

MATCH AND MAINTENANCE OF EFFORT

Slide 1: Be a Fiscal Star.

Slide 2: Maintenance of Effort

Presenters

Carol Dobak, Chief, VR Program Unit, SMPID

Adrienne Grierson, Financial Management Analyst, SMPID Fiscal Unit

Nancy Athanassiadis, Manager, Budget and Finance Unit, New York State Department of Education, Adult Career and Continuing Education Services

Slide 3: Overview

- What is Maintenance of Effort?
- Regulatory Requirements
- Not Meeting Requirements
- Calculating MOE
- MOE Waivers
- Managing MOE from a State's Perspective

Slide 4: What Is Maintenance Of Effort?

Maintenance of Effort (MOE) is required by many programs including the Vocational Rehabilitation Program, authorized under Title I of the Rehabilitation Act of 1973, as amended. Maintenance of Effort requirements ensure that State agencies receiving federal funds with a matching component do not reduce the amount of non-federal expenditures from year to year.

Slide 5: Regulatory Requirements

Section 111(a)(2)(B) of the Rehabilitation Act and VR Program Regulations at 34 CFR 361.62(a)(1) require States to maintain a level of non-federal expenditures, from all allowable non-federal sources, in the previous fiscal year that is at least equal to non-federal expenditures from two years prior.

Slide 6: Regulatory Requirements (cont.)

For States with a VR agency serving individuals who are blind and a second agency serving individuals with all other disabilities, MOE is determined based on the State's total non-federal VR program expenditures for both agencies. 34 CFR 361.62(c)(1)

Slide 7: Impact of the MOE Requirement

- Can protect the VR program from disproportionate State budget cuts when State budgets are flat or increasing.
- Can penalize States – especially those with a history of providing more than the required match amount – when State budgets are reduced during periods of serious, prolonged economic downturns.
- Can function as a disincentive for States to provide additional funds to the VR program during periods when State budgets are increasing.

Slide 8: What Happens if MOE is Not Met?

The State's allotment is reduced in the current fiscal year by the amount of the MOE deficit.
34 CFR 361.62(c)(2)

For example, a FY 2012 shortfall over FY 2010, would result in withholding the amount of the deficit from the FY 2013 VR grant award.

If the determination of the MOE deficit is made after such time as funds can be withheld from the current fiscal year's award, then RSA can recover the penalty through an audit disallowance.
34 CFR 361.62(a)(2)

Slide 9: Requirements when two State VR agencies exist

Each VR agency in the State incurs the MOE penalty in direct relation to the amount each agency contributed to the MOE shortfall, i.e. meaning the amount by which expenditures from non-federal sources by each agency in the previous fiscal year were less than they were for the respective agencies for the fiscal year two years prior to the previous fiscal year.

34 CFR 361.62(c)(2)

Slide 10: Regulatory restrictions related to establishment

A State's non-federal expenditures for the establishment or construction of a Community Rehabilitation Program (CRP) facility cannot be used to satisfy the MOE requirement.

Slide 11: Calculating MOE

The MOE level for a given federal fiscal year (e.g., FY 2012) is determined by using the agency's SF-425 report from two years prior.

That is, in order to determine the level of non-federal expenditures required for FY 2012, RSA uses the non-federal expenditures reported on the FY 2010 SF-425 report (less non-federal expenditures for the establishment or construction of CRP facilities).

Slide 12: Calculating MOE (cont.)

Where is this information on the SF-425, Federal Financial Report?

- Line 10.j. Recipient Share of Expenditures is the line item on the SF-425 where non-federal share is reported.
- Line 12.a. Non-federal share of expenditures for establishment or construction of CRP facilities.
- The lesser non-federal expenditures (line 10.j minus line 12.a) between the 4th Quarter and Final FY 2010 SF-425 report is compared to the lesser non-federal expenditures (line 10.j. minus line 12.a) between the 4th quarter and latest/final FY 2012 SF-425 report.

