



# Seeing Beyond Silos

How State Education Agencies Spend  
Federal Education Dollars and Why

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By Robert Hanna    June 2014



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# Introduction and summary

Historically, state departments of education, or SEAs, have—for the most part—been compliance-focused organizations that managed federal education policy. Over the past several decades, these agencies have been education policy implementation entities.<sup>1</sup> Today, while their compliance responsibilities have remained, they are taking on more responsibility for education and academic outcomes than ever before, substantially increasing the scope of their work. State leaders and their staffs must distribute federal education dollars and monitor the districts’ use of these funds in accordance to regulations set by federal policymakers.<sup>2</sup> There is nothing controversial about attaching strings to funding sources, but these different compliance requirements have driven many agencies to respond in predictable ways. To make compliance easier, state leaders have traditionally separated agency staff into different areas responsible for each federal fund. Once an approach has passed external audits, they then have maintained the status quo of SEA staffs’ work.<sup>3</sup>

To support this work, the U.S. Department of Education, or DOE, allows states to set aside certain amounts of federal funds to cover SEA administrative costs.<sup>4</sup> Indeed, tensions between states and the federal government are inherent to the enterprise of co-governance, but state education leaders can point to specific federal regulations that have a direct impact on their work decisions and that make it difficult for them to meet the demands of federal policymakers.<sup>5</sup>

Through legislation and regulation, federal policymakers have set numerous conditions for state education leaders to drive, manage, support, and monitor school improvement at scale. States receive dollars through a set of distinct federal funds that they must use only for federally allowed activities. At first appearance, it is an approach that make sense, particularly when it is much easier—for example—to have Elementary and Secondary Education Act, or ESEA, Title I staff working on Title I activities serving economically disadvantaged students and alternatively to have Perkins Act staff working on Perkins Act activities that support career and technical education.\* But moving forward, what if our approaches to improving

outcomes for economically disadvantaged students require attention to career and technical training or to improved special education services? Are the federal conditions optimal for helping states meet federal demands while at the same time carrying out their educational mandate? This report contributes to the discussion of these and other questions related to the distribution of federal education funds.

This paper explores states' uses of federal education dollars and how federal policy conditions might lead states to use funds in the ways that they do, which are not always the most productive ways. Our analysis of SEA spending of federal funds is based on financial and staffing data from 11 state departments of education from the fiscal year 2012–2013. Eight states in our analysis—Arkansas, Illinois, Kentucky, Missouri, Nebraska, North Carolina, Oklahoma, and Texas—provided staffing and contact data that identified specific federal funds and their uses. Three states—Washington, Iowa, and Delaware—did not meet our requirements for use in this report: Iowa and Washington did not provide data that we could use to identify staff responsibilities, and Delaware provided information on federally funded positions and contracts but did not designate which specific funds were used. Furthermore, this study focuses on how the eight study SEAs use federal dollars for their own activities, rather than on how school districts—another major recipient of federal education support—use federal resources. Our goal was to learn more about state leaders' use of federal dollars to administer these programs and what implications that had for how they organized their own agencies.

In gathering the data for this report, the Center for American Progress sent questionnaires to state education officials from all 50 states during the last quarter of 2013. In some cases, we made this request under the auspices of state freedom of information laws. No state in this study had the information we sought related to state spending of federal funds readily available or easily accessible to the public. Specifically, we asked states to report how much they spent from each federal education fund on compensating state staff and external contractors. In this report, our analysis of SEA staffing is based on the information we collected directly from these states, unless otherwise noted. (see Methodology)

In general, research on the organization and management of state education agencies is limited. Our analysis, however, reaffirms existing research showing the strings attached to federal funds hinder state leaders from building education agency capacity. Specifically, we describe how states in this study silo their use of federal education funds, establishing separate offices based on which federal dollars fund them. For example, states commonly have a special education office



that is funded primarily through federal special education funding through the Individuals with Disabilities Education Act, or IDEA. Other analysts have described how this practice matters because siloing undermines comprehensive education reform by limiting collaboration and communication.

However, not every state in our study struggled with this challenge. For instance, the practices of the Texas Education Agency, detailed in this report, illustrates how Texas state leaders' used federal funds more comprehensively. However, for the most part—Texas and a handful of other examples notwithstanding—state education agencies are hard pressed to get the biggest bang from their federal dollars because of structural constraints.

