



USING FEDERAL EDUCATION FORMULA FUNDS FOR SCHOOL TURNAROUND INITIATIVES

Opportunities for State Education Agencies

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This work was supported by the Center on School Turnaround through funding from the U.S. Department of Education, PR/Award Number S283B120015. It does not necessarily reflect the views or policies of the U.S. Department of Education, and no endorsement by the federal government should be assumed.

The Center on School Turnaround, a partnership of WestEd and the Academic Development Institute, the Darden/Curry Partnership for Leaders in Education at the University of Virginia, and the National Implementation Research Network, is part of the federal network of fifteen Regional Comprehensive Centers, serving individual states or clusters of states, and seven national Content Centers.

Suggested citation: Junge, M., & Krvaric, S. (2016). *Using federal education formula funds for school turnaround initiatives: Opportunities for state education agencies*. San Francisco: WestEd.

IMPORTANT NOTE: The Every Student Succeeds Act (ESSA) passed in December 2015 and is the newest version of the Elementary and Secondary Education Act (ESEA). The ESSA rules for major formula programs (such as Title I, Title II, and Title III) take effect at the start of the 2017-2018 grant year.¹ Therefore, the ESEA spending rules outlined in this handbook — which are the old No Child Left Behind (NCLB) rules — are relevant until ESSA begins full implementation in July 2017.

¹ In a spending bill passed subsequent to ESSA, Congress clarified its intention to delay implementation of ESSA for the major formula programs, stating:

Notwithstanding section 5(b) of the Every Student Succeeds Act, funds provided in this Act for non-competitive formula grant programs authorized by the ESEA for use during academic year 2016-2017 shall be administered in accordance with the ESEA as in effect on the day before the date of enactment of the Every Student Succeeds Act.

See the Consolidated Appropriations Act of 2016, page 397, at <https://www.congress.gov/114/bills/hr2029/BILLS-114hr2029enr.pdf>

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Introduction

Much has been written on the subject of school turnaround, but relatively little about how *to pay for* turnaround-related work. Turning around low-performing schools not only requires changing instructional and related practices, but changing spending patterns as well. Too often education dollars are spent on the same costs from year-to-year, with little scrutiny of how closely costs align to the needs of schools and students.

This handbook addresses how U.S. Department of Education (ED) formula grants, such as Title I, Title II, and Individuals with Disabilities Education Act (IDEA), can be used to support school turnaround efforts.² ED formula grants often are overlooked as funding sources for turnaround efforts because ED formula grant programs are subject to complex rules and regulations that are difficult to navigate. As a result, states, school districts, and schools often are uncertain about what they can spend their money on. Even where spending options are well understood, it can be challenging to use federal funds effectively while still meeting paperwork and other compliance requirements.

State education agencies (SEAs) play a critical role in helping districts and schools navigate federal grant rules and spend funds effectively. To support SEAs in fulfilling this role, this handbook presents the following information:

- Four strategies SEAs can use to create the conditions for maximizing ED formula grants for turnaround activities, including:
 - » Strategy 1: Provide Clear Guidance Aligned to Turnaround Activities.
 - » Strategy 2: Eliminate Barriers to Full Use of Schoolwide Programs.
 - » Strategy 3: Focus on Aligning Spending to Needs.
 - » Strategy 4: Build Oversight Processes That Incentivize High-Quality Programming.
- An overview of how districts and schools can use Title I, Part A;³Title II, Part A;⁴ and IDEA, Part B⁵ funds to support turnaround efforts.

2 A formula grant means ED has no discretion over who gets money and how much they receive. Instead, any entity that meets the program's eligibility requirements receives a grant, and the grant amount is determined through a statutory formula.

3 Title I, Part A is part of the Elementary and Secondary Education Act (ESEA) and is designed to assist academically struggling students in high-poverty schools.

4 Title II, Part A is part of ESEA and is designed to strengthen teacher and principal quality.

5 IDEA, Part B is part of the Individuals with Disabilities Education Act and assists students with disabilities.

Overview: Opportunities for State Education Agencies to Drive Effective Spending of Federal Formula Funds for Turnaround Activities

<p>State education agencies (SEAs) have a legal responsibility to:</p>	<p>This responsibility provides SEAs an opportunity to:</p>	<p>Actions SEA can take to carry out opportunity:</p>
<ul style="list-style-type: none"> • Develop applications for receiving federal formula funds and award funds to local education agencies (LEAs). 	<p>Shape program design and spending choices at the beginning of the grant’s life cycle (for example, through the application process).</p>	<ul style="list-style-type: none"> • Focus on aligning spending to needs. (Strategy 3) • Build oversight processes that incentivize high-quality programming. (Strategy 4)
<ul style="list-style-type: none"> • Provide technical assistance to LEAs regarding spending and managing their federal funds properly. 	<p>Clear up confusion and rethink state policies that inhibit effective grant spending.</p>	<ul style="list-style-type: none"> • Provide clear guidance aligned to turnaround activities. (Strategy 1) • Eliminate barriers to full use of schoolwide programs. (Strategy 2)
<ul style="list-style-type: none"> • Conduct ongoing oversight activities throughout the grant. 	<p>Streamline administrative requirements and align enforcement actions to both compliance requirements and SEA priorities.</p>	<ul style="list-style-type: none"> • Focus on aligning spending to needs. (Strategy 3) • Build oversight processes that incentivize high-quality programming. (Strategy 4)

The State's Role in U.S. Department of Education Formula Programs

This handbook is targeted to SEAs because they play a pivotal role in ED formula programs.

