

# FINANCIAL MANAGEMENT

**A SOUND INVESTMENT  
IN SUCCESSFUL  
VR OUTCOMES**

# Match and MOE Management

# MAINTENANCE OF EFFORT

Craig McManus, Financial Management Specialist, U.S. Department of Education, Rehabilitation Services Administration, [craig.mcmanus@ed.gov](mailto:craig.mcmanus@ed.gov), (202) 245-6579

Carol Dobak, Chief, Vocational Rehabilitation Program Unit, U.S. Department of Education, Rehabilitation Services Administration, [carol.dobak@ed.gov](mailto:carol.dobak@ed.gov), (202) 245-7325

Melaine Mason, Deputy Administrator, Operations, Department of Employment, Training & Rehabilitation, Rehabilitation Division, [mrmason@nvdetr.org](mailto:mrmason@nvdetr.org), (775)-684-4040

Renee Olson, Chief Financial Officer, Department of Employment, Training & Rehabilitation, Rehabilitation Division, [rolson@nvdetr.org](mailto:rolson@nvdetr.org), (775)-684-4040

# Topics

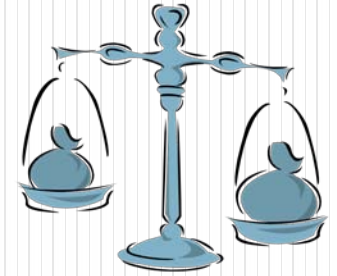
Legal Requirements

Reporting

MOE Calculation & MOE Penalty

MOE Waiver Determination

Requesting a Waiver



# What is Maintenance of Effort?

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

# What happens if the MOE level is not met?

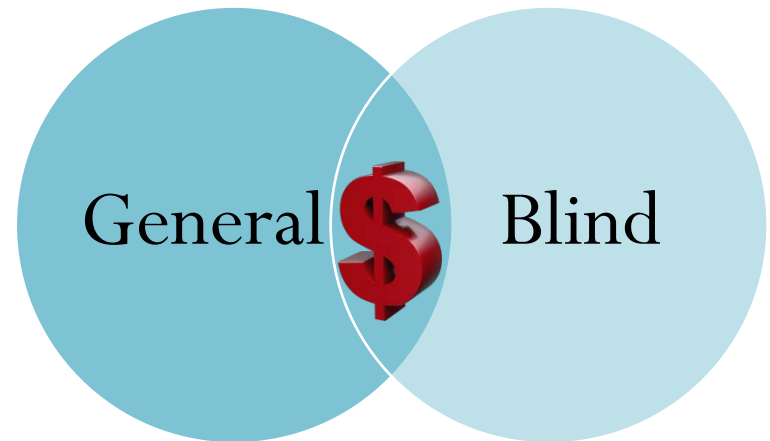
The state's allotment is reduced in the current fiscal year by the amount of the MOE deficit (id.).

If the determination occurs after the reduction can be made to the current fiscal year's allotment, the amount of the deficit will be recovered through audit disallowance (34 CFR 361.62(a)(2)).

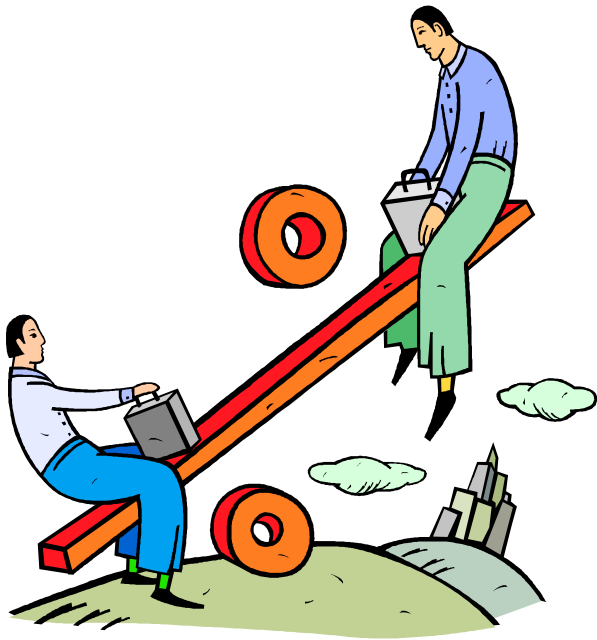


# How is MOE calculated for states with two VR agencies?

- For states with a VR agency serving individuals who are blind and a second 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)).



