

# **Lax Oversight, Relaxed Compliance**

**Bureaucratic Politics and Possible Misuses  
of Federal Funds for Disadvantaged Children**

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***Straight Talk About Schools***

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## DISCLAIMER

While I received information and explanations from the Santa Barbara School Districts in the conduct of this inquiry, and while I am an elected member of the Board of education, this study is not an official product of the school districts. Nor was it solicited by the districts. It was undertaken at my initiative, and I alone am responsible for its content.

In fact, at a recent workshop on “mutual expectations,” other board members and the Superintendent voiced opposition to the idea that one board member should undertake such inquiries. Their view was that:

*... administrators should be trusted to do the right thing or to correct wrongdoing when it occurs.*

I hold to an alternative view—that of the Founding Fathers. Trust is for angels. Checks and balances are for governance.

*“Ambition must be made to counteract ambition. ... It may be a reflection on human nature, that such devices should be necessary to control the abuses of government. But, what is government itself, but the greatest of all reflections on human nature? ... If angels were to govern men, neither external nor internal controls on government would be necessary.” (James Madison or Alexander Hamilton, Federalist Paper 51, 1788)*

*Inquiry and oversight* are essential checks on administrative power. They are among the primary functions of School Boards, the legislative branch in the governance of the public’s schools.

At the above-mentioned workshop, some board members argued that oversight is a corporate responsibility—that only the Board as a body should initiate inquiries. In my opinion, this puts oversight at the whim of voting majorities, which degenerates to no oversight at all in cases where superintendents can routinely count on the support of three board members.

School Board trustees are elected to be guardians of the public interest. Oversight is part and parcel of each trustee’s responsibilities to the electorate. The present study represents an effort by one board member to fulfill those responsibilities. It is also an exercise of the rights of each citizen to make inquiry into the doings of government agencies and to speak and write about them. In short, this study is grounded in the Madisonian tradition and the First Amendment.

## **OVERVIEW**

This is a report on Title I practices in the Santa Barbara High School District. It is based on a review undertaken by an individual member of the Board of Education. It was initiated after calls for a review by the district itself met with indifference and inaction. The regulatory literature was reviewed, and a wide variety of local records were examined—all of them in the public domain. Although records from several schools were reviewed, one school and the district central office were selected for in-depth examination.

The report begins with a Title-I primer—an effort to sketch the regulatory framework within which Title I funds are distributed and spent. Requirements of different kinds of Title I programs are described, as is the integrative role of planning and plans at both the school level and the district level. Compliance monitoring is explained, and some possible consequences of non-compliance are illustrated.

While the review turned up ample evidence of Title I compliance throughout the district, it also identified areas where compliance appears to have been at least problematic. At the school in question, there is evidence that the three cardinal rules of Title I have been all but ignored. And, at the district level, there is evidence of inappropriate uses of Title I funds to cover administrative costs, coupled with significant lapses in accountability. Substantial sums that were intended to help level the playing field for the children with the greatest need appear to have been diverted for other uses.

The review also found a lack of public exposure and oversight, made worse by documentation that tends to be incomplete, illogical and incomprehensible.

The report includes a set of six recommendations intended to correct deficiencies in the district's Title I processes. It also argues for change in organizational cultures to counter the homeostatic dynamics of public school bureaucracies.

## INTRODUCTION

In 2004-05, the Santa Barbara High School District received \$54,239,366 in unrestricted general funds from the state to pay for regular educational programs at four junior high schools, three high schools and several alternative and/or continuation schools. At the same time, it received \$12,279,735 from other state and federal sources. Much of the extra state and federal money comes in the form of *categorical* grants. These monies are provided for specific purposes, according to the federal or state program that dispenses them. They are add-ons intended to provide educational services that supplement regular general fund programs.

Although categorical funds play an essential part in the operation of many schools and district offices, the process by which they are allocated and spent tends to be opaque. Rules and regulations governing categorical programs are complicated and understood by few. Indeed, the only public explanation I have heard in seven-plus years on the Board of Education was presented only last month. In short, categorical funding has been a black box. This study reflects an effort to throw light inside the box.

Some twenty-eight categorical programs provide federal and state monies to local schools. In Santa Barbara's schools, most categorical funding comes via the following programs.

- 1) Title I, Part A (federal)
- 2) Title II, Part A (federal)
- 3) Title III, Limited English Proficient (federal)
- 4) Economic Impact Aid- Limited English Proficient (state)
- 5) School Improvement (state)
- 6) Tenth Grade Counseling (state)

In addition, significant annual revenues come from the California State Lottery. The Lottery is not treated as a categorical program, although lottery monies are earmarked for specific purposes, as are categorical funds.

The main focus of this review has been Title I, Part A at the secondary school level. Title I, Part A, is *primus inter pares* among categorical programs. Its name comes from a section of the Elementary and Secondary Education Act of 1965 (ESEA). This legislation was a centerpiece in Lyndon Johnson's War on Poverty program. It has gone through a number of modifications since

1965, the most recent occurring when Title I was revised and brought under the No Child Left Behind Act (NCLB) of 2001.<sup>1</sup>

In the welter of information about Title I, it is easy to lose site of its moral origins. President Johnson, himself a child of poverty, returned to his one-room school for the ESEA signing ceremony in April, 1965. His words ring true today.

*“Poverty has many roots, but the taproot is ignorance. ... As a son of a tenant farmer, I know that education is the only valid passport from poverty. ... By passing this bill, we bridge the gap between helplessness and hope for ... educationally deprived children. ... And we rekindle the revolution—the revolution of the spirit against the tyranny of ignorance.”*

Through several revisions over these past forty years, Title I has been about liberating educationally deprived children from “the tyranny of ignorance.”

