requirement, "due to exceptional or uncontrollable circumstances such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the state" (34 CFR §300.163(c)(1)). When a waiver is approved, a state is allowed to reduce financial support for a single year. In the following year, the required level of financial support reverts to the level prior to the waiver.

Questions for states to consider

What is your process for collecting and documenting fiscal data for Section V in the state application?

Establishing a clear process and standardized documentation will enable staff to calculate state financial support in a consistent manner from year to year.

How is support from other state agencies reflected in your state financial support calculations?

States might not necessarily appropriate funds to other agencies for the explicit purpose of providing services to children with disabilities. State staff may need to review their expenditures in order to make a reasonable approximation of the amount of money that was made available for such services.

Are you prepared to explain the Section V amounts and/or discrepancies across annual applications?

OSEP may reach out to states to clarify what was reported. Documenting explanations internally at the time of reporting will make it easier to answer OSEP's questions.

How are you building continuity in state staff knowledge about state funding for special education?

State MFS requirements are complex and have high stakes. Given that state Departments of Education may face both expected and unexpected staff turnover, it is important to establish clear documentation and share knowledge among selected staff on a continuous basis to help manage these changes.

Resources

- CIFR MFS Toolkit
  https://cifr.wested.org/tools/mfs-toolkit/
- OSEP Memo 10-05 Maintenance of Financial Support
  https://cifr.wested.org/resource/osep-memo-10-5/
- OSEP web page on State Maintenance of Financial Support Waivers
  https://www.ed.gov/state-maintenance-of-financial-support-smfs-waivers

For additional resources, please visit CIFR at http://cifr.wested.org or contact us at cifr_info@wested.org.

The Center for IDEA Fiscal Reporting helps states improve their capacity to report special education fiscal data. The center is a partnership among WestEd, American Institutes for Research (AIR), Technical Assistance for Excellence in Special Education (TAESE) at Utah State University, and Westat.

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