Center for IDEA Fiscal Reporting
WestEd

Calculating IDEA Part C Maintenance of Effort

CIFR **practice guides** help state staff understand how to implement the fiscal reporting requirements of the Individuals with Disabilities Education Act (IDEA). These guides are not an official interpretation of IDEA by the Office of Special Education Programs (OSEP) or the U.S. Department of Education.

Introduction

States receiving IDEA Part C funds are required to budget and spend at least the same amount of state and local public funds for infants and toddlers with disabilities and their families on a year-to-year basis. This is part of the prohibition against supplanting requirement at 34 CFR §303.225 (see next page) and is commonly known as Part C maintenance of effort, or MOE. See CIFR's *Quick Reference Guide on IDEA Part C Maintenance of Effort* for an overview.

The state is responsible for ensuring compliance and must establish a clear methodology for verifying that Part C MOE requirements are met, including procedures designed to track all state and local public funding sources. To help state lead agencies (LAs) develop a methodology to demonstrate compliance with Part C MOE requirements, this guide details the timing of the comparisons and provides sample calculations, including how to use federally permitted allowances to reduce the state's MOE obligation.[1]

Suggested Uses

- Share with state LA leaders, program and fiscal staff, local agencies, and other interested groups to support a common understanding and improve coordination.
- Make consistent and accurate budget and expenditure comparisons to determine whether the state has met the Part C MOE requirement.
- Inform the development of written procedures to ensure that the state is compliant with IDEA.

IDEAs that Work
Office of Special Education Programs
U.S. Department of Education

1 While it is the state's responsibility to meet the Part C requirement, the state LA is responsible for implementing the procedures and documenting compliance.

34 CFR §303.225 Prohibition against supplanting…

(a) Each application must provide satisfactory assurance that the Federal funds made available under section 643 of the Act to the State:

(1) Will not be commingled with State funds; and

(2) Will be used so as to supplement the level of State and local funds expended for infants and toddlers with disabilities and their families and in no case to supplant those State and local funds.

(b) To meet the requirement in paragraph (a) of this section, the total amount of State and local funds budgeted for expenditures in the current fiscal year for early intervention services for children eligible under this part 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.

See also Section 637(b)(5)(B) of IDEA.

Identifying Part C MOE Funds

The first step toward demonstrating compliance with MOE requirements is to track state and local public funds budgeted for and spent each state fiscal year (SFY) on activities such as direct services and child find that can be ascribed to the Part C program. State procedures should identify each state and local public funding source used to support Part C activities each year.

Funds to Include

Examples of commonly used state and local public funding sources that may be used to calculate Part C MOE include:

- state general funds,
- state Part C appropriation,
- state Medicaid match funds,
- state special education funds,
- Temporary Assistance for Needy Families state match funds,
- Children and Youth with Special Health Care Needs state match funds,
- local educational agency funds,
- county tax levies, and
- other local government funds.

Funds to Exclude

Federal dollars and funding from private sources must be excluded from the MOE calculations. Examples of private and federal funds are:

- United Way,
- private insurance,
- private contributions or endowments,
- proceeds from fundraisers,
- family cost participation fees,
- federal Medicaid/State Children's Health Insurance Program funds, and
- IDEA Part C funds.

Work With the State Medicaid Office

The state LA should collaborate closely with the state Medicaid office to understand how the state Medicaid match for the Part C program is calculated and funded. This includes identifying the specific state funding and billing processes, necessary data-sharing agreements, and the methodologies the state uses to determine the state share amounts attributable to the Part C program.

The funding source(s) used to pay Medicaid match differ from state to state. While one state may use the Part C state appropriation, another may use a state appropriation awarded to the Medicaid office.