Based on our findings, we recommend that federal policymakers and state education leaders re-examine federal regulations with an eye toward improving the conditions in which state agency leaders work. Both must ensure that state education leaders can take comprehensive approaches to critical new education reforms rather than relying on the silos in which they have operated in the past. State leaders must ensure that they are doing everything within their power to improve the performance of their agencies through careful re-examination of federal regulations. Federal policymakers should provide the optimal conditions to make this a reality by eliminating unnecessary and burdensome regulations or providing flexibility in areas that do not support federal education priorities. Specifically, we recommend the following:

- Congress and the U.S. Department of Education should strategically reduce compliance and reporting requirements for state education agencies.
- DOE should highlight federal compliance flexibilities that exist and ensure state education agencies will not be incentivized to use staff in ways that foster silos.
- State education leaders should take another look at their regulatory environment and find new ways to improve how they organize their agencies.

In the effort to achieve better outcomes for today's students, education leaders and policymakers must achieve a new equilibrium where the conditions set by federal policymakers meet the intents of federal education policy itself. Too often, the hands state education leaders are tied by federal regulations that prevent them from effectively spending federal funding sources to best of their advantage. Faced with audits related to the large volume of federal requirements, some states have responded by

siloining different federal funds and their associated activities. Yet, other state education agencies have found ways around regulatory obstacles and have been able to implement more comprehensive and collaborative approaches to agency work.

Clearly, there are lessons to be learned from innovative SEAs. However, to get a better understanding of the decisions that today's state education leaders make, more SEAs should make basic information about the use of federal education dollars available to the public.

In many ways, the success of U.S. educational policy depends greatly on the success of state education agencies. To meet the current demands placed on them, it is imperative that the federal government removes any obstacles that undermine SEA performance.

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### How state education agencies spend federal funds

During the 2012–13 school year, state education leaders spent federal dollars in different ways, yet these expenditures shared common features. Consider the two largest noncompetitive funds that states receive from the federal government: ESEA and IDEA. ESEA Title I, Part A allows states to reserve a small portion of dollars to support the administration of activities serving disadvantaged students in the state.<sup>6</sup> In the special education services funding from IDEA, states can reserve a portion of their funding to support state activities through the Title I, Part B section of the act.<sup>7</sup>

State leaders use these federal funds to support staff that work on monitoring, reporting, and compliance management, just as the law intends. For example, Illinois uses Title I, Part A dollars to support nine positions in the Federal and State Monitoring Division and IDEA dollars to support eight positions in the Funding and Disbursements Division. Missouri use IDEA funding to support staff in the Office of Special Education and its Office of Data Systems Management. However, Missouri's data do not allow us to identify state staff members' areas of work or their specific responsibilities.

States varied in how much they spend on staff using ESEA Title I, Part A money, and these amounts are generally proportional to how many primary and secondary schools were located in said states. In Table 1 below, we present these statistics for the 10 states for which we had these data. In Nebraska, for example, the state education agency paid staff a total of around \$670,000 dollars in the 2012–13 school year, an amount equivalent to about \$600 per public school.<sup>8</sup> In Texas on

the other hand, with more than 8,000 schools, the state agency paid staff around \$8 million dollars total, about \$900 per public school. Illinois spent more than \$7 million IDEA dollars to compensate staff, about \$1,600 per school.

**TABLE 1**  
**State agency spending of federal funds**

Summary statistics for state education agencies in study

State	Number of public schools, 2011–12*	Number of school districts, 2011–12*	ESEA Title I, Part A state spending on personnel, 2012–2013	Number of SEA staff positions paid at least partially through ESEA Title I, Part A	IDEA Title I, Part B state spending on personnel, 2012–2013	Number of SEA staff positions paid at least partially through IDEA Title I, Part B
Arkansas	1,108	289	\$751,616	13	\$1,669,583	26
Illinois	4,336	1,075	\$3,340,549	57	\$7,030,890	82
Iowa	1,411	361	\$636,931	10	\$3,561,415	54
Kentucky	1,565	194	\$617,982	16	\$1,061,489	19
Missouri	2,408	572	\$2,035,000	34	\$1,920,000	42
Nebraska	1,090	288	\$669,930	8	\$1,073,870	22
North Carolina	2,577	236	\$3,428,266	62	\$4,435,578	53
Oklahoma	1,774	575	\$1,508,741	36	\$1,670,752	25
Texas	8,697	1,262	\$8,078,022	400	\$8,402,772	269
Washington	2,365	316	\$203,838	7	\$1,415,963	26

