Minnesota Department of Education

To: Directors of Special Education
Business Managers
Fiscal ListServ

From: Carol Hokenson, Assistant Director
Division of School Finance

Date: May 1, 2014

RE: State Fiscal Year (SFY) 2015 Special Education Application Materials and Eligibility for Program Approval and Application/ Initial Maintenance of Effort (MOE)

NOTE: There are a number of changes for SFY 2015, please be sure to carefully review this memorandum for details.

Program and Aid Approval

As part of the program and aid approval for special education, Minnesota Statutes, 125A.75, Subdivision 4, states:

> "before June 1, of each year each district providing special instruction and services to children with a disability must submit to the commissioner an application for approval of these programs and the budgets for the next fiscal year."

Minnesota Rules 3525.2405, subpart 1, states: "Director's requirement. The school board in every district shall employ, either singly or cooperatively, a director of special education to be responsible for program development, coordination and evaluation; in-service training; and general special education supervision and administration in the district's total special education system…"

In order to ensure compliance with statute, the following forms must be completed and approved by the Minnesota Department of Education (MDE) before state and federal aids can flow to districts.

Forms to be submitted:

The Statement of Assurances (ED-01350-31)

- Must be completed and signed by the licensed director of special education
- Must be signed by either the superintendent or clerk of the school board
- Must be submitted to MDE.

For cooperatives, service cooperatives and education districts, each member district must have this form filled out and signed by both the director of special education and the district superintendent or school board clerk. Intermediates do not need to submit member districts.

The State Cover Sheet

- Must be signed by the director of special education and submitted to MDE. The state cover sheet must indicate:
  - Number of teacher contract days for the regular school term
  - Number of minutes in the teacher contract day. (In most instances, lunch is not considered part of the school day unless staff is REQUIRED TO BE PRESENT during the lunch period.)
  - Member districts of a cooperative must indicate any change in their applicant agency for federal funds.

The Federal Cover Sheet

- Must be signed by the director of special education.
  Circle Yes or No for:
  - Whether or not your district authorizes MDE to withhold up to $5.00 per child count for the State Services for the Blind (SSB) for the Local Education Agency (LEA's) children and youth with disabilities,
  - Whether or not your district intends to use up to 15 percent of Section 611 and 619 funds for Coordinated Early Intervening Services (CEIS) (please include the amount for CEIS)..
  - Whether or not your district intends to use not more than 50 percent MOE reduction to local fiscal efforts.

The school district or charter school must retain or change its state and federal data lines on the Electronic Data Reporting System (EDRS).

Request for SFY 2015 Federal Funds for Special Education Tuition Adjustment (ED-02448-06) must be signed by the Director of Special Education. Note: Send the form to MDE only if you want to use federal funds for nonreimbursable tuition costs no later than August 15, 2014.

All forms must be completed, signed and returned via U.S. Mail to MDE by June 1, 2014. **No electronically transmitted copies will be accepted.** All required forms are posted to the MDE website. To Access your State and Federal Cover Sheets on the Data Reports and Analytics web page.

- Under School Finance Reports, select Minnesota Funding Reports (MFR).
- Use the drop down boxes to select your District, Category: Special Education; Year: 14-15; Report: Special Education Regular Year – Initial Report.

Prior year forms will not be accepted.

To access the Statement of Assurances

The Application for Special Education Funds - Statement of Assurances (SFY 2015) and the Request for SFY 2015 Federal Fund for Special Education Tuition Adjustment are posted on our website under School Support > School Finance > Special Education

Mail all forms to:

Special Education Funding and Data
Minnesota Department of Education
1500 West Highway 36
Roseville, MN 55113-4266

New charter schools in their FIRST year of operation in SFY 2014 will receive the “New Charters Form” and the State and Federal Cover Sheet from MDE, Division of School Finance. Forms will be provided by MDE to the Authorizer of the new Charter School.

Federal Special Education Data Reporting

The budget process for federal Special Education funds is managed on EDRS instead of through the State Educational Record View and Submission (SERVS) Financial System.