States should:

- establish a reasonable methodology to determine the amount of federal Medicaid revenue and to distinguish state Medicaid match funds associated with delivering the Part C program;
- be able to demonstrate that Medicaid match funds are attributable to IDEA Part C early intervention services, which includes considering whether the state can reconcile state Medicaid data for Part C with local provider delivery, billing, and expenditure data reported for Part C;
- ensure that the state's methods identify how to obtain the data required from agencies to complete MOE calculations; and
- coordinate as needed with additional state LA fiscal staff and legislative budget staff.

Determining Comparison Years

Under 34 CFR §303.225(b), the total amount of state and local public funds budgeted for early intervention services for the upcoming SFY must be equal to or greater than the total amount of state and local public funds expended in the most recent SFY for which final audited information is available. Additionally, the state must ensure that the total amount actually expended for Part C in the SFY was at least the same amount that was spent in the prior SFY. (See OSEP's letters to Willden and to Moser and Kuester in **Resources**.)

This means there are two types of comparisons: budget-to-expenditure and expenditure-to-expenditure. The two comparisons occur at different times—the first when budgeting for the upcoming SFY and the second after it concludes. The budget-to-expenditure comparison demonstrates compliance with 34 CFR §303.225(b), and the expenditure-to-expenditure comparison confirms that effort was actually maintained.

These comparisons also use different information from different fiscal years. "The most recent fiscal year for which information is available" means the most recent preceding fiscal year for which the accounting for the fiscal year has closed and expenditures are audited and final. Both comparisons use final audited expenditures. However, because there is a lag in obtaining these final numbers, the two comparisons use expenditure data from different years. See Table 1 for an overview.

Table 1. Budget and Expenditure Comparisons for Part C MOE

Comparison type	Purpose	Timing	What is being compared
Budget comparison	To demonstrate compliance with the MOE budget requirement	**Before** the SFY for which the state is preparing a budget	Total amount of state and local public funds **budgeted** for the upcoming SFY **must be equal to or greater than the** Total final **expenditure** of state and local public funds from most recent SFY for which information is available
Expenditure comparison	To confirm that effort was actually maintained or to determine the amount of any shortfall	**After** the SFY is closed, and expenditures are audited and final	Total final **expenditure** of state and local public funds for the closed SFY **must be equal to or greater than the** Total final **expenditure** of state and local public funds from the SFY prior to the closed SFY

The following sections provide specific fiscal year examples of the timing and data availability.[2]

Budget Comparison Timing

When planning for the upcoming SFY, the state must budget the same or more than it spent in the most recent SFY for which final audited information is available. The first row in Exhibit 1 demonstrates the budget comparison for SFY 2024–25. During the current year (SFY 2023–24), the state begins to plan its Part C budget for the upcoming fiscal year (SFY 2024–25). Because the expenditures are ongoing for SFY 2023–24, the most recent fiscal year for which the state has final audited expenditures is SFY 2022–23, which is 2 fiscal years prior to SFY 2024–25, the year for which the budget is being developed. In this example, the amount of state and local public funds the state budgets for SFY 2024–25 must be the same or more than the amount expended during SFY 2022–23 to meet the MOE budget comparison requirement.

2 Because states may differ in how they refer to SFYs, the examples in this guide identify the overlapping calendar years (e.g., 2024–25) for clarity.

Expenditure Comparison Timing

Once an SFY concludes and expenditures are final and audited, the state must compare the final total expenditure for that year to the final total expenditure from the SFY prior to it. The second row in Exhibit 1 shows the expenditure comparison for SFY 2024–25, where SFY 2025–26 is the current fiscal year. Both SFY 2023–24 and SFY 2024–25 have closed, and all expenditures are final. To confirm that effort was maintained in SFY 2024–25, the state compares the SFY 2024–25 total final expenditure with the SFY 2023–24 total final expenditure.

