

**9. Compensatory Education Guidelines, Financial Accounting  
Treatment, and an Auditing and Reporting System**

**Update 14**

**A MODULE OF THE**

**TEXAS EDUCATION AGENCY  
FINANCIAL ACCOUNTABILITY SYSTEM  
RESOURCE GUIDE**

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# 9. Compensatory Education Guidelines, Financial Accounting Treatments, and an Auditing and Reporting System

## 9.1 Introduction

Over the last two decades, state compensatory education has experienced many changes that have affected the delivery of educational programs to educationally disadvantaged students. An objective of this volume of the Financial Accountability System Resource Guide is to provide detailed information that will assist local school officials' understanding of the numerous options for use of the state compensatory education allotment. Foremost, the intent of this volume of the Resource Guide is to explain various components of the state compensatory education auditing and reporting system required by [Section 42.152\(q\)](#), Texas Education Code (TEC).

**All rules in this guide pertain to all local educational agencies (LEAs), including school districts, charter schools and any other public authority that receives State Compensatory Education funds.**

### 9.1.1 History of Texas State Compensatory Education (1975-2007)

In Texas, state compensatory education began with the passage of House Bill 1126 in 1975. This bill provided a state compensatory education allotment titled "Support for Educationally Disadvantaged Pupils." Districts were required to be eligible for federal Title I monies in order to receive state compensatory education funds. In the 1976-77

school year, school districts were required to submit a coordinated plan to the Texas Education Agency on their use of federal and state compensatory education dollars. The use of state compensatory education monies paralleled federal requirements, such that state compensatory education funds were defined as supplemental to other state and local monies and were mandated to be spent on identified students. Districts were required to apply for state compensatory education funds through a consolidated application that included the federal Title I, Part A, and Title I, Part C (Migrant) programs. Accountability measures for use of state and federal compensatory education funds were identical.

In 1977, the Texas Legislature repealed the law linking federal and state compensatory education funds, but retained the requirement that state compensatory education dollars be allocated based on the number of Title I students in a district. Additionally, State Board of Education rules were passed which allowed greater local flexibility in the use of state compensatory education monies. The goal of the state compensatory education program was defined as bringing students at risk of dropping out of school up to grade level with respect to basic academic skills.

In 1979, the Texas Legislature redirected the focus of the state compensatory education program. This redirection included the following changes: (1) funding was to be based on the best six months' enrollment from the preceding school year (October – September) of students participating in the federal free and reduced-price lunch program; (2) a statewide basic skills assessment program was implemented in order to measure student academic achievement; (3) districts were required to use student performance data from the state-mandated basic skills tests to design and implement compensatory education services and programs; and (4) districts were to be held accountable for local use of state compensatory education monies. These changes provided a clear linkage in state law between state compensatory education funding and services.

Between 1979 and 1983, several major changes occurred in the state compensatory education program. The funding allotment was raised and continued to be based on the best six months' enrollment from the preceding school year (October – September) of students participating in the federal free and reduced-price lunch program. Additionally, the Texas Legislature required that student performance data be used in designing and implementing local compensatory education programs. The State Board of Education rules on compensatory education were revised to eliminate ties to federal compensatory education funds. The application requirement was removed and replaced by a mandate that districts file a statement of intent. Allowable expenditures were redefined to include instructionally related activities. Non instructional and administrative expenditures were prohibited. Use of compensatory funds for construction and equipment was also limited.

House Bill 72, Texas' 1984 education reform legislation, included additional changes to the state compensatory education program. The compensatory education allotment was significantly increased, from approximately \$50 million to more than \$300 million per year. The distribution of funds continued to be based on the number of students in the



federal free-and reduced-price lunch program. House Bill 72 provided additional flexibility in local use of compensatory education dollars. Tutorial, early childhood, and basic instruction programs were targeted as top priorities. Funds were designated to be used for direct instructional costs, with a maximum of 35 percent to be used for program administration. The indirect cost percentage was reduced to 15 percent by the State Board of Education in 1985.

Under House Bill 72 (TEC §21.557), school districts were to use results from the state testing program and achievement tests administered by the LEA to design and implement appropriate compensatory or remedial instructional services for secondary students who had not performed satisfactorily on each section of the state assessment instrument and students at all grade levels whose achievement test scores fell below a standard set by the State Board of Education. School districts were required to submit an annual report to the commissioner of education that described compensatory instructional services on each campus.

In 1987, the legislature adopted House Bill 1010, the state's first comprehensive dropout reduction bill. The new law required school districts to provide compensatory programs for students at risk of dropping out of school and to designate one or more at risk coordinators. School districts were required to provide remedial and support programs for any student whose achievement test score fell below a standard established by the State Board of Education or who was at risk of dropping out of school. Criteria for identifying students at risk of dropping out of school in grades 7-12 were defined in the statute. Remedial and support programs were mandated to include an evaluative mechanism that documented the effectiveness of each school district's education program in reducing the dropout rate and increasing student achievement.

In 1990, a special called session of the Texas Legislature added the term "supplemental" to the existing state law which required school district compensatory education programs and services.

The State Board of Education then recommended to the Texas Legislature that the term "supplemental" be deleted from the law. The concern was that requiring that state funds be used for supplemental programs and services would preclude complementary use of state compensatory education and federal Title I, Part A funds.

The 1990-91 school year was used as a transition year prior to implementation of the new legislation. School districts were required to adopt policies for remedial and compensatory education programs which specified eligibility requirements, the programs and services to be provided, and a plan for coordinating federal, state, and local funds.

House Bill 2885, as passed by the Texas Legislature in 1991, amended the Texas Education Code. The law removed the term "supplemental" from state compensatory education and required that state compensatory education funds be used to improve and enhance programs and services funded under the regular education program.

As a result of these legislative changes, in July 1991, the State Board of Education adopted additional criteria to assist districts in identifying students at risk of academic failure. The additional criteria allowed districts to use environmental, familial, economic, social, developmental, and other psycho-social factors that may contribute to the student's ability to progress academically.

In 1995, the Texas Legislature passed Senate Bill 1, which was a complete rewrite of the state education code. Senate Bill 1 required the State Board of Education to repeal all board rules adopted before May 30, 1995, including existing rules on state compensatory education.

In 1997, Senate Bill 1873 amended Section 42.152 of the Texas Education Code and placed new restrictions on compensatory education. The bill required the design and implementation of reporting and auditing systems that ensure monitoring of school districts for appropriate use of compensatory education allotment funds. Appropriate use of compensatory education allotment funds has been defined as instructional programs that improve or enhance the regular educational program and costs that are supplementary to the regular education program. Additionally, the Texas Education Agency received an interpretation of legislative intent concerning Senate Bill 1873, stating that alternative education programs are supplemental per se in relation to the regular education program. According to the statute, the State Board of Education is to be assisted by the State Auditor's Office and Comptroller's Office in the design and implementation of this reporting and auditing system. The reporting and auditing system must be developed by August 1, 1998. This document describes the reporting and auditing system required by Senate Bill 1873.

In 2001, Senate Bill 702 amended the Sections of the Texas Education Code that govern the State Compensatory Education Program, enacting significant changes to statutory provisions that applied to accelerated, intensive and compensatory instructional programs. The bill amended the state criteria for identifying students that are at risk of dropping out of school, adding significant flexibility in the use of the allotment because a larger population of students would be identified as "at risk of dropping out of school," under Texas Education Code Section 29.081. The bill also enacted a 10% ceiling for use of the state compensatory education allotment to serve students under local criteria adopted by the local board of trustees (10% of the number of students who met the State criteria for at risk of dropping out of school that were served in the prior school year). The bill enacted an 18% ceiling for use of the allotment to fund basic costs of disciplinary alternative education programs, and prohibited use of the allotment to fund the basic costs of non disciplinary alternative education programs. Also, all school districts and charter schools were required

to enter into an agreed-upon procedures engagement with an independent auditor for the purpose of testing compliance with statutory requirements for state compensatory education during school year 2001-2002.

In 2003, House Bill 3459 amended the Sections of the Texas Education Code that govern the State Compensatory Education Program, enacting additional flexibility, and rescinded the annual requirement to submit an agreed-upon procedures report to the Texas Education Agency (the annual report was not required for school year 2002-2003 and subsequent school years, although certain school districts and charter schools will be specifically directed to obtain a local audit, in accordance with the requirements of the risk assessment process in the Financial Accountability System Resource Guide). HB 3459 retroactively amended the Texas Education Code by adding subsection 42.152(c)(3), which allows use of the compensatory education allotment to fund costs that are attributed to programs that are specifically designed to serve students at risk of dropping out of school, as defined by Texas Education Code Section 29.081. Thus, the addition of Subsection 42.152(c)(3) provides flexibility in use of the state compensatory education allotment for funding the basic costs of programs that are specifically designed to service students at risk of dropping out of school, as described in district improvement plans and campus improvement plans, and charter school instructional plans. The bill also lowered the required threshold percentage for low income students on a campus to 40% (or greater), which will permit expanded use of the state compensatory education allotment to supplement schoolwide components of federal No Child Left Behind projects. The bill also enacted provisions for an electronic reporting and auditing system, which will be used by the TEA to assess risk factors for noncompliance and/or reporting deficiencies. The assessment of risk factors by the TEA will be the basis for directing certain school districts or charter schools to have a local audit of state compensatory education programs, in accordance with the provisions in the Financial Accountability System Resource Guide.

House Bill 1691 of the 78th Legislature also amended Section 42.152 of the Texas Education Code to allow charges to the state compensatory education allotment (in proportion to the percentage of students that meet the criteria in Section 29.081(d) or (g)) for programs that serve students that are enrolled in accelerated reading program under Section 28.006(g) or that are enrolled in a program for treatment of students who have dyslexia or a related disorder as required by Section 38.003.

Senate Bill 16 of the 78<sup>th</sup> Legislature also amended Subchapter C, Chapter 29, of the Texas Education Code, by adding Section 29.089, relating to mentoring services. According to Section 29.089, programs that provide mentoring services to students at risk of dropping out of school, as defined by Section 29.081, are also eligible to be charged to the state compensatory education allotment.

The electronic reporting and auditing system implemented in Update 11 of the Financial Accountability System Resource Guide assesses the risk that schools did not use the state compensatory education allotment “to fund supplemental programs and services designed

to eliminate any disparity in performance on assessment instruments administered under Subchapter B, Chapter 39, or disparity in the rates of high school completion between students at risk of dropping out of school, as defined by Section 29.081, and all other students (see Texas Education Code Section 42.152(c).” One primary purpose of the risk assessment activities by TEA staff (see Exhibit 7) is to test whether the school district or charter school complied with this general requirement for the expenditure of the supplement funds from the SCE allotment. In most all instances, schools will not be burdened in the future with the cost of obtaining a separate audit of state compensatory education, if only effective strategies, programs and activities are supported by the SCE allotment.

In 2009, House Bill 2703 of the 81st Legislature added a provision to §29.081 (added Subsection (d-1) to §29.081, Education Code) that changed the compensatory education definition of “student at risk of dropping out of school” by excluding a student who did not advance from prekindergarten or kindergarten to the next grade level only as the result of the request of the student’s parents. Previously the law under §29.081(d)(1) included in the compensatory education definition of “student at risk of dropping out of school” any student who was not advanced from one grade level to the next.

In House Bill 3646, Section 52 of the bill amended Section 42.152(c), Education Code. This section amended the indirect cost allotment for the compensatory education allotment from 15 to 45 percent. In Section 53 of the bill, a new category of compensatory education, funding for the military dependent allotment was established. Section 53 of the bill amends Section 42.152, Education Code, by adding Subsections (s), (s-1), (s-2), and (s-3) to provide a compensatory education allotment of \$650 per ADA for students who have a parent or guardian on active duty in a combat zone and for students who have a parent or guardian on active duty who have transferred to a school district as a result of a change related to an action taken under the Defense Base Closure and Realignment Act of 1990. Districts would be permitted to use this funding only to serve eligible students. Funding may be provided only if funds are specifically appropriated for that purpose or the commissioner determines that a surplus exists in the appropriation for the Foundation School Program (FSP). The amount appropriated for this purpose may not exceed \$9.9 million. If the total amount of allotments exceeds the available appropriation, the commissioner is required to reduce each district’s allotment proportionately.

## 9.1.2 Summary of Filing Requirements

### What

Regarding the electronic reporting requirements in this section, a school district or charter school will submit through a Texas Education Agency Secure Environment (TEASE) AUDIT account:

1. the district improvement plan, and
2. two campus improvement plans (instructional plans from charter schools) for the campuses that had the highest percentages of students at risk of dropping out of school
  - Of the two campus improvement plans to be submitted, at least one campus improvement plan is to be submitted for a non-Title I schoolwide campus, if any, that had the highest percentage of students at risk of dropping out of school).
  - Campus improvement plans must also be submitted electronically for **all** campuses that received low performing academic accountability ratings for the previous school year; therefore, it is possible that a district may file more than 2 plans.
3. the local evaluation of state compensatory education strategies, activities and programs is required for a school district or a charter school that:
  - had **any** low performing campuses or
  - reported more than 59% at risk students for the previous school year

The electronic submission of any of these documents will only apply to school districts and charter schools whose state compensatory education allotment (as reported under the District Planning Estimate (DPE) or Legislative Planning Estimate (LPE) column on the Summary of Finances) was \$500,000 or more for the previous fiscal year. NOTE: Ensure all plans include required information as regulated in state law, TEC Sections, 11.251-253.

### **When**

The district improvement plan, campus improvement plan(s) (for school districts) or instructional plan (for charter schools) and the local evaluations (for both school districts and charter schools) are to be submitted not later than the 150th day after the last day permissible to send data for the PEIMS data FINAL Midyear resubmission 2. Typically, the last day for the PEIMS data FINAL Midyear resubmission 2 occurs in the latter part of February; therefore, the 150<sup>th</sup> day falls in late July.

### **How**

The plan(s) and evaluation are to be submitted in Adobe Acrobat® pdf file through a Texas Education Agency Secure Environment (TEASE) AUDIT account. File naming and submission instructions are outlined in the Electronic Reports Submission Standards which can be found on the [School Financial Audits](#) web page on the Texas Education Agency web site.

### **Example Timeline:**

February 19, 2009 – last date for resubmitting midyear data for school year 2007-08

July 19, 2009 – 150 days after PEIMS resubmission; due date for electronic reports for school year 2007-2008

As noted above, the 150<sup>th</sup> day falls in late February; the due date for the submission for plans and evaluations will thus fall in late July. The agency would therefore accept plans through the last Friday of the month of July.

## 9.2 Guidelines for Compensatory Education Programs

Under Section 29.081 of the Texas Education Code (TEC), compensatory education is defined in law as programs and/or services designed to supplement the regular education program for students identified as at risk of dropping out of school. The purpose is to increase the academic achievement and reduce the dropout rate of these students.

### 9.2.1 Compensatory Education Goals

The goal of state compensatory education is to reduce any disparity in performance on assessment instruments administered under Subchapter B, Chapter 39 TEC, or disparity in the rates of high school completion between students at risk of dropping out of school and all other LEA students (TEC [Section 29.081](#)).

### 9.2.2 Compensatory Education Objectives

State compensatory education funds were authorized by the legislature to provide financial support for programs and/or services designed by LEAs to increase the achievement of students at risk of dropping out of school. State law, [Section 29.081, TEC](#), requires LEAs to use student performance data from the state's legislatively-mandated assessment instrument known as the Texas Assessment of Knowledge and Skills (TAKS) tests and any other achievement tests administered under Subchapter B, Chapter 39, of the Texas Education Code, including norm-referenced tests approved by the State Board of Education to provide accelerated intensive instruction to students who have not performed satisfactorily or who are at risk of dropping out of school.

### 9.2.3 District/Campus Improvement Plans

Since school year 1992-93, [TEC Section 11.251](#) has required each LEA to have a district and campus improvement plan or charter instructional plan, as appropriate. The state compensatory education program must be described in the campus improvement plan if the program is implemented at the campus level or be described in the district improvement plan if the state compensatory education program is implemented district wide.

Additionally, [TEC Section 11.251](#) also requires that the board of trustees ensure that the LEA and all campus plans be developed, reviewed and revised annually for the purpose of improving the performance of all students. Annual board approval must ensure that the district and campus plans are mutually supportive to accomplish the identified objectives and support the state goals and objectives listed in [TEC Chapter 4](#).

**State law requires the district/campus improvement plan; it is the primary record supporting expenditures attributed to the state compensatory education program.**

The LEA must design the state compensatory education program based on the identified needs of students at risk of dropping out of school. In determining the appropriate accelerated, intensive compensatory programs and/or services, LEAs must use student performance data from the TAKS and other appropriate assessment instruments and achievement tests administered under Subchapter B, Chapter 39 of the Texas Education Code. In addition, the LEA must annually evaluate the outcomes and the plan's implementation to determine whether the academic achievement of all at risk students improved; whether the goals and objectives contained in the plan were achieved; and if the plan is still appropriate as written.

In addressing the needs of students at risk of dropping out of school, the state compensatory education program must be addressed in the comprehensive needs assessment and be described in the campus improvement plan if the program is implemented at the campus level or be described in the district improvement plan if the state compensatory education program is implemented district wide. The district/campus improvement plan or charter instructional plan,, as appropriate, must also include the following:

- Comprehensive needs assessment - conducted to identify the strengths and weaknesses of existing programs, practices, procedures, and activities; and ensures the use of resources is carefully planned, supplemental and cost effective
- Total amount of state compensatory education funds allocated for resources and staff
- Identified strategies – specific strategies aligned with the comprehensive needs assessment
- Supplemental financial resources for state compensatory education - indication of the approximate dollar amounts for activities and/or strategies
- Supplemental FTEs for state compensatory education - shown for SCE activities involving personnel at both the district and campus level
- Measurable performance objectives - based on needs assessment data and stated in terms of what the student is expected to do, and stated in terms of measurable



and/or observable behavior to ensure that the plan is resulting in academic improvement

- Timelines for monitoring strategies and reaching goals – specific schedule for data collection during the school year. This should be written in incremental units such as every three weeks, every month, (not August through May or “ongoing”), each semester, etc.
- Formative and summative evaluation criteria - Formative evaluation includes periodic measures that are utilized during the actual implementation of the interventions or strategies. The summative evaluation occurs at the end of the implementation period, to provide the overall project and process evaluation.

The plans for evaluating and monitoring improvement efforts are a critical component of the district comprehensive needs assessment. Inferences about the effectiveness of strategies and interventions can only be accurately made if it has been determined with a reasonable degree of certainty that strategies have been implemented as designed.

State compensatory education resources must be redirected when evaluations indicate that programs and/or services are unsuccessful in producing desired results for students at risk of dropping out of school.

LEAs are required to have local policies and procedures to identify:

1. Students who are at risk of dropping out of school under the criteria in [Section 29.081\(d\)](#), TEC;
2. Students who are at risk of dropping out of school under local criteria and document compliance with the 10% cap in [Section 29.081\(g\)](#), TEC;
3. How students are entered into the SCE program;
4. How students are exited from the SCE program;
5. The methodologies involving calculation of 110% satisfactory performance on all assessment instruments, in accordance with [Section 29.081\(d\)\(3\)](#), TEC; and

6. The cost of the regular education program in relation to budget allocations per student and/or instructional staff per student ratio.

