

# **A Review of the Flexible Focus Fund Program**

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## Foreword

In December 2006, the Education Assessment and Accountability Review Subcommittee directed the Office of Education Accountability to study the Flexible Focus Fund program (also known as Flex Focus). This review describes the state grants that comprise the program, analyzes school districts' use of Flex Focus, and provides recommendations for improving monitoring activities of the Kentucky Department of Education (KDE) and enhancing school districts' implementation of the program. Included in the study are comments from a survey of school superintendents.

Office of Education Accountability staff would like to acknowledge the assistance of staff in KDE's Division of Budgets, whose cooperation and expertise contributed to this report. Staff also would like to thank the school superintendents and finance officers whose survey responses provided insight regarding local program implementation.

Robert Sherman  
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Frankfort, Kentucky  
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## Summary

The Education Assessment and Accountability Review Subcommittee approved the 2007 research agenda for the Office of Education Accountability (OEA) in December 2006. Included on the agenda was a review of the Flexible Focus Fund program (also known as Flex Focus). This report was accepted by the subcommittee on June 18, 2007.

First authorized by the General Assembly in the 2003 budget, and extended in subsequent appropriation bills, the Flex Focus program allows districts to shift funding within extended school services, preschool, professional development, textbooks, and safe schools. The study reviews the purpose and funding allocations for the five grant areas in fiscal year 2003 through fiscal year 2007 and examines how school districts are utilizing the funding flexibility permitted by the program. Overall, districts have used the program to shift funds out of extended school services, professional development, and textbooks. Reallocated funding has supported preschool and safe schools in all years analyzed in the report.

The extended school services (ESS) program was created in 1990 as part of education reform. All districts must provide ESS, which offers continuing education to students who need additional instruction in order to meet academic goals.

Preschool is a statewide program serving 3- and 4-year-olds with disabilities and 4-year-olds with family incomes meeting federal poverty guidelines for free lunch services.

State statute requires school districts to provide 4 days of professional development (PD) for teachers; there may be additional PD requirements for administrative personnel. Funding to districts is based on a per-pupil allotment. Since FY 1995, the allocation has been \$23 per pupil.

Textbooks for kindergarten through grade 8 are supported by state appropriations. Textbooks are approved on a 6-year schedule based on subject area groupings.

The purpose of the safe schools grant is to support a safe and healthy learning environment for Kentucky's school children and education personnel. Funds are used for services such as alternative education, in-school suspension, school resource officers, security equipment, and training and intervention services. Funds also support the Kentucky Center for School Safety, which collects, analyzes, and reports on school safety data; provides technical assistance to schools; and works with the Kentucky Department of Education on school safety policy.

The Kentucky Department of Education (KDE) proposed the Flex Focus policy as one of several strategies to provide financial relief to school districts when the General Assembly did not adopt a budget in FY 2002. The funding flexibility is limited to the five grant programs listed above, and the statutory language requires that school districts

comply with the grant programs' governing statutes and continue to serve the needs of the student populations targeted by the programs.

Over 60 percent of Kentucky's 175 school districts have used the program at least once since FY 2003, but program participation is low in any given year. The number of districts using Flex Focus ranges from a low of 27 districts in FY 2003 to a high of 67 districts in FY 2006. In FY 2007, 56 districts participated in Flex Focus.

Staff surveyed school superintendents regarding their perceptions of the Flex Focus program. As part of the survey, districts also provided final budget data for the Flex Focus grants. All districts responded to the survey. Superintendents whose districts do not use the program indicated that the grants are not fully funded and all must be supplemented with general fund and other grant dollars. However, regardless of their participation status, almost all superintendents favor permanent statutory authority for the program. Of those superintendents whose districts use the Flex Focus program, all said the program was useful in helping school personnel to budget and plan for local needs.

In conducting the analysis, staff noted a number of data coding and reporting problems that limit the ability of KDE to monitor districts' implementation of the program and that weaken the reliability and validity of the data. The most serious data reporting concern is the failure of a number of districts to provide electronic quarterly financial reports as required when they receive Flex Focus grant funding. Without quarterly reports, KDE's ability to monitor districts' compliance with Flex Focus requirements is limited.

In addition, currently KDE does not require districts to submit quarterly financial reports for the safe schools grant, and the Center for School Safety limits its data collection to school safety incidences. The impact of this omission is that it is not possible to determine the purposes of districts' spending for school safety.

The primary finding of this study is that the Flexible Focus Fund program is having the intended impact, and while the number of districts utilizing the funding flexibility provided by the program is fairly low, those that do use the program find it is beneficial in meeting local needs. The analysis demonstrates that as districts use the Flex Focus program to shift funding out of ESS, PD, and textbooks and into the preschool and safe schools grants, they are able to use non-Flex Focus grants to partially offset these funding shifts. In this regard, the program appears to be providing participating districts with the intended flexibility to reallocate funds among these grants to meet local program needs. The analysis points to a number of areas in which monitoring and better enforcement by KDE would improve the implementation of the Flex Focus program. In addition, current reporting procedures for the safe schools grant are not sufficient to allow for an examination of how districts spend these grant funds. The recommendations in the report address these oversight problems.

The study presents the following 14 recommendations for improving the Flexible Focus Fund program.

- 1:** If the General Assembly chooses to continue to allow districts flexibility in shifting funds among the five grants, including authorization in statute would increase the consistency of the Flexible Focus Fund program.
- 2:** If the General Assembly authorizes the Flexible Focus Fund program in statute, the Kentucky Department of Education will be required to issue an implementing regulation. Even if the authorization is continued through budget language, KDE should review its guidelines and make appropriate changes and updates.
- 3:** The Kentucky Department of Education should monitor districts' expenditures for Flex Focus grants to ensure that agency spending guidelines are being followed.
- 4:** The Kentucky Department of Education should monitor districts' annual financial report data to ensure final budgets for Flex Focus grants are reported correctly. Enhanced training of local district personnel may improve performance in this area. KDE should enforce its requirement that districts submit electronic quarterly reports on grant budget and expenditure data.
- 5:** The Kentucky Department of Education should maintain current records of state grant allocations and should post updated allocation data on its Web site in a timely manner.
- 6:** The Kentucky Department of Education should provide expenditure guidelines to districts regarding the safe schools grant. In addition, KDE should require districts to include the safe schools grant in their required quarterly reports to the department. KDE should review districts' quarterly reports to ensure that the total allocation for the five Flex Focus grants matches districts' total budgets for these five programs.
- 7:** The Center for School Safety should require school districts to submit end-of-fiscal-year final budgets for the school safety grant so reallocations into and out of the grant can be determined. The center should also request expenditure data that show how districts are spending the grant funds.
- 8:** The Kentucky Department of Education should require the Center for School Safety to include in the center's annual report a review of school districts' initial grant allocations, final budgets, and expenditures. The expenditure data should be at a sufficient level of detail to allow for an evaluation of the safe schools grant.
- 9:** The Kentucky Department of Education should monitor district quarterly reports to ensure that districts comply with the 10 percent carry forward limitation and should instruct districts to spend prior year funds within the next fiscal year.
- 10:** If it is the intent of the General Assembly that appropriations for the Flex Focus grants are spent in support of these grant purposes, the legislature may wish to consider statutory language that would permit the Kentucky Department of Education to utilize carry forward funds in excess of 10 percent to support the goals of the originating grants.

**11:** As an alternative to Recommendations 9 and 10, the General Assembly may wish to discontinue its authorization of the 10 percent carry forward provision for all Flex Focus grants except textbooks. The Flexible Focus Fund program provides districts with the ability to plan for local needs and reallocate funding to accommodate budget priorities.

**12:** The Kentucky Department of Education should review its criteria for establishing per-pupil allotments for professional development to ensure that the funding level adequately reflects teaching and learning objectives of Kentucky's educational system.

**13:** If it is the intent of the General Assembly that increases in budget allocations for professional development will result in corresponding increases in PD funding to districts and schools, the General Assembly may wish to instruct the Kentucky Department of Education through statute or budget language that per-pupil funding levels must increase when overall allocations increase.

