



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION
WASHINGTON, DC 20202-6132

AUG 11 2010

MEMORANDUM TO TITLE I STATE DIRECTORS

**SUBJECT: State Maintenance-of-Effort Requirement as it Relates to the Fiscal Year (FY) 2010
Title I, Part A Education Finance Incentive Grant Allocation**

The purpose of this memorandum is to alert you to the State-level maintenance-of-effort (MOE) requirement that is in the Title I, Part A Education Finance Incentive Grant (EFIG) formula authorized in section 1125A of the Elementary and Secondary Education Act (ESEA). (The MOE requirement does not apply to the other three Title I, Part A formulas.) Section 1125A(e) of the ESEA requires that the U.S. Department of Education (ED) determine every year whether each State has maintained fiscal effort. To maintain effort, the combined fiscal effort per student or the aggregate expenditures in a State with respect to providing free public education for the preceding fiscal year must be not less than 90 percent of its fiscal effort for the second preceding fiscal year. For FY 2010 EFIG allocation purposes the MOE comparison years are FY 2009 (school year (SY) 2008-09) and FY 2008 (SY 2007-08). If a State fails to maintain effort, ED must reduce the State's EFIG allocation in the exact proportion by which the State failed to maintain effort. ED may waive this reduction (the consequence of a State's failure to meet the MOE requirement in EFIG formula) if a waiver would be equitable due to exceptional or uncontrollable circumstances such as a natural disaster or a precipitous and unforeseen decline in the financial resources of a State.

Unlike previous years, in which no State has failed to maintain effort, some States may not maintain effort for FY 2010 EFIG allocations purposes due to the recent economic conditions. In order to make State-level MOE determinations for the EFIG formula, ED relies on expenditure data collected from the States by ED's National Center for Education Statistics (NCES). However, NCES data for the preceding fiscal year (FY 2009, or SY 2008-09) will not become available until late 2010 or early 2011 at the earliest. Under this timeframe ED would not be able to make MOE determinations until halfway through SY 2010-11—well after the time States have determined final FY 2010 LEA allocations.

In order to avoid the disruption caused by reducing the FY 2010 Title I, Part A EFIG allocation for a State that failed to maintain effort in the middle of SY 2010-11 and after the State has calculated its final LEA allocations, ED has decided that it would make any downward adjustments to the FY 2010 EFIG allocations resulting from failure to meet the MOE requirement out of the FY 2011 EFIG allocations next year. ED expects to inform States if they have failed to meet the MOE requirements in EFIG in January 2011 once it receives preliminary

Page 2 – Title I State Directors.

NCES State expenditure data for SY 2008-09, well before ED announces final FY 2011 Title I, Part A allocations in May 2011.

If you have any questions about this issue, please contact Mr. Todd Stephenson (202-205-1645; Todd.Stephenson@ed.gov) or Mr. Sandy Brown (202-260-0976; Paul.Brown@ed.gov).

A handwritten signature in black ink, appearing to read "Zollie Stevenson, Jr.", with a stylized flourish at the end.

Zollie Stevenson, Jr., Ph.D.
Director
Student Achievement and School
Accountability Programs

cc: Chief State School Officers