



# **FISCAL ISSUES FOR LEA CONSIDERATION**

**WYOMING STAR CONFERENCE  
JUNE 2017**

# OBJECTIVES

- Discuss changes to fiscal requirements in the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA).
- Raise awareness of the U.S. Department of Education's (ED's) November 21, 2016, guidance about the fiscal changes and how this document is intended to be used with existing guidance.
- Better equip participants to implement the fiscal changes successfully.



# AGENDA

Discuss fiscal changes in the following areas:

- Title I-A: Within-State and within-district allocations;
- Title II-A: State reservations and within-State allocations; and
- Maintenance of effort (MOE)



# Questions?



Submit questions at [pollev.com/used](https://pollev.com/used) or  
text USED to 22333.

# OVERVIEW OF THE FISCAL GUIDANCE

- Presentation content is based on ESSA Fiscal Changes & Equitable Services Guidance  
<http://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf>
- Primarily focuses on requirements that are **new** or **changed**.
- For now, intended for use in conjunction with existing guidance documents, especially those that are referenced.



# Title I-A: Within-State Allocations

# TITLE I-A WITHIN-STATE ALLOCATIONS

## PRIMARY CHANGES

- School improvement reservation under section 1003(a) of the ESEA in fiscal year (FY) 2017 (school year 2017-2018), FY 2018 (school year 2018-2019), and subsequent years. (ESEA section 1003(a))
- New optional reservation for Direct Student Services (DSS) under section 1003A of the ESEA. (ESEA section 1003A(a)(1))



# TITLE I-A WITHIN-STATE ALLOCATIONS

## CHANGED REQUIREMENT: SCHOOL IMPROVEMENT RESERVATION (STEP 4A IN GUIDANCE)

- A State educational agency (SEA) reserves funds for school improvement from a local education agency (LEA)'s total Title I-A allocation.
  - i.e., the sum of the LEA's allocations for Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Grants
- FY 2017: SEA must ratably reduce the Title I-A allocations of all LEAs to reserve the greater of:
  - 7 percent of the SEA's Title I-A award; or
  - Sum of the SEA's FY 2016 section 1003(a) reservation and its FY 2016 School Improvement Grant (SIG) Award.



# TITLE I-A WITHIN-STATE ALLOCATIONS

## CHANGED REQUIREMENT: SCHOOL IMPROVEMENT RESERVATION (STEP 4A IN GUIDANCE)

In FY 2018 and subsequent years, an SEA must:

- Reserve the amount described under FY 2017; and
  - Follow the special rule in section 1003(h) by not reducing an LEA below its prior year's allocation in reserving funds for school improvement.
- 
- Question C-1 in the guidance provides options for what an SEA considers an LEA's "prior year allocation."





# Title I-A: Within-District Allocations



# TITLE I-A WITHIN-DISTRICT ALLOCATIONS

## PRIMARY CHANGES

- As discussed in the equitable services section of the guidance, an LEA's ranking and serving of schools occurs after the LEA has first allocated Title I-A funds for equitable services and then made required reservations for public school students (e.g., reserving funds to provide services to homeless students in non-Title I schools). (ESEA section 1117(a)(4)(A))
- Exception to the ranking and serving requirement for high schools. (ESEA section 1113(a)(3)(B))
- Option for an LEA to use a feeder pattern to determine the poverty percentage of a secondary school for ranking and serving. (ESEA section 1113(a)(5)(B) and (C))



# TITLE I-A WITHIN-DISTRICT ALLOCATIONS

## OVERVIEW OF CONTINUING REQUIREMENTS

The general ranking and serving requirements from the ESEA, as amended by the No Child Left Behind Act (NCLB), remain in the ESEA, as amended by the ESSA including:

- Ranking schools by their percentage of children from low-income families;
- Basing school eligibility on a school's having a poverty rate that is at least as high as the LEA's poverty rate or 35 percent, whichever is lower;
- Serving schools above 75 percent in rank order of poverty without regard to grade span; and
- Ensuring that a higher-poverty school receives at least as much per child as a lower-poverty school.



# TITLE I-A WITHIN-DISTRICT ALLOCATIONS

## EXCEPTION TO THE RANKING AND SERVING REQUIREMENT FOR HIGH SCHOOLS

- An LEA may lower the 75 percent threshold to 50 percent for high schools:
  - Makes explicit that a high school may receive Title I funds before any other school with a poverty percentage that is 75 percent or less.
  - Practically, may not result in any changes because the ESEA, as amended by NCLB, already permitted an LEA to rank and serve schools with a poverty rate of 75 percent or less by grade spans.
- Option remains for an LEA to allocate any funds that remain after serving all schools above 75 percent poverty to one or more grade spans in rank order of poverty within the grade span.