**LEAs must maintain current records to accurately document numbers of students at risk of dropping out of school.**

Many LEAs utilize their regional education service centers (ESCs) to assist in the development of their district/campus improvement plans and charter school instructional plans. ESCs provide technical assistance to school districts and charter schools and can provide a wealth of information on best practices and model programs.

### **9.2.3.1 State Criteria for Identification of Students at Risk of Dropping Out of School**

TEC [Section 29.081](#) defines the State criteria used to identify students at risk of dropping out of school.

A student at risk of dropping out of school includes each student who is under 21 years of age and who:

1. Is in prekindergarten, kindergarten or grade 1, 2, or 3, and did not perform satisfactorily on a readiness test or assessment instrument administered during the current school year;
2. Is in grade 7, 8, 9, 10, 11, or 12, and did not maintain an average equivalent to 70 on a scale of 100 in two or more subjects in the foundation curriculum during a semester in the preceding or current school year or is not maintaining such an average in two or more subjects in the foundation curriculum in the current semester;
3. Was not advanced from one grade level to the next for one or more school years; Note: prekindergarten or kindergarten students who did not advance to the next grade level only as the result of the request of the student's parents are excluded from this identification; effective school year 2009-2010.

4. Did not perform satisfactorily on an assessment instrument administered to the student under Subchapter B, Chapter 39, and who has not in the previous or current school year subsequently performed on that instrument or another appropriate instrument at a level equal to at least 110 percent of the level of satisfactory performance on that instrument;
5. Is pregnant or is a parent;
6. Has been placed in an alternative education program in accordance with Section 37.006 during the preceding or current school year;
7. Has been expelled in accordance with [Section 37.007](#) during the preceding or current school year.
8. Is currently on parole, probation, deferred prosecution, or other conditional release;
9. Was previously reported through the Public Education Information Management System (PEIMS) to have dropped out of school;
10. Is a student of limited English proficiency, as defined by [Section 29.052](#);
11. Is in the custody or care of the Department of Protective and Regulatory Services or has, during the current school year, been referred to the department by a school official, officer of the juvenile court, or law enforcement official;
12. Is homeless, as defined by 42 U.S.C. Section 11302, and its subsequent amendments; or
13. Resided in the preceding school year or resides in the current school year in a residential placement facility in the LEA, including a detention facility, substance

abuse treatment facility, emergency shelter, psychiatric hospital, halfway house, or foster group home.

The SCE program may also supplement the dyslexia program. [TEC Section 42.152](#) allows charges to the state compensatory education allotment (in proportion to the percentage of students that meet the criteria in Section 29.081(d) or (g)) for programs that serve students that are enrolled in an accelerated reading program under Section 28.006(g) or that are enrolled in a program for treatment of students who have dyslexia or a related disorder as required by [Section 38.003](#). Thus, only the portion of SCE funds used to supplement the dyslexia program for identified at risk students may be charged to SCE. Any other funds used to supplement this program for students who meet neither state or local criteria would have to come out of local funds or another fund source.

### **9.2.3.2 Local Criteria for Identification of Students at Risk of Dropping Out of School**

Because the SCE funds cannot be used to serve students who are not identified as at risk of dropping out of school, “incidental inclusion” does not apply to the use of this grant; therefore, if the district wants to serve additional students who do not meet State criteria, the district may establish local criteria to serve the additional students.

In addition to serving students at risk of dropping out of school defined by state criteria, the LEA may serve students who meet local eligibility criteria if the local criteria have been adopted by the board of trustees of the LEA. The adopted criteria must be clearly defined in the district improvement plan for districts or the instructional plan for charter schools. However, the number of students receiving services under this subsection during a school year may not exceed 10 percent of the number of students who met the State criteria under Section 29.081 who received services from the LEA during the preceding school year.

The LEA must maintain current auditable documentation regarding the locally identified at risk students. Furthermore, the documentation indicating the compliance with the 10 percent cap must be maintained at the LEA level and addressed in the district/charter improvement plan. This is auditable data.

The LEA must also be able to explain that children identified under local criteria were added to a listing of children that were identified under [TEC Section 29.081](#). This means that the state compensatory education allotment may not be used to serve students on a particular campus, if the LEA has not identified any students on the same campus that meet any of the state criteria specified in TEC Section 29.081(d).

**Students at risk of dropping out of school reported through PEIMS must meet the state criteria; students identified using local criteria are not reported through PEIMS.**

## 9.2.4 Funding of Compensatory Education Programs under the Foundation School Program

Funding allocated for state compensatory education programs and/or services is based on the number of educationally disadvantaged students in the LEA. The number of educationally disadvantaged students is determined by averaging the best six months' student enrollment that qualifies in the national school lunch program for free- or reduced-price lunches in October of the preceding school year through September of the current school year. Districts are entitled to receive an additional annual allotment equal to the adjusted basic allotment multiplied by 0.2 for each student who is educationally disadvantaged. Districts are also entitled to receive an annual allotment equal to the adjusted basic allotment multiplied by 2.41 for each full-time equivalent student in a remedial and support program under TEC [Section 29.081](#) because the student is pregnant or a parent.

House Bill 3646, Section 52, 81<sup>st</sup> Texas State Legislature, Regular Session, amended Section 42.152(c), Education Code. This section amended the indirect cost allotment for the compensatory education allotment from 15 to 45 percent. Under [Title 19 Texas Administrative Code \(TAC\) §105.11](#), no more than 45 percent of the allotment may be spent on indirect costs related to state compensatory education. Indirect costs may be attributed in the General Fund to the following expenditure function codes: 34- Student Transportation; 41- General Administration; 81- Facilities Acquisition and Construction; and the Function 90 series of the General Fund, as defined in the Texas Education Agency [Financial Accountability System Resource Guide](#). The remaining 55 percent of the state compensatory education allotment must be spent on the LEA's identified state compensatory education programs and/or services.

School districts and open-enrollment charter schools that receive compensatory education program funding pursuant to this section are responsible for obtaining the appropriate data from families of potentially eligible students, verifying that information, and retaining records.

House Bill 2879 and Senate Bill 702, 77th Regular Legislative Session, amended the Education Code to provide an alternative state compensatory education allotment funding count for school districts and open-enrollment charter schools that do not participate in the national school lunch or breakfast programs (see [TEC §42.152\(b\)](#) as amended). The law allows the commissioner to adopt a counting method and rules for this alternative. The rules for the program can be found on the TEA School Finance web site at [Compensatory Education Allotment – Alternative Funding Procedures](#).

To assist districts and charter schools with gathering the proper income eligibility information for families, the following documents have been posted to the TEA web site at [Compensatory Education Allotment – Alternative Funding Procedures](#).

Districts and open-enrollment charter schools that receive the alternative compensatory education allotment are responsible for obtaining the appropriate data from the families of potentially eligible students, verifying the information, and retaining records. The agency will conduct an audit of the data submitted by districts and charter schools. As a result, records should be retained for a minimum of five years after the end of each school year.

### **9.2.4.1 Supplement/Not Supplant**

SCE funds, other than the indirect cost allotment that may not exceed 45 percent, may be used only to meet the costs of providing

- (1) a supplemental compensatory, intensive, or accelerated instruction program under Section 29.081; or
- (2) an alternative education program established under Section 37.008; or
- (3) support to a program eligible under Title I of the Elementary and Secondary Education Act of 1965, as provided by Public Law 103-382 and its subsequent amendments, and by federal regulations implementing that Act, at a campus at which at least 40 percent of the students are educationally disadvantaged; or
- (4) a program specifically designed to serve students at risk of dropping out of school, as defined by Texas Education Code Section 29.081.

#### ***Supplemental Program under Section 29.081***

SCE costs may supplement the costs of the regular education program and may be used for costs of programs and/or services that are supplemental to the regular education program and are designed for students at risk of dropping out of school. LEAs are prohibited from using FSP compensatory education resource allocations for students at risk of dropping out of school to supplant resource allocations for the regular education program.

The term regular education program applies to basic instructional services to which all eligible students are entitled. At a minimum, the Regular Education Program consists of the following required curriculum for each LEA that serves grades K-12:

A foundation curriculum that includes

- English language arts;
- Mathematics;
- Science; and
- Social studies, consisting of Texas, United States, and world history, government, and geography

Where regular education program allocations at certain campuses within the LEA are deficient compared to other campuses serving similar grade levels, the allocation of compensatory education budgetary resources to those campuses may be interpreted to have

supplanted necessary regular education services. TEA will rely upon data reported by districts through PEIMS to determine compliance with requirements in the Texas Education Code and State Board of Education rules contained in this Resource Guide. TEA may request additional data as necessary in order to clarify questions related to PEIMS data. Additionally, on-site visits will be conducted in some LEAs to further assess qualitative and quantitative questions about SCE Programs. If TEA determines that the LEA supplanted the regular education program, then financial penalties may apply to the LEA.

A majority of FSP compensatory education program expenditures are accounted for in the General Fund, under function code 11, Instruction. Other function codes account for additional instructional and non instructional-related activities. Transactions accounted for under various function codes are those transactions representing supplemental costs to the regular education program. Because all students are entitled to receive instructional services under a regular education program setting, instructional strategies that involve modification of the regular education program do not represent supplemental direct costs, unless incremental costs to the regular education program are demonstrated. Supplemental direct costs represent incremental costs, meaning that additional costs are involved above costs necessary to provide the regular education program. Standard staff and fiscal resource allocations must be documented for different grade levels for regular education, which are necessary to substantiate the attribution of supplemental resources for incremental staff and fiscal costs benefiting students at risk of dropping out of education that are documented in campus improvement plans.

All direct costs attributed to “a program specifically designed to serve students at risk of dropping out of school, as defined by Texas Education Code Section 29.081” are eligible to be charged to the state compensatory education allotment. “A program specifically designed to serve students at risk of dropping out of school, as defined by Texas Education Code Section 29.081,” represents a temporary special program placement or setting, such as a non disciplinary alternative education program, that provides special instruction or services for the period of time that the student is classified as at risk of dropping out of school. The district/campus improvement plans and the charter school instructional plans are to include a complete description and evaluation of the program and describe how students are entered and exited from the temporary special program placements or settings. Accordingly, the direct costs attributed to these placements or settings are eligible to be charged to the state compensatory education allotment.

Supplemental includes such costs as costs for program and student evaluation, including evaluations to assess the impacts or effectiveness of programs specifically designed to benefit students at risk of dropping out of school, supplemental instructional materials and equipment and other supplies required for quality intensive instruction, supplemental staff expenses, salary for teachers of students at risk of dropping out of school, individualized instruction, and reducing class size. Such costs must be reasonable and necessary for the success of the program.

House Bill 1691 of the 78th Legislature also amended Section 42.152 of the Texas Education Code to allow charges to the state compensatory education allotment (in

proportion to the percentage of students that meet the criteria in Section 29.081(d) or (g)) for programs that serve students that are enrolled in accelerated reading program under Section 28.006(g) or that are enrolled in a program for treatment of students who have dyslexia or a related disorder as required by Section 38.003.

Senate Bill 16 of the 78<sup>th</sup> Legislature also amended Subchapter C, Chapter 29, of the Texas Education Code by adding [Section 29.089](#), relating to mentoring services. According to Section 29.089, programs that provide mentoring services to students at risk of dropping out of school, as defined by Section 29.081, are also eligible to be charged to the state compensatory education allotment. Before the LEA provides a mentoring program, adequate planning and research must be conducted to determine what types of programs are capable of achieving the many goals, including improved academic performance and attendance in mentored youth. The LEAs should view the improvement of academic performance as a primary outcome of their efforts and it is imperative that programs implement proven, research-based best practices if they are to achieve their desired outcome. Furthermore, the mentoring program should align with the program intent of the State Compensatory Education program, with the objective of providing accelerated, intensive and compensatory instructional programs to students who are at risk of dropping out of school. As with all other services provided for students at risk of dropping out of school, a needs assessment must be conducted to aid in the development of the programs' scope of services. The analysis of the results of the assessment should provide the foundation that is critical in designing a program that can be integrated into raising the academic success of students at risk of dropping out of school.

Activities offered by the mentoring programs may include homework completion and assistance, supplemental academic classes, academic games and activities, computer-assisted instruction and educational games, educational board games, one-on-one tutoring, and reading, writing, and vocabulary activities. The What Works Clearinghouse (WWC) releases new intervention reports, topic reports, practice guides and quick reviews throughout the year. Use the *What's New* archive to browse releases from the past year. <http://ies.ed.gov/ncee/wwc/whatsnew/index.asp?Date=6/1/2009>

If the state compensatory education allotment is used to fund strategies in the campus improvement plan to reduce class size, the percentage of students (who do not meet the state eligibility criteria) that may benefit from this strategy under local eligibility criteria is limited to 10% of the number of students who met the state eligibility criteria and were served in the SCE Program in the preceding year.

Example: Grade four on Campus A meets the state mandated 22:1 class size requirement; however, based on the campus needs assessment, the campus determines that the class size in grade four on Campus A needs to be further reduced. Statistically, 50% of the students in grade four meet the state eligibility criteria for students at risk of dropping out of school and 2% meet the local eligibility criteria. Therefore, it is allowable for SCE to pay 52% of the supplemental salary and benefit costs for reducing class size in grade four on Campus A. **(The compensatory education allotment shall not be used to achieve the Foundation School Program student to teacher ratio requirement of 22:1) This rule**



also applies when these funds are used to upgrade the educational program on a Title I, Part A schoolwide campuses.)

### ***Special Financial Accounting Rule for School Districts or Charter Schools with an Enrollment of Less Than 500 Students***

The comprehensive needs assessment for small enrollment school districts and charter schools may often establish class size reduction as a primary strategy for state compensatory education program and reflect this strategy in the campus improvement plans (for school districts) or the campus instructional plans (for charter schools). Often, class sizes for all grade levels are significantly smaller than an average of 22 students per teacher for regular education). This characteristic of many small enrollment school districts and charter schools is the result of maintaining separate classrooms for all grade levels for academic programs (not including physical education). If a school district or charter school had less than 500 students enrolled during the entire school year, then the fiscal transactions for regular education (for regular education campus settings) may be allocated between Program Intent Codes 11 and 24, based upon the percentage of students at risk of dropping out of school on each campus to the total enrollment for each campus. A calculation of supplemental FTEs or fiscal resources in reference to a documented standard for regular education is not required in all school districts and charter schools covered by this special provision. Supplemental FTEs and fiscal resource amounts attributed to use of the SCE allotment will be disclosed in the district improvement plan, corresponding campus improvement plan, or the charter school instructional plan consistent with the methodology described above for allocating costs between Program Intent Codes 11 and 24.

**Example:** A small enrollment school district stated in its district and campus improvement plans that small class size is the primary strategy for state compensatory education. On one campus, the school district classified 25% of the students as risk of dropping out of school under the criteria in Texas Education Code Section 29.081 and local criteria adopted by the board of trustees (in accordance with the 10% limit in Section 29.081). Regular education program costs under Function Code 11, Instruction, for the campus were \$1,000,000. Costs allocated to Program Intent Code, 11 were \$750,000, and costs allocated to Program Intent Code 24, were \$250,000, in proportion to the percentage of students at risk of dropping out of school.

### ***Alternative Education Programs***

Under [TEC §42.152](#) (c)(3) a program specifically designed to serve students at risk of dropping out of school, as defined by TEC 29.081, is considered to be a program supplemental to the regular education program and a district may use its SCE allotment for such a program. Therefore, the costs of a non disciplinary alternative education program, thoroughly established and described in the comprehensive needs assessment and in the campus improvement plan, as a program specifically designed to serve students at risk of

dropping out of school (directly targeting students meeting state and local criteria in [TEC Section 29.081](#)) are eligible to be charged to the SCE allotment.

However, [TEC §42.152](#) (c)(1) states that in order to ensure that a sufficient amount of the SCE funds allotted to a district are available to supplement instructional programs and services, no more than 18 percent of the SCE funds allotted to a district may be used to fund a disciplinary alternative education program (DAEP) established under [TEC Section 37.008](#). Expenditures in excess of 18 percent require a state waiver, must be supplemental, and may only fund programs directly targeting students meeting state and local criteria in [TEC Section 29.081](#). The DAEP base line program and the supplemental program/services must be described in the campus/district improvement plan, as appropriate and must be submitted with the waiver for TEA review.

An approved annual state waiver is required prior to the use of more than 18 percent for supplemental compensatory education funds on disciplinary alternative education programs under [TEC Section 37.008](#). Upon an annual petition by a district's board and a district's site-based decision-making committee, presenting the reason for the need to spend supplemental compensatory education funds on disciplinary alternative education programs under [TEC Section 37.008](#), the commissioner may waive the 18 percent limitation. The LEA shall in its petition report the number of students in each grade level, by demographic subgroup, not making satisfactory progress under the state's assessment system. The DAEP base line program and the supplemental program/services must be described in the campus/district improvement plan, as appropriate and must be submitted with the waiver for TEA review.

Example: If a district's total SCE allotment is \$500,000, 45% of the allotment, which is \$225,000, may be used for indirect costs; 18% of the total allotment, which is \$90,000, may be used for providing DAEP base line services. The remainder of the LEA's 55% allotment (\$185,000) for direct services must be used to provide supplemental programs and services to students identified as being at risk of dropping out of school. These supplemental services must be supplemental to the regular education program.

Some school districts may contract with the county to operate a DAEP, which may be located in the same facility as the local juvenile justice alternative education programs (JJAEP). If the LEA's DAEP is contracted with the county, the LEA district may use the allowable 18% to provide the base level program of the DAEP under [TEC Section 37.008](#). SCE funds may not provide funding for expelled students in a JJAEP operated under [Section 37.011](#).

Additionally, SCE funds are not allowed to fund an In-School Suspension Program (ISS) because this is a disciplinary strategy used by a district or campus and does not meet the DAEP requirements stated in TEC Chapter 37. An In-School Suspension Program (ISS) also does not meet the intent and purpose of the SCE program in that SCE expenditures should directly relate supplemental instructional services that assist in improving the student's ability to learn the curriculum in order to perform at grade level.

## ***Support of a Title I, Part A Program***

The No Child Left Behind Act of 2001 mandates that schools receiving Title I funds must “use effective methods and instructional strategies that are based on scientifically based research that strengthen the core academic program in the school; increase the amount and quality of learning time, such as providing an extended school year before-and after school, summer programs and opportunities, and help in providing an enriched and accelerated curriculum; and include strategies for meeting the educational needs of historically underserved populations.

Schoolwide program schools use Title I funds to meet the needs of all students in the school, as determined through a comprehensive needs assessment. Individual students are not identified as eligible to participate. All school staff is expected to direct their efforts toward upgrading the entire educational program and improving the achievement of all students, particularly those who are low achieving.

