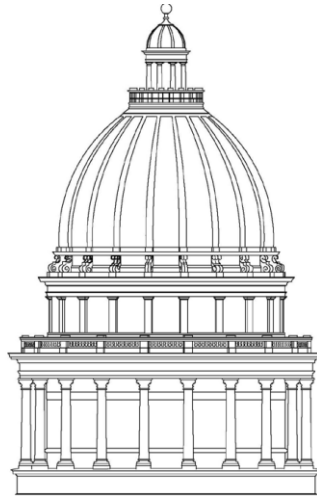


REPORT TO THE  
**UTAH LEGISLATURE**

Number ILR 2017-A



**A Limited Review of  
Public Education Federal Grants**

June 2017

Office of the  
LEGISLATIVE AUDITOR GENERAL  
State of Utah





STATE OF UTAH

# Office of the Legislative Auditor General

315 HOUSE BUILDING • PO BOX 145315 • SALT LAKE CITY, UT 84114-5315  
(801) 538-1033 • FAX (801) 538-1063

## Audit Subcommittee of the Legislative Management Committee

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Senator Gene Davis • Senator Ralph Okerlund • Representative Brian S. King • Representative Brad R. Wilson

JOHN M. SCHAFF, CIA  
AUDITOR GENERAL

June 20, 2017

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Limited Review of Public Education Federal Grants** (Report Number ILR 2017-A). We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

John M. Schaff, CIA  
Auditor General

JMS/lm



# REPORT TO THE UTAH LEGISLATURE

Report No. ILR 2017-A

## **A Limited Review of Public Education Federal Grants**

June 2017

Audit Performed By:

Audit Manager	Darin Underwood
Audit Supervisor	Wayne Kidd
Audit Staff	Ryan Thelin



Office of  
LEGISLATIVE AUDITOR GENERAL  
State of Utah

**Report Number ILR 2017-A  
June 2017**

## **A Limited Review of Public Education Federal Grants**

Our office was asked to examine the federal grants for K-12 education received by the Utah State Board of Education (USBE) as well as their accompanying mandates. Specifically, we examined the following: first, the possibility of severing the grants, second, whether the federal grant requirements impose additional costs on the state, and third, whether services could be provided without some of the federal grants to public education.

We learned that (1) USBE was awarded 27 federal grants totaling \$429 million for federal fiscal year 2017. (2) Individual grants are difficult to sever because they are often tied together within federal categories and share the same overall objectives. Severing a grant within the three largest categories would likely create a deficiency in meeting the needs of at-risk students, possibly requiring the state to fund the deficiency to accomplish the category objectives. (3) In most cases, the state's maintenance of effort (MOE) is reasonable, given the amount of funds provided from these grants. From a financial perspective, the federal requirements are reasonable and the funding is beneficial to the state.

For two federal grants, the state's maintenance of effort (MOE) amount has exceeded the minimum reporting requirements for several years. This overreporting has resulted in a larger MOE to continue receiving these grants. In addition, USBE has taken corrective action on special education grants in response to federal compliance concerns. These findings will be discussed later in this report.

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**Our office was asked to examine whether any of the federal public education grants could be severed.**

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**USB E received 27 federal grants totaling \$424 million for federal fiscal year 2017.**

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**The majority of the federal grants to USB E, and 96 percent of the funding, are found in three categories: title programs, child nutrition, and special education programs.**

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**The state receives the most funding from 7 child nutrition grants totaling \$168.7 million.**

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## **USB E Is Awarded Numerous Federal Grants**

For federal fiscal year 2017, the USB E was awarded 27 individual grants totaling \$429 million from the federal government. The grant awards are in seven different categories. The majority of grants (22 of the 27) reside in three categories.

### **Majority of Public Education Grants Fall in Three Categories**

The majority of the 27 federal public education grants to Utah, and 96 percent of associated federal funds, are housed in three categories: title programs, child nutrition, and special education programs.

The remaining four grant categories are dual immersion language grants, the career and technical education (CTE) grant (Perkins grant), the adult education grant, and the data and statistics grant. The federal public education grant categories received by USB E are shown in Figure 1.1.