Source: Author’s analysis based on data provided by state education agencies; National Center for Education Statistics, “Local Education Agency (School District) Universe Survey,” 2011-12 v1.a; “Public Elementary/Secondary School Universe Survey,” 2011-12 v.1a; “State Nonfiscal Public Elementary/Secondary Education Survey,” 2011-12 v. 1a, all available at <http://nces.ed.gov/ccd/elsi/>.

Some states have relied on outside contractors for training or consulting services. Missouri’s Department of Elementary and Secondary Education, using ESEA Title I, Part A funding, pays more than \$2 million a year to the National Institute for School Leadership—an organization that provides leadership training.<sup>9</sup> Washington state’s Department of Education pays almost \$1 million annually from its ESEA Title I, Part A funding to the BERC Group, a consulting firm.<sup>10</sup> Similar to above, these data do not allow us to identify the exact nature of these contracts.

State leaders in study states also support school-improvement staff—not only to hold schools accountable but also to intervene when necessary. For example, North Carolina pays for what are termed “district and school transformation” coaches in the District and School Transformation division and “instructional review coaches” on the needs assessment team. The Arkansas Department of Education funds six “public school program advisors” through ESEA Title I, Part A funds.

States also use special education—IDEA Title I, Part B—dollars to pay for a variety of services, sometimes relying on private partners and at other times relying on state institutions of higher education. For example, the state of Washington pays about \$600,000 a year from IDEA funds to Measured Progress Inc., a company that develops student assessments.<sup>11</sup> In Kentucky, the state agency pays Eastern Kentucky University and University of Kentucky around \$500,000 a year to train interpreters, as well as for services related to deaf, blind, or visually impaired students.

Moving away from these two funds, we find that states differ in their use of other federal funding, such as Title II, Part A of ESEA, which requires states receiving ESEA dollars to support programs focused on improving the quality of teachers or principals.<sup>12</sup> Missouri uses these dollars to fund director-level positions in its Office of College and Career Readiness. Kentucky spends its ESEA Title II, Part A dollars on professional development and technical assistance through external partners, such as the New Teacher Center and the Kentucky Association of School Administrators. Illinois and Missouri have contracts with their institutions of higher education that are paid for with ESEA Title II, Part A dollars, suggesting that those contracts are focused on teacher quality, but this study did not collect such programmatic information. Other states, such as Washington and Texas, rely on other organizations such as the American Institutes for Research for teacher quality improvements. Meanwhile, North Carolina uses ESEA Title II, Part A funds to support positions responsible for educator recruitment and development.

Through the Perkins Act, states have to provide programming in both career and technical education.<sup>13</sup> In 2012–13, Illinois and Missouri funded positions in offices overseeing college- and career-readiness programs. North Carolina funded many positions in career- and technical-education offices, and Texas supported a range of state staff members in information technology and federal compliance offices using Perkins funds.

States also spend a great deal of federal money on assessing student learning. Some of the states in this report have multimillion dollar contracts with outside vendors for student assessment. Illinois, North Carolina, and Texas, for example, have contracts with NCS Pearson Inc. paid in part through ESEA state assessment grants. Similarly, Nebraska has assessment contracts with the Data Recognition Corporation, which supports the development of their statewide student assessments.<sup>14</sup>

Three study states report using federal funds in a consolidated or combined fashion. Likewise, Missouri supports more than 30 positions through a similar ESEA funds pool. In Texas, the state education agency pays for more than 100 positions using more than 10 separate federal funding sources. This paper considers the Texas example in more detail below.



## Why and how states work in silos

States have used federal funding to support a variety of different types of positions and programming. Yet all too often, program staff members find themselves working in silos with the activities of one program being separated from those of others, rather than the ideal working situation where staff coordinate their efforts across programs. In the absence of silos, state staff are free to share information across units and provide expertise through collaborative teams. In contrast to previous research, this study finds that while there are indeed silos, they might not nearly be as pervasive across the individual state education agencies as other observers suggest.

