



Supplement, Not Supplant, Schoolwide Basics and Consolidating Funds in the Schoolwide Program

State and Federal Directors' Meeting September 19, 2014

**Presented by: Paula Flores
Audits and Investigations Division**



TOM TORLAKSON
State Superintendent
of Public Instruction

Agenda

- **Tests for Supplement, Not Supplant**
- **Common 2013-14 Cycle B and D Supplement, Not Supplant Findings**
- **Title I, Part A Schoolwide Program Basics**
- **Consolidating Funds in a Schoolwide Program**



TOM TORLAKSON
State Superintendent
of Public Instruction

Fiscal Monitoring Instrument: Federal Programs Reviewed

- Title I, Part A, Basic Grants Low Income and Neglected Program—Resource Code 3010
- Title I, Part C, Migrant Ed & Migrant Ed Summer Program—Resource Codes 3060 & 3061
- Title II, Part A, Teacher Quality Program—Resource Code 4035
- Title III, Limited English Proficiency (LEP) Student Program—Resource Code 4203
- Title IV, Part B, 21st Century Program—Resource Code 4124



TOM TORLAKSON
State Superintendent
of Public Instruction

Fiscal Monitoring Instrument Components Reviewed

III-FM 1. Timekeeping Requirements

III-FM 2. Allowable Costs

III-FM 3. Supplement, Not Supplant

III-FM 4. Cash Management

III-FM 5. Funding

III-FM 6. Reporting



TOM TORLAKSON
State Superintendent
of Public Instruction

SUPPLEMENT, NOT SUPPLANT



TOM TORLAKSON
State Superintendent
of Public Instruction

III-FM 3. SUPPLEMENT, NOT SUPPLANT

Federal funds should be used to supplement, not supplant existing state and local fiscal efforts. Schools which receive the funds shall have base expenditures comparable to nonparticipating schools.



TOM TORLAKSON
State Superintendent
of Public Instruction

III-FM 3. SUPPLEMENT, NOT SUPPLANT

Ensure the local educational agency (LEA) uses categorical funds only to supplement, and not supplant state and local funds for the following programs:

- **Title I, Part A** (20 U.S.C. 6321[b]) –Resource Code 3010
- **Title I, Part C** (20 U.S.C. 6321[b] and 6394[c][2])
–Resource Codes 3060 and 3061
- **Title II, Part A** (20 U.S.C. 6321) –Resource Code 4035
- **Title III** (20 U.S.C. 6825[g]; 5 CCR 4320[a]; EC 52168[b] & [c]; EC 54025[c]) –Resource Code 4203
- **Title IV, Part B** (EC 8483.5[e]; 20 U.S.C. 7174[b][2][G])
–Resource Code 4124



TOM TORLAKSON
State Superintendent
of Public Instruction

Supplement, Not Supplant Requirements

Targeted Assistance Schools

- An LEA may use Title I funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of Title I funds, be made available from non-Federal sources for the education of students participating in Title I programs. In no case may Title I funds be used to supplant—i.e., take the place of—funds from non-Federal sources.

Schoolwide Program Schools

- A schoolwide program school, must use Title I funds only to supplement the amount of funds that would, in the absence of the Title I funds, be made available from non-Federal sources for that school, including funds needed to provide services that are required by law for children with disabilities and children with limited English proficiency.



TOM TORLAKSON
State Superintendent
of Public Instruction

Schoolwide Supplement, not Supplant

- Federal funds must supplement the amount of funds that would, in the absence of the Federal funds be made available from non-federal sources
- The actual service need not be supplemental
- Schools must receive all the state and local funds it would otherwise need to operate in the absence of Federal funds
 - This includes *operational* expenses such as: building maintenance and repair, landscaping, and custodial supplies or services

Source: ESEA, Title I, Part A, Section 114(a)(20(B) & USDE Non-Regulatory Guidance Title I Fiscal Issues, February 2008, E-18



TOM TORLAKSON
State Superintendent
of Public Instruction

SUPPLEMENT, NOT SUPPLANT

To determine compliance with the supplement not supplant requirement, identify what services an LEA would have provided in the absence of Title I funds to students in Title I schools.