**14:** In addition to enforcing its requirement that districts submit quarterly electronic financial reports for Flex Focus grants, KDE should use districts' quarterly reports to enforce the 65 percent rule for professional development grant allocations to local schools found in KRS 160.345(8).

## Chapter 1

### Flexible Focus Fund Program Overview

#### Introduction

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The Flexible Focus Fund program allows school districts to transfer allocated funds within five areas: extended school services, preschool, professional development, textbooks, and safe schools. The intent of Flex Focus is to enhance districts' capacity to meet local needs, while still complying with governing statutes and continuing to serve intended student populations. The program has been authorized in budget language since 2003.

The Flexible Focus Fund program (also known as Flex Focus), permits local school districts to reallocate funds appropriated for five state grants according to local needs in these grant areas. First authorized by the General Assembly in the 2003 budget, and extended in subsequent appropriation bills, the Flex Focus program allows districts to shift funding within extended school services, preschool, professional development, textbooks, and safe schools.

The Kentucky Department of Education (KDE) proposed this policy as one of several strategies to provide financial relief to school districts when the General Assembly did not adopt a budget in fiscal year 2002 (Commonwealth. KY Dept. of Ed. State Board. *Strategies 1*). The funding flexibility is limited to the five state grants listed above, and the statutory language requires that school districts comply with the grants' governing statutes and continue to serve the needs of the student populations targeted by the grants.<sup>1</sup>

In December 2006, the Education Assessment and Accountability Review Subcommittee directed the Office of Education Accountability (OEA) to analyze how districts are utilizing their ability to shift funding among the five grants. This resulting report does not include an evaluation of the grants that comprise the funding flexibility plan but does provide an analysis of how districts are using the funding allocation flexibility provided by Flex Focus.

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<sup>1</sup>Authority for the Flexible Focus Fund program has been included in budget appropriation bills enacted in 2003, 2005, and 2006. The authorizing language is as follows. "Program Flexibility: Notwithstanding KRS 157.226(2) and (3), 157.3175(3) and (4), and 160.345(8) with regards to the state allocation, five programs (Professional Development, Extended School Services, Preschool, Textbooks, and Safe Schools) shall be modified to permit the state and local school districts additional flexibility in the distribution of program funds while still addressing the governing statutes and serving the need and the intended student population."

## Description of This Study

This study analyzes how districts are using the flexibility to reallocate funding among the five programs and examines the impact of these funding shifts.

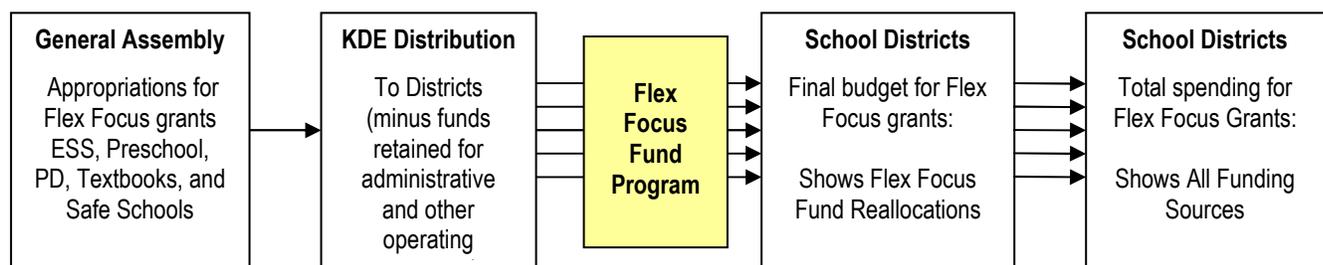
This study reviews the allocations for the five grant areas in FY 2003 through FY 2007 and examines the extent to which school districts are utilizing the funding flexibility permitted by the program.

## Organization of the Report

Chapter 1 provides an overview of statutory and regulatory provisions governing the five grants within the Flex Focus program. The formulas used to distribute funding to school districts for each grant also are included in this section of the report. The General Assembly's budget allocations for FY 2003 through FY 2007 for the five grants are presented, along with information on adjustments made to districts' allocations due to funds retained for administrative or other costs.

Chapter 2 analyzes variations between initial allocations received by the districts from KDE for the Flex Focus grants and the districts' final budgets. KDE notifies districts in March or April regarding funding levels for all Flex Focus grants for the next fiscal year. Districts then prepare budgets for the grants and determine whether to use the Flex Focus program to reallocate funding among the grants. The analysis in Chapter 2 shows the impact of allocation shifts made by districts under the Flex Focus program. Chapter 2 also examines districts' total expenditures for the five grants, which shows other funding sources that districts are using to support the Flex Focus grants. Figure 1.A illustrates the flow of funding through the Flex Focus program and describes the analyses conducted in Chapter 2 of this report.

**Figure 1.A**  
**Flexible Focus Fund Program Funding Analysis**



Notes: ESS is Extended School Services. PD is Professional Development.  
Source: Staff compilation.

Chapter 2 includes a review of the extent to which districts are utilizing authority provided in budget language to carry forward up to 10 percent of these grant funds. The chapter concludes with a discussion of the results of a survey of school superintendents and finance staff conducted to explore the ways districts are using the flexibility provided through the Flex Focus program and to determine why some districts are not using the program.

In a previous report, OEA documented a number of coding discrepancies involving state grants—including Flex Focus grants—that affect the accuracy of these data (Commonwealth. Legislative. Office *Indicators* 53-61). Chapter 3 reviews these issues and updates the impact of these coding problems for FY 2006. Chapter 3 concludes with study findings and recommendations.

### **Purpose and Governing Provisions of the Grants Within the Flexible Focus Fund Program**

The Flex Focus program permits school districts to shift funds into or out of their extended school service, professional development, preschool, textbook, or safe schools state grant allocations annually, provided the total amount spent by districts for these grants equals the total state allocation for the Flex Focus program (minus unspent funds that have been carried forward). Decisions about where and how to use this flexibility are based on local needs. However, districts are required to comply with the governing provisions of the grants and must continue to serve the grants' targeted populations. Following is a brief discussion of the purpose of each of the grants within Flex Focus, a summary of governing statutes and regulations, and an explanation of the allocation formula by which grant funds are distributed to districts.

#### **Extended School Services**

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The extended school services program was initiated in 1990 to provide continuing education for students who have been determined to need additional time to achieve grade-appropriate education goals.

**Program Purpose.** The extended school services (ESS) program was initiated in 1990 to provide continuing education for students who have been determined to need additional time to achieve grade-appropriate education goals.

KDE requires that each district appoint a program coordinator. Extended school services instruction must be provided or regularly supervised by certified staff. Districts are required to document procedures for determining participation eligibility as well as the methods used to determine which students are in greatest need of

the program. Local boards of education or school councils may mandate student participation in ESS. Districts file an annual program report with KDE on the students served, curriculum, grade level, referring individual, and program outcomes.

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The extended school services program offers continuing education to students who are having difficulty in school, have been retained, are in danger of failing to graduate on time, or are at risk of dropping out.

**Statutes and Regulations.** Statutory authority for the extended school services program is found in KRS 158.070 (8). The implementing regulation, 704 KAR 3:390, requires that the program provide additional instruction to enhance the performance of students who are having difficulty in one or more content areas, students who have been retained or are at risk of being retained, and students who are in danger of failing to graduate on time or are at risk of dropping out. The major emphasis is on closing the achievement gap of low-performing students so they can perform at the appropriate age level.

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Each district has a program coordinator who oversees services before or after school, in the evenings or on weekends, or during intercessions. Under certain circumstances, services also may be offered during the regular school day.

The extended school services program offers extra instructional time outside regular school hours and may take a variety of formats including after school or before school programs, evening sessions, Saturday learning opportunities, summer programs, and services during intercessions. Districts also have the opportunity to request a waiver to offer program services during the school day. In mid-September 2006, there were 127 districts operating ESS programs under daytime waivers in 663 schools—or in about half the schools in the Commonwealth (Carroll). Districts are not permitted to substitute ESS programs for regular class instruction.

