



DISTRICT OF COLUMBIA

OFFICE OF THE STATE SUPERINTENDENT OF

EDUCATION

MEMORANDUM

To: District of Columbia Public Charter School Local Educational Agency Leaders, Grant Mangers, and Chief Financial Officers

Date: June 13, 2019

From: Sharon Gaskins, Interim Assistant Superintendent, K-12 Systems and Supports

Re: Guidance on Updated Maintenance of Effort Requirements under the Elementary and Secondary Education Act

This memorandum communicates new requirements related to Maintenance of Effort (MOE) under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act of 2015 (ESSA). This memorandum also provides additional detail and an optional reporting tool which will allow local educational agencies (LEAs) to comply with these requirements.

In short, MOE requires LEAs to maintain a consistent minimum level of state and local funding for free public education from year to year. LEAs may demonstrate compliance with this requirement on a per-student or aggregate basis. **Based on changes made by ESSA,¹ to meet the MOE requirement and receive funds under ESEA covered programs,² all charter school LEAs will report on their state and local education expenditures for fiscal year 2018 (FY18) and FY19 by February 2020 and annually thereafter.**

ESEA's Maintenance of Effort Requirement

The District of Columbia School Reform Act of 1995 previously exempted public charter school LEAs in DC from meeting ESEA's MOE requirements. ESSA eliminated this exemption. Consequently, all DC public charter school LEAs must now comply with MOE under ESEA.³

Under ESEA's MOE requirement, an LEA may only receive federal funds from ESEA covered programs for any fiscal year if OSSE finds that either the (1) combined fiscal effort per student; or (2) the aggregate expenditures of the LEA from state and local funds with respect to the provision of free public education by the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or aggregate expenditures for the second preceding fiscal year. OSSE must use whichever measure is most beneficial to the LEA. ESEA Section 8521(a).

¹ Please note that the MOE requirements for the Individuals with Disabilities in Education Act (IDEA) have not changed, and LEAs have been reporting MOE expenditures for IDEA via separate correspondence with OSSE's IDEA grant managers. For additional information, [visit OSSE's IDEA funding page here](#).

² DC LEAs receive funding under the following ESEA "covered programs":

- Title I, Part A: Improving Basic Programs Operated by LEAs;
- Title II, Part A: High Quality Teachers, Principals, and Other School Leaders;
- Title III, Part A: English Language Acquisition;
- Title IV, Part A: Student Support and Academic Enrichment; and
- Title IV, Part B: 21st Century Community Learning Centers. (ESEA Sec. 8101(11)).

³ [D.C. Code Sec. 38-1802.10\(a\)\(6\)](#)

In other words, during FY20, before LEAs are eligible for FY21 ESEA funds under a covered program, LEAs must demonstrate that their state and local expenditures for education from FY19 was at least 90 percent of their state and local funding for education in FY18, whether measured on a per-student or aggregate basis.

According to ESEA, if an LEA fails to meet MOE, and also failed to meet MOE once before within the five immediately preceding fiscal years, OSSE is required to reduce the federal funding allocation in the exact proportion by which the agency failed to maintain effort. ESEA Section 8521(b)(1). Because MOE is a new requirement for DC charter school LEAs, failure to meet MOE requirements for FY20 will not result in a reduction of the federal funding allocation unless the LEA also fails to meet MOE once again in one of the five subsequent fiscal years.

If an agency fails to meet MOE one year, the agency's lower state and local spending level may not be used to reset the level of spending needed to meet MOE the following year. ESEA 8521(b)(2).⁴

If an LEA fails to meet MOE, it may request a waiver from USED by providing its revenue and expenditures, and explaining in detail how one of these exceptions apply. OSSE will submit waiver requests to USED.⁵

Next Steps

OSSE is offering a webinar in June and August to provide an overview on MOE. The webinar presentation and recording can be found [here](#). OSSE will offer an updated webinar in fall 2019 on how to complete the fiscal reporting for ESEA MOE and per-pupil expenditure reporting in February 2020. OSSE will advertise this webinar in the LEA Look Forward.

OSSE also anticipates providing additional information about the MOE submission process to LEAs during fall 2019. As part of this process, **by February 2020**, after charter school LEAs' FY18 and FY19 expenditures have been completed and audited, LEAs will report their state and local education expenditures to OSSE using a new online QuickBase application.⁶

For reporting on FY18 and FY19 expenditures, OSSE will adhere to the following schedule for reporting:

| | |
|---------------|--|
| December 2019 | QuickBase data collection portal opens for charter schools |
| February 2020 | QuickBase data collection portal closes for charter schools |
| March 2020 | OSSE verifies and calculates MOE and per-pupil expenditure data for LEAs |
| Spring 2020 | OSSE reports per-pupil expenditure data for LEAs on public report cards |
| June 30, 2020 | OSSE completes MOE review as part of Phase I of the ESEA Consolidated Application for LEAs |

⁴ For example, if an LEA spends \$10 million of state and local funding on education in FY18, they must maintain at least 90% of that level in FY19, or \$9 million. If the LEA drops to \$8 million in FY19, it would miss the required target for MOE for FY19. For the FY20 test, the LEA may not reset its required spending level at the lower \$8 million level. Instead, in FY19 the LEA must meet at least 90% of \$9 million, or \$8.1 million.

⁵ See ESEA Section 8521(c). For additional information on MOE waivers, see USED's 2016 guidance on ESSA Fiscal Changes, available at <https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf>.