A federal application will continue to be submitted through SERVS Financial on the Grants Management Directory and approved by the primary contact in the Division of School Finance. Allocations for Part B Section 611, Part B Section 619 and Part C Infant and Toddlers will be loaded into SERVS Financial. LEAs will be required to accept the funds under “Manage Allocations/Competitive Awards” by checking the boxes that you have read and agree to the Statement of Assurances and by applying the electronic signature. Any adjustments to Part B Section 611, Finance Code 419 such as SSB, federal funds applied to nonreimbursable expenditures from tuition billing will be loaded into SERVS Financial as a fund balance adjustment. If a district intends to use up to 15 percent of Section 611 and 619 funds for CEIS, these funds will be deducted from your Finance Code 419, and loaded into SERVS Financial under Finance Code 425 or if Mandatory CEIS, Finance Code 429. Typically, MDE loads the allocation for the new fiscal year by July 15th, however the grant award must be received from U.S. Office of Special Education Programs before funds are loaded.

LEAs are required to submit all expenditures on EDRS by funding source codes. The data will be edited and validated on EDRS. Error free data will be summed to the Uniform Financial and Reporting System (UFARS) Object Code level and Finance Code each Wednesday morning before 7:30 a.m. and loaded into SERVS Financial overnight Wednesday. The budgets will be available on Thursday morning.

LEAs will be able to view (read only) their budgets but will not be able to amend the budget through SERVS Financial. Any changes to your budgets will need to be made in EDRS so that data edits can be applied. The budgets will automatically become funded and active by SERVS Financial, except for those that have SERVS errors, i.e., budget is less than draws, budget exceeds allocation, etc.

LEAs will make draw requests through SERVS Financial based upon the budget loaded from EDRS every Wednesday. Draw requests will continue to be made by UFARS Finance Dimension and Course Code. The weekly draws will be processed on Tuesday mornings from requests made by 11:59:59 p.m. on Monday. LEAs will need to have an approved State and Federal Special Education Application before a draw request will be processed. The LEA must complete and submit the following for approval before draws on SERVS will be processed:

- The signed paper copy of the statement of assurances,
- State and Federal Cover Sheets,
- Retain EDRS data lines,
- Maintained initial MOE,

- Application through SERVS Financial on the Grants Management Directory for each finance code,
- Accept funds on SERVS Financial by finance code,
- Have a Data Universal Numbering System (DUNS) Number on SERVS Financial and
- No CCR number is required.

LEAs are reminded that MDE is on a reimbursement basis; therefore the LEA must have eligible expenditures prior to any draws from SERVS Financial.

Special Education State and Federal EDRS Data

Data lines entered on EDRS as of April 30, 2014, are copied into SFY 2015 on May 1, 2014, before 7:30 a.m. as your proposed budget for the upcoming year. Each line item has been renumbered for the new year and has an error message stating **"Initial Data - Has Not Been Retained or Changed."** You will need to call up each line on EDRS and either retain, change or delete the line in order to remove the error message on the data line. (See menu item #4 on EDRS) for the retain process.

Extended year (Funding Source Code (FSC) E) for SFY 2015 includes July and August 2014, and June 2015. Since districts will be reporting and/or updating June 2014 data lines through June, MDE will not copy FSC E data lines forward until August 15, 2014.

The following Funding Source Codes have been copied into the SFY 2015 school term:
Funding Source Code A — State Special Education Aid – Regular Year,
Funding Source Code B — Section 611 Federal Flow Through (ages 3 – 21),
Funding Source Code F — Section 619 Federal Preschool Incentive (ages 3 – 5),
Funding Source Code G — Federal Low Incidence Discretionary (Regional),
Funding Source Code H — Federal Part C Infants and Toddlers (ages Birth – 2),
Funding Source Code R — Local Collaborative Time Study (LCTS),
Funding Source Code W — Federal Regional Comprehensive System of Personnel Development (CSPD) Discretionary Projects (ages 3 – 21),
Funding Source Code Z — Coordinated Early Intervening Services (CEIS),
Funding Source Code h — Part C Regional Interagency Early Intervention Committee (IEIC) Birth – 2,
Funding Source Code j — Third Party Expenditure,
Funding Source Code p — Section 619 Centers of Excellence Discretionary Regional (CSPD) 3 – 5,
Funding Source Code x — Part C Regional Centers of Excellence CSPD Grant Birth – 2 and
Funding Source Code z — Mandatory CEIS.

