

Financial Accountability System Resource Guide, Update 18

Module 6: State Compensatory Education, Guidelines, Financial Treatment, and an Auditing and Reporting System

Texas Education Agency
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Financial Accountability System Resource Guide, Update 18
Module 6: State Compensatory Education

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Notes on Using This Module

The purpose of this module is to specify the financial accounting and reporting requirements that the following local education agencies (LEAs) must meet:

- school district
- regional education service center
- county education district
- open-enrollment charter school operated by a governmental entity
- open-enrollment charter school operated by an institution of higher education, as defined by the [Texas Education Code \(TEC\), §61.003](#)

The term “**school district**” or “**district**” is used throughout the module to refer to any of these LEAs.

The term **Public Education Information Management System (PEIMS)** is used throughout the module to refer to PEIMS EDIT+ **and the Texas Student Data System PEIMS (TSDS PEIMS)**. All rules in this module pertain to all LEAs, including school districts, open-enrollment charter schools and any other public authority that receives State Compensatory Education funds.

The Financial Accountability System Resource Guide (FASRG) is codified in Title 19 of the Texas Administrative Code (TAC) Chapter 109, Subchapter C ([19 TAC §109.41](#)).

For financial accounting information specific to charter schools operated by a nonprofit organization or by a private or independent institution of higher education, see Module 3: Special Supplement—Nonprofit Charter School Chart of Accounts.

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6.1 Introduction

Over the last three decades, state compensatory education (SCE) has experienced many changes that have affected the delivery of educational programs to educationally disadvantaged students. An objective of this module of the Financial Accountability System Resource Guide (FASRG) is to provide detailed information that will assist local education agencies (LEA) with the understanding of the numerous options for use of the SCE allotment. Foremost, the intent of this volume of the FASRG is to explain various components of the SCE auditing and reporting system required by the [Texas Education Code \(TEC\), §48.104](#).

The [TEC, §29.081](#), defines compensatory education as programs and or services designed to supplement the regular education program for students who meet one or more of the statutory or locally defined criterion for being at risk of dropping out of school or students that have taken an end-of-course (EOC) assessment under the [TEC, §39.023\(c\)](#), and have not performed satisfactorily on the assessment.

SCE funds are 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. The [TEC, §29.081](#), requires LEAs to use student performance data from the state’s legislatively mandated assessment instrument known as the State of Texas Assessments of Academic Readiness (STAAR) tests and any other achievement tests administered under the [TEC, Subchapter B, Chapter 39](#).

Starting with the 2019–2020 school year, school districts and open-enrollment charter schools began receiving an increased allotment for the SCE program. [House Bill 3 \(HB 3\)](#), the school finance bill, passed during the 2019 legislative session, changed the allotment from 0.20 per student to a range of 0.225 to 0.275 per student. With increased funding and spending requirements, the purpose of the SCE program is to increase academic achievement and reduce the dropout rate for educationally disadvantaged students and at-risk students.

The following is a summary of the changes to the SCE program as a result of [HB 3](#).

- Increases overall allotment from 0.20 to a range of 0.225 to 0.275.
 - Students who are designated as educationally disadvantaged are now eligible to receive supplemental services paid for with compensatory education funds.
 - [To the Administrator Addressed: House Bill 3 \(HB 3\) Implementation: SCE Program \(July 12, 2019\)](#)
- Establishes a new allotment methodology.
 - The methodology accounts for severe economic disadvantage in a student’s neighborhood based on the census block in which the student resides and the index category of the census block.
- Changes spending requirements.
 - Adds childcare services and life skills programs (program for teen parents) to the allowable use of SCE funds.
 - Requires 55 percent of the SCE allotment be spent on the SCE program.

- Requires the commissioner to adopt rules on spending requirements, with a focus on streamlined reporting and in a way that does not reduce eligible uses.
- Requires a Compensatory Education Allotment Advisory Committee to advise the agency on:
 - establishing other economic criteria to be considered in determining the allotment methodology using the census block groups;
 - rules detailing the method to count students who qualify for the allotment in a dropout recovery school or program or a residential treatment facility;
 - methods for properly counting students who are homeless within the meaning of "homeless children and youths" under [42 USC §11434a](#); and
 - rules to determine the appropriate weight by which to adjust the basic allotment in determining the compensatory allotment for various types of SCE students.
- Does not prohibit the use of SCE funds that were authorized under what was the [TEC, §42.152](#).

During the 87th Texas Legislature, 2021, HB 572, HB 4545, HB 1697, and HB 1525 impacted the SCE program.

The following is a summary of the changes to the SCE program as a result of HB 572.

- Adds an additional criterion to the at-risk criteria.
 - The [TEC, §29.081\(d\)\(1\)\(O\)](#), adds an at-risk criterion: “is enrolled in a school district or open-enrollment charter school, or a campus of a school district or open-enrollment charter school, that is designated as a dropout recovery school under [Section 39.0548](#).”

The following is a summary of the impact to the SCE program as a result of HB 4545.

- Establishes new requirements for LEAs implementing accelerated instruction for all students who did not perform satisfactorily on the STAAR test in grade three, five, or eight in math or reading based on results from spring 2021.
 - LEAs may use SCE funds described in the [TEC, §48.104](#), to fund supplemental programs and services listed in HB 4545, such as targeted supplemental instruction, extended day and year instruction, tutoring, and supplemental transportation. SCE funds may also be used for professional development designed to provide instructors the knowledge and skills to deliver accelerated instruction and for the purchase of supplemental instructional materials for the intended population defined in the [TEC, §29.081](#), and the [TEC, §48.104](#).

The following is a summary of the impact to the SCE program as a result of HB 1697.

- Allows students to repeat or retake a course of grade at the behest of a parent, as defined in the [TEC, §29.081\(d-1\)](#).
 - A student who was in prekindergarten or kindergarten and did not advance to the next grade level solely at the request of his or her parent is not considered an at-risk student based on the specific allowance granted in the [TEC, §29.081\(d-1\)](#).
 - A student who was enrolled in grades one through eight during the 2020–2021 school year and did not advance to the next grade level solely at the request of the parent or guardian meets the at-risk criterion listed in the [TEC, §29.081\(d\)\(1\)\(B\)](#).

- A student who was enrolled in a course for high school credit during the 2020–2021 school year is not identified as an at-risk student if the student retakes a course only at the request of the student's parent.

The following is a summary of the changes to the SCE program as a result of HB 1525 and specified in the [TEC, §48.104\(j-1\)](#).

- Adds changes to spending requirements.
 - Establishes a new allotment methodology for the accounting of homeless students in that the basic allotment is multiplied by the highest weight provided under the [TEC, §48.104\(e-1\)](#).
 - Adds expenses related to reducing the dropout rate to the allowable use of SCE funds under the [TEC, §48.104\(j-1\)](#).
 - Duties performed by an attendance officer employed to reduce the dropout rate as defined in the [TEC, §48.104\(j-1\)\(4\)\(A\)](#).
 - Programs that build skills related to managing emotions, establishing, and maintaining positive relationships, and making responsible decisions as defined in the [TEC, §48.104\(j-1\)\(4\)\(B\)](#).
 - Services provided by an instructional coach employed to improve student learning for the intended population defined in the [TEC, §29.081](#), and the [TEC, §48.104](#). As with any SCE-funded position, all duties and responsibilities are supplemental, are reflected in the district and/or campus improvement plan, and meet defined needs identified in the comprehensive needs assessment (CNA). SCE-funded positions must meet established educational goals. The effectiveness of SCE-funded positions must be reflected in the LEA's annual SCE evaluation as defined in the [TEC, §29.081\(b-3\)](#). Also see the [TEC, §48.104\(j-1\)\(3\)](#).

6.1.1 History of Texas State Compensatory Education

In Texas, SCE began with the passage of House Bill (HB) 1126, 64th Texas Legislature, 1975. Since the inception of SCE, the program has undergone numerous changes resulting in some of the current rules for SCE that are disclosed in the [TEC, §29.081](#), the [TEC, §48.104](#), and other applicable statutes and rules.

6.1.2 Compensatory Education Goals and Objectives

The Texas Legislature has created clear goals for the SCE program that will allow every student in Texas an opportunity to succeed.

6.1.2.1 Compensatory Education Goal

The goal of state compensatory education is to reduce any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B, Assessment of Academic Skills](#),¹ between

- students who are educationally disadvantaged and students who are not educationally disadvantaged; and
- students at risk of dropping out of school, as defined in the [TEC, §29.081](#), and all other school district students.²

SCE program's desired result is to provide challenging and meaningful instructional programs and services that will close the achievement gap between students at risk of dropping out of school and their peers.

6.1.2.2 Compensatory Education Objectives

The purpose of the SCE program is to supplement the regular or basic education program with compensatory, intensive, or accelerated instruction. Texas public school districts and charter schools are required to offer additional accelerated instruction to each student who meets one or more statutory or locally defined eligibility criteria in order to reduce any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#),³ or disparity in the rates of high school completion between students at risk of dropping out of school and all other LEA students.

The [TEC, §29.081](#), requires LEAs to use student performance data from the state's legislatively mandated assessment instrument known as the State of Texas Assessments of Academic Readiness (STAAR) tests and any other achievement tests administered under the [TEC, Subchapter B, Chapter 39](#), to design and implement appropriate compensatory, intensive, or accelerated instructional services for students in the district's schools that enable the students to be performing at grade level at the conclusion of the next regular school term.

To enable students to perform at grade level each LEA must do the following:⁴

- Provide accelerated instruction to each student enrolled in the district who has taken an EOC assessment instrument administered under the [TEC, §39.023\(c\)](#)⁵ and has not performed satisfactorily on the assessment instrument or who is at risk of dropping out of school.
- Offer before the next scheduled administration of the assessment instrument, without cost to the student, additional accelerated instruction to each student in any subject in which the student failed to perform satisfactorily on an EOC assessment instrument required for graduation.