Sadly, however, despite the expenditure of hundreds of billions of federal dollars over four decades, it is still not possible to say that the Title I program has achieved its goals. There has been measurable improvement in academic achievement among disadvantaged students. But, it has been matched by comparable gains on the part of non-disadvantaged students. Vast educational disparities remain between more affluent white students, on the one hand, and poor children of color, on the other. This generalization is confounded only by the rise of high-achieving Asian and Southeast Asian students, some of whom are also from impoverished immigrant families.

At the same time, a steady supply of federal funds has created Title I bureaucracies at federal, state and local levels. Bureaucratization and “revolution of the spirit”? This sounds like an oxymoron. But, I believe that public school organizations can make greater and more consistent progress toward the goal set by President Johnson. It is imperative to try, though the effort will require political will and must be informed by searching scrutiny.

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<sup>1</sup> In the controversy NCLB’s performance expectations, it is often overlooked that the various titles in the No Child Left Behind Act provide most of the categorical funding upon which schools have come to depend.

## **I. A TITLE I PRIMER**

Title I, Part A, schools participate in one of two different programs: “Targeted Assistance” or “School-wide Programs.” The differences between the two kinds of programs are significant in terms of eligibility, substance and federal/state regulations and guidelines.

### **1.1. Targeted Assistance Schools (TAS)**

Schools with 35 percent of their students on the federal free and reduced price lunch program are eligible to receive Title I, Part A, funds as Targeted Assistance Schools. All Title I secondary schools in Santa Barbara were in the Targeted Assistance program in 2004-05. They were: Goleta Valley Junior High, Santa Barbara Junior High, San Marcos High School and Santa Barbara High School.

At Targeted Assistance Schools, Title I funds must be spent for the benefit of students from low-income families and/or students who are at-risk of failure. There is considerable latitude as to how the funds may be used. However, they may not be used for the purpose of providing benefits for students who are neither poor nor at-risk.

Targeted assistance may take many forms, but program guidelines emphasize supplemental services delivered outside of the regular curriculum day—before or after school, Saturdays, summers, etc. Pulling students out of regular classes during the regular day is discouraged, because students lose regular instruction time to gain supplemental assistance.

For schools that are socio-economically heterogeneous, targeting assistance poses administrative challenges. A school must be able to distinguish eligible from ineligible students at the point of service. Similarly, books, supplies and equipment purchased with Title I funds must be distinguished from general-purpose books, supplies and equipment that serve non-Title I students, as well.

Federal rules require extensive record keeping to document that Title I, Part A funds are spent only on activities and services for eligible students. These include Personnel Activity Reports, purchase requisitions, equipment inventories, etc. A Targeted Assistance School and its district may be found out of compliance both for failure to target Title I expenditures and for failure to maintain adequate records.

## 1.2 School-wide Programs

Schools with 40-percent or more students in the free and reduced-price lunch program are eligible to receive Title I funds under School-wide Program rules. In School-wide Programs, it is not necessary to identify eligible students. The whole instructional program is the focus.

*“Research shows that in order for the lowest achieving students in the highest poverty schools to meet high standards of performance, the school’s entire instructional program, not just a separate Title I program, must be substantially improved.”* (California Department of Education, 2005)

“The lowest achieving students in the highest poverty schools” typically refers to schools in large cities like Chicago, Philadelphia, Los Angeles and Oakland. In urban schools with very high proportions of Title I students, “improving the entire instructional program” is, in effect, targeting assistance.

In schools where there are significant disadvantaged and advantaged student populations, improving the entire instructional program can have the effect of benefiting non-Title I students, as well as Title I students. Ostensibly, that violates the spirit of Title I. However, the School-wide Program rationale is that educationally disadvantaged students benefit from being in comprehensive, high-quality programs.

Note that the purpose remains the same—to improve educational chances for socio-economically disadvantaged students. After all, their numbers alone are what qualifies a school for Title I funds. If they bring in the money, they have a right to be the primary focus in School-wide programs.

It is not uncommon to hear the following syllogistic reasoning regarding School-wide Programs. Title I funds may be spent for the benefit of all students. Most any expenditure benefits all students in one way or another. Therefore, Title I funds may be spent for most any purpose. The argument may be logically valid. But it is a distortion of the fundamental purpose of Title I.

It also misses a key point about School-wide Programs. They are supposed to be just that—programs. They do not grant license for *ad hoc* spending-- an activity here, some materials there, some extra clerical help, etc. They are supposed to be systematic and programmatic. Schools

seeking School-wide Program status are required systematically to assess their needs and systematically to develop a comprehensive program. *Ad hoc* is antithetical to programmatic.

### **1.3 Supplement, Not Supplant**

The California Department of Education speaks of a set of essential functions that constitute the core of a high school or a junior high school. These functions are regularly funded by state and/or local funds. I have seen no definitive listing of these essential functions. But, compliance specialists from the California Department of Education use the concept to make judgments regarding the proper and improper use of Title I and other federal and state funds.

The rule is that categorical funds must be used to supplement regularly funded essential functions. Categorical funds may not be used as a substitute for state and local funds. Put differently, a school or school district may not use categorical funds to perform functions that would be performed in the absence of those categorical funds. For example, Title I funds may not be used to pay part or all of the salary for an administrative position at a school, if it is a regular position at all schools, Title I and non-Title I alike.

