

Special Education

Operational & Fiscal Updates

March, 2020

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Agenda

- Federal Grant Application
- Allocations Review
- Grant Updates for Public Education Agencies (PEAs)
- State Maintenance of Financial Support & Maintenance of Effort
- Proportionate Share
- Additional Funding Sources
- Final Notes

Federal Grant Application

- Federal award for 3 to 21 (Sec. 611 - IDEA Basic) was up about 4.8% from prior year and is now \$225,997,627
- Federal award for 3 to 5 (Sec. 619 - IDEA Preschool) was up about 0.7% from prior year and is now \$5,663,703

Federal Grant Application

- Most PEAs should see increases to their IDEA Entitlement allocations unless they saw a significant decrease in overall enrollment numbers from October 1
- October 1 will be closing earlier this upcoming year, mid-December (December 16th)
 - Prelim for upcoming year's allocations and means reconciliation is closer to real time

Allocations Review

- Allocations are based upon three factors for both part 611 (IDEA Basic) and 619 (IDEA Preschool) of the grant:
 - Base Payment Amounts – Complex but it is similar to what would have been received by the PEA if the state had distributed 75 percent of its grant in fiscal year 1999 (3 to 21) or fiscal year 1997 (3 to 5)
 - This item should rarely adjust between years for most PEAs unless an adjustment is required by a new or expanding charter affecting other PEAs
 - Any adjustments use adjustments from counts based on the ESS October 1 Data Collection

Allocations Review

- Any remaining funds after the Base go to:
 - 85% to enrolled public and private school students within the PEA's jurisdiction
 - Must meet definition of elementary and secondary schools
 - Non-profit private schools only
 - ESS uses enrollment from October 1 in AzEDS and private school counts within the ESS October 1 data collection
 - 15% to relative number of children in poverty
 - ESS uses free and reduced eligibility data from October 1 in AzEDS and school lunch information provided by Health & Nutrition

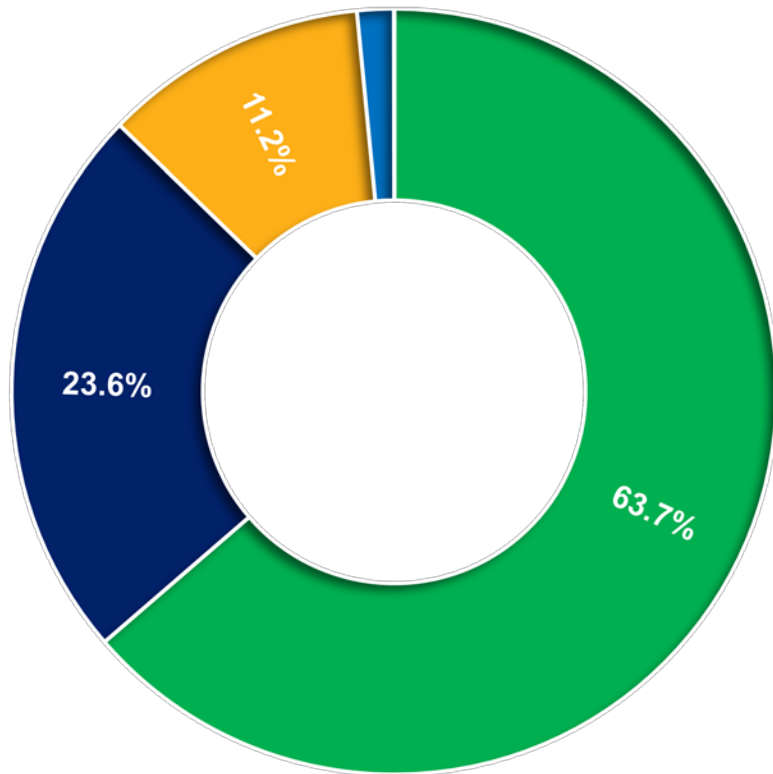
Allocations Review

- Special note beyond the regular formula:
 - Audit Repayment
 - Began after the audit resolution with OSEP beginning in fiscal year 2019 and set to end after fiscal year 2023
 - Requires repayment for specific PEAs found to have been shorted over many fiscal years to provide compensation; overfunded PEAs were not required to return any funds already allocated
 - Extra funds come from the state's set-aside funds not normally allocated to PEAs
 - Over 5 years, equals 15 million for IDEA Basic and 1.8 million for IDEA Preschool