**Figure 1.1 Federal Grants Awarded to USB E.** The funding shown is for federal fiscal year 2017.

<b>Grant Category</b>	<b>No. of Grants</b>	<b>Award Amount</b>	<b>Award Percentage</b>
Title Programs	12*	\$ 123,200,000	28.70%
Child Nutrition	7*	168,700,000	39.30
Special Education	3**	119,400,000	27.80
Dual Immersion	2	200,000	0.05
CTE (Perkins)	1	12,500,000	2.90
Adult Education	1	3,200,000	0.75
Data & Statistics	1	1,900,000	0.50
<b>Total</b>	<b>27</b>	<b>\$ 429,100,000</b>	<b>100.00%</b>

Source: USB E. The award amounts and award percentages have been rounded.

\*The title, child nutrition, and special education grant categories are shown in detail in Figures 1.2, 1.3, and 1.4 later in the report. \*\*Special Education Grants are for federal fiscal year 2016.

The award amounts in Figure 1.1 are totals for grants within each category. The title programs have the most grants (12), but the state receives the most funding from the 7 child nutrition grants totaling \$168,700,000. The smallest funding amounts are the dual immersion grants totaling \$200,000.



## **Severing Federal Grants Would Result in Significant Loss to the State**

Grants within the three largest categories (title, child nutrition, and special education) are linked together to serve the overall purpose of the respective programs. A grant may assist in the support, implementation, or oversight of another one, making it difficult to sever an individual grant in a category. Even though the grants are difficult to separate, the majority allow considerable flexibility for state educational needs.

In addition to the flexibility, the federal grants in the three largest categories provide valuable benefit (\$411 million) to at-risk student populations. Because of the connectivity within categories, severing individual grants would create a deficiency in meeting the objectives of an entire category, possibly requiring the state to fund the deficiency to accomplish a category's objectives. For example, severing one of the title grants, such as the effective instruction state grant, would result in a loss of \$14.5 million that goes toward increasing the number of school leaders who improve student academic achievement.

Further, if a grant within a grant category was to be discontinued, it could likely result in a loss of services to at-risk student populations or difficult for the state to replace the level of funding now provided by the federal grants. From a financial perspective, the grants benefit the state and exceed the requirements for the MOE.

The CTE and adult education federal grants provide funding for literacy agencies in the state and supplement state funding allocated in these areas for additional enrollees and programs in school districts. Therefore, severing these grants would result in a loss of significant supplemental funding for the state, both school districts and literary agencies.

Severing these grants (CTE award \$12.5 million, Adult Education award \$3.2 million) would result in a loss of significant funding for the state. It should also be noted that the two dual immersion language grants are not tied together.

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**It would be difficult for the state to provide the same level of funding (\$411 million) given the large award amounts for the three largest grant categories.**

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**Severing individual grants within categories would likely create a deficiency in meeting the category's objectives.**

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**Title grants under the Every Student Succeeds Act (ESSA) assists at-risk students in meeting state-defined academic standards.**

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**USBE distributes funding under many of the title grants to LEAs, and monitors LEAs use of those awards.**

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## **Title Program Grants Share Same Objectives**

The title program grants are part of the federal Every Student Succeeds Act of 2015 (ESSA), a reauthorization of the Elementary and Secondary Education Act of 1965 (ESEA). The titles under the law share a similar objective—to assist at-risk students to meet the state academic standards all students must meet. The ESSA law consists of nine titles with correlating objectives.

The passage of ESSA in late 2015 changed the location of grants under the titles. The new law consists of nine titles with correlating objectives. The nine titles have been condensed, moved, or combined from the original ESEA law. Grants in this category may also be adjusted with the new titles in future years. The titles under ESSA are the following:

- Title I – Improving Basic Programs Operated by State & LEAs
- Title II – Preparing, Training, and Recruiting High-Quality Teachers, Principals, or Other School Leaders
- Title III – Language Instruction for English Learners and Immigrant Students
- Title IV – 21<sup>st</sup> Century Schools
- Title V – State Innovation and Local Flexibility
- Title VI – Indian, Native Hawaiian, and Alaska Native Education<sup>1</sup>
- Title VII – Impact Aid<sup>1</sup>
- Title VIII – General Provisions
- Title IX – Education for the Homeless and Other Laws

USBE receives and distributes funding under many of the titles to local educational agencies (LEAs). The title grants are shown in Figure 1.2 according to their new title category under ESSA along with the award amount for Fiscal Year 2017.

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<sup>1</sup> Title VI and Title VII grants are provided directly to LEAs; however, USBE is only charged with monitoring the use and compliance of Title VI.