One nuance of the rule may not be self-evident. The presence of significant numbers of disadvantaged students does not justify spending Title I funds for essential functions in proportion to their numbers. Those students would benefit from essential functions in any event simply by virtue of being students. For example, a school with 35 percent disadvantaged students may not, by that fact alone, charge 35 percent of the costs of its library or of its counseling operation against Title I. The same thing applies to school districts. Title I funds are intended as add-ons to core functions, add-ons for the primary benefit of disadvantaged students.

### **1.4 The 85 percent Rule**

Federal and state regulations were designed to ensure that Title I money is spent for supplemental services for students, not for administrative salaries, travel, etc. The rule is that a school district must spend fully 85 percent of its Title I allocation for *direct services for students*. Direct services for students are services delivered at the school site where the student is the direct recipient or beneficiary. It follows arithmetically that administrative costs associated with the coordination and implementation of Title I programs may not exceed 15 percent of a district's Title I allocation.

The 15 percent limit is on the total of all administrative costs associated with Title I programs—costs at participating school sites plus costs at the district level. The following examples were compiled from California Department of Education regulations.

- 1) district administrative costs associated with centralized services
- 2) district indirect costs
- 3) district administrative and planning costs
- 4) district administrative personnel
- 5) district program personnel
- 6) itinerant staff based at district
- 7) school-level program administration

All such administrative expenses are aggregated into a single entry on the district's Consolidated Application.<sup>2</sup> It should be noted the sum includes both school-level and district-level administrative expenses. Administrative expenses associated with *centralized services* are included. Centralized services are direct services to students at school sites, which are provided by district-level personnel.<sup>3</sup> These should not be confused with other district-level administrative costs. Also included are district-wide *indirect costs*—such things as energy and water costs and the costs of administrative offices like purchasing, personnel, etc. Districts may charge approved indirect costs rates against Title I and other categorical funds.

By definition, anything that is not a direct service for students is an administrative cost. Interestingly, the rules do not specify a 15 percent limit. Nor, do they say that a district may charge 15 percent for administrative costs. What they do say, directly and unequivocally, is that 85 percent of a district's Title I allocation must be spent on *direct services for students*.<sup>4</sup>

### **1.5 Academic Accountability and TAS v. SWP**

The No Child Left Behind Act sets forth “Adequate Yearly Progress” objectives for Title I schools. Schools that do not achieve these objectives for two consecutive years are placed under federal/state sanctions—that is, “Program Improvement” status, which has a number of consequences.

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<sup>2</sup> “Administrative costs, including indirect costs,” line 7, page 26, in the 2005-06 Consolidated Application.

<sup>3</sup> Centralized services must be included in a school's Single Plan, which must be approved by the School Site Council.

<sup>4</sup> This rule is made clear operationally in the instructions for completing the 2005-06 Consolidated Application (see page 27).

Early on, it became apparent that it was easier for Targeted Assistance Schools to achieve Adequate Yearly Progress than it was for School-wide Program schools. Accordingly, many Title I schools changed status to become Targeted Assistance Schools. In 2005, however, federal and state authorities changed the rules. Henceforth, it would be easier for School-wide Program schools to meet Adequate Yearly Progress requirements. Many of the same schools then switched back to School-wide Program status.

As often as not, these flip-flops were titular. Few if any real programmatic changes were implemented. Schools seized the opportunity for relaxed Adequate Yearly Progress objectives. They did not take seriously the real differences between Targeted Assistance and School-wide programs-- philosophic differences, administrative differences and regulatory differences. Switching to School-wide Programs had the appeal of freeing administrators from many of the regulatory requirements of the Targeted Assistance program.

## **1.6 Plan-Driven Spending**

Everything connected with Title I spending is supposed to flow from a plan. Districts are required to have plans in place. Aside from the value of having a plan, there is intrinsic value in the planning process itself. It gets groups of people to talk and to think about common problems and solutions. Time to talk and to think is a scarce commodity among busy administrators and teachers.

The main plan is the Local Education Agency Plan. Its scope is district-wide. It requires school districts to plan for the achievement of each of five goals prescribed by the State Board of Education. It is a five-year plan (beginning in 2003). Annual updates are required.

The LEA Plan, as it is called, is not a fiscal instrument. It is about how to achieve the five goals. It stops short of allocating funds for those purposes.

“Single Plans for Student Achievement” are also required. They are annual, school-site specific and are under the control of School Site Councils. The Single Plan takes the individual school’s student population and circumstances into account, looks at past student progress, assesses needs, and translates the LEA Plan into school-level goals and actions. Each Single Plan includes a budget indicating how the school’s Title I allocation is to be spent. Theoretically, that budget is the guide for setting up Working Budget line-items in official accounting records. Actual spending of Title I funds draws down those budget line-items.

## **The Consolidated Application and Reserving Title I Funds at the District Level**

It was once the practice for each categorical program to require a separate annual application. Potential synergies among programs were foregone by their relative independence from one another. That changed with the advent of the Consolidated Application. As the name suggests, it consolidates all categorical programs into one application process. It is a district-level document. It also requires that districts integrate their separate categorical programs into a coherent, goal-oriented whole.

The Consolidated Application is supposed to be articulated with school Single Plans and with annual updates of the LEA Plan. Part I of the Consolidated Application is filed in June. It is mostly legal boilerplate. Part II of the Consolidated Application is filed in late January. School districts are required to make Consolidated Applications available for public review and comments and to have them approved by their governing boards prior to submittal.

