



PUBLIC SCHOOLS OF NORTH CAROLINA

DEPARTMENT OF PUBLIC INSTRUCTION | June St. Clair Atkinson, Ed.D., *State Superintendent*

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MEMORANDUM

DATE: January 9, 2015

TO: Directors, Exceptional Children Programs
Coordinators, Exceptional Children Programs

FROM: William J. Hussey, Exceptional Children Division *WJH*

RE: Fee for Service/ Cost Recovery Medicaid funds

Cost recovery/fee for service funds that LEAs receive through Medicaid are Federal dollars and should be treated as such. NC DPI Exceptional Children Division has no requirement that Federal funds be expended in the year those funds were received. When a LEA spends reimbursements from Medicaid Federal funds for services for students with disabilities, those funds cannot be considered "State or local" funds for purposes of the maintenance of fiscal effort (MOE) provisions (Sec. 300.154 (g) (2)).

If LEAs put the Medicaid funds they receive into a local program report code budget; comingling of Federal dollars could occur, which would not allow those Federal funds to be tracked to ensure they are being used to support students with disabilities. When private external auditors review LEA funding, this comingling of funds could raise questions that LEAs need to be prepared to answer regarding the use of these funds to support services for students with disabilities.

If you have any questions, please contact Tracy A. Riddle at 919-807-3948, or email her at Tracy.riddle@dpi.nc.gov.

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EXCEPTIONAL CHILDREN DIVISION

William Hussey, Director

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