¹ [TEC, Chapter 39, Subchapter B, Assessment of Academic Skills](#)

² [TEC, §29.081](#)

³ [TEC, Chapter 39, Subchapter B](#)

⁴ [TEC, §29.081](#)

⁵ [TEC, §39.023\(c\)](#)

- Districts must separately budget sufficient funds, including funds under the [TEC, §48.104](#)⁶ to provide required accelerated instruction to students who failed to perform satisfactorily on an EOC. A district may not budget funds received under the [TEC, §48.104](#), for any other purpose until the district adopts a budget to support additional accelerated instruction under the [TEC, §29.081\(b-1\)](#). A district shall evaluate the effectiveness of accelerated instruction programs under subsection (b-1) and annually hold a public hearing to consider the results.
- Evaluate and document the effectiveness of the accelerated instruction in reducing any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or disparity in the rates of high school completion between students at risk of dropping out of school and all other district students.

To achieve the goals and objectives of the SCE program the program requires adherence with the following practices:

- regularly and routinely identify students that meet one or more of the at-risk criteria in [TEC, §29.081](#);
- provide appropriate academic and other support services designed to increase the likelihood of academic success;
- record student at-risk status in PEIMS and maintain necessary supporting documentation.

Supplemental instructional services that are offered to at-risk students and educationally disadvantaged students should provide additional opportunities to be successful in school.

Services provided should:

- be comprehensive and specific to meet the individualized needs of the at-risk and/or educationally disadvantaged student;
- be coordinated among LEA staff, partner organizations, and parents/guardians, as appropriate;
- **supplement** each at-risk and/or educationally disadvantaged student's regular education program by providing additional time and or resources; and
- support personal and social development through supplemental academic, developmental, and counseling services that are designed to keep the student in school, promote to the next grade level, and graduate from high school.

6.2 Statutory and Regulatory Requirements

To achieve the goals and objectives of the SCE program, LEAs must have a full understanding of the laws, regulations, and other requirements applicable to SCE.

⁶ [TEC, §48.104](#)

6.2.1 State Compensatory Education Statutes, Laws, and Regulations

The TEC and other state statutes and regulations contain the legal requirements for SCE. SCE 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 and educationally disadvantaged students. Statutes, laws, regulations, and correspondence related to the SCE program are outlined below.

State Statutory Requirements

The TEC, Chapters [11](#), [28](#), [29](#), and [48](#), establish statutory requirements related to LEA's SCE program implementation and compliance. These requirements include, but are not limited to, the following:

- The [TEC, §§11.251–11.253](#), relates to the district improvement plan and the campus improvement plan requirements
- The [TEC, §28.0217](#), relates to satisfactory performance on state assessment instruments and providing accelerated instruction to certain students
- The [TEC, §29.081](#), defines the purpose of the SCE program and the statutory criteria for determining whether a student is at risk of dropping out of high school
- The [TEC, §29.089](#), allows school districts and charter schools to fund mentoring programs with state compensatory education funds
- The [TEC, §48.104](#), provides the method for TEA to calculate school district and open-enrollment charter school allotments

State Regulatory Requirements

Information pertaining to the eligible student count for the compensatory education allotment is detailed in [19 TAC §61.1027](#).

Additional information on the statutes, laws, rules, regulations, and correspondence related to the SCE program are located under the [State Compensatory Education](#) heading on the Support for At-Risk Schools and Students webpage on the TEA website.

6.2.2 District and Campus Improvement Plans

The [TEC, §29.081](#), requires LEAs to create a SCE program and describe the SCE program in the district improvement plan (DIP), open-enrollment charter school's instructional plan, and the campus improvement plan (CIP).⁷

⁷ [TEC, §11.252\(a\)\(3\)\(H\)](#) and [TEC, §11.253\(d\)\(1-10\)](#)

Each LEA must develop and maintain a DIP⁸ and a CIP⁹ for each campus, and open-enrollment charter schools must have an instructional plan. If the LEA is comprised of only one campus, then the district and campus plans may be one plan under the [TEC, §11.252\(c\)](#).

The [TEC, §29.081](#), also requires LEAs to use student performance data from the state’s legislatively mandated assessment instrument known as the State of Texas Assessments of Academic Readiness (STAAR) tests and any other achievement tests administered under the [TEC, Chapter 39, Subchapter B](#),¹⁰ to develop the plans for providing accelerated or intensive instruction to at-risk students.

Each DIP, CIP, and open-enrollment charter school’s instructional plan developed should contain objectives that are:

- specific,
- measurable,
- attainable,
- relevant (oriented toward achieving the stated goals of the program), and
- time-bound.

Plans must present a true reflection of the district, campus, teacher, parent, and community needs and expectations. Specific requirements for the plans, including who should be included in the planning process, are found in the [TEC, §11.252](#), for district-level planning and in the [TEC, §11.253](#), for campus-level planning. Accordingly, all program and budget planning must be conducted prior to expending the SCE funds to ensure quality and sufficiency in the supplemental services and programs provided for the intended population defined in the authorizing statutes, the [TEC, §29.081](#), and the [TEC, §48.104](#).

In addition to the requirements outlined under the [TEC, §§11.251–11.253](#), each plan must also include the following:

- A description of the process and results for the comprehensive needs assessment related to compensatory education programs – 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 SCE funds allocated
- Identified compensatory education strategies – specific program strategies that align with the findings of the comprehensive needs assessment
- Supplemental financial resources for compensatory education - indication of the approximate dollar amounts for activities and or strategies
- Supplemental FTEs for SCE – 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

⁸ [TEC, §11.252](#)

⁹ [TEC, §11.253](#)

¹⁰ [TEC, Chapter 39, Subchapter B](#)

behavior to ensure that the plan is resulting in academic improvement (indicators of expected and actual)

- 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.
 - A formative evaluation validates or ensure that the goals of instruction are being achieved.
 - A summative evaluation is quantitative, using numeric scores or letter grades to assess learner achievement. It measures the worth of a program at the end of the program activities. The focus is on outcome.

The DIP and CIP, and instructional plan for open-enrollment charter schools, are one of the primary records supporting expenditures attributed to the SCE program.

The LEA’s annual review and revision of the DIP and CIP are not only required, but crucial in creating an effective SCE program. The planning process allows LEAs to focus resources on the strategies and goals that will most likely impact the achievement of the intended population defined in the authorizing statutes, the [TEC, §29.081](#), and the [TEC, §48.104](#).

Plans for evaluating and monitoring improvement efforts are a critical component of the district comprehensive needs assessment. School districts and open-enrollment charter schools must annually evaluate the outcomes and the plan’s implementation to determine whether the academic achievement of all the intended population defined in authorizing statutes, the [TEC, §29.081](#), and the [TEC, §48.104](#), improved; whether the goals and objectives contained in the plan were achieved; and if the plan is still appropriate.¹¹ 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 and that the strategies are meeting the needs of the at-risk and educationally disadvantaged students.

6.2.2.1 State Criteria for Identification of Students at Risk of Dropping Out of School

The [TEC, §29.081](#), defines the 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 26 years of age and who:**

- 1. Was not advanced from one grade level to the next for one or more school years**

¹¹ [TEC, §29.081\(c\)](#)

Any student who was not promoted from one grade level to the next remains at risk for the remainder of his or her public school education. Statute exempts students who were not promoted from prekindergarten or kindergarten to the next grade level only as a result of the request of the student's parents. LEAs should maintain these requests for retention for auditing purposes. A student who is placed in the next grade level—even when the student was not promoted based on academic performance—is considered advanced to the next grade level. However, the student may meet another statutory criterion for being at risk.

- 2. If the student is in grade 7, 8, 9, 10, 11, or 12 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**

Students should be identified in a manner that allows those students reasonable and timely access to compensatory services in order to pass foundation subjects during the semester in which the student experiences a failing average.

The foundation curriculum includes English language arts, mathematics, science, and social studies. Social studies consist of Texas history, United States history, world history, government, and geography. Refer to the [TEC, §28.002](#),¹² for the required foundation curriculum.

A common scenario is disclosed below, and it involves a student that is currently in the ninth grade.

- She failed math and social studies in the fall semester last year. She should be coded at risk beginning in the fall semester of the year in which she failed, or upon the start of the spring semester, depending on local procedure and when the failing average began, and she should remain coded at risk for the remainder of her current ninth grade year.
- The same student fails one foundation curriculum course during the current ninth grade year. She should remain on at risk status for the remainder of ninth grade (based on the prior year failures in two foundation curriculum courses) but will be removed from at risk status (for this criterion) at the beginning of the next school year.
- The same student fails two foundation curriculum courses in the spring semester of the current school year. She will remain on at risk status for the remainder of the spring semester and for the next school year.

- 3. Did not perform satisfactorily on an assessment instrument administered to the student under the [TEC, 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**

If a student does not perform satisfactorily on one or more of the STAAR® subject areas, the student meets the criteria to be identified as being at risk of dropping out of school. When the

¹² [TEC, §28.002](#)

student passes the next assessment at the 110 percent passing rate, the student no longer meets this criterion.

Common Scenario: If a student fails the state third grade reading assessment, re-takes the test, and passes at a score below the 110 percent required for satisfactory performance, the student remains classified at risk of dropping out of school and therefore is eligible for supplementary services.

If there is not another scheduled test, in the same subject, to determine proficiency at the 110 percent passing rate, the LEA may offer the student another equivalent type test to confirm proficiency at the 110 percent passing rate and exit the student from at risk status for this criterion. The LEA should retain documentation of the assessments used as well as the assessment results and calculations.

4. If the student is in prekindergarten (pre-K), kindergarten, or grade one, two, or three, did not perform satisfactorily on a readiness test or assessment instrument administered during the current school year

Readiness test results should be used for programming only during the year in which the test was administered. LEAs must maintain documentation regarding the appropriateness of the instrument(s) and the level of satisfactory performance. Districts should administer a readiness test or assessment instrument as early in the year as possible in order to identify those students who are eligible for services under the SCE program. It is recommended that students who enroll during the school year be assessed within 30 days after enrolling. The purpose of a readiness test is to evaluate a child's knowledge and skill level at the beginning of the school year (in this case pre-K through third grade) in order to identify areas that may need supplemental assistance and formulate a plan to help the student succeed in the coming year. Readiness tests should be useful tools for both teachers and parents.