⁶ The online reporting tool will collect MOE expenditure data in a different format for FY19 and beyond, which will also meet the requirements of ESSA's new Per-Pupil Expenditure (PPE) reporting requirement to break out federal and state and local expenditures at the school level. The PPE reporting requirement is explained in more detail in separate guidance [here](#).

For your planning purposes, attached is an optional planning tool spreadsheet you may use to calculate your FY18 and FY19 MOE expenditures to determine whether you will meet the test in 2020. Instructions are in the appendix to this memo. **You are not required to submit the planning tool to OSSE.**

If you have questions regarding MOE, please contact your respective ESEA grant manager, or Con.App@dc.gov. For additional information on ESEA and fiscal requirements, visit OSSE's federal grants toolkit [here](#) or U.S. Department of Education ESEA fiscal guidance [here](#).

Thank you in advance for your prompt attention to this requirement.

Sincerely,

Sharon Gaskins
Interim Assistant Superintendent
Division of K-12 Systems and Supports
Office of the State Superintendent of Education

Appendix: Instructions for Completing Optional MOE Planning Tool

Overview

The attached spreadsheet is an optional planning tool you may use to prepare for reporting on your FY18 and FY19 state and local expenditures, and to predict whether you will meet the MOE requirements between these two years. Use the guidance below to determine which expenditures to use in the planning tool. Note that you will not submit the planning tool to OSSE, but will instead report your state and local spending levels in the online QuickBase application.

Your LEA may use the MOE planning spreadsheet for planning purposes, to ensure that your expenditures will meet MOE requirements between any consecutive two fiscal years.

To use the MOE planning spreadsheet, within each fiscal year, start with your total LEA expenditure from all sources. Then, subtract all expenditures from federal funds and private (i.e. nonprofit grant, private donation, or parent fee) funds. Next, subtract state and local expenditures for excluded categories (community services, capital outlay, debt service or supplemental expenses made as a result of a presidentially declared disaster). The remaining amount should be your state and locally-funded expenditures for public education, to be reported online in the QuickBase application.

Fiscal Year Date Range:

1. In each tab, enter the date range for the fiscal year. The following chart shows the start dates for each of these fiscal years and how this will apply for DC charter schools, which use a July 1 through June 30 fiscal year:

| | Submit MOE reports on state and local expenditures for these years: | | |
|-----------------|---|---|---------------------------------------|
| Submission Year | Preceding Charter School Fiscal Year | Second Preceding Charter School Fiscal Year | Federal Funds First Available to LEAs |
| 2020 | 2019 (begins on July 1, 2018) | 2018 (begins on July 1, 2017) | July 1, 2020 |

Calculations and Expenditure Categories:

To calculate the MOE expenditures for each fiscal year, LEAs should take the following steps in each tab:

2. Enter your total LEA expenditures from all sources for the fiscal year. Note that actual *expenditures* for the fiscal year may not be the same as incurred *expenses* reported in your financial audit.
3. Subtract your LEA's total expenditures from federal sources for the FY. Federal expenditures include all federal formula or competitive grants from OSSE or separate federal grants, including ESEA Titles I-IV, Charter Schools Program, IDEA, 21st CCLC, Child Nutrition Programs, Head Start, and other federal funds.

4. Subtract all expenditures from private sources for the FY. This includes all spending from nonprofit grants, private fundraising, donations, student or parent fees (i.e. fees for before/after-school care, paid meals, or extracurricular activities), etc. for the fiscal year.
5. Subtract any LEA expenditures for excluded categories:⁷
 - Community services;
 - Capital outlay;
 - Debt service; or
 - Supplemental expenses made as a result of a presidentially declared disaster.⁸

Note that the remaining result should be your total state and local expenditure for the required included spending categories:⁹

- Administration;
 - Instruction;
 - Attendance and health services;
 - Operation and maintenance of plant;
 - Fixed charges;
 - Net expenditures to cover deficits for food services and student body activities; and
 - Pupil transportation services provided directly by the LEA.¹⁰
6. The spreadsheet will calculate the total state and local expenditures for MOE reporting in the yellow highlighted cell. Report this number in the QuickBase online app.
 7. On the MOE Summary Result tab, enter your total audited enrollment count for all schools for each fiscal year in the highlighted cells. This data can be found here: <https://osse.dc.gov/enrollment>. The MOE summary tab calculates whether your LEA has met ESEA's MOE test by maintaining at least 90 percent of the previous year's state and local spending, either on an aggregate or per-pupil basis (whichever is most favorable to the LEA).

For more details on the MOE requirements under ESEA, please visit the U.S. Department of Education's 2016 and 2008 fiscal guidance, available [here](#). You may also contact your ESEA grant manager or email Con.App@dc.gov.

⁷ See 34 CFR 299.5(d)(2), For detailed definitions of each federal funding category, visit USED's [Financial Accounting for Local and State School Systems, 2014](#).

⁸ See <https://www.fema.gov/disasters> for a searchable list of presidentially-declared disasters by year and location.

⁹ These spending categories come from 34 CFR 299.5(d)(1) and the [2008 USED ESEA Title I Fiscal Guidance](#). Examples of each spending category are included in the attached spreadsheet. For more details, consult USED's [Financial Accounting for Local and State School Systems, 2014](#).

¹⁰ Do not include state-funded OSSE bus service or WMATA Kids Ride Free