State law provides flexibility with the use of SCE funds on Title I, Part A campuses at which at least 40 percent of the students are educationally disadvantaged. SCE funds used to support a Title I, Part A program must be part of the campus budget and all SCE expenditures must be tracked back to the SCE fund code, and all generally accepted accounting principles must be followed. As with Title I funds, SCE funds used to upgrade the educational program must also meet the same guidelines required of NCLB in that SCE funds may only be used to incorporate instructional strategies that scientifically-based research has shown are effective with teaching low-achieving students.

SCE funds may be used on a Title I, Part A Schoolwide campus to upgrade the educational program where the actual poverty percentage of the campus is 40% or greater as long as the SCE funds allocated to the campus are supplemental to the costs of the regular education program. To determine a campus’ poverty percentage, school districts will use the same auditable poverty data it uses for Title I, Part A for identifying Title I campuses in the NCLB Consolidated Application for Federal Funding, located on the Title I Campus Selection Schedule. The use of these funds must be described and evaluated in the schoolwide campus improvement plan.

Although activities conducted with SCE funds may be used to support the educational program of a Title I school, the campus must continue to receive its fair share of state and local funds for conducting the regular education program, and the intent and purpose of the SCE Program must still be met.

Furthermore, satisfactory justification must be provided to document that the expenses requested are reasonable in cost and are necessary to accomplish the objectives of the project. “Necessary to accomplish the objectives of the project” is interpreted as meaning that the project will not be successful without the expenditure of funds for certain items/purposes/activities.

The flexibility described above does not apply to Title I, Part A Schoolwide campuses that use the Title I, Part A feeder pattern to meet the 40% poverty threshold or the Title I, Part

A regulation which allows a campus that has operated as a schoolwide campus the previous year with a 40% poverty threshold to continue to operate as a schoolwide campus. In addition, this flexibility does not apply to Title I, Part A Schoolwide campuses that are schoolwide because of an Ed-Flex Waiver.

SCE funds may be used to support a Title I, Part A identified program on a Targeted Assistance campus where the poverty percentage is **40% or greater**. Students served in a Title I, Part A Program must meet the Title I eligibility criteria, as specified in the campus improvement plan, but are not required to meet the SCE eligibility criteria to use SCE funds to support the Title I, Part A Program.

On Title I, Part A Targeted Assistance campuses or Schoolwide campuses where the poverty percentage is **below 40%**, the flexibility offered to the Title I campuses above 40% or greater does not apply. On these campuses, SCE funds must be used to implement a supplemental SCE program. SCE funds may be used in conjunction with Title I funds, if appropriate. For example, on a Title I campus below 40% poverty, a teacher may be split funded between Title I and SCE if the students served meet both the Title I eligibility criteria and the SCE eligibility criteria.

Flexibility with SCE funds does not extend to Title I, Part A, district wide program activities funded through the central office, regardless of whether all campuses in a district are Title I, Part A schoolwide.

#### **9.2.4.2 Alternative Method for Receiving the Compensatory Education Allotment**

Effective December 2, 2001, school districts and open-enrollment charter schools that do not participate in the national school lunch program may derive an eligible student count by an alternative method for the purpose of receiving the compensatory education allotment. Schools receiving SCE funds via the alternative method are responsible for obtaining the data from families, verifying the information, and retaining records. TEA will conduct an audit of data submitted every five years. See [19 TAC 61.1027](#) for additional information.

#### **9.2.5 State Compensatory Education Planning Cycle**

The planning cycle for students at risk of dropping out of school involves a complex analysis of short- and long-term indicators used to identify students and many considerations regarding service options. [Section 29.081\(d\), TEC](#), defines State criteria for identifying students at risk of dropping out of school. A student's identification as "at risk" may change during the school year. In some instances, such as in large districts, campuses where student mobility is high, multi-track school calendars and/or year-around schools, some of the tasks involving assessment, evaluation and modification of state compensatory education programs may be conducted at other times during the year. Additionally, a

student may fit the criteria for at risk over several years, such as the criteria relating to below satisfactory performance on an assessment instrument. Furthermore, districts attempt to ensure early identification, because factors that cause the child to be identified as at risk of dropping out of school may become more complex over the long-term.

The school district or charter school will maintain a record of students that were served in intensive instructional programs in order to attribute supplemental costs appropriately in proportion to the population of students that were at risk of dropping out of school and local criteria approved by the board of trustees, in accordance with Section 29.081.

The LEA must maintain current student records verifying the at-risk classification. Records must include the reason(s) the student was identified, when the student was identified, the supplemental services provided, and the date and documentation substantiating the reason for exiting the program. Additionally, the at-risk classification records must indicate periodic review and verification. Refer to Appendix 2 of this module for sample documentation records.

## 9.2.6 State Compensatory Education Programs and Resources

As LEAs design state compensatory education programs and/or services, they must ensure that the district/campus improvement plans and charter school instructional plans identify the resources that will be used to implement the program. Resources may include specialized supplemental materials for reading or mathematics, specialized software, additional staff, and equipment. In addition to the state compensatory education allotment, LEAs may also identify other state or local funds to help support the designated state compensatory education programs and/or services. Some examples of supplemental state compensatory education programs and/or services developed by LEAs include but are not limited to:

- tutorials;
- class size reduction; (Note: SCE funds cannot be used to meet State or Federally mandated rules);
- computer-assisted instruction
- specialized staff development to train personnel who are working with students at risk of dropping out of school\* ;
- specialized reading and mathematics programs;

- TAKS remediation;
- individualized instruction;
- extended day (instructional) sessions for prekindergarten;
- accelerated instruction; and
- extended day, week, or year instructional services

\* Additional notes on training:

Training and training expense must be reasonable and necessary and training **MUST** be related and beneficial to the at-risk program. Therefore, training must be aligned with the needs of at-risk students as indicated in the district/campus needs assessment. The district should ensure that training is not a “one time” event. Documentation must be maintained that training was evaluated for effectiveness. Has the district established thoroughly written policies regarding attendance of staff development?

State compensatory education (SCE) funds must be used to provide support programs and/or services that supplement the regular education program so that students at risk of dropping out of school can succeed in school. Therefore, all direct instructional costs must relate specifically to the SCE program and must be adequately documented. Furthermore, the district/charter school must be able to demonstrate the SCE programs were cost efficient and program effective.

The LEA should maintain the following information to substantiate the cost of all supplemental state compensatory education programs and/or services.

1. State the name of program.
2. State the purpose, goal, and objective.
3. State the amount that will be expended to support this program and the source of funds for the amounts expended.
4. Indicate the number of students that will be served.
5. Indicate the number of staff members involved.
6. Specify how the program supplements the regular education program. What documentation will the district/campus maintain to verify that this training is supplemental to the at-risk program and not the campus' entire educational program? TEC §42.152(c) and (q)
7. Specify how the program will reduce the dropout rate.

8. Specify how the program will increase the achievement of students identified as being at risk of dropping out of school. TEC §29.081(d)
9. Specify how evaluations will be conducted to measure the impact of the program on student performance. In this specific case, specify how this training will be periodically evaluated for effectiveness. TEC §11.252(a)(8) and §11.253(d)(7)
10. Indicate the research used to support the effectiveness of the staff development. Basically, describe the settings and populations that have shown improved performance after using this program and summarize the evidence showing that this training improves student achievement.
11. What data will the campus use to **evaluate the success** of the new program as it relates to increased student achievement in the areas in need of improvement? (results of evaluation) TEC §29.081(c)
12. How will the campus **monitor the implementation** of the training into classrooms? Who will be responsible for mentoring and monitoring the implementation? What is the timeline for implementation? Please provide specific dates and times.
13. Indicate how the cost of the training is reasonable and necessary.
14. Identify the page number(s) of the district improvement plan/campus improvement plan (D/CIP) that describes the planned strategies, activities, services and/or functions that will be implemented in support of this program.
15. Is the proposed use of SCE and federal funds disclosed in the applicable CIP? Does this disclosure relate to the applicable line item in the approved budget?

When faced with the question of whether certain positions, programs, strategies or activities may possibly be funded with SCE dollars, the LEA must keep in mind that purpose of the SCE program is to improve student performance through direct instructional services to students at risk of dropping out of school. The more removed services are from the student, the more the resources are diluted and the more difficult it becomes for the school district to defend the use of the SCE funds and justify the effectiveness of the program in improving student performance.

## 9.2.7 Evaluation of State Compensatory Education Programs

LEAs are required to evaluate the effectiveness of their designated state compensatory education program and include the results of this evaluation in the district improvement

plan or the charter school instructional plan. The analysis allows the LEA to focus resources on the strategies and goals that will most likely impact the achievement of students at risk of dropping out of school.

The state compensatory education program must be evaluated and documented by showing the effectiveness in reducing any disparity in:

1. Performance on assessment instruments between “students at risk of dropping out of school” and all other district students; and
2. Rates of high school completion between “students at risk of dropping out of school” and all other district students.

The TEC does not specify the minimum standard or design for an evaluative process. Some examples of recognized standards for the design of evaluative processes are described in various reports that may be accessed on the Internet. The U. S. Department of Education report, *When Schools Stay Open Late: The National Evaluation of the 21st-Century Learning Centers Program, First Year Findings* (2003) describes a comprehensive evaluative process (see Exhibit 1), and provides an example for a conceptual design for an evaluation of supplemental programs. The 21<sup>st</sup> Century Learning Centers Program report provides an illustration of a best practice for evaluative processes.

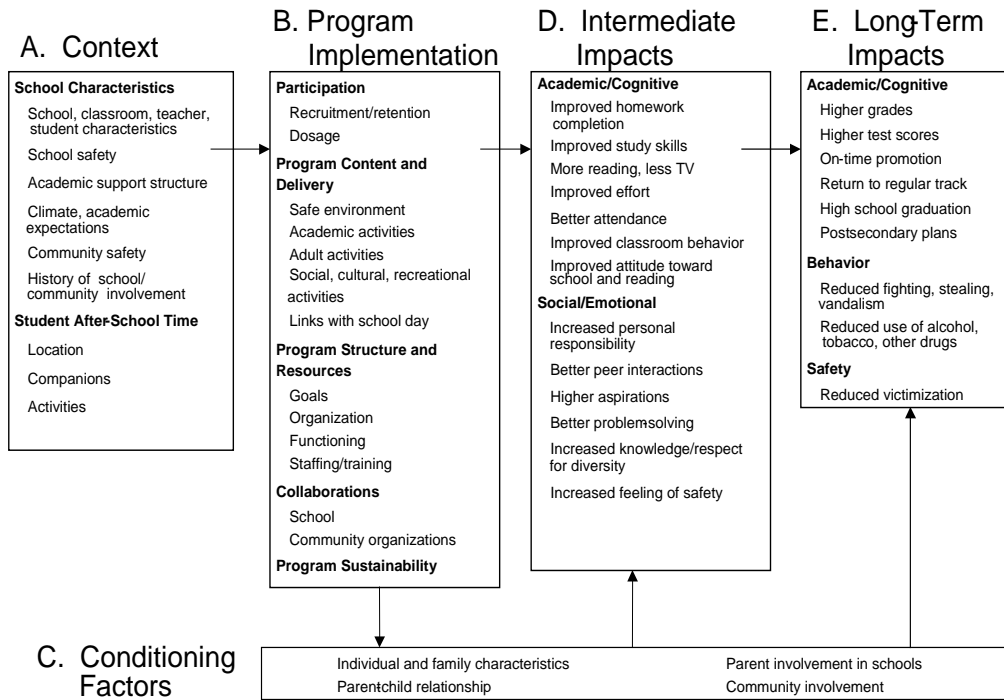
Appropriate modifications in the design of evaluative processes should be made in the context of different grade levels and subpopulations of students, and for campuses that have varying percentages of students at risk of dropping out of school enrolled. Substantive and meaningful evaluations of the uses of the SCE allotment are essential in order to ensure an optimum allocation of scarce resources and timely modifications of accelerated, intensive and compensatory programs.

The U. S. Department of Education’s evaluation of learning centers placed an “emphasis on rigorous estimation of effects and multifaceted data collection that allowed the evaluation to explore many questions about program operation and implementation in addition to its impacts on children and youths.” School district and charter school decisions about the process design for an evaluation should represent a reasonable cost/benefit balance. More rigorous evaluations of strategies, programs and services, and assessments of the programmatic impacts to academic success factors are needed in certain school districts and charter schools.

The U. S. Department of Education’s evaluation of learning centers included use of propensity score matching (PSM), involving selection of a potential comparison group of students whose characteristics most closely resembled those of participants in the learning center programs. Techniques for benchmarking student populations may be combined with various statistical models, including the use of regression analysis, supported by statistical software packages to estimate the standard errors of the coefficients of various models. The design process for the evaluation of SCE-related activities may be complex, requiring the use of outside consultants, in some instances, which would represent an appropriate charge to the state compensatory education allotment.



**Exhibit 1. Example Logic Model for Understanding the Impacts of Supplemental Local, State or Federal Programs for Students at Risk of Dropping Out of School**



Source: U. S. Department of Education, [\*When Schools Stay Open Late: The National Evaluation of the 21st-Century Learning Centers Program, First Year Findings\*](#) (2003).

According to the U. S. Department of Education, there are four types of program evaluation, as explained in Exhibit 2. The four basic types of program evaluations have different audiences, answer certain questions and involve different methodologies. Certain aspects of the four types of program evaluations should be considered by school districts and charter schools in the context of short-term and long-term process design factors for evaluations of accelerated, intensive, and compensatory instructional strategies, activities and programs.

**Exhibit 2. Four Types of Program Evaluation**

Type of Evaluation	Audience	Key Questions	Timeline	Methodologies
Continuous Improvement	Program Staff	How can we continuously improve our communication and guidance in order to achieve our objectives?	ASAP	Market research methods like fast response surveys, focus groups, etc.
Performance Data	Appropriators/OMB	Which federal programs are working? Are some programs more effective than others?	Annual	Analysis using Performance-Based Data Management System
Implementation Studies	Authorizers	How well are programs being implemented? Are the policy changes we made leading to improved outcomes?	5-7 Years	Passive, descriptive evaluation studies, using methods like self-reported surveys and case studies
Field Trials	Practitioners	What works? What specific educational interventions lead to increased student achievement?	Long-term	Random assignment field trials with longitudinal data

Source: U. S. Department of Education, [New Directions for Program Evaluation at the U.S. Department of Education](#) (2003).

In addition to school districts' and charter schools' local evaluations, the TEA is required by law to evaluate state compensatory education statewide. The Agency will review TAKS scores of students identified through PEIMS as being at risk of dropping out of school to determine if the achievement gap is closing and students at risk of dropping out are succeeding.

## 9.2.8 Campus Considerations for Supplement/Supplant Compliance

Different variables impact regular education costs for various types of campuses, such as high school versus middle school. Accordingly, statistical analysis of resource allocations for the regular education program is restricted to a comparison of campuses offering similar grade levels, such as comparisons between campuses serving elementary grade levels within a district. The statistical analysis for determination of a supplant is more comprehensive in districts that have multiple campuses across several grade levels.

The LEA may also decide to concentrate its FSP compensatory education resources on only one or a small number of campuses that serve students at risk of dropping out of school. Decisions to target campuses selectively instead of in proportion to allocations according to the concentration of students at risk of dropping out of school may give the appearance that the regular education program was supplanted.

### ***Single Attendance Campuses for Grade Levels***

Statistical analysis of LEA resource allocations will be affected by certain characteristics, like the number of campuses that serve similar grade levels. If the LEA has no more than one campus for a grade level, then the one statistical analysis for supplant will be resource allocations to campuses according to the proportion of students at risk of dropping out of school. Other statistical tests will involve review of regular education resources across campuses. Accordingly, TEA will determine whether compensatory education program resource allocations per student at risk of dropping out of school on the elementary campus are proportional to the percentages of students at risk of dropping out of school at the middle, junior high and/or high school campuses.

### ***Multiple Attendance Campuses for Grade Levels***

Statistical analysis of LEAs that have multiple attendance campuses for a grade level is more complex. One test for these campuses is whether direct costs for regular education reflect an equitable distribution of regular education resources across campuses that serve comparable grade levels. Another test will be whether compensatory education resource allocations are proportional to the number of students at risk of dropping out of school in campuses serving similar grade levels. If compensatory education resources are concentrated on one or a few campuses, then the statistical analysis will also include a review of resources for regular education.

## 9.2.9 Analysis of Fiscal Data for Supplement/Supplant Compliance

Fiscal data used in analyzing direct costs per student are expenditures recorded in the General Fund under object codes 61XX, Payroll Costs, through 6599, Debt Service, under Program Intent Codes 11, Basic Educational Services; 24, Accelerated Education; 26, Non disciplinary Alternative Education Programs – AEP Basic Services; 28, Disciplinary Alternative Education Program – DAEP Basic Services; 29 Disciplinary Alternative Education Program – DAEP State Compensatory Education Supplemental Costs; and 30, Title I, Part A Schoolwide Activities Related to State Compensatory Education Costs on Campuses with 40% or More Educationally Disadvantaged Students.

Consideration of other fiscal data will apply to costs recorded under 66XX, Capital Outlay, under Program Intent Codes 24, Accelerated Education; 26, Non disciplinary Alternative Education Programs – AEP Basic Services; 28, Disciplinary Alternative Education Program – DAEP Basic Services; 29 Disciplinary Alternative Education Program – DAEP State Compensatory Education Supplemental Costs; and 30, Title I, Part A Schoolwide Activities Related to State Compensatory Education Costs on Campuses with 40% or More Educationally Disadvantaged Students. This data is excluded in analyzing direct costs per student because one-time purchases of equipment may distort an analysis of the correlation of compensatory education expenditures with the proportion of students at risk of dropping out of school. Supplemental review of district data will be made when expenditure patterns indicate a district may have supplanted the regular education program.

The analysis of fiscal data described in this section excludes those functions defined as indirect costs in State Board of Education rule, under [Title 19 Texas Administrative Code Chapter 105, Subchapter B, Maximum Allowable Indirect Cost](#). Additionally, if the LEA is a member of a shared services arrangement for compensatory education, then TEA's analysis will also include the LEA's share of expenditures by the fiscal agent.

## 9.2.10 Analysis of Student Data for Supplement/Supplant Compliance

Student data reported through PEIMS is analyzed to determine the relative proportion of students at risk of dropping out of school per campus. Statistical analysis of student data also includes a review of academic performance of students at risk of dropping out of school as a group and in comparison to other students.

## **9.2.11 Analysis of Staff Data for Supplement/Supplant Compliance**

An analysis of instructional staffing patterns is a useful tool. Instructional payroll related to concentrated staff resources is a primary cost of public education, including FSP compensatory education programs. Differences in teacher degree status and experience may complicate the analysis of fiscal resource allocations across campuses in certain districts.