5. Is pregnant or is a parent

Any student who is pregnant or is a parent should be coded as at risk of dropping out of school. Male students who are parents should be coded at risk. The [Texas Family Code, Title V, Subtitle A, Chapter 101 \(a\) and \(b\)](#), defines a parent as "the mother, a man presumed to be the father, a man legally determined to be the father, a man who has been adjudicated to be the father by a court of competent jurisdiction, a man who has acknowledged his paternity under applicable law, or an adoptive mother or father...the term does not include a parent as to whom the parent-child relationship has been terminated...the term does include parents ordered to pay child or medical support."

6. Has been placed in an alternative education program in accordance with the [TEC, §37.006](#)¹³ during the preceding or current school year

¹³ [TEC, §37.006](#)

Any student who has been placed in a Disciplinary Alternative Education Program (DAEP) during the current or prior year is identified as an at-risk student. The DAEP can be on a regular campus. If the DAEP is located at a regular campus, then the program must be identified and described in the regular campus' campus improvement plan. If the DAEP is located on a separate campus, the DAEP must have its own campus improvement plan. Some LEAs contract with local governments to run a DAEP located in the same facility as the local JJAEP. In these cases, districts may use SCE funds only for the DAEP portion of the contract.

SCE funds may not be used for the basic JJAEP program but can be used to pay the costs associated with placing students in a juvenile justice alternative education program established under the [TEC, §37.011](#).¹⁴

In-school suspension (ISS) programs are not considered alternative education programs under this item and placement in an ISS program is not a criterion for eligibility under the [TEC, §29.081](#).

7. Has been expelled in accordance with the [TEC, §37.007](#)¹⁵ during the preceding or current school year

Any student who has been expelled from school during the preceding or current school year meets this definition.

8. Is currently on parole, probation, deferred prosecution, or other conditional release

Students who are on active parole, probation, deferred prosecution, or other type of conditional release in the juvenile or adult criminal justice system are identified as being at risk of dropping out of school. The status should be removed once a student is released from court supervision. SCE funds may not be used for the basic JJAEP program but can be used to pay the costs associated with placing students in a juvenile justice alternative education program established under the [TEC, §37.011](#).¹⁶

Under the [TEC, §37.014](#)¹⁷, each school district must appoint at least one educator to act as liaison officer for court-related children who are enrolled in the district. The liaison officer provides counseling and services for each court-related child and the child's parents to establish or reestablish normal attendance and progress of the child in the school. It is the responsibility of the liaison officer to assist students and teachers to ensure that students are provided the opportunity to complete coursework that was missed due to court-required activities that cause the student to be absent from class.

¹⁴ [TEC, §37.011](#)

¹⁵ [TEC, §37.007](#)

¹⁶ [TEC, §37.011](#)

¹⁷ [TEC, §37.014](#)

A court-related liaison is a resource for the SCE program to identify students at risk of dropping out of school, but SCE funds may not be used to fund the position. Court-related liaisons are required under statute and using SCE for this requirement is not allowable.

9. Was previously reported through PEIMS to have dropped out of school

Any student who has previously dropped out of school remains at risk for the remainder of his or her public-school education.

10. Is an emergent bilingual student as defined by the [TEC, §29.052](#)

Any student who meets the definition of an emergent bilingual student in the [TEC, §29.052](#)¹⁸, remains at risk under this criterion until that student no longer meets the definition. Students being monitored for whether they meet the definition under the [TEC, §29.052](#), are not identified as being at risk of dropping out of school.

SCE funds may not be used to fund the bilingual education program. Bilingual education is a state mandated program under the [TEC, §29.051](#).¹⁹ SCE funds must supplement the regular education program for students identified as at risk of dropping out of school. All students served with SCE, including those eligible for bilingual education, must meet statutory or local criteria for being at risk of dropping out of school.

11. Is in the custody or care of the Department of Family and Protective Services (DFPS) 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

Students who have been in the custody or care of, or have been referred to, the [Department of Family and Protective Services \(DFPS\)](#) during the current or previous school year, regardless of the source of referral, are considered at risk. Students who have been referred to DFPS by the school, juvenile court, or law enforcement during the current or previous school year are also considered at risk, regardless of whether that referral resulted in DFPS custody.

12. Is homeless

13. Resided in the preceding school year or resides in the current school year in a residential placement facility in the district, including a detention facility, substance abuse treatment facility, emergency shelter, psychiatric hospital, halfway house, or foster group home.

A residential facility includes a facility that provides 24-hour custody or care of students who reside in the facility. In addition to the specific facilities listed in the statute, residential facilities

¹⁸ [TEC, §29.052](#)

¹⁹ [TEC, §29.051](#)

include facilities that provide detention, treatment, foster care, or any other non-educational purpose. Traditional foster homes licensed by the Texas Department of Family and Protective Services as Foster Family Homes (Independent) are not considered residential facilities.

A student has “resided” in a residential facility when he/she has had one or more overnight stay at a qualifying facility.

Appropriate documentation for this criterion includes a hardcopy or official electronic report or communication from a facility or documentation from a facility treatment provider or administrator on letterhead that states the admission and release dates of the student.

Regardless of where the residential placement occurred, the student’s at-risk status is valid through the second school year after the date of release from the facility. When a student leaves a district for placement in a residential facility in another district, the student is considered at risk in the receiving district.

14. Has been incarcerated or who has parents that have been incarcerated within the student's lifetime in a penal institution as defined by [Penal Code, §1.07](#). These students are eligible to receive certain services that other at-risk students receive, such as counseling and academic enhancement services.

The [Penal Code, §1.07\(a\)\(37\)](#), defines “penal institution” as “a place designated by law for confinement of persons arrested for, charged with, or convicted of an offense.” TEA considers the term “incarcerated” in the amended section of the [TEC, §29.081](#), to mean conviction for a criminal offense and consequent sentencing and confinement to jail or prison. The juvenile equivalent is adjudication and placement in a juvenile detention facility.

TEA’s general guidelines for documenting a student at-risk due to incarceration are as follows:

- Timeline for identification. This begins as soon as the appropriate school staff is informed of a student’s incarceration or that a student’s parent or guardian has been incarcerated in a penal institution in the student’s lifetime.
- Start date. This is the date of disclosure to campus staff.
- End date. The student remains identified as at-risk for the remainder of his/her public school education.
- Districts may legally request this information. Documentation must be maintained and may include a detailed “memo-to-file.”

15. Enrolled in a school district or open-enrollment charter school, or a campus of a school district or open-enrollment charter school, that is designated as a dropout recovery school under the [TEC, §39.0548](#).

An LEA may use a private or public community-based dropout recovery education program to provide alternative education programs for students at risk of dropping out of school. The program may be offered:²⁰

- at a campus; or
- through the use of an online program that leads to a high school diploma and prepares the student to enter the workforce.

A **campus—based** dropout recovery education program must:²¹

1. provide not less than four hours of instructional time per day;
2. employ as faculty and administrators persons with baccalaureate or advanced degrees;
3. provide at least one instructor for each 28 students;
4. perform satisfactorily according to performance indicators and accountability standards adopted for alternative education programs by the commissioner; and
5. comply with this title and rules adopted under this title except as otherwise provided by this subsection.

An **online** dropout recovery education program must:²²

1. include as a part of its curriculum credentials, certifications, or other course offerings that relate directly to employment opportunities in the state;
2. employ as faculty and administrators persons with baccalaureate or advanced degrees;
3. provide an academic coach and local advocate for each student;
4. use an individual learning plan to monitor each student's progress;
5. establish satisfactory requirements for the monthly progress of students according to standards set by the commissioner;
6. provide a monthly report to the student's school district regarding the student's progress;
7. perform satisfactorily according to performance indicators and accountability standards adopted for alternative education programs by the commissioner; and
8. comply with this title and rules adopted under this title except as otherwise provided by this subsection.

Under the [TEC, §48.104\(l\)\(2\)](#), SCE program may also supplement the local accelerated reading program, dyslexia program and or the school district's mentoring services program. The [TEC, §48.104\(l\)\(2\)](#),²³ allows charges to the SCE allotment in proportion to the percentage of students that meet the criteria in the [TEC, §29.081\(d\)](#) or (g)²⁴, for programs that serve students that:

- are enrolled in an accelerated reading program under the [TEC, §28.006\(g\)](#),²⁵
- are enrolled in a program for treatment of students who have dyslexia, or a related disorder as required by the [TEC, §38.003](#),²⁶ or

²⁰ [TEC, §29.081\(e\)\(1\)\(2\)](#)

²¹ [TEC, §29.081\(e-1\)\(1\)\(2\)\(3\)\(4\)\(5\)](#)

²² [TEC, §29.081\(e-2\)\(1\)\(2\)\(3\)\(4\)\(5\)\(6\)\(7\)\(8\)](#)

²³ [TEC, §48.104](#)

²⁴ [TEC, §29.081\(d\)\(g\)](#)

²⁵ [TEC, §28.006\(g\)](#)

²⁶ [TEC, §38.003](#)

- to fund the LEA’s mentoring services program under the [TEC, §29.089](#).²⁷

Thus, only the portion of SCE funds used to **supplement** the accelerated reading program; dyslexia program; and the LEA’s mentoring services program, for the intended population as defined in the authorizing statutes, the [TEC, §29.081](#), and the [TEC, §48.104](#), may be charged to SCE. Any other funds used to supplement the aforementioned programs for students who meet neither state or local criteria would have to be funded with local funds or another fund source.

6.2.2.2 Local Criteria for Identification of Students at Risk of Dropping Out of School

The [TEC, §29.081\(g\)](#), states, “In addition to students described by Subsection (d), a student who satisfies local eligibility criteria adopted by the board of trustees of a school district may receive instructional services under this section. The number of students receiving services under this subsection during a school year may not exceed 10 percent of the number of students described by Subsection (d) who received services from the district during the preceding school year.” Therefore, in addition to serving students at risk of dropping out of school defined by state criteria, LEAs may serve students who meet local eligibility criteria if the local criteria have been adopted by the board of trustees. The adopted criteria must be clearly defined in the district improvement plan (DIP) and instructional plan for open-enrollment charter schools. The LEA may provide **instructional services** to the at-risk students. However, the number of students receiving services under **local eligibility criteria** during a school year **may not exceed 10 percent** of the number of students who met the state criteria under the [TEC, §29.081\(d\)](#), who received services from the district during the preceding school year.