Title I, Part A; Title II, Part A; and IDEA, Part B grants are “state-administered,” meaning ED awards funds to SEAs, which are then responsible for subgranting funds to school districts. SEAs are also responsible for ensuring school districts spend funds appropriately and comply with grant-related legal obligations.⁶ As a result, SEAs have the opportunity to influence district spending in the following ways.

SEAs Set State-Level Rules for Federal Formula Grant Programs

Although Congress and ED have the primary responsibility for setting rules for ED formula programs, SEAs have authority to set additional rules and policies to facilitate proper program implementation. For example, if an SEA is concerned a district is misspending ED grant funds, it can limit the district’s spending options.

Sometimes SEAs inadvertently limit districts’ spending options without realizing they are being more restrictive than federal law requires. This situation may happen when the SEA is trying to address concerns in one or two districts through a one-size-fits-all restriction on all districts in the state, or when the SEA is unclear about what federal law requires.

See *Strategies 1, 2, and 3*, pages 6–8, for more information about how SEAs can develop rules and policies that maximize spending options for ED formula grants.

An Example

Like most ED formula programs, IDEA, Part B provides districts with extra money to supplement the state and local funds they spend on education (known as the “supplement not supplant requirement”). Compliance with supplement not supplant in IDEA, however, is tested differently than in other ED programs.

To prove IDEA, Part B money is supplemental, ED requires districts to show they spend a consistent amount of state and/or local money on special education from year-to-year.

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⁶ ED grant programs require districts to meet many requirements as a condition of receiving federal funds. These requirements fall into three general categories: (1) programmatic — such as administering academic assessments or ensuring teachers have certain qualifications; (2) fiscal — such as contributing a certain amount of state and local money to education efforts; and (3) administrative — such as recordkeeping, accounting/financial management, and inventory management.

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In other words, districts must show they maintain fiscal effort (maintenance of effort) from year to year.

However, because of persistent misunderstandings about how supplement not supplant works in IDEA, some SEAs go further than what federal law requires. These SEAs require districts to show that each individual cost supported with IDEA, Part B is supplemental (in other words, requiring IDEA to fund only activities the district would not have supported with state or local funds).

While this more restrictive approach may seem just a technical variance, it impacts services by limiting the activities districts can support with IDEA, Part B funds. For example, in many states, district IDEA spending is limited to discrete add-on services directly related to IDEA-mandated individualized education plans (IEPs). Few districts are aware they can incorporate IDEA services into more comprehensive turnaround initiatives, such as embedding special education supports into a general education program to help special education students succeed in the general education environment.

SEAs Are Gatekeepers of Federal Formula Funds

School districts must apply to SEAs for federal funds using an SEA-developed application. The way SEAs design these applications influences how districts spend their money.

See *Strategy 4*, page 11, for more information about how SEAs can use grant applications and other SEA processes to drive effective spending.

An Example

An SEA encouraged districts to include social and emotional learning (SEL) as a key component of a school turnaround strategy. The SEA knew that many SEL activities could be supported with Title I, Part A funds, but it did not see many districts spending money on such costs. It turns out the SEA-designed application for Title I funds was acting as an inadvertent barrier.

The SEA had developed an online application that permitted districts to use dropdown menus to build their budgets. The SEA intended this to be a helpful way to reduce the burden on districts by preloading the most common Title I costs into the application system, but it had the unintended consequence of limiting district spending only to those items listed in the dropdown menu. Since the menu did not include SEL activities, districts had no way to include them in their budgets.

Over time, this application influenced district perceptions that Title I had to be spent on certain kinds of activities, even if those activities were not consistent with the district's needs. As a result, misperceptions of Title I spending rules ended up limiting the kinds of services provided to students in Title I schools.

The SEA decided to redesign the application. Not only did the SEA add more options to the dropdown menu, aligned to state and local needs, it also added an option for "other" so districts could propose additional strategies. When coupled with SEA-delivered technical assistance highlighting the full range of Title I spending options, this simple tweak helped districts develop more expansive spending plans aligned to their needs.

SEAs Are Enforcers of Federal Legal Obligations

SEAs are responsible for overseeing how districts administer and spend ED formula grants, and for taking enforcement action when districts violate federal law. How SEAs design their oversight and enforcement activities has a profound influence on district behavior.

See *Strategy 4*, page 11, for more information about how SEAs can minimize the burden on districts so they can focus on school-level needs.

An Example

An SEA worked closely with a low-performing, financially distressed district. Despite declining revenue, the district was committed to pushing more resources into high-need schools. Yet the SEA noticed the district was proposing to hire more central-level administrative staff at the same time it was struggling to avoid teacher layoffs.

When the SEA raised this issue with the district, the SEA realized the district proposed a central-level staffing increase in response to the SEA's own feedback. The SEA reviewed the district's federal grant activities every year. Most of the SEA's review focused on district compliance with federal paperwork requirements. To satisfy these requirements, and to meet what the district perceived were the SEA's expectations, the district proposed to hire more staff at the central-level to process the required paperwork.