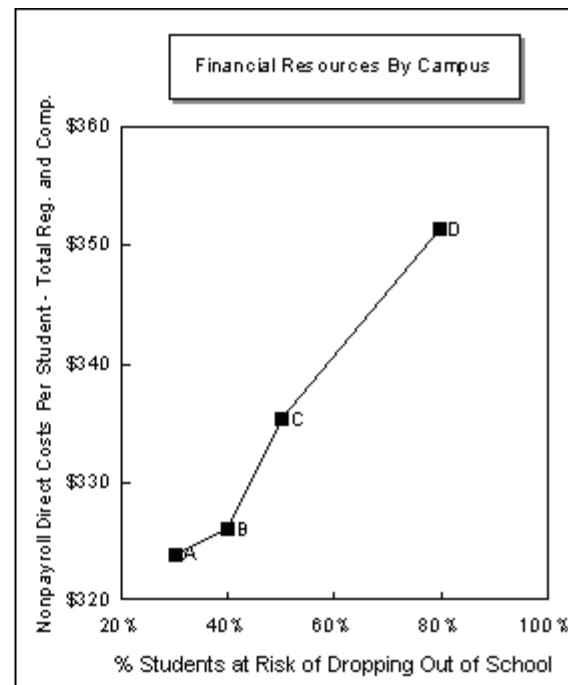
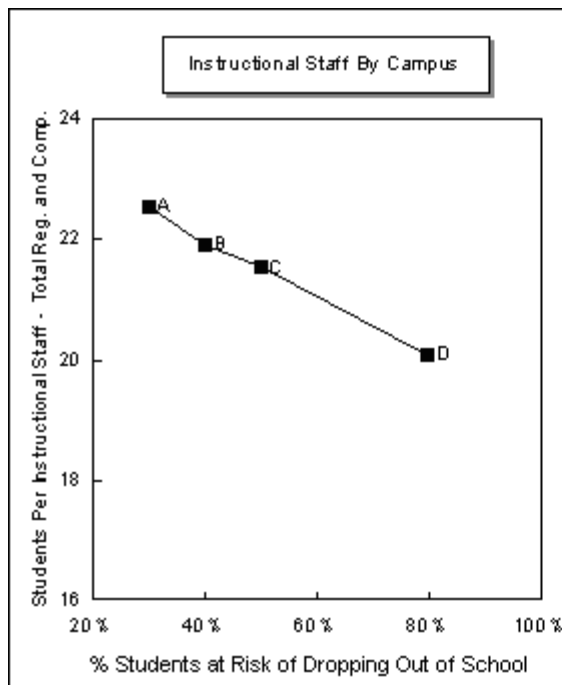
If school district/campus improvement plans or charter school instructional plans primarily rely upon smaller class sizes, then staffing patterns may show a correlation between the number of instructional units, teachers and teacher aides, and the proportion of students at risk of dropping out of school per campus. An analysis of staffing patterns is necessary when examining the allocation of resources in most districts, whenever instructional salaries are recorded under Program Intent Codes 24, Accelerated Education; 26, Non disciplinary Alternative Education Programs – AEP Basic Services; 28, Disciplinary Alternative Education Program – DAEP Basic Services; 29 Disciplinary Alternative Education Program – DAEP State Compensatory Education Supplemental Costs; and 30, Title I, Part A Schoolwide Activities Related to State Compensatory Education Costs on Campuses with 40% or More Educationally Disadvantaged Students. Split funded state compensatory education program teachers' salaries and an entire salary of a teacher that is assigned to the state compensatory education program may be recorded to Program Intent Code 24, Accelerated Education, as applicable.

## **9.2.12 Example of District Profiles of Supplemental Resources for Compensatory Education Programs**

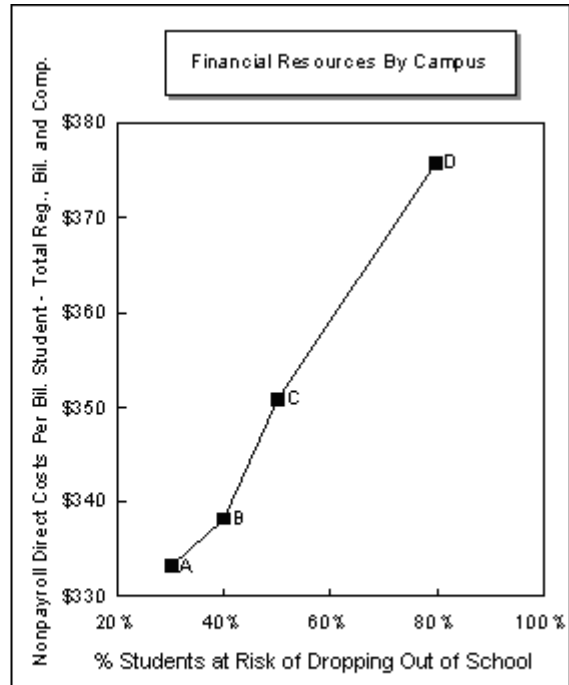
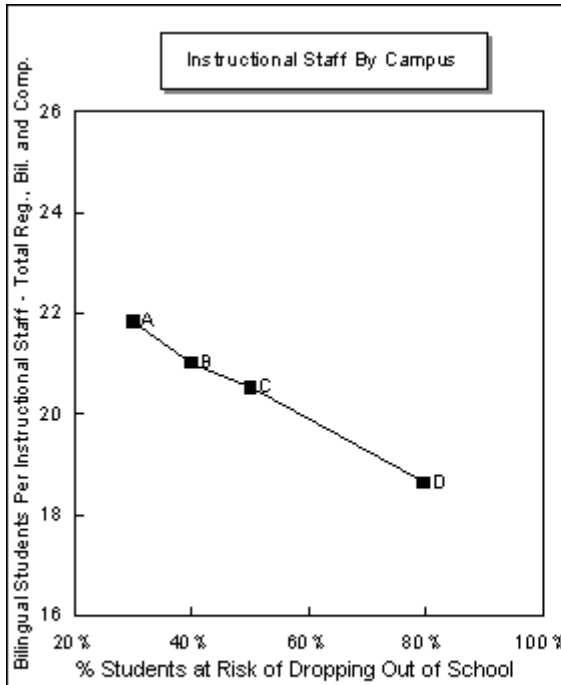
LEA profiles, illustrated in Exhibits 3 and 4, reflect the use of FSP compensatory education resources to supplement the regular education program for intensive instructional programs serving students at risk of dropping out of school. Exhibit 3 illustrates a simple formula for allocation of FSP compensatory education resources, reflecting increasingly concentrated resources in proportion to the percentage of students at risk of dropping out of school at different campuses. Exhibit 4 illustrates that the FSP compensatory education allotment may be used to supplement regular education program resources provided to at risk bilingual students in order to close the gap in academic performance between limited English proficiency students at risk of dropping out of school and other students. There is little likelihood that any LEA's resource allocation patterns would mirror those illustrated in Exhibits 3-5 because of important considerations that are made for programmatic reasons, relating to differences in academic performance across campuses if all other factors were equal.

Exhibit 5 illustrates another simple example wherein the entire FSP compensatory education allotment is concentrated at a single campus that has the highest concentration of students at risk of dropping out of school involving intensive instructional programs for these students. These exhibits illustrate opposite extremes for potential resource allocation practices. Actual LEA practices differ in many ways.

**Exhibit 3. Examples of Proportional Allocations of FSP Compensatory Education Resources According to the Percentage of Student at Risk of Dropping Out of School**



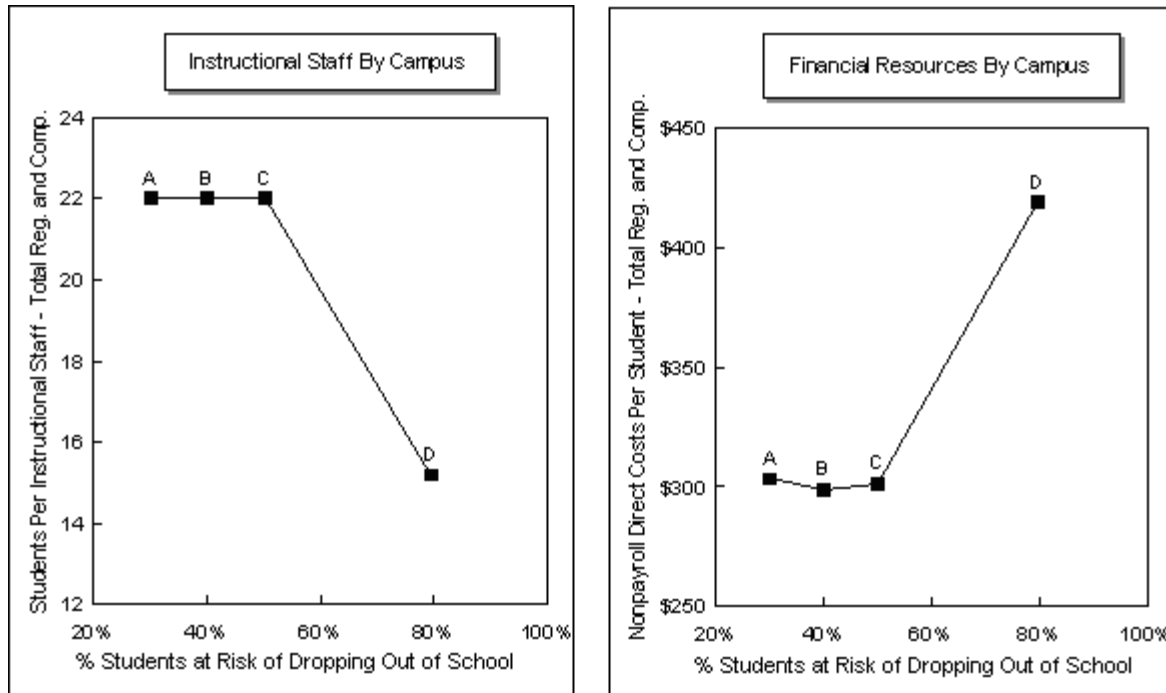
**Exhibit 4. Examples of Bilingual Education Setting Showing Proportional Allocation of FSP Compensatory Education Resources According to the Percentage of Student at Risk of Dropping Out of School**



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**Exhibit 5. Examples of Disproportional Allocation of FSP Compensatory Education Resources to Campuses**


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To reiterate an important point, there is little likelihood that any LEA's resource allocation patterns would mirror those illustrated in Exhibits 3-5 because of important considerations that are made for programmatic reasons, relating to differences in academic performance across campuses if all other factors were equal. However, the illustrations do serve to explain the requirement in state law that the basic allotment is to be supplemented in providing state compensatory education resources to students at risk of dropping out of school.

### 9.2.13 Example of District Profiles of Supplant of Regular Education Program Resources

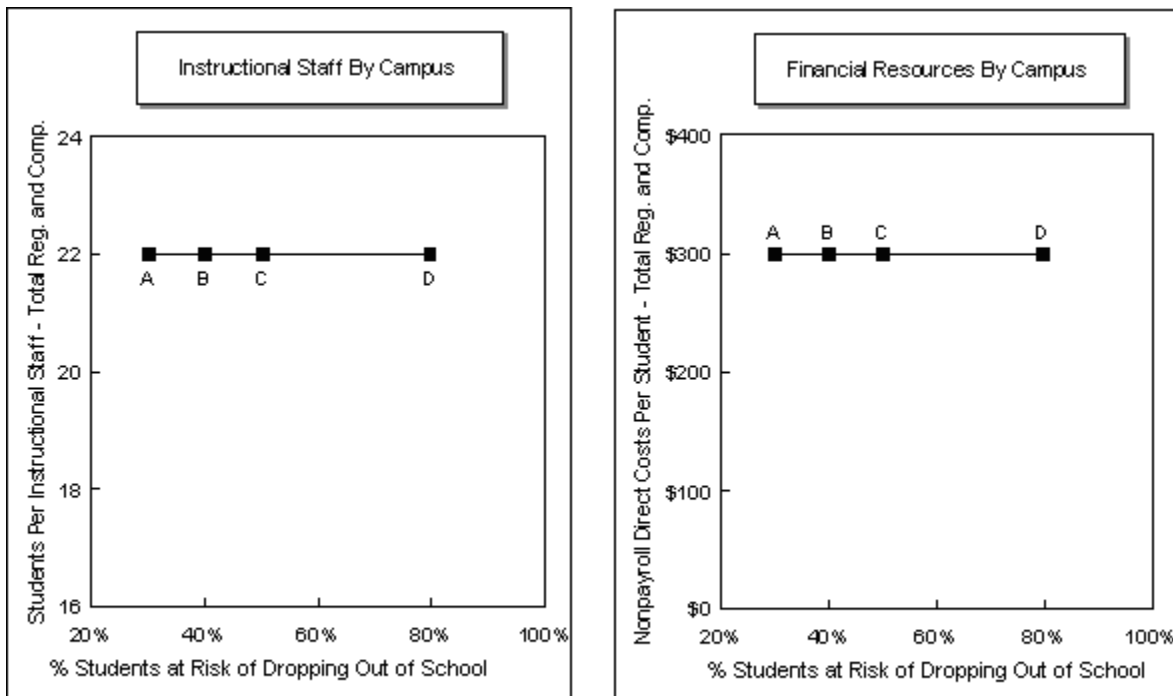
LEA resource allocation practices that appear to supplant regular education resources are illustrated in Exhibit 6. Exhibit 6 illustrates a simple formula for allocation of aggregate regular education and FSP compensatory education resources that are in proportion to enrollment in different campuses, without any discernible correlation to the percentage of students at risk of dropping out of school per campus. The exhibit illustrates what appears



to be an extreme example of the LEA that is supplanting regular education resources with the FSP compensatory education allotment.

The LEA gives the appearance that it is supplanting the regular education program if the allocation of compensatory education resources appears independent of the number and/or proportion of students at risk of dropping out of school across all campuses. Such an allocation practice contradicts a logical expectation that resources tend to be concentrated according to increased student needs for additional staff, training, educational services, specialized curriculum, and specialized instructional equipment.

**Exhibit 6. Examples of FSP Compensatory Education Resource Allocations that Suggest Supplant of the Regular Program**



### 9.2.14 Federal Program Compliance Considerations in Design of State Compensatory Education Programs

Title I, Part A of the Elementary and Secondary Education Act (ESEA), as amended, is intended to improve the regular education programs operated by local education agencies.

The two types of programs by Title I, Part A are schoolwide programs and targeted assistance programs. Both schoolwide and targeted assistance programs must use effective methods and instructional strategies that are grounded in scientifically based research. Each of these program types has components that are required by law, and the state compensatory education requirements affect each program type differently.

### **9.2.14.1 Considerations Related to Targeted Assistance in Elementary and Secondary Education Act, as Amended, Title I, Part A**

A campus that is eligible for Title I, Part A services but is either ineligible or chooses not to participate as a schoolwide program may operate a targeted assistance program.

The intent and purpose of a targeted assistance program operated under Elementary and Secondary Education Act, as amended, Title I, Part A is to provide **supplemental services** only to eligible Title I, Part A students identified as having the greatest need for special assistance based on **multiple, educationally-related, objective criteria**. A targeted assistance program employs staff paid with Title I funds to serve only those students who have been identified as Title I students.

A supplemental State or local program meets the requirements of a targeted assistance program if the program –

- Serves only children who are failing, or most at risk of failing, to meet the State’s challenging student academic achievement standards;
- Provides supplementary services designed to meet the special educational needs of the children who are participating in the program to support their achievement toward meeting the State’s student academic achievement standards; and
- Uses the State’s assessment system described in 34 CFR Part 200.2 to review the effectiveness of the program.

Therefore, the LEA must have established criteria for every grade that receives services under Title I, Part A targeted assistance programs. Any supplemental identification criteria established at the campus level must also be described in the Title I, Part A targeted assistance campus improvement plan.

Students must be identified on the basis of multiple, educationally related, objective criteria established by the LEA and supplemented by the school. The LEA’s criteria for identifying students for Title I, Part A services must be clearly defined in the LEA’s district/campus improvement plans or charter school instructional plan. Any supplemental criteria established at the campus level must also be described in the corresponding campus plan. The LEA must have criteria for every grade that receives services under Title I, Part A targeted assistance programs.

Children from preschool ages through Grade 2 shall be selected solely on the basis of such criteria as:

- teacher judgment;
- interviews with parents; and
- developmentally appropriate measures.

A Title I, Part A, **targeted assistance program** must do the following:

1. implement the Eight Components of a targeted assistance program;
2. include in the CIP the **student eligibility criteria** used for identifying Title I, Part A, students—students who are failing or most at risk of failing to meet the state’s student performance standards;

The campus must use multiple (at least two), educationally related, objective criteria established by the LEA; and

3. describe in the CIP how Title I, Part A, funds are spent on **effective methods** and instructional strategies that are **based on scientific research** for participating Title I, Part A, students.

**The Title I program incorporates only instructional strategies that scientifically-based research has shown are effective with teaching low-achieving students. Targeted assistance programs cannot serve all students in a grade. They can only serve students identified as in greatest need. Additionally, the number of students served should be less than 40% of the total enrolled at the campus.**

To assist targeted assistance schools and local educational agencies to meet their responsibility to provide for all their students served under this part the opportunity to meet the State’s challenging student academic achievement standards, each Title I, Part A targeted assistance program includes **eight required components**. Each targeted assistance program shall —

- 1) use Title I, Part A resources to help participating children meet the state’s challenging student academic achievement standards expected for all children;
- 2) ensure that planning for students served is incorporated into existing school planning;
- 3) use effective methods and instructional strategies that are **based on scientifically based research** that strengthens the core academic program of the school and that —
  - give primary consideration to providing extended learning time, such as an extended school year, before- and after-school, and summer programs and opportunities;

- help provide an accelerated, high-quality curriculum, including applied learning; and
  - minimize removing children from the regular classroom during regular school hours for Title I, Part A instruction;
- 4) coordinate with and support the regular education program, which may include services to assist preschool children in the transition from early childhood programs such as Head Start, Even Start, Early Reading First or State-run preschool programs to elementary school programs;
  - 5) provide instruction by highly qualified teachers;
  - 6) provide opportunities for professional development for teachers, principals, and paraprofessionals, including, if appropriate, pupil services personnel, parents, and other staff, who work with participating children in targeted assistance programs or in the regular education program; and
  - 7) provide strategies to increase parental involvement, such as family literacy services;
  - 8) coordinate and integrate Federal, State, and local services and programs, including programs supported under this Act, violence prevention programs, nutrition programs, housing programs, Head Start, adult education, vocational and technical education, and job training.

The LEA must maintain current records to document the number of students from low-income families, the students who meet the eligibility criteria, and the students identified as having the greatest need for special assistance.

### **9.2.14.2 Considerations Related to Schoolwide Programs Operated under Elementary and Secondary Education Act, as Amended, Title I, Part A**

The intent and purpose of a Title I, Part A schoolwide program is to upgrade the entire educational program at the participating campus. Title I, Part A funds must be supplemental. All children enrolled at a schoolwide campus are eligible to participate.

The goal of schoolwide programs is to generate high levels of academic achievement in core subject areas for all students in a school. Schoolwide programs must also focus on the

needs of the low-achieving children and those at risk of not meeting state achievement standards. All staff and resources are part of the overall schoolwide program.

Although a campus has met the 40% threshold, they are not required to serve schoolwide. See discussion below regarding becoming a schoolwide program.