TOM TORLAKSON
State Superintendent
of Public Instruction

Tests for Supplanting

There are **three tests** generally used to determine if supplanting exists:

1. Are Federal funds being used to provide services that the LEA was required to make available under other federal, state, or local laws?
2. Are Federal funds being used to provide services that the LEA provided with non-Federal funds in prior year(s)?
3. Are Title I funds being used to provide services to Title I students when the same service is being provided with state or local funds for non-Title I students?



TOM TORLAKSON
State Superintendent
of Public Instruction

In the following instances, it is presumed that supplanting has occurred.

1. An LEA used Title I funds to provide services that the LEA provided with non-Federal funds in prior year(s)

Example: An LEA paid for a reading specialist in a Title I school in the previous year from State and local resources, but decides to use Title I funds to pay for that teaching position in the current year. **This would be supplanting because the LEA is replacing State and local resources with Title I resources to pay for the same teaching position.**

Source: Non-Regulatory Guidance Title I Fiscal Issues, February 2008



TOM TORLAKSON
State Superintendent
of Public Instruction

2. An LEA used Title I funds to provide services for children participating in a Title I program that an LEA provided with non-Federal funds to children not participating in Title I.

Example: The State requires only half-day kindergarten. A district uses Title I funds to pay for an extended-day kindergarten program for Title I schools and then uses State or local funds to pay for a full-day kindergarten program in non-Title I schools. **This would be supplanting because Title I schools would not be receiving any of the State or local funds. In other words, an LEA may not use Title I funds to pay for services in Title I schools and use State funds to pay for the same services in non-Title I schools.**

Source: Non-Regulatory Guidance Title I Fiscal Issues, February 2008



TOM TORLAKSON
State Superintendent
of Public Instruction

Presumptions are Rebuttable

However, in the situation discussed above, if an LEA could provide programmatic and fiscal documents showing that the teaching position paid for in the previous year with State and local funds was eliminated in the current year because of State and local budget cuts. The LEA would need to ensure that it had documentation to confirm this.

- There was in fact a reduced amount or lack of State and local funds available to pay for this position.
- The LEA made the decision to eliminate the position without taking into consideration the availability of Federal funding, along with the reasons for that decision---e.g., school board minutes.

Source: Non-Regulatory Guidance Title I Fiscal Issues, February 2008



TOM TORLAKSON
State Superintendent
of Public Instruction

What Documentation is Needed:

- **Fiscal or programmatic documentation** to confirm that in the absence of Federal funds, the LEA would have eliminated staff or other services
- Budget histories and documentation to show the **actual reduction in state or local funds**
- **Decision to eliminate services or position(s)** was made without regard to availability of Federal funds (including the reason the decision was made)



TOM TORLAKSON
State Superintendent
of Public Instruction

Example of a Supplanting Finding

Title I and III Funds

Finding:

Local educational agencies (LEAs) are required to use federal funds only to supplement, not supplant, state and local funds.

The California Department of Education's (CDE) review of the LEA's general ledgers found that the LEA used Title I and Title III program funds to supplant state and local funds for the purchase of equipment and materials. Specifically, the LEA spent \$15,995 in Title I funds to replace computers. In addition, the LEA spent \$403.28 in Title III funds on the state required California English Language Development Test materials.

The LEA must reimburse the \$15,995 in charges to the Title I program and \$403.28 in charges to the Title III program. In addition, the LEA must upload documentation in CAIS to substantiate that it reimbursed the programs by uploading journal entries.