Slide 13: Calculating MOE (cont.)

Example for a State with one VR agency:

Non-Federal Expenditures (line 10.j. minus 12.a.) of the SF-425:

Year	Amount
FY 2010	\$7,942,314
FY 2012	\$7,581,257
Difference (2010 minus 2012)	-\$361,057

FY 2012 is less than FY 2010, hence a MOE deficit.

FY 2013 VR award will be decreased by \$361,057

Slide 14: Calculating MOE (cont.)

Example for a State with two VR agencies

Non-Federal Expenditures (line 10.j. minus 12.a.) of the SF-425

Year	Blind	General	Total State
FY 2010	\$1,224,958	\$4,994,720	\$6,219,678
FY 2012	\$1,304,979	\$4,854,700	\$6,159,679
Difference:	\$80,021	-\$140,020	-\$59,999

Slide 15: Calculating MOE (cont.)

Looking at the last column, the State's non-federal expenditures in FY 2012 were less than the State's level of non-federal expenditures required, as determined in FY 2010. The State has a MOE deficit.

However, when we look at agencies individually, we note that the blind agency exceeded its MOE requirement by \$80,021.

The general agency; however, had a MOE deficit of \$140,020.

In this instance, the amount of the State's FY 2012 MOE deficit, of \$59,999 will be deducted from the FY 2013 federal award as a MOE penalty for the general agency. Its "sister" agency, the blind agency, helped reduce the amount of the deficit.

Slide 16: Requesting a MOE waiver

If a State does not meet its MOE requirement, RSA may waive or modify the MOE penalty.

Rehabilitation Act Section 111(a)(2)(C)

VR Program Regulations 34 CFR 361.62(d)(1)(i)

Slide 17: Requesting a MOE Waiver (cont.)

Under What Circumstances are Waivers or Modifications Granted?

The Rehabilitation Act authorizes the Secretary to grant a waiver or modification of the MOE penalty when such an action would be "an equitable response to exceptional or uncontrollable circumstances affecting the State."

Rehabilitation Act Section 111(a)(2)(C)

Slide 18: Requesting a MOE Waiver (cont.)

Additional Circumstances

The Secretary may grant a waiver or modification when a State has experienced a major natural disaster or serious economic downturns that cause significant unanticipated expenditures or reductions in revenue that result in a general reduction of programs for the State.

34 CFR 361.62(d)(1)(i)

Slide 19: Requesting a MOE Waiver (cont.)

Additional Circumstances

The Secretary may grant a waiver or modification if the shortfall was caused by the State making substantial expenditures in the VR program for long-term purposes due to the one-time costs associated with the establishment or construction of a facility for CRP purposes, or for the acquisition of equipment.

34 CFR 361.62(d)(1)(ii)

Slide 20: Requesting a MOE Waiver (cont.)

Additional Circumstances

Finally, the Secretary may grant a waiver or modification of the MOE requirement for construction if the Secretary determines that a waiver or modification is necessary to permit the State to respond to exceptional or uncontrollable circumstances, such as a major natural disaster, that result in significant destruction of existing facilities and require the State to make substantial expenditures for establishment or construction of a facility for CRP purposes in order to provide VR services.

34 CFR 361.62(b) and 34 CFR 361.62(d)(2)

Slide 21: Requesting a MOE Waiver (cont.)

Submit a letter to RSA. Include supporting documentation explaining the circumstances that contributed to the deficit and state how those circumstances were unanticipated or out of the State's control.

Submit numbers and tables in federal fiscal year (FFY) format. The federal fiscal year is from October 1 through September 30.

Slide 22: For MOE Deficits Caused by Economic Downturn in the State:

Submit the following by State fiscal year (SFY) for the year the MOE deficit was incurred and the two prior fiscal years (for example, for a MOE deficit incurred in FY 2012, submit information for FY 2010, FY 2011 and FY 2012) certified in writing by the State budget office:

- Total State revenues (identify General Fund revenues and, if applicable, other State revenues).
- Total State appropriations (identify State appropriations from the General Fund and, if applicable, other State appropriations).