**Figure 1.2 Federal Title Grants Awarded to USBE.** The funding shown is for federal fiscal year 2017.

Title	Name of Grant	Award Amount
Title I	Grant to Local Education Agencies	\$ 87,211,600
Title I	Migrant Education State Grant	1,835,248
Title I	State Agency Program for Neglected and Delinquent Children and Youth	1,045,663
Title I	Migrant Education Coordination	66,666
Title I	Grants for State Assessments	5,514,177
Title II	Mathematics and Science Partnership	1,084,984
Title II	Improving Teacher Quality Grant	14,531,075
Title III	English Language Acquisition State Grant	4,062,762
Title IV	JAVITS Gifted and Talented Students Grant	352,715
Title IV	21 <sup>st</sup> Century Community Learning Centers	6,982,788
Title V	Rural Education	164,999
Title VII	Education for Homeless Children and Youth	394,746
<b>Total</b>		<b>\$ 123,247,423</b>

Source: USBE

USBE receives 12 awards within the title grant category. Although the titles are separated by number, they share the objective of educating at-risk students. For example, Title I grants are provided to assist at-risk students in becoming proficient in state-defined educational standards. This includes, among other subjects, science and math competency. Title II corresponds with Title I by providing funds to improve teacher quality in science and math, as well as to expose students and teachers to practicing mathematicians and scientists.

Further, Title III grants are connected to both Title I and II by providing funds for language instruction to English as a second language students so they can meet state educational standards. Titles IV and V grants also connect to the other titles by providing additional educational opportunities for at-risk students. In addition, ESSA allows for the state to test according to state academic standards, not federal standards. Severing any of these title grants would likely create a deficiency in meeting the needs of at-risk students.

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**The title grants share the objective of educating at-risk students.**

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**ESSA allows the state to test according to state academic standards, not federal standards.**

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The child nutrition program grants are connected by the purpose of providing nutritious food to low-income students.

## Other Grant Categories Award Amounts Are Significant

Similar to the title programs, the child nutrition and special education categories serve at-risk students according to individual programs and student needs. Combined with the title programs, these two categories make up the largest share of federal grants and funding received by USBE.

**The Child Nutrition Program (CNP) Grants Provide Food to Low-Income Students.** The Child Nutrition grants are authorized by the Richard B. Russell National School Lunch Act. Figure 1.3 shows the seven child nutrition grants and the 2017 award amounts.

**Figure 1.3 Federal Nutrition Grants Awarded to USBE.** The funding shown is for federal fiscal year 2017.

Name of Grant	Award Amount
Child Nutrition Program School Lunch Block Grant	\$ 160,593,003
Child Nutrition Program Cash in Lieu	900,000
CACFP Sponsor Administration Funds	1,750,000
State Administrative Expenses for CNP	2,380,603
Emergency Food Assistance Program	550,211
Child Nutrition Program School Meals Equipment Grant	228,978
Fresh Fruit and Vegetable Program	2,304,915
<b>Total</b>	<b>\$ 168,707,710</b>

Source: USBE

These seven grants are connected with the purpose of providing nutritious food to low-income students. For example, the largest CNP grant assists states in providing free or reduced-cost meals to low-income students. This grant is tied to the fresh fruit and vegetable grant, which provides fruit and vegetables as a part of low-income student meals. Other related grants provide food service equipment and state administrative expenses used to help operate the program. In addition, a benefit of this grant is that the USDA allows the state to use its software for grant administration due to the connected nature of the CNP programs. Severing any of these CNP grants would result in a loss of meal assistance to low-income students.

### Special Education Grants Assist Students with Disabilities.

The special education grants are authorized by the Individuals with Disabilities Education Act (IDEA) to help states educate students with disabilities. Figure 1.4 shows the three special education grants and the award amounts for fiscal year 2016.

**Figure 1.4 Federal Special Education Grants Awarded to USBE.** The funding shown is for federal fiscal year 2016.

Name of Grant	Award Amount
Special Education Grants to States	\$ 115,118,576
Special Education Preschool Grants	3,442,726
Personnel Development Grants	793,255
<b>Total</b>	<b>\$ 119,354,557</b>

Source: USBE

These three grants all help the state provide special education to children with disabilities. The largest of the three grants has the broad objective of improving educational opportunities for these students. The two supporting grants assist children ages 3 to 22 by using early intervention and improving special education teachers and administrators.

**The CTE and Adult Education Grants Provide Supplemental Funding.** The Carl D. Perkins grant (\$12.5 million award for Fiscal Year 2017) assists secondary and postsecondary career and technical education (CTE) programs in the state. The grant acts as a supplement to state funding efforts in postsecondary career training. Funds from this grant can be used to achieve statewide goals related to CTE education.