# TITLE I-A WITHIN-DISTRICT ALLOCATIONS

## FEEDER PATTERNS FOR SECONDARY SCHOOLS

- Used for ranking and serving.
- The term “secondary school” is defined in section 8101(45) of the ESEA.
- Based on the average percentage of students from low-income families in elementary schools that “feed into” the secondary school and the secondary school’s enrollment.
- To use a feeder pattern, an LEA must notify its secondary schools and a majority of secondary schools must approve.

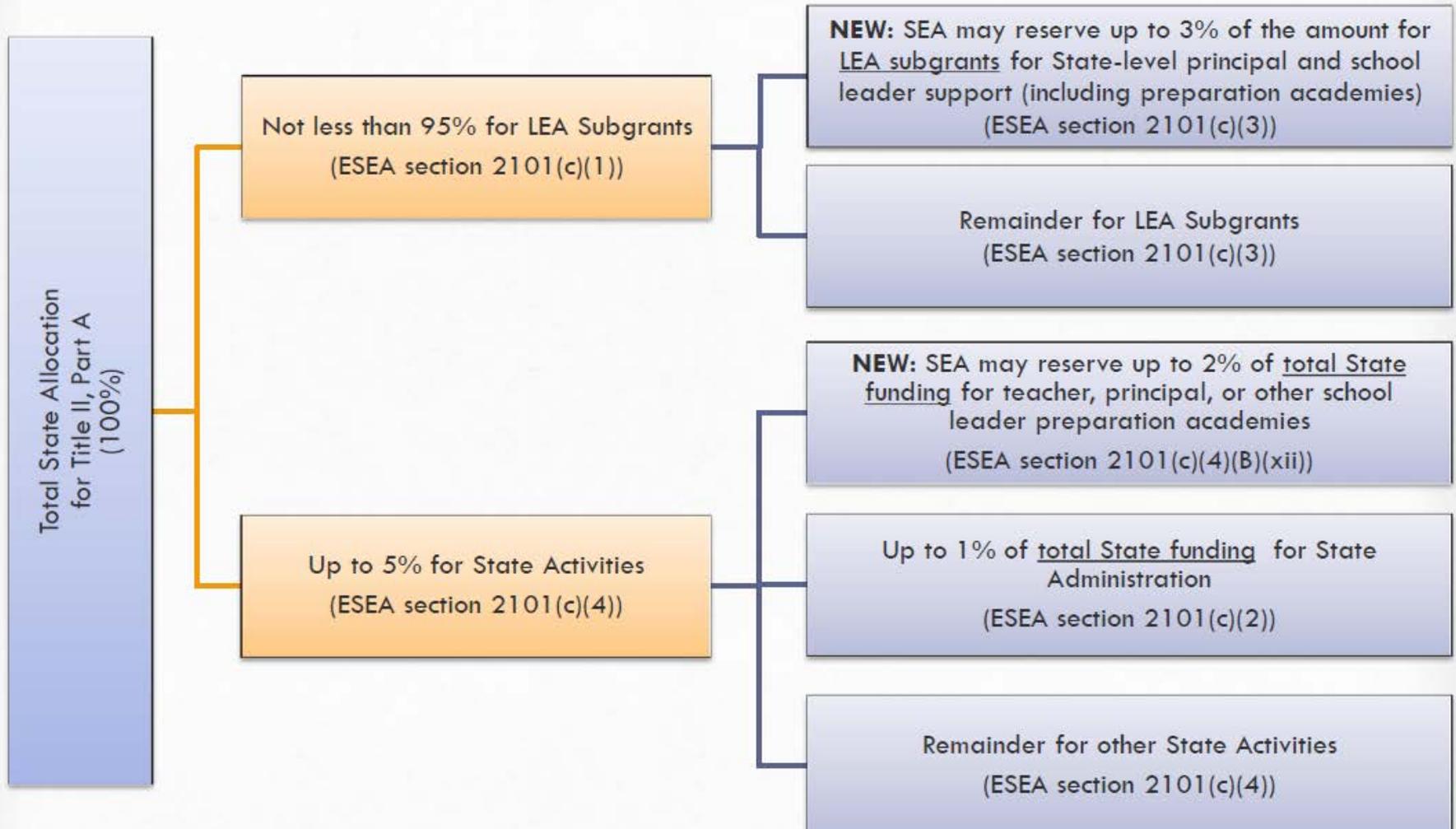




# Title II-A: Allocations

# TITLE II-A ALLOCATIONS: SEA RESERVATIONS

## MINIMUM 95 PERCENT RESERVATION FOR SUBGRANTS TO LEAS



# TITLE II-A ALLOCATIONS: SEA RESERVATIONS

## ESEA SECTION 2101

- SEAs *may* reserve up to 5 percent of the State's award for State-level activities.
- From this maximum 5% state reservation an SEA:
  - **May** use an amount equal to or less than 1 percent of its total award for administration.
  - **May** reserve an amount equal or less than 2 percent of its total award for teacher, principal and other school leader preparation academies.
- This reservation is in addition to any State-level principal and school leader support, including preparation academies, that the SEA may have reserved from its 95 percent initial reservation for LEA subgrants.