While ensuring federal funds were spent responsibly was a key priority for the SEA, there were flexibilities and streamlining options that could minimize the district's paperwork burden so more time and money could be spent on school-level needs. The SEA worked with the district to redesign its paperwork processes, reducing the need for additional central-level support. The SEA also redesigned its own technical assistance and review processes to ensure that districts could take advantage of all legally available paperwork reduction opportunities in the future.

Strategies for Promoting Turnaround-Aligned Spending

Because SEAs play such an important role in ED formula programs, they are in a unique position to create conditions that enable districts to rethink their federal grant spending. What follows is an overview of four strategies SEAs can take to create those conditions, but none are easy. SEAs must balance many issues, such as:

- What role will the SEA play in driving local spending choices?
- How much will the SEA need to change its own practices, organizational structure, or staffing models to carry out these strategies effectively?
- How much risk is the SEA willing to bear, and how strongly is the SEA willing to defend districts that follow the SEA's lead? Auditors and other oversight entities review SEA actions, and operational changes often draw additional scrutiny.

Where the SEA lands on the above questions will influence whether and how it implements the strategies below.

Strategy 1: Clear Guidance Aligned to Turnaround Activities

While districts have access to guidance on many requirements that apply to ED formula programs, there is surprisingly little information about what districts can spend ED money on. To some extent this is deliberate; Congress designed most programs — Title I, Part A and IDEA, Part B in particular — to give districts flexibility to fund activities that best meet their needs consistent with the program's intent. As a practical matter, however, without guidance on the specific types of costs and activities districts can fund, many districts are reluctant to spend federal money in new ways for fear new activities will not pass auditor scrutiny.

SEAs can help address this concern by developing clear, user-friendly guidance describing how districts can use ED formula funds to support specific activities. For example, an SEA that is encouraging its districts to focus on dropout prevention as a way to turn around low-performing schools might develop guidance highlighting the following activities:

- Credit recovery, early warning systems, or school climate initiatives as allowable Title I costs
- Adolescent literacy programs, early warning systems, or behavior interventions as allowable IDEA costs
- Training to teachers and principals on identifying and addressing the needs of at-risk students, managing behavior, and supporting parent engagement techniques as allowable Title II costs

This kind of activity-focused guidance can help districts and schools see how they can target their funds to promising turnaround strategies.

ED itself is starting to embrace activity-focused guidance, releasing guidance on issues such as:

- [Digital teaching and learning](#)⁷
- [School counselors](#)⁸

ED has also released guidance on using [Title I, Part A](#) and [IDEA, Part B](#) to support high-quality standards and assessments, data and data systems, teacher and school leader effectiveness, and related issues, including school turnaround.⁹

Strategy 2: Eliminate Barriers to Full Use of Schoolwide Programs

High-poverty Title I schools¹⁰ can operate a “schoolwide program,” which permits the school to use Title I funds to upgrade any aspect of its educational program that supports improved academic achievement. The schoolwide model is critical to implementing many turnaround strategies.

The schoolwide model is based on the idea that schools with concentrated poverty face various challenges and need the option to use Title I funds on comprehensive improvements. For example, a schoolwide program school might use Title I funds to help upgrade curricula, improve school climate, or support common planning time for teachers.

Schoolwide program schools can also consolidate other ED grants with Title I to gain similar spending flexibility in those programs as well.

While the vast majority of Title I schools are eligible to operate schoolwide programs, wide-ranging misperceptions about the schoolwide model have limited its implementation. ED recently released [guidance](#)¹¹ addressing many common misperceptions about schoolwide programs. SEAs wanting to maximize the impact of the schoolwide model can carefully review their policies and procedures — including application documents, technical assistance documents, website materials, and monitoring instruments — to ensure they do not inadvertently perpetuate these misunderstandings.

7 <http://tech.ed.gov/wp-content/uploads/2014/11/Tech-Federal-Funds-Final-V2.pdf>

8 <http://www2.ed.gov/print/policy/elsec/guid/secletter/140630.html>

9 <https://www2.ed.gov/policy/gen/leg/recovery/guidance/titlei-reform.pdf> and <https://www2.ed.gov/policy/gen/leg/recovery/guidance/idea-b-reform.pdf>. These guidance documents were initially developed for the additional Title I and IDEA money appropriated under the American Recovery and Reinvestment Act (ARRA), but they are applicable to all Title I and IDEA funds.

10 These are schools with at least 40 percent poverty, or schools that have received a waiver of the 40 percent poverty threshold, including priority and focus schools in ESEA flexibility states.

11 <http://www2.ed.gov/policy/elsec/guid/eseatitleiswguidance.pdf>

Examples of Common Schoolwide Misperceptions*

Misperception	Federal Requirement
Schoolwide program schools must consolidate Title I with other funding sources to access the full range of Title I spending options.	Title I funds can be used flexibly whether they are consolidated or not. Consolidation increases other programs' spending flexibility (such as Title II and IDEA).
Schoolwide program schools cannot use Title I funds on state-mandated activities, activities funded with state or local funds the previous year, or activities that benefit all students in the school.	Districts must give schoolwide programs access to all of the state- and locally funded resources they would have received had they not participated in Title I. Once this test is satisfied, the school may spend its Title I funds on any cost to upgrade its education program consistent with its needs.
Schoolwide program schools must maintain a list of struggling students and target Title I-funded services to them.	Schoolwide program schools have to develop plans for identifying struggling students and meeting their needs, but the school does not need to maintain a list of such students or limit services to specific students.