**Allocation Formula.** Funds for extended school services are appropriated by the General Assembly, and KDE is permitted to take up to 2 percent of the appropriation for administrative costs. The allocation formula is based on districts' end-of-year average daily attendance, percent of students eligible for free and reduced-price lunch, dropout rate, and the Commonwealth Accountability Testing System (CATS) academic index. Table 1.1 describes the allocation formula for the extended school services program.

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Districts receive half of their extended school services funding based on the number of students they serve. The rest of the funding is distributed based in equal measure on economic deprivation, dropout rates, and student performance.

Districts receive half of their extended school services funding based on the number of students they serve. The rest of the funding is distributed based in equal measure on economic deprivation, dropout rates, and student performance. As Table 1.1 shows, these factors are included in the funding formula in ways that give greater weight to the number of students served, higher dropout rates, higher free and reduced-price lunch rates, and to lower CATS index scores.

**Table 1.1**  
**Allocation Formula for Extended School Services**

<b>Factor</b>	<b>Percent of Total State Allocation</b>	<b>Factor Measurement</b>	<b>Allocation Formula</b>
Students Served	One-half	Average Daily Attendance (ADA)	District ADA as a percent of state ADA
At-risk Characteristics	One-half	One-third of at-risk funding for percent of district membership eligible for free and reduced-price lunch (F/R)	District F/R percent (multiplied by district ADA) as a percent of all districts' weighted F/R
		One-third of at-risk funding for CATS Academic Index (AI)	100 minus district AI (multiplied by district ADA) as a percent of all districts' weighted AI
		One-third of at-risk funding for dropout rate (DR)	District DR (multiplied by district ADA) as a percent of all districts' weighted DR

Source: 704 KAR 3:390.

### Preschool

The statewide preschool program serves 3-, 4-, and 5-year-old children with disabilities and 4-year-olds who are eligible for the federal free lunch program. Other preschool-age children may be served by the district if space is available.

**Program Purpose.** The statewide preschool program serves 3-, 4-, and 5-year-old children with disabilities and 4-year-olds who are eligible for the federal free lunch program. Beginning in FY 2007, the eligibility criterion for at-risk children was increased from 130 percent to 150 percent of the federal poverty definition. Preschool data for FY 2007 were not available when this study was conducted. District policy on preschool services varies, and in some cases other preschool-age children may be served, depending upon available space and funding.

**Statutes and Regulations.** The preschool program was created in 1990 as part of the Kentucky Education Reform Act, with statutory authority for the program established in KRS 157.3175 and KRS 157.226. The first statute requires school districts to offer a developmentally appropriate program for 4-year-old children who are at risk of educational failure. The statute defines a “developmentally appropriate” preschool program as “a program which focuses on the physical, intellectual, social, and emotional development of young children.” The implementing regulation, 704 KAR 3:410, sets the parameters of eligibility as those children who are age 4 by October 1 and who meet the criteria for the federal free lunch program.

KRS 157.226 extends preschool services to 3-, 4-, and 5-year-olds who have been identified as disabled in accordance with the

federal Individuals with Disabilities Act or as exceptional by KRS 157.200. Depending upon the child's date of birth, 5-year-olds may attend either preschool or kindergarten.

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Districts are required to provide at a minimum a half-day program 4 days a week. Services include meals and parental training and involvement and may include transportation. Districts also collaborate with medical, health, mental health, and social service agencies to provide comprehensive services geared toward the individual needs of preschool students.

School districts are required under 704 KAR 3:410 to provide at a minimum a half-day program 4 days a week, with services that include at least one meal and parental training and involvement and may include transportation. Districts also collaborate with medical, health, mental health, and social service agencies to provide comprehensive services to meet the individual needs of preschool students. The regulation specifies that preschool staff must conduct a minimum of two home visits a year for each enrolled child. Numerous regulations govern the operation of district preschool programs, including certification requirements for preschool teachers, student-teacher ratios, instructional and assessment requirements, special education provisions, and school health services.

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Per-child funding for preschool varies according to the child's eligibility status. A standard rate is established for 4-year-old at-risk children without disabilities. The Kentucky Board of Education also generates weighted rates for 3-, 4-, and 5-year-olds with disabilities according to three disability categories: developmental delay, speech and language, and severe disabilities.

**Allocation Formula.** Per-child funding for preschool—established in 702 KAR 3:250—varies according to the child's eligibility status. Each spring the Kentucky Board of Education sets per-child preschool rates for the upcoming school year based on the budget approved by the General Assembly. A standard rate is established for 4-year-old at-risk children without disabilities. The board also generates weighted rates for 3-, 4-, and 5-year-olds with disabilities according to three disability categories: developmental delay, speech and language, and severe disabilities.<sup>2</sup>

Districts receive a tentative preschool award at the beginning of the school year based on prior year enrollment figures. The final school year enrollment is collected as of December 1, and districts are notified of their final preschool program allocation based on this student count. Preschool allocations are increased if enrollment has grown by more than 5 percent over the previous year. If districts' preschool enrollments decrease more than 5 percent, funding allocations are adjusted downward in the next fiscal year.

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School districts are required to admit all eligible 3-year-old children at any point in the school year. Districts receive supplemental funding for children who enter the program after December 1.

School districts are required to admit all eligible 3-year-old children with disabilities at any point in the school year. Districts

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<sup>2</sup> The funding categories used for preschool differ from those used in the Support Education Excellence in Kentucky (SEEK) formula. Through SEEK, districts receive additional funds for students with disabilities according to the following disability categories: low incident (the most severely disabling mental, emotional and behavioral, visual, and auditory conditions and injuries); moderate incident (mild mental and physical disabilities, learning disabilities, and developmental delays); and high incident (speech or language disorders).

receive supplemental funding for children who enter the program after December 1. Children enrolled from December 2 through the end of February generate a supplement of approximately half the regular rate, while those enrolling beginning in March generate supplemental funding of 25 percent of the regular rate for their disability category. Preschool per-child rates for at-risk and disabled students are presented in Table 1.2 for FY 2002 through FY 2006.

**Table 1.2**  
**Preschool Participation and Funding Rates FY 2002-2006**

Eligibility Category		2002	2003	2004	2005	2006
		<i>Per-child Funding Rates</i>				
At-risk	Free lunch eligible	\$2,505	\$2,241	\$2,170	\$2,291	\$2,150
	Speech/Language	\$2,639	\$2,353	\$2,279	\$2,405	\$2,258
Disabilities	Developmental Delays	\$3,403	\$3,317	\$3,038	\$3,207	\$3,011
	Severe/Multiple	\$5,565	\$4,257	\$4,123	\$4,353	\$4,086
Eligibility Category		<i>Children Served</i>				
At-risk	Free lunch eligible	6,763	6,786	7,322	8,020	8,091
	Speech/Language	4,164	4,554	5,163	5,279	5,291
Disabilities	Developmental Delays	4,636	5,009	6,091	6,595	6,521
	Severe/Multiple	330	344	408	417	389
<b>Total Children Served</b>		15,893	16,693	18,984	20,311	20,292

Source: Kentucky Department of Education Staff Note, *Preschool Funding*.

Preschool per-child rates fluctuated from FY 2002 to FY 2006, but were lower in FY 2006 for all pupil categories than rates set in FY 2002. Enrollment in preschool has grown by 28 percent over this 5-year period.

As Table 1.2 shows, preschool per-child rates have fluctuated over the 5-year period but are lower in FY 2006 than in FY 2002 for all pupil categories. Enrollment in preschool has grown by 28 percent over this 5-year period. At-risk enrollment has increased by 20 percent, while growth in enrollment for children with disabilities has grown by 27 percent for children with speech/language disorders, by 41 percent for children with developmental delays, and by 18 percent for children with severe/multiple disabilities.

### Professional Development

School districts are required to use 4 days of the minimum school term for professional development activities.

