
VIRTUAL FINANCIAL MANAGEMENT INSTITUTE

Maintenance of Effort Matching Requirements



U.S. Department of Education • Office of Vocational and Adult Education • Division of Academic and Technical Education



103 About this module

Description

The **Maintenance of Effort** module provides an overview of the regulations and requirements around maintenance of effort.

In this module

This module contains the following topics:

- The policy implications related to maintenance of effort
- An overview of the issues surrounding maintenance of effort
- Matching requirements mandated by Perkins IV
- Key elements overlooked in maintenance of effort



103 Module objectives

Goals

Being able to maintain the level of effort to be eligible for grant funding is an important requirement mandated by Federal regulations. This module will help you understand the principles behind maintenance of effort.

Objectives

After completing this module, you should be able to:

- Define maintenance of effort
- Describe the background for maintenance of effort
- List the general requirements for maintenance of effort
- Define maintenance of effort waiver authority
- Identify an example of a decrease in Federal support provision
- Identify State administration match and State administration hold-harmless provisions
- Identify an example of a decrease in Federal support provision
- Identify an example of an administrative hold-harmless provision
- Define the maintenance of effort waiver authority
- Identify an example of a decrease in a Federal support provision



103 Maintenance of effort overview

Description A Federal requirement that requires grant recipients to maintain a certain level of State fiscal effort to be eligible for full participation in Federal grant funding.

If requirements are not met Grant recipients who do not meet maintenance of effort requirements face:

- The potential of an audit exception; and
- The potential reimbursement of State funds to the Federal government.



103 History of maintenance of effort

1976 amendments

The 1976 amendments state that effort must be maintained at both the State and local levels.

Perkins I through IV

The Perkins I through Perkins IV legislation mandates that effort be maintained at the State level.



103 Maintenance of effort requirements

Perkins IV

The Perkins IV Act contains requirements for maintenance of effort in Section 311(b). Maintenance efforts can be calculated in one of two ways:

- Aggregate expenditures
- Fiscal efforts per student

Since States can change the method for maintenance from year to year, use the method that is most beneficial to the State.

EDGAR

EDGAR 76.534 states that tuition revenue should be excluded from the calculations of the requirements for maintenance of effort.



103 Calculating maintenance of effort

Maintenance of effort calculations

To maintain effort for a given year, a State must ensure that the previous year's effort equaled or exceeded the effort in the second year preceding the year for which the determination is made. These calculations exclude:

- Capital expenditures
- Special one-time project costs
- Costs of the pilot program

Sample calculation

Let's take a look at how to calculate maintenance of effort for a State's 2012 fiscal year.

- For the previous fiscal year of 2011 (July 1, 2010 through June 30, 2011), the maintenance of effort is \$9,500,000.
- For fiscal year 2010 (July 1, 2010 through June 30, 2011), which is the second year preceding the 2012 fiscal year, the maintenance of effort is \$9,450,000.

The State is in compliance for fiscal year 2012 because the maintenance of effort in 2011 exceeded 2010 by \$50,000.



103 General principles of maintenance of effort

Basic principle To maintain effort for a given year, a State must ensure that the previous year's effort equaled or exceeded the effort in the second year preceding the year for which the determination is made.

Framework A maintenance of effort framework should be built around the following elements:

- Maintenance of effort is calculated consistently.
- All State-level costs that meet the definition of career and technical education, according to Perkins IV, are included.
- Sources of data for expenditures must be auditable, and costs are recorded with supporting documentation.
- Internal controls and procedures are in place to ensure the accuracy of student enrollment data if maintenance of effort is calculated on a per-student basis.
- Student enrollment costs are not duplicated.



103 Waiver authority for maintenance of effort

Applicable legislation

A one-time waiver of up to 5% of expenditures is available to any eligible agency for a single fiscal year.

Section 311(b)(2) of the Perkins IV Act mandates that this waiver will only be granted due to exceptional or uncontrollable circumstances that affect the agency's maintenance of effort capabilities. A natural disaster or an unforeseen and precipitous decline in financial resources are some examples of a situation where the Department of Education may authorize such waivers.

Funding levels

No level of funding permitted under such a waiver should be used as the basis for computing the fiscal effort or aggregate expenditures required for the years subsequent to the year covered by such a waiver.

The fiscal effort or aggregate expenditures for the subsequent years should be computed on the basis of the level of funding that would have been required without the waiver.



103 Maintenance of effort waiver example

Waivers in
action

	FY 2006	FY 2007	FY 2008
Non-Federal	\$20,000,000	\$19,000,000 (-5%)	\$20,000,000 (waiver ends/returns to previous level)
Federal	\$1,000,000	\$1,000,000	\$1,000,000



103 Decrease in Federal support

Applicable legislation

As a State calculates its maintenance of effort requirements, a decrease in the amount of Federal support for vocational programs allows the State to decrease either the fiscal effort per student or its aggregate expenditures for the preceding fiscal year by the same percentage as the percentage decrease in the amount made available.