Allocations by Data Source

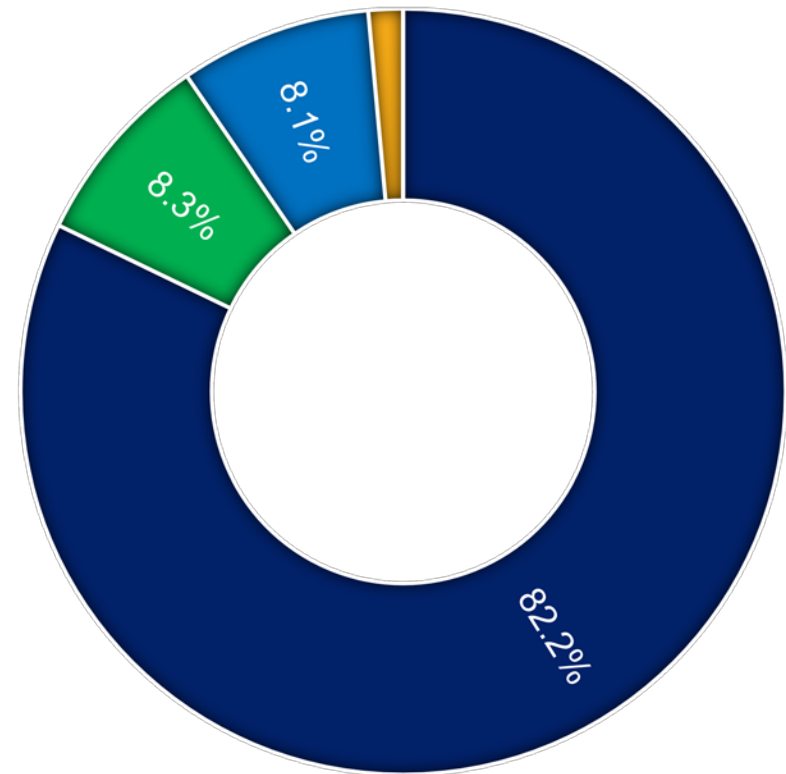
Section 611 - IDEA Basic

■ Base ■ Population ■ Poverty ■ Audit



Section 619 - IDEA Preschool

■ Base ■ Population ■ Poverty ■ Audit



Grant Updates for PEAs

- On March 19, 2020, the Office of Management and Budget (OMB) released a memo outlining flexibility related to COVID-19
- Substantial approval flexibility within grants management - If your grant is submitted prior to July 1 and your GSA has been accepted, the grant will be given substantial approval. If substantial approval occurs by this date, your PEA may begin obligating funds on July 1, 2020. (2 CFR § 200.202)
 - Does not get around Maintenance of Effort for the IDEA at this time

Grant Updates for PEAs

- Allowability of salaries and other project activities (2 CFR § 200.403, 2 CFR § 200.404, 2 CFR § 200.405)
 - ADE will allow recipients to continue to charge salaries and benefits to currently active Federal awards consistent with the recipients' policy of paying salaries (under unexpected or extraordinary circumstances) from all funding sources, Federal and non-Federal
- Allowability of Costs not Normally Chargeable to Awards (2 CFR § 200.403, 2 CFR § 200.404, 2 CFR § 200.405)
 - ADE will allow recipients who incur costs related to the cancellation of events, travel, or other activities necessary and reasonable for the performance of the award, or the pausing and restarting of grant-funded activities due to the public health emergency...