* For additional information about schoolwide requirements, including clarification of common misperceptions, please see the following U.S. Department of Education guidance documents:

- *Supporting School Reform by Leveraging Federal Funds in a Schoolwide Program (hereinafter ED's 2015 Schoolwide Guidance) (July 2015)* <http://www.ed.gov/policy/elsec/guid/eseatitleiswguidance.pdf>, and
- *Designing Schoolwide Programs (2006)*: <http://www.ed.gov/policy/elsec/guid/designingswpguid.doc>

Strategy 3: Focus on Aligning Spending to Needs

Each ED formula program has its own purpose, eligible population, and spending rules. Within those parameters, however, districts have discretion to spend grant funds on the activities that best meet their needs.

This discretion is limited. A district may not take Title II, Part A funds — a program designed to support teachers and principals — and spend it on student services instead.¹² But within the Title II program rules, districts have discretion to select from various teacher and principal supports, depending on their needs.

Federal grant programs promote alignment between needs and spending in two primary ways: (1) by requiring needs assessments (not all programs require this), and (2) by requiring funds to be spent in a “necessary and reasonable” way (all programs require this). These requirements offer SEAs an opportunity to drive more effective spending.

¹² Most districts have the option, however, to transfer some of their Title II funds into the Title I program, where the funds can be used for student services.

Needs Assessments

Some federal programs require districts, or in some cases schools, to conduct a *needs assessment*. SEAs can take steps to ensure district spending plans align to the needs identified through this process.

For example, Title II, Part A requires districts to assess local hiring and professional development needs. To ensure districts use their Title II, Part A funds in ways that will address those needs, an SEA might:

- Provide guidance and technical assistance on (1) how to conduct an effective needs assessment and (2) how to align spending to the results.
- Ask districts to describe their needs in their applications for ED formula grants so the SEA can ensure district budgets are aligned.
- Review needs assessment results as part of the SEA's monitoring processes to gauge the quality of the needs assessment and spending alignment. This review can help the SEA to identify promising practices, areas where districts are struggling, and districts that might need additional support from the SEA.

An important step SEAs can take is to streamline state-controlled planning requirements as much as possible to make it easier for districts to focus on a coherent set of needs. In many states, districts must develop multiple plans — such as district-level plans, school-level plans, improvement plans, schoolwide plans, professional development plans, and plans required as part of the accreditation process. Developing multiple plans is burdensome and can cause districts and schools to become distracted by competing and unaligned priorities. While federal law drives some of these planning requirements, one plan can often satisfy multiple federal requirements if the plan is designed appropriately. For ideas on how to streamline planning requirements, see the Council of Chief State School Officers' toolkit on *Maximizing Federal Education Funds for Student Achievement*.¹³

“Necessary and Reasonable” Spending

All ED grant funds must be spent only on costs that are “necessary and reasonable.”¹⁴ In general, this means the activity being supported with ED funds makes sense in light of federal program objectives and the district's needs and circumstances.

SEAs can use this standard when they review district budgets, keeping in mind that what is “necessary and reasonable” should be evaluated in light of a district's entire budget and the amount of federal funds the district receives. For example, a district might have certain needs that are being met through activities supported with state or local funds, freeing up federal funds to meet other needs.

There are two ways to think about the “necessary and reasonable” standard. As a compliance matter, the *amount* a district spends on a cost must make sense in light of factors like:

- Whether the cost is needed to carry out the grant program properly and efficiently

¹³ <http://programs.ccsso.org/link/CCSSOToolkitonMaximizingFunds.pdf>

¹⁴ The “necessary and reasonable” standard is required under the Uniform Grant Guidance — federal regulations that apply to all federal grant funds, including U.S. Department of Education funds. It can be accessed at http://www.ecfr.gov/cgi-bin/text-idx?SID=e508039feea03a9a4343d2652f01f511&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

- Whether the district followed sound business practices
- Whether the cost of the good, service, or activity being supported is consistent with market prices
- Whether the district acted prudently considering its responsibilities to the district, its students, the public, and the federal government
- Whether the district generally followed its internal practices and policies¹⁵

These factors focus mostly on a district's financial management, procurement, and contracting practices.

“Necessary and reasonable” can also be looked at more broadly through factors like:

- Whether an activity supported with federal funds has been effective in the past
- Whether a cost makes sense in light of identified needs
- Whether a cost makes sense in light of the district's capacity to use the item being purchased

If an SEA wants to consider these types of qualitative questions, it may wish to contemplate the following:

- Is the SEA willing to exercise its own judgment about what is “necessary and reasonable” for a district or school?
- What factors would the SEA consider when evaluating what is “necessary and reasonable”?
- Which staff members will be responsible for making decisions about what is “necessary and reasonable”?
- Does staff have the necessary expertise to make these types of decisions?
- How would SEA offices coordinate their review of proposed spending and share expertise?
- What if there is disagreement among SEA staff?
- If a district disagrees with the SEA's decision, what process will the SEA use to resolve the disagreement?

