



To: Governor Kasich and Members of the General Assembly

From: Richard A. Ross, Governor's Director of 21st Century Education

Michael Sawyers, Acting Superintendent of Public Instruction

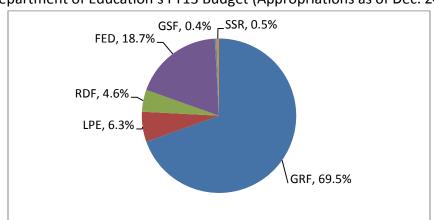
Date: January 1, 2013

Re: Report on State and Federal Funds Available for Third Grade Reading Guarantee

Amended Substitute Senate Bill 316 (SB 316) of the 129th General Assembly required that a report be developed on the Ohio Department of Education's (ODE's) ability to reprioritize state and federal funds to identify additional funds that may be used to support the assessments and interventions associated with the requirements of the Third Grade Reading Guarantee. Below is the specific language included in SB 316:

SECTION 733.40. Not later than December 31, 2012, the Superintendent of Public Instruction and the Governor's Director of 21st Century Education shall issue a report to the Governor and the General Assembly, in accordance with section 101.68 of the Revised Code, on the ability of the Ohio Department of Education to reprioritize state and federal funds appropriated or allocated to the Department, in order to identify additional funds that may be used to support the assessments and interventions associated with the third grade reading guarantee prescribed by section 3313.608 of the Revised Code. The Superintendent and the Director shall examine all available sources of funding, including Title I of the "Elementary and Secondary Education Act of 1965," 20 U.S.C. 6301 et seq.; Title III, Part A, of the "No Child Left Behind Act of 2001," 20 U.S.C. 6811, et seq.; and the "Enhancing Education Through Technology Act of 2001," 20 U.S.C. 6751.

ODE's budget totals almost \$11 billion in FY 2013, which consists of six fund groups: General Revenue Fund (GRF); Lottery Profits Education (LPE); Revenue Distribution Fund (RDF); Federal Funds (FED); General Service Fund (GSF); and State Special Revenue (SSR). Following is a chart that shows ODE's budget by fund group:



Ohio Department of Education's FY13 Budget (Appropriations as of Dec. 24, 2012)

The SB 316 directive requires that all funds be reviewed. This report is organized by fund group, since some fund groups have common elements associated with them. To the extent necessary, certain fund groups are analyzed in more detail.

General Revenue Fund (GRF)

GRF funds make up almost 70 percent (or more than \$7.6 billion) of ODE's budget. Most GRF funds are distributed through the foundation funding formula or the through tax relief programs (also known as homestead and rollback payments). Such funds can be used by local education agencies (LEAs) for any operational purpose.

LEAs should strive to gain efficiencies through shared services so that funds currently being used for administrative or back-office functions can be repurposed for instructional purposes, including the requirements of the assessments and interventions associated with the Third Grade Reading Guarantee. Currently, about two out of three districts purchase diagnostic assessments with general funds, which include foundation and tax relief payments made by the state. It is recommended that any investments being made by an LEA to purchase its own diagnostic assessments be saved by using the state's diagnostic assessments which are available for free.

Other GRF funds not associated with foundation funding or tax relief are available for specific purposes outlined in Section 267 of Amended Substitute House Bill 153 (HB 153) of the 129th General Assembly (ODE's temporary law). Early Childhood Education grants serve as one

example of these funds. These grants are provided to school districts, educational service centers, and joint vocational school districts to provide high-quality preschool services to threeand four-year olds from families whose incomes are no more than 200 percent of the federal poverty level. While the funds cannot be used to directly support implementation of the Third Grade Reading Guarantee requirements, they are being used to provide early childhood programming to preschool-aged children with high needs who are most likely to enter school at risk of not being proficient in reading. For this reason, it is critical that programs that receive such funds have a strong literacy curriculum. Ohio's early learning and development standards (for children birth to age 5), include standards for language and literacy development and are aligned to the grades K-3 Common Core standards for English language arts. ODE monitors the early childhood programs that receive these funds to ensure, among other things, that they are implementing a comprehensive research-based curriculum that is aligned to these standards. Through Ohio's federal Race to the Top Early Learning Challenge (RTT-ECC) grant Ohio is transitioning all publically funded preschool programs to be monitored and rated under the Step Up to Quality rating system. As one of its elements, this rating system will determine how well these preschool programs are aligning implementation of a curriculum and assessment of its children based on these standards. The Step Up to Quality rating system will help ensure that public resources are invested only in high-quality preschool programs with strong literacy programming.