Grant Updates for PEAs

- ESS is applying for an extension of funds from FY19 that were set to expire on December 31, 2020 for 12 months. This will allow time for recipient assessments, the resumption of many individual projects, and a report on program progress and financial status to agency staff (2 CFR § 200.308)
- Further consolidation between IDEA Preschool and IDEA Basic to encourage that no money goes wasted
 - Same allowable expenditures and blending for Coordinated Early Intervening Services
 - ESS will temporarily be allowing grants to fund Compensatory Educational Services for the upcoming year and will continue to evaluate this flexibility going forward due to the circumstances

State Maintenance of Financial Support

- How does OSEP view our fiscal support of special education?
- As part of our federal application, we have to submit state funding that is going toward special education
- Basically, it is Arizona's Maintenance of Effort testing
- OSEP now allows per capita testing (brand new), but it is not needed for this year

State Maintenance of Financial Support

- Derived from the followings sources:
 - Group B funding for students with disabilities through school finance payments
 - Arizona Department of Juvenile Correction - State Education Fund for Committed Youth
 - Arizona State Schools for the Deaf and the Blind – General Fund (not institutional vouchers)
 - Special Education Fund – Educational Vouchers (residential and institutional)

State Maintenance of Financial Support Perspective

Name of Fund	Amount FY 2018	Amount FY 2019	Percentage Change
Arizona Department of Education – Group B	\$463,410,883.85	\$524,111,750.15	13.1%
Arizona Department of Juvenile Corrections	\$917,500.00	\$772,600.00	-15.8%
Arizona State School for the Deaf and Blind	\$21,800,700.00	\$21,457,000.00	-1.6%
Special Education Fund	\$32,242,100.00	\$25,529,200.00	-20.8%
Total	\$518,371,183.85	\$571,870,550.15	10.3%

Maintenance of Effort

- CARES Act has provided flexibility to the ESSA but has not provided flexibility or waivers to the IDEA at this time for the primary fiscal obligations when receiving IDEA grant funds
 - Maintenance of Effort
 - Year ending and moving forward
 - Shortened year so state expenditures may be inherently less
 - Extra federal funding sources for special education

Maintenance of Effort

- ESS has submitted a request to OSEP that sought flexibility or guidance regarding these topics back in March; as of today, our department (and those in many other states) has not heard a reply to these concerns
- Despite Arizona and many other states advocating for flexibility for a variety of IDEA fiscal requirements to the U.S. Secretary of Education for her recommendation to Congress, nothing was recommended related to IDEA Part B waivers

Maintenance of Effort

- At this time, Exceptional Student Services is still waiting to hear from OSEP whether any flexibilities or waivers will be provided regarding fiscal requirements unique to the IDEA
- In summary, PEAs must maintain their fiscal effort or else risk not receiving federal funds (eligibility) or owing money back to the state (compliance)

Maintenance of Effort

- Upcoming Changes
 - Beginning discussions on valid fields in AFRs and expectations around revising AFRs for consumption
 - Will begin to evaluate budgets for validity with involve school finance and the auditor's office
 - Example - Difference a submitted budget was clearly overinflated to receive federal funds and their actual expenditures were significantly lower so they failed compliance and owed monies back

Proportionate Share

- Similar to Maintenance of Effort and still required at this time
- Changes in the upcoming year to ensure compliance with this requirement
- Data Sources
 - October 1 Special Education Child Count
 - All parentally private placed students count to overall allocation for grant for districts
 - SPED eligible within the count determine the percentage of funds that must be used on proportionate share

Proportionate Share

- Proportionate Share requirement can follow a district from one year to the next
- ESA students are not invisible to this count nor exempt for eligibility in determining the count and potential requirement of obligation
- Districts control what service plans will be instituted as long timely and meaningful consultation is being done with private schools and parents of home-schooled children

Proportionate Share

- Further upcoming changes
 - Affirmation of consultation (34 CFR § 300.135)
 - Evaluation of Policies & Procedures and subsequent implementation of the process related to equitable services
 - Validating private school counts submitted by districts with spot checks for validity to ensure allocations are accurate and districts generate correct amounts to obligate to students eligible for proportionate share services

