

From the Office of Federal and State Accountability

Title I supplement, not supplant requirements have changed with the Every Student Succeeds Act. The information provided below is intended to alert local education agencies (LEA) to the new requirement as they design their 2018-19 budgets and to generate discussion with LEA on implementation. It is the intent of the Office of Federal and State Accountability, Finance, and Auditing to work with stakeholders during 2017-18 in designing a reasonable monitoring system for Title I supplement, not supplant.

Every Student Succeeds Act of 2015 – Title I Supplement, not Supplant – DRAFT

ESEA

The Elementary and Secondary Education Act of 1965 (ESEA) is reauthorized generally every five to seven years. The latest reauthorization of ESEA is the Every Student Succeeds Act of 2015 (ESSA). ESSA replaces the previous reauthorization, which was the No Child Left Behind Act of 2001 (NCLB).

A major fiscal rule for ESEA has been the concept of supplement, not supplant (SNS). The concept is that Title I funds must supplement local and state funds in the education programs provided by a State Education Agency (SEA) and a Local Education Agency (LEA). Title I funds may not be used to replace local and state dollars (supplanting) in providing educational programs. Prior to ESSA, there were three tests to determine if supplanting may have occurred.

1. “An LEA used Title I funds to provide services that the LEA was required to make available under Federal, State, or local law.
2. An LEA used Title I funds to provide services that the LEA provided with non-Federal funds in the prior year(s).
3. An LEA used Title I funds to provide services for children participating in a Title I program that the LEA provided with non-Federal funds to children not participating in Title I.”

SEAs and LEAs needed to respond to these presumptions if a question of supplanting arose.

ESSA

ESSA has provided a new way to look at Title I SNS for LEAs. The SNS rule is still in force, but compliance may be looked at differently. For compliance with the new look at SNS, an LEA would demonstrate that the method it used to allocate local and state funds to each school ensures that Title I served schools receives its fair share of local and state funding.

(As a note, the new SNS for Title I does not apply to other parts of ESSA; their SNS is defined in ESSA – similar to what was in NCLB.)

“ESSA SEC. 1118 - FISCAL REQUIREMENTS.

(b) FEDERAL FUNDS TO SUPPLEMENT, NOT SUPPLANT, NONFEDERAL FUNDS.—

(1) IN GENERAL.—A State educational agency or local educational agency shall use Federal funds received under this part only to supplement the funds that would, in the absence of such Federal funds, be made available from State and local sources for the education of students participating in programs assisted under this part, and not to supplant such funds.

(2) COMPLIANCE.—To demonstrate compliance with paragraph (1), a local educational agency shall demonstrate that the methodology used to allocate State and local funds to each school receiving assistance under this part ensures that such school receives all of the State and local funds it would otherwise receive if it were not receiving assistance under this part.

(3) SPECIAL RULE.—No local educational agency shall be required to—

(A) identify that an individual cost or service supported under this part is supplemental; or

(B) provide services under this part through a particular instructional method or in a particular instructional setting in order to demonstrate such agency’s compliance with paragraph (1).

(4) PROHIBITION.—Nothing in this section shall be construed to authorize or permit the Secretary to prescribe the specific methodology a local educational agency uses to allocate State and local funds to each school receiving assistance under this part.

(5) TIMELINE.—A local educational agency—

(A) shall meet the compliance requirement under paragraph (2) not later than 2 years after the date of enactment of the Every Student Succeeds Act; and

(B) may demonstrate compliance with the requirement under paragraph (1) before the end of such 2-year period using the method such local educational agency used on the day before the date of enactment of the Every Student Succeeds Act.”

For discussion:

The SEA will monitor the district’s methodology. The SEA may ask each district for the methodology it will use to comply with SNS and maybe complete an assurance and/or policy to demonstrate compliance. Should the methodology be on a district’s website along with fiscal transparency?

The SEA would monitor compliance using a variety of “tests”.

The SEA could look at district Maintenance of Effort, Comparability, the district method for distributing local and state funds, district and school budgets that reflect a staffing formula and a weighted per pupil allocation for instruction, and compliance with the Defined Minimum Program. Other indicators could be used based on discussions with districts. With direction from the districts, auditors, etc., the SEA would develop monitoring tools.

The SEA will survey districts regarding the ESSA SNS.

The statute says ESSA SNS should be implemented by December 2017; the SEA will begin monitoring budgets for the 2018-19 school year. To demonstrate compliance, the SCDE might ask districts to send us their plans for the methodology. The final rule which did not go into effect and which was pulled, allowed one more year so that districts could develop a plan for compliance. Asking districts to demonstrate a methodology for the 2017-18 school year budgets would be unrealistic. The SCDE will be making districts aware of the ESSA SNS by November/December, so that when they begin budget planning for 2018-19, they will be able to have their methodology.

Most districts use an accounting software programs (MUNIS, CSI, etc.), so it would be fairly simple to look at budgets at a school location to determine how funds were distributed through sub funds and function/object codes.

The SEA would look at what function/object codes would play into the methodology. The SEA would probably not look at maintenance, renovations, food service, etc., for example.

The SEA could look at the methodology and budgets, and then look at expenditures with the understanding that a school might not have spent all of its allocations of local and state dollars, but did have the opportunity to spend these allocations.

While the SEA and auditors might not look at individual costs to determine SNS, costs must still be allowable under Title I Part A and the SEA will review to determine if the costs are allowable.

There might be cases where a school receives additional funding due to certain circumstances (for example, the school is a hub for SPED or a magnet school).

The SEA and the LEA need to decide what funding is considered local and state (general fund?), and what is state special revenue that might go to some schools and not others.

The SEA and LEAs need to determine how small districts will be treated for SNS – a look at Defined Minimum Program?

The SEA and the LEAs will need to decide about what district activities are considered district activities that would not violate SNS.

What might the SEA and LEAs consider as state special revenue? At-Risk funding could be state special revenue as there is some district discretion. Funds provided for reading coaches might not since each school has to have a reading coach – the school would at least have to get the funding for such a coach.

Some questions/discussion points to consider:

Should the SEA provide recommended methods to LEAs?

What would the SEA include in monitoring?

What guidance should the SEA provide on how and what the SEA will monitor for Title I SNS?

How does the SCDE inform outside auditors of the changes and possibilities?

How will SNS be covered in the OMB compliance supplement?

What authority will the SEA have in monitoring SNS and what would the SEA do if there was a finding?

Would the SEA monitor expenditures and/or monitor budgets information?

What areas of the budget (function/object codes) should the SEA look at to determine compliance with SNS?

What are other considerations that the districts and SEA need to agree on?

How should districts and schools treat salaries and benefits for SNS?

For questions, comments, and input, please contact Jennifer Rhodes, Team Lead of Consolidated Finance and Applications, at jrhodes@ed.sc.gov or 803-734-8110.