The adult education grant (\$3.2 million award for Fiscal Year 2017) is authorized under the Workforce Innovation and Opportunity Act of 2014 – Adult Education and Family Literacy Act. It provides literacy training for youth 16 and older who are not enrolled in secondary school. The grant funds must be used to assist students with literacy challenges including services for English Language Learners, basic literacy instruction, adult high school diploma/or equivalency completion in addition to transition services to post-secondary or training programs. Severing these grants would result in a loss of student educational opportunities.

**Special education grants help provide educational opportunities for disabled students.**

**The CTE grant and adult education grant provide additional opportunities for individuals to enroll in CTE classes.**

**The Data and Statistics Grant Supports Federal Grants.** This grant is a competitive award created by the Educational Technical Assistance Act. The grant assists USBE in implementing a statewide data system. This system collects, manages, and uses student data in accordance with state programs and the objectives of the grant categories. Thus, this grant shares a connection to the management and oversight of all the grants previously mentioned.

## **Federal Maintenance of Effort Requirements Are Reasonable**

The state is required to maintain specific funding levels to qualify for federal grant awards. This is known as maintenance of effort (MOE). The federal awards supplement the state's existing funds in certain areas of public education. The state's existing funds combined with the supplemental federal grants operate the various programs within the categories. The grants are not intended to replace statewide efforts in the programs, and thus require the state to demonstrate MOE by category. Most of the categories have program specific MOE standards the state must meet. Other categories do not have MOE requirements.

- **Title Grants.** The title grants require the state and LEAs to respectively maintain 90 percent of education funding from the previous year. Title grants totaled \$123.2 million, and the amount of public funding that the state spent was \$4.6 billion<sup>2</sup> for fiscal year 2016. The MOE requirement is not unreasonable as the billions spent toward public education continues to grow annually.
- **Child Nutrition.** The child nutrition grants' require the state to provide two financial matches based on a formula; the state match is small compared to the awards. The seven child nutrition grants totaled \$168.7 million. The two state matches' combined total was \$1.7 million for fiscal year 2016. From a financial perspective and for the health of students, every child nutrition grant is a benefit to the state.

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<sup>2</sup> This expenditure amount includes the minimum school program, food service, and student activities.

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**The federal awards help supplement the state's existing funds in public education.**

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**The title, child nutrition, and special education grants would not be eliminated if state funds decreased, but the award amounts would likely decrease.**

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- **Special Education.** The special education grants require both the state and LEAs to maintain the level of funding made available for all special education programs. Reporting available state funding, not actual expenses, for special education is required. Special education grants totaled \$119.4 million. The most recent reported total of state funding for special education programs for six state agencies was \$325.7 million for fiscal year 2016. Special education grants significantly supplement special education programs in the state.
- **Career and Technical Education (CTE).** The CTE grant requires the state to maintain or increase state funding for CTE programs each reporting period. Reporting the maintenance of state spending for CTE programs is all that is necessary to receive the CTE grant. The CTE grant totaled \$12.5 million. The state's reported funding spent for CTE programs was \$241.5 million for fiscal year 2016. The CTE grant provides additional opportunities for students in CTE programs.
- **Adult Education.** The adult education grant requires the state provide a 25 percent match of the federal award. The adult education grant totaled \$3.2 million. USBE overreported the funding requirement for adult education at \$9 million for fiscal year 2016. This will be discussed later in this section. However, the overreporting is not a burden because USBE spends more on adult education than the reported amount.
- **Dual Immersion.** The two dual immersion grants do not have attached MOE requirements. The dual immersion grants totaled \$200,000.<sup>3</sup>
- **Data and Statistics.** The data and statistics grant does not have a MOE requirement. As a competitive award, the state is not required to maintain funding levels or provide a spending match; however, USBE has to apply for the grant. The data and statistics grant totaled \$1.9 million.

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**The dual immersion and data and statistics do not have MOE requirements.**

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<sup>3</sup> USBE lacks documentation on how award funds were spent, raising concerns that some funding may have been spent on unallowable costs and activities. The state auditor recently completed an audit that showed a lack of governance and questioned costs of \$1.2 million.

In our opinion, the federal requirements for each federal grant from a financial perspective are reasonable and clearly beneficial to the state. Also, the grant categories are designed in such a way that it is difficult to separate or eliminate one grant within a category without resulting in a significant loss of supplemental funding for the state.