# How is MOE calculated for states with two VR agencies?

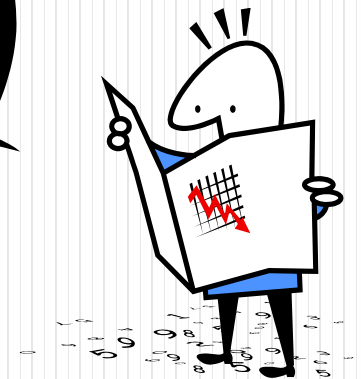


- Furthermore, each VR agency in the state incurs the MOE penalty in proportion to the amount that expenditures from each agency contributed to the MOE deficit, when comparing MOE levels from the fiscal year 2 years prior to the previous fiscal year (34 CFR 361.62(c)(2)).

# When can a state request a waiver of the MOE requirement?

RSA can waive or modify the MOE requirement if the deficit resulted from exceptional or uncontrollable circumstances, such as

- A major natural disaster; or
- A serious economic downturn.



Section 111(b)(2)(C) of the  
Rehabilitation Act and 34 CFR 361.62(d)(1))



# When can a state request a waiver of the MOE requirement? (con't)

The exceptional or uncontrollable circumstances must:

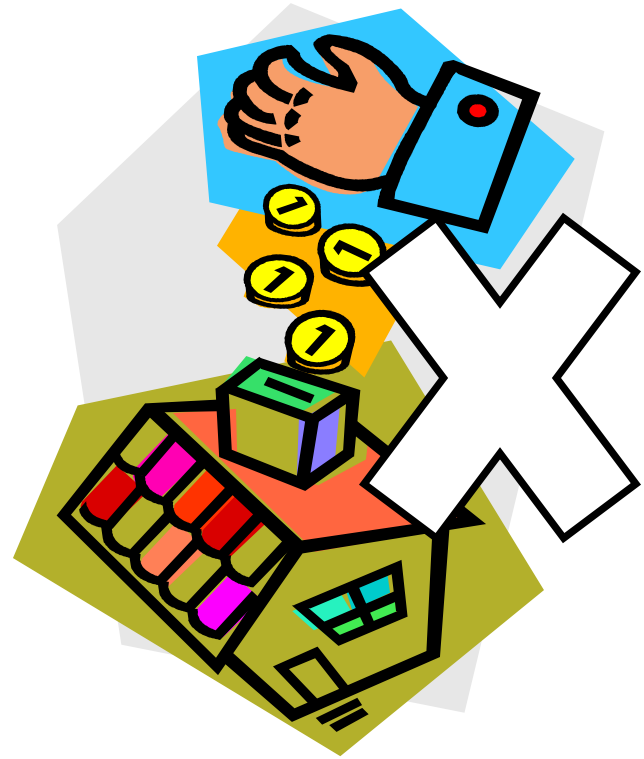
Result in Significant unanticipated expenditures or a reduction in revenues leading to a general reduction in programs

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

Require the state to make substantial VR program expenditures for long-term purposes due to the construction of a CRP facility; the establishment, development or improvement of a CRP; or the acquisition of equipment (34 CFR 361.62(d)(1)(ii)).

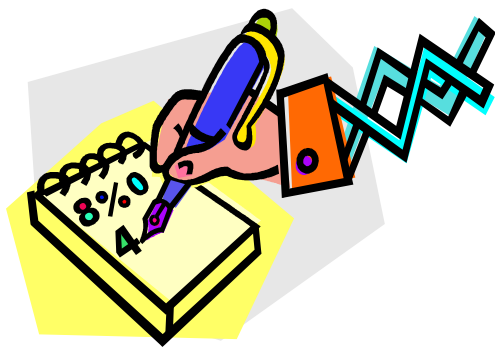
# Specific Requirement for the Construction of Facilities

- A state's non-Federal expenditures for the construction or establishment of a CRP facility cannot be used to satisfy the state's MOE requirement (34 CFR 361.62(b)).



# MOE Reporting on the SF-269 and SF-425

- Calculating MOE levels based upon the **SF-269** report requires the addition of two data elements: the total recipient share of net outlays and the recipient share of unliquidated obligations.



- The MOE levels based upon the **SF-425** report are identified in one data element (the recipient share of expenditures data element) in which entrants are instructed to combine the recipient share of net outlays with the recipient share of unliquidated obligations. The recipient share of unliquidated obligations is also reported separately under the remarks section.

# What does this mean for reporting?

- SF-269 Lines 10i + 10l = SF-425 Line 10j
- SF-425 Reminder: Line 10j. Recipient Share of Expenditures:  
Enter the grantee's total amount of non-Federal expenditures as of the end of the reporting period. This amount must include the grantee's non-Federal share of actual cash disbursements or outlays, AND the grantee's non-Federal share of unliquidated obligations.
- Line 12d. Recipient Share of Unliquidated Obligations:  
Enter that portion of unpaid obligations to be paid with non-Federal funds meeting the requirements in 34 CFR 361.60(b).  
(RSA-PD-11-02)

# MOE Calculation

The MOE level for any given year is determined by comparing the recipient share of expenditures plus recipient share of unliquidated obligations from the 9/30 report to those from the latest/final report, selecting the lower of the two figures.