Because decisions about what is “necessary and reasonable” can be subjective, SEAs undertaking qualitative reviews of district or school spending should consider developing clear guidance explaining what factors they will consider. Such guidance helps districts understand SEA expectations and also helps the SEA ensure reviews are consistent across SEA offices.

15 See 2 CFR § 200.404, available at http://www.ecfr.gov/cgi-bin/text-idx?SID=e89e132bd1bfb7556ec591fae3690efa&mc=true&node=se2.1.200_1404&rgn=div8

Strategy 4: Build Oversight Processes That Incentivize High-Quality Programming

SEAs have broad discretion to develop mechanisms to oversee district implementation of ED formula programs. The design of these mechanisms can strongly influence district actions.

For example, parent engagement is an important part of school turnaround. Federal law requires districts and schools to carry out certain parental involvement activities, including the development of parental involvement plans. These plans must address specific issues defined in the law. Most SEAs monitor compliance with these requirements, but typically monitoring is focused on ensuring the required issues were addressed rather than assessing the quality of district and school activities. In other words, many SEAs focus on technical compliance rather than quality.

This focus on technical compliance builds on itself. SEA guidance is often limited to listing the issues that must be addressed in a plan, without highlighting promising practices for carrying out the required activities or giving technical assistance on how to implement the requirements effectively. Some SEAs also emphasize technical compliance requirements in grant application documents. Over time, this can incentivize districts to prioritize technical compliance over high-quality service delivery.

While ensuring compliance with federal requirements is a critical SEA responsibility, there are ways to use compliance requirements strategically to open dialogues with districts and schools about student performance. For example, when looking at how districts distribute federal funds (or federally funded resources) to schools, the SEA must, at a minimum, look at whether the district followed federal allocation rules. In addition, the SEA can consider whether the district deployed its resources strategically.

For example, Title I, Part A permits districts to reserve funds at the central-level to provide Title I supports to a group of Title I schools, such as school improvement supports in low-performing schools. If a district has Title I schools that would benefit from a coordinated set of supports, the SEA might want to explore with the district whether it makes sense to take advantage of this option.

The focus of such a conversation would not necessarily be to conclude that the district made the right or wrong choice, but instead to ensure the district is aware of its options, is making decisions strategically, and is focusing on reasonable priorities.

Using ED grant-related oversight mechanisms to drive conversations about student performance raises important issues, including:

- The role of the SEA in district decision-making
- Who within the SEA is best equipped to lead conversations about educational programs and resource deployment, and to evaluate district actions
- Whether the SEA has the capacity currently to engage effectively in such conversations

One way to commence this work is to catalog all the various ways the SEA interacts with districts and review those interactions with a fresh eye. For example:

- What is contained in the SEA-designed application districts must use to apply for ED formula funds? Is it clear to districts what they must do to access federal funds? For what activities can they use those funds? How can they build program plans and budgets that align to their larger strategic priorities?
- What technical assistance and guidance documents are available on the SEA's website? Are they easy to access? When was the last time they were updated? Do they reflect the latest ED guidance? Do they reflect state priorities and district needs?
- What is in the SEA's monitoring-related documents? Are the indicators the SEA uses to assess district compliance consistent with federal law and ED guidance? Do they cover all the bases? Do they emphasize the right issues? Are they more restrictive than what federal law requires?
- What kind of informal communications do SEA staff have with districts, and how does the SEA ensure communications are consistent across offices and with SEA policy?

Addressing these questions can reveal SEA opportunities to help drive more effective spending of federal formula funds for school turnaround and related school improvement activities.

Title I, Part A: Use of Funds Overview

Q-1. What is Title I, Part A?

Title I, Part A is the U.S. Department of Education's (ED) largest kindergarten-through-grade-12 grant program.¹⁶ It provides school districts with supplemental funds to help low-income schools improve struggling students' academic achievement.

ED awards the Title I grant to the SEA, which then subgrants Title I funds to school districts based on formulas outlined in the Title I law.

At the local level, districts keep some Title I money for district-level activities and then allocate the rest to eligible schools in order of poverty through a formula known as "ranking and serving." These funds are used for school-level activities. Most Title I money is spent on school-level activities.

Q-2. What state-level activities can Title I pay for?

States are limited in how much money they can keep to support state-level activities.

In general, SEAs may reserve up to 1 percent of the state's Title I grant to administer the program, which can include redesigning the SEA's oversight processes or supporting LEAs in maximizing their Title I funds. SEAs can also consolidate their Title I administrative funds with administrative funds from other ESEA programs (such as Title II and Title III) to expand their spending options.¹⁷

SEAs must also reserve some money to support school improvement.¹⁸ Most of the money the SEA reserves for school improvement (95 percent) is allocated to LEAs; however, the money the state retains can be used for state-level school improvement activities.

Q-3. What district-level activities can Title I pay for?

Districts **must** spend some Title I funds for certain district-level activities, such as supporting parental involvement, providing Title I services for at-risk populations who do not attend Title I schools (such as homeless students), and providing equitable services for private school students.

¹⁶ This section describes the Title I spending rules under No Child Left Behind, which is in effect until July 1, 2017. Please see note on page ii.

¹⁷ Section 9201 of ESEA

¹⁸ If the state's Title I allocation is large enough to meet minimum funding guarantees for LEAs, then the SEA must reserve 4 percent of the state's Title I allocation for school improvement. If the state's Title I allocation is not enough to meet the funding guarantees, then the state is limited in how much it can reserve for school improvement.