The grants from the three largest categories (title, child nutrition, and special education) assist the state in providing benefits to at-risk, low-income, or student with a disability populations. In these categories, the grants would not be eliminated if state funds decreased. Rather, a decrease in funding levels would generally result in a decrease of awards, not total elimination. In rare instances, a payback penalty can be assessed or a reduction of federal funds can be made by states to LEAs not meeting MOE requirements for grants.

In some cases, exceptions to the MOE are made for circumstances such as economic downturns or natural disasters. The grants in these three categories do not burden the state, but provide significant funding (\$411 million in fiscal year 2017) to assist educating specific student populations. Each of the grant categories are discussed below in more detail, except the dual immersion and data and statistics grants since they do not have an MOE requirement.

### **Requirement for Title Grants Awards Is Not Unreasonable**

The title grants under the Every Student Succeeds Act (ESSA) are awarded to USBE based on 90 percent of total amount spent on public education from the previous year. For example, if the state spent \$4.3 billion in 2015, then it would be required for the state to spend at least \$3.9 billion in 2016. However, the state spent \$4.6 billion in 2016 and exceeded the requirement. As the recipient of these grants, USBE is responsible for distributing and monitoring federal funds and assuring LEA compliance with requirements (\$123 million award for all title grants in fiscal year 2017). USBE distributes the title awards to LEAs. To receive funds, the LEAs must maintain effort by meeting at least one of two requirements:

- The first test requires each LEA to maintain funding of at least 90 percent of total expenditures from the previous year.
- The second test requires each LEA to maintain at least 90 percent of per-pupil expenditures from the previous year.

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**In some cases, exceptions to the MOE requirements are made for circumstances such as economic downturns or natural disasters.**

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**Title grant amounts are awarded based on maintaining 90 percent of total expenditures from the previous year.**

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One of the tests must be met to receive funding, which we believe is a reasonable requirement. If an LEA's expenditures drop below the 90 percent threshold for both tests, the grant award will be reduced. This is done by taking the least percentage difference of the two tests not being met, and reducing the award by the same percentage. In fiscal year 2016, USBE identified 7 of 147 LEAs that had a reduction in title funding based on not meeting the required MOE. The range of reduction for these 7 schools (all charter schools) was from 2 to 22 percent, totaling \$2,541,198.

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**In fiscal year 2016, USBE identified 7 LEAs that had a reduction in title funding totaling \$2.5 million for not meeting the required MOE.**

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With increasing public education funding at the state level and local levels, the 90 percent threshold is not unreasonable to meet. In addition to the sensible funding requirements, the title grants allow considerable flexibility to instruct at-risk students according to state academic standards.

### **State Match for Child Nutrition Programs Is Small Compared to Grant Awards**

The Child Nutrition Program (CNP) category includes seven individual grants, only two of which require a minimal financial match from the state. The first match is for the largest grant, the school lunch program. The second match is for the grant that provides funds for state administrative expenses. The two matches are described below:

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**Only two of the seven child nutrition grants require a small financial match from the state.**

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- The National School Lunch Program grant required a state match of \$1,516,785 for fiscal year 2016. The funds came from the state liquor tax in accordance with *Utah Code* 32B-2-304. The federal act sets the match by a formula, which is 30 percent of the federal award received in the 1980-81 school year<sup>4</sup>. For this reason, the match requirement has remained relatively stable from year to year. The federal fiscal year 2016 grant award was approximately \$160 million vs. \$6.2 million in the 1980-81 school year. The award amount varies based on the number of students served during the year.

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<sup>4</sup> The act allows an exception for states that fall below the median per capita income for all states. A state that falls below the median will have the match adjusted proportionately. Utah falls 6 percentage points below the median, and thus must provide a 24 percent match of the 1980-81 school year.

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**Both grants that require a match significantly exceed the state matching requirement.**

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- The second match is required to receive the grant for state administrative expenses. The total match for fiscal year 2016 was \$179,569. This amount was a combination of \$143,200 from state appropriated funds and \$36,369 from the state liquor tax. The state administrative grant was approximately \$2.4 million.

Both awards significantly exceeded the required match amounts. The remaining grant awards provided in the CNP category do not require matches.

### **Special Education Grants Require State and LEAs To Report Funding Available, Not Actual Expenses**

Both the state and LEAs are required to maintain the funding levels from the previous year in order to qualify for special education grants. Special education grants totaled \$119.4 million for federal fiscal year 2016. The most recent reported total of state funding for special education programs for six state agencies was \$325.7 million for fiscal year 2016.