Most of the other remaining GRF funds are associated with either meeting federal requirements, such as maintenance of effort or matching requirements, or are directly tied to administering state mandates.

Lottery Profits Education (LPE)

LPE funds make up 6.3 percent (or \$696.7 million) of ODE's budget. The majority of these funds support foundation funding as discussed above. Amended Substitute House Bill 487 (HB 487) of the 129th General Assembly contains \$13.5 million in competitive grants for the Third Grade Reading Guarantee.

Revenue Distribution Fund (RDF)

Funding through this fund group must be used to reimburse districts for reduced or eliminated tangible property valuations. Those districts that still qualify for such reimbursement are those that relied heavily on tangible property taxes. The use of such funds is restricted to the purpose for which the tax was levied, most frequently the general operations of the district (similar to foundation funding and tax relief funding provided through the GRF.) Similar to the use of foundation support provided by the state, LEAs should strive to gain efficiencies through shared services so that funds currently being used for administrative or back-office functions can be

repurposed for instructional purposes, including the requirements for the assessments and interventions associated with the Third Grade Reading Guarantee.

Federal Funds (FED)

Federal grants usually have specific purposes tied to them. Following are some specific federal grants that may have potential for use in meeting requirements of the Third Grade Reading Guarantee. Some grants identified will need to be analyzed further before a final determination can be made:

Title I, Part A (Improving the Academic Achievement of the Disadvantaged): Under the original requirements of the Elementary and Secondary Education Act (ESEA), LEAs failing to meet adequate yearly progress (AYP) and designated in School Improvement were required to set aside 20 percent of their Title I, Part A funds for Supplemental Educational Services (SES) and Public Choice programs. This represents about \$60 million statewide. However, this option is no longer a requirement and most LEAs are given flexibility in how to use these funds. Through Ohio's ESEA Flexibility Waiver, LEAs with schools identified as Priority or Focus are required to set aside 20 percent of their Title I allocation which allows for (among other options) supporting implementation of expanded learning time for students in grades K-2 to meet annual measurable objectives (AMOs) for reading and language arts. Additionally schools identified as Alert or in School Improvement status and LEAs identified as High, Medium or Low support (as part of Ohio's Differentiated Accountability Plan) are required to set aside 20 percent of their Title I allocation for the 2012-2013 school year only. LEAs must continue to follow federal rules such as 1) supplementing local programming with federal funds rather than using federal funds to supplant local programs provided to all students, 2) meeting maintenance of effort requirements and 3) meeting comparability requirements.

Information provided in the Third Grade Reading Guarantee guidance document indicates the following:

- LEAs may use their Title I funds to support and supplement reading instruction programs selected or created by the district for children who are at risk of not meeting state achievement standards.
- A student on a reading improvement and monitoring plan can participate in reading intervention programs funded by Title I if the student meets the criteria for students regularly served by that program.

- No Title I funding may be spent on specific state mandates. Within the Third Grade Reading Guarantee, districts may not use Title I funding for:
 - The purchase of reading diagnostic assessments used for the Third Grade Reading Guarantee;
 - Notifications to parents when students are not on track for reading;
 - Staff time and resources used to create reading improvement and monitoring plans; or
 - Outside providers selected by parents for extra reading instruction after their child is retained by the Third Grade Reading Guarantee.