“Application” is a bit of a misnomer, however. The Consolidated Application is completed online, with the computer providing significant givens, based on data submitted to the state on prior occasions. The district’s allocation of Title I funds from the state is thus given. The district then enters the amounts it plans to reserve for its own use at the district level and then allocates the remaining funds among individual school sites.

These bites out of the apple are called *reservations*. Some are mandatory, depending upon the requirements of certain programs, and some are “allowable.” One reservation is especially problematic. It is labeled “reserved for administrative costs, including indirect costs.”<sup>5</sup> This is where districts enter administrative costs. But, they are lumped together. No documentation is required breaking down administrative costs according to their purpose or specific program. Neither are there are clear links to the LEA Plan or the school-level Single Plans.<sup>6</sup> In short, there seems to be no accountability mechanism with regard to district-level administrative spending. This in spite of the fact that such spending is subject to the 15 percent limit noted above.

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<sup>5</sup> Line 7, page 26 of the Consolidated Application for 2005-06. There was no comparable line for administrative reservations in the Consolidated Application for 2004-05.

<sup>6</sup> While centralized services must be itemized in the school-level Single Plan, district-level administrative costs associated with them are also lumped together with all other district administrative costs.

## 1.7 Categorical Program Monitoring

The California Department of Education exercises oversight with regard to federal and state categorical funds. Every four years, every school district can expect to have its categorical programs reviewed on-site for compliance with state and federal regulations. The reviews are wide-reaching, including all categorical programs and focusing on far more than fiscal compliance.

Effective this year, a new program is being implemented called *Categorical Program Monitoring* (CPM). The emphasis is on compliance monitoring as an ongoing responsibility of school districts, not just a once-every-four-years event. CPM places greater reliance on school districts to monitor themselves through *Ongoing Program Self-Evaluation*. Quadrennial site reviews will continue. But only a sample of a district's schools will be selected. Therefore, any given school could go for many years without a site visit and review by the state.

A wide variety of evidence of compliance is examined in the review process, including the following.

- Local Education Agency Plan
- Consolidated Application
- Single Plans for Student Achievement
- Line-item budgets
- Third-party provider contracts
- Position duty statements
- Timesheets, including time-accounting
- Fiscal records

The overarching review question is: “What must a program do to be considered compliant...?” The overarching answer is: Ensure that “expenditures are consistent with federal and state requirements.”

## 1.9 Compliance and Consequences

The Consolidated Application has another line, one that should not be overlooked. It is labeled “Repayment of Funds.” Both state and federal education agencies have the authority to require districts to repay funds that are found to have been spent improperly. Here is an example taken from the website of the Office of the Inspector General of the U.S. Department of Education.<sup>7</sup> The finding refers to Mount Clemens Community Schools, Mount Clemens, Minnesota.

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<sup>7</sup> Office of the Inspector General, Audit Reports. <http://www.ed.gov/about/offices/list/oig/areports.html>

"The District did not comply with applicable regulations in administering the Grant. During the 1997/98 award year, the District used Grant funds to supplant \$110,593 in State and/or local funds to pay salaries for 13 kindergarten teacher assistants; spent \$10,167 for goods and services unrelated to the Grant objectives; and did not provide adequate (documentary) support for \$338,571 spent on additional goods and services."

Clearly, non-compliance is something to be avoided. It is illegal. Moreover, it diverts Title I money from helping economically and educationally disadvantaged children—the very children who provide the justification for the money in the first place. Finally, non-compliance risks diverting even more money from helping those children if the district is required to repay past misdeeds with current Title I monies.

## **II. CASE STUDY OF A TARGETED ASSISTANCE SCHOOL**

It is possible for a school to have systemic problems regarding Title I compliance. This section reports the findings of a case study of such a school.

It starts with a rather fundamental contradiction in the Single Plan for Student Achievement for 2004-05.<sup>8</sup> On the one hand, the school identifies itself as a Targeted Assistance school with the purpose of “helping educationally disadvantaged students achieve grade level proficiency.” On the other hand, on subsequent pages in the Plan, “all students” were identified as the beneficiaries of activities and expenditures.

A school cannot have it both ways. Either it is in the Targeted Assistance program or it has a School-wide Program. In fact, this school was not eligible for a School-wide Program. Significant numbers of its students come from affluent families and are among the highest achieving students in the State of California.

An examination of how the school actually planned and spent Title I money leaves the impression of a School-wide Program. If that is correct, the school has endemic compliance problems. In the following pages, this question is examined more closely.

### **2.1 Intended Expenditures of Targeted Assistance Funds as per the Single Plan**

As seen earlier in this report, school-level expenditures are driven by the budget in the school Single Plan. Theoretically, line items in the Plan reflect the School Site Council’s strategies and priorities for accomplishing the Plan’s objectives. Spending should be aligned with the plan. Finally, in a Targeted Assistance School, all expenditures should be consistent with No Child Left Behind’s emphasis on literacy and proficiency in core subjects.

In this context, a Title I bookkeeping entry for an “Advanced Placement Coordinator Stipend” stands out. So do jewelry-making supplies and tools.<sup>9</sup> Were these anomalies? The analysis in the following pages suggests not.

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<sup>8</sup> This fundamental contradiction persists in the school’s 2005-06 Single Plan.

<sup>9</sup> As determined from the listing of the vendor.

The following Single Plan budget entries suggest a pattern. This list accounts for roughly 20-percent of the school's total Title I, Part A funds.

