**Excess Cost Calculation Example and Q & A**

Amounts provided to an LEA under Part B of IDEA may be used only to pay the excess costs of providing special education and related services to children with disabilities except as otherwise stated.

Excess costs are those costs for the education of an elementary school or secondary school student with a disability that are in excess of the average annual per student expenditure in an LEA during the preceding school year for an elementary school or secondary school student, as may be appropriate. An LEA must spend at least the average annual per student expenditure on the education of an elementary school or secondary school child with a disability before funds under Part B of the Act are used to pay the excess costs of providing special education and related services.

Section 602(8) of the Act and §300.16 require the LEA to compute the minimum average amount separately for children with disabilities in its elementary schools and for children with disabilities in its secondary schools. LEAs may not compute the minimum average amount it must spend on the education of children with disabilities based on a combination of the enrollments in its elementary schools and secondary schools.

The following example shows how to compute the minimum average amount an LEA must spend for the education of each of its elementary school children with disabilities under section 602(3) of the Act before it may use funds under Part B of the Act.

# **Example**

First the LEA must determine the total amount of its expenditures for elementary school students from all sources - local, State, and Federal (including Part B) - in the preceding school year. Only capital outlay and debt services are excluded.

1. **Example:** The following is an example of a computation for children with disabilities enrolled in an LEA's elementary schools. In this example, the LEA had an average elementary school enrollment for the preceding school year of 800 (including 100 children with disabilities). The LEA spent the following amounts last year for elementary school students (including its elementary school children with disabilities):

(1) From State and local **public funds** $ 6,500,000

(2) From Federal funds **(all sources)** 600,000

 **Total expenditures** **$ 7,100,000**

Of the total, $60,000 was for capital outlay and debt services relating to the education of elementary school students. This must be subtracted from total expenditures.

(1) Total expenditures $ 7,100,000

(2) Less capital outlay and debt – 60,000

 **Total expenditures for elementary school students less
capital outlay and debt** **$ 7,040,000**

1. Next, the LEA must subtract from the total expenditures amounts spent for:
2. IDEA Part B allocation
3. ESEA, Title I, Part A allocation

 (3) ESEA, Title III, Parts A and B allocation,

 (4) State and local funds for children with disabilities, (ESD and LEA Fund 100, AOR 320), and

 (5) State or local funds for programs under ESEA, Title I, Part A, and Title III, Parts A and B. These are funds that the LEA actually spent, not funds received last year but carried over for the current school year.

Example: The LEA spent the following amounts for elementary school students last year:

 (1) From funds under IDEA, Part B allocation $ 200,000

 (2) From funds under ESEA, Title I, Part A allocation 250,000

 (3) From funds under ESEA, Title III, Parts A and B allocation 50,000

 (4) From State funds and local funds for children with disabilities 500,000

 (5)From State and local funds for programs under ESEA, Title I, Part A,
and Title III, Parts A and B 150,000

 **Total** **$ 1,150,000**

 (1) Total expenditures less capital outlay and debt $ 7,040,000

 (2) Other deductions – 1,150,000

 **Total** **$ 5,890,000**

1. Except as otherwise provided, the LEA next must determine the average annual per student expenditure for its elementary schools dividing the average number of students enrolled in the elementary schools of the agency during the preceding year (including its children with disabilities) into the amount computed under the above paragraph. The amount obtained through this computation is the minimum amount the LEA must spend (on the average) for the education of each of its elementary school children with disabilities. Funds under Part B of the Act may be used only for costs over and above this minimum.

(1) Amount from Step b $ 5,890,000

(2) Average number of students enrolled ÷ 800

**Average annual per student expenditure** ($5,890,000 / 800) **$ 7,362**

1. Except as otherwise provided, to determine the total minimum amount of funds the LEA must spend for the education of its elementary school children with disabilities in the LEA (not including capital outlay and debt service), the LEA must multiply the number of elementary school children with disabilities in the LEA times the average annual per student expenditure obtained in paragraph c above. Funds under Part B of the Act can only be used for excess costs over and above this minimum.

(1) Number of children with disabilities in the LEA’s elementary schools 100

(2) Average annual per student expenditure $ x 7,362

 **Total minimum amount of funds the LEA must spend for the
education of children with disabilities enrolled in the LEA’s
elementary schools before using Part B funds** ($7,362 x 100) **$ 736,200**

Please note that we have developed an excess cost calculation template for district use in determining elementary and secondary excess costs**.** [**It is posted on the Schedule of Dues Dates web page under IDEA Excess Cost Calculation.**](https://district.ode.state.or.us/apps/info/default.aspx)

# **Question and Answer**

**Question #1: In the calculation for both elementary and secondary, it asks for total expenses. Line 1 is state and local tax-based expenses, and line 2 is federal expenses. Here is the question: Do they have to use the same numbers for both calculations, or does “total” mean those traceable only to elementary functions in one calculation and on the other calculation those only to the secondary funds? This is not entirely clarified in the example in the regulations.**

The calculation must be done separately for elementary school students and for secondary school students. The definition of excess costs at 34 CFR 300.16 defines the term to mean the costs that are in the excess of the average annual per student expenditure in an LEA during the preceding school year for an elementary or secondary school student as may be appropriate. This means separate calculations for elementary school and secondary school, as illustrated in the example on page 1.