Additionally, USBE must demonstrate that it is compliant with specific criteria to receive the federal grant awards. USBE is charged with compliance and distribution of the funds to the LEAs. The LEAs apply to USBE for these funds and are required to maintain funding in accordance with one of four areas (discussed later in this section). We learned that a special education grant report did not meet a federal policy requirement, and reported funds spent instead of funds available for special education. As a result, the federal Office of Special Education Programs (OSEP) conducted an in-depth review of USBE's management of the special education grants in July 2015 and February 2016.

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**USBE is required to report the funding made available to special education programs statewide.**

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**Comprehensive State Funding for Special Education Is the Criteria for Federal Funds.** The state is required to report to OSEP on special education funding that is made available each year. This report is a combined effort of several state agencies (USBE, USBDB, DWS, DOC, DOH, and DHS) that administer to individuals with a disability and must include more than special education expenditures. The report must include what was allocated, or reserved, for special education funding. This reporting requirement is called the Maintenance of Financial Support (MFS) and is similar to the MOE

requirements in the other grant categories. In fiscal year 2016, the state's MFS was \$325.7 million.

This combined effort of \$325.7 million is the statewide allocation for special education programs. The state funding is used for state-defined special education programs. The \$119.4 million in federal special education grants are awarded in addition to the statewide effort. Federal grant awards pay for special education administration at the state level. Federal awards include a portion for the special education department at USBE in addition to administrative functions. Given the large amount of funding needed for special education programs, it makes sense for the state to obtain the additional federal grants.

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**State funds are not used for federal special education programs or special education administrative functions.**

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**Ten Percent of a Special Education Grant Is Reserved for Administration and State-Level Activities.** State funds are not required to fund the special education administrative functions. Federal awards include a portion for the special education department at USBE to administer statewide programs such as professional development, in addition to administrative functions. Approximately 10 percent of the largest federal special education grant is reserved for administrative personnel and state-level activities (\$11.8 million). These activities can include training, staffing, and special projects. The remaining funds are then passed through to the LEAs based on three calculations: base grant amount, population, and poverty.

**Local Education Agencies (LEAs) Must Meet One of Four Criteria for Federal Funds.** In order for USBE to award federal special education grants funds, the LEA must demonstrate a financial maintenance of effort according to four criteria, only one of which must be met. As with other grants, the four criteria compare the current level of funding to the funding in the most recent year the MFS was met to ensure the funding has not decreased. The four criteria include the following:

- Total state and local funding available for special education programs
- Total state and local funding per pupil for special education programs

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**Three LEAs did not meet the MFS requirement for 2016; however, no payback has been required.**

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**USB E did not meet a federal requirement. As a result, the federal special education office reviewed USB E's management of the special education grants.**

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**USB E has taken corrective action, which is currently under review by the federal office.**

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- Local special education expenditures
- Local special education expenditures per pupil

The federal requirement to meet at least one of the four criteria is not unreasonable. If an LEA has been awarded a grant in the past and does not meet any of the four criteria in the current year, they may be required to pay funds back. Three LEAs did not meet the MFS requirement for fiscal year 2016. However, USB E has not required a payback from these LEAs and is working to improve reporting and compliance for future years.

**USB E Has Taken Corrective Action to Meet Federal Requirements for Special Education Grants.** USB E did not meet a federal policy requirement on a spending report. As a result, the federal Office of Special Education Programs (OSEP) conducted in-depth reviews of USB E's management of the special education grants in July 2015 and February 2016. The federal office identified three areas that needed corrective action, which USB E has addressed:

- State dollars made available for special education must be reported for the MFS requirement, rather than reporting only the expenditures. In the future, USB E will report state dollars made available for special education.
- Base calculations to distribute grant awards to LEAs need to be student specific. USB E did not collect student specific data in the past, but now collects that data.
- LEA assurances (specific policies and procedures) were weak when applying for federal funds. OSEP lists 30 assurances (for example, individualized education programs have been developed for each child with a disability) that must be addressed to receive funds, but LEAs have not included all of them in their applications. Now LEAs have adopted all 30 assurances.

The corrective actions made by USB E are currently under review by the federal office. USB E does not anticipate any penalties associated with the findings of the review.

## **Past Spending Increases Have Unnecessarily Been Reported for the CTE Grant**

The CTE (Perkins) grant requires the state to maintain the same level of spending for CTE programs for each reporting period. However, past increases in expenses for CTE programs have been reported for many years. The most recent award for the federal CTE Perkins grant was \$12.5 million.