TOM TORLAKSON
State Superintendent
of Public Instruction

Example of a Supplanting Finding Title I and III Funds (continued)

This would be supplanting because based on review of a sample of expenditures, the LEA used Title I funds to supplant rather than supplement their education programs. Specifically, the LEA utilized (1) \$15,995 in Title I funds to replace computers; and (2) \$403.28 in Title III funds on the state required California English Language Development Test materials. The LEA characterized the purchase of computers as essential for **ALL** student learning, which makes them items an LEA would purchase without the availability of Title I funds. In addition, purchasing CELDT materials is a state requirement.



TOM TORLAKSON
State Superintendent
of Public Instruction

Common Supplanting Findings

Title II Funds

- **Using Title II, Part A funds to pay for English Learner authorizations. For example, the LEA paid for the cost of taking the CA Teachers of English Learners (CTEL) exam. Paying for CA Subject Examinations for Teachers (CSET) is OK, but not the CTEL exam.**
- **Using Title II, Part A funds to backfill for the Beginning Teacher Support and Assessment (BTSA) Induction program funds, because these funds were flexed. Flexing the BTSA funds does not absolve the LEA of meeting the supplement, not supplant provisions of the Elementary and Secondary Education Act of 1965 (ESEA).**
- **Using Title II, Part A funds to pay for student instructional materials or supplemental instructional materials. It's OK to send teachers to professional development (PD) training due to a change in materials and/or vendors, but it's not OK to purchase the actual materials the students will be using.**
- **Using Title II, Part A funds to pay for outside consulting services, not related to Title II activities. For example, English Learner (EL) activities and training. Sometimes LEAs will bring in an outside evaluator due to EL or Migrant needs, however, they'll use Title II, Part A funds to pay PD surrounding these activities.**
- **Using Title II, Part A funds to pay for the training for before and after school staff.**



TOM TORLAKSON
State Superintendent
of Public Instruction

SCHOOLWIDE PROGRAMS



TOM TORLAKSON
State Superintendent
of Public Instruction

Schoolwide Program (SWP) Flexibility

- **A school site that consolidates Federal funds is not required to meet most of the statutory and regulatory requirements of the specific federal programs**
 - *Must meet intent and purpose of programs*
- **Not required to identify particular children or provide supplemental services**
 - *School must receive all state and local funds necessary to operate*



TOM TORLAKSON
State Superintendent
of Public Instruction

Schoolwide Program Basics:

- **Ensure all children meet standards, particularly those most at risk**
- **Can consolidate Federal, state, and local funds to upgrade the entire educational program**
- **A school in which 40 percent or more of its students are from low-income families**
- **Required:**
 - **Comprehensive needs assessment**
 - **Comprehensive schoolwide plan**
 - **Annual evaluation**



TOM TORLAKSON
State Superintendent
of Public Instruction

Components of the Schoolwide Plan:

- Identify reform strategies, aligned with the needs assessment, that are research-based and provide opportunities for all children to meet the state's proficient or advanced levels of academic achievement;
- Provide instruction by highly qualified teachers;
- Offer high-quality, ongoing professional development;
- Create strategies to attract highly qualified teachers;
- Create strategies to increase parental involvement;



TOM TORLAKSON
State Superintendent
of Public Instruction

Components of the Schoolwide Plan (continued):

- Develop plans to assist preschool students through the transition from early childhood programs to local elementary school programs;
- Identify measures to include teachers in decisions regarding the use of academic assessments;
- Conduct activities to ensure that students who experience difficulty attaining proficiency receive effective, timely additional assistances;
- Coordinate and integrate federal, state, and local services and programs;
- **Identify the specific federal, state and local programs and the amounts being consolidated.**



TOM TORLAKSON
State Superintendent
of Public Instruction

CONSOLIDATING FUNDS IN SCHOOLWIDE PROGRAMS



TOM TORLAKSON
State Superintendent
of Public Instruction

Three scenarios

- 1. Consolidate Federal, state, and local funds**
- 2. Consolidate only Federal funds**
- 3. Do not consolidate Title I with other Federal, state, and local funds (nothing consolidated)**



TOM TORLAKSON
State Superintendent
of Public Instruction

Title I Schoolwide Programs

SWP Plans must ...

