

# EXCESS COST



Office of Special Education

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Office of Special Education (OSE)

# Excess Cost Requirement

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- IDEA funds may only be used to pay the excess costs of providing special education and related services for children with disabilities [34 CFR §300.202(a)(2)]

# Excess Cost Requirement Background

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- Requirement is not new to IDEA
- Guidelines for determining whether LEAs have met the Excess Cost Requirement were published in Appendix A to Part 300 of IDEA
- Regulation went into effect on October 13, 2006

# Excess Cost Definition

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- Costs that are in excess of the average annual per-student expenditure in an LEA during the preceding school year for an elementary school or secondary school student [34 CFR §300.16]

# Excess Cost Definition - Deductions

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Must be computed after deducting:

- (a) Amounts received
  - (1) Under Part B of the Act;
  - (2) Under Part A of title 1 of the ESEA; and
  - (3) Under Parts A and B of title III of the ESEA and;
- (b) Any State or local funds expended for programs that would qualify for assistance under any of the parts described in paragraph (a) of this section, but excluding any amounts for capital outlay or debt service

# Excess Cost versus MOE

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- Separate requirements intended to address different concerns
- The Federal Excess Cost requires that the LEA spend at least as much on the education of children with disabilities as it spends on non-disabled children before spending IDEA funds
- Maintenance of Effort (MOE) requires that LEAs spend at least as much of local or state and local funds on the education of children with disabilities as was spent in the prior year, subject to certain exceptions and adjustments

# MEETING THE EXCESS COST REQUIREMENT

# Development of Excess Cost Calculation Tool

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- Researched current federal guidance and state models on excess cost
- Defined variables for calculating excess cost
- Designed an excess cost calculation tool
- Solicited feedback from state and local stakeholders
- Disseminate the calculation tool and supporting materials to local districts



# Addressing Michigan Specific Challenges

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- Limited ability to break down costs by elementary and secondary given accounting codes structure
- Absence of state definition of elementary and secondary

# CALCULATION TOOL PREVIEW

# Key Elements of the Calculation

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- Mirrors calculation presented in Appendix A to Part 300 of IDEA
- Based on headcount, not FTE
- Costs are calculated at elementary and secondary levels

# Calculation Tool – Headcount Section

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Item	Total	Elementary	Secondary
<b>Total K-12 headcount</b>	<b>14,749</b>	<b>9,853</b>	<b>4,896</b>
Headcount K-8 vs. 9-12 as % of total	N/A	67%	33%
<b>Special education headcount</b>	<b>1,511</b>	<b>1,027</b>	<b>484</b>
Special education K-8 vs. 9-12 as % of special education total	N/A	68%	32%

# Calculation Tool – All K-12 Expenditures

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Item	Total	Elementary	Secondary
Step 1a: State and local expenditures	\$197,307,073.77	\$131,810,061.55	\$65,497,012.22
Step 1b: Federal expenditures	\$21,852,469.22	\$14,598,439.16	\$7,254,030.06
Step 1c: Deduct adult education	(\$285,379.91)	(\$190,646.71)	(\$94,733.20)
Step 1d: Deduct debt service	(\$25,377,522.28)	(\$16,953,334.26)	(\$8,424,188.02)
Step 1e: Deduct capital outlay	(\$34,376,210.93)	(\$22,964,865.84)	(\$11,411,345.09)

# Calculation Tool – Required Expenditure Deductions

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Item	Total	Elementary	Secondary
Step 2a: Deduct Part B IDEA Funds	(\$5,485,929.47)	(\$3,664,849.35)	(\$1,821,080.12)
Step 2b: Deduct ESEA title 1-a funds	(\$1,985,274.23)	(\$1,326,253.10)	(\$659,021.13)
Step 2c: Deduct ESEA title 3-a funds	(\$42,135.00)	(\$28,148.09)	(\$13,986.91)
Step 2e: Deduct state and local special education funds	(\$2,616,632.04)	(\$1,748,028.71)	(\$868,603.33)
Step 2f: Deduct other ESEA funds	(\$1,431,616.22)	(\$956,384.47)	(\$475,231.75)
<b>Total adjusted expenditures</b>	<b>\$147,558,842.91</b>	<b>\$98,575,990.18</b>	<b>\$48,982,852.73</b>

# Calculation Tool –Threshold and Test Result

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Item	Total	Elementary	Secondary
Calculate adjusted per-student expenditures (total adjusted expenditures / total headcount)	\$10,004.67	\$10,004.67	\$10,004.67
Excess cost threshold	\$15,117,052.79	\$10,274,793.66	\$4,842,259.13
Total special education expenditures	\$20,181,845.00	\$13,717,243.42	\$6,464,601.58
Initial Result Excess Cost Test: amount pass (fail) for test	\$5,064,792.21	\$3,442,449.77	\$1,622,342.44

# NEXT STEPS



# What's Next?

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- Finalize business rules
- Complete communications and awareness activities
- Pilot excess cost process

# Contact Information

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- For questions related to Excess Cost
  - **John Andrejack**
    - Financial Manager, Program Finance
    - Phone: (517) 241-1235
    - [andrejackj@Michigan.gov](mailto:andrejackj@Michigan.gov)
  - **Scott Kemmer-Slater**
    - Financial Analyst
    - Phone: (517) 335-1662
    - [kemmerslaters@Michigan.gov](mailto:kemmerslaters@Michigan.gov)
- For further instructions and other presentations visit [OSE Program Finance website](#)