A school district must be able to document that students identified under local criteria were added to a listing of students that were identified under the [TEC, §29.081](#). This means that the SCE allotment may not be used to serve students on a particular campus under local criteria, if an LEA has not identified any students on the same campus that meet any of the criteria under the [TEC, §29.081](#).

School districts and open-enrollment charter schools must maintain current records that accurately identify and document which students meet statutory criteria for being at risk of dropping out of school and be able to provide accurate up-to-date reports on the status and program participation of students by campus. Documentation **must be useful as auditable**.

Students that meet the statutory criteria for being at risk must be reported as such through TSDS PEIMS. Students that are identified as at risk based on local criteria **are not** coded in PEIMS.

For more information on PEIMS reporting requirements, see [6.2.3.3, PEIMS Reporting Requirements](#), of this module.

²⁷ [TEC, §29.089](#)

6.2.2.3 Local SCE Policies and Procedures

Policies are considered formal guidance needed to coordinate and execute activities throughout the LEA. The [TEC, §11.253\(a\)](#), states that each LEA must maintain current policies and procedures to ensure that effective planning and site-based decision-making occur at each campus and direct and support the improvement of performance for all students. The policies and procedures ensure compliance with laws and regulations, give guidance for decision-making, and streamline internal processes. Auditors may request this information to substantiate the use of funds.

SCE policies and procedures should be in place prior to spending SCE funds. This approach ensures that SCE funds are monitored and expended for the intended purpose.

School districts and open-enrollment charter schools are required to have local policies and procedures related to:

- Identifying and documenting students who are at risk of dropping out of school under the criteria in the [TEC, §29.081\(a\)\(b\)](#);²⁸
- Identifying and documenting students who are at risk of dropping out of school under local criteria and document compliance with the 10 percent cap in the [TEC, §29.081\(g\)](#);
- How students are entered into the SCE program;
- How students are exited from the SCE program;
- The methodologies involving calculation of 110 percent satisfactory performance on all assessment instruments, in accordance with the [TEC, §29.081\(d\)\(3\)](#);
- The methodology that will be used to evaluate and document the effectiveness of the SCE program, in accordance with the [TEC, §29.081\(b-3\)](#), and the [TEC, §29.081\(c\)](#);
- The frequency and use of the completed evaluation of the SCE program and data related to the effectiveness of the SCE program;
- An annual public hearing to discuss the evaluation results and effectiveness of the SCE program, in accordance with the [TEC, §29.081\(b-3\)](#); and
- The cost of the regular education program in relation to budget allocations for compensatory, intensive, and or accelerated instruction, and or alternative education per student and or instructional staff per student ratio, in accordance with the [TEC, §29.081\(b\)\(b-2\)\(e\)\(1\)\(2\)\(e-1 through e-5\)\(e-2 through e-8\)](#).

Utilizing both policies and procedures during program planning and decision-making ensures that the campus staff are consistent in their decisions and in compliance with program rules, and have student success in their focus.

6.2.3 Electronic Report Submission Requirements

All school districts and open-enrollment charter schools with an SCE allotment is **\$750,000 or more** for the previous fiscal year are required to submit campus improvement plans and an annual local SCE

²⁸ [TEC, §29.081\(a\)\(b\)](#)

program evaluation to TEA to evaluate SCE program compliance. For LEAs with an SCE allotment of **less than \$750,000**, TEA will request selected plans as needed to determine program compliance.

The following documents must be submitted through the Texas Education Agency Login environment (**TEAL**) **Audit** application:

1. **CIP** (open-enrollment charter schools submit instructional plans) — a minimum of two for the campuses that had the highest percentage of students at risk of dropping out of school. Of the two CIPs²⁹ that must be submitted:
 - a. At least one must be for the non-Title I campus, if any, that had the highest percentage of students at risk of dropping out of school during the school year
 - b. One plan for each campus that received an F performance rating in the Texas Accountability Rating System for the previous school year
2. Local evaluation of SCE strategies, activities, and programs is required for a school district or an open-enrollment charter school that:
 - a. had any F - Unacceptable Performance campuses based on state academic accountability ratings; or
 - b. reported more than 59 percent at-risk students during the previous school year

See [6.2.2, District and Campus Improvement Plans](#) for more information on district and campus improvement plans.

6.2.3.1 Electronic Report Submission Due Date

The **CIP(s)** (for school districts) or **instructional plan** (for open-enrollment charter schools) and the **local evaluations** (for both school districts and open-enrollment charter schools) must be submitted to TEA on or before the date that falls **150 days** after the final PEIMS midyear collection resubmission date. (The 150th day after the last day permissible to send data for the **PEIMS data midyear collection resubmission**.)

Typically, the last day for the PEIMS data **FINAL** midyear collection resubmission occurs in mid- to late-February; therefore, the 150th day typically falls mid- to late-July.

6.2.3.2 Required Electronic Report Format

The CIP(s) and evaluation are to be submitted electronically in Adobe Acrobat® PDF file through a Texas Education Agency Login Environment (TEAL) AUDIT account. File naming and submission instructions are outlined in the **Electronic Reports Submission Standards** document that is located on the [Financial Compliance Division](#) web page on the TEA website.

Access to the TEAL system's AUDIT application is required to upload plans. For technical assistance, contact TEA's Financial Compliance Division at schoolaudits@tea.texas.gov.

²⁹ It is possible that a school district or open-enrollment charter school may be required to submit more than two campus improvement plans.

6.2.3.3 PEIMS Reporting Requirements

Students at risk of dropping out of school must be reported through PEIMS and must meet the state criteria during the fall resubmission.

When coding at-risk students in TSDS PEIMS, LEAs must use **at-risk indicator code E0919**.³⁰ At-risk indicator code E0919 indicates whether a student is currently identified as at risk of not meeting standards or dropping out of school using state-defined criteria, the [TEC, §29.081](#).³¹ Local criteria **are not** included in this indicator code.

LEAs are responsible for the quality of data reported by each campus.

Back-up documentation must be maintained for all students who are reported to PEIMS as being at risk of dropping out of school.

For more information on coding and submitting at-risk students through TSDS PEIMS, see the [Texas Education Data Standards](#).

6.2.4 Funding of Compensatory Education Programs under the Foundation School Program

SCE funds are authorized biennially by the legislature to reduce any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#),³² or disparity in the rates of high school completion between students at risk of dropping out of school and all other LEA students. The [TEC, §29.081](#), requires LEAs to use student performance data from the state's legislatively mandated assessment instrument known as the STAAR tests and any other achievement tests administered under the [TEC, Chapter 39, Subchapter B](#), including norm-referenced tests approved by the State Board of Education (SBOE) to provide compensatory, intensive, or accelerated instruction to students who have not performed satisfactorily or who are at risk of dropping out of school.

6.2.4.1 Compensatory Education Allotment

[House Bill 3 \(HB 3\)](#) increased the compensatory education allotment from 0.20 per student to a range of 0.225 to 0.275 per student. The increase in funding comes with changes in spending requirements.

The methodology for funding the program has changed from a single multiplier for each eligible student to a tiered multiplier focused on individual students. The weight is based on the census block group where the educationally disadvantaged student's home or residence address is located.

Census blocks identified as economically disadvantaged are sorted into five tiers and assigned

³⁰ [2021–2022 TEA Data Standards](#)

³¹ [TEC, §29.081](#)

³² [TEC, Chapter 39, Subchapter B](#)

different funding weights for each tier. Organized from least to most severe economic disadvantage, the five tiers of the index are 0.225, 0.2375, 0.25, 0.2625, and 0.275. Districts do not need to report a census block group for a student who is homeless. Homeless students will be assigned the highest funded tier, receiving the 0.275 weight.

If insufficient data is available for any school year to evaluate the level of economic disadvantage in a census block group, a school district is entitled to an annual allotment equal to the basic allotment multiplied by 0.225 for each student who is educationally disadvantaged and resides in that census block group.

Previous methodology resulted in close to \$1,000 per eligible student. The new methodology provides approximately \$1,400 per student on the low end and \$1,700 per student on the high end.

Funding allocated for SCE programs is based on an index for economically disadvantaged census block groups in the state.³³ This index provides criteria for determining which census block groups are economically disadvantaged. It categorizes economically disadvantaged census block groups in five tiers according to the relative severity of economic disadvantage. In determining the severity of economic disadvantage in a census block group, the commissioner considers:

- the median household income;
- the average educational attainment of the population;
- the percentage of single-parent households;
- the rate of homeownership; and
- other economic criteria the commissioner determines likely to disadvantage a student's preparedness and ability to learn.

On a schedule determined by the commissioner, each school district reports to the agency the census block group in which each educationally disadvantaged student enrolled in the district resides. The agency provides a resource to school districts for use in determining the census block group in which a student resides.

For a quick overview of the annual SCE allotment that is available for each qualifying student, see Exhibit 6.2.4.1.A, SCE Annual Allotment Eligibility Criteria.

Exhibit 6.2.4.1.A SCE Annual Allotment Eligibility Criteria

Qualification Criteria for SCE Allotment	Adjusted Basic Allotment Multiplier (Multiply the basic allotment by the multiplier)	Applicable Statute or Rule
Educationally Disadvantaged Student	0.225, 0.2375, 0.25, 0.2625, and 0.275	TEC, §48.104(b-d)

³³ [TEC, §48.104\(a-b\)](#)

	(weights ordered from least to most severe economic disadvantage)	
A student that does not have a disability and resides in a residential placement facility in a district in which the student’s parents or legal guardian do not reside	0.275	TEC, §48.104(b)
Homeless students	0.275	TEC, §48.104(e-1)
Full-time student that is pregnant and in a remedial and support program authorized under the TEC, §29.081	2.41	TEC, §48.104(b)
Full-time student in a virtual education program through the state virtual school network, if the school district submits a plan to the commissioner of education detailing the enhanced services that will be provided to the student and the commissioner of education approves the plan	0.225, 0.2375, 0.25, 0.2625, and 0.275	TEC, §48.104(f)

End of Exhibit 6.2.4.1.A

The [TEC, §48.104](#), gives the commissioner of education the authority to provide an alternative method for school districts and open-enrollment charter schools to count the number of eligible educationally disadvantaged students.

Additional details concerning the alternative SCE allotment method are discussed in [6.2.4.2, Alternative Method for Receiving the Compensatory Education Allotment](#).