Districts **may** also spend some Title I funds to carry out Title I initiatives for all, or a subset, of their Title I schools. A district-managed Title I initiative could include efforts to turn around low-performing Title I schools, such as extending the school day, providing rigorous professional development, or partnering with external providers to strengthen the capacity of such schools. (See an important caveat on supplement not supplant in Q-5.)

Q-4. What can Title I pay for at the school level?

Title I schools must operate one of two Title I program models: a **schoolwide model**, where all students in the school can participate in Title I-funded activities, or a **targeted assistance model**, where Title I funds can be used only to provide supplemental services to identified at-risk students. The model a school operates has a significant impact on how the school can spend Title I funds.

Q-4a. How can Title I funds be used in a schoolwide school?

The schoolwide program model — available to Title I schools with at least 40 percent of students in poverty, as well as to all priority and focus schools in ESEA flexibility states — permits a school to use Title I funds to upgrade its entire educational program consistent with its needs and a school-developed plan for addressing those needs.¹⁹ Schoolwide schools can spend Title I funds on activities such as:

- Upgrading the curriculum for the entire school
- Implementing an early warning system
- Extending the school day or school year
- Reorganizing class schedules to increase teacher planning time
- Revamping the school's discipline process
- Hiring additional teachers
- Reorganizing classes to promote personalized learning
- Implementing career academies
- Implementing school safety programs²⁰

In a schoolwide school, all students may participate in Title I-funded activities, and schools need not demonstrate that individual Title I activities are “supplemental” (see Q-5b).

Q-4b. How can Title I funds be used in a targeted assistance school?

Any Title I school that does not operate a schoolwide program must operate a targeted assistance program. Targeted assistance schools use Title I to provide extra supports to identified students struggling to meet state standards.

¹⁹ Section 1114 of ESEA

²⁰ See U.S. Department of Education guidance, *Maximizing Flexibility in the Administration of Federal Grants* (Sept. 2013) p. 4, available at <http://www2.ed.gov/programs/titleiparta/flexswp091313.pdf>
For other schoolwide spending examples, see also ED's 2015 Schoolwide Guidance, pages 3–6, (July 2015), available at <http://www2.ed.gov/policy/elsec/guid/eseatitleiswguidance.pdf>

Only certain students are eligible to participate in Title I-funded activities, including the following:

- Students identified as failing, or most at risk of failing, to meet state standards
- Students who participated in Head Start or a Title I-funded preschool program within the past two years
- Migrant students
- Neglected and delinquent students
- Homeless children

A targeted assistance school must spend Title I funds on supplemental activities to improve the academic achievement of Title I students, such as the following:

- Provide additional instructional support for Title I students to help them meet state standards.²¹
- Provide positive behavioral supports, attendance incentive programs, parent/community engagement, and school climate interventions for Title I students if needed to improve student achievement.²²
- Offer health, nutrition, and other social services for Title I students if funds are not reasonably available from other sources, and, if appropriate, the school has engaged in a comprehensive needs assessment and established a collaborative partnership with local service providers.²³

Q-5. How does the “supplement not supplant” requirement impact Title I spending?

Title I, Part A is governed by a supplement not supplant requirement, meaning services supported with Title I must be “extra,” beyond what the state, district, or school supports with state or local funds.²⁴

Supplement not supplant compliance is tested differently depending on whether funds are being spent at the state level, at the district level, in a targeted assistance program school, or in a schoolwide program school.

21 Section 1115 (c)(1) of ESEA

22 See U.S. Department of Education guidance, *Using Title I, Part A ARRA Funds for Grants to Local Educational Agencies to Strengthen Education, Drive Reform, and Improve Results for Students*, Q&A E-15 (September 2009), available at <https://www2.ed.gov/policy/gen/leg/recovery/guidance/titlei-reform.doc>

23 Section 1115(e)(2) of ESEA

24 Title I's supplement not supplant rule is changed significantly under the new ESSA. Q-5 and Q-5b address how supplement not supplant works under NCLB rules, which are in effect until July 1, 2017. ESSA's approach to Title I supplement not supplant should make it easier to support comprehensive programming, including school turnaround initiatives.

Q-5a. How is compliance with supplement not supplant tested at the state level, district level, and in targeted assistance schools?

Supplanting is presumed when Title I funds are used to provide the following:

1. Services the state, district, or school is required to provide under other federal, state, or local laws
2. Services the state, district, or school provided with state or local funds in the prior year
3. The same services to Title I students that the state, district, or school provides with state or local funds to non-Title I students

The third presumption, in particular, makes it hard to fund school improvement activities in Title I schools, if the same activities are carried out in non-Title I schools with state or local funds.