The MOE requires that funding for statewide CTE programs be maintained or increased each reporting period. The wording of this requirement gives USBE the option to report just the maintenance (state funding at the time the grant was originally awarded) or the increase in CTE funding. This requirement is a combined effort by USBE, USHE, UCAT, and local school districts. The combined funding effort of these agencies totaled \$241.5 million for fiscal year 2016.

Because of a discontinued practice that began several years ago, USBE has reported the total actual expenditures for each period, not simply the minimum maintenance requirement—to maintain the previous year's spending. The reporting of total actual expenditures is in accordance with the federal MOE requirement, but exceeds the minimum reporting requirement. This has resulted in the increase of the overall MOE to a higher level over time. If the MOE is not maintained, it could result in a payback of federal funds with state dollars.

Recent action has been taken to remedy this overreporting. In December 2016, the USBE's finance committee decided to report only the maintenance going forward. Even if the three agencies and school districts go beyond the current MOE of \$241.5 million, the increase will not be reported.<sup>5</sup>

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**Recent action has been taken to change the reporting procedures for the CTE's MOE. It is likely that the MOE will be reduced in the future.**

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<sup>5</sup> A fifth version of the Perkins grant recently introduced the U.S. House of Representatives and is awaiting Congressional approval. If the new federal legislation is approved, it is likely to reduce the state's overall MOE of \$241.5 million to a lower amount.

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**USB E has been consistently reporting the \$9 million for several years, and not the increase in adult education spending.**

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## **Reporting for Adult Education Grant Exceeds Match Requirement**

The adult education grant's MOE requires that USB E maintain a 25 percent match of the award amount. For 2016, the award amount was \$3,185,000 with an original match requirement of \$796,300. However, USB E had to report \$9 million for the match amount for 2016, because many years ago, USB E reported total adult education expenditures for the MOE requirement increasing the MOE reporting level. USB E has been exceeding the minimum reporting requirement for over a decade. To receive the grant in future years, the state portion must be maintained at 90 percent of the expenditures of the preceding year according to federal requirements.<sup>6</sup>

Total expenditures for adult education was \$9.8 million for 2016. However, USB E only report \$9 million for the match requirement, and has reported only \$9 million for the two previous years, rather than total expenditures. The purpose is to maintain the same reporting amount each year, rather than total expenditures to better manage the MOE overreporting of past years. The MOE reporting does not affect state funding for this program, as funding is intended to meet the program needs, not the MOE. Without this grant, USB E would not be able to provide funding for about 4,200 enrollees in the state's adult education program for 2016.

Overall, this limited report shows that the current federal public education grants add value by supporting the statewide funding for various education programs. The federal funds add benefit to state funding in areas that cover at-risk, low-income, and disabled student populations. The MOE requirements appear reasonable from our limited work, and USB E staff that work on the grant reports believe that the benefits exceed the MOE requirements.

## **Recommendation**

1. We recommend that, having received this review, the Legislative Audit Subcommittee should discontinue a full audit of federal grants.

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<sup>6</sup> Adult Education and Family Literacy Act Section 241 (b)(1)(A) [Title II under the Workforce Innovation and Opportunity Act (WIOA)].

## **Appendix**

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# Federal Grants Received by USBE

## Summary of Grants by Category

TITLE GRANTS UNDER EVERY STUDENT SUCCEEDS ACT (ESSA)			
TITLE	CFDA*	Grant	Award
Title I	84.010	Grant to Local Education Agencies	\$ 87,211,600
Title I	84.011a	Migrant Education State Grant	1,835,248
Title I	84.013	State Agency Program for Neglected & Delinquent Children & Youth	1,045,663
Title I	84.144F	Migrant Education Coordination Program	66,666
Title I-B	84.369	Grants for State Assessments	5,514,177
Title II-B	84.366	Mathematics and Science Partnership	1,084,984
Title II-A	84.367A	Improving Teacher Quality State Grant	14,531,075
Title III	84.365A	English Language Acquisition State Grant	4,062,762
Title IV	84.206A	JAVITS Gifted And Talented Students Grant	352,715
Title IV	84.287	21st Century Community Learning Centers	6,982,788
Title V	84.358	Rural Education	164,999
Title VII	84.196	Education for Homeless Children and Youth	394,746
TOTAL			\$ 123,247,423