Exhibit 1. SFY 2024–25 State Part C MOE Budget and Expenditure Comparison Timing Example

	SFY 2022–23	SFY 2023–24	SFY 2024–25 SFY for which MOE is being calculated	SFY 2025–26
Budget-to-expenditure comparison for SFY 2024–25	**Comparison SFY:** SFY 2022–23 • Most recent fiscal year for which final, audited expenditures are available.	**Current SFY:** SFY 2023–24 • Expenditures for SFY 2023–24 are ongoing. • State plans budget for the upcoming SFY 2024–25.	**Upcoming SFY:** SFY 2024–25 • Budget of state and local public funds must be equal to or more than the total SFY 2022–23 state and local expenditure.	
Expenditure-to-expenditure comparison for SFY 2024–25		**Comparison SFY:** SFY 2023–24 • Most recent fiscal year for which final, audited expenditures are available.	**Prior SFY:** SFY 2024–25 • Recently closed. • Final, audited expenditures available. • Amount of state and local public funds expended must be equal to or more than that expended in SFY 2023–24.	**Current SFY:** SFY 2025–26 • State compares final SFY 2024–25 and SFY 2023–24 expenditures to confirm effort.

Calculating MOE

These examples show how to calculate the budget and expenditure comparisons to demonstrate MOE.

Budget-to-Expenditure Comparison

Table 2 shows a basic MOE budget comparison calculation, in which the total amount of state and local public funds budgeted for SFY 2024–25 is compared with the total amount of state and local public funds expended in the comparison year (SFY 2022–23), the most recent year for which final audited information is available. The state's budgeted amount of $24,100,000 across all state and local funding sources for SFY 2024–25 exceeds the amount spent in the comparison year.

Table 2. SFY 2024–25 State Part C MOE Budget Comparison Calculation Example

State and local public funding sources for Part C activities	Comparison year expenditures SFY 2022–23	Budgeted amounts SFY 2024–25
State LA funds	$17,500,000	$19,000,000
State funds from other state agencies	$4,000,000	$4,350,000
Additional state or local public funds	$750,000	$750,000
Total	**$22,250,000**	**$24,100,000**

Expenditure-to-Expenditure Comparison

Table 3 shows a basic MOE expenditure comparison calculation. The total amount of state and local public funds expended in SFY 2024–25 is compared with the total amount of state and local public funds expended in the prior year (SFY 2023–24). In this example, the state demonstrated that it spent at least as much in SFY 2024–25 as it spent in state and local public funds during the comparison year, SFY 2023–24.

Table 3. SFY 2024–25 State Part C MOE Expenditure Comparison Example

State and local public funding sources for Part C activities	Comparison year expenditures SFY 2023–24	Final expenditures SFY 2024–25
State LA funds	$18,500,000	$18,800,000
State funds from other state agencies	$3,850,000	$3,825,000
Additional state or local public funds	$600,000	$700,000
Total expenditure	**$22,950,000**	**$23,325,000**

Although the total expenditure of funds from other state agencies is less than the SFY 2023–24 expenditure from this source, this decrease was offset by increases in the other funding sources. The state met the MOE expenditure requirement because the total SFY 2024–25 expenditure across all sources is the same or more than the SFY 2023–24 expenditure.

Reducing MOE Obligation

A state may reduce its required MOE obligation with certain allowances or when enacting a state statute related to the use of private health care insurance.

First, a state may reduce its Part C MOE obligation when either or both of the two allowances described in 34 CFR §303.225(b)(1–2) have occurred and are documented:

- Allowance 1: A decrease in the number of infants and toddlers who are eligible to receive early intervention services
- Allowance 2: Unusually large amounts of funds spent for long-term purposes such as equipment or facility construction

Second, a state may also reset its MOE obligation under 34 CFR §303.520(b)(3). If the state enacts a statute to use private health insurance to pay for early intervention services that includes the parent safeguards outlined in 34 CFR §303.520(b)(2), it may establish a new MOE baseline after the statute goes into effect. In this circumstance, the amount the state spends from state and local public funds in the SFY following the effective date of the state statute becomes its required level of effort for the next SFY. The state should keep documentation of the statute's effective date and of the total state and local public expenditure from the fiscal year that followed.