Slide 23: For MOE Deficits Caused by Economic Downturn in the State (cont.):

Submit the following by federal fiscal year (FFY) for the year the MOE deficit was incurred and the two prior fiscal years certified in writing by the State budget office:

- Total State appropriations (identify State appropriations from the General Fund and, if applicable, other State appropriations). This data element is the same as Number 1 in Slide 22. The information should be provided as an FFY data element, rather than an SFY data element.
- State funds to support the Title I VR program
- State appropriation for the Title I VR program
- Other State funds (e.g., fringe benefits) allocated to the Title I VR program, if calculated separately from the total funds appropriated to the VR program.

Slide 24: For MOE Deficits Caused by Economic Downturn in the State (cont.):

Submit the following data elements for the year the MOE deficit was incurred and the two prior fiscal years. These data should be consistent with data submitted to RSA in the agency's most recent SF-425.

- Total non-federal expenditures for the VR program, including all non-federal expenditures incurred by the VR program regardless of the source of those funds (e.g. State appropriations, third-party cooperative arrangements, or interagency transfers) or the purpose of those expenditures.
- Total non-federal expenditures for the establishment or construction of a CRP facility, if any are included in the reporting of total non-federal expenditures above.

Slide 25: For MOE Deficits Caused by One-Time Expenditures:

If the MOE deficit was caused by substantial one-time expenditures under the VR program for long-term purposes for:

- the establishment of a facility for CRP purposes;
- the construction of a facility for CRP purposes; or
- the acquisition of equipment;

provide sufficient supporting documentation that outlines the purchases made, the need for the purchases, the benefit to the VR program, and the cost of those purchases.

Slide 26: When Might A State Consider Not Requesting A Waiver?

Remember, the MOE deficit is generated from comparing MOE levels from the previous fiscal year to those from the fiscal year two years prior to the previous fiscal year.

However, the MOE penalty is taken from the current fiscal year.

If a State cannot fully match its current fiscal year award, it must determine whether a MOE waiver request is necessary.

Slide 27: Impact of the MOE Waiver

RSA's MOE waiver determination should provide as much relief as possible during prolonged periods of State revenue decreases to help minimize the incentive to decrease State funding for the VR program.

Slide 28: Managing MOE

A State's Perspective

Slide 29: Some Questions for You...

For how many does MOE = match?

For how many is MOE met with State appropriations?

For how many has that been an issue in the last few years?

How many present are involved in actual processing of expenditures that contribute to match?

What questions do you hope to have answered at this session?

Slide 30: Meeting MOE requires Cooperation

Finance Office

Fiscal System

Program Office

Budget Office

Conflicting needs of each office can present challenges.

Is good planning enough?

Not Just a federal Issue – Growing match in fiscally responsible way for State.

Slide 31: Technical Considerations

What Funds Count toward MOE -- any non-federal funds to support the program for program admin or provision of services (except non-federal expenditures for the establishment or construction of CRP facilities). Program income is not State money because it is earned with VR funds; it may be added to your State's grant award.

The MOE level is set at the end of the award period (4th quarter); however, RSA monitors non-federal expenditures and unliquidated obligations through the end of the carryover year, and at grant closeout. The MOE amount is determined from the 4th quarter or latest/final SF-425 report, whichever is less.

Actions that Change MOE Subsequent to a Grant Closing

- Refunds
- Court orders; ALJ orders
- Required Actions by State
- Revise Financial Reporting
- Meet Revised MOE level

Slide 32: For More Information:

Section 111 of the Rehabilitation Act, Payment to States

VR Program Regulations at 34 CFR 361.62, Maintenance of Effort Requirement

Slide 33: Questions?