Title I, Part A schoolwide programs operate according to a plan that contains proven, research-based strategies designed to facilitate schoolwide reform and improvement, including professional development activities based on practices proven to be successful in helping teachers improve the quality of their instruction. Furthermore, Section 1114 of Title I of the ESEA requires that the plan be developed with the involvement of parents and other members of the community to be served and individuals who will carry out the plan, including teachers, principals and administrators, and, if appropriate, pupil services personnel, technical assistance providers, school staff, and, if the plan relates to a secondary school, students from such schools. The planning team must remember that any strategies the school considers should be research-based and likely to produce the desired results. Therefore, in addition to being grounded in scientifically based research, the strategies developed must be comprehensive and span all grades and subjects.

### ***Becoming a Schoolwide Program***

For a school to operate a schoolwide program, the following must occur:

- Poverty level at the individual school building needs to be 40 percent or above. (Once a school becomes schoolwide, it may remain a schoolwide even if the poverty level drops below 40 percent)
- The school, in consultation with its district and its school support team or other technical assistance provider, decides if it wants to become a schoolwide program in order to upgrade the school's total educational program.
- High-quality assistance and support is available to the school from external technical assistance providers.
- A comprehensive plan must be developed over a one-year period based upon an extensive needs assessment. The one-year time period may be shortened only if the school district determines, after consideration of the technical assistance availability, that less than one year is needed to have a schoolwide plan developed and ready for implementation.
- The plan is to be developed by a diverse group of appropriate individuals
  - Teachers
  - Principals
  - Pupil services personnel
  - Support Staff
  - Parents
  - Other members of the community to be served.
  - Secondary level students if program is at a high school
  - Administrators from other Title programs

- Schoolwide plans must describe how other local, state and federal resources will be used in conjunction with Title I funds. The school also may consider coordinating with other programs such as: Reading First, Early Reading First, Even Start, Carl D. Perkins Vocational and Technical Education Act of 1998, and the Head Start Act.
- Plans should describe how the school will provide information about the results of individual student academic assessments to parents in a language they can understand.
- The plan must describe how the school will implement all of the ten required components.
- The plan should be reviewed and revised as necessary.

### ***Components of a Schoolwide Program***

A schoolwide program must include and address the following 10 components in its plan:

1. **A comprehensive needs assessment** of the entire school, including the needs of any migratory children in attendance. This assessment is based on information about the achievement of children in relation to the Texas state Academic Standards (TAKS). It should identify gaps between the current status of the school and its vision of where it wants to be, relative to key indicators or focus areas.  
Data obtained from the needs assessment provide the foundation for the goals of the comprehensive schoolwide plan.
2. **Schoolwide reform strategies** that provide opportunities for all children to meet the state's academic standards, particularly low-achieving children. The plan also should address how the school will determine if student needs have been met.
3. **Instruction by highly qualified teachers** (Refer to the NCLB Program Coordination web page for additional information: <http://www.tea.state.tx.us/nclb/>.)
4. **High quality and ongoing professional development** for teachers, principals, and paraprofessionals, and if appropriate, pupil services personnel, parents, and other staff.
5. **Strategies to attract high-quality highly qualified teachers**
6. **Increased parental involvement** activities including family literacy services.
7. **Assist preschool children in the transition from early childhood programs**, such as Head Start, Even Start, Early Reading First, or a state-run preschool program, to local elementary school programs.
8. **Include teachers in the decisions regarding the use of academic assessments** in order to provide information on, and to improve, the achievement of individual students and the overall instructional program.
9. **Provide effective, timely additional assistance** and activities to students who experience difficulty mastering the proficient or advanced levels of academic achievement standards. This shall include measures to ensure that students' difficulties are identified on a timely basis and provide sufficient information on which to base effective assistance.
10. **Coordinate and integrate federal, state, and local services and programs.** These may include other programs under the Elementary and Secondary Education Act (ESEA), and violence prevention, nutrition, housing, Head Start, adult education, vocational and technical education, and job training programs.

## ***Other Considerations***

- Identification of students is not required, but care must be taken to ensure that the needs of those farthest from meeting the state's student academic achievement standards are met.
- Services to children in schoolwide programs must be supplemental in nature, not supplanting services.
- Schools with schoolwide programs that consolidate and use funds from different federal programs are not required to maintain separate fiscal accounting records, by program.

The schoolwide campus must evaluate annually the outcomes and the plan's implementation to determine whether the academic achievement of all students, and particularly of low-achieving students, improved, whether the goals and objectives contained in the plan were achieved, and if the plan is still appropriate as written.

In summary, a schoolwide campus must retain documentation related to its three core components: the comprehensive needs assessment, the comprehensive schoolwide plan, and the evaluation. Documentation relating to the needs assessment should include significant information about the achievement of students and conditions in the school that directly affect their academic achievement. Documentation relating to the comprehensive schoolwide plan must contain specific information about how the program will implement each of the 10 required components, how resources will be used, the programs consolidated to support the schoolwide program, and how student assessment results will be disseminated. Documentation relating to the evaluation should include the method of evaluation used, and findings that describe the results achieved by the schoolwide program and its implementation.

Technical assistance on schoolwide program requirements and accounting for funds combined on schoolwide campuses is available at the regional Education Service Centers (ESCs).

## ***Resources:***

- Division of NCLB Program Coordination, Texas Education Agency  
<http://www.tea.state.tx.us/nclb/>
- Designing Schoolwide Programs  
<http://www.ed.gov/policy/elsec/guid/designingswpguid.doc>
- U.S. Department of Education: <http://www.ed.gov>
- ED Pubs:  
<http://www.ed.gov/about/ordering.jsp>  
1-877-4-ED-PUBS

- Public Law print of Public Law 107-110 , the No Child Left Behind Act of 2001  
<http://www.ed.gov/policy/elsec/leg/esea02/index.html>
- Success Stories - From ED News Parents Can Use.  
See videos of schools that are improving achievement and helping students succeed.  
<http://www.ed.gov/nclb/overview/intro/reauth/successstories/index.html>
- This website offers "one-stop-shopping" for links to legislation, Federal Register Notices, Policy Guidance, and Grant Applications for the *No Child Left Behind Act of 2001*. Links to Legislation, Regulations, and Policy Guidance for programs still being implemented under the *Improving America's Schools Act* are also on this site.  
<http://www.ed.gov/about/offices/list/oese/legislation.html>
- National Association of State Title I Directors  
<http://www.titlei.org/>

### 9.2.14.3 Supplement, Not Supplant and Comparability

#### *Introduction*

In general, the term “Supplement, Not Supplant” means that federal funds must be used to enhance or increase the level of funding which is normally available from state or local sources; federal funds must not replace state and local funds.

Title I, Part A funds must be used only to supplement the amount of funds that would, in the absence of Title I, Part A funds, be made available from state and local sources; Title I, Part A funds may not supplant (take the place of) non-federal funds.

Any program activity required by state law or State Board of Education rule may not be funded with federal funds, regardless of whether any funding was provided in conjunction with the state mandate.

Federal funds may not be used to fund positions, programs, or activities which were previously funded from state funds. For example, a position which was previously funded under one federal program may be funded under another federal program. However, a position may not be funded under a federal program when that position was previously funded from non-federal (state or local) funds. The only exception



to this rule is if the position was previously funded from state or local funds to carry out state-funded activities and the position is no longer needed to carry out such activities. Then the position could be funded from federal funds to carry out activities associated with the respective federal program.

Documentation must be maintained which clearly demonstrates the supplementary nature of federal funds.

- Fiscal and program records must show that activities conducted with federal funds were not previously funded from state or local sources.
- In order to demonstrate the supplementary nature of federally funded activities, grant recipients should maintain a written plan which clearly outlines what activities are state or locally funded versus which activities are federally funded, and provide a description of how these activities are supplementary.

Supplemental state or local funds expended to meet the intent and purpose of Title I, Part A as described in 34 CFR may be excluded from this requirement.

The purpose of the federal fiscal requirement of supplement, not supplant is to ensure that the level of state and local support for programs remains at least constant and is not replaced by federal funds.

Funds for this program must be used to supplement (increase the level of services) and not supplant (replace) funds from nonfederal sources. Any program activity required by State law, State Board of Education (SBOE) rules, or local board policy may not be paid with these funds. State or local funds may not be decreased or diverted for other uses merely because of the availability of these funds. The LEA must maintain documentation that clearly demonstrates the supplementary nature of these funds.

An LEA may receive Title I, Part A funds only if it uses state and local funds to provide services at Title I, Part A campuses that are at least comparable to the services provided at campuses that are not receiving Title I, Part A funds. Comparability applies only to multiple attendance areas and campuses with more than 100 students. For determining comparability, LEAs compare state and local per pupil expenditures, per pupil expenditures for state and local salaries, or the pupil/non-federal instructional staff ratio. Whichever method the LEA chooses, the method must be applied consistently throughout the LEA.

For the purpose of determining comparability, the LEA may exclude state and local funds expended for (1) bilingual education for children with limited English proficiency, (2) excess costs of providing services to children with disabilities, or (3) supplemental state or local funds that meet the exclusion requirements under 34 CFR 200.79.

For the purposes of determining compliance with the Title I, Part A fiscal requirement—supplement, not supplant and comparability—described above under Title I, Part A, the LEA may exclude supplemental State or local funds expended in any school attendance

area or school for programs that meet the requirements of Section 1114 (schoolwide programs) or Section 1115 (targeted assistance programs).

### ***Description of the Schoolwide Program***

Schoolwide programs address the educational needs of children living in impoverished communities with comprehensive strategies for improving the whole school so every student achieves high levels of academic proficiency. Schoolwide programs have great latitude to determine how to organize their operations and allocate the multiple funding sources available to them. They do not have to identify particular children as eligible for services or separately track Federal dollars. Instead, schoolwide programs can use all allocated funds to increase the amount and quality of learning time.

A campus participating in a schoolwide program shall use Title I, Part A funds only to supplement the amount of funds available from non-federal sources for the campus including funds needed to provide services that are required by law for children with disabilities and children with limited English proficiency. A schoolwide campus does not have to demonstrate that activities are supplemental. The school is not required to identify particular children or to provide supplemental services to identified children. Other funds may be used on a schoolwide campus in combination with Title I, Part A to upgrade the entire educational program, but the funds must not be commingled. Such schoolwide programs are exempt from statutory or regulatory requirements of other federal education programs, provided that the intent and purposes of each such program are met and the needs of the intended beneficiaries of the federal fund sources combined are met. The effectiveness of the program is measured by student performance.

## ***Schoolwide***

### ***34 CFR 200.79***

Schoolwide: A supplemental State or local program will be considered to meet the requirements of Section 1114 if the program:

1. Is implemented in a school that meets the schoolwide poverty threshold for eligibility;
2. Is designed to promote schoolwide reform and upgrade the entire educational program in the school to support students in their achievement toward meeting the State's challenging student performance standards that all students are expected to meet;

3. Is designed to meet the educational needs of all children in the school, particularly the needs of children who are failing, or most at risk of failing, to meet the State's challenging student performance standards; and
4. Uses the State's system of assessment under Section 34 CFR 200.2 to review the effectiveness of the program.

Note: These criteria apply to all schoolwide campuses, including those that have been granted an Ed-Flex Waiver to waive the schoolwide poverty threshold.

### ***Fiscal and Program Requirements for All Schoolwide Programs***

In summary, the following fiscal and program requirements apply to all schoolwide programs.

1. The LEA must be able to maintain an audit trail according to budget authority in the Notice of Grant Award for federal funds expended on a schoolwide campus.
2. The LEA must be able to demonstrate comparability of services and/or maintenance of effort as required by each federal program.
3. Program activities included on a schoolwide campus must be implemented and evaluated as required by each federal program.
4. Federal funds on a schoolwide campus must be used to meet the needs identified through the school's comprehensive needs assessment and the school reform activities described in the Campus Improvement Plan. The Campus Improvement Plan must incorporate the requirements for a Schoolwide Program.
5. Documentation at the local level must be maintained to demonstrate that appropriate activities were conducted to reasonably address the needs of the intended beneficiaries of the federal programs included on a schoolwide campus and that the intent and purposes of each federal program were met.

To ensure that Title I, Part A funds were used to provide services that were in addition to the regular services normally provided by an LEA for participating children, the LEA must have met three fiscal requirements related to the expenditure of regular state and local funds. An LEA must have—

- Maintained state and local effort;
- Provided services in project areas with state and local funds that were at least comparable to services provided in areas not receiving Title I, Part A services; and
- Used Title I, Part A funds to supplement, not supplant regular non-federal funds.

To ensure that required planning was conducted, documentation at the local level must have been maintained to demonstrate that each schoolwide program plan was:

- developed with the involvement of parents and other members of the community served and individuals who carried out the plan, including teachers, principals, and administrators, administrators of other Title I programs, and if appropriate, pupil services personnel, technical assistance providers, school staff, and, if the plan related to a secondary campus, students from such campus.  
*Parental Involvement: Title I, Part A Non-Regulatory Guidance.*  
April 23, 2004. [See Appendix E for a sample template of a school-parent compact.  
<http://www.ed.gov/programs/titleiparta/parentinguid.doc>
- in effect during the campus's participation under Title I, Part A and was reviewed and revised when necessary by the campus.
- made available to the LEA, parents, and the public, and the information contained in the plan was in an understandable and uniform format and, to the extent practicable, provided in a language that the parents could understand.
- developed (when appropriate) in coordination with programs under Reading First, Early Reading First, Even Start, Carl D. Perkins Vocational and Technical Education Act of 1998, and the Head Start Act.

### ***Targeted Assistance***

#### **34 CFR 200.79**

Targeted Assistance: A supplemental State or local program will be considered to meet the requirements of Section 1115 if the program:

1. Serves only children who are failing, or most at risk of failing, to meet the State's challenging student performance standards;
2. Provides supplementary services designed to meet the special educational needs of the children who are participating to support their achievement toward meeting the State's student performance standards that all children are expected to meet; and
3. Uses the State's system of assessment under 34 CFR Part 200.2 to review the effectiveness of the program.

## ***Title I Programs***

Regardless of which types of Title I, Part A, program the LEA operates, it is possible that some Title I, Part A, administrative, professional development, parental involvement, or even instructional activities are conducted through the central office. The LEA should be able to respond appropriately to and maintain documentation for each of the following questions to determine whether certain expenditures would be allowable:

1. Is the program, activity, or strategy reasonable and necessary to carry out the intent and purpose of the program?
2. Does the program, activity, or strategy address a need previously identified in the campus comprehensive needs assessment?
3. Is the program, activity, or strategy to be funded described in the district/campus or charter improvement plan before the decision of whether to pay the expenditure from Title I, Part A, funds?
4. How will the program, activity, or strategy be evaluated to measure a positive impact on student achievement?
5. If for a schoolwide campus, will the program, activity, or strategy upgrade the entire educational program on the campus?
6. Is the program, activity, or strategy supplemental to other nonfederal programs? On a schoolwide program, the amount of Title I, Part A, funding on the campus must be supplemental. On a targeted assistance program, the program, activity, or strategy must be supplemental.

The Title I, Part A, guidance document at <http://www.tea.state.tx.us/nclb/newpolicy/title1a.pdf> describes other general uses of Title I, Part A, funds for items such as salaries, rent, maintenance, mobile vans, and equipment.

## ***QUESTIONS AND ANSWERS***

**Question 1:** When may nonfederal supplemental funds be excluded for supplement, not supplant and comparability on a targeted assistance campus?

**Answer 1:** Nonfederal supplemental funds may be excluded IF:

- the funds are used to implement a program that meets the requirements of 34 CFR 200.79;
- **funds are not used for implementing the regular mandated foundation program;**

- funds are not used to implement an activity required by state law, SBOE rule, or local board policy;
- the program uses multiple, educationally related, objective criteria that are comparable to Title I, Part A for determining eligibility; and
- the program implements strategies **based on scientific research** that strengthen the core academic program, increase the amount and quality of learning time and include strategies to address the needs of low-achieving students.

**Question 2:** Must the “same” criteria used to identify Title I students on a targeted assistance campus also be used by programs conducted with nonfederal funds when these nonfederal funds will be excluded for supplement, not supplant and comparability?

**Answer 2:** No. However, the multiple criteria must be objective and educationally related and must be comparable to that used in Title I, Part A.

**Question 3:** Who determines if the nonfederal funds meet the criteria of supplemental on a schoolwide or targeted assistance campus?

**Answer 3:** The campus may request the exclusion, the LEA reviews and approves the exclusion, and the State verifies the program meets the intent and purposes of Section 1114 or 1115, as appropriate, through monitoring for exclusion for supplement, not supplant and through the review and approval of written documentation submitted for exclusion from comparability.

## ***Examples***

### ***Example 1***

One year on a Title I targeted assistance campus, a teacher is paid 50% from Title I, Part A funds and 50% from supplemental local funds for performing 100% Title I services.

May these nonfederal supplemental funds be excluded from the calculation of supplement, not supplant and comparability? Yes, because the funds meet the requirements for exclusion, the funds are not used for implementing the regular mandated foundation program, and multiple, objective, comparable educational criteria were used.

## **Example 2**

On a Title I, Part A targeted assistance campus, the campus implements a supplemental program in grades 1-3 for students failing math and reading.

May the campus use Title I, Part A funds for students failing reading and use supplemental state funds for those failing math? Yes.

Is this a violation of supplement, not supplant? Title I students must have equitable access to money and services that non-Title I students receive. It would appear in this example and other examples described in this document that Title I students are not getting their fair share. However, if nonfederal supplemental funds are used to carry out a “Title I-like program” which meets the requirements under 34 CFR 200.79, is not part of the regular mandated foundation program, uses multiple, objective, educationally related criteria, and is not required by state law or local board policy, the nonfederal funds may be excluded for determining supplement, not supplant and comparability.

Must these nonfederal supplemental funds be used to serve Title I identified children to meet the exclusion? No.

Must the school serve those students most in need with Title I funds or may the most in need be served with the supplemental state compensatory (SCE) funds? Either way is allowable.

Note: LEAs are required to provide TAKS remediation. Therefore, TAKS remediation activities funded with federal or supplemental nonfederal funds targeted for exclusion must be in addition to what is required by state law or local policy and addressed in the campus improvement plan.

## **Example 3**

An LEA implements a Title I program at grade 1 on a K-3 targeted assistance campus. The LEA uses supplemental SCE and local funds to implement a similar program in grades 2-3.

May these nonfederal funds at grades 2-3 be excluded for calculating supplement, not supplant and comparability? Yes, if the requirements in 34 CFR 200.79 are met.

## **Example 4**

Campus A (K-3) is a Title I targeted assistance campus and implements a Title I program at grades 2-3. Campus B (K-3) is NOT a Title I campus but provides the **same** supplemental program for grades 2-3 with supplemental state funds.

May Campus B exclude these state funds for determining compliance with the supplement, not supplant and comparability requirements? Yes, if the requirements in 34 CFR 200.79 are met.

### ***Example 5***

An LEA uses supplemental state funds to implement an Alternative Education Program (AEP) for Grades 6-12.

May the LEA exclude these supplemental state funds from the determination of compliance with supplement, not supplant and comparability requirements? Only the portion of funds that meets the requirements in 34 CFR 200.79 and is not used to provide the required Alternative Education Program may be excluded.

### ***Example 6***

An LEA offers a supplemental extended-day program with supplemental SCE funds at a non-Title I campus and offers a Title I, Part A extended-day program at a Title I, Part A Targeted Assistance campus.