• English Department Clerk.	\$ 9,852
• English Dept: Department Retreat.	\$ 1,600
• Career Technician (presumably for the Career Center).	\$ 4,360
• Copy Room Clerk.	\$ 4,200
• Tech Consultant—WEB Manager Stipend.	\$ 2,500
• Student-Teacher Adviser Stipend.	\$ 2,000
• Newsletter Coordinator Stipend.	\$ 250
• Summer Mailer/Packet Preparation Stipend.	\$ 1,000
• Software—MS Word upgrade campus wide.	\$10,000
• Emergency Response Equipment—two bullhorns.	\$ 260
• Custodial Dept: 16 tables with carts.	\$ 2,000
• General Office Supplies.	\$ 2,000
• Xerox Paper.	\$ 5,000
• Postage.	\$ 2,000
• Library—General Supplies.	\$10,000
• Printing of Handbooks—registration materials.	\$ 2,500
• Copier Leases.	\$ 5,288
• Furniture—Tables.	\$ 2,000

Additional entries from the school's Single Plan seem less clear, but could be part of the same pattern.

• Summer School Orientation/Leadership Program—materials and staffing. <sup>10</sup>	\$13,000
• Employee Benefits (school Principal and school Accountant).	\$10,000
• Special Projects Administrator ("as assigned by Principal").	\$40,000
• Destination Machines—replacements, new and/or upgrades for student labs and classrooms.	\$51,434
• Other Equipment—printers, TV's, VCR's, etc.	\$ 5,000
• Computer Technician.	\$ 7,262
• Technology Maintenance Supplies.	\$ 2,500
• Science: Computer Support Material	\$ 5,000
• Art and Design: Consumable Enrichment Materials.	\$ 9,600
• General Instructional Supplies—Principal's Discretion.	\$ 9,402

The pattern is that these expenditures do not seem to target eligible Title I students. This is a Targeted Assistance School. However, this pattern would be problematic even for a School-wide Program. The items appear to be *ad hoc*, not programmatic. They do not reflect a coherent program to help the lowest achieving students to meet high standards of performance by improving the school's entire instructional program.

<sup>10</sup> The student roster for this program suggests that non-Title I students and Title I students alike participated. There is no indication that the \$13,000 provided services that targeted Title I students.

## **2.2 From Single Plan to Working Budget**

In a process that is not entirely clear, the Single Plan's budget is translated into a Working Budget in district accounting records. Working Budget coding categories do not correspond wholly with the categories used in the Single Plan. However, plausible interpretations suggest that the Working Budget for 2004-05, was fairly consistent with the Single Plan.

A noteworthy exception was computers. The Single Plan, approved by the School Site Council and by the governing board, included some \$51,000 for Title I computer acquisitions. The Working Budget, on the other hand, included more than twice the planned amount (\$107,495). Some fifty computers were acquired, which came to nearly 37-percent of the school's total Title I, Part A, allocation. Most of these computers appear to serve as general-purpose machines in individual classrooms. If so, the purchases were not an appropriate use of Targeted Assistance funds.

## **2.3 "Personnel Activity Reports"**

Another perspective on Title I spending may be had by examining *Personnel Activity Reports*. These reports are required by the federal Office of Management and Budgets as a means of accounting for labor expenses paid in full or in part with Title I funds. Job descriptions from the Personnel Activity Reports for the school in question offer some insight into how Targeted Assistance funds were actually used for payroll in 2004-05. Here too, actual expenditures more-or-less paralleled planned expenditures. However, there were reporting problems. The Personnel Activities Reports were unsystematic and incomplete. Substantial amounts showed up on payroll reports that were not reported on Personnel Activity Reports.

## **2.4 Supplement, not supplant**

Reflecting back on the Single Plan budget for the school in question (page 16, above), many of the planned expenditures had the appearance of supplanting. Some examples are: Xerox paper, word-processing software upgrades, business office personnel costs and computer technicians. This impression is reinforced by a perusal of actual Title I expenditures in the school's Financial Activity Report for 2004-05. Purchases reported as "Instructional Supplies" included library reference books, databases, custodial paper products and theatrical fabrics. These expenditures may have been necessary to run the school. The question is whether the costs of essential function were off-loaded onto Title I.

The question of off-loading onto Title I may be viewed from another angle. One would expect core expenditures to be charged against the General Fund and supplemental expenditures charged to Title I (or another categorical fund).<sup>11</sup> For example, core expenses for English classes would be paid from the General Fund, while teachers' salaries and special materials for supplementary reading classes for "far below basic" students would be paid from Title I. But, what if supplemental spending exceeds spending for essential functions? The following table presents examples of just that.<sup>12</sup>

<b>Selected Comparisons of Supplemental Spending vs. Spending for Essential Functions</b>		
<b>Objects Acquired</b>	<b>Supplemental (Title I)</b>	<b>Essential (General Fund)</b>
<b>Computers</b>	<b>\$107,495</b>	<b>\$4,195</b>
<b>Library Books</b>	<b>\$7,832</b>	<b>\$3,582</b>
<b>Office Supplies</b>	<b>\$4,000</b>	<b>\$0</b>
<b>Instructional Materials- Science</b>	<b>\$8,602</b>	<b>\$1,708</b>
<b>Instructional Materials- Art</b>	<b>\$4,858</b>	<b>\$826</b>

Given the limitations of these data, the figures in the table do not prove anything. Clearly, however, they suggest the possibility that supplemental funds displaced unrestricted General Funds in support of essential functions.

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<sup>11</sup> The General Fund consists primarily of unrestricted monies, which come from state and /or local sources at levels reflecting school attendance.