# TITLE II-A ALLOCATIONS: SEAS TO LEAS

## ESEA SECTION 2102(a)

- Beginning in FY 2017, the FY 2001 **LEA** hold harmless is completely eliminated.
- Therefore, an SEA must allocate at least 92.15 percent of its total grant award to each LEA based solely on the following weighted formula using Census data:
  - 20 percent based on the LEA's population of children ages 5-17 relative to that of all LEAs in the State; and
  - 80 percent based on the LEA's population of children ages 5-17 from families in poverty relative to that of all LEAs in the State.



# Questions?



Submit questions at [pollev.com/used](http://pollev.com/used) or  
text USED to 22333.



# Maintenance of Effort (MOE)

# MOE OVERVIEW

## ESEA SECTION 8521

An LEA may receive funds under a covered program for any fiscal year only if the SEA finds that either –

- **The combined fiscal effort per student;**
- **Or the aggregate expenditures** of State and local funds with respect to the provision of free public education by the LEA for the preceding fiscal year was **not less than 90 percent** of the combined fiscal effort per student or aggregate expenditures for the second preceding fiscal year.



# MOE OVERVIEW

## ESEA SECTION 8521

- If an LEA fails to maintain effort by falling below 90 percent of both the combined fiscal effort per student and aggregative expenditures in a given fiscal year and 1 or more of the five immediately preceding fiscal years, the SEA must reduce the LEA's allocation under a covered program in the exact proportion by which the LEA failed to maintain effort.
  
- ED may waive the MOE requirement if it determines that a waiver would be equitable due to:
  - Exceptional or uncontrollable circumstances , such as a natural disaster or a change in organizational structure of an LEA; or
  - A precipitous decline in the financial resources of the LEA.



# MOE ESSA UPDATE: COVERED PROGRAMS

## Updated Programs to which the MOE Requirement Applies

- **Title I, Part A** – improving basic programs operated by LEAs
- **Title I, Part D** – prevention and intervention programs for children and youth who are neglected, delinquent, or at-risk
- **Title II, Part A** – supporting effective instruction
- **Title III, Part A** – English language acquisition, language enhancement, and academic achievement
- **Title IV, Part B** – 21<sup>st</sup> Century Community Learning Centers
- **Title V, Part B, Subpart 2** – Rural and low-income school program
- **Title VI, Part A, Subpart 1** – Indian education

*(ESEA sections 8101(11), 6118(c), 8521(a))*



# MOE ESSA UPDATE: NEW FLEXIBILITY

## New Flexibility regarding Reduction of an LEA's Allocation for Failing to Maintain Effort

- An SEA must reduce an LEA's allocation under a covered program if the LEA fails to maintain effort in a given fiscal year and also failed to maintain effort in one or more of the five immediately preceding fiscal years.

*(ESEA section 8521(b)(1).)*

- Prior to the ESSA, the reduction was made based on MOE failure compared to the preceding fiscal year only. The ESSA increased flexibility and now **the LEA may fail to maintain effort 1 year in the 5 immediately preceding fiscal years without penalty.**



# MOE ESSA UPDATE: NEW WAIVER EXAMPLE

## *New Example for What Would Qualify an LEA to Receive a Waiver*

***Exceptional or uncontrollable circumstances, such as a change in the organizational structure of the LEA.  
(ESEA section 8521(c)(1).)***

- The statute provides two bases to warrant the Secretary's granting a waiver of maintenance of effort. With respect to exceptional or uncontrollable circumstances, prior to the ESSA, the statute only included the example of a natural disaster. Under the ESSA, a new example was added to include a change in the organizational structure of the LEA.



# EXAMPLES OF A CHANGE IN THE ORGANIZATIONAL STRUCTURE

- **An LEA changes its configuration.** For example:
  - The LEA merges with another LEA
  - The LEA divides into two or more LEAs
  - The LEA eliminates grade levels (e.g., previously served grades K-12 and now serves grades K-8)
- **An LEA changes its management or operations structure to be more efficient.** For example, each school in the LEA employs budget and fiscal management staff. The LEA makes the decision to consolidate budget and fiscal management staff into a single team located in a central office.





# Interactive Table Discussion



# RESOURCES

- ESSA Fiscal Changes & Equitable Services Guidance [available at: <http://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf>]
- 2008 Non-regulatory guidance, *Title I Fiscal Issues* [available at: <http://www.ed.gov/programs/titleiparta/fiscalguid.pdf>]
- Key ESSA Resources [available at: <http://www2.ed.gov/policy/elsec/leg/essa/index.html>]
- ESSA Title II, Part A Guidance [available at: <https://www2.ed.gov/policy/elsec/leg/essa/essatitleiipartaguidance.pdf>]



# Questions?



Submit questions at [pollev.com/used](http://pollev.com/used) or  
text USED to 22333.