**Question #2: Are excess costs the same thing as maintenance of effort?**

The excess cost requirement has been a requirement of the IDEA since 1975 and included in the regulations since 1977. Although the regulatory language has been reorganized in the intervening years, the standard has not changed. The **excess cost** requirement and the **MOE** provisions are **separate requirements** and intended to address different concerns.

Excess cost generally requires that the LEA spend in aggregate at least as much on the non-special education of children w/disabilities as they spend on non-disabled children at that educational level, before spending the IDEA funds.

MOE requires that LEAs spend at least as much of local or state and local funds on the education of children w/disabilities as they did in the prior year, subject to certain exceptions and adjustments.

In other words, MOE is looking at local support for the education of children w/disabilities over time, while excess costs considers whether, in rough terms, the LEA is providing the same level of support for the basic education of children w/disabilities and other students in any given year. Under the excess cost requirement, IDEA funds can only be used if the LEA is meeting that standard.

**Question #3: Please outline the process of determining excess costs for my LEA.**

1. Sometime in July or August of 2017, using unaudited figures from 2017-2018 as your basis, complete the excess cost spreadsheet and keep on file. This should serve as an initial guide until your audit is completed. [The spreadsheet is located on the Schedule of Due Dates web page under IDEA Excess Cost Calculation.](https://district.ode.state.or.us/apps/info/default.aspx)
2. Your LEA will be required to submit 2017-2018 audited figures to ODE by December 31, 2018.
3. In late January of 2019, complete an updated spreadsheet. This time you will plug in certified, audited figures for 2017-2018 and 12/1/2018 SECC data. This will be your official excess cost calculation for 2018-2019 and you will need to enter the data from the ODE Final Submission tab via the Excess Cost collection in Consolidated Collections – Institution Collections.

**Question #4:**  **Then what?**

You must spend to this level before the end of the school year before you can charge allowable costs to IDEA.

**Question #5: Can I charge anything to IDEA before I spend to that level?**

You can, but it must be an allowable expense. Also, you may need to make journal entries to ensure that you have complied with the law. In effect, when you are closing the books on 2017-2018 you must have spent at the excess cost level first, and then charge only allowable expenses against IDEA after satisfying the excess cost requirement.

**Question #6: I am allowed to spend certain federal title fund (i.e. Title 2) as though they are Title 1 funds. How do I report this on the spreadsheet?**

This is a difficult question. On the one hand, the funds are being spent as Title 1 funds. One the other, they may be audited as Title 2 rather than Title 1 funds. We advise that you discuss in advance with your LEA auditing firm, and ask whether these should be considered Title 1 or Title 2 funds. From there you will know how to respond on the spreadsheet.

**Question #7: I cannot track all of my expenditures directly to Elementary or Secondary programs. How do I proceed with reporting those expenses?**

As a rule of thumb, where you can specifically identify costs with either elementary or secondary, you should do that. If not, prorate by ratio of students in each. For example, you have one food service program that services all K-12 students in one building. There are 580 students in elementary and 420 in secondary. You should charge 58% of the costs to elementary, and the remaining 42% to secondary.

**Question #8: Are resolution dollars allowable expenses for Special Education?**

Any funds that are public-based are reported on the spreadsheet.

**Question #9: For IDEA Part B allocations, does that include the IDEA grant as well as other grants with partial IDEA funding (ex.: SPR&I, IDEA Enhancement Funds, etc.)?**

That is correct. You report them under item 2 federal expenditures, and then back them out under (B) 1.

**Question #10: The same for ESEA, Title I, Part A funds; do we include Title I grant as well as Rural Ed, SOASTC, McKinney?**

All would be reported under item 2 federal expenditures. Then you back out only Title 1A funds under section (B) 2.

**Question #11: State and Local funds for children with disabilities should come from "tax" dollars. My understanding is that we should not include student body funds (that would cover several other local donation grants as well) but should include ESD expenditures.**

~~That is correct.~~ Based on updated guidance from the USDOE, this is partially incorrect. The intent of Excess Cost is to look at all **public** funds paying for the education of students with disabilities. All taxes are public funds, but not all public funds are tax-based. This would mean the district would include those local donation grants if they came from a public source. ESD expenditures should always be included as those are public funds.

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