## EXAMPLE:

- **FY 2008 – 9/30 recipient expenditures/unliquidated obligations are \$1,100,000.**

- **FY 2008 – final report recipient expenditures are \$1,000,000.**

**The MOE level is \$1,000,000.**

# Impact of the MOE Requirement



- The MOE requirement can protect the VR program from disproportionate State budget cuts when State budgets are flat or increasing.
- The MOE requirement 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.
- The MOE requirement can function as a disincentive for States to provide additional funds to the VR program during periods when state budgets are increasing.

# Impact of the MOE Waiver

- RSA's MOE waiver calculation should maintain states' obligation to the VR program, while also providing as much relief as possible during prolonged periods of State revenue decreases, thus minimizing the disincentive to increase State funding for the VR program.



# MOE Waiver Calculation

**Two-Year Average  
State Budget Cuts  
Equal to or Greater  
than Two-Year  
Average VR Program  
Budget Cuts**

- Calculate the difference between the average percentage of total overall Statewide budget cuts for the past two years and the average percentage of State cuts to the VR program.
- If the average percentage of the VR program cuts is less than or equal to the percentage of the overall Statewide budget cuts, then grant full waiver of MOE deficit. State will not be penalized by having VR grant reduced.





# MOE Waiver Calculation: Example 1

- State's FY 2010 MOE Deficit = \$5 million
- FY 2009: overall State budget cuts = 10%  
VR program budget cuts = 5%
- FY 2010: overall State budget cuts = 10%  
VR program budget cuts = 15%
- Average overall State budget cut for 09 and 10 = 10%
- Average VR program budget cut for 09 and 10 = 10%
- Full waiver granted (no penalty assessed) because the average cut to the VR program over two years was equal to the overall statewide budget cuts.

# MOE Waiver & Resulting Penalty

**Two-Year Average VR  
Program Budget Cuts  
Greater than Two-Year  
Average Overall State  
Budget Cuts**



If the two year average of the percentage of VR program cuts is more than the two year average of the percentage of Statewide budget cuts, the MOE penalty is calculated as follows:

---

$$\text{MOE penalty} = \frac{(\% \text{ VR program cuts} - \% \text{ of State budget cuts})}{\% \text{ of the Statewide budget cuts}} \times \text{MOE Deficit}$$

---

# MOE Waiver Calculation: Example 2

- State's FY 2010 MOE Deficit = \$5 million
- FY 2009: overall State budget cuts = 10%  
VR program budget cuts = 5%
- FY 2010: overall State budget cuts = 10%  
VR program budget cuts = 20%
- Average overall State budget cut for 09 and 10 = 10%
- Average VR program budget cut for 09 and 10 = 12.5%
- Average VR Program Budget Cuts Greater than State Budget Cuts; therefore...

# MOE Waiver Calculation: Example 2 (con't)

---

$$\text{MOE penalty} = \frac{(\% \text{ VR program cuts} - \% \text{ of State budget cuts})}{\% \text{ of the Statewide budget cuts}} \times \text{MOE Deficit}$$

---

$$\text{MOE penalty} = \frac{12.5\% - 10\%}{10\%} \times \$5 \text{ million}$$

$$= \frac{2.5\%}{10\%} \times \$5 \text{ million}$$

$$= 25\% \times \$5 \text{ million}$$

$$\text{MOE penalty} = \$1.25 \text{ million}$$

$$\begin{aligned} \text{MOE waiver} &= \text{MOE deficit} - \text{MOE penalty} \\ &= \$5 \text{ million} - \$1.25 \text{ million} \\ &= \$3.75 \text{ million} \end{aligned}$$

# Should you Request a MOE 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.

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.

# Should you Request a MOE Waiver? (con't)


FY 2010 MOE levels compared to FY 2008 MOE levels yield a \$100,000 MOE deficit.


The \$100,000 FY 2010 MOE deficit becomes the FY 2011 MOE penalty. If the agency can only match up to its FY 2011 award minus the \$100,000 MOE penalty, there is no need to submit a MOE waiver request, since these funds will be relinquished through reallocation.

If the agency can match amounts between its FY 2011 award minus the \$100,000 MOE penalty, up to all of its FY 2011 award, then a MOE waiver may be considered.

# Process for Requesting a MOE Waiver

- 
- RSA-PD-92-06

- 
- A request for a waiver must be submitted in writing to the Commissioner of RSA, along with supporting documentation.