**Program Purpose.** School districts are required to develop and implement a program of high-quality professional development experiences for instructors and administrative staff and must use 4 days of the minimum school term for professional development (PD) activities. Local boards of education may approve a flexible professional development schedule in which training may occur outside the school calendar or outside regular school hours. In this case, the required amount of professional development is 24 hours.

Each district must appoint a professional development coordinator who is responsible for assessing local professional development needs and for planning, implementing, and evaluating professional training. The coordinator is responsible for approving district-level PD. Depending upon local policy, school principals or local boards of education are responsible for approving professional development activities. Professional development plans are incorporated in district and school comprehensive improvement plans. Approved PD activities are expected to comply with the needs of these plans and the individual instructional or professional growth requirements of teachers.

**Statutes and Regulations.** Professional development programs are governed under provisions of KRS 158.070 and KRS 156.095. The Effective Instructional Leadership Act—KRS 156.101—requires school principals and other administrative staff to complete 21 hours of professional development each year. District policy determines whether the Act’s requirement is included in the 4-day professional development provision or is in addition to regular training.

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“High-quality professional development” is defined in 704 KAR 3:035 as “those experiences that systematically, over a sustained period of time enable educators to facilitate the learning of students by acquiring and applying knowledge, understanding, skills, and abilities that address the instructional improvement goals of the school district, the individual school, or the individual professional growth needs of the educator.”

The implementing regulation, 704 KAR 3:035, requires local schools and districts to develop a program of high-quality professional development experiences for instructors and administrative staff. The regulation defines “high-quality professional development” as follows:

[T]hose experiences that systematically, over a sustained period of time, enable educators to facilitate the learning of students by acquiring and applying knowledge, understanding, skills, and abilities that address the instructional improvement goals of the school district, the individual school, or the individual professional growth needs of the educator.

KDE does not evaluate the quality of professional development programs offered by districts, nor does the agency endorse or approve professional development opportunities (Commonwealth. Dept. of Ed. *Professional Development 2*). Professional development activities are not subject to review by the Education Professional Standards Board, the agency that oversees and establishes standards of performance for teaching professionals in Kentucky. There is no statute or regulation that stipulates the specific type of training that must be provided or that assesses the quality of professional development activities.

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Districts receive \$23 per pupil based on prior year average daily attendance and are required under KRS 160.345 to allocate to each school council at least 65 percent of the school's per-pupil allotment.

**Allocation Formula.** Districts receive \$23 per pupil based on prior year average daily attendance and are required under KRS 160.345 to allocate to each school council at least 65 percent of the school's per-pupil allotment.<sup>3</sup> The \$23 per-pupil funding level is not established in statute; it appears from a review of past OEA reports that this funding level has been in place since FY 1995 and has remained constant despite changes in the General Assembly's budget allocation for PD (Commonwealth. Legislative. Office. Annual Report 1996 and 1998).

If districts use the flexibility provided by the Flex Focus program to budget for an increase in funding for their PD grants, they are required by KDE to distribute 65 percent of the additional funding to individual schools on a per-pupil basis. KDE applies the 65 percent rule to a district's first quarterly report on its Comprehensive District Improvement Plan (CDIP), which reflects grant funding levels as of the end of September.

However, if districts use Flex Focus to shift funds to the PD grant after the September CDIP reports are submitted, they are not required to send 65 percent of this increase to school councils. This distinction is important because authorizing budget language adopted by the General Assembly requires that districts using the Flex Focus program meet all other existing statutory and regulatory requirements for PD and the other grants. While KRS 160.345 states that school councils must receive at least 65 percent of the district's per-pupil state allocation for professional development, KDE has interpreted this provision as the district's allocation as of the end of September, and not the district's final allocation for Professional Development as reflected on the June 30 budget (Cook).

## Textbooks

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The State Textbook Commission is responsible for publishing a list of textbooks and other instructional materials that have been approved for use in Kentucky public schools. The General Assembly provides funding for textbooks used in kindergarten through grade 8.

**Program Purpose.** Textbooks and other instructional materials approved for use in Kentucky public schools are expected to align with and support the Core Content for Assessment—the content that has been identified as essential for all students to know and that will be included on the state assessment—as well as the Academic Expectations and Program of Studies. The General

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<sup>3</sup> “Average daily attendance” (ADA) is defined in KRS 157.320 as the aggregate number of days attended by pupils in a public school, adjusted for weather-related low attendance days, divided by the actual number of days the school is in session, after the 5 days with the lowest attendance have been deducted. The professional development allocation is adjusted after ADA figures are updated in October of the current year.

Assembly provides state funds to support textbook purchases for kindergarten through grade 8.

**Statutes and Regulations.** Procedures for reviewing, approving, and adopting textbooks for elementary and secondary education are established in KRS 156.400 to 156.476. Under the provisions of KRS 156.405, the State Textbook Commission is responsible for publishing a list of textbooks and other instructional materials that have been approved for use in Kentucky public schools. In compliance with KRS 156.400, academic subjects have been arranged into six content groupings for the purpose of textbook adoption, and Kentucky approves textbooks on a 6-year schedule based on these groupings. The statute specifies that the purchase costs for the six textbook adoption groups should be as equal as possible. A state multiple list of approved textbooks and instructional materials is published each year for one of the six groups. KRS 156.445 prohibits districts from adopting primary course texts that have not been approved unless the school council submits evidence to the State Textbook Commission that the materials meet the commission's selection criteria. The textbook adoption and purchase schedule is listed in Table 1.3.

**Table 1.3**  
**Kentucky Textbook Adoption and Purchase Schedule**

<b>Adoption Group</b>	<b>Approval and Adoption Schedule</b>
Group I: Language Arts, Reading, and Literature	State review June 2005 Multiple list approved September 2005 Local purchasing plans approved by May 2006 State textbook funds available after July 1, 2006
Group II: Social Studies	State review July 2006 Multiple list approved September 2006 Local purchasing plans approved by May 2007 State textbook funds available after July 1, 2007
Group III: Science	State review July 2007 Multiple list approved September 2007 Local purchasing plans approved by May 2008 State textbook funds available after July 1, 2008
Group IV: Mathematics	State review July 2008 Multiple list approved September 2008 Local purchasing plans approved by May 2009 State textbook funds available after July 1, 2009
Group V: Vocational Studies and Practical Living	State review July 2009 Multiple list approved September 2009 Local purchasing plans approved by May 2010 State textbook funds available after July 1, 2010
Group VI: Arts and Humanities	State review July 2010 Multiple list approved September 2010 Local purchasing plans approved by May 2011 State textbook funds available after July 1, 2011

Source: Kentucky Department of Education.

A textbook review team with expertise in the subject area being evaluated assesses bids from publishers and recommends items for adoption to the State Textbook Commission. The commission determines listings for the state multiple list, which is then made available to school districts. In accordance with KRS 156.027 and 704 KAR 3:455, all instructional materials bid for use in Kentucky public schools must be offered in an alternate format that is accessible to students who require reading accommodations.

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Districts are required to submit textbook purchasing plans to a local board for approval prior to adopting instructional materials for kindergarten through grade 8. Textbooks are funded on a per-pupil basis.

Districts are required to submit textbook purchasing plans to a local board for approval prior to adopting instructional materials for kindergarten through grade 8.

**Allocation Formula.** Textbooks for kindergarten through grade 8 are funded on a per-pupil basis. Once the state appropriation has been established, KDE distributes the funds based on districts' prior year membership.<sup>4</sup>

### Safe Schools

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The Center for School Safety serves as a clearinghouse for data analysis, research, and information about successful school safety programs. The Kentucky Department of Education (KDE) collaborates with the center in developing statewide student discipline guidelines and recommendations to improve the learning environment of schools.

**Program Purpose.** The purpose of the safe schools grant is to support a safe and healthy learning environment for Kentucky's students. Districts use safe school funds for costs associated with alternative education for students with behavioral and/or academic deficiencies, in-school suspension services, school resource officers, intervention services, and training programs.

