



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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Legislative Fiscal Analyst  
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Exhibit No. 14  
Date 3-31-09  
Bill No. HB 675

DATE: March 31, 2009  
TO: Senate Finance and Claims Committee  
FROM: Kris Wilkinson, Fiscal Analyst II *(KW)*  
RE: Maintenance of Effort Requirements for Local Education Agencies

Under the American Recovery and Reinvestment Act (ARRA) of 2009, local education agencies are required to meet maintenance of effort requirements for federal funds.

Title I maintenance of effort requirements for local education agencies require the school districts to spend not less than 90 percent from state and local funds than they spent in the previous two years. The local school districts are not required to provide additional state or local funds for the additional Title I funds they will receive under the ARRA.

Requirements for the Individuals with Disabilities Education Act (IDEA) maintenance of effort include allowing the local school district to reduce their fiscal efforts dedicated to special education by up to 50 percent of the increase of the federal funds received. Under this regulation, Montana could permanently reduce its maintenance of effort for special education by \$18.354 million in FY 2010. The federal funds are received in FY 2010. Funds "freed up" in this manner must be spent on general education in the local school districts.

The concern for school districts in relation to the "freed up" funds is as follows:

- o Districts free up \$18.354 million of state and local funds currently used to provide services to 18,158 children with special education needs in FY 2010
- o \$18.354 million of freed up funds are used to provide for general education costs such as salaries and benefits of teachers in FY 2010 and in FY 2011, these costs are continued in FY 2012 and FY 2013 and must be supported by the freed up funds
- o Federal IDEA funds received under the ARRA are used to provide for the special education services to 18,158 children in FY 2010 and FY 2011
- o In FY 2012 and FY 2013 the school district federal ARRA funds under IDEA are eliminated and now the districts must provide for the costs of providing services to the 18,158 children needing special education with less federal funds and reduced state and local maintenance of effort (\$18.354 million less)

School districts can carry forward up to 100 percent of their current IDEA funds and use the federal funds in ongoing biennia. Using this option would allow for “smoothing” out of the funding shifts over the next two biennia.