There are exceptions to these presumptions of supplanting, however. For example:

- Title I funds can support activities mandated by state law, if those mandates were enacted to facilitate the state's ESEA flexibility plan.²⁵
- The second presumption of supplanting can be overcome if a state, district, or school can demonstrate it will not continue to support an activity with state or local funds either because of state or local funding reductions or changes in spending priorities.²⁶
- Costs temporarily shifted from Title I to state/local funds, because of *federal* funding cuts, may be moved back to Title I once federal funding is restored, without violating supplement not supplant.²⁷
- "Title I-like" activities supported by supplemental state and local funds are excluded from the supplement not supplant analysis.²⁸

25 See U.S. Department of Education guidance, *ESEA Flexibility Frequently Asked Questions*, Q&A A-18 (Aug. 2012), available at <http://www2.ed.gov/policy/eseaflex/esea-flexibility-faqs.doc>

26 See U.S. Department of Education guidance, *Title I Fiscal Issues*, p. 39 (Feb. 2008), available at <http://www2.ed.gov/programs/titleiparta/fiscalguid.doc>. See also U.S. Department of Education guidance, *Funds under Title I, Part A of the Elementary and Secondary Education Act of 1965 Made Available under the American Recovery and Reinvestment Act of 2009*, Q&A C-11 (March 2010), available at <http://www2.ed.gov/policy/gen/leg/recovery/guidance/title-i-rev-201003.doc>

27 See U.S. Department of Education letter to Title I Directors (June 2013), available at http://sms.dpi.wi.gov/files/sms/pdf/cs_usde_ltr.pdf

28 See 34 CFR 200.79, available at <http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr;sid=ef6c64eff50ef22f4c9fddeafd4e612f;rgn=div5;view=text;node=34%3A1.2.2.1.1;idno=34;cc=ecfr#34:1.2.2.1.1.155.77>

Q-5b. Supplement not supplant in the context of schoolwide program activities

In schoolwide program schools, compliance with supplement not supplant is tested differently. The three presumptions listed in Q-5a do not apply.²⁹ Instead, a “supplemental funds” test applies,³⁰ which requires districts to ensure their schoolwide program schools receive all the state and local funds they would receive if they were not Title I schools.³¹ In other words, a district may not reduce its allocation of state and local funds/resources to a schoolwide program school because the school receives Title I funds to operate a schoolwide program.

Examples of how this test works in practice are available.³²

29 See Section 1114(a)(2). See also ED’s 2015 Schoolwide Guidance, pages 8-10, available at <http://www2.ed.gov/policy/elsec/guid/eseatitleiswguidance.pdf>

30 Section 1114(a)(2)(B) of ESEA

31 Section 1114(a)(2)(B) of ESEA

32 See ED’s 2015 Schoolwide Guidance, pages 8-12, available at <http://www2.ed.gov/policy/elsec/guid/eseatitleiswguidance.pdf>

Title II, Part A: Use of Funds Overview

Q-6. What Is Title II, Part A?

Title II, Part A is an ED grant program that provides supplemental resources to improve teacher and principal quality.³³

ED awards Title II funds to the SEA, which then subgrants funds to school districts. Districts may then choose to spend funds at the district level for Title II activities or allocate funds to schools for school-level spending. Districts should generally target Title II, Part A services or funds to schools that have the lowest proportion of highly qualified teachers, have the largest average class size, or are identified as “priority” or “focus” schools.

Q-7. What can Title II pay for at the state level?

SEAs may reserve part of the state’s Title II allocation (up to 2.5 percent) for state-level activities, such as the following:

- Reforming teacher and principal certification or licensing requirements, including alternative routes to certification
- Providing support programs for teachers and principals
- Measuring the effectiveness of professional development programs
- Helping LEAs with their efforts to provide professional development, recruit and retain highly qualified teachers and principals, or develop teacher advancement initiatives

A full list of allowable uses of funds is available here: <http://www2.ed.gov/policy/elsec/leg/esea02/pg21.html#sec2113>.

Q-8. What can Title II pay for at the district or school level?

Title II requires districts to conduct an assessment of local needs for professional development and hiring, as identified by district and school staff.³⁴ Districts must spend Title II, Part A funds consistent with the results of the needs assessment.

Depending on the results of the needs assessment, districts can spend Title II funds on various activities, such as the following:³⁵

³³ This section describes the Title II spending rules under No Child Left Behind, which is in effect until July 1, 2017. Please see note on page ii.

³⁴ ESEA Section 2122(c)

³⁵ ESEA Section 2123 and U.S. Department of Education *Title II, Part A Non-Regulatory Guidance*, Q&A E-1 (October 2006), available at <http://www.ed.gov/programs/teacherqual/guidance.doc>

- Recruiting highly qualified teachers, principals, and, in some cases, other school staff
- Teacher and principal retention initiatives, including induction supports
- Professional development for teachers in content knowledge or classroom practices
- Professional development for principals and superintendents
- Teacher advancement initiatives

A full list of permissible uses of Title II funds at the district and school is available at <http://www2.ed.gov/policy/elsec/leg/esea02/pg22.html#sec2123>.

Q-9. How does the “supplement not supplant” requirement impact Title II spending?

In Title II, Part A, supplanting is presumed when a district uses Title II funds to:

1. Provide services the district is required to make available under other federal, state, or local laws.
2. Provide services the district provided with state or local funds in the prior year.

A district may overcome the second presumption of supplanting if it can demonstrate it will not continue to support an activity with state or local funds because of state or local funding reductions or changes in spending priorities.³⁶

³⁶ See letter to Sandy Garrett (March 2003), available at <http://www2.ed.gov/policy/elsec/guid/secletter/030306.html>

IDEA, Part B: Use of Funds Overview

Q-10. What is IDEA, Part B?