6.2.4.2 Alternative Method for Receiving the Compensatory Education Allotment

For school districts and open-enrollment charter schools with one or more campuses not participating in the National School Lunch Program (NSLP), an eligible student count may be derived by an alternative method for the purpose of receiving the SCE allotment.³⁴

To be counted for SCE funding **using the alternative method**, each student considered to be educationally disadvantaged must:

³⁴ [19 TAC §61.1027](#)

- meet the income eligibility requirements for the
 - NSLP for free or reduced-priced lunches³⁵
 - School Breakfast Program (SBP); or
- be students who participate in a locally funded lunch or breakfast program at one or more campuses in the school district.

Income Eligibility Guidelines

Under commissioner's rules adopted in [19 TAC §61.1027](#),³⁴ the count of students used for the alternative reporting method is based on those students who would otherwise meet the income requirements for eligibility under the NSLP, if it were offered.

In general, students in families that receive Supplemental Nutrition Assistance Program (SNAP) benefits (formerly known as food stamps) or Temporary Assistance for Needy Families (TANF) automatically qualify for the funding count, and school districts can satisfy the documentation requirements by recording the appropriate case numbers. Students in families who do not receive such assistance may qualify if they are in families that meet the same income guidelines used for the NSLP and SBP. The income guidelines are a function of family size and total income of all family members.

School districts and open-enrollment charter schools receiving SCE funds via the alternative method are responsible for obtaining the data from families, verifying the information, and retaining records. Sample letters, forms, and allotment income eligibility guidelines are posted on the [SCE webpage](#). The document, [Income Eligibility Guidelines for Determining Free and Reduced-Price Benefits](#), shows the maximum income for a given family size for the applicable school year.

Changes in family income status through the year may affect whether a student remains or becomes eligible for this funding count. This fact is worth noting because your school district's SCE funding is dependent upon your school district's ability to maintain an accurate and current count of the number of educationally disadvantaged students.

School districts and open-enrollment charter schools must retain the qualification information for each child for audit purposes. TEA will conduct an **audit of data submitted** every five years or on an alternative schedule adopted at the discretion of the commissioner. See [19 TAC §61.1027](#),³⁶ for additional information.

³⁵ [TEC, §48.104](#)

³⁶ [19 TAC §61.1027](#)

6.2.4.3 Budgeting and Expenditure of SCE Funds

Each LEA that is required to provide accelerated instruction under the [TEC, §29.081\(b-1\)](#)³⁷ shall separately budget sufficient funds, including funds under the [TEC, §48.104](#),³⁸ for that purpose. A district may not budget funds received under the [TEC, §48.104](#) for any other purpose until the district adopts a budget to support additional accelerated instruction under the [TEC, §29.081\(b-1\)](#).

Under the [TEC, §48.104\(k\)](#), SCE funds must be used to fund supplemental programs and services designed to eliminate any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or disparity in the rates of high school completion between students who are educationally disadvantaged and students who are not educationally disadvantaged, and students at risk of dropping out of school, as defined by the [TEC, §29.081](#), and all other students.

Expenditures of SCE funds must:

- support the intent and purpose of the program,
- be allowable under statute and guidance, and
- be directly related to specific interventions identified in the appropriate district and campus improvement plans.

6.2.4.4 Allowable Costs

Under the [TEC, §48.104\(k\)](#),³⁸ SCE funds must be used to fund supplemental programs and services designed to eliminate any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or disparity in the rates of high school completion between students who are educationally disadvantaged and students who are not educationally disadvantaged, and students at risk of dropping out of school, as defined by the [TEC, §29.081](#), and all other students.

Fifty-five percent (**55%**) of the annual SCE allotment must be expended during the school year for which it was allotted for compliant compensatory programs and or services, **direct costs**. No more than 45 percent (**45%**) of the Foundation School Program (FSP) SCE allotment may be spent on **non-direct costs**.³⁹ All program and budget planning must be conducted prior to expending the SCE funds to ensure quality and sufficiency in the supplemental services and programs provided for the intended population defined in the authorizing statutes, the [TEC, §29.081](#), and the [TEC, §48.104](#). Specifically, the direct program funds must be used to meet the costs of providing:

- compensatory programs and services under the [TEC, §29.081](#); or
- supplemental programs and services, including services provided by an instructional coach, designed to eliminate any disparity in performance in on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or disparity rates in the high school completion rate between students who are educationally disadvantaged and students who were not educationally disadvantaged and at-risk students and all other students; or

³⁷ [TEC, §29.081](#)

³⁸ [TEC, §48.104](#)

³⁹ [19 TAC §105.11\(a\)](#)

- support to a program eligible under Title I of the Elementary and Secondary Education Act of 1965, as provided by Pub. L. No. 103-382 and its subsequent amendments, and by federal regulations implementing that Act.

The direct program funds also may be used to the costs of providing:

- childcare services or assistance with childcare expenses for students at risk of dropping out of school; or
- services provided through a life skills program in accordance with the [TEC, §29.085\(b\)\(1\) and \(3\)-\(7\)](#); or
- an instructional coach to raise student achievement at a campus in which educationally disadvantaged students are enrolled; or
- the expenses related to reducing the dropout rate and increasing the rate of high school completion including expenses related to:
 - duties performed by attendance officers to support educationally disadvantaged students
 - programs that build skills related to managing emotions, establishing and maintain positive relationships, and making responsible decisions; or
- a disciplinary alternative education program established under the [TEC, §37.008](#); or
- placement for students in a juvenile justice alternative education program established under the [TEC, §37.011](#).

In meeting the requirements of providing a compensatory, intensive, or accelerated instruction program under the [TEC, §48.104\(l\)\(2\)](#), a district's compensatory education allotment must be used for costs supplementary to the regular education program, such as:⁴⁰

- costs for the SCE program and student evaluation,
- instructional materials and equipment and other supplies required for quality instruction of identified at-risk students,
- supplemental staff expenses,
- salary for teachers of at-risk students,
- smaller class size, and
- individualized instruction of identified at-risk students.

A program specifically designed to serve students at risk of dropping out of school, as defined by the [TEC, §29.081](#), is considered to be a program **supplemental** to the regular education program, and a school district may use its compensatory education allotment for such a program.

In addition, SCE program funds may also supplement the accelerated reading program, dyslexia or related disorder program, and the LEA's mentoring services program. The [TEC, §48.104\(l\)\(2\)](#) (formally under §42.152), allows charges to the SCE allotment in proportion to the percentage of students that meet the criteria in the [TEC, §29.081\(d\)](#) or [\(g\)](#) for programs that serve students that:

- are enrolled in an accelerated reading program under the [TEC, §28.006\(g\)](#);

⁴⁰ [TEC, §48.104](#)

- are enrolled in a program for treatment of students who have dyslexia or a related disorder as required by the [TEC, §38.003](#); or
- to fund the LEA's mentoring services program under the [TEC, §29.089](#).

LEAs should consider the following questions when determining if a cost is allowable for the SCE program:

- Is the program or service being offered to an identified at-risk student?
- Is the program or service supplemental to other federal and state programs, and the regular education program that is offered to all students?
- Is the program or service reasonable and necessary to carry out the intent and purpose of SCE?
- Was the program or service disclosed in the DIP and or CIP, or the instructional plan for open-enrollment charter schools, before SCE funds were expended?
- Will the program or service enhance the academic performance of the identified at-risk students?

LEAs that receive SCE program funding pursuant to the [TEC, §48.104](#), are responsible for

- obtaining the appropriate data from families of potentially eligible students,
- verifying that information, and
- retaining the records in accordance with records retention requirements.

In addition, a district shall evaluate the effectiveness of accelerated instruction programs under the [TEC, §29.081\(c\)](#)⁴¹, and annually hold a public hearing to consider the results.

6.2.4.5 Supplement, Not Supplant

SCE funds must be used to provide support programs and or services that **supplement** the regular education program so that students that have performed unsatisfactory on an EOC assessment instrument and or are at risk of dropping out of school can succeed in school.⁴⁰

It is imperative that LEAs have an in-depth understanding of what it means to supplement a program with SCE funds and what it means to supplant a program with SCE funds. The definitions of supplement and supplant highlight the difference. The definitions are as follows.

- **Supplement** – to add to; to enhance; to expand; to build upon; to increase; to extend; to create something new
- **Supplant** – to take the place of; to replace with something else; substitute for

Any program activity, program personnel, or program materials required by the district, federal law, state statute or rule, or SBOE rule **may not be funded** with SCE funds.

Supplement

⁴¹ [TEC, §29.081\(c\)](#)

Supplementing the regular education program means that the expenditures of SCE funds provide programs or services that are in addition to the regular education program. A regular education program consists of the basic instructional services to which all eligible students are entitled and the instructional services that are usually provided with local funds. SCE funds cannot be used to pay for services and materials that are required by the basic educational program or any other local, state or federal program. Using SCE funds to replace costs of other programs is supplanting.

At a minimum, the regular education program consists of the required curriculum for each LEA that serves grades K–12. The [TEC, §28.002](#),⁴² discloses the required curriculum grades K–12. The state’s foundation curriculum includes English language arts, mathematics, science, and social studies.

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.

Supplemental costs can include items that are designed specifically to reduce any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#),⁴³ or disparity in the rates of high school completion between students at risk of dropping out of school and all other LEA students⁴⁴ such as, but are not limited to:

- accelerated instruction for students that have taken an EOC assessment as required by the [TEC, §39.023\(c\)](#), and has not performed satisfactorily;
- supplemental accelerated instruction for students who did not pass the state assessment as required by HB 4545;
- required accelerated instruction program(s) evaluation(s) to assess the impacts or effectiveness of programs;
- student evaluation or assessment of progress in meeting the goals of the program in reducing any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or disparity in the rates of high school completion between students at risk of dropping out of school and educationally disadvantaged students, and all other students in the school district;
- instructional materials, equipment, and supplies that are both reasonable and necessary to implement a quality supplemental program;
- specialized staff development to train personnel in intervention who are working with the intended population defined in the authorizing statutes;
- salary and related expenses for supplemental instruction of students at risk of dropping out of school;

⁴² [TEC, §28.002](#)

⁴³ [TEC, Chapter 39, Subchapter B](#)

⁴⁴ [TEC, §29.081](#), and [TEC, §48.104](#)

- individualized and small group instruction;
- class size reduction (Note: SCE funds cannot be used to meet state or federally mandated rules);
- accelerated instruction (such as accelerated reading⁴⁵, math, science, or social studies program);
- dyslexia or a related disorder program ([TEC, §38.003](#));
- LEA's mentoring services program ([TEC, §29.089](#));
- tutorials for the intended population defined in the authorizing statutes, the [TEC, §29.081](#), and the [TEC, §48.104](#);
- computer-assisted instruction;
- STAAR remediation;
- extended day instructional sessions for pre-kindergarten; and
- extended school day, school week, or school year calendar.

