

Shedding Light on the SPED MOE

By Alenita Danner, School Finance Specialist



The School Finance team at the Department of Education & Early Development (DEED) continues to work hard to support districts across Alaska with clear guidance, responsive service, and a little extra help in navigating the world of the Special Education Maintenance of Effort (SPED MOE).

I know getting an email from me about the district not passing the SPED MOE is not the kind of inbox surprise anyone enjoys. My goal is to make the process as smooth and stress-free as possible.

What is the SPED MOE?

The federal SPED MOE requirement¹ ensures that both states and local educational agencies (LEAs) spend **at least as much** of their state and local funds on special education as they did the prior year to continue to receive federal special education funding (84.027 and 84.173).

Each year, DEED runs two SPED MOE tests:

- **Eligibility Test** (in the Fall): Compares *budgets to actuals*. This is the current year's budget to the most recent audit.
 - Example: For the FY2026 Eligibility Test, DEED compared the expenses in the FY2026 Budget to those in the FY2024 Audit.
- **Compliance Test** (in the Spring): Compares *actuals to actuals* from the two most recent audited fiscal years.
 - Example: For the FY2025 Compliance Test, DEED will compare the district's SPED expenses in the FY2025 Audit to those in the FY2024 Audit.

In a nutshell, to continue to receive federal special education funds, districts must **budget enough** to show an intent to maintain (or increase) effort, and then actually **spend enough** to prove it.

How is the SPED MOE calculated?

The calculation starts with the Operating Fund, specifically Functions 200 and 220 without on-behalf. DEED excludes on-behalf payments because year-to-year swings in those rates can cause major distortions, especially for districts with smaller budgets. There are two ways to pass the SPED MOE:

1. **Aggregate Method**: Comparing total SPED expenses year over year.
2. **Per Pupil Method**: Comparing total expenses per special education student (based on the October 1 count).

If either method meets or exceeds 100%, then the district passes the SPED MOE.

What if the district doesn't pass?

- **Eligibility Test:** Districts that budget less than the comparison year can (1) increase the special education budget or (2) determine if any Allowable Exceptions apply.
- **Compliance Test:** If actual expenses fall short, then the only option is to identify Allowable Exceptions.

There are **no waivers** for the SPED MOE, but there are Allowable Exceptions that can reduce the district's comparison threshold.

What are Allowable Exceptions?

The Individuals with Disabilities Education Act (IDEA) has five categories of Allowable Exceptionsⁱⁱ to justify a decrease in SPED spending:

1. **SPED Staff departures** (retirement, resignation, or just cause)
 - Example: A veteran SPED teacher retires earning \$90,000 and is replaced by a new hire earning \$60,000. This results in an MOE reduction of \$30,000.
 - Example: A SPED teacher voluntarily chooses to accept a teaching position in general education. Based on a reduction in SPED students, the district determines that there is not a need to replace the SPED teaching position. The exception to the SPED MOE would be the full salary and benefits of the teacher who voluntarily took the general education position. *Note: Contract non-renewal or staff lay-off is **not** an allowable exception under IDEA.*
2. **Decrease in the number of students with disabilities**
 - Example: The district sees a decrease in the number of special education students. This is calculated through the Per Pupil Method.
3. **Termination of services for an exceptionally costly student**
 - Example: A student received physical therapy and the cost of the physical therapy program for this student was \$5,000 in the comparison year. The Individualized Education Program (IEP) team determined that physical therapy was no longer needed. This results in an MOE reduction of \$5,000.
4. **End of a long-term purchase or construction cost**
 - Example: A one-time \$45,000 purchase of SPED equipment does not repeat in the next year. This results in an MOE reduction of \$45,000
5. **Costs assumed by the state's high-cost fund** (*not currently applicable in Alaska*)

DEED works closely with districts to find every Allowable Exception. Together we discuss scenarios, review documentation, and determine which Allowable Exceptions apply. *If a district **ultimately fails** the SPED MOE, then **funds must be sent back to the US Department of Education**ⁱⁱⁱ.*

What are some actions to take now?

As districts finalize audits and refine budgets, please keep the most recent audited SPED expenses in mind. Here are a few tips:

- **Monitor SPED expenses throughout the year** to avoid surprises at audit close out.
- **Plan strategically for staff transitions**, especially during retirements or role changes.
- **Document Allowable Exceptions early**, rather than waiting until compliance review.
- **Coordinate with program staff, finance staff, and leadership** to ensure everyone understands the impact spending decisions have on the SPED MOE.

Our goal at the Department of Education is not just to test compliance, but to help districts succeed. My personal hope is that with planning and documentation, the SPED MOE process can be one less thing a business manager needs to worry about.

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A note from Alenita: I've worked in School Finance since 2013. My youngest child was born the following year. When my mom and grandma came up to meet him, they brought two of my grandma's African violets. I've been propagating and sharing violets since then. When Karen Morrison joined Team DEED in 2023, she invited colleagues to her new home for a holiday celebration. I gave her an African violet propagated from my grandma's original plant from 2014. Each new plant reminds me that with care and patience, what we nurture, whether it's on a shelf, in our work, or in our relationships, will continue to grow and thrive.

ⁱ 34 CFR 300.203 Maintenance of effort: <https://www.ecfr.gov/current/title-34/section-300.203>

ⁱⁱ 34 CFR 300.204 Exception to maintenance of effort: <https://www.ecfr.gov/current/title-34/section-300.204>

ⁱⁱⁱ 34 CFR 300.203(d) Consequence of failure to maintain effort: [https://www.ecfr.gov/current/title-34/part-300/section-300.203#p-300.203\(d\)](https://www.ecfr.gov/current/title-34/part-300/section-300.203#p-300.203(d))

Click the endnote to return to the article.