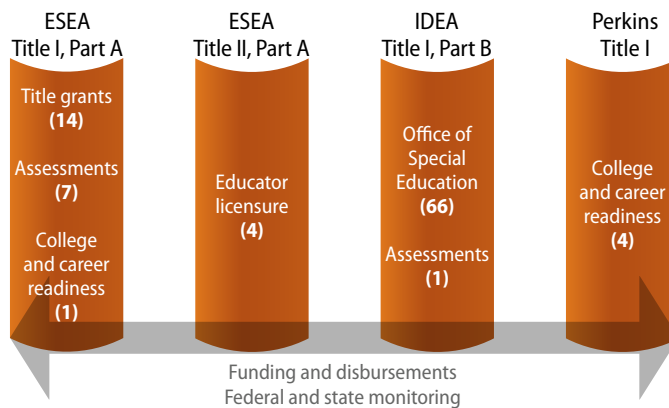
Many observers have identified siloing as a major issue for state education leaders and their agencies. The Center for American Progress has reported that some state education chiefs said that their staff did not communicate or had limited communication across agency offices.<sup>15</sup> Similarly, researchers at the Center on Innovation and Improvement, or CII, a technical assistance provider to SEAs, found that state education agencies silo, at least in part, in order to meet the demands of different federal programs targeting various student populations.<sup>16</sup> Most previous research on SEAs used interviews or surveys but did not review the financial records of agencies. Following the approach of researchers from the Center on Reinventing Public Education, we examined the organization of SEAs based on staffing and finance information provided by these agencies, rather than relying solely on interviews.<sup>17</sup> Using this approach, we found the siloing effect to be less pronounced.

States in this study differed in the number of federally funded positions, and most of the sample states funded only a small fraction of those positions using more than one fund. For example, in Illinois, out of almost 200 federally funded positions in the state board of education, only about 20 positions are supported by the use of multiple federal funds.

FIGURE 1

### Staffing arrangements in Illinois, by office and federal grant

Fiscal year 2012–2013



Note: Numbers in parentheses are estimated numbers of distinct position titles funded through one federal grant. The horizontal arrow indicates offices that have positions funded with multiple funds.

Source: Author's analysis based on staffing data from Illinois State Board of Education.

The Illinois State Board of Education, or ISBE, do keep some federal dollars separate, but support monitoring positions across multiple funds (see Figure 1). For example, IBSE supports 15 positions through ESEA Title I, Part A in the Title Grants Division and more than 65 positions in the state Office of Special Education with IDEA funds. However, Illinois manages fund disbursement and compliance monitoring through positions funded through multiple streams.

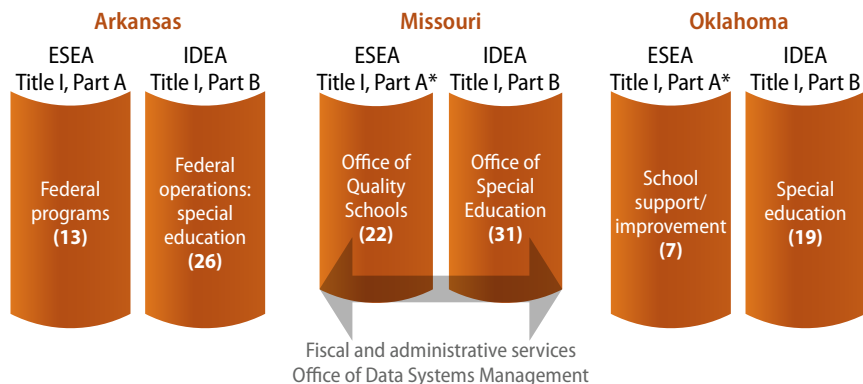
In Missouri, there were around 150 state education agency positions funded in some manner by the federal government. Most of Missouri's SEA employees were paid through multiple federal funds under a consolidated administration approach, but others were funded by just one funding stream. State leaders in Missouri support a separate Office of Special Education with 30 positions funded with only IDEA dollars and no other federal education funding. In Missouri's Office of Quality Schools, the state funded 20 positions only through ESEA Title I, Part A and no other federal education fund (see Figure 2).