All costs must be both reasonable and necessary to achieve the purpose of the program. Training and training expense must be reasonable and necessary and training **must** be related and beneficial to the SCE program. Therefore, training must be aligned with the needs of at-risk students as indicated in the DIP and CIP needs assessment. LEAs should ensure that training is not a “one time” event. Training should be geared to improving student performance. It is important to evaluate the effectiveness of the training and ensure that the original learning goals were achieved. Documentation must be maintained that training was evaluated for effectiveness.

TEA relies upon data reported by LEAs through TSDS PEIMS⁴⁶ to determine compliance with certain supplement, not supplant requirements in the TEC,⁴⁷ TAC,⁴⁸ and SBOE rules and other applicable laws, rules and statutes. TEA may request additional data as necessary in order to clarify questions related to PEIMS data. Also, TEA may conduct on-site visits as needed to fully assess qualitative and quantitative questions about SCE programs. If TEA determines that an LEA supplanted costs, then financial penalties may apply.⁴⁹

6.2.4.6 Use of the Compensatory Education Allotment for Mentoring Services Programs

The [TEC, §48.104\(l\)\(2\)](#) (formerly under the TEC, §42.152), allows SCE funds to be used to supplement an LEA's mentoring services program that was established in accordance with the [TEC, §29.089](#).⁵⁰ Before LEAs provide 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. LEAs should view the improvement of academic performance as a primary outcome of their efforts. It is imperative that programs implement proven, evidence-based best practices if they are to achieve their desired outcome.

⁴⁵ [TEC, §28.006\(g\)](#)

⁴⁶ [TEC, §42.006](#)

⁴⁷ [TEC, §48.104\(l\)\(2\)](#)

⁴⁸ [19 TAC §61.1027](#)

⁴⁹ [TEC, §48.104](#)

⁵⁰ [TEC, §29.089](#)

Furthermore, the mentoring program should align with the purpose of the SCE program, with the objective of providing accelerated, intensive and compensatory instructional programs to reduce any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or disparity in the rates of high school completion between students at risk of dropping out of school and all other LEA students.

Activities offered by the mentoring programs may include, but are not limited to:

- homework support,
- supplemental academic classes or instruction,
- hands-on learning activities,
- computer-assisted instruction,
- individual instruction, and
- activities related to the regular core curriculum.

It is also imperative that programs implement proven, evidence-based best practices to achieve their desired outcome. 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' scopes 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.

Before implementing any mentoring program, an LEA should have established policies and procedures related to the screening of potential mentors, including background checks; ongoing training and support for mentors and program staff; activities for mentors and students; and procedures for supervision and monitoring of mentoring relationships. Some available resources on the topic of mentoring service programs for school districts and open-enrollment charter schools are:

- [What Works Clearinghouse \(WWC\)](#) – WWC releases new intervention reports, topic reports, practice guides and quick reviews throughout the year.
- [National Dropout Prevention Center](#) – Is a clearinghouse on issues related to dropout prevention and strategies designed to increase the graduation rate in America's schools
- [National Mentoring Resource Center](#) – Is a resource center that provides resources on school-based mentoring
- [ERIC Mentoring Programs for At-Risk Youth](#) – A dropout prevention research report

6.2.4.7 Use of the Compensatory Education Allotment for Class Size Reductions

In meeting the costs of providing a compensatory, intensive, or accelerated instruction program under the [TEC, §29.081](#),⁵¹ school districts may use the SCE allotment to fund costs supplementary to the regular education program to create smaller class sizes.⁵² If the SCE allotment is used to fund strategies in the CIP 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 percent of the number

⁵¹ [TEC, §29.081](#)

⁵² [TEC, §48.104\(k\)\(1\)\(B\)](#)

of students who met the state eligibility criteria and were served in the SCE program in the preceding year under the [TEC, §29.081\(g\)](#).

The SCE allotment **must not** be used to achieve the FSP 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 campus.

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 SCE 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 notably smaller than an average of 22 students per teacher for regular education). This characteristic 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 fewer 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 percent of the students as risk of dropping out of school under the criteria in the [TEC, §29.081](#), and local criteria adopted by the board of trustees (in accordance with the 10 percent limit in the [TEC, §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.

6.2.4.8 Use of the Compensatory Education Allotment for Alternative Education Programs

Under the [TEC, §48.104\(k\)\(1\)\(B\)](#),⁵² a program specifically designed to serve students at risk of dropping out of school, as defined by the [TEC, 29.081](#),⁵¹ is considered to be a program supplemental to the regular education program and a school district may use its SCE allotment for such a program.

Therefore, the costs of:

- an **alternative education program (AEP)**, established under the [TEC, §37.006](#);⁵¹
- a **disciplinary alternative education program (DAEP)** established under the [TEC, §37.008](#);⁵² and

- the costs associated with placing students in a **juvenile justice alternative education program (JJAEP)** established under the [TEC, §37.011](#),⁵²

as a program specifically designed to serve students at risk of dropping out of school, directly targeting students meeting state and local criteria in the [TEC, §29.081](#), are eligible to be charged to the SCE allotment. The alternative education programs must be thoroughly established and described in the comprehensive needs assessment and in the CIP of the school district. All administrative duties and positions are not attributable to the 55 percent direct cost as described in statute. Expenditures attributable to the 45 percent are not recorded in financial accounting records under Program Intent Codes (PIC) 24, 26, 28, 30, and 34.

Some school districts may contract with the county to operate a DAEP, which may be located in the same facility as the local JJAEP. If the school district's DAEP is contracted with the county, the school district may use SCE funds for the DAEP, as established under the [TEC, §37.008](#). The school district may use SCE funds to pay only the costs associated with placing the students in the JJAEP, but not to fund base level services of the JJAEP.

Additionally, SCE funds are not allowed to fund an In-School Suspension (ISS) Program because this is a disciplinary strategy used by a district or campus and does not meet the DAEP requirements stated in the [TEC, Chapter 37](#). An ISS program also does not meet the intent and purpose of the SCE program.

6.2.4.9 Use of the Compensatory Education Allotment in Support of the Title I, Part A Program

Direct SCE funds⁵³ may be used to support a program eligible under Title I of the Elementary and Secondary Education Act of 1965, as provided by Pub. L. No. 103-382 and its subsequent amendments, and by federal regulations implementing that act.

SCE funds used to support a Title I program must be included in the campus budget and all SCE expenditures must be coded to the correct SCE fund code, align with the purpose of the SCE program, and follow all generally accepted accounting principles. SCE expenditures used to support a Title I program must also be supplemental to the costs of the regular education program and must not replace required or allowable federal expenditures. Specifically, all expenditures must be supplemental in nature and directly related to increasing the academic achievement of at-risk and educationally disadvantaged students in Title I schools. Funds are used to support effective, evidence-based educational strategies that close the achievement gap and enable the students to meet the state's challenging academic standards.

Furthermore, satisfactory justification must be provided to document that the expenses requested are both reasonable in cost and necessary to accomplish the objectives of the project. This means that, without the expenditure, the program would not accomplish its statutory objectives.

⁵³ [TEC, §48.104](#)

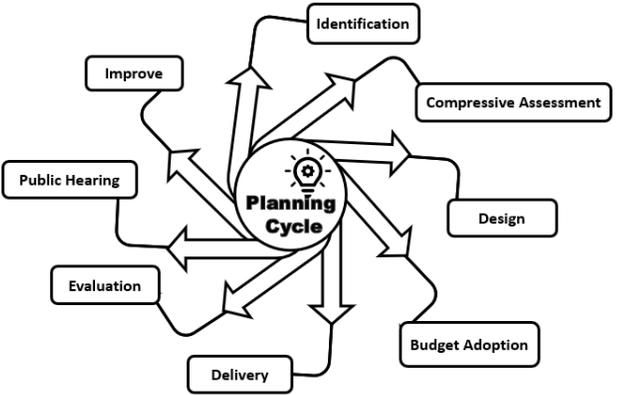
6.2.5 State Compensatory Education Planning Cycle

To begin the SCE planning cycle school districts must use student performance data resulting from the basic skills and assessment instruments and achievement tests administered under the [TEC, Chapter 39, Subchapter B](#), to design and implement appropriate compensatory, intensive, or accelerated instructional services for

- students enrolled in the school district who has taken an EOC assessment instrument administered under the [TEC, §39.023\(c\)](#) and has not performed satisfactorily on the assessment, or
- is at risk of dropping out of school.⁵¹

Components of the SCE planning cycle are:

1. **Identification** of the students based on statutes, rules, and other reliable data sources
2. **Comprehensive assessment** of each student’s needs so that the appropriate compensatory, intensive, and or accelerated instruction services, and or dropout prevention services are provided
3. **Design** appropriate SCE services for students that enable them to be performing at grade level at the conclusion of the next regular school year and provide services to prevent at-risk students from dropping out of school
4. **Adoption** of a budget to support SCE programs
5. **Delivery** of services to students
6. **Evaluation and documenting (Assessing)** the effectiveness of accelerated instruction programs and any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or the disparity of high school completion between students at-risk of dropping out of school and all other students in the school district.
7. **Holding a public hearing** to discuss the results of the SCE program evaluation
8. **Improve** program based upon evaluation results and stakeholder input



Each school district must maintain accurate and current records 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.⁵¹

In addition, each school district must maintain accurate and current student records verifying the at-risk classification. Student records must include:

- the reason(s) the student was identified,
- when the student was identified,
- the supplemental services provided,
- periodic review and verification of the at-risk student's at-risk classification, and
- the date and documentation substantiating the reason for exiting the program.