Safe school funds also support the operation of the Center for School Safety, established in KRS 158.442 to serve as a clearinghouse for data analysis, research, and information about successful school safety programs. The center also collaborates with KDE on school safety policy and provides technical assistance to schools and districts. KRS 158.444 stipulates that specific data must be collected on incidences that threaten school safety.

**Statutes and Regulations.** KDE is required under KRS 158.148 to collaborate with the Center for School Safety to develop statewide student discipline guidelines and recommendations to improve the learning environment of schools. Local boards of education are required by the statute to adopt a code of acceptable behavior and discipline. KDE's *Student Discipline Guidelines* provides a

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<sup>4</sup> Membership is the number of students enrolled in the district as of a certain date. To account for growth in the number of students served, prior year membership is adjusted upward within the textbook funding formula based on the growth in student membership from previous years.

template for the development of local policies and practices to promote safe schools. It also specifies the statutory and regulatory responsibilities of school and district administrators, school boards, and school councils (1-13).

Districts must complete an annual assessment of district resources, needs, policies, and procedures in order to qualify for safe school funding.

In order to qualify for safe school funding, districts are required under KRS 158.445 to complete an annual assessment of district-level data, resources, policies and procedures, and needs based on information gained from a similar assessment process at the local school level. Districts are to use the funding to improve school safety and student discipline through alternative education programs and intervention services. KDE relies on the center to provide districts with guidelines and best practices for safe school activities.

School districts receive a \$20,000 grant, as well as a per-pupil allocation, for the safe schools program.

**Allocation Formula.** State appropriations for the safe schools program are distributed through a base grant and per-pupil allocations. The Kentucky School for the Deaf (KSD), Kentucky School for the Blind (KSB), and all other school districts receive a \$20,000 base grant. The remaining funds are distributed on a per-pupil basis.

### Flexible Focus Fund Program Appropriations

Funding to districts for grants within the Flex Focus program differs from the state-enacted budget because of operating costs and other administrative expenses retained by KDE and other state agencies.

General Assembly appropriations for Flex Focus programs are shown in Table 1.4. Appendix A presents inflation-adjusted allocations. Funding distributions to school districts, which are analyzed in Chapter 2, vary from these figures because of funds that are retained for operating expenses, as well as funds distributed to KSD, KSB, and Model Laboratory School in Richmond.

**Table 1.4**  
**State Enacted Budget for Flexible Focus Fund Grants: FY 2003-FY 2007**

Flexible Focus Programs	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Extended School Services	32,910,300	31,859,500	18,336,400	31,859,500	31,859,500
Preschool	46,281,100	44,825,400	51,625,400	51,625,400	75,127,000
Professional Development	14,486,100	14,071,200	13,991,400	15,034,700	15,034,700
Safe Schools	10,961,300	10,128,300	9,564,200	10,128,300	10,378,300
Textbooks (K-8)	21,704,100	0	21,700,100	21,700,100	21,700,100
<b>Total</b>	126,342,900	100,884,400	115,217,500	130,348,000	154,099,600

Source: Staff compilation using data from state budgets from various years.

The discussion below summarizes administrative and other expenses that are deducted from the state budget for Flex Focus grants prior to KDE's distribution of funds to school districts.

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KDE is permitted to retain up to 2 percent of extended school services funding for administrative purposes.

**Extended School Services.** KDE distributes \$15,000 to KSD, KSB, and Model Laboratory School. In addition, KDE is permitted to retain up to 2 percent of the state allocation for administrative purposes. In FY 2006, the department spent \$335,000 on personnel, \$85,000 for program operating costs, and \$300,000 in discretionary spending, primarily for grants to universities for education-based studies (Day, Feb. 6).<sup>5</sup>

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All state funds allocated for preschool are distributed to school districts.

**Preschool.** All state funds allocated for preschool are distributed to local districts. However, as noted previously, funding for preschool services is adjusted three times during the fiscal year to accommodate changes in the number of children served. Therefore, KDE reserves a portion of districts' initial grant allocation to cover districts' increases in student population.

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KDE retains funds from the professional development allocation for expenses related to statewide training, internship, and leadership programs.

**Professional Development.** KDE does not distribute funds for professional development to KSD, KSB, or Model Laboratory School. The department retains funds for operating costs and for personnel expenses related to training. Statewide programs include the minority superintendent internship program, superintendent and principal leadership training, the CEO superintendent network, superintendent assessment and training and in-service training for public school personnel aimed at combating abuse and neglect of children in Kentucky (Ronca).

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The Center for School Safety receives 10 percent of the state allocation for safe schools.

**Safe Schools.** KDE distributes about 10 percent of the safe schools allocation to the Center for School Safety for operating expenses and distributes the remaining portion of the allocation to school districts. KSD and KSB each receives a \$20,000 grant but does not receive an additional per-pupil allocation.

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All funds appropriated by the General Assembly for textbooks are allocated to schools.

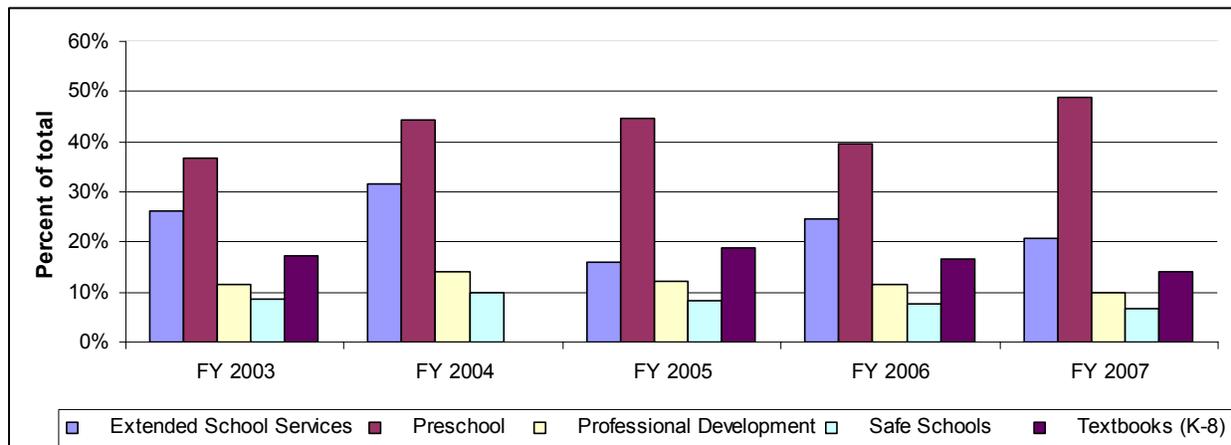
**Textbooks.** KDE does not retain any state textbook funding.

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<sup>5</sup> The discretionary spending for research funded by the extended school services grant covers topics that are not necessarily directly related to the grant program (Day, Feb. 6).

Figure 1.B shows the percentage distribution of state funding for the Flex Focus program from FY 2003 through FY 2007.

**Figure 1.B**  
**Enacted Budget Appropriations: Flexible Focus Fund Program Budgets**  
**As a Percent of Total Flex Focus Budget: FY 2003-FY 2007**



Source: Staff compilation using data from state budgets from various years.

The largest portion of Flex Focus funding—between 37 percent and 49 percent in the last 5 years—goes to support preschool services. Extended school services receive the next largest amount of state funding.

The largest portion of Flex Focus program appropriations support preschool services. Of the total enacted budget for Flex Focus grants, from 37 percent to 49 percent went to preschool during the 5-year period. In all years except FY 2005, extended school services consumed the next largest share, ranging from 21 percent to 32 percent of total Flex Focus funds. In FY 2005, funding for textbooks was 19 percent of all Flex Focus funds, while extended school services accounted for 16 percent of the funding. However, as Figure 1.A shows, in FY 2004 the General Assembly did not appropriate funding for textbooks; state textbook funds in other years during the 5-year period have ranged from 14 percent to 17 percent. Funding for professional development over this period has been, on average, about 8 percent of the total Flex Fund program budget.