CHILD NUTRITION PROGRAM GRANTS		
CFDA	GRANT	AWARD
10.555	CNP Block Grant (School Lunch Program)	\$ 160,593,003
10.558	CNP CACFP Cash in Lieu	900,000
10.558	CACFP Sponsor Administration Funds	1,750,000
10.560	State Administrative Expenses for CNP	2,380,603
10.568	Emergency Food Assistance Program (Admin)	550,211
10.579	CNP School Meals Equipment Grant	228,978
10.582	Fresh Fruit and Vegetable Program	2,304,915
TOTAL		\$ 168,707,710

SPECIAL EDUCATION		
CFDA	GRANT	AWARD
84.027A	Special Education Grants to States	\$ 115,118,576
84.173A	Special Education Preschool Grants	3,442,726
84.323A	Development Grant	793,255
TOTAL		\$ 119,354,557

\*CFDA – Catalog for Federal Domestic Assistance. The CFDA is a comprehensive list of the federal grants and programs available for state and local use. The federal agencies categorize each individual grant by a CFDA number according to program, uses, or requirements.

DUAL IMMERSION LANGUAGE GRANTS		
CFDA	GRANT	AWARD
12.900	NSA Portuguese Startalk Grant	\$ 112,026
12.900B	NSA Russian Startalk Grant	101,494
TOTAL		\$ 213,520

CTE PERKINS GRANT		
CFDA	GRANT	AWARD
84.048	Career & Technical Education Grant to States	\$ 12,473,193
TOTAL		\$ 12,473,193

ADULT EDUCATION GRANT		
CFDA	GRANT	AWARD
84.002	Adult Education Basic Grant to States	\$ 3,185,427
TOTAL		\$ 3,185,427

DATA & STATISTICS GRANT		
CFDA	GRANT	AWARD
84.372A	Statewide Longitudinal Data Systems Grant	\$ 1,905,833
TOTAL		\$ 1,905,833

## **Agency Response**

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## UTAH STATE BOARD OF EDUCATION

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May 24, 2017

Mr. John M. Schaff, CIA  
Office of the Legislative Auditor General  
W315 Utah State Capitol Complex  
P.O. Box 145315  
Salt Lake City, UT 84114-5315

Dear Mr. Schaff:

The Utah State Board of Education (USB E) concurs with the findings and recommendations noted in "A Limited Review of Public Education Federal Grants – Report No ILR 2017-A" and appreciates the opportunity to provide responses. We appreciate the prioritization of this review by your office and the time spent by your staff to gain an understanding of the purpose, outcomes, and impacts of each individual federal program.

The USB E created its strategic plan, known in Utah as Education Elevated, with the help of its governing partners at the state and federal level as well as higher education, school districts and charter schools. Most importantly, school administrators, classroom teachers, counselors, and paraprofessionals also played a part in the strategic plan. The Board's strategic plan focuses on three areas to create the greatest impact on student success. They are:

- Education equity
- Quality learning
- System values

The Board and management carefully analyze the purpose of each federal program administered by the USB E for outcomes that directly impact student success. Child Nutrition programs and the Title programs in ESSA focus on the Board's goal of education equity. ESSA funding is a vital component of improving equity for low-income students (Title I, Part A), migrant students (Title I, Part C), neglected, delinquent, and at-risk students (Title I, Part D), English language learner students (Title III), rural students (Title V), and homeless students (Title VII). Title II funding – that is funding that supports effective instructions – goes to the heart of quality learning while still touching upon equity in the distribution of the best teachers. Title IV funding, which directs funds to academic enrichment grants and some after-school programs, touches not just on equity, but also system values. It helps set the conditions and system for student success.

Mr. John M. Schaff

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May 24, 2017

Special Education funding provides access to quality learning for student with disabilities. CTE and Adult Education funding provide enhanced opportunities for post-secondary career and college readiness.

The Board agrees with the analysis provided regarding reporting maintenance of effort issues. Maintenance of Effort reporting has been added to risk areas which are being analyzed by the section and our grants compliance team.

Thank you for the opportunity to respond to this review. The Board appreciates the perspective provided through this review and the data provided through this process. If you have further questions please contact me.

Sincerely,



Scott Jones

Deputy Superintendent of Operations

cc: Mark Huntsman, Utah State Board of Education, Board Chair  
Sydnee Dickson, State Superintendent of Public Instruction  
Natalie Grange, Assistant Superintendent of Financial Operations  
Deborah Jacobson, Director of Accounting  
Debbie Davis, Director of Internal Audit