SCE planning cycle is continuous and ongoing throughout the school year; therefore, it is imperative that staff members that are part of the SCE planning team are fully engaged and knowledgeable about the requirements of the SCE program.

6.2.6 State Compensatory Education Programs and Resources

As LEAs design state compensatory education programs and or services, they must ensure that the school district DIPs and CIPs and charter school instructional plans identify the resources that will be used to implement the programs. Resources may include, but are not limited to:

- specialized supplemental materials for reading or mathematics programs;
- specialized software;
- additional staff and equipment;
- 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 and/or educationally disadvantaged students (For more information, see the section labeled *Notes on training.*);
- STAAR remediation;
- individualized instruction;
- extended day (instructional) sessions for prekindergarten;
- accelerated instruction; and
- extended day, week, or year instructional services.

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.

Notes on training

Professional development and training expenses must be reasonable and necessary and training must be related and beneficial to the SCE program with the primary goal of closing the achievement gap. Therefore, training must be aligned with the needs of the intended population defined in the authorizing statute and be documented in the DIPs and CIPs for school districts and the instructional plans of charter schools. LEAs should ensure that training is not a "one time" event but an ongoing process that will be reviewed for effectiveness and evaluated after completion to determine if the intended results were

achieved. Policies regarding attendance of staff at staff development trainings should be established and integrated.

6.2.6.1 SCE Expenditures and Program Support Documentation

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 and educationally disadvantaged students can succeed in school. Therefore, all **direct instructional costs must** relate specifically to the SCE program and **must** be adequately documented. Furthermore, LEAs must be able to demonstrate SCE programs were cost efficient and program effective.

Each LEA **must** maintain SCE support documentation that contains the following information to substantiate the cost of all supplemental SCE 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 school district and each campus maintain to verify that this training is supplemental to the at-risk program and not the campus' entire educational program?
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?
13. Indicate how the cost of the training is reasonable and necessary.
14. Identify the page number(s) of the DIP and CIP for school districts and instructional plans for charter schools that describes the planned strategies, activities, services and/or functions that will be implemented in support of this program. [TEC, §11.251\(b\)](#)
15. The proposed use of SCE and federal funds must be disclosed in the applicable CIP. This disclosure must relate to the applicable line item in the approved budget.

16. Specify timelines for ongoing monitoring of the implementation of each improvement strategy.

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 the intended population defined in the authorizing statutes, the [TEC, §29.081](#), and the [TEC, §48.104](#). The more removed services are from the student, the more the resources are diluted and the more difficult it becomes for the LEA to defend the use of the SCE funds and justify the effectiveness of the program in improving student performance.

6.2.7 Evaluation of State Compensatory Education Programs

LEAs are required to **annually evaluate**⁵⁴ and **document** the **effectiveness** of their designated SCE program in

1. reducing any disparity in the performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#);
2. reducing any disparity in the rates of high school completion between students at risk of dropping out of school and all other district students;
3. reducing any disparity in the rates of high school completion between educationally disadvantaged students and all other district students;
4. annually hold a public hearing to discuss the results of the LEAs evaluation of the accelerated instruction programs and services; and
5. include the results of this evaluation in the school district's DIP and CIP or the charter school instructional plan.

SCE program evaluation and analysis allow LEAs to focus resources on strategies and goals that will most likely impact the achievement of students that failed to perform satisfactorily on required assessments and potentially eligible students served in compensatory education programs. LEAs are required to adequately document each SCE program that is offered. By adequately documenting SCE program successes and failures, each LEA will be able to

- perform a more accurate and thorough program evaluation;
- direct SCE program allotment towards supplemental programs and services designed to eliminate any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or disparity in the rates of high school completion; and
- discontinue programs and services that are not successful in producing the desired results for students that failed to perform satisfactorily on a required assessment instrument or students at risk of dropping out of school.

6.2.7.1 SCE Program Evaluation Design

School district and charter school decisions about the process design for a SCE program evaluation should represent a reasonable cost and benefit balance. A program evaluation requires carefully

⁵⁴ [TEC, §29.081](#)

obtaining information to make decisions about programs. More rigorous evaluations of strategies, programs, and services, and assessments of the programmatic impacts to academic success and reducing the number of at-risk student factors are needed in certain school districts and charter schools. For example, your school district’s program evaluation may include an evaluative question that asks:

- What delivered programs and services proved most effective, and how does the school district plan to maintain or build upon that success?

This evaluation question may be difficult but can be answered by identifying any specific examples of how past increases or improvements in services for student groups, including low-income students, English language learners, homeless youth, and foster youth have led to improved performance on assessment instruments for these students or a reduction in the drop-out rate. Furthermore, your school district should document the

- planned services,
- actual services,
- planned expenditures, and
- actual expenditures for this SCE program or service to complete the answer to the original questions, “what delivered programs and services proved most effective and how does the school district plan to maintain or build upon that success?”

When designing your school district’s SCE program evaluation, your school district may want to ask some of the following questions:

- What is the purpose of the evaluation?
- What do we as a school district want to be able to decide as a result of the evaluation?
- What data needs to be collected?
- What kinds of information is needed to make the decisions our school district needs to make? (Its inputs, activities, and outputs)
- From what sources should the information be collected? For example, assessment instruments, students, teachers, counselors, other district staff members, third-party entities, etc.?
- How can the information be collected in an accurate and reasonable manner?
- When is the information needed?
- What method(s) of information collection will be used?
- What resources are available to collect the information?
- What staff resources are needed?
- What are the desired outcomes?
- Are the conclusions that have been obtained from the program evaluation accurate and documented?
- Will our recommendations about the program allow our district to continue to meet the requirements outlined in the [TEC, §29.081](#) and [§48.104](#) and the needs of our stakeholders?

There are several types of program evaluation models that your school district may use, and if your school district decides to use a specific type of program evaluation model, such as the goals-based evaluation format, that is at the sole discretion of the school district. When designing SCE program evaluations, your school district may want to consider the following:

- On what basis does the school district decide that programs or services are needed for applicable students?
- How will the goals and objectives be established?
- Will the program goals be achieved according to the established timelines specified in the DIP, CIP, or instructional plan?
- What is required of the school district in order to deliver the programs and services?
- Does staff have adequate resources to achieve the goals?
- What is required of the students that participate in the SCE programs?
- How will priorities be changed to put more focus on achieving the goals, if needed?
- How should timelines be changed, if needed?
- What are the strengths and weaknesses of the program?
- What are the complaints heard from stakeholders about the program?
- Is our school district offering the right programs and services to bring about the desired outcomes of the SCE program?

The design process for the evaluation of SCE program-related activities may be complex, requiring the use of outside consultants, in some instances, which would represent an appropriate charge to the SCE allotment.

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 to ensure an optimum allocation of scarce resources and timely modifications of accelerated, intensive, and compensatory programs.

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. However, at a minimum, each LEAs SCE program evaluation process **must** include a

- formative evaluation; and
- summative evaluation.

6.2.7.2 Formative and Summative Evaluations

A **formative evaluation** is the assessment of progress during the instructional program. An example of a formative evaluation question is: is the student learning, and if not, what needs to change?

Formative evaluations monitor student’s learning to provide ongoing feedback that can be used by LEAs to improve their programs and services offered to students and by students to improve their learning. Specifically, formative evaluations:

- occur **during** the student’s participation in the compensatory, intensive, or accelerated instructional services or programs, or the student’s participation in programs for at-risk students, and
- the purpose is to improve student’s learning or reduce the number of at-risks students

Formative evaluations:

- help students identify their strengths and weaknesses and target areas that need work, and
- help school districts recognize where students are struggling and address problems immediately.

Summative Evaluations

A **summative evaluation** occurs after the student completes participation. An example of a summative evaluation is, has the student achieved the desired program outcome?

Summative evaluations evaluate the student’s progress at the completion of the SCE programs or services that the student received by comparing it against SCE program goals.⁵⁵ Specifically, summative evaluations:

- occur **after** the student’s participation in the compensatory, intensive, or accelerated instructional services or programs, or the student’s participation in programs for at-risk students,
- the purpose is to evaluate the student’s achievement’s and compare those achievements to SCE program goals, and
- some of the program evaluations use the results of required assessment instruments.⁴³

6.2.8 Analysis of Fiscal Data for Supplement and Supplant Compliance

Fiscal data used in analyzing direct costs per student are expenditures recorded in the general fund (Fund 199) under object codes 61XX, payroll costs, through object code 6599, debt service, under the following program intent codes (PIC):

PIC Number	Program
11	Basic Educational Services (used only by LEAs with less than 500 enrolled students; see 6.2.4.7 Use of Compensatory Educational Allotment for Class Size Reductions)
24	Accelerated Education
26	Non-disciplinary Alternative Education Programs – AEP Services
28	Disciplinary Alternative Education Programs – DAEP Basic Services
29	Disciplinary Alternative Education Programs – DAEP State Compensatory Education Supplemental Costs
30	Title I, Part A Schoolwide activities related to State Compensatory Education costs on campuses with 40 percent or more educationally disadvantaged students
34	Pre-Kindergarten – Compensatory Education

Consideration of other fiscal data will apply to costs recorded under object codes 66XX, Capital Outlay, under PICs 24, 26, 28, 29, 30, and 34. This data is excluded in analyzing direct costs per student because

⁵⁵ [TEC, §29.081](#)

one-time purchases of equipment may distort an analysis of the correlation of SCE expenditures with the proportion of students at risk of dropping out of school. Supplemental review of school district data will be made when expenditure patterns indicate a school district may have supplanted the regular education program.

The analysis of fiscal data described in this section includes only those functions defined as direct costs. Additionally, if the LEA is a member of a shared services arrangement for SCE, then TEA's analysis will also include the LEA's share of expenditures by the fiscal agent.

6.2.9 Analysis of Student Data for Supplement and 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.

6.2.10 Analysis of Staff Data for Supplement and 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 SCE programs. Differences in teacher degree status and experience may complicate the analysis of fiscal resource allocations across campuses in certain districts.

If school district's DIP and CIP 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 PICs 24, 26, 28, 29, 30, and 34.

Split funded SCE program teachers' salaries and an entire salary of a teacher that is assigned to the SCE program may be recorded to PIC 24, Accelerated Education, as applicable.