In each of the above cases, the reduced level of effort becomes the state's required level of effort going forward. While these circumstances may be used to reduce a state's required level of effort, they do not reduce actual expenditures. If a state spends more than it did in the previous year, its required level of effort going forward is the level of actual expenditures.

While IDEA regulations do not define how to calculate and deduct the two allowances from the required MOE amount, the following examples describe a reasonable calculation methodology for each allowance.

34 CFR §303.225(b)(1–2)

(b) Allowance may be made for—

(1) A decrease in the number of infants and toddlers who are eligible to receive early intervention services under this part; and

(2) Unusually large amounts of funds expended for such long-term purposes as the acquisition of equipment and the construction of facilities.

How to Calculate Allowance 1

Allowance 1 occurs when there is a decrease in the number of infants and toddlers who are eligible to receive early intervention services between the 2 years being compared. States may determine what measure (e.g., the annual count taken between October 1 and December 1, or cumulative child count) they use to represent the number of eligible infants and toddlers for the year for which effort is being calculated and for the comparison year. The data source should be identified in the state's written MOE procedures and used consistently from year to year.

The example in Table 4 shows how Allowance 1 may be applied to the budgeting obligation using a percentage reduction in the state's annual October 1 child count. Because the child count for the SFY being budgeted is not yet known, the state compares the current-year child count to the prior year's child count.

Table 4. SFY 2024–25 State Part C Budget MOE: Calculating Allowance 1

Information	Calculation
October 1 child count for comparison year (SFY 2022–23)	9,650
October 1 child count for the current year (SFY 2023–24)	9,600
Change in infants and toddlers eligible to receive early intervention services	9,650 – 9,600 = 50
Percentage difference	(50/9,650) = 0.518135%
Comparison year state and local public funds expenditures (SFY 2022–23)	$22,250,000
Total allowance that may be deducted from SFY 2024–25 budget obligation (percentage difference multiplied by comparison year expenditure)	(0.518135% × $22,250,000) = $115,285*
Adjusted SFY 2024–25 budget obligation (comparison year expenditures—allowance)	**$22,250,000 – $115,285* = $22,134,715**

*Figures have been rounded in this example.

To calculate the reduction for this allowance, first subtract the count of children receiving early intervention services in the current year from the comparison year's child count. In this case, the number of children receiving early intervention services in SFY 2023–24 (current year) is 50 less than the number of children who received services during SFY 2022–23 (comparison year).

Next, determine the percentage difference by dividing the change in child count by the comparison year's child count. In the sample calculation, 50 divided by 9,650 yields a difference of 0.518135 percent.

Finally, multiply that percentage by the comparison year's total state and local public expenditures to determine the amount of the allowance that may be applied to reduce the state's MOE budget obligation. In this example, the state's required level of effort for the SFY 2024–25 budget may be reduced by $115,285, resulting in a reduced obligation of $22,134,715. To demonstrate compliance with the budget-to-expenditure comparison, the state must budget this amount or more for SFY 2024–25.

The example in Table 5 shows how Allowance 1 may be applied to the spending obligation using a percentage reduction in the state's annual October 1 child count. When using this allowance for the expenditure-to-expenditure comparison, the state will compare the child counts from the comparison year and the year being calculated.

Table 5. SFY 2024–25 State Part C Expenditure MOE: Calculating Allowance 1

Information	Calculation
October 1 child count for comparison year (SFY 2023–24)	9,570
October 1 child count for calculated year (SFY 2024–25)	9,495
Change in infants/toddlers eligible to receive early intervention services	9,570 – 9,495 = 75
Percentage difference	(75/9,570) = 0.783699%
Comparison year state and local public funds expenditures (SFY 2023–24)	$22,950,000
Total allowance that may be deducted from SFY 2024–25 expenditure obligation (percentage difference multiplied by comparison year expenditure)	(0.783699% × $22,950,000) = $179,856*
Adjusted SFY 2024–25 expenditure obligation (comparison year expenditures—allowance)	**$22,950,000 – $179,856* = $22,770,144**

*Figures have been rounded in this example.