Both states keep special education services mostly separate from ESEA-related services for disadvantaged or minority students. This practice is consistent across other states as well. Arkansas, for instance, funds more than 25 separate positions through IDEA, and Oklahoma's Department of Education support some 15 separate positions (see Figure 2).



**FIGURE 2**  
**Staffing arrangements in Arkansas, Missouri,**  
**and Oklahoma, by office and federal grant**

Fiscal year 2012–2013



Note: Numbers in parentheses are estimated numbers of distinct position titles funded through one federal grant, except for those indicated as positions supported by consolidated funds (\*). The horizontal arrow indicates offices that support some positions using either ESEA Title I, Part A or IDEA Title I, Part B.  
 Source: Author's analysis based on staffing data from Arkansas Department of Education, Missouri Department of Elementary and Secondary Education, and Oklahoma Department of Education.

It is evident from our analysis that some siloing occurred at these agencies, at least when we look at federally funded positions. However, it is worth noting that the data presented here are not definitive evidence that states are deliberately keeping staff responsibilities separated. In fact, when state education researchers from the Center on Education Policy, or CEP, interviewed state officials several years ago, they concluded that the No Child Left Behind Act, or NCLB, actually led agencies to break down silos.<sup>18</sup> According to a state official cited in by CEP, “Prior to [NCLB], the SEA [the state education agency] really here was more siloed. There were certain parts of the agency that probably were not seeing that connection between what they did and the outcome of student achievement. And we’ve really worked to have cross-divisional work and integrated teams working together.”<sup>19</sup> Nevertheless, in our analysis, states consistently separated special education management from other federally funded programs. From our study, we could not determine why, but it may be because states want to focus on special education students in different ways than traditionally disadvantaged groups of students. To be fair, what appear to be silos on paper might not be silos in practice.

In the absence of silos, states agency staff exchange information and provide support to schools on technical assistance teams. Researchers from the CII have identified examples of states where special education staff work closely with school-improvement staff.<sup>20</sup> In Georgia, for example, special education staff shared

**FIGURE 3**  
**Staffing arrangements**  
**in Texas**

Fiscal year 2012–2013



Note: Graphic only includes offices with more than 15 distinct positions that are federally-funded. Offices are ordered roughly by number of district positions, with the largest office at the top. The horizontal arrow indicates offices that are funded with multiple funds.  
 Source: Author's analysis based on staffing data from the Texas Education Agency.

data they collected with staff that monitored school quality.<sup>21</sup> In Wyoming, special education staff are members of the state's technical assistance teams.<sup>22</sup> In the CII's survey, 20 out of 50 states reported that special education staff and state support staff "were linked through cross-division collaboration."<sup>23</sup>

Only three of the states in our study are Race to the Top, or RTT, grantees with North Carolina receiving its Phase 2 funding of the program starting in the 2010–11 school year.<sup>24</sup> RTT is a federal competitive grant program for states; it promoted several state-wide reforms, such as evaluating teacher performance using student test scores and implementing college- and career-ready standards for students.<sup>25</sup> In some states, RTT positions are in their own offices. North Carolina's Department of Public Instruction, or NC DPI, takes a different approach and has more than 100 positions supported through RTT dollars. Many of those positions are focused on educator recruitment or technical assistance. And while a few NC DPI positions are specifically in a RTT office, most staff are in offices not specifically designated for RTT. Moreover, the NC DPI support at least 20 transformation coaches and more than 25 instructional coaches for schools or districts. These coaches' activities likely differ based on their portfolios.<sup>26</sup>

While states shared no consistent siloing pattern, it is clear that some states exhibited this phenomenon more than others. Staff at state education agencies might silo themselves for any number of reasons. Nevertheless, when state leaders are asked about the management issues they face, they often note how federal regulations restrict their actions and essentially incentivize them to separate their staff into different offices for different federal programs.<sup>27</sup>