## Chapter 2

### District Implementation of the Flexible Focus Fund Program

#### Introduction

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Since FY 2003 when the Flex Focus program was first authorized, 106 of Kentucky's 175 school districts have participated in the program.

Since the inception of the Flexible Focus Fund program in FY 2003, 106 of Kentucky's 175 school districts have taken advantage of their ability to shift funding within the state grants for extended school services, preschool, professional development, safe schools, and textbooks. Table 2.1 shows the number of districts participating in the Flex Focus program for each year from FY 2003 through FY 2007.<sup>1</sup> Appendix B lists the participating districts by year.

**Table 2.1**  
**Flexible Focus Fund Program Usage:**  
**FY 2003-FY 2007**

Fiscal Year	School District Participation	
	Number	Percent
2003	27	15%
2004	68	39%
2005	40	23%
2006	68	39%
2007	56	32%

Note: Based on 175 districts in all years; Harrodsburg Independent is not included.  
Source: Staff compilation from school district budgets and OEA survey of school superintendents.

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On an annual basis, most districts do not use the Flex Focus program. Participation rates range from a low of 15 percent in FY 2003 to 39 percent in FY 2006. In FY 2007, 32 percent of school districts used the program.

As reflected in Table 2.1, most districts do not participate in the Flex Focus program in any given year. When the program was first authorized in FY 2003, only 27 school districts utilized the authority. During the next 4 years, the number participating ranged from 40 districts, or just under one-quarter of all districts, to 68 districts, or just under 40 percent.

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<sup>1</sup> Harrodsburg Independent, which merged with the Mercer County school district at the beginning of FY 2007, is not included in this analysis. The district did not participate in the program.

## Organization of the Chapter

Chapter 2 examines how districts are using the Flexible Focus Fund program. The analysis begins with the five grant allocations made by the Kentucky Department of Education to the districts for FY 2003 through FY 2007. This distribution of funds is compared to the appropriations set by the General Assembly to show the amounts retained for operating expenses and other program costs.

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Chapter 2 reports on how funds have been reallocated through the Flex Focus program. Also analyzed is the extent to which districts are carrying forward unspent funds within the Flex Focus grants. In addition, the chapter examines the percent of spending for the five grant programs that comes from funding sources outside the Flex Focus program. Finally, Chapter 2 reports the results of a survey of district superintendents and finance officers on local use of Flex Focus.

For this analysis, each district submitted to OEA is final budgets for the Flex Focus grants, which were then compared to district allocations distributed by KDE.<sup>2</sup> This analysis reflects the shifts in funding that have occurred under the program. It is important to note that the analysis of funding shifts provides an estimate of how districts are using the Flex Focus program, but there are data accuracy concerns that weaken this research. Much of the analysis in this report relies on a comparison of KDE's allocations for the five Flex Focus grants to districts' final budgets. Staff could not use annual financial report (AFR) data to examine final budgets because a number of districts established these grants improperly within the accounting software. Consequently, staff had to rely on districts' self-reported final budget data. There was no way to verify the accuracy of the districts' budgets, and it is possible that adjustments made in some districts are not reflected in the data provided to OEA. Thus, while the analysis provides a reasonable overview of how districts are using the Flex Focus program, the amount of funds shifted among the five grants, as well as the percent gained or lost through these shifts, must not be interpreted to show precise Flex Focus program impacts. Rather, the analysis is a reasonable estimate of overall program activity.

An analysis of districts' quarterly report data, provided to OEA by KDE, examines the extent to which districts are carrying forward unspent funds within the Flex Focus grants. An analysis of AFR data shows the extent to which districts are using general fund and other grant dollars outside the Flex Focus grants to support activities in these five areas.

Chapter 2 also reports the responses from superintendents and finance officers to a survey requesting information on how districts are utilizing the Flex Focus program and why some districts

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<sup>2</sup> KDE's master records of Flex Focus allocations to school districts were not complete. Therefore, staff used data from KDE's periodic fund disbursements (i.e. checks sent to districts) to determine how much money districts received for Flex Focus grants. For the purposes of this report, the term "allocation" is used rather than "disbursement."

choose not to participate. Through the survey, districts also provided OEA with final budget data for the five Flex Focus grants.

### Flexible Focus Fund Program Allocations to School Districts

As discussed in Chapter 1, the funding appropriated by the General Assembly for grants in the Flex Focus program is reduced by amounts retained for operating and other expenses, as well as by funds distributed to other educational facilities including the Kentucky School for the Deaf, Kentucky School for the Blind, and Model Laboratory School.

Table 2.2 shows allocations to Kentucky’s public school districts for the Flex Focus Fund program from FY 2003 through FY 2007. The table also presents the percent of the General Assembly appropriations for the grants that have been retained for operating and other expenses. Table A.2 of Appendix A presents the district allocations examined in Table 2.2 in constant 2003 dollars.

**Table 2.2**  
**Flexible Focus Fund Program District Allocations: FY 2003-FY 2007**

<b>Panel 1: Program Funds Received by Public School Districts</b>						
<b>Fiscal Year</b>	<b>Extended School Services</b>	<b>Preschool</b>	<b>Professional Development</b>	<b>Textbooks</b>	<b>Safe Schools</b>	<b>Total Flex Focus Allocation</b>
2003	32,348,004	47,423,992	13,024,815	21,499,710	10,007,860	124,304,381
2004	30,946,281	45,812,299	12,640,686	0	9,243,892	98,643,158
2005	17,976,298	51,621,602	13,096,201	21,499,936	8,701,578	112,895,616
2006	31,094,500	51,625,400	13,206,203	21,564,215	9,075,470	126,565,788
2007	31,467,300	73,870,282	13,357,440	21,498,593	9,300,470	149,494,085
<b>Panel 2: Percent of General Assembly Allocations Retained for Operating Costs and Other Expenses</b>						
2003	2%	-2%	10%	0%	8%	1%
2004	3%	-2%	10%	-	8%	2%
2005	2%	0%	6%	0%	9%	2%
2006	2%	0%	12%	0%	10%	3%
2007	1%	2%	11%	0%	10%	3%

Notes: Negative figures in Panel 2 preschool data for FY 2003 and FY 2004 reflect the fact that the grant runs for 15 months and that district allocations are adjusted at three points in the school year. Panel 1 data do not include funds distributed to the Kentucky School for the Deaf, Kentucky School for the Blind, or the Model Laboratory School.

Sources: District allocation data in Panel 1 are from KDE Division of Budgets; percents retained in Panel 2 are staff compilations based on KDE data.

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From FY 2003 through FY 2007, between 1 and 3 percent of the total funds appropriated by the General Assembly for grants within the Flex Focus program were retained for operating and other expenses.

From FY 2003 through FY 2007, between 1 and 3 percent of the total funds appropriated by the General Assembly for grants within the Flex Focus program were retained for operating and other expenses. There is significant variation in the level of retained funds among the five grants, as shown in panel 2 of Table 2.2. All funds allocated for textbooks are distributed to school districts. Funds retained from the safe schools grant are distributed to the Center for School Safety for administrative and other operating costs.

As noted in Chapter 1, KDE retains funds from the professional development allocation to pay for personnel and other costs associated with training. Panel 2 of Table 2.2 shows that operating costs have ranged between 6 and 12 percent of the total allocation for professional development from FY 2003 through FY 2007. Professional development funds are used by KDE to support discretionary programs such as the minority superintendent internship program, superintendent and principal leadership training, the CEO superintendent network, superintendent assessment and training, and in-service training for public school personnel aimed at combating abuse and neglect of children in Kentucky (Ronca). KDE staff estimates that the annual costs associated with these activities are about \$840,000. In addition, KDE uses PD funds to pay for the instructional support network, the principals of excellence network, and various other professional development training activities for agency staff and local district personnel.