First, subtract the child count for the year being calculated from the comparison year child count. In this case, the number of children receiving early intervention services in SFY 2024–25 (calculated year) is 75 less than the number of children who received services during SFY 2023–24 (comparison year).

Next, determine the percentage difference by dividing the difference in child count by the comparison year's child count. In the sample calculation, 75 divided by 9,570 yields a difference of 0.783699 percent.

Finally, multiply that percentage by the comparison year's total state and local public expenditures to determine the amount of the allowance that may be applied to reduce the state's MOE expenditure obligation for the expenditure-to-expenditure comparison. In this example, the state's required level of effort for SFY 2024–25 may be reduced by $179,856 , resulting in a reduced obligation of $22,770,144. To demonstrate it has maintained effort, the state must spend this amount or more during SFY 2024–25.

How to Calculate Allowance 2

Allowance 2 occurs when there is an unusually large amount of funds expended for long-term purposes such as the acquisition of equipment or the construction of facilities. The state must determine what qualifies as an unusually large amount and long-term purpose.[3] It also should have a documented process for reasonably allocating shared costs to the Part C program.

The examples in Tables 6 and 7 show how Allowance 2 may be used to reduce both the budgeting and spending obligations. The state LA had a contract to develop a new database system for early intervention purposes in SFY 2023–24 for $100,000 in state funds, which exceeds the state's criteria for a large expenditure. This database is expected to support documentation of early intervention service provision for at least a 5-year period. In this scenario, all database costs were attributed to the Part C program.

The state develops a budget for SFY 2024–25 and compares that budget with the final audited expenditures for SFY 2022–23. If budget MOE is not met, the state may reduce its required level of effort by the $100,000 contractually obligated in SFY 2023–24 for the database, even though audited expenditures for SFY 2023–24 are not yet available. This assumes that the full amount for the database will be expended in SFY 2023–24. If not, the state may risk not meeting MOE, as it did not budget enough for the SFY 2024–25 expenditures.

Table 6. SFY 2024–25 State Part C Budget MOE: Calculating Allowance 2

Budget SFY 2024–25	Comparison year expenditure SFY 2022–23	Contracted obligation for allowance 2 SFY 2023–24	Adjusted expenditure SFY 2022–23 comparison amount	Budget MOE status
$22,200,000	$22,250,000	$100,000	$22,150,000 (= $22,250,000 – $100,000)	Met adjusted MOE

After SFY 2024–25 is closed out, the state compares the final audited expenditures for SFY 2024–25 to the final audited expenditures for SFY 2023–24. If the expenditure MOE is not met for SFY 2024–25, the state may reduce its required MOE by the $100,000 spent on the database development in SFY 2023–24, based on audited expenditure data. In Table 7, the example shows that even after reducing the required MOE, the state did not meet the MOE expenditure requirement.

3 The Uniform Grant Guidance at 2 CFR §200.1 defines equipment as tangible personal property, including information technology systems, having a useful life of more than 1 year and a per unit acquisition cost of at least $10,000, or an amount equal to or more than the level established by the state.

Table 7. SFY 2024–25 State Part C Expenditure MOE: Calculating Allowance 2

Total final expenditure SFY 2024–25	Comparison year expenditure SFY 2023–24	Allowance 2 actual expenditure SFY 2023–24	Adjusted expenditure SFY 2023–24 comparison amount	Expenditure MOE status
$22,300,000	$22,950,000	$100,000	$22,850,000 (= $22,950,000 – $100,000)	Did not meet adjusted MOE

Consequences of Not Maintaining Effort

When a state does not meet MOE, it may be subject to liability, including repayment to the U.S. Department of Education in the amount by which it failed to meet the Part C MOE. OSEP's Letter to Moser and Kuester states: "The actual amount that the State would need to pay back would be based on the State's shortfall in meeting the total amount of State and local public expenditures for the provision of early intervention services in that fiscal year, as supported by records of those expenditures."