<sup>12</sup> The figures in the table were calculated from data in the Financial Activity Report, not purchase requisitions. Objects acquired were inferred from information on the Internet about the product lines of the vendors.

### **III. TITLE I AT THE DISTRICT LEVEL**

Title I monies do not go directly to eligible schools. They are disbursed via the state to school districts. District offices themselves may budget and spend Title I funds. They may provide direct services for students (centralized services at school sites), and they may provide some Title I related activities at the Santa Barbara High School District level.

#### **3.1 Santa Barbara's Local Education Agency Plan**

As noted earlier, the Local Education Agency Plan (LEA Plan) is the mother of all plans. The LEA Plan for the High School District was approved by the State Board of Education in 2003. That was the beginning date for the continuing LEA planning process required under the No Child Left Behind Act. Unfortunately, 2003 seems also to have been the end of it. No annual updates are on file. The state requires annual updates.<sup>13</sup> Absent a mother, school site-level plans had little guidance.

#### **3.2 Plan-less Reservations**

It will be recalled from above that administrative reservations are a means provided by the state for a district to hold back Title I funds for its own use. Reservations must be included in the district's Consolidated Application. Centralized services are another means— that is, direct services for students delivered at school sites by district-level personnel or contract personnel. Centralized services must be listed on school-level Single Plans. For 2004-05, the only administrative non-mandatory reservations listed were \$47,183 for Indirect Costs.<sup>14</sup> Nor were any centralized services listed. And, neither administrative costs nor centralized services was anticipated in the LEA Plan, which had not been updated since 2003.

These facts notwithstanding, a half million dollars (\$554,855) showed up in the Budget Summary Report as a district-level Title I Working Budget. No one seems to be able to explain why or how this came about.

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<sup>13</sup> Requests at different levels in the district organization produced no updates. In response to a Public Records Act request, it was finally acknowledged that they do not exist.

<sup>14</sup> Mandatory reservations were listed as per NCLB regulations. They included no administrative items.

A single item-- Contracted Services- Guidance and Counseling-- accounted for \$342,523 of the half-million.<sup>15</sup> Presumably, these were supplemental counseling and guidance services to be provided by outside contractors. No one is able to explain this item either.

The mystery deepens. Only \$9,050 was shown as having been spent at the district level for out-sourced guidance and counseling. At best, this large overestimate looks like bad planning. Or, perhaps it was some kind of placeholder to set aside funds for unanticipated purposes. In any event, there is no bottom line. No one seems to be able to say exactly what happened to the unspent balance of \$333,473.

Staff are confident that the money remained in the system. It has been suggested that it was used at the end of the year to balance the Title I books, covering over-drafts in other Title I accounts. Thus, the money may not have disappeared. But it does appear to have been divorced from its original purpose, stripped of its identity and made fungible.

### **3.3 District-level Expenditures and the 85 Percent Rule**

The example in the previous section is symptomatic of a larger lack of accountability. On repeated occasions over the past year, officials have not given a direct answer to the question: Is the district spending fully 85 percent of its Title I funds for direct services for students? Analysis of available records suggests that, at least in 2004-05, it was not.

According to its Consolidated Application, the district devoted only about 64 percent of its total Title I allocation (\$1,572,754) to direct services for students (\$1,002,643). About 36 percent was devoted to administrative purposes. The only administrative cost explicitly listed on the Consolidated Application was the entry for Indirect Costs, mentioned above (\$47,183).

This is not to say that all of these administrative costs were at district level. As figures from the above case study show, there may have been administrative costs at school sites as well. It will be recalled from earlier discussion, that Title I administration and coordination at both the school level and the district level are subsumed under the rubric of administrative costs.

In short, Title I expenditures in the High School district appear to have been administratively top-heavy in 2004-05. No system of accountability was in place to hold them in check.

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<sup>15</sup> School counselors and school psychologists are regular payroll items.

In fairness, it has to be said that the 2004-05 version of the Consolidated Application form did little to focus attention on the 85 percent requirement. It included no guidance for reserving administrative costs, no explanations of the differences between reservations and centralized services, etc. The California State Department of Education has improved the format for 2005-06.

For the Santa Barbara High School District in 2005-06, administrative reservations shown on the Consolidated Application are well under 15 percent, and direct services for students are above 85 percent. This seems to be a large-scale reduction in Title I administration from 2004-05 levels. It is not immediately apparent where the reductions were made. In at least one instance, they may not, in fact, have been made. A school listed its Title I Coordinator not as an administrator, but as a teacher. If that practice is widespread, it could be that there has been the illusion of compliance with the 85 percent rule without the reality.

### **3.4 District-level Expenditures and the Supplement-Not-Supplant Rule**

Personnel Activity Reports provide some insight into district-level administrative expenditures. In 2004-05, it was not uncommon for fractions of administrative of time to be charged against each of several categorical programs. They can add up to 30 percent of an administrator's time. However, if 30 percent time is being spent on categorical work, only 70 percent time may be spent on core administrative responsibilities. For some district administrative positions, that does not seem plausible.

Among some administrators, there are indications of a belief in proportional cost allocation—that is, administrative salaries may be charged against Title I in proportion to the size of the Title I student population. The idea has a commonsense ring. However, as explained earlier, such practice would supplant, not supplement. Title I students, *qua* students, are entitled to their share of the benefits from core administrative functions. Title I is intended to provide incremental services. Only administrative costs associated with the increments are appropriate.

## IV. CONCLUSIONS

### Caveat

Lack of information has been a continuing problem in this inquiry. Because an earlier request for a review of Title I practices was rejected, in June, 2005, I filed a formal Public Records Act request for information that would enable me to conduct my own review. The Public Records Act states the following.

