



Legislative Post Audit Performance Audit Report Highlights

K-12 Federal Education Funds: Evaluating the Costs and Benefits Associated with K-12 Federal Education Funding

Report Highlights

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Summary of Legislator Concerns

Legislators were concerned about the requirements associated with accepting federal funds and expressed interest in knowing how the benefits compare to the costs.

Background Information **How we chose the program sample:**

We chose six federal programs that represent a majority (76%) of the total federal K-12 education funding the state receives and are typically received by most school districts.

Although it is possible that the costs related to federal programs outside our sample differ significantly from the six we selected, we think this is unlikely because our selection included some of the largest and most common federal programs and because none of the more than 1,500 stakeholders we interviewed or surveyed identified other programs with significant costs or benefits.

QUESTION 1: *What are the costs and obligations associated with federal K-12 education funds, and how do they compare to the benefits?*

Benefits Provided through Federal K-12 Education Funds

- Kansas received about \$507 million in K-12 education funding from at least 60 federal programs in school year 2015-16.
 - The state's 286 school districts received about \$485 million, or 96% of the total federal K-12 education funding the state received.
 - Federal funds accounted for just 8% of the total funding school districts received in school year 2015-16.
 - KSDE received the remaining \$22 million of federal K-12 funds to help administer statewide assessments and provide oversight and technical support to school districts.
- The main purpose of the six federal K-12 programs we reviewed are to help disadvantaged students and to provide funds for additional district services.
 - Federal requirements for those six programs typically specify whether districts are to use the funds to provide additional services or to replace lost revenue.
 - The six programs we reviewed give districts significant discretion in how they spend federal K-12 funds, and districts have used most of the funds for staff compensation.

Costs and Obligations related to Federal K-12 Education Funds

- Accepting federal funds can limit budget flexibility because of maintenance-of-effort requirements.
 - Accepting federal funds for the special education program (IDEA) imposes a \$442 million maintenance-of-effort requirement on the state.
 - Accepting federal funds for programs related to special education, students in poverty, English language learners, and teacher development also impose maintenance-of-effort obligations on school districts.
 - In most years neither the state nor school districts has much difficulty meeting the maintenance-of-effort requirements, but these requirements can limit state and school district budget options, especially when budgets are tight.
- By accepting federal funds, the state agrees to adopt the federal government's K-12 education initiatives.
 - Federal funds represent a relatively small, yet significant source of K-12 education funding for the state.
 - The federal government has tied federal funding to national education initiatives.

- Failure to adopt these federal initiatives places a significant percentage of the state's federal funding at risk.
- Federal K-12 programs impose some administrative requirements, but the cost of meeting them is minimal and can be paid for with federal funds.
 - In school year 2015-16, KSDE spent \$6.6 million to administer all federal education programs, all of which was paid for with federal funds.
 - District officials consistently reported that the time and cost associated with administering federally funded programs were minimal.
 - Although federal funds can be used to cover administrative costs, most districts chose to absorb these costs instead.
 - The administrative tasks associated with meeting federal requirements for the six programs we evaluated fell almost entirely to school administrators and did not appear to significantly affect teachers.
- Only the National School Lunch Program imposes operational costs on school districts through its increased nutritional standards.
 - The National School Lunch Programs imposes specific nutritional standards that may increase school districts' food supply costs.
 - In 2012, the federal government made those nutritional requirements more stringent, but in return offered an additional \$0.06 reimbursement to help cover the increased food costs associated with the nutritional requirements.
 - Officials from the 10 districts we reviewed, told us only a small portion of the cost of meeting the new federal nutritional requirements are covered by the \$0.06 reimbursement.

Benefit and Cost Comparison of Federal K-12 Education Funds

- Administrative and operational costs associated with federal funding are small compared to the amount school districts receive (on average, costs represented only about 2% of the nearly \$120 million the 10 districts received through the six programs we evaluated).
- School administrators overwhelmingly reported the costs associated with federal funding were worth the benefits.
 - School district administrators reported the federal funding requirements were not burdensome and it was worth the costs to receive the funding.
 - Districts officials also reported federal funding was significant in terms of district finances and benefits to students and were concerned that fewer resources could lead to reduced student achievement.
- We could not objectively quantify or compare the budget and policy restrictions that come with accepting federal funds to the benefits.
- Opting out of federal funding would result in increased state and local cost or reduced services for students.
 - For Impact Aid and programs related to special education and English language learners, opting out of federal funding likely would result in increased state and local costs.
 - For programs related to low-income students, staff training, and the school lunch program, opting out of federal funding would result in either increased state and local costs or reduced service levels.

How we chose the district sample:

We interviewed school district officials to understand the costs associated with federal funding and analyzed expenditure data provided by 10 school districts. These 10 districts represent a reasonable cross section of districts statewide in terms of size, percentage of students who receive free lunch, and percentage who receive special education services.

Conclusion

- Although federal funds accounted for less than 8% of the state's total K-12 education funding in 2015-16, those funds have a disproportionate impact on K-12 education in the state by limiting some budget flexibility and pushing national policy initiatives on the state.
- Although school district officials overwhelmingly told us the benefits are worth the costs and obligations that affect them, it is ultimately up to the state's policymakers to determine whether those benefits outweigh the limits on budget flexibility and policy obligations that come with federal funds.

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SUMMARY OF RECOMMENDATIONS

- This audit did not have any recommendations.

AGENCY RESPONSE

- KSDE concurred with our audit findings.
- Because our report did not include recommendations, a written response from the school districts was optional and none of the districts chose to provide one. However, some districts provided informal feedback and indicated they concurred with our audit findings.

HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.