The state's repayment must come from nonfederal funds or funds for which accountability to the federal government is not required. Because IDEA funds are federal funds, a state may not return part of its Part C grant award to offset the amount by which it failed to maintain effort.[4] A state that does not meet its required MOE for any SFY should consult with its OSEP state lead to determine its MOE budgeting and spending obligation going forward.

Part C MOE Calculation Considerations

How does the state account for current fiscal year spending when developing a budget for the upcoming fiscal year?

Although the MOE budget comparison is based on expenditures from 2 years prior, it is important that the budget for the upcoming SFY align with current spending trends and needs. CIFR recommends that states develop budgets for the upcoming fiscal year that meet the minimum MOE budget obligation as well as any increased expenditures anticipated for the current SFY. Incorporating current-year spending into the upcoming SFY budget will help the state meet the future expenditure-to-expenditure comparison.

When are final audited expenditures from the immediately preceding fiscal year available?

Knowing when final audited expenditure data are available helps the state make timelines for budgeting and expenditure comparisons to monitor for compliance with Part C MOE requirements. It can also help inform written Part C MOE procedures, in which timelines are essential for timely and consistent activities.

4 This requirement comes from the prohibition on paying fines, penalties, damages, and other settlements with federal funds (2 CFR §200.441).

How does the state LA communicate about MOE requirements with other state and local agencies that use state or local public funds to provide early intervention services?

State and local public funds used by other state agencies or by local agencies to provide early intervention services impact the state's ability to maintain effort and should be included in MOE calculations. The state LA is encouraged to provide training, establish policies, and develop written procedures that outline how, when, and with whom communication about MOE requirements occurs and how fiscal data are collected. Such supports will help the state LA implement consistent processes that demonstrate the state has met Part C MOE requirements.

How can the state LA proactively identify potential declines in budgeting and spending to prevent a failure to maintain effort?

It is important that legislators understand how funding decisions impact the state's ability to maintain effort. Changes to the Part C state appropriation or to local public funding can disrupt the provision of early intervention services and result in failure to meet the MOE requirement. It is critical to establish procedures for communicating about and addressing an anticipated budget shortfall.

The state LA should also monitor state and local public expenditures for Part C activities at least quarterly. Regular reviews help the state LA identify declines in spending that may impact the state's ability to maintain effort. Early detection allows the state to investigate the causes for the decline and make adjustments.

Summary

A comprehensive understanding of Part C MOE requirements empowers state LAs to make well-informed fiscal decisions and sustain consistent support for early intervention programs. This requires that state LAs closely track and monitor state and local public expenditures, understand how to make comparisons across SFYs, and apply allowances that can reduce the MOE obligation. Written procedures can help the state communicate and meet MOE requirements during years with budget shortfalls or decreased state or local public expenditures. For help establishing and documenting a clear MOE methodology, contact CIFR technical assistance staff at cifr_info@wested.org.

Resources

- Funding Sources for Part C: Federal, State, and Local
  https://ectacenter.org/~xls/topics/finance/moe-funding-sources.xlsx
- OSEP Letter to Moser and Kuester (2011)
  https://sites.ed.gov/idea/files/idea/policy/speced/guid/idea/letters/2011–2/moserkuester050411partcmoe2q2011.pdf
- OSEP Letter to Willden (2011)
  https://sites.ed.gov/idea/files/idea/policy/speced/guid/idea/letters/2011–2/willden050511partcmoe2q2011.pdf
- Quick Reference Guide on IDEA Part C Maintenance of Effort
  https://cifr.wested.org/resource/quick-reference-guide-on-idea-part-c-maintenance-of-effort/

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

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