# The federal role in state education agency siloing

State education leaders silo primarily because it is a low-risk approach to meet federal requirements.<sup>28</sup> Through the Office of Management and Budget, or OMB, the federal government requires entities receiving federal funds to report how employees who are paid through those funds allocate their time.<sup>29</sup> In particular, state and districts comply when their employees spend their time in very close alignment with how those funds are billed. For instance, a state staff member paid 50 percent from ESEA Title I, Part A funds and 50 percent from Title II funds must split their work time evenly between the two activities. That is to say, under this scenario, half of the employee's time must be spent doing state activities allowed by the federal government that improve the academic achievement of all students, particularly traditionally disadvantaged children, and the remaining half of his or her time must be spent on allowed activities related to improving the quality of teachers and principals. When auditors monitor state agencies for compliance, they most often look for violations of these types of time reporting requirements. Understandably, when states are faced with this situation they prefer the safest approach—namely, to have each employee work on only one specific federal program.<sup>30</sup> When state education agencies fail to comply with federal rules, they jeopardize their future funding for certain communities of students, such as those students who receive special education services.

However, employees routinely log their time across many professional sectors. So what makes such reporting so burdensome for state education agencies? It is not the reporting itself that presents challenges. Rather, the issue has to do with federal compliance: When states are found to be noncompliant—out of line with federal regulations—they might be placed in the position of having to pay back the contested dollars or risk getting negative press coverage for audit findings.<sup>31</sup> Therefore, siloing occurs for good reasons even if the outcomes are less than ideal. State or district leaders devote an inordinate amount of energy and resources to aspects that are most commonly the focus of agency audits in order to avoid noncompliance, but this approach can often run contrary to what federal education policymakers want them to achieve.<sup>32</sup> Moreover, as CII researchers suggest,

the compliance requirements that lead to siloing occur due to well-intentioned purposes: namely, that federal policymakers want to ensure certain populations of students are given special focus and additional services.<sup>33</sup> To make sure this happens, federal policymakers set reporting and compliance requirements for each program and enlist auditors to monitor states' use of federal dollars for approved services in each program, with an eye toward the intended targeted populations.

Overall, education chiefs and analysts agree that siloing undermines comprehensive approaches to school reform. The Education Alliance at Brown University has reported state siloing limited communication and collaboration across units. In their report, they cited one state education agency official who suggested that siloing hindered his agency from having a “systemic focus” or “optimizing the sub-parts.”<sup>34</sup> According to the CII, siloing also prioritizes compliance over performance management of programs.<sup>35</sup> If improvement of low-performing schools is now a primary responsibility of state agencies, then a focus on meeting requirements does not leave much room for state leaders to manage activities for improvement.

In 2012, in conjunction with government efficiency initiatives by the Obama administration, the U.S. Department of Education offered states and districts flexibility with respect to federal time reporting requirements.<sup>36</sup> The first year states and districts could take advantage of these flexibilities would have been the 2012–13 school year. According to the new guidance, Thomas Skelly, the DOE's acting chief financial officer, allows states to report employee work time using alternative systems.<sup>37</sup> Under previous guidance, state employees had to report a monthly “personnel activity report.”<sup>38</sup> Now, states can report time through an alternative system on a semiannual basis, as long as the reports meet DOE requirements.

One example would be a long-term regular schedule of activities that the employee follows with fidelity.<sup>39</sup> The DOE does not report which states have taken advantage of this alternative arrangement, so it is not clear how many states use this approach. Nevertheless, while this policy reduces reporting burdens, it does not directly address the auditing issues states encounter and therefore leaves room for states to continue to prefer siloed arrangements. In a letter, Thomas Skelly acknowledges that “it is possible ... for multiple programs to have the same cost objective.”<sup>40</sup> In other words, there is indeed overlap across what federal funds allow. Therefore, state leaders should be able to use multiple funds to support agency staff who direct comprehensive state activities to support low-performing schools.

Even with this policy in place, many states in our study follow some sort of siloed arrangement during the 2012–13 school year, but not all of them. Texas stood out as the exception.

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## How and why Texas stands out

The Texas Education Agency, or TEA, paid for more than 200 positions across a range of functions from research to information technology to school improvement with multiple federal funds. These positions are a large portion of the more than 700 total positions at the agency, which oversees one of the largest education systems in the nation.<sup>41</sup> TEA state leaders paid for nearly 100 of those positions with money from more than 10 separate education funds.