Options Related to Title I, Part A:

- Through the amendment process for Ohio's ESEA Flexibility Waiver, ODE will seek
 options for allowing Title I funds to be used for additional activities to support the
 requirements of the Third Grade Reading Guarantee in Title I-served schools. This
 will require showing alignment between state law and the ESEA Flexibility Principles
 to allow flexibility in the area of Supplement, Not Supplant on the use of Title I
 funds.
- 2. ODE will seek to amend its ESEA Flexibility Waiver so LEAs have a choice of either setting aside 20 percent for those LEAs in School Improvement or using a portion of their freed-up funds to support the Third Grade Reading Guarantee.
- 3. The state will prioritize all competitive grants (federal grants administered competitively by the state where there is state discretion) for those who use the Title I 20 percent set-aside for meeting the Third Grade Reading Guarantee.
- 4. ODE will continue to encourage LEAs to take advantage of schoolwide pooling of resources, which provides greater local flexibility in the use of resources.
- 5. A Title I LEA or school can use Title I funds to operate a preschool program. ODE will continue to provide guidance to LEAs consistent with the U.S. Department of Education's (USDOE) guidance on how these funds can be used to best support preschool services for children who have a high risk of not reading on grade level in grades K-3.
- <u>Title II, Part A (Improving Teacher Quality)</u>: Ohio LEAs receive approximately \$90 million annually in Title II, Part A funds. These funds may be used for activities such as recruiting and retaining highly qualified teachers; increasing the number of highly qualified teachers in classrooms; providing job-embedded professional development; and reforming teacher and principal certification programs.

Federal supplement, not supplant provisions apply to the uses of these funds. However, one of the primary purposes of Title I is reading intervention for at-risk students and Title IIA funds (Improving Teacher Quality) to improve the knowledge and skills of

teachers working with students who need it the most. The Third Grade Reading Guarantee requirements should be used as one component in determining which teachers need improvement and how to best invest Title IIA funds. That said, ODE will encourage LEAs to use a portion of their Title IIA funds for the following, without specifically doing this only for the Third Grade Reading Guarantee (to avoid supplanting):

- 1. Recruit reading specialists who have the credentials required by Amended Substitute House Bill 555 (HB 555); and
- Support teachers with taking a rigorous test of principles of scientifically researchedbased reading instruction, obtaining a master's degree program with a major in reading, or obtaining a reading endorsement.
- Race to the Top (RttT): ODE has submitted an amendment to allocate \$3 million dollars from RttT to support iLearnOhio, in part, to support digital and blended learning options for literacy, which may have direct application to the Third Grade Reading Guarantee.
 ODE is currently waiting on approval of this amendment by the USDOE.
- IDEA, Part B: Ohio LEAs may use up to 15 percent of their IDEA, Part B funds for coordinated early intervening services (CEIS) with students not identified as disabled and/or professional development for teachers. ODE has been recommending that LEAs take advantage of this flexibility. Under this flexibility, LEAs may prioritize 15 percent of their IDEA Part B funds to intervene with students with reading deficiencies and/or use for professional development activities which may support teachers seeking reading endorsements to provide intervention services to non-disabled students struggling with reading.
- 21st Century Community Learning Centers (CCLC): ODE's application for this grant is being finalized for submission in January. Ohio receives approximately \$40 million annually to award competitive grants to schools and partnering community-based organizations to support academic enrichment activities such as extended learning time and afterschool programs which focus on improvements in reading and mathematics. Ohio will give preference to grantees that provide reading supports for K-3. Furthermore, the recent ESEA Flexibility Waiver allows Ohio grantees serving students in Priority schools to use 25 percent of the 21st CCLC funding during the school day, provided that the school meets the extended time learning criteria.
- <u>School Improvement Grants (SIG)</u>: Ohio annually receives approximately \$20 million in school improvement funds which are competitive grants earmarked for the lowest 5% performing schools. These schools have been identified as SIG-funded Priority Schools as part of Ohio's ESEA flexibility Waiver. Funds made available under this program may not be repurposed to directly support the requirements of the Third Grade Reading

Guarantee. LEAs may select supplemental interventions; however, they must align with the requirements for implementing reading interventions.