Identify the specific federal, state, and local programs and the amounts being consolidated*

- 1. Consolidate Federal, state, and local funds**
 - No time and effort records necessary
- 2. Consolidate only Federal funds**
 - Semiannual certifications and monthly PARs are necessary
- 3. Do not consolidate Title I with other Federal, state and local funds (No consolidation of funds)**
 - Semiannual certifications and monthly PARs are necessary

***Note:** *In accordance with Education Code & the California School Accounting Manual (CSAM), funds are required to be separately accounted for in the Standardized Account Code Structure (SACS)*



TOM TORLAKSON
State Superintendent
of Public Instruction

Full consolidation

(Federal, state, and local funds)



TOM TORLAKSON
State Superintendent
of Public Instruction

What does it mean to consolidate funds?

- SCHOOL has one flexible pool of funds or combine funds in a single account
- FUNDS lose individual program identity
- “Used to support any activity of the schoolwide program without regard to which program contributed the specific funds used for a particular activity”
- School must meet schoolwide supplement, not supplant requirements, *i.e.* must receive all the state and local funds it would otherwise receive to operate its educational program



TOM TORLAKSON
State Superintendent
of Public Instruction

What does it mean to consolidate funds? (continued)

- LEA does not literally need to combine funds in a single account or pool with its own accounting code
- IMPORTANT
Must identify the “consolidated” programs and the amounts consolidated from each in the schoolwide plan!



TOM TORLAKSON
State Superintendent
of Public Instruction

“Intents and Purposes”

- A school that consolidates Federal, state, and local funds is not required to meet most of the statutory and regulatory requirements of the specific federal programs.

BUT

- Must meet “intents and purposes” of all programs



TOM TORLAKSON
State Superintendent
of Public Instruction

What about State limitations on consolidation?

- NCLB Statute: Section 1111(c)(10):
- “Each State plan shall contain assurance that - the State educational agency (SEA) will modify or eliminate State fiscal and accounting barriers so that schools can easily consolidate funds from other Federal, State, and local sources for schoolwide programs”



TOM TORLAKSON
State Superintendent
of Public Instruction

What Federal programs can be consolidated?

- All formula (non-competitive)
 - **Except Reading First**
 - Includes IDEA, up to cap (but not exempt from programmatic requirements)
 - Migrant and Indian Education restrictions

- All discretionary (competitive)
 - Still must carry out all activities described in application
 - Need not account separately for specific expenditures

- Education funds only (no School Lunch, Head Start, Child Development)



TOM TORLAKSON
State Superintendent
of Public Instruction

Federal Funds Only



TOM TORLAKSON
State Superintendent
of Public Instruction

How can consolidated Federal funds be used?

Activities should address the “educational needs” of the school*

- Identified by needs assessment
- Articulated in the schoolwide plan (SWP)
- Meet “intent purpose” of federal programs
- Use Title I funds to supplement total funds

**Note: Educational needs does not mean operational and/or administrative needs.*



TOM TORLAKSON
State Superintendent
of Public Instruction

How can consolidated Federal funds be used? (continued)

Title 2 CFR, Part 225 (formerly OMB A-87) applies:

- Governs all Federal funds – not education specific
- General: “necessary and reasonable”
- Specific: Allowability of salaries/ wages (time and effort records), equipment, food, alcohol



TOM TORLAKSON
State Superintendent
of Public Instruction

No Consolidation

(Do Not Consolidate Title I
with other Federal, state and local funds)



TOM TORLAKSON
State Superintendent
of Public Instruction

If Title I is not consolidated with other Federal, state, and local funds, how must the LEA use Title I funds?