6.3 Financial Accounting for Foundation School Program Compensatory Education

Standards for school district accounting systems are explained in the FASRG Module 1, FASRG Module 2 for charter schools, and the associated FASRG appendices for school districts and charter schools.

6.3.1 Financial Accounting for Foundation School Program Compensatory Education Programs

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.

Expenditures attributable to the SCE program are recorded in financial accounting records under PICs 24, 26, 28, 29, 30, and 34. Activities reflected in expenditures attributable to SCE are those activities that **supplement** the regular education program services provided to students at risk of dropping out of school. Supplemental expenditures for SCE are incremental costs related to providing

- concentrated efforts,
- specialized contractual services,
- specialized supplies and materials, and/or
- specialized equipment.

6.3.1.1 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 SCE program expenditures are accounted for in the General Fund, under fund code 199. Certain SCE 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 or local shared services arrangement (SSA) fund code in the Special Revenue Fund (see Module 1 of the FASRG for detailed information of SSA).

6.3.1.2 Function Codes

A function represents a general operational area in a school district, and group-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.

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 non-direct costs.

6.3.1.3 Object Codes

An expenditure or expense account identifies the nature and object of an account or a transaction. School district's accounting records are to reflect expenditures and expenses at the most detailed level, as depicted in FASRG Modules 1 and 2. For PEIMS budget reporting purposes, expenditures and 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 local 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 SCE program in the general fund are for incremental or supplemental costs to the regular education program. Costs for SCE programs are recorded under the object codes for payroll, 6100.

School districts 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 SCE allotment need to be indicated in the district/charter school improvement plan and benefit potentially eligible students served in compensatory education programs.

6.3.1.4 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 SCE programs

involve instructional and instructional-related expenditures in campuses providing instruction in grades pre-K through 12.

6.3.1.5 Program Intent Codes (PIC)

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 SCE, state law restricts expenditures for direct costs to those costs that are supplemental to the regular education program. Costs recorded under PICs
 Consideration of other fiscal data will apply to costs recorded under object codes 66XX, Capital Outlay, under PICs 24, 26, 28, 29, 30, and 34 need to be aligned with the school district’s DIP and CIP(s) or charter school instructional plans.

PIC Number	Program
11	Basic Educational Services (used only by LEAs with less than 500 enrolled students; see 6.2.4.7 Use of Compensatory Educational Allotment for Class Size Reductions)
24	Accelerated Education
26	Non-disciplinary Alternative Education Programs—AEP Services
28	Disciplinary Alternative Education Programs—DAEP Basic Services
29	Disciplinary Alternative Education Programs—DAEP State Compensatory Education Supplemental Costs
30	Title I, Part A Schoolwide activities related to State Compensatory Education costs on campuses with 40 percent or more educationally disadvantaged students
34	Pre-Kindergarten—Compensatory Education

For more guidance on PIC, see FASRG Module 1.

6.3.1.6 Carryover Amounts

At least 55 percent (55%) of the SCE 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 SCE 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.

6.3.2 School District Support for Charges to Compensatory Education

Several types of documents may be necessary to document the basis for charges to the SCE allotment, such as allocations of payroll costs to regular and or compensatory education. The primary and most important paper trail is provided by the school district DIP and CIP or the charter school instructional plan. SCE expenditure support documentation includes, but is not limited to:

- Teacher schedules
- Campus staffing formulas
- Job descriptions
- Time and effort
- Student case counts

LEAs may use other types of documentation to support teacher salaries unless they are split funded with federal programs. If a teacher's salary is split funded with state funds, LEAs are encouraged to use alternative documentation to support the teacher's salary.

6.3.2.1 Use of Local Criteria

In addition to serving students at risk of dropping out of school, as defined in the [TEC, §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 during the preceding school year.⁵⁶

In this instance, the LEA may not use its SCE 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 the [TEC, §29.081\(d\)](#). Students at risk of dropping out of school reported through PEIMS must meet the criteria set forth in the [TEC, §29.081](#); students identified using local criteria are not reported through PEIMS.

As with all other aspects of a SCE 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 the [TEC, §48.104](#),⁵⁷ the LEA must use its SCE allotment to fund supplemental programs and services designed to eliminate any disparity in performance on assessment instruments administered under the [TEC, Chapter 39, Subchapter B](#), or disparity in the rates of high school completion between students at risk of dropping out of school, as defined by the [TEC, §29.081](#), and all other students. The school district may not use its compensatory education allotment to supplant other funds.

⁵⁶ [TEC, §29.081](#)

⁵⁷ [TEC, §48.104](#)

As with all other compensatory, intensive, and accelerated instructional services, the LEA 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 CIP(s).

Similarly, the LEA must evaluate the effectiveness of the services or instruction. Lastly, consistent with the [TEC, §48.104\(k\)](#), 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 the [TEC, §29.081\(d\)](#).

6.4 Risk Assessment Processes and Identification of Schools Requiring a Local Audit

The [TEC, §48.104](#), and [19 TAC §61.1027](#) require TEA to perform risk assessments and conduct audits on LEAs that have not used SCE funds in accordance with applicable statutes. TEA uses electronic reporting data submitted through PEIMS and other reporting systems to conduct the risk assessments. LEAs that are notified of a requirement to submit supporting documentation must submit a set of documents for the risk assessment and analysis of each LEA's SCE program:

1. campus improvement plans (CIP) from school districts
2. current SCE local policies and procedures
3. other district, charter, and campus plans approved by the commissioner of education
4. local evaluations by school districts and charter schools of SCE 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 FSP SCE allotment for the previous fiscal year and the degree of risk that the school inadequately reported data related to SCE programs.

6.4.1 Risk Assessment Threshold

The risk assessment will be done by TEA staff for all school districts and charter schools.

6.4.2 Risk Assessment Indicators

For an overview of the risk assessment indicators that are applicable for the SCE program, see Exhibit 6.4.2.A, SCE Risk Assessment Indicators.

Exhibit 6.4.2.A SCE Risk Assessment Indicators

Primary Indicators		
Indicator	Standard	Time Period
School FIRST district rating level for most recent ended school year	Above substandard achievement	Most recent rating
Percent of SCE allocation actual expenditures reported in PEIMS in the General Fund for SCE related costs	Equal to or greater than 55 percent of annual SCE allocation	Prior fiscal year
District academic rating	Rating exceeds (equivalent of academically unacceptable)	Most recent rating
Annual financial and compliance report	Filed within 30 days of due date	Most recent report filing
Students that dropped out of school	Five or fewer at-risk students or less than 1 percent of at-risk students	Three-year annual trend
STAAR performance	Overall increase among at risk population	Three-year annual trend
End of Course (EOC) performance	Overall increase among at risk population	Three-year annual trend
Other Indicators		
At risk student ratio	Exceeds statewide ratio	Most recent reporting period
District student/teacher ratio	Less than statewide standard	Most recent school year
Attendance percentage	Less than statewide percentage	Most recent school year

End of Exhibit 6.4.2.A

A local audit will be obtained and paid for by a school district or charter school as follows:

- when one or more critical indicator is not met;
- when the percent of at-risk students exceeds the statewide average, and two or more “other indicators” also exceed the statewide average;
- when TEA identifies significant data quality issues related to data submitted through the PEIMS system;
- when TEA identifies noncompliance during an audit, investigative, or monitoring activities of other state and/or federal programs;
- when the school district did not submit campus improvement plans or waivers for plans or alternative approved planning documentation 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 the state compensatory education strategies, activities, and programs for the previous school year in accordance with this section.

6.4.3 Timeline for Risk Assessment

Within 60 days after the due date for submission of the required reporting documents, a school district or charter school that evidenced a high degree of risk will be notified in writing concerning TEA's requirement that the school district or charter school obtain a local audit of state compensatory education. Evidence of high risk associated with data quality issues may result in notification at any time that such evidence is disclosed by TEA staff.

The risk assessment processes described in this section are clearly outlined. Therefore, a school district or charter school should be able to anticipate receiving notification from TEA to obtain a local audit. Thus, a school district or charter school should appropriately factor in this requirement during the 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.

6.5 School District Sanctions and Interventions

As authorized in the [TEC, §48.104\(m\)](#),⁵⁸ 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 one or more of the following criteria are observed for two or more consecutive school years.

- If 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 data and reports submitted to 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 campus improvement plans or the charter school did not submit equivalent plans in accordance with this section;
- 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;
- If the school district or the charter school did not submit equivalent 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.

TEA will withhold from the district's FSP payment an amount equal to the amount of SCE funds the commissioner determines were not used in compliance with statutory requirements. When the district provides to the commissioner and the commissioner accepts a detailed plan to spend those funds in compliance, the commissioner will release those funds to the LEA.

⁵⁸ [TEC, §48.104\(m\)](#)

Acronyms

ACT – American College Test

CIP – Campus Improvement Plan

CTE – Career and Technical Education

DAEP – Disciplinary Alternative Education Program

DIP – District Improvement Plan

CIPs – Campus improvement plan

DIP – District Improvement Plan

ELL – English Language Learners

EOY – End of Year

ESC – Education Service Center

ESEA – Elementary and Secondary Education Act

ESL – English as a second language

ESSA – Every Student Succeeds Act

FAR – Financial Accounting and Reporting

FRC – Federal Report Card

FTE – Full-time equivalent

FSP – Foundation School Program

FYE – Fiscal Year End

GAAP – Generally Accepted Accounting Principles

GED – General Education Degree

HB – House Bill

ISS – In School Suspension

JJAEP – Juvenile Justice Alternative Education Plan

LBB – Legislative Budget Board

LEA – Local Education Agency

LEP – Limited English Proficient

NCLB – No Child Left Behind Act

NSLP – National School Lunch Program

PEIMS – Public Education Information Management System

SB – Senate Bill

SBOE – State Board of Education

SBP – School Breakfast Program

SCE – State Compensatory Education

SCR – School Report Card

STAAR – State of Texas Assessment of Academic Readiness

TAC – Texas Administrative Code

TAPR – Texas Academic Performance Reports

TCPA – Texas Comptroller of Public Accounts

TEC – Texas Education Code

TPRS – Texas Performance Reporting System

TSDS – Texas Student Data System

USC – United States Code

Bibliography

Code of Federal Regulations
Texas Administrative Code
Texas Education Code
United States Code