> **NOTE: Little "c" for Birth to 2 State Fiscal Code SFC will not be used in SFY 2015 and later. FSC little "c" have been copied forward but must be changed to FSC "A" to be valid.**

The following EDRS Service Codes have been copied into the SFY 2015 school term:
Service Code A — Payroll Personnel (includes expenditure data),

Service Code B — Contracted Personnel/Agency Service for pupils (no expenditure data),
Service Code H — Instructional Supplies and Testing Materials (no expenditure data),
Service Code U — Purchase of Services (includes expenditure data),
Service Code b — Contracted Personnel/Agency Services Staff (no expenditure data),
Service Code u — Purchase of Instructional Supplies and Materials (no expenditure data) and
Service Code p — Purchase of Contracted Services (no expenditure data).

FSC Little "a", Little "b", and Little "m"

Minnesota Statute 125A.79, Subdivision 1 was amended by the 2013 Legislature to redefine state special education expenditures to include expenditures that were previously not eligible for state special education aids.

FSC "a" was established for the districts to report these data to the MDE. These expenditures under FSC 'a' are a part of the non-federal expenditures.
FSC "a" expenditures should be coded under:

- Finance Codes that are to be reported:
  - 317 Compensatory Revenue,
  - 740 State Special Education (Ages 3-5) and
  - 799 Local Collaborative Time Study (LCTS).
- Program/Disability Code: 401 – 420.
- Object Codes
  - 110 for Directors and Assistant Directors only,
  - 170 Secretarial or Administrative Support only,
  - 199 – 280, and 291 – 295 Benefits (Not 389 and 390),
  - 305 Contracted Services (Director and Secretary only),
  - 320 Electronic Communications,
  - 329 Dissemination,
  - 365 Travel Chargebacks,
  - 366 Travel,
  - 401 Supplies and Materials – Non Instructional,
  - 530 Equipment for Office Supervision and
  - 820 Dues/Memberships.
- Do not include Finance 335 – Q-Comp in SFY 2015.

FSC "b" has been created so that districts that have the Alternative Delivery of Specialist Instructional Services (ADSIS) will report their non-federal expenditures on this FSC. MDE must segregate all non-special education expenditures.
FSC "b" expenditures should be coded under:

- Finance Code 740,
- Program/Disability Code 422 and
- Object Codes
- 110 for Directors and Assistant Directors only,
- 170 Secretarial or Administrative Support only,
- 199 – 280, and 291 – 295 Benefits (Not 389 and 390),
- 305 Contracted Services (Director and Secretary only),
- 320 Electronic Communications,
- 329 Dissemination,
- 365 Travel Chargebacks,
- 366 Travel,

- 401 Supplies and Materials – Non Instructional,
- 530 Equipment for Office Supervision and
- 820 Dues/Memberships.

FSC "m" has been created so that districts that have Individualized Education Program – Medical Assistance (IEP – MA) non-federal expenditures (Finance Code 372) will report those expenditures on this FSC. MDE must segregate all special education expenditures with IEP-MA revenue as those expenditures are not included in the districts MOE calculation. FSC "m" expenditures must be coded under:

- Finance Code 372,
- Program/Disability Code 401 – 420 and
- Object Codes
  - 110 for Directors and Assistant Directors only,
  - 170 Secretarial or Administrative Support only,
  - 199 – 280, and 291 – 295 Benefits (Not 389 and 390),
  - 305 Contracted Services (Director and Secretary only),
  - 320 Electronic Communications,
  - 329 Dissemination,
  - 365 Travel Chargebacks,
  - 366 Travel,
  - 401 Supplies and Materials – Non Instructional,
  - 530 Equipment for Office Supervision and
  - 820 Dues/Memberships.

Object Code 430

Object Code 430 is not an eligible expenditure for non-federal special education and has been removed from EDRS.

FSC "c" - Finance Dimension 741

MDE has been in negotiations with the US Office of Special Education Programs (OSEP) since December 2011 regarding Birth – 2 Maintenance of Effort. OSEP continues to indicate to MDE that we must have MOE for that age group regardless if Minnesota is a birth mandate state. MDE was successful in demonstrating that the tuition billing system can calculate more exacting cost for services to students Birth - 2.

Effective SFY 2015 Finance Dimension 741 will no longer be used in UFARS and FSC little "c" will no longer be valid on EDRS as lines copied forward will error.

All expenditures for Birth - 2 shall be entered on FSC A, Finance Dimension 740. To change expenditures on EDRS from FSC little "c" to SFC, simply change from little "c" to "A".

Remember there is no extended school year (FSC E) for this age group as their services are from July 1st to June 30 of the following year.