"When a member of the public requests to inspect a public record or obtain a copy of a public record, the public agency, in order to assist the member of the public make a focused and, effective request that reasonably describes an identifiable record or records, shall ... assist the member of the public to identify records and information that are responsive to the request or to the purpose of the request, if stated."

Government Code Section 6253.1. (a)

An appeal for the kind of assistance envisioned in the Act was never answered.<sup>16</sup> All that was provided were records that had been requested by name. The district has had eight months to provide full information pursuant to the purposes of this review. Absent full disclosure, the following conclusions are heavily dependent on analysis and inferences from accounting records that are readily available.

### 4.1 Possible Failures to Comply with Three Cardinal Rules of Title I

- **Failure to target assistance.** Information problems notwithstanding, there is little doubt that the school studied in this review used targeted assistance funds for various and sundry operating costs and general purpose equipment. Records from another school suggest the same thing, although on a smaller scale. At that school, for example, there were entries for nearly \$25,000 for school administration. These may be viewed as violations of federal regulations. However, the moral implications should not be overlooked. Those funds were granted to provide services for children of poverty and for those most at risk of failure. Diverting them for general use, in effect, took advantage of the educationally disadvantaged.
- **Supplanting, not supplementing.** It seems equally clear that it was commonplace at the school in question to use Title I funds to supplant state and local funds, rather than to supplement them. Core functions of the school—things that all schools routinely pay for out of their General Funds— were paid for with Title I money. Indeed, some core functions seem to have been covered almost exclusively with Title I money. This happened at another Targeted Assistance school, as well. At that school, for example, there was a Title I charge of \$4,300 for printing. At the same time, no printing at all was charged against the school's General Funds.

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<sup>16</sup> Indeed, the request itself has never been answered in writing, as the Act requires.

A belief in proportional cost allocations seems to be fairly widespread. This means covering administrative payrolls with Title I funds in some proportion to the number of Title I students. The belief is ill-founded. Title I students are entitled to regular services the same as everybody. In addition, they are entitled to supplementary services. Title I administrative costs must be directly associated with supplementary services.

- **Less than 85 percent for Direct Services for Students.** The district has dissembled in response to questions about compliance with the 85 percent rule. But, an examination of the Consolidated Application for 2004-05 suggests that only 64 percent was budgeted for direct services for students. No mechanism appears to have been in place to hold administrative expenditures to the 15 percent maximum. For 2005-06, there are indications that 85 percent may have been accomplished simply by recording administrative costs under accounting codes that are direct services for students (e.g., Code 1000, Instruction).

#### 4.2 Poor to Non-Existent Planning

State regulations require school-level Single Plans for Student Achievement to be filed annually. Single Plans provide the justification for all categorical funds, including Title I funds. Single Plans among Santa Barbara's secondary schools have varied widely in terms of clarity, completeness and the cogency of reasoning. Many show signs of a mechanistic filling-in of the blanks. There is little sign that they are guided by a coherent overarching vision.

In fact, there has been no overarching vision at the district level. The district's Local Education Agency Plan has not been updated since 2003. Assuredly, that was a violation of federal regulations. Equally important, it was a violation of good management practices. The absence of a plan in a large bureaucratic organization is an invitation to anomic disintegration.

In 2005, two secondary schools switched from Targeted Assistance to School-wide Program status. For one of them, the switch appears to have been made without the required planning effort. That effort should have involved teachers, parents, et.al., in a *comprehensive needs-assessment* and in the development of a *school-wide plan* for improving of the entire instructional program.<sup>17</sup> Apparently, none of these things was done. Repeated requests for copies of these needs-assessments and school-wide plans have produced nothing.

#### 4.3 No Accountability Regarding "Reservations"

Without explanation or justification, over a half-million dollars appeared in the district-level Title I Working Budget in 2004-05. Without explanation or justification, \$342,523 of it was

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<sup>17</sup> The Plan required for applicants to become a School-wide Program school is not the same as the Single Plan for Student Achievement; although part of the Single Plan may be integrated into the broader School-wide Plan.

earmarked for out-sourced guidance and counseling services. None of this was shown as reservations in the Consolidated Application. None was shown in any plan. Accountability was all but impossible.

Further, without explanation or justification, an unspent balance of \$333,473 apparently ended up in some account(s) where it became fungible. It was used for unplanned and unspecified purposes. A well-run Title I program does not countenance unplanned and unspecified spending.

#### **4.4 Lack of Board Approvals**

At certain points in the Title I process, state and federal regulations require approval by the Board of Education. That means putting the matter on the board's agenda, making documentation available to the public, creating an opportunity for public comments and, finally, a vote by the board. Clearly, these things could not have been done regarding updates to the Local Education Agency Plan, because there were no updates. Neither was there prior approval by the board for Part II of the Consolidated Application. A board majority did approve the switch to School-wide Programs, but the board was not shown the actual School-wide Plans.

**4.5 Coding problems.** At a recent meeting, it was acknowledged that an administrative position with responsibilities for Title I programs had been coded in the Single Plan as part of the teaching payroll. In fact, a district template for the Single Plan preparation does not provide a coding category for site-based administrative costs. At the same time, Title I coordinators exist on most campus.

In general, one gets the impression that Function Code 1000 (Instruction) in the accounting system tends to be over-used. Take, for example, coding Conference Travel simply as Instruction. For teachers attending a conference on remediation in mathematics, this presents no problems.<sup>18</sup> However, it is harder to justify using the Instruction code for conference travel for administrators.<sup>19</sup> If functions that are not direct services to students are coded inappropriately, accountability loses credibility.