Section 311(b)(1)(C) of the Perkins IV Act provides specific legislation that mandates how a decrease in Federal support can be used to similarly decrease a State's maintenance of effort.



103 Decrease in Federal support examples

Decreases in
federal support
in action

	FY 2007	FY 2008	FY 2009
Non-Federal	\$18,000,000	\$18,000,000 (No reduction, though it could have been lowered by 10%)	\$18,000,000
Federal	\$1,000,000	\$900,000 (10% reduction)	\$1,000,000



103 State administration requirements

Applicable legislation

According to Section 112(b) of the Perkins IV Act, each eligible agency that receives funds made available under section 112 (a)(3) should match the funds received under section 112 (a)(3) using both:

- Non-Federal sources
- A dollar-for-dollar basis



103 State hold harmless provisions

Section 323(a) Eligible agencies should provide an amount that is not less than the amount provided by the eligible agency from non-Federal sources for such costs for the preceding fiscal year using non-Federal sources for the costs the eligible agency incurs for administration of Perkins grant programs.

Section 323(b) If the amount made available from Federal sources for program administration is less than the amount made available for the preceding fiscal year, then the amount the State is required to provide should have the same ratio to the amount the State provided from non-Federal sources for the preceding fiscal year.

For example, the percentage of Federal funds expended for State administration falls 5% from one year to the next, the non-Federal match may fall a comparable 5% as well.



103 Hold harmless provision examples

Hold harmless provisions in action

	FY 2010	FY 2011	FY 2012
Non-Federal	\$600,000	\$540,000 (10% reduction)	\$540,000
Federal	\$300,000	\$270,000 (10% reduction)	\$300,000



103 Module summary

Goals

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Objectives

Now that you have completed this module, you should be able to:

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103 Additional resources

Office of Management and Budget

- [OMB Circular No. A-133](#)
- [June 2010 Compliance Supplement](#)
- [March 2009 Compliance Supplement](#)

Advanced Government Accountability

The Partnership for Intergovernmental Management and Accountability is dedicated to identifying and solving the management and accountability issues facing governments today.

- [Risk Assessment Monitoring Tool](#)
- [Financial and Administrative Monitoring Tool](#)

Department of Education

- [Indirect Cost Group](#)

Department of Health and Human Services

- [HHS C-10](#)



103 Additional resources

Higher education, hospitals, and non-profits

Applicable to institutions of higher education, hospitals and non-profits.

- OMB Circular A-133 .400(d)(3), issued under the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156.
- Single Audit Act, 1996 Amendments, 31 U.S.C. §7502(f)(2)(B).
- OMB A-133 Compliance Supplement, Part 3, § M.
- Title 34, Parts 74-99 of the Code of Federal Regulations (CFR), collectively referred to as the Education Department General Administrative Regulations, or EDGAR.

State, local, and Indian tribal governments

Applicable to State, local and Indian tribal governments.

- U.S. Department of Education Grant Bulletin, Assessing Grant Applicant and Grant Recipient Risk Prior to Making New and Continuation Awards, GB #11-01, effective June 1, 2011.



103 Audit resources

General Accounting Office

- [GAO Policy and Procedures Manual Guidance for Federal Agencies](#) (replaces GAO Yellow Book)
- [How to Avoid a Substandard Audit: Suggestions for Procuring an Audit](#) (National Intergovernmental Audit Forum; May 1988)
- [Internal Control Management](#), GAO 01-1008G
- [Standards for Internal Control](#), GAO/AIMD 00-21.3.1
- [Performance & Accountability Challenges and High Risk](#), GAO 01-159SP

Federal Audit Databases

- [Catalog of Federal Domestic Assistance - Federal Award Programs](#)
- [Federal Audit Clearinghouse - Single Audit SF-SAC Data](#)



103 Additional information

Contact list

- To learn more about financial management and reporting, contact Andrew Johnson by e-mail at andrew.johnson@ed.gov or call 202-245-7786.
- For questions concerning indirect costs, e-mail IndirectCostGroup@ed.gov.
- To learn more about Perkins funding strategies or maintenance of effort, contact Len Lintner by e-mail at len.lintner@ed.gov or call 202-245-7741.
- To learn more about the single audit process, contact John Miller by e-mail at john.miller@ed.gov or call 202-245-7713.
- To learn more about subrecipient monitoring, contact Edward Smith by e-mail at edward.smith@ed.gov or call 202-245-7602.