Proportionate Share

- Further upcoming changes
 - Fully detailed website with all the required components and allowable expenditures
 - Program Support & Monitoring will be evaluating some of the components
 - Data Management will be validating the counts in future years
 - Incorrect data submissions will be used as a factor for PEA determinations

Proportionate Share

- Further upcoming changes
 - 3 & 4-year olds in the count
 - Can be counted but only in scenarios where these children are classified as being in a Kindergarten program, not a preschool program
 - Hard to determine at private facilities sometimes
 - Extremely rare and unusual circumstance but has occurred in Arizona once or twice

Proportionate Share

- Further upcoming changes
 - 3 & 4-year olds in the count
 - Comes from definition of elementary school clarification from the attorney general's feedback which ignores age but does recognize that only K-8 meets the definition of elementary school in how the law plays out
 - If you run into these cases and are unsure, please contact ESS Data Management

Proportionate Share

- When an LEA cannot expend all of the funds
 - When an LEA cannot expend all of the proportionate share of funds it had designated for a fiscal year, the LEA must carry over the unspent amount to the next fiscal year. The carry over amount must be added to that new year's proportionate share calculation. (34 CFR 300.133(a)(3)).

Proportionate Share

- When an LEA cannot expend all of the funds
 - ADE will not allow funds to be used on normal grant activities for at least 24 months
 - ADE will allow cases for extreme circumstance that this obligation will go away and in the final three months of the grant's life cycle, the funds will be released for normal grant expenditures

Proportionate Share

- When an LEA cannot expend all of the funds
 - ADE will require documentation that clearly reflects the district is in compliance the child find, consultation, and other requirements related to parentally placed private school children with disabilities in 34 CFR § 300.129 through 300.144
 - For this current year ending...

Proportionate Share

- When an LEA cannot expend all of the funds
 - ADE will be allowing any district that has a proportionate share obligation to take advantage of this due to the current circumstances
 - Affects Fiscal Year 2019 grant obligations of proportionate share and you will have to contact ESS Program Management to ensure we can log this

Proportionate Share

- When an LEA cannot expend all of the funds
 - The documentation for this year will be less rigorous than what will normally be required as a one time method to catch districts up
 - We will be notifying any districts who have a remaining obligation from fiscal year 2019 basic instructions of what they need to submit by the beginning of July

Additional Funding Sources

- First – Maintain your state fiscal effort until you hear otherwise from OSEP or congress regarding flexibility
- After that there are options
 - IDEA High Cost
 - Moved to a claim-based system and is actively being used by PEAs
 - Main requirement is that the cost of a student must exceed three times the normal cost of a student in Arizona (for FY21, this will increase to \$25,008 [$\$8,336 \times 3$] based upon new information from the common core of data [CCD])
 - That requirement can also be met per-day, which may vary depending upon number of normal calendar days by PEA*

Additional Funding Sources

- After that there are options
 - CARES Act Additional Funding
 - Elementary and Secondary School Emergency Relief Fund- Districts/charters will receive at least \$249 million, in proportion to the amount of Title I-A funding they received out of the total award of \$277 million.
 - Funds can be used for a variety of purposes beyond the IDEA but also can include activities similar to those approved and funded under the IDEA entitlement grant
 - **You will have to advocate for portions of these funds to be used on SPED so be sure to talk to your administration**

Additional Funding Sources

- After that there are options
 - CARES Act Additional Funding
 - ESS was able to secure some monies from the CARES Act dedicated solely to compensatory services
 - Requirements will be outlined in the near future once some framework is established
 - Process will mimic claims similar to the high-cost claim system
 - More information to come soon

Final Notes

- Be mindful of MOE moving forward; there has been nothing provided by Congress or OSEP indicating waivers or flexibility for this requirement yet
 - While PEAs are getting extra funds and flexibility has been provided for a variety of programs, maintaining state funding is still required at this time

Questions?

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On a side note, I am really grateful to have flexible teams that keep me grounded during these times. ESS has come a long way since resolving multiple audits and I am appreciative of all the folks who help support the topics discussed today.

Thank you everyone and I hope this session was useful.