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<sup>18</sup> However, it might better have been charged against Title II funds for professional development.

<sup>19</sup> For administrators, conference travel should be coded as 2101, Instructional Supervision and Administration, or 2700, School Administration.

**4.6 Incomprehensibility.** Borrowing some Churchillian prose, the Title I process is a mystery wrapped in an enigma. Not in memory has there been an effort to increase public understanding. There have been school board workshops on many subjects, but never on Categorical funding. Only in January, 2006, and only after pressure from the present inquiry, twenty minutes was allotted on the board's agenda. The presentation was very informative, but it was only twenty minutes.

Learning about the Title I process is a daunting task. The reading is far from compelling. Narrative explanation is all but absent. Snippets substitute for sentences. Redundancy is rampant. Text often does little more than echo guidelines. Or, it is a cut-and-paste job from the previous year. Budget entries have little justification and cross-referencing. How can there be public accountability without comprehensibility?

#### **4.7 Concluding Comments**

This study has been about oversight. It set out in search of problems, and it found them. However, it also found a great deal that is right. Available records also suggest that most Title I expenditures at most schools are consistent with the spirit as well as the letter of the law. This study acknowledges and celebrates this fact. It also acknowledges and salutes the dedication and hard work of teachers and administrators, whose preoccupations are education, not categorical funding processes. Finally, this study acknowledges that the district has attempted to deal with problems by appointing a new Title I coordinator at the district level. However, it should be clear from the letter and the spirit of this report that I do not think that step alone will be sufficient.

Where there is money, there are politics. In public bureaucracies, the process of distributing money among organizational subunits and activities has an irreducible political component. Outcomes at any point in time reflect the internal distribution of power at that point in time. Stable patterns reflect well-established power structures and routines. This study identified outcomes where Title I funds for disadvantaged children were diverted to other uses. Those outcomes reflect more-or-less stable power structures within Santa Barbara's public schools bureaucracy.

Organizational change can be destabilizing, and the public schools are being asked to change. Specifically, as a condition for receiving federal monies, schools are being asked to

change educational outcomes for poor and educationally disadvantaged children. That means political change.

But, internal political change may face stiff resistance. The school system is homeostatic.<sup>20</sup> The challenge is to make it more goal-oriented. Rather than maintaining, it should be striving. The system needs a moral compass and a regulatory map. Without them, there will be little chance of helping today's children of poverty to prevail over "the tyranny of ignorance."

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<sup>20</sup> "A homeostatic system (an industrial firm, a large organization, a cell) is an open system that maintains its structure and functions by means of a multiplicity of dynamic equilibriums rigorously controlled by interdependent regulation mechanisms. Such a system reacts to every change in the environment, or to every random disturbance, through a series of modifications of equal size and opposite direction to those that created the disturbance. The goal of these modifications is to maintain the internal balances." *Principia Cybernetica Web*.

## **V. RECOMMENDATIONS**

It goes without saying that each of the problems identified in this review should be corrected. Some will be relatively easy. Others will be difficult. Rather than rehearsing them one by one, in this section, I am offering some procedural recommendations of a more general nature.

**5.1 Board Oversight and Public Accountability.** There should be on-going board-level oversight regarding categorical funding. It should be kicked off with critical review of the entire process—a review backed by full and forthcoming access to relevant records. The reviewer should be a dispassionate third party, and the review should be transparent and publicly accountable.

Beyond the initial review, at key planning, budgeting and spending points in the categorical process, there should be regular presentations to the board and the public, with board approvals. These points include: the LEA Plan, the Single Plans, the Consolidated Application, setting up line-items in the Working Budget, spending, and un-spent balances. Administrative reservations should be explicated, justified and approved in advance.

**5.2 Interim Reports.** There should be interim reports to the Board and to the public tracking expenditures of funds authorized as line-items in the Working Budget. Unanticipated changes should be made public and brought to the Board for approval.

**5.3 Year-end Report and Independent Audit.** There should be an end-of-the-year report tracing the costs of implementing plans set forth in the LEA Plan and in the Single Plans. There should also be an independent program audit.

**5.4 Development of Compliance Algorithms.**

- A user-friendly algorithm should be developed to test whether given expenditures supplement or supplant.
- A similar algorithm should be developed to show at any point in time whether the district is on-track with regard to the 85 percent rule.
- Targeted Assistance Schools should also have an algorithm to ensure that their Title I funds are truly targeted to supplement instruction for eligible students.

**5.5 Redefinition of Accounting Codes.** New and/or revised accounting codes and titles should be introduced using commonsense and descriptive terminology.

- The terminology of the LEA Plan and Single Plans and accounting codes and titles should be aligned.
- Accounting codes and titles should also be aligned with the algorithms in the above recommendation.
- There should be monitoring of coding and strict enforcement of coding protocols.

**5.6 A Categorical Expenditures Oversight Committee.** A standing committee of the Board of Education should be established. It should be independent of any internal committees or taskforces and have access to the services of an independent CPA. The following would be among the principal responsibilities of the committee.

- to oversee implementation of recommendations 5.1 through 5.5, above
- to oversee the Districts' implementation of the state's Categorical Monitoring Program
- regularly to inform and advise the Board

However, reformed procedures and guidelines alone are unlikely to solve the problems identified in this study. There must also be change in the culture of school and district organizations. There must be conscious development of clear norms about appropriate and inappropriate uses of Title I monies and other categorical monies.