The multifunded positions ranged across offices and functions. State program directors with federal program oversight, such as the director for federal and state education policy, received parts of their salaries through ESEA Title I, Part A, IDEA Title I, Part B, Perkins Act program, and other federal funding programs.\* The same was true for other positions. For example, Texas paid a project manager in the education data systems office, state directors in the curriculum office, and programmers in the information technology services office all with multiple federal funds.

The agency also supported many private contractors using multiple funds. The TEA spent almost \$2 million on information technology across many federal funds to private contractors, such as Catapult Systems—a Microsoft IT consulting firm<sup>42</sup>—or Soal Technologies, also a technology consulting firm.<sup>43</sup> The funds used included ESEA, IDEA, and the Perkins Act program.\* The agency also paid \$1 million to the global security company Northrup Grumman for data processing and computer rental.<sup>44</sup>

Overall, the TEA used federal funding essentially as a general pool of money used to support all federally aligned activities. Texas' example suggests that other state agencies could do more and continue to comply with federal regulations under the current law.

One example of how this general pool is used to support comprehensive work is Texas' work on district performance management. In particular, the TEA's Performance Reporting Division has directors, programmers, and program specialists who all work across several federal funding streams. Moreover, the TEA's

Division of Program Monitoring and Interventions includes federally funded specialists and analysts. The first division—performance reporting—manages monitoring for academic performance, and the latter holds districts accountable for meeting federal and state education requirements.<sup>45</sup> These staffing arrangements suggest that there is a collaborative approach to district performance management.

This sort of information that links state agency staffing with funding streams is generally not available to the public through state websites, so it is not possible to explore whether this practice is unique to Texas or if it occurs in other states not included in our study. Yet, it is clear that the TEA example suggests that states could do much more in the current federal system. However, this does not imply that the federal conditions in place today are the best possible to ensure states meet current federal education goals.

# Recommendations

Contrary to previous research, states in our study have not appeared to exhibit the same level of siloing behavior as were evident to analysts in the past. Perhaps our approach offers a new perspective of agency finance and staffing given its level of detail. If this is a circumstance many state education agencies face today, then our goal is to offer encouragement to federal policymakers that will foster even more collaboration within state education agencies. Still, for those state education leaders who continue to organize along these old lines out of habit and are not aware that other approaches would still comply with federal rules and to federal policymakers, we strongly suggest that there is room for improvement in federal education regulations and offer the following recommendations.

**1. Congress and the U.S. Department of Education should strategically reduce compliance and reporting requirements for state education agencies.** In an era of stagnant or reduced funding and increased demand, federal policymakers should ensure critical reforms continue but also reduce nonessential compliance requirements. Other state education agency analysts have made similar recommendations but did not offer specific suggestions as to which requirements are essential.<sup>46</sup> Fortunately, the DOE's Office of Inspector General, or OIG, has taken the lead on providing recommendations.<sup>47</sup> For example, the OIG suggests that Congress and DOE make SEA monitoring easier by setting amounts for district program administration more uniformly across federal funds.<sup>48</sup> Some funds currently do not have specific limits while others do. One could imagine a similar approach for state education agencies. It is not clear which requirements should stay and which should go, but it should ultimately be determined through the legislative and regulatory process.

The Center for American Progress and its partners have advocated for various reforms to ESEA, Title I, with an eye toward reducing the burdens faced by state education leaders and their staffs.<sup>49</sup> For example, the federal government might consider improving the “supplement-not-supplant” test. Currently, states and districts have to monitor their ESEA Title I, Part A spending on a cost-by-cost basis, requiring every separate activity to be monitored.<sup>50</sup> Under the current law, states must ensure their districts do not use federal funds to replace programs that were previously offered through state and local funds. Instead,

federal education regulation experts Melissa Junge and Sheara Krvaric recommend the “supplement-not-supplant” test show that state and local spending is Title I-neutral, meaning the funding is distributed to Title I and other schools in the same ways.<sup>51</sup> Such a modification could significantly reduce state monitoring requirements and district reporting requirements.