Is this a supplant? No, if the program meets the requirements of 34 CFR 200.79.

### ***Reference Material***

For more detail about presumptions concerning whether an LEA has supplanted Title I funds see the discussion in the Part 4 – Department of Education Cross-cutting section of the [A-133 compliance supplement](#) (March 2009 version) .

The following documents or websites contain additional information to assist with program requirements and compliance questions. Lengthy guidelines are summarized with links to full text.

#### **NCLB Policy Guidance:**

<http://www.tea.state.tx.us/index4.aspx?id=4478>

#### **Program-Specific Provisions and Assurances:**

[http://198.214.97.41:8080/Guidelines/NCLB/NCLBAA09/NCLBAA09CS7000\\_X.pdf](http://198.214.97.41:8080/Guidelines/NCLB/NCLBAA09/NCLBAA09CS7000_X.pdf)

#### **NCLB Provisions and Assurances:**

[http://198.214.97.41:8080/Guidelines/Reference%20Materials/705XXXXCS7000\\_N.pdf](http://198.214.97.41:8080/Guidelines/Reference%20Materials/705XXXXCS7000_N.pdf)



**NCLB Program Appendices:** <http://www.tea.state.tx.us/index4.aspx?id=4480>

Appendix Title

- 1 [General Guidelines](#)
- 2 [OMB Circulars](#)
- 3 [Cost Principles Payroll](#)
- 4 [PEIMS](#)
- 5 [Encumbrances and Expenditures](#)
- 6 [Indirect Costs](#)
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## 9.3 Financial Accounting for FSP Compensatory Education

Standards for school district accounting systems are explained in the Financial Accountability System Resource Guide, Financial Accounting and Reporting (FAR, Module 1). Standards for financial accounting were improved to implement new requirements in Senate Bill 1873, 75th Legislature, Regular Session. Changes to the statute require that the standard accounting system produce information ensuring that direct costs of the FSP compensatory education program supplemented expenditures of the regular education program. Financial accounting standards for FSP compensatory education are explained below.

### 9.3.1 Financial Accounting for FSP Compensatory Education Programs

Financial accounting codes and general guidelines applicable to standard accounting records and reporting are described in the Resource Guide module Financial Accounting and Reporting (FAR, Module 1). Expenditures attributable to the FSP compensatory education program are recorded in financial accounting records under program intent codes 24, Accelerated Education; 26, Non disciplinary Alternative Education Programs – AEP Basic Services; 28, Disciplinary Alternative Education Program – DAEP Basic Services; 29 Disciplinary Alternative Education Program – DAEP State Compensatory Education Supplemental Costs; and 30, Title I, Part A Schoolwide Activities Related to State Compensatory Education Costs on Campuses with 40% or More Educationally Disadvantaged Students. (See Program Intent Codes section in the FAR, Module 1).

Activities reflected in expenditures attributable to FSP compensatory education are those activities that supplement the regular education program services provided to students at risk of dropping out of school. Supplemental expenditures for FSP compensatory education are incremental costs related to providing concentrated efforts, specialized contractual services, specialized supplies and materials and/or specialized equipment.

#### 9.3.1.1 Fund Codes

School district accounting systems are organized and operated on a fund basis. A fund is an accounting entity with a self-balancing set of accounts recording financial resources and liabilities. A school district designates the fund's financial resources for a distinct purpose. The fund's purpose can be established by the state or federal government as well as the school district.

The majority of FSP compensatory education program expenditures are accounted for in the General Fund, under fund code 199. Certain FSP compensatory education program expenditures are accounted for in the Special Revenue Fund, such as fund code 394, Pregnancy, Education and Parenting Program. Additionally, services provided through a shared services arrangement are accounted for under a state/local shared services arrangement fund code in the Special Revenue Fund (see 1.4.2 Fund Codes in the [Financial Accounting and Reporting](#) module).

### 9.3.1.2 Function Codes

A function represents a general operational area in a school district, and groups related activities. Most school districts use all of the functions in the process of educating students or organizing the resources to educate students. For example, in order to provide the appropriate atmosphere for learning, school districts offer guidance and counseling services, teach students, provide staff development to teachers, and provide library and media resources. Each of these activities is a function.

A majority of FSP compensatory education program expenditures are accounted for in the General Fund, under function code 11, Instruction. Other function codes account for additional instructional and non instructional-related activities. Transactions accounted for under various function codes are those transactions representing supplemental costs to the regular education program. Because all students are entitled to receive instructional services under a regular education program setting, instructional strategies that involve modification of the regular education program do not represent supplemental direct costs, unless incremental costs to the regular education program are demonstrated. Supplemental direct costs represent incremental costs, meaning that additional costs are involved above costs necessary to provide the regular education program. Compensatory education activities are for the purpose of supplementing the regular education program. Certain expenditure function codes are used exclusively to account for indirect costs. State Board of Education rules related to indirect costs are found in [Title 19 Texas Administrative Code \(TAC\) Chapter 105, Subchapter B](#).

### 9.3.1.3 Object Codes

An expenditure/expense account identifies the nature and object of an account, or a transaction. The school district's accounting records are to reflect expenditures/expenses at the most detailed level, as depicted in the chart of accounts (4 digits) for accounting and Public Education Information Management System (PEIMS) reporting (actual data) purposes. For PEIMS budget reporting purposes, expenditures/expenses are reported to the second digit of detail (6100, 6200, etc.) If a school district needs to use codes in addition to the mandatory codes for managerial purposes, the optional codes provided for local use in the code structure should be used.

The six major categories of expenditure object codes are:

- Payroll accounted for under the object code series 6100
- Professional and contracted services accounted for under the object code series 6200
- Supplies and materials accounted for under the object code series 6300
- Other operating costs accounted for under the object code series 6400
- Debt service accounted for under the object code series 6500
- Capital outlay for land, buildings and equipment accounted for under the object code series 6600

Direct costs charged to FSP compensatory education program in the General Fund are for incremental or supplemental costs to the regular education program. A majority of supplemental costs for compensatory education programs are recorded under the object codes for payroll, 6100.

Local officials have flexibility in allocating resources to different campuses and in determining how resources are to be used to benefit students. It should be noted that supplemental services, supplies and/or equipment charged to the state compensatory education allotment need to be indicated in the district/charter school improvement plan and benefit students at risk of dropping out of school served in compensatory education programs.

### **9.3.1.4 Organization Codes**

An organization is a group of employees and/or volunteers who are obligated to complete a specific responsibility. Usually, an organization has an identifiable leader or an individual who is accountable for the overall completion of the responsibility. A majority of supplemental direct costs for compensatory education programs involve instructional and instructional-related expenditures in campuses providing instruction in grades Pre-K through 12.

### 9.3.1.5 Program Intent Codes (PICs)

These codes are used to account for the cost of instruction and other services that are directed toward a particular need of a specific set of students. The intent (the student group toward which the instructional or other service is directed) determines the program intent code, not the demographic makeup of the students served. In the case of state programs, state law may determine the intent and permissible use of allotments. In the case of FSP compensatory education, state law restricts expenditures for direct costs to those costs that are supplemental to the regular education program. Costs recorded under Program Intent Codes (PIC) 24, Accelerated Education; 26, Non disciplinary Alternative Education Programs – AEP Basic Services; 28, Disciplinary Alternative Education Program – DAEP Basic Services; 29 Disciplinary Alternative Education Program – DAEP State Compensatory Education Supplemental Costs; and 30, Title I, Part A Schoolwide Activities Related to State Compensatory Education Costs on Campuses with 40% or More Educationally Disadvantaged Students need to be aligned with local district/campus improvement plans or charter school instructional plans.

Please refer to Section 1.4.15.4, Compliance Monitoring – Program Intent Codes, in the FAR Module for guidance regarding the types of costs to be recorded to each PIC.

### 9.3.1.6 Carry Over Amounts

According to [TAC §105.11](#), at least 55% of the school's compensatory education allotment is to be spent on direct costs each year. If a disproportionate amount of the allotment is received at the end of the year, carry over amounts may result if expenditures are less than 55 percent of the FSP compensatory education allotment for the school year. In this instance, carry over amounts are to be budgeted in the first or second subsequent fiscal year. In calculating the carry over amount, the lower of either the preliminary or final earned allotment amount reflected in the LEA's summary of finances is compared to the LEA's expenditure amount for the respective school/fiscal year.

## 9.3.2 School District Support for Charges to Compensatory Education

Several types of documents may be necessary to document the basis for charges to the FSP compensatory education allotment, such as allocations of payroll costs to regular and/or compensatory education. The primary and most important paper trail is provided by the district/campus improvement plan or the charter school instructional plan. Refer to Appendix 2 for a sample document to track costs and FTEs related to State Comp Ed.

### 9.3.2.1 District/Campus Improvement Plan

The comprehensive needs assessment is required by TEC 11.252. The needs assessment is a comprehensive evaluation plan of a school's strengths and weaknesses. The concept of needs assessment is to build on the school's strengths and improve areas of weakness. Educators are expected to use data from the needs assessment to write a school improvement plan that has specific targets and strategies designed by the school stakeholders to improve the school and student achievement. The process used is almost as important as the data that are collected.

The [district/campus improvement plan](#) or the charter school instructional plan is the primary record supporting expenditures attributed to the state compensatory education program. The plan serves to: (a) define purpose; (b) ensure accountability; (c) build consensus; (d) ensure that the use of resources is carefully planned and cost effective; (e) make certain that decision making is informed by a conscientious and well planned and managed evaluation system; (f) keep the mission focused; and, (g) increase productivity for greater results and success for *at risk* students. District and campus managers and leadership, and campus-based committees have broad discretion to design and implement compensatory education programs that best serve the unique needs of students in each campus.

<http://www.statutes.legis.state.tx.us/Docs/ED/htm/ED.11.htm>

### 9.3.2.2 Teacher Schedules

The primary record in the LEA supporting payroll charges to program intent code areas is the campus teacher schedule. This record describes the assignment of teachers and/or teacher assistants to instructional areas and other responsibilities during the school day. Other supporting documentation may be necessary, such as campus staffing formula policies and records documenting calculations of the supplemental costs of smaller class sizes.

Teacher schedules may also be used to charge other costs. Non payroll costs may be attributed to program intent codes according to the relative proportion of payroll costs charged to different programs or the relative proportion of FTEs assigned to various programs, as appropriate.

### 9.3.2.3 Campus Staffing Formulas

Campus staffing formulas contained in LEA local policies and/or district/campus improvement plans provide a benchmark figure that is used to calculate supplemental full-time equivalent (FTE) staff. The number of excess FTEs resulting from smaller class sizes is determined from campus staffing formulas. For example, if 10 additional teachers are

employed at a campus in order to improve instruction for students at risk of dropping out of school in FSP compensatory education to supplement the 50 teachers employed under campus staffing formulas, then the salaries and benefits for the 10 supplemental FTEs would be coded to Program Intent Code 24, Accelerated Education. Alternatively, in the preceding example, 1/6th or 16 percent of all teachers' payroll and benefits at the campus could be coded to Program Intent Code 24, Accelerated Education.

Campus staffing formulas may also be used as a basis to charge other costs. Non payroll costs may be charged according to the relative proportion of payroll costs charged to different programs or the relative proportion of FTEs assigned to various programs, as appropriate.

### **9.3.2.4 Job Descriptions**

Other primary records in the LEA supporting payroll charges to program intent code areas are job descriptions. This record describes the roles and responsibilities of staff in instructional and/or non instructional areas. Other supporting documentation may be necessary, such as time and effort records for staff that work in multiple cost objectives or program areas.

Job descriptions may also be used to charge other costs. Non payroll costs may be charged according to the relative proportion of payroll costs charged to different programs or the relative proportion of FTEs assigned to various programs, as appropriate.

### **9.3.2.5 Time and Effort**

Time and effort records are the primary records for documenting payroll charges for staff that work in multiple cost objectives involving federal programs. The record is used to record the time devoted to different program areas during the work day. Because consistency in policies may be preferable, districts may implement general policies in accordance with federal requirements for time and effort records. These records may be applicable in documenting payroll charges for non instructional staff that work a portion of their time in FSP compensatory education programs.

Time and effort records may also be used to charge other costs. Non payroll costs may be charged according to the relative proportion of payroll costs charged to different programs or the relative proportion of FTEs assigned to various programs, as appropriate.

### 9.3.2.6 Student Case Counts

Student case counts are other records that may be used to document payroll charges of staff, such as instructional aides. Calculations of ratios or percentages of students served in different program areas may be used to document payroll costs for staff that work in multiple program areas.

Student case counts may also be used to charge other costs. Non payroll costs may be charged according to the relative proportion of payroll costs charged to different programs or the relative proportion of FTEs assigned to various supplemental programs, as appropriate.

### 9.3.2.7 Use of Local Criteria

In addition to serving students at risk of dropping out of school, as defined in [TEC Section 29.081\(d\)](#), the LEA may serve students who meet local eligibility criteria if the local criteria have been adopted by the board of trustees. However, the number of students receiving services pursuant to local criteria during a school year may not exceed 10 percent of the number of students who received services from the LEA pursuant to TEC Section 29.081(d) during the preceding school year.

In this instance, the LEA may not use its compensatory education allotment to provide supplemental services or instruction to students identified as at risk pursuant to local criteria on a campus that did not have any students identified as at risk pursuant to Section 29.081(d). Students at risk of dropping out of school reported through the PEIMS must meet the criteria set forth in Section 29.081(d); students identified using local criteria are not reported through the PEIMS.

As with all other aspects of a compensatory education program, the LEA must document the need for the specific supplemental services or instruction in its comprehensive needs assessment. Once a need has been identified, the LEA may provide the specific supplemental services or instruction to students identified at risk of dropping out of school pursuant to local criteria. In accordance with [TEC Section 42.152\(c\)](#), the LEA must use its compensatory education allotment to fund supplemental programs and services designed to eliminate any disparity in performance on assessment instruments administered under Subchapter B, Chapter 39, of the Texas Education Code or disparity in the rates of high school completion between students at risk of dropping out of school, as defined by Section 29.081(d), and all other students. The school district may not use its compensatory education allotment to supplant other funds.

As with all other compensatory, intensive and accelerated instructional services, the LEA district must support its expenditure of compensatory education funds for the specific supplemental services and instruction by including an adequate description of said services in the campus improvement plan(s). Similarly, the LEA must evaluate the effectiveness of



the services or instruction. Lastly, consistent with TEC Section 42.152(c-1), a school district may only use its compensatory education allotment to provide the specific supplemental services or instruction in proportion to the number of at risk students identified pursuant to local criteria as compared to the number of at risk students identified pursuant to Section 29.081(d).

### **9.3.2.8 Statistical Sampling Based Time and Effort Studies**

A time and effort study that utilizes statistical sampling is another method that may be used to document payroll charges of staff. Statistical sampling methods applied to time and effort record keeping may decrease the administrative burden of keeping daily time and effort records.

Teacher schedules may also be used to charge other costs. Non payroll costs may be charged according to the relative proportion of payroll costs charged to different programs or the relative proportion of FTEs assigned to various programs, as appropriate.

### **9.3.2.9 Other Estimating Techniques for Allocation of Costs**

Other procedures may be used in estimating the relative proportions of payroll and other charges recorded under different program intent codes. Ratios used as a basis for allocating costs to program areas may be calculated from measurements reflecting the programmatic intent of services provided to students, and should not be based upon the demographics of populations served.

Accordingly, direct costs for state compensatory education programs must relate to substantive programmatic strategies as indicated in the LEA's school needs assessment, district/charter school improvement plans, and must be supplemental to direct costs necessary to provide the regular education program.

## **9.3.3 Cost/Benefit Considerations for School Districts Relating to Detailed Financial Accounting Procedures**

The Basic or Enhanced Program Intent Codes are to be charged with costs directly attributable to the program intent codes according to definitions and examples provided in the Resource Guide Financial Accounting and Reporting module. In some cases, this may require the allocation of costs among several program intent codes. However, the allocation of costs should be performed only when, in the judgment of the LEA

management, there would be a material effect on the financial records of either an individual transaction or the total amount of a certain type of transaction. Consideration should also be given to the effort involved in gathering the information necessary to perform the allocation compared to the benefit derived from the allocation of costs. In some instances, the cost of effort to allocate costs among several program intent codes may exceed the cost of the underlying transaction.

If the LEA elects not to allocate costs to Basic or Enhanced Program Intent Codes or the Athletics and Related Activities Program Intent Code, the Undistributed Program Intent Code 99 is to be used.

### 9.3.4 Allocation Formula of the Texas Education Agency

TEA provides a formula to allocate costs recorded in Program Intent Code 99, Undistributed, according to instructional FTEs (on the Fall Snapshot) assigned to Basic and Enhanced Program Intent Codes. Compliance with direct cost requirements in state law relating to FSP compensatory education is monitored by TEA using allocated cost information in PEIMS. This information includes costs assigned to specific program intent codes. Shared services arrangement cost information which is submitted on a special PEIMS record will also be included in the compliance monitoring calculations. The total costs which will be considered for compliance monitoring purposes are represented by the following formula.

Expenditures coded by the school district to specific Enhanced Program Intent Codes	+	Allocations of expenditures to Enhanced Program Intent Codes from the Undistributed Program Intent Code (99) based upon instructional full-time equivalents	+	Expenditures associated with a school district as a member of a shared services arrangement which are coded to specific Enhanced Program Intent Codes	=	Total expenditures used for monitoring purposes such as maintenance of effort, comparability and compliance with State Board of Education rules on indirect costs
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## 9.4 Risk Assessment Processes and Identification of Schools Requiring a Local Audit

### ***General***

The risk assessment system described in this section was developed in accordance with House Bill 3459, 78<sup>th</sup> Legislature (2003). The electronic reporting and audit system primarily uses information and data currently submitted through the Public Education Information Management System (PEIMS) and other reporting systems. These traditional data and reporting requirements are supplemented by four types of electronic documents submitted by electronic filing of PDF documents through a Texas Education Agency Secure Environment (TEASE) AUDIT account. These four electronic documents which explain various strategies for state compensatory education programs are:

- 1) district improvement plans from school districts,
- 2) campus improvement plans from school districts,
- 3) instructional plans from charter schools, and
- 4) local evaluations by school districts and charter schools of state compensatory education strategies, activities and programs.

The risk assessment system that is described in this section is comprised of multiple objective indicators and certain compliance indicators. TEA staff will assess the degree of risk of noncompliance in a school district's or charter school's use of the Foundation School Program (FSP) state compensatory education allotment for the previous fiscal year and the degree of risk that the school inadequately reported data related to state compensatory education programs.

### ***Threshold***

The risk assessment will be done by TEA staff for all school districts and charter schools whose FSP state compensatory education allotment for the previous fiscal year was \$500,000 or more.