- On the “educational needs” of school
 - Identified in needs assessment
 - Articulated in SWP
- Title 2 CFR, Part 225 (OMB A-87) applies



TOM TORLAKSON
State Superintendent
of Public Instruction

If Title I is not consolidated (continued)

- All children may participate
- Need not demonstrate school is providing supplemental services to specific children; **however**, must use Title I funds only to supplement the amount of funds that would, in the absence of the Title I funds, be made available from non-federal sources for that school
- Must account for and track the Title I funds separately, identifying the activities the Part A funds support



TOM TORLAKSON
State Superintendent
of Public Instruction

If Title I is not consolidated (continued)

- What is the impact on ***other*** federal programs (not Title I, Part A)?
- Still have to meet all the requirements of those programs – not just “intents and purposes”



TOM TORLAKSON
State Superintendent
of Public Instruction

REMINDER: The Plan!

The **Schoolwide Plan** tells the auditor:

- What programs have been consolidated
- How much from each program



TOM TORLAKSON
State Superintendent
of Public Instruction

What about state accounting requirements?

- States require LEAs to identify expenditures by functional categories like salaries, travel, supplies, etc.
- “However, a school would not be required to track how much it spends on salaries back to a specific program included in the consolidated SWP.”



TOM TORLAKSON
State Superintendent
of Public Instruction

How Does the LEA Report Expenditures?

Must be a reasonable basis, for example:

- ◎ Proportional
- ◎ Revenue
- ◎ Sequence



TOM TORLAKSON
State Superintendent
of Public Instruction

Reasonable Basis

- Use for identifying:
 - Carryover
 - Amount unused non-Federal funding
 - Maintenance of Effort (MOE)
 - Comparability
 - Reporting expenditures back to State or USDE
 - State Per Pupil Expenditure (SPPE)



TOM TORLAKSON
State Superintendent
of Public Instruction

Time and Effort Requirements

- Depends on the extent of consolidation of Federal, state, and local funding.
- Key Concept: Schoolwide Plan is a single cost objective



TOM TORLAKSON
State Superintendent
of Public Instruction

Schoolwide Time Records

If school consolidates...	Then must keep...
All Federal, state, and local funds	No time and effort records
Federal funds only ("Consolidated federal pot")	<u>Semiannual</u> – if works ONLY on SWP (single cost objective) <u>Monthly PAR</u> – if works on SWP and other program not in plan (multiple cost objectives)
Nothing (only Title I funds in SWP)	<u>Semiannual</u> – if works ONLY on SWP (single cost objective) <u>Monthly PAR</u> – if works on SWP and other program not in plan (multiple cost objectives)



TOM TORLAKSON
State Superintendent
of Public Instruction

Legal Resources

- Statute: Section 1114
- Regulations: 34 CFR 200.25-200.29
- Federal Register Notice, July 2, 2004



TOM TORLAKSON
State Superintendent
of Public Instruction

Legal Resources (continued)

- **NEW:** Non-Regulatory Guidance:
“Title I Fiscal Issues,” February 2008
(replacing May 2006)
 - Consolidating funds in schoolwide programs, MOE, SNS, Comparability, Grantbacks requirements, Carryover



TOM TORLAKSON
State Superintendent
of Public Instruction

Legal Resources (continued)

- Designing Schoolwide Programs
Guidance: March 2006



TOM TORLAKSON
State Superintendent
of Public Instruction

Audits and Investigations Division

Fiscal Monitoring Unit Staff

Mainline 916-322-2288

Tami Pierson, Associate Director TPierson@cde.ca.gov	916-323-6797
Paula Flores, Education Consultant PFlores@cde.ca.gov	916-319-0715
Susie Lackie, Education Consultant SLackie@cde.ca.gov	916-322-3053
Shelley Husen, Analyst SHusen@cde.ca.gov	916-322-4850
April Woodcheke, Analyst AWoodcheke@cde.ca.gov	916-322-3207
Kristin Rhoades, Analyst KRhoades@cde.ca.gov	916-445-4823
Teresa Palomino, Cash Management Analyst TPalomino@cde.ca.gov	916-319-0698



TOM TORLAKSON
State Superintendent
of Public Instruction

Any Questions?