Policymakers might achieve enhancements such as these in the next reauthorization process of the ESEA, or they might take the form of waivers.<sup>52</sup>

- 2. The U.S. Department of Education should highlight federal compliance flexibilities that exist and ensure that state education agencies are not incentivized to place staff in silos.** DOE should reissue its 2012 guidance regarding flexibilities for state employee time reporting. In a letter to state education chiefs, Thomas Skelly, the DOE’s acting chief financial officer, allowed states to report employee work time less frequently and use alternative reports that meet department requirements.<sup>53</sup> As other analysts have suggested, issuing new guidance might actually confuse state leaders, therefore DOE should simply emphasize that these flexibilities still apply.<sup>54</sup>

While the DOE’s flexibility policy would reduce burdensome reporting requirements, it would not necessarily push state leaders to make new decisions regarding financial allocations. To make sure this policy works in practice, federal policymakers should take another look at the auditing process. One question to consider is this: Are states being found to be noncompliant even though they are advancing key education priorities? We could not determine the answer to that question from our research for this paper, although a complementary CAP report suggests that state leaders report that federal regulations make it difficult to meet federal education goals.<sup>55</sup> That simply should not be the case.

- 3. State education leaders should take another look at their regulatory environment and find new ways to improve how they organize their agencies.** The Texas Education Agency example suggests that there are other ways to approach the use of federal education funds within the current policy environment. For example, state leaders could assign staff members to monitor the same activities across multiple education funds and compensate them accordingly through multiple education grants. One place for SEAs to start might be to form teams across several divisions to work on a shared problem.

Whatever approach federal policymakers and state education leaders take, it should include a fresh look at the regulations and requirements that govern states’ educational work.



# Conclusion

In their pursuit of federal goals, state education leaders find themselves restricted by federal regulations that prevent them from meeting new demands. The federal government provides financial support for the work required to administer federal programs, but it also sets conditions that might run counter to having states meet each fund's objectives. Some states have responded by funneling different federal funds into discrete agency silos, but other states, such as Texas, have shown that agencies can comply even when they take a more comprehensive approach. Many states today may already deploy more collaborative approaches to staffing, and other states should be able to follow this model as well. To get a better understanding about the decisions of today's state education leaders, more SEAs should make basic information about the use of federal education dollars available to the public.

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## Methodology

We requested financial and staffing information directly from state education agency officials. We developed and distributed a data questionnaire seeking four different sets of information in consultation with state officials in two states. In the first section, we asked for basic information about how many employees the state education agency employed. Second, we asked state officials to provide information about the total amount of federal dollars used to compensate staff employees in fiscal year 2013, by the federal funding source—for example, ESEA Title II, Part A for improving teacher quality.

Next, we asked states to report the position title and organizational unit of every employee compensated fully or partially through federal education funds in fiscal year 2013 and indicate which specific funds states used to compensate these staff members. We did not request employees' names. For example, a state might report that they paid a project manager in the information technology office using ESEA Title I, Part A and IDEA Title I, Part B funds. Finally, we asked state leaders to report all contracts of more than \$50,000 that states paid with federal education

funds. We asked for information about which funds were used and which spending category the state charged—for example, student assessment. Here, we did ask for the name of the contractor. For example, a state might report that a university was paid \$130,000 for professional development for teachers using ESEA Title II, Part A dollars.

We analyzed staffing data at the position level. A state might have listed eight position titles and one office under ESEA Title III, a federal fund supporting English language learners. For example, in the school improvement office, the state might use ESEA Title III to pay for a director, an associate director, five program managers, and two administrative assistants. This director might also be listed in the same office—school improvement—under another fund, such as ESEA Title I, Part A. In cases like this, where we could reasonably follow positions across funds, we would report that the director of school improvement was funded through multiple federal funds.

*\* Correction, June 19, 2014: This report incorrectly identified one of the types of funding streams used to support career and technical education and to pay state program directors and private contractors in Texas. The correct funding stream is the Perkins Act.*

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## About the author

Robert Hanna is a Senior Education Policy Analyst at the Center for American Progress. Prior to joining the Center, he worked on school research with Dr. Ronald F. Ferguson at the Harvard Kennedy School of Government. Previously, Hanna taught math at Boston College High School in Massachusetts. Hanna has a master of arts degree in the social sciences from the University of Chicago. He received his bachelor's degree from Harvard University.

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