## Risk Indicators

### Exhibit 7. Risk Indicators for Electronic Auditing System of School Districts and Charter Schools

Indicator	Threshold		Data Source
	Value	Yes No	
<b>Critical Indicators</b>			
1. Was School FIRST rating above substandard achievement? (This indicator shall apply to charter schools beginning with the 2010-2011 school year)	N/A		School FIRST rating for the school district for the previous fiscal year
2. Were actual expenditures reported in PEIMS in the General Fund for state compensatory education-related costs equal to or greater than 55% of the state compensatory education allotment, based upon a three-year average of the LEA's allotments and actual expenditures? <sup>1</sup>	N/A		Summary of Finances and PEIMS submission of actual financial data for the three previous fiscal years
3. Did the school district's or charter school's academic rating exceed Academically Unacceptable for the most recent school year that an academic rating was assigned?	N/A		Accountability Ratings for the school district or charter school for the previous school year
4. Was the Annual Financial and Compliance Report (and the Agreed-Upon Procedures Report for State Compensatory Education, if applicable) filed within 30 days after the due date?	N/A		Annual Financial and Compliance Report for the previous fiscal year
5. Did more than 5 at risk students drop out annually over a three-year period OR did 1% or more of the at risk population drop out annually over a three-year period AND did the three-year trend in the dropout rate of at risk students evidence an overall increase in the dropout rate? <sup>2</sup>	N/A		Fall PEIMS submission of student data for three previous school years
6. Did the three-year trend for the at risk population not evidence an overall decrease in TAKS performance? <sup>3</sup>	N/A		TAKS performance data for three previous

<sup>1</sup> For the 2008-2009 and previous school years, this analysis is based on direct costs equal to or greater than 85% of the state compensatory education allotment.

<sup>2</sup> The 78<sup>th</sup> Legislature required the TEA to implement adjustments to the dropout measures. This indicator will be applicable when adjusted dropout measures are available for three successive school years.

<sup>3</sup> This indicator will be effective when TAKS exam results are available for at least three successive school years. With the conversion to end-of-course exams, this indicator will be adjusted.

		school years
<b><i>Other Indicators</i></b>		
<b>7.</b>	Was the percent of students at risk of dropping out of school less than the threshold value (count of at risk students in the school district or charter school /total students in the school district or charter school)?	59.0%
<b>8.</b>	Was the percent of low income students less than the threshold value?	80.0%
<b>9</b>	Was the overall student teacher ratio lower than the threshold value?	16.3:1
<b>10</b>	Was the percent of attendance greater than the threshold value?	94.5%
<b>11</b>	Was the percent of limited English proficient students less than the threshold value?	33.0%
<b>Totals</b>		

A local audit will be obtained (and paid for) by a school district or a charter school, in accordance with the requirements for an agreed-upon procedures engagement for the compensatory education program, as follows:

- If one or more critical indicators in Exhibit 7 (indicators one through six) are answered “no”;
- If indicator seven is answered “no” and one or none of the indicators eight through 11 are answered “yes”;
- If the TEA identifies significant data quality issues relating to staff, students or financial data submitted through the Public Education Information Management System;
- If the TEA identifies noncompliance during the course of audit, investigative or monitoring activities of other state and/or federal programs (e.g. Title I, Part A);
- If the most recent agreed-upon procedures engagement submitted to the TEA disclosed significant deficiencies or noncompliance (or if school district or charter school did not

submit an agreed-upon procedures report for any subsequent school year in accordance with TEA requirements to obtain a local audit or submitted the report late);

- If the school district did not submit district and campus improvement plans or the charter school did not submit instructional plans for the previous school year, in accordance with this section; or
- If the school district or charter school did not submit a local evaluation of state compensatory education strategies, activities and programs for the previous school year, in accordance with this section.

### ***Timeline for Risk Assessment***

Within 60 days after the due date for submission of the district/campus improvement plans (instructional plans from charter schools) and local evaluations, a school district or charter school that evidenced a high degree of risk will be notified in writing concerning the TEA's requirement that the school district or charter school obtain a local audit of state compensatory education; however, evidence of high risk associated with data quality issues may result in notification at any time that such evidence is disclosed by TEA staff.

Because the risk assessment processes described in this section are relatively simple, a school district or charter school should be able to anticipate receiving notification from the TEA to obtain a local audit. Thus, a school district or charter school should appropriately factor in this requirement during budgetary development processes for the next fiscal year, as soon as the school district or charter school is able to reasonably anticipate the probability of this requirement.

#### ***Example Timeline:***

February 19, 2009 – last date for resubmitting midyear data for school year 2007-08

July 19, 2009 – 150 days after PEIMS resubmission; due date for electronic reports for school year 2007-2008

September 20, 2009 – 60 days after electronic reporting deadline; preliminary notification of Agreed-Upon Procedures (AUP) requirement

October 20, 2009 – 30 days after preliminary notification; deadline for appeal of AUP requirement

December 1, 2009 – final notification of Agreed-Upon Procedures (AUP) requirement

April 30, 2010 – due date for Agreed-Upon Procedures (AUP) report

## ***Filing Requirement for Agreed-Upon Procedures Report***

For those school districts and charter schools that are required to obtain a local audit, the Agreed Upon Procedures report for State Compensatory Education is to be submitted in both paper format and electronically (in Adobe Acrobat® pdf format). The electronic report must be submitted through a Texas Education Agency Secure Environment (TEASE) AUDIT account. File naming and submission instructions are outlined in the Electronic Reports Submission Standards which can be found on the [School Financial Audits](#) web page on the Texas Education Agency web site.

## ***Alternate Procedures***

If a school district or charter school that has a state compensatory education allotment is exempted by the TEA from electronic reporting under the provisions of Texas Education Code Section 42.152(q)-(q-4) for any reason (such as receiving an allotment less than \$500,000), the school district's or charter school's annual financial and compliance report will be reviewed for disclosures of material noncompliance with the requirements for state compensatory education. Evidence of material noncompliance may cause the TEA to direct the local school district or charter school to obtain a local audit in accordance with the requirements for an agreed-upon procedures engagement for the compensatory education program.

## ***On-site Monitoring***

As authorized in Section 42.152(q-2) of the Texas Education Code, the Division of Financial Audits may conduct on-site monitoring of a school district's or charter school's expenditures of its state compensatory education allotment if the school district or charter school did not submit an agreed-upon procedures report for any subsequent school year in accordance with TEA requirements to obtain a local audit or if one or more of the following criteria are observed for two or more consecutive school years.

- If the TEA identifies noncompliance during correspondence or on-site monitoring of the school district's or charter school's expenditures of its state compensatory education allotment;
- If the agreed-upon procedures engagements submitted to the TEA disclosed significant deficiencies or noncompliance and the school district or charter school failed to adequately address the significant deficiencies or noncompliance;
- If the school district did not submit district and campus improvement plans or the charter school did not submit instructional plans in accordance with this section; or
- If the school district or charter school did not submit local evaluations of state compensatory education strategies, activities and programs, in accordance with this section.

## 9.4.1 Role of the Independent Auditor in Testing for Compliance with Budgeting, Accounting, Operational and Reporting Standards Related to State Compensatory Education

This section only applies if the LEA is required to obtain a local audit under Section 42.152 of the Texas Education Code.

The LEA's independent auditor represents an important check and balance in the public education financial accountability system in testing for compliance with budgeting, accounting, operational and reporting standards related to state compensatory education. The independent auditor applies agreed-upon procedures in evaluating management's assertion about the LEA's compliance with state compensatory education requirements. Specific aspects of compliance matters that are addressed by the independent auditor are found in various sections of the Texas Education Code, including Sections [11.251-11.253](#), [29.081](#) and [42.152](#), State Board of Education rule 19, TAC, Section 109.25, and this module of the Resource Guide. Additional requirements apply to testing compliance with standards for use of account codes in fiscal data reported through the Public Education Information Management System (PEIMS).

The independent auditor's working papers are to document the extent and scope of the work performed in connection with tests applied to management's assertions about compliance with state compensatory education requirements. The working papers are to document the auditor's procedures performed and samples selected.

The major areas requiring testing in relation to state compensatory education in the LEA are identified below along with examples of agreed-upon procedures which may be performed by the independent auditor. While the list of procedures is comprehensive, it is not considered all-inclusive. An independent auditor may perform additional procedures as deemed necessary by professional judgment and by the circumstances. *While examples of agreed-upon procedures are provided in this module, these procedures are not considered to be all-inclusive. Such procedures are not intended to serve as an agreed-upon procedure engagement program for the independent auditor.*

The independent auditor should review the instructional settings, services or programs that are provided by the LEA to determine which agreed-upon procedures are applicable to the agreed-upon procedures engagement for the LEA. All procedures are mandatory (also required on Title I, Part A schoolwide campuses unless specifically noted), except for those that are not applicable to the types of instructional settings, services or programs provided by the LEA. (In connection with charter schools, the General Fund references below refer to fund codes 199 and 420.)

*\*\* If all campuses are exemplary or recognized, the auditor should test the 2 campuses with the highest percentage of students at-risk (Procedures 1.b, 4.a, 5.a, and 5.b).*



### 1) Example agreed-upon procedures - Budgetary Process

- a) Inquire and confirm that appropriations for state compensatory education (Program Intent Codes 24, 26, 28, 29 and 30 in the General Fund) were distributed (snapshot submitted through PEIMS) to budget managers (including campus principals), and that the appropriations in the aggregate for the LEA were equal to or greater than 55% of the estimated compensatory education allotment, according to planning estimates for this allotment in the LEA's Foundation School Program (FSP) [Summary of Finances](#) (the FSP Summary of Finances document for the month of August for the school year being tested under agreed-upon procedures);
- b) For each campus that did not receive an exemplary or recognized academic rating\*\*, inquire and confirm whether appropriations for state compensatory education (Program Intent Codes 24, 26, 28, 29, and 30, in the General Fund) in any budget status document distributed to budget managers (including campus principals) materially agreed with (within plus or minus 10%) summary totals for supplemental full-time equivalent staff (FTEs) and supplemental financial resources (plus basic services for disciplinary alternative education, as applicable, limited to 18% of the State Compensatory Education allotment - in the context of budgetary plans for compliance with the 55% expenditure rule for state compensatory education) in district/campus improvement plans or charter school instructional plans;
- c) Obtain a copy and read the LEA's evaluation of the effectiveness of strategies involving students at risk of dropping out of school for all campuses that did not receive an academic rating of exemplary or recognized. Obtain a copy of and read the LEA's analysis of the potential benefits that could result from realigning staff and financial resources, following or in conjunction with the LEA's local evaluation of the effectiveness of strategies for the preceding school year.

### 2) Example agreed-upon procedures - State Compensatory Education Allotment

- a) For the federal reporting period October through September for the Child Nutrition Program, compare the amounts in tables reported to the TEA for the best six months' average to the number of the free/reduced price lunch applications (compare the base year measures used in reports to the TEA by a Provision II school district to the free/reduced lunch applications on file for the base year).

### 3) Example agreed-upon procedures – Expenditure Tests

- a) Compare the current year's expenditures to the prior year's expenditures attributed to state compensatory education (compare expenditures for Program Intent Codes

24, 26, and 28-30) in the General Fund, and inquire about factors that the LEA attributed to significant or unusual variances (greater than plus or minus 10%);

- b) Confirm whether actual expenditures recorded in the LEA's accounting records that were attributed to state compensatory education (Program Intent Codes 24, 26, 28, 29, and 30, in the General Fund) were equal to or exceeded 55% of the state compensatory education FSP program allotment in the preliminary or near-final Summary of Finances;
- c) Compare aggregate actual expenditures recorded in the LEA's accounting records that were attributed to state compensatory education (Program Intent Codes 24, 26, 28, 29, and 30, in the General Fund) with summary totals for supplemental FTEs and supplemental financial resources (plus basic services for disciplinary alternative education, as applicable, limited to 18% of the state compensatory education allotment - in the context of monitoring by central administration for compliance with the 55% expenditure requirement for state compensatory education) in district/campus improvement plans or charter school instructional plans, and inquire about factors that the LEA attributed to significant or unusual variances (greater than plus or minus 10%); and

#### **4) Example agreed-upon procedures - District/Campus Improvement Plans**

- a) For all campuses that received an academic rating other than exemplary or recognized\*\* for the most recent school year, confirm district/campus improvement plans or charter school instructional plans contain required components, in accordance with Sections 11.251 – 11.253, Texas Education Code, including:
  - i) Comprehensive needs assessment;
  - ii) Identified strategies;
  - iii) Supplemental financial resources for state compensatory education (plus basic services for disciplinary alternative education, as applicable, limited to 18% of the state compensatory education allotment). The aggregate amount must be disclosed for each campus in accordance with State Board of Education rule, [Title 19, Texas Administrative Code \(TAC\), Section 109.25](#);
  - iv) Supplemental staff FTEs for state compensatory education (plus basic services for disciplinary alternative education, as applicable, limited to 18% of the state compensatory education allotment). The aggregate amount must be disclosed for each campus in accordance with State Board of Education rule 19, TAC, Section 109.25;

- v) Measurable performance objectives;
- vi) Timelines for monitoring strategies; and
- vii) Formative and summative evaluation criteria.

### 5) Example agreed-upon procedures - Participation by Eligible Students

- a) Sample student records (campus-level samples for all campuses that did not receive an exemplary or recognized academic rating\*\*) and test the LEA's procedures involving the identification of students at risk of dropping out of school, under Section 29.081, Texas Education Code;
- b) For each campus that did not receive an exemplary or recognized rating\*\*, obtain and read a report (sample of one per campus) that identified students at risk of dropping out of school, under Section 29.081, Texas Education Code, to classroom teachers assigned to specific accelerated, intensive and compensatory instructional settings and strategies that were documented in district/campus improvement plans or charter school instructional plans;

### 6) Example agreed-upon procedures – Reporting of Expenditures and Student Records

- a) Select a sample of transactions (LEA-level sample of transactions recorded in the Fund Code 199, General Fund, and Program Intent Codes 24, 26, 28, 29 and 30) and review the LEA's documentation supporting the attribution of costs for state compensatory education. Procedures applied to fiscal data to be reported in the 032 (actual financial data) and 033 (shared services arrangements reported by fiscal agent) record types of the Public Education Information Management System Data Standards are to assess appropriate use of account codes in conjunction with Program Intent Codes 24, 26, 28, 29 and 30, in accordance with the Financial Accounting and Reporting Module of the Financial Accountability System Resource Guide;
- i) Obtain a copy and read the LEA's document(s) that define standards for resource allocations that support basic services or regular education in relation to student-staff ratios and financial resources for campuses serving comparable grade levels. Confirm that for transactions recorded in the General Fund under Program Intent Code 24 that the LEA applied the standard measures for resource allocations for basic services in order to attribute costs to Program Intent Code 24;

- ii) Obtain copies of teacher contracts and teaching schedules for items selected in the sample and review the support for the attribution of salary and benefit costs for teacher recorded under Program Intent Codes 24, 26, 28, 29 and 30, in the General Fund;
- iii) Confirm that for programs eligible under Title I of the Elementary and Secondary Education Act, as provided by Public Law No. 103-382 and its subsequent amendments, and by federal regulations implementing that Act, the expenditure of the state compensatory education allotment to support this federal program only occurred at campuses at which at least 40% of the students were educationally disadvantaged (see additional information under Title I, Part A in the Supplement/Not Supplant section). (This procedure only applies if the LEA used the compensatory education allotment to supplement a federal schoolwide project under Title I.);
- iv) Confirm that for disciplinary alternative education programs established under Section 37.008, Texas Education Code, the expenditure of the state compensatory education allotment for direct costs attributed (in the context of monitoring by central administration for compliance with the 55% expenditure requirement for state compensatory education) to disciplinary alternative education did not exceed 18% (without a waiver) of the total compensatory education allotment amount (see additional information under Alternative Education Programs in the Supplement/Not Supplant section). Direct costs for basic services reported in this area count towards the 55% minimum expenditure requirement under Section 42.152, TEC; however, the amount of costs for direct basic services that counts towards the 55% compliance rule is limited to 18% of the state compensatory education allotment. (This procedure only applies to tests of transactions attributed to a disciplinary alternative education campus established under Section 37.008, TEC.);
- v) Confirm that for disciplinary alternative education programs established under Section 37.008, Texas Education Code, supplemental costs were recorded in accounting records according to standards (recorded in accounting records under Program Intent Code 29) for attribution of costs to this program area (the LEA is to define standards for resource allocation for basic services in relation to standard allocations supporting student-staff ratios and financial resources for campuses serving comparable grade levels as a basis for attributing costs to basic services versus supplemental costs). (This procedure only applies to tests of transactions attributed to a disciplinary alternative education campus and requires an approved waiver from the State.) (See additional information under Alternative Education Programs in the Supplement/Not Supplant section).; and

- vi) Confirm that for alternative education programs (non disciplinary), the costs recorded in accounting records under Program Intent Code 26 were attributed to programs specifically designed to serve students at risk of dropping out of school, as defined by Texas Education Code Section 29.081. (This procedure only applies to tests of transactions attributed to a non disciplinary alternative education campus specifically designed to serve students at risk of dropping out of school.)
  
- b) Select a sample of student records (LEA-level sample of students) and review the LEA's documentation for use of the at-risk indicator code (Element ID E0919) and Title I, Part A code (Element ID E0894) in student data reported in the "Student Data – Enrollment" record (Record Type 110) through the Public Education Information Management System Data Standards.

In performing the agreed upon procedures for the compliance attestation function, the auditor shall apply a sampling methodology in connection with the application of certain mandatory agreed-upon procedures. Use of one the methods specified in this section shall constitute a representative sample, as follows:

1. Sample items shall be selected in such a way as to comprise a simple random sample of each relevant population; and
2. In connection with the application of certain agreed-upon procedures to items that require sampling procedures, sample sizes shall be determined using one of the following options:

Option 1. Determine the sample size using a 10% Margin of Error, a 40% Estimated Attribute Error Rate, and a 95% Confidence Level.

Option 2. The auditor may use some other form of sample selection and/or some other method to determine the sample size, provided that the resulting sample affords equal or better strength of inference and freedom from bias (as compared with paragraph (2) (a) of this section), and that the auditor summarizes the substitute methods and clearly demonstrates their equivalence in the final report on the audit.

The agreed-upon procedures report required under Section 9.3.6 is to include the certificate of board and an exhibit, as shown below, reporting staff and financial resources relating to state compensatory education. The exhibit, "Full-time Equivalent Staff and Financial Resources by Campus for the Compensatory, Intensive, and Accelerated Instruction Program under Section 42.152, Texas Education Code, According to District/Campus Improvement Plans," is to report amounts in relation to information contained in district/campus improvement plans. To assist the auditor in completing the agreed-upon procedures, the LEA should prepare an exhibit, as

shown in Appendix 2, reporting staff and financial resources relating to SCE. The exhibit (Exhibit F), “*Full-time Equivalent Staff and Financial Resources by Campus for the Compensatory, Intensive, and Accelerated Instruction Program under Section 42.152, Texas Education Code, According to District/Campus Improvement Plans,*” is to report amounts in relation to information contained in district/campus improvement plans.. The independent auditor is to test the attribution of amounts accounted for in the General Fund (also any amounts attributed to services provided by shared services arrangements) that are reported in connection with supplemental FTEs and supplemental financial resources for State Compensatory Education (plus gross direct costs for disciplinary alternative education) for the five program classifications, as provided in Appendix 2 – Full-time Equivalent Staff and Financial Resources.