The data for preschool in Table 2.2 show that KDE distributed 2 percent more than the General Assembly's appropriation in FY 2003 and 2004. This finding is an anomaly resulting from two factors. First, the preschool grant period extends beyond one fiscal year because its accounting cycle runs from July through September. In addition, after districts receive their preschool allocations in July, allocations are adjusted three times during the grant period to account for increases in the number of children served. According to KDE, all preschool funds eventually are distributed to the districts. However, KDE retains \$250,000 when the first district allocation is made in order to have funds available to make adjustments for districts whose student population has increased during the school year (Day, Feb. 6).

## District Utilization of the Flexible Focus Fund Program

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This report analyzes the impact of the Flex Focus program by comparing district final budgets for the five Flex Focus grants to the allocations received from KDE. The difference between final budgets and allocations shows where funds have been shifted into or out of the grants.

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Only districts participating in Flex Focus are included in the analysis of funding shifts. Funding shifts illustrated in Figures 2.A through 2.E cannot be compared across years because the number of participating districts and their associated allocations and final budgets vary in each year.

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From FY 2003 through FY 2007, funds were shifted out of the extended school services grant in all years except FY 2005.

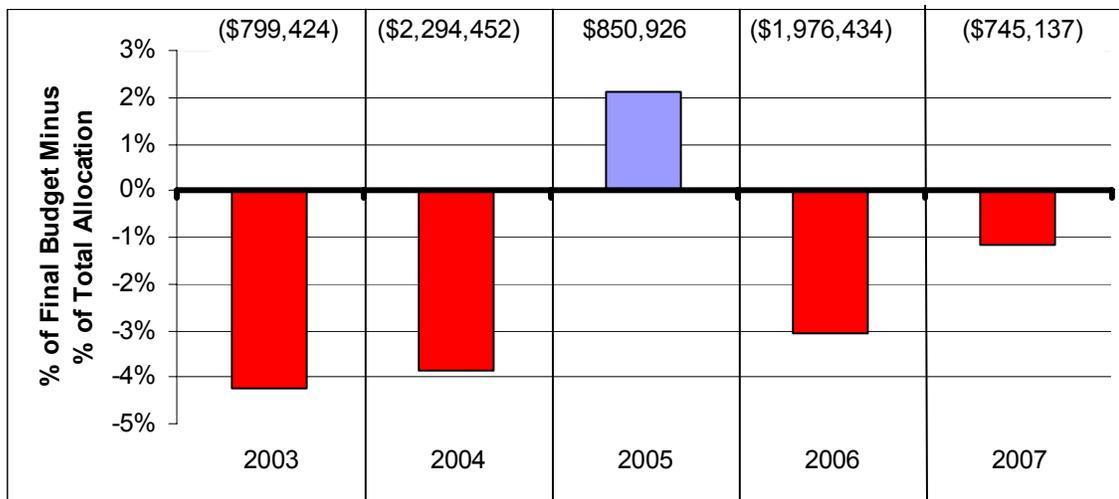
To examine the overall impact of the Flex Focus program on districts' funding shifts among the five grants from FY 2003 through FY 2007, district final budgets in each fiscal year are compared to the allocations KDE made to each district for the Flex Focus grants. The difference between the final budget totals and KDE's allocations shows where funds have been shifted into or out of the grants under the Flex Focus program. The FY 2007 preschool data are tentative, so the funding shift analysis for this grant includes FY 2003 through FY 2006.

It is important to note that only districts participating in Flex Focus are included in this analysis. The impact of this methodology is that the funding shifts illustrated in Figures 2.A through 2.E cannot be compared across years because the number of participating districts and their associated allocations and final budgets vary in each year. Thus, a 4 percent shift in one year may involve a much different dollar amount than the same percent shift in another year. Appendix B lists the districts participating in the Flex Focus program by year from FY 2003 through FY 2007.

As Figure 2.A shows, from FY 2003 through FY 2007, districts used the Flexible Focus Fund program to shift funding out of extended school services in all years except FY 2005. When compared with the allocation districts received from KDE, these funding shifts resulted in shrinking ESS funding by about 4 percent in FY 2003 and FY 2004.

Districts shifted funds into ESS in FY 2005, resulting in a 2 percent increase in ESS funding. According to superintendents' responses to a survey about the Flex Focus program, many districts shifted funds out of ESS and into textbooks in FY 2004 when the General Assembly did not make an appropriation for textbooks. Superintendents indicated that in FY 2005, funds were shifted back to ESS in an effort to replenish the grant program's budget. Funds were again shifted out of ESS in FY 2006 and FY 2007. This resulted in a 3 percent reduction in the ESS budget in FY 2006, and a 1 percent reduction in FY 2007.

**Figure 2.A**  
**Funding Shifts for Extended School Services Implemented Through the**  
**Flexible Focus Fund Program: FY 2003-FY 2007**

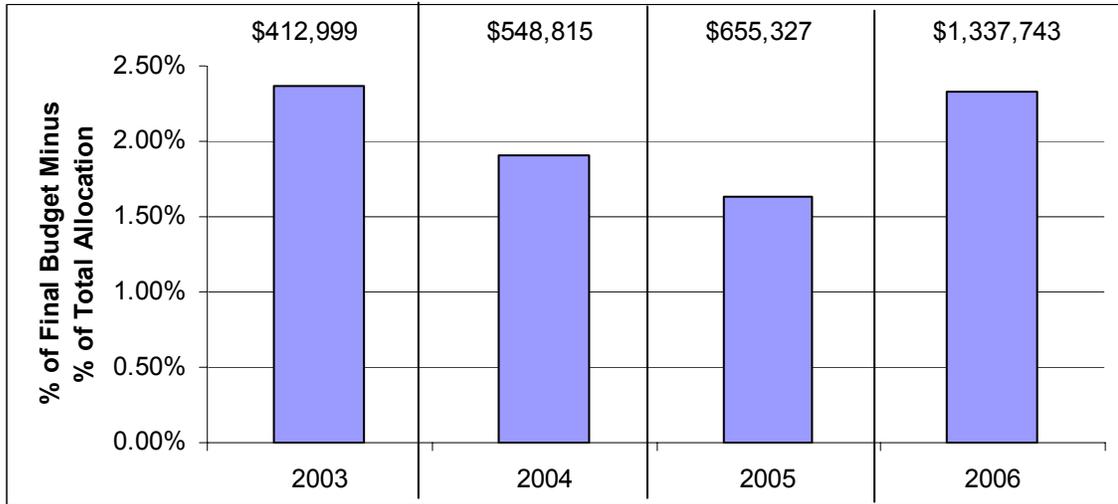


Note: Funding shifts are calculated by subtracting districts' final budget amounts from their KDE grant allocations for extended school services (ESS). Negative amounts reflect funds shifted out of the grant program. Percents are calculated as follows: the percent of the total Flex Focus allocation appropriated to ESS minus the percent of districts' final Flex Focus budgets earmarked for extended school services. Percents show the percent growth or shrinkage in funding for ESS due to the Flex Focus program. The analysis includes only districts participating in Flex Focus and cannot be compared across years. Sources: KDE Division of Budgets provided district allocations; district final budget data were provided by each district.

Appendix C summarizes the districts' allocations, final budgets, and funding shifts for the five Flex Focus grants from FY 2003 through FY 2007. Table C.1 in the Appendix reports on shifts within the ESS grant.

Figure 2.B shows shifts in allocation for preschool made through the Flex Focus program from FY 2003 through FY 2006. Final budget data for FY 2007 were incomplete and could not be included because preschool budgets are adjusted three times to accommodate changes in the number of children served and some districts' final budgets did not reflect all funding adjustments.

**Figure 2.B**  
**Funding Shifts for Preschool Implemented Through the Flexible Focus Fund Program:**  
**FY 2003-FY 2006**



Note: Funding shifts are calculated by subtracting districts' final budget amounts from their KDE grant allocations for preschool. Percents are calculated as follows: the percent of the total Flex Focus allocation appropriated to preschool minus the percent of districts' final Flex Focus budgets earmarked for preschool. Percents show the percent growth in funding for preschool due to the Flex Focus program. The analysis includes only districts participating in Flex Focus and cannot be compared across years.

