



# PUBLIC SCHOOLS OF NORTH CAROLINA

DEPARTMENT OF PUBLIC INSTRUCTION | Mark Johnson, *Superintendent of Public Instruction*

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September 16, 2020

## MEMORANDUM

**TO:** Directors/Coordinators, Exceptional Children Programs  
Finance Officers

**FROM:** Sherry H. Thomas, Director  
Exceptional Children Division

DS  
ST

**RE:** Medicaid and Maintenance of Fiscal Effort/IDEA Proportionate Share Funds

### Medicaid and Maintenance of Fiscal Effort (MOE)

Cost recovery/fee for service funds that PSUs receive through Medicaid are Federal dollars and must be spent for services for students with disabilities. When PSUs spend Federal Medicaid reimbursement funds for services for students with disabilities, these funds cannot be considered "State or Local" funds for the purpose of the maintenance of fiscal effort (MOE) provisions (Sec. 300.154 (g) (2)). In order to avoid challenges in demonstrating compliance with MOE provisions, PSUs should avoid comingling these funds with a local program report code budget. PSU must include any and all state matching funds from Medicaid that are used for students with disabilities in the Maintenance of Effort (MOE) calculations.

### IDEA Proportionate Share Funds

Each PSU must spend a proportionate share of the IDEA Part B allocation (PRC 060 and PRC 049) on the provision of special education and related service for the parentally placed private school children with disabilities enrolled in private schools located in the PSU. (Section 300.133). To demonstrate compliance with this requirement, each must have a procedure to track these expenditures within the PRC 060 fund budgets. While the PSU may choose to utilize State and local funds to supplement the proportionate share expenditure, in no case can the PSU supplant the proportionate amount of Federal funds required to be expended for parentally placed private school children with disabilities.

SHT/AB/jd

cc: Dave Machado, Director, Office of Charter Schools  
Amanda Byrd, Section Chief, Special Programs & Data, Exceptional Children Division  
John Keefer, Section Chief, Monitoring and Compliance, Finance & Business  
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### EXCEPTIONAL CHILDREN DIVISION

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