Note: Gross direct costs for basic services are reported. Direct costs for basic services reported in this area count towards the 55% minimum expenditure requirement under Section 42.152, TEC; however, the amount of costs for direct basic services that count towards the 55% compliance rule is limited to 18% of the state compensatory education allotment.

## **9.4.2 Required Special Report on Applying Agreed-Upon Procedures for State Compensatory Education**

House Bill 3459, 78<sup>th</sup> Legislature (2003) directed the commissioner to develop electronic audit and reporting systems to identify school districts that are at high risk of having used compensatory education funds other than in compliance with Subsection 42.152(c), Texas Education Code, or of having inadequately reported compensatory education expenditures. Based upon an analysis of risk factors, the commissioner will direct certain school districts to have a local audit of state compensatory education expenditures. The agreed-upon procedures report will enumerate procedures that were applied by the independent auditor and the auditor’s findings for the following areas: (1) Budgetary process; (2) State Compensatory Education allotment; (3) Allowable expenditures; (4) District/campus improvement plans; (5) Participation by eligible students; and (6) Reporting; and include the *Full Time Equivalent Staff and Resources* form. This special report is separate from the LEA’s annual financial and compliance report. (This section only applies if a school district or charter school is required to obtain a local audit under Section 42.152 of the Texas Education Code.)

School districts and charter schools that are directed to have a local audit will engage a certified public accountant to apply the agreed-upon procedures in accordance with standards for attestation engagements described in Statements on Standards for Attestation Engagements, of the American Institute of Certified Public Accountants (at the school district's or charter school's cost).

**For those school districts and charter schools that are required to obtain a local audit, the Agreed Upon Procedures report for the State Compensatory Education is to be submitted in both paper format and the specified electronic file type, (in Adobe Acrobat® pdf format). The audit will be submitted to the TEA within 150 days after notification by TEA.**

The following is an illustration of an agreed-upon procedures report on management's assertion about an entity's compliance with specified requirements in which the procedures and findings are enumerated rather than referenced. (AICPA Statements on Standards for Attestation Engagements)

#### Independent Accountant's Report

#### On Applying Agreed-Upon Procedures

**January 15, 2010**

Board of Trustees

Anywhere Independent School District

10 Main Street

Anywhere, Texas 79999

Members of the Board of Trustees:

We have performed the procedures enumerated below, which were agreed to by *Anywhere ISD*, solely to assist the users in evaluating management's assertion about *Anywhere ISD's* compliance with state compensatory education requirements during the fiscal year ended *August 31, 2002*. Management asserted compliance with the requirements for state compensatory education in Section 42.152, Texas Education Code and Module Nine, Compensatory Education Guidelines, Financial Accounting Treatments, and an Auditing and Reporting System, of the Financial Accountability System Resource Guide. This agreed-upon procedures engagement was performed in accordance with attestation

standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the *Anywhere ISD*. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**Procedures Performed:**

1.	Budgetary Process
	a.
	b.
	c.
2.	State Compensatory Education Allotment
	a.
3.	Allowable Expenditures
	a.
	b.
	c.
4.	District/campus improvement plans
	a.
5	Participation by Eligible Students
	a.
	b.
6.	Reporting of Expenditures and Student Records
	a.
	b.



**Findings and Questioned Costs:**

We found the following non-compliance with the requirements tested:

Finding 02-1	
1.	Condition
2.	Criteria
3.	Cause
4	Effect

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

[*Signature*]

[*Date*]

## 9.5 Sanctions and District Interventions

The range of possible Agency sanctions and/or other oversight actions are as follows:

- Informal monitoring
- Recommended training
- Recommended assistance from outside consultants
- Financial penalties
- Accreditation actions

A decision by Agency staff to take one or more of the above actions will depend upon the facts in each situation. The preferred level of action by Agency staff in most situations will be informal monitoring and, if necessary, recommendation(s) for training and/or obtaining assistance from outside consultant(s), such as the regional education service center.

Agency staff may determine that accreditation and/or financial penalties may be necessary. Severe actions such as these may be unavoidable in those instances wherein a district may not demonstrate the capacity to develop pertinent skills within its organization and/or obtain those skills from outside consultants.

## Appendix 1 - Definitions

**Academic Content Standards:** The Texas Essential Knowledge and Skills (TEKS) form the state's academic content standards and serve as the basis for its student assessment program.

**Academic Excellence Indicator System (AEIS):** Information used to rate and acknowledge districts and campuses or to provide a comprehensive profile of their characteristics and performance is compiled into the Academic Excellence Indicator System (AEIS). This is a comprehensive system: both performance and profile information is available for all districts and schools.

Three types of performance indicators are used in the system: (1) Base Indicators are identified in statute and are used to determine accountability ratings; (2) Additional Indicators are used to acknowledge high performance on other statutorily-defined indicators; and (3) Report-Only Indicators are reported on annual campus-, district-, and state-level reports. They may be identified by statute, identified by the commissioner, or adopted by the State Board of Education.

The AEIS is used for all aspects of the integrated accountability system that has evolved for the Texas public schools. In addition to being used to determine accountability ratings, AEIS is utilized to determine additional acknowledgments and campus-level performance awards as well as to produce a variety of reports.

**Accelerated Instruction:** Accelerated Instruction is a restructuring model designed to improve the education of students at risk of dropping out of school by using "acceleration" techniques. The goal is to speed up the learning of students so they will be able to perform at grade level. Accelerated Instruction is based on intervention that raises expectations for students at risk of dropping out of school and moves decision-making about curriculum, instruction, and organization of schools to the campus level. The focus is on fostering family involvement in education, staff development, assessment-driven practices, and high expectations. The model is based on the constructs of Henry Levin's Accelerated Schools Model.

**Categorical Program:** A categorical program is a grant program which may be used for specific purposes or narrowly defined activities. A categorical program may be contrasted with a block grant program, in which funds can be used for a variety of activities within a broad functional area. Four examples of categorical programs in the Elementary and Secondary Education Act, as amended, are Title I, Part A--Improving Basic Programs Operated by Local Education Agencies; Title I, Part B--Even Start Family Literacy Programs; Title I, Part C--Education of Migratory Children; and Title I, Part D--Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At Risk of Dropping Out.

**Chapter 1:** see Title I, Part A.

**Comparability:** Federal law [P.L. 103-382, §1120A(c)] contains a provision for comparability of services, designed to ensure that Title I, Part A campuses are provided services with state and local funds that are at a minimum comparable to services provided on non-Title I, Part A campuses. The purpose of this requirement is to ensure that Title I, Part A campuses receive the same level of services from state and local monies as other campuses. School districts must develop procedures to ensure compliance with the federal comparability of services requirement and must implement these procedures annually.

**Compensatory Education (State):** State Compensatory Education, as defined in TEC Section 42.152 (c), is a program(s) and/or service(s) designed to supplement the regular education program for students at risk of dropping out of school. The purpose of state compensatory education is to increase the achievement and reduce the dropout rate of identified students. The state criteria for identifying students at risk of academic failure or dropping out of school are contained in TEC Section 29.081.

**Comprehensive Needs Assessment (CNA):** A needs assessment is a comprehensive evaluation plan of a school's strengths and weaknesses. The concept of needs assessment is to build on the school's strengths and improve areas of weakness. Educators are expected to use data from the needs assessment to develop their campus improvement plan which includes specific targets and strategies designed by the school stakeholders to improve the school and student achievement

**Discretionary Program:** A discretionary program permits the grantor agency to use discretion in selecting applications for funding and/or determining the use of funds within the applicable statute. A discretionary grant program may or may not be competitive, depending on the authorizing language of the grant program and/or the discretion of the grantor agency's management priorities.

**Division of Program Monitoring and Interventions:** The major function of this division is to support the accomplishment of the state's goals for public education by reviewing, monitoring, acknowledging, sanctioning, and intervening in school districts and campuses to ensure excellence in education for all students. Currently, the major areas of responsibility are: accountability monitoring and interventions; program monitoring and interventions, including data validation monitoring and investigation; and administration of certain court orders and/or consent decrees, including those related to Civil Action 5281 and the residential facilities (RF) Monitoring system.

**Educationally Disadvantaged Students:** As applicable to federal programs, educationally disadvantaged students are those students whose educational attainment is below the level that is appropriate for children of their age. State law (TEC §5.001) defines "educationally disadvantaged" students as those eligible to participate in the national free or reduced-price lunch program established under 42 U.S.C. Section 1751 et seq.

**Education Flexibility Partnership Demonstration Program (Ed-Flex):** Ed-Flex is the short name for the federal Education Flexibility Partnership Demonstration Program. This program delegates states the authority to waive various federal regulations if waiving those regulations will result in improved student performance. This means that Texas educators

have the freedom to design and implement federal programs in ways that will meet the needs of their students and communities.

Texas is one of several states that have been approved as an Ed-Flex state. As an Ed-Flex state, the Commissioner of Education has the authority to waive many provisions of federal law. Waivers may be requested by districts or for individual campuses within a district. Statewide waivers may apply to any district or campus in the state that wishes to utilize the waiver. All proposed waivers are reviewed by the Texas Ed-Flex Committee, and the committee's recommendations are forwarded to the commissioner of education. This committee is composed by Texas educators and other interested citizens.

**Elementary and Secondary Education Act (ESEA):** The federal Elementary and Secondary Education Act of 1965 was authorized as part of President Lyndon B. Johnson's War on Poverty. The intent of this Act was to strengthen and improve educational quality and educational opportunities in the nation's elementary and secondary schools.

**Elementary and Secondary Education Act, as amended:** The Elementary and Secondary Education Act of 1965 was amended by the Improving America's Schools Act of 1994.

**Entitlement Program:** An entitlement program is a governmental program specified by law to provide benefits to members of a specific group based on a formula or specific requirements in statute.

**Formative evaluation** – Evaluation conducted while a creative process is under way, designed and used to promote growth and improvement in a student's performance or in a program's development. Examples include (but are not limited to): pre/post tests, portfolios, benchmark tests, quizzes, teacher observations.

**Improving America's Schools Act (IASA), Public Law 103-382:** The Improving America's Schools Act of 1994 reauthorized the Elementary and Secondary Education Act of 1965 from July 1995 through June 2000. IASA encourages educators to align various reform efforts and to create comprehensive solutions for schools and districts in order to meet students' needs.

**Local Educational Agency (LEA):** A local educational agency is defined as a public board of education or other public authority legally constituted within a state for either administrative control of, direction of, or to perform service functions for public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a state.

**No Child Left Behind Act of 2001:** The federal law that authorizes funding and contains the current requirements for Title 1 and other federal educational programs. On January 8, 2002, President Bush signed into law the *No Child Left Behind Act of 2001*. The Act has been heralded as the most sweeping reform of the Elementary and Secondary Education Act (ESEA) since ESEA was enacted in 1965. It expands the federal role in K-12 education and was written to help close the achievement gap between disadvantaged and minority students and their peers. It is based on four basic principles: stronger

accountability for results, increased flexibility and local control, expanded options for parents, and an emphasis on teaching methods that have been proven to work.

**“Pull-Out” Program:** “Pull-out” programs provide services to eligible children in a setting away from the regular classroom.

**Regular Education Program:** State law (TEC §28.002) outlines the required curriculum for each school district that serves grades K-12 as: (1) a foundation curriculum that includes: (a) English language arts; (b) mathematics; (c) science; and (d) social studies, consisting of Texas, United States, and world history, government, and geography; and (2) an enrichment curriculum that includes: (a) to the extent possible, languages other than English; (b) health with emphasis on the importance of proper nutrition and exercise; (c) physical education; (d) fine arts; (e) economics, with an emphasis on the free enterprise system and its benefits; (f) career and technology education; and (g) technology applications.

Under TEC §28.002 (f), school districts may also offer courses for local credit in addition to those in the required curriculum. The State Board of Education approves courses for credit for high school graduation under this subsection.

**Schoolwide Program:** Under Title I, Part A of the federal Elementary and Secondary Education Act as amended, a campus that has at least 40 percent of its students from low income families may use its Title I, Part A allocation to upgrade its entire educational program. The LEA must be able to show that the Title I, Part A funds allocated to a schoolwide campus are supplemental to state and local funds.

**Scientifically Based Research:** No Child Left Behind Act of 2001 defines *Scientifically Based Research* as follows:

- Research that involves the application of rigorous, systematic, and objective procedures to obtain reliable and valid knowledge relevant to education activities and programs; and
- Includes research that employs systematic, empirical methods that draw on observation or experiment;
- Relies on measurements or observational methods that provide reliable and valid data across evaluators and observers, across multiple measurements and observations, and across studies by the same or different investigators.
- Is evaluated using experimental or quasi-experimental designs.
- Ensures that experimental studies are presented in sufficient detail and clarity to allow for replication or, at a minimum, offer the opportunity to build systematically on their findings; and
- Has been accepted by a peer-reviewed journal or approved by a panel of independent experts through a comparably rigorous, objective, and scientific review.

**Students at Risk of Dropping Out of School:** The criteria used to identify students at risk of dropping out of school are defined in [Section 29.081, Texas Education Code](#). See 9.2.3.1 for specific criteria.

**Summative Evaluation:** An evaluation designed to present conclusions about the merit or worth of a student's performance. Examples include (but are not limited to): End-of-unit tests, state assessments, final exams.

**Supplant:** A supplant occurs when the state or local education agency does not supplement state or local funds with federal funds or state compensatory education funds to provide services above and beyond what the state or local education agency is required to offer with non-federal funds or funds targeted for the regular education program.

**Supplement not Supplant:** As required by federal statute, a state or local education agency shall use federal funds only to supplement the amount of funds and services that would, in the absence of such federal funds, be made available from non-federal sources for the education of students.

**Targeted Assistance Program:** Under Title I, Part A of the federal Elementary and Secondary Education Act, as amended, a campus that is eligible to receive Title I, Part A funds but does not meet the poverty threshold to qualify as a schoolwide program (or meets the poverty threshold, but chooses not to operate a schoolwide program) may operate a Title I, Part A program that targets students who are identified as failing or most at risk of failing to meet the state's academic content and performance standards. Title I, Part A funds on a targeted assistance campus must be supplemental and used to provide supplemental services only to the students in the greatest need who meet the Title I, Part A eligibility criteria.

**Texas Administrative Code (19 TAC):** Title 19 of the Texas Administrative Code contains the State Board of Education rules.

**Texas Assessment of Knowledge and Skills (TAKS):** a primary and secondary education standardized test used in Texas to assess student attainment of math, English, science, reading, and social science skills required under Texas education standards. It replaced the previous state test called the Texas Assessment of Academic Skills (TAAS) and assesses the statewide curriculum, the Texas Essential Knowledge and Skills (TEKS). TAKS is a standards-based test, which means it measures how well students are mastering specific skills defined for each grade by the state of Texas.

**TAKS–Alt:** a state assessment designed for students with significant cognitive disabilities to meet the federal requirements mandated under the No Child Left Behind Act of 2001.

**Texas Education Code (TEC):** The Texas Education Code is state law pertaining to public education, as passed by the Texas Legislature.

**Texas Essential Knowledge and Skills (TEKS):** The TEKS are Texas' statewide curriculum elements. These academic content standards represent an update of the state's Essential Elements. The TEKS were adopted by the Texas State Board of Education at its July 1997 meeting. The TEKS represent the essential knowledge and skills that all students will need to know and be able to do to succeed in the work force of the 21st century.

**Title I** - Title I is the largest federally funded education program in the nation. Recently re-authorized by The No Child Left Behind Act of 2001, Title I funding helps local school systems provide equal educational opportunities for low-performing students with economic need. The purpose of this title is to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on challenging state academic achievement standards and state academic assessments. Any school with 35% or more students on free or reduced lunch is eligible for Title I funds.

**Title I, Part A** - Improving Basic Programs Operated by Local Education Agencies (LEA) provides supplemental funding to state and LEAs for resources to help schools with high concentrations of students from low-income families provide a high-quality education that will enable all children to meet the state's student performance standards. Title I, Part A supports schools in implementing either a school-wide program or a targeted assistance program. These programs must use effective methods and instructional strategies that are grounded in scientifically based research.



## Appendix 2 – Sample Forms

### [SCE At-Risk Student Profile](#)

This report can be used to maintain student records verifying the at-risk classification. Records must include the reason(s) the student was identified, when the student was identified, the supplemental services provided, and the date and documentation substantiating the reason for exiting the program. Additionally, the at-risk classification records must indicate periodic review and verification.

### [Full-time Equivalent Staff and Financial Resources](#) by Campus for the **Compensatory, Intensive, and Accelerated Instruction Program under TEC Section 42.152 According to District/Campus Improvement Plans** ([pdf](#))

This report is used for reporting staff and financial resources relating to SCE in relation to information contained in district/campus improvement plans. The independent auditor is to test the attribution of amounts accounted for in the General Fund (also any amounts attributed to services provided by shared services arrangements) that are reported in connection with supplemental FTEs and supplemental financial resources for SCE (plus gross direct costs for disciplinary alternative education) for the five program classifications, and include the form in the report.

### [State Compensatory Education PowerPoint presentations](#)

From time to time, PowerPoint presentations related to State Compensatory Education are posted to the School Financial Audits website under the [Other School Financial Audits Topics](#) heading.

## Certificate of Board

### Charter School version

Anywhere Charter Holder  
(Federal Employer Identification Number: 12-3456789)  
Certificate of Board

We, the undersigned, certify that the attached agreed-upon procedures report of Anywhere Charter Holder was reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 20BB, at a meeting of the governing body of the charter holder on the \_\_\_\_\_ day of \_\_\_\_\_, 20BB.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

**NOTE:** If the governing body of the charter holder does not approve the independent auditor's report, it must forward a written statement discussing the reason(s) for not approving the report.

School District version

CERTIFICATE OF BOARD

\_\_\_\_\_  
Name of School District                      County    Co.-District Number

We, the undersigned, certify that the attached agreed-upon procedures report of the above-named school district was reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 20BB, at a meeting of the Board of Trustees of such school district on the \_\_\_\_\_ day of \_\_\_\_\_, 20BB.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

**NOTE:** If the Board of Trustees does not approve the independent auditor's report, it must forward a written statement discussing the reason(s) for not approving the report.

## List of Acronyms

AEIS - Academic Excellence Indicator System

D/CIPs – District and campus improvement plans

ESC – Education Service Center

ESL - English as a second language

FAR – Financial Accounting and Reporting (Module 1 of the Financial Accountability System Resource Guide)

FTE - Full-time equivalent

GAAP - Generally accepted accounting principles

GASB - Governmental Accounting Standards Board

HB - House Bill

LBB - Legislative Budget Board

LEA – Local Educational Agency, also known as a school district or a school system (includes charter schools).

LEP - Limited English proficient

NCLB – No Child Left Behind

PEIMS - Public Education Information Management System

SAT - Scholastic Assessment Test

SB - Senate Bill

SBOE - State Board of Education

SAO – State Auditor’s Office

SCE – State Compensatory Education

TAC – Texas Administrative Code

TAKS - Texas Assessment of Knowledge and Skills

TEC – Texas Education Code

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