New Service Code for Object Code 490 – Food - Service Code Little "o"

There will be a new EDRS Service Code (little "o") in SFY 2015 to identify FOOD. UFARS Object Code 490 - Food - Expenditures for all purchases of food for all uses excluding milk not

used in preparation of food. Purchases of food for instructional use should be associated with the appropriate Regular Instruction or Vocational Instruction program category.

With FSC “A” - The use of special education funds is restricted to the unique needs of students with disabilities and may not be used to provide services that are identical or similar to those provided to general education students. Food will be directly distributed to students in compliance to their IEP.

With FSC “B” - Federal Funds can be used for almost any special education expenditure a district determines to be necessary in their obligations to provide a free appropriate public education (FAPE) to children and youth with disabilities. This includes any special education services the IEP/Individual Family Service Plan (IFSP)/Individual Interagency Intervention Plan (IIIP) team deems appropriate.

New Service Codes 5 and 6

There will be two new EDRS Service Codes in SFY 2015 to resolve the issue of the member districts of a coop not using the Finance Dimension 600 series when reporting federal special education funds. The two new service codes will be used for federal funds only and will be used with all special education EDRS federal funding source codes, UFARS (Finance codes) all disabilities (program codes), and all EDRS personnel type codes.

The service codes will be titled:

- Service Code 5 Vendor Services to member districts < $25,000.
- Service Code 6 Vendor Services to member districts > $25,000.

Each member district of a cooperative, including service cooperatives and hosts of low incidence and other MDE discretionary projects will have to report the federally reimbursed expenditure on UFARS with the 600 Finance Series, e.g. Finance 419 will be reported as 619 by the member districts. Again, all federal funds sent from one cooperative, service cooperative or host district will have to be reported by the receiving district with the Finance Dimension 600 series. These expenditures on EDRS will be reconciled to audited UFARS data. The total expenditures of member districts federal expenditures on Service Codes 5 and 6 on EDRS will be summed and compared to the sum of the Finance Dimension Series 600 on UFARS. MDE will accept the lesser of and make adjustments accordingly.

Cooperatives – do not make any entries on EDRS for Service Code 5 and 6 until after July 1, 2014 or when federal funds have been loaded to SERVS Financial.

These new service codes will only be used by types 50, 52, 61, and 83 only.

The UFARS object codes used with these two service codes will be in the 300 series.

- Service code 5 under $25,000 the valid UFARS object codes will be 303, 357, 358, 359, 361, 362, 363, 371, 372, 373, 374, 375, 376, 377, 378, and 379.
- Service code 6 over $25,000 the valid UFARS object codes will be 304, 341, 342, 343, 344, 345, 346, 347, 348, 349, 351, 352, 353, 354, 355, and 356.

Calculation of State Aid Entitlement and Tuition Billing Rate Calculation for SFY 2015

MDE will calculate the first state aid entitlement and tuition adjustments for SFY 2015 for the July 15, 2014 Integrated Department of Education Aids System (IDEAS) payment period. If all of the application forms are received and processed, and EDRS data lines are updated, the EDRS data as of June 17, 2014 will be included in the aid entitlement and tuition adjustments. Districts whose applications have not been processed or data updated on EDRS will not be included in calculation of the state special education aid entitlement and tuition rates will not be calculated. MDE will be calculating the 90-10 tuition costs where students who are using enrollment options will have 90 percent of the unreimbursed costs invoiced to the resident district. The serving district will be responsible for 10 percent of the unreimbursed cost. Information concerning the 90-10 calculation will be shared at a later date.

MOE for Federal Special Education SFY 2015 Program Application Approval

Code of Federal Regulations (C.F.R.) 300.203 Maintenance of Effort states

a. "General. Except as provided in 300.204 and 300.205, funds provided to an LEA under Part B of the Act may not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
b. Information. The LEA must have on file with the State Education Agency (SEA) information to demonstrate that the requirements of paragraph (a) of this section are met..."

LEAs must meet initial MOE in order to access their federal special education funds on SERVS Financial.

On June 1, 2014, MDE will review state EDRS retained lines for SFY 2015 (including lines in error) and compare them to EDRS lines reported in SFY 2013 (the most current closed year) to determine if LEAs are maintaining effort. Therefore, it is very important that districts EDRS expenditure data be updated.

LEAs will be notified in writing of the status of their application. The following expenditure data will be reviewed for Initial MOE.