- <u>Enhancing Education Through Technology (Title IID)</u>: This grant has now ended but is mentioned since it is specifically identified in the legislative directive in SB 316.
- English Language Acquisition (Title III): Schools use the funds to implement language instruction for educational programs designed to help LEP students achieve reading standards. Approaches and methodologies used must be based on scientifically based research. LEAs may develop and implement new language instruction programs and expand or enhance existing programs. LEAs also may implement schoolwide programs within individual schools or implement system-wide programs to restructure, reform, or upgrade all programs, activities, or operations related to the education of their Limited English Proficient (LEP) students. Funds made available under this program may not be repurposed to directly support the requirements of the Third Grade Reading Guarantee. LEAs may select supplemental interventions; however, they must align with the requirements in using Title III funds for eligible LEP students. Title III funds have more restrictive uses of funds compared to Title I, Part A.
- <u>Early Learning Related Federal Funds</u>: Ohio has funds related to improving state systems and infrastructure to increase the quality of existing early childhood programs. Research has shown that a high quality early learning program will better prepare students for school and will reduce the number of students not on track for reading. While the early learning federal funds cannot be used to directly support districts' implementation of the Third Grade Reading Guarantee requirements, the funds are being used to improve the quality of existing early childhood programs serving preschool aged children with high needs who are most likely to enter school at risk of not being proficient in the area of reading. These funds and improvements include:
 - o Race to the Top Early Learning Challenge Grant (RttT-ELC): Ohio is using this federal funding to develop a new and expanded Kindergarten Readiness Assessment that will include a revised language and literacy assessment that when given by September 30 will assist districts in identifying children at risk for not reading on grade level. The assessment is required for all public districts and community schools and will be available at no cost to districts. In addition, RttT-ELC funds are being used to provide extensive professional development for early childhood educators on the use of new standards and assessments and to expand Ohio's tiered quality rating and improvement system that gives a clear and common way to measure program quality, no matter the setting to inform parents, families and community.

- Head Start State Collaboration Grant: Federal funding supports professional development and the coordination of state systems across multiple state agencies that support programs serving children with high needs.
- Preschool Special Education: With the federal IDEA Part B 619 funding Ohio receives, the state supplements the education of 23,000 children with disabilities in grades 3-5. Funding is allocated based on each district's child count, with adjustments for total population and poverty.
- <u>State Advocacy</u>: The state will advocate for a federal law or regulation changes regarding broader and more flexible uses of funds as well as to ease burdens associated with the use of funds. Examples of potential advocacy with the reauthorization of ESEA:
 - Supplement, Not Supplant (SNS): The SNS requirement should be updated, modified, or removed. Improving student performance is best achieved through a systemic, holistic approach to the structure of the learning environment. SNS provisions often limit local reform efforts as school districts are forced to differentiate federally funded programs from state and local programming due to concerns about SNS presumptions. This can frequently result in fragmented and disruptive programming.
 - Funding for Title V (Innovative Programs): Prior to 2006-2007 school year, Title V funding was available. Title V was an extremely flexible program where school districts were able to transfer federal funds in order to prioritize their spending based on needs rather than specific uses of funds by individual title. Since this funding source is no longer available, transferability of other title programs into Title V is no longer permitted. Therefore, ODE will seek to have Title V funded again.
 - Remaining/Dwindling Federal Grants: Frequently, some federal funds remain at the end of the grant period that must be relinquished and returned to the U.S. Treasury. ODE will advocate to allow an SEA to sweep federal grants that have remaining balances that will not be used by the obligation period (especially those that are coming to an end and have a reading focus) and propose an alternate use of the funds to the USDOE. In other words, allow the states to propose a comprehensive request to use the unobligated funds for something like the Third Grade Reading Guarantee rather than returning the funds to the U.S. Treasury.

General Services Fund (GSF) and State Special Revenue (SSR)

These fund groups combine to make up almost 1 percent (about \$95 million) of ODE's budget. GSF consists of funds not easily classified into, or appropriately accounted for, in another fund group. Many of the funds in this group receive payments from other funds for services provided or receive grants from other state agencies. SSR receives funds from entities other than the federal government that carry legal requirements for specified activities. Examples of resources in these two fund groups include teacher licensure fees, solvency assistance advances for districts placed in fiscal emergency by the Auditor of State and the half-mill equalization subsidy to help less wealthy districts with maintaining buildings built through the School Facilities Commission program. All revenue received through these funds must be used for specified purposes outlined in statute.