Sources: KDE Division of Budgets provided district allocations; district final budget data were provided by each district.

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Districts have used the Flex Focus program to increase funding for preschool by about 2 percent since the program was authorized in FY 2003.

Districts have used Flex Focus to increase funding for preschool by around 2 percent since the program was implemented in FY 2003. Figure 2.B shows that total funds shifted into preschool have increased each year, from about \$400,000 in FY 2003 to \$1.3 million in FY 2006.

Figure 2.C shows funding shifts for professional development from FY 2003 through FY 2007.

**Figure 2.C**  
**Funding Shifts for Professional Development Implemented Through the Flexible Focus Fund Program: FY 2003-FY 2007**



Note: Funding shifts are calculated by subtracting districts' final budget amounts from their KDE grant allocations for professional development. Negative amounts reflect funds shifted out of the grant program. Percents are calculated as follows: the percent of the total Flex Focus allocation appropriated to professional development minus the percent of districts' final Flex Focus budgets earmarked for professional development. Percents show the percent growth or shrinkage in funding for professional development due to the Flex Focus program. The analysis includes only districts participating in Flex Focus and cannot be compared across years.

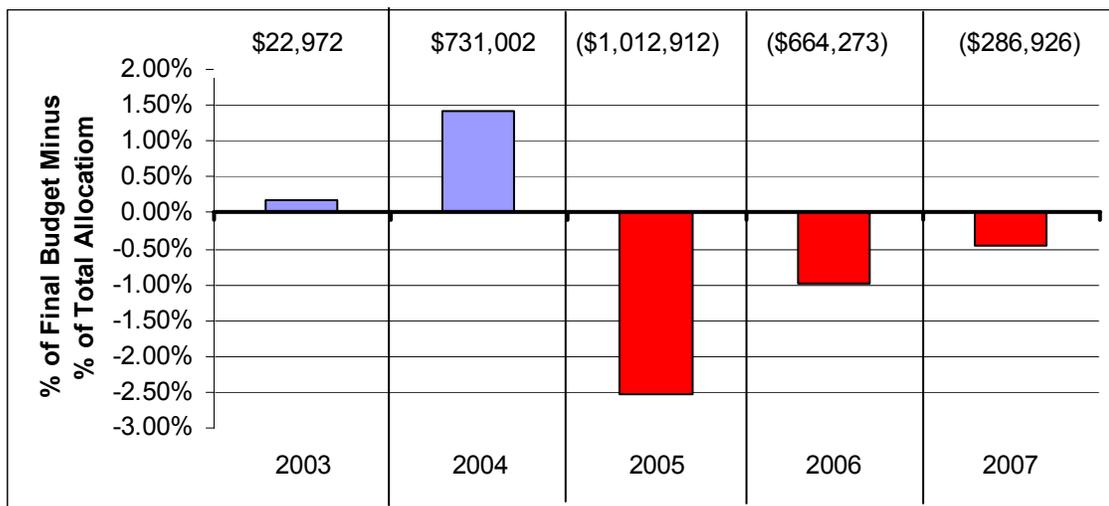
Sources: KDE Division of Budgets provided district allocations; district final budget data were provided by each district.

In FY 2003, districts used Flex Focus to increase funds for professional development by a small amount. In all other years, funds were shifted out of the professional development grant. The largest funding shift occurred in FY 2005, when the grant was reduced by \$1 million.

In FY 2003, district use of the Flex Focus program resulted in a 1 percent increase in professional development funds. In FY 2006, the impact of the Flex Focus program on PD funding was so minor (a net decline of just under \$20,000) that the overall impact is too small to register in Figure 2.C. In fiscal years 2004, 2005, and 2007, funding was shifted out of professional development. The overall reduction in the PD budget during these years ranged from a low of less than 1 percent to just over 3 percent. The largest funding shift occurred in FY 2005, when districts used allocation flexibility to shift just over \$1 million out of professional development.

Figure 2.D shows the impact of the Flex Focus program on funding for textbooks from FY 2003 through FY 2007.

**Figure 2.D**  
**Funding Shifts for Textbooks Implemented Through the Flexible Focus Fund Program:**  
**FY 2003-FY 2007**



Note: Funding shifts are calculated by subtracting districts' final budget amounts from their KDE grant allocations for textbooks. Negative amounts reflect funds shifted out of the grant program. Percents are calculated as follows: the percent of the total Flex Focus allocation appropriated to textbooks minus the percent of districts' final Flex Focus budgets earmarked for textbooks. Percents show the percent growth or shrinkage in funding for textbooks due to the Flex Focus program. The analysis includes only districts participating in Flex Focus and cannot be compared across years.

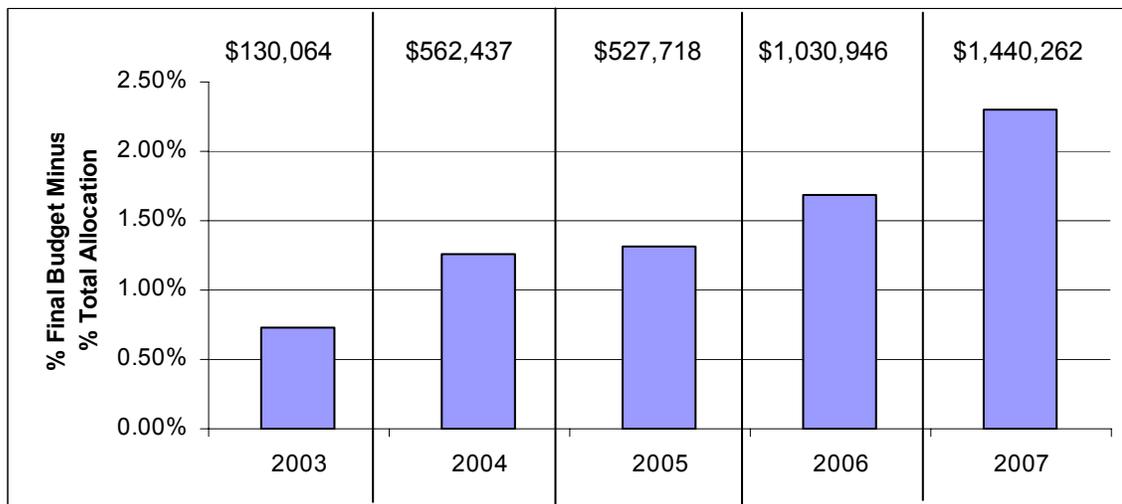
Sources: KDE Division of Budgets provided district allocations; district final budget data were provided by each district.

In the first year of the Flex Focus program, districts shifted almost \$23,000 into textbooks. In FY 2004, the General Assembly did not appropriate funds for textbooks, and districts used Flex Focus to shift over \$730,000 to textbooks. Since that time, there has been a net reduction in textbook funding through the Flex Focus program.

In FY 2003, a modest amount of funding was transferred into the textbook grant. The following year, the General Assembly did not appropriate funds for textbooks, and districts used the Flex Focus program to shift over \$730,000 to textbooks. Since FY 2005, the overall impact of the Flex Focus program has been a net reduction in the textbook grant. As Figure 2.D shows, over \$1 million was shifted out of textbooks in FY 2005, followed by transfers of over \$660,000 and \$280,000 in FY 2006 and 2007, respectively.

Figure 2.E reports the allocation shifts made to the safe schools grant from FY 2003 through FY 2007 through the Flex Focus program.

**Figure 2.E**  
**Funding Shifts for Safe Schools Implemented Through the Flexible Focus Fund Program:**  
**FY 2003-FY 2007**



Note: Funding shifts are calculated by subtracting districts' final budget amounts from their KDE grant allocations for safe schools. Percents are calculated as follows: the percent of the total Flex Focus allocation appropriated to safe schools minus the percent of districts' final Flex Focus budgets earmarked for safe schools. Percents show the percent growth in funding for safe schools due to the Flex Focus program. The analysis includes only districts participating in Flex Focus.

Sources: KDE Division of Budgets provided district allocations; district final budget data were provided by each district.