- Funding Source Code A – State Special Education Program Aid-Regular Year and
- Funding Source Code c – Part C Infant and Toddlers Birth -2 (reminder to change to FSC A in SFY 2015)
    - Service Code A – Payroll,
    - Service Code U – Purchase of Services and
    - Service Code X – To be Hired.

If you anticipate that you will be hiring staff and will be increasing payroll or purchase of services expenditures on EDRS in SFY 2015, service code "X" (To Be Hired Personnel) is available to enter these expenditures. This service code can only be entered on EDRS with Funding Source Code "A", state regular year. Service code "X" requires a personnel type code, disability code,

time unit, number of time units and expenditure amount. In the description field, please type; "payroll" or "purchase of services". Service code "X" will not generate special education program aid. Service code "X" will automatically generate an error message. MDE will delete any lines entered under service code "X" on October 31, 2014.

Failure to maintain Initial MOE will result in the federal budgets not being loaded into SERVS Financial until an LEA demonstrates that they have maintained effort for Part B Section 611 (Finance Code 419) and Part B Section 619 (Finance Code 420). If an LEA has not increased budgeted expenditures to SFY 2013 levels or justified why effort has not been maintained, districts will not be able to access their federal funds. Below is a list of possible exceptions which may justify your district not maintaining effort.

Exceptions to these requirements also set forth in 34 C.F.R. 300.204 allows LEAs to reduce the level of expenditures where such reduction is attributable to:

> "… (a) The voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel. (b) A decrease in the enrollment of children with disabilities. (c) The termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child -- (1) Has left the jurisdiction of the agency; (2) Has reached the age at which the obligation of the agency to provide FAPE to the child has terminated; or (3) No longer needs the program of special education. (d) The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities…"

EDRS On-Line Edits

Several edits have been added over time to EDRS to comply with the Education Department General Administrative Rules (EDGAR) requirements for prior approval before obligating the federal funds. LEAs are required to secure prior approval from the Division of School Finance prior to undertaking any obligation or purchasing. LEAs may email a request for prior approval to mde.spedfunding@state.mn.us. The Division has no authority to approve any of these expenditures after the fact. EDRS will automatically place an error message on these Service Codes when entered on EDRS. The Service Codes are:

- Service Code ? – Out-of-State Travel,
- Service Code N – Construction and Remodeling,
- Service Code O – Equipment for Office Supervision/Management ($5,000 or more),
- Service Code P – Equipment for Instruction and Technology ($5,000 or more) and
- Service Code Q – Equipment for Transportation Services ($5,000 or more).

In addition, automatic error messages have been placed on Personnel Type Codes (PTC) to assure that the expenditure is necessary and reasonable. The PTCs listed below have been problematic in prior end-of-year edits and now require approval before the expenditure is allowed. The error message will indicate that the LEA must submit a statement justifying the expenditure to mde.spedfunding@state.mn.us before the error message can be removed. These PTCs are:

- 16 – Consultant,
- 25 – Other Therapists and
- 38 – Security Specialists.

Applications for CEIS

The CEIS Plan is a narrative describing LEAs plan for implementing coordinated, early intervening services for students K-12 with an emphasis on students in kindergarten through grade three who are not identified as needing special education or related services and do not have an IEP but who need additional academic or behavioral support to succeed in the general education environment (34 C.F.R. 300.226).

LEAs are encouraged to submit their requests for CEIS funds to be transferred from Finance 419 to Finance 425 at the time of the application. There are two ways that LEAs may request these funds; namely, by submitting an amount of funds to be transferred or to indicate that the LEA requests 15 percent of the Finance 419 and 420 allocations. The maximum allowed by the Individuals with Disabilities Education Act (IDEA) is 15 percent of Section 611 and 619 (Finance 419 and 420, combined). If an LEA wishes to use the maximum, they need to enter 15 percent on their application. There are two opportunities for the LEAs CEIS funds to be loaded into SERVS Financial. These are at the time of the initial entitlements (typically in September of the current fiscal year) and when the final entitlements are loaded into SERVS Financial (usually at the end of February during the current year). No changes will be made by the Division of School Finance except at those two times.

LEAs are strongly encouraged to have all SFY 2015 applications submitted for CEIS funds by October 1, 2014. Applications submitted after that date may be delayed in the review and approval process.

For all email inquiries, please direct your questions to mde.spedfunding@state.mn.us