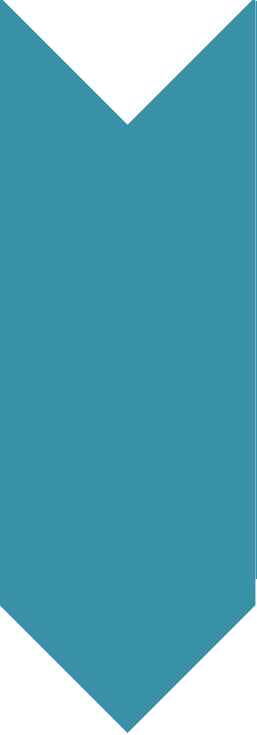
- 
- The request should specify the amount of required non-Federal expenditures that the State wishes to have waived and should include an explanation of the reasons for the request.

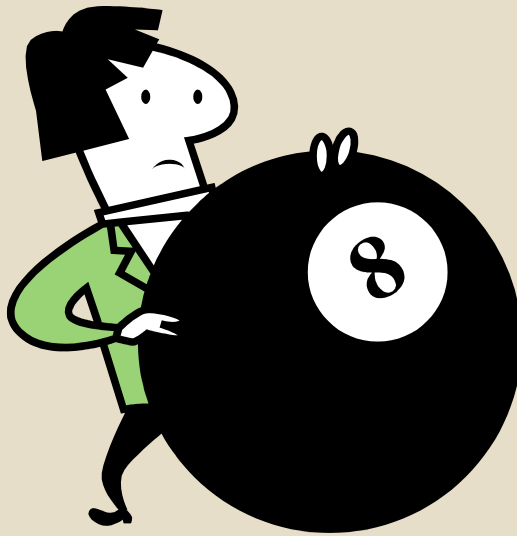
# Process for Requesting a MOE Waiver (con't)

- A waiver request ordinarily should be submitted as soon as it has become evident that a major natural disaster, serious economic downturn, or other exceptional or uncontrollable circumstance has occurred that will make it necessary to reduce general expenditures, including rehabilitation services, or as soon as a State determines it has been unable to meet its MOE level because one-time capital expenditures created a higher than normal required MOE level.



# Process for Requesting a MOE Waiver (con't)

- 
- A MOE waiver request should be submitted on the basis of actual reduced non-Federal expenditures, not on the basis of projected reduced non-Federal expenditures.



## Compiling the MOE Waiver Request

The two most important tools:

Fiscal: The Magic 8 Ball...

Program: Your wizard hat and magic wand...

# Cover Letter

## SUMMARIZES:

- Request for waiver.
- Identifies the MOE and the shortfall.
- The basis for the request, i.e.. serious economic downturn, etc.
- Amount of Title I funding relinquished.
- Attached documentation validating the circumstances.



# Supporting Documentation

A: Must provide sufficient information about the exceptional or uncontrollable circumstances and how they contributed to the MOE deficit.

B: Detailed budget, financial, and statistical data must demonstrate the adverse affects of the crisis on the state.

C: Funding reduction for VR as compared to other state programs is the rule not the exception.



# Considerations...

## A. Exceptional and uncontrollable circumstances

Data provided by:

- State Budget Office.
- Economic Think Tanks (Research & Analysis Div., labor agencies and coalitions).
- State Economic Development Agency.
- Agencies whose mission aligns with the state's revenue sources.



# Considerations...(con't)

## B. Demonstrate adverse effects

- State budget table certified by the Budget Office showing reductions for state agencies that demonstrates a proportional funding reduction across all programs.
- Governor's Executive Order mandating across the board budget cuts in all agencies, for the year of the MOE shortfall.
- Table showing state revenues for the year of the MOE shortfall versus the prior year, thus demonstrating the drop in revenue.
- Impact on serving clients.



# Considerations...(con't)

## C. Funding reduction for VR consistent with other state programs

- State budget data for year of the shortfall such as general fund appropriation history.
- Executive biennial budget for two biennium.
- Budget Office communications regarding reductions.
- Legislation, proposed and enacted regarding General Fund appropriations.
- Budget actions, such as: work program, furloughs, staff reductions, etc.

# Resources

---

- RSA: TAC 02-02, dated September 26, 2002.

<http://www2.ed.gov/policy/speced/guid/rsa/tac-02-02.doc>

- Some states (i.e.Nevada) conduct a fiscal seminar at the start of the biennial or annual budget development process. Data from such seminars serve as the cornerstone for providing data relative to the economic circumstance the state (i.e.Nevada) may be facing.
- Partners whose core mission is economic forecasting.
- The State's website.
- The world wide web.



# Resources

---



- You are not alone. Follow what other states have created thus far.
- Call on your colleagues from other states.
- Consult with our partners, such as RSA.

# QUESTIONS?