IDEA, Part B is an ED grant program to support the excess cost of providing a “free appropriate public education” to children with disabilities.

The grant is awarded in two parts:

1. Section 611 funds provide support to students ages 3 to 21 who have been identified as “children with disabilities” in accordance with IDEA, Part B, Section 611 requirements.
2. Section 619 funds provide support to students ages 3 to 5 who have been identified as “children with disabilities” in accordance with IDEA, Part B, Section 619 requirements.

ED awards IDEA, Part B funds to the SEA, which subgrants funds to school districts. Districts may choose to spend funds at the central level or allocate funds to schools for school-level spending.

Q-11. What can IDEA, Part B pay for at the state level?

SEAs may reserve some funds³⁷ for state-level activities, including the following:

- Providing technical assistance, personnel preparation, and professional development and training
- Providing paperwork reduction activities
- Assisting LEAs in providing positive behavioral interventions and supports
- Improving the use of technology to support children with disabilities
- Offering transition programs
- Assisting LEAs in meeting personnel shortages
- Improving service delivery by LEAs
- Providing alternative programming for children with disabilities in nontraditional school settings
- Making available school improvement supports for schools and districts whose low achievement is due to the performance of children with disabilities

A full list of allowable uses of state-level IDEA funds is available at http://www.ecfr.gov/cgi-bin/text-idx?SID=0b4006d92cc0c2cf248d90c239140dd5&mc=true&node=se34.2.300_1704&rgn=div8.

³⁷ The amount is determined through a formula in the IDEA statute and is usually calculated by ED.

Q-12. What can IDEA, Part B pay for at the district or school level?

Assuming a district meets certain financial tests that measure the amount of state and local money the district contributes to special education, it may use IDEA, Part B to fund a range of activities that support students with disabilities, including the following:

- Special education teachers and administrators
- Related services providers (e.g., speech therapists, psychologists)
- Materials and supplies for use with children with disabilities
- Professional development for personnel who work with students with disabilities (including regular education teachers who teach students with disabilities)
- Specialized equipment or devices to assist students with disabilities

Districts may also *coordinate* IDEA, Part B funds with other funding sources to support students with disabilities participating in larger school improvement initiatives, such as the following:

- Learning environments supportive of all learners in an inclusive setting
- School climate or positive behavior intervention and support strategies
- Programs to promote the social and emotional development of young children
- Programs to support the transition of students with disabilities from high school to college or career
- Merging separate special education data systems into existing elementary, secondary, postsecondary, and workforce systems.

More information about how to coordinate IDEA, Part B with other funding sources is available here: <http://www2.ed.gov/policy/gen/leg/recovery/guidance/idea-b-reform.pdf>.

Q-12a. When can districts use IDEA, Part B funds to provide coordinated early intervening services to non-disabled students?

IDEA permits all school districts to set aside up to 15 percent of their IDEA, Part B allocation to provide Coordinated Early Intervening Services (CEIS) to non-disabled students in kindergarten through grade 12 who need additional academic and behavioral supports to succeed in the general education environment.³⁸

- The rationale for using IDEA funds for CEIS is based on research showing that the earlier a child's learning difficulties are identified, the more quickly and effectively the difficulties can be addressed, and the greater the chances that the child's problems will be ameliorated or decreased in severity.³⁹

38 34 CFR § 300.226. Districts that have been identified as having significant disproportionality must set aside 15 percent of their grant for CEIS.

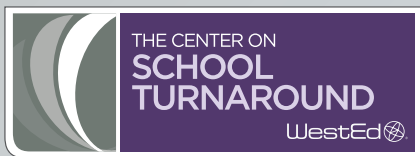
39 See OSEP Memo 08-09 (2008), available at <https://www2.ed.gov/policy/speced/guid/idea/memosdcltrs/osep08-09coordinatedearlyinterveningervices.doc>.

Q-13. How does the “supplement not supplant” requirement impact IDEA, Part B spending?

The traditional three presumptions of supplanting do not apply to IDEA, Part B.⁴⁰ Instead if a school district meets IDEA, Part B’s “maintenance of effort” requirement (which, in brief, requires a district to spend approximately the same amount of state and local money on special education from year to year), it will satisfy the supplement not supplant requirements of IDEA.⁴¹

40 See U.S. Department of Education guidance, *Funds for Part B of the Individuals with Disabilities Education Act Made Available under the American Recovery and Reinvestment Act of 2009*, Q&A C-6 Footnote 1, available at <http://www2.ed.gov/policy/gen/leg/recovery/guidance/idea-b-revised-910.pdf>. See also OMB Circular A-133 Compliance Supplement, p. 4-84.027-5 (July 2015), available at https://www.whitehouse.gov/sites/default/files/omb/assets/OMB/circulars/a133_compliance/2015/ed.pdf (noting that supplement not supplant is “not applicable” to IDEA).

41 U.S. Department of Education guidance, *Funds for Part B of the Individuals with Disabilities Education Act Made Available under the American Recovery and Reinvestment Act of 2009*, Q&A C-6, available at <http://www2.ed.gov/policy/gen/leg/recovery/guidance/idea-b-revised-910.pdf>



USING FEDERAL EDUCATION FORMULA FUNDS FOR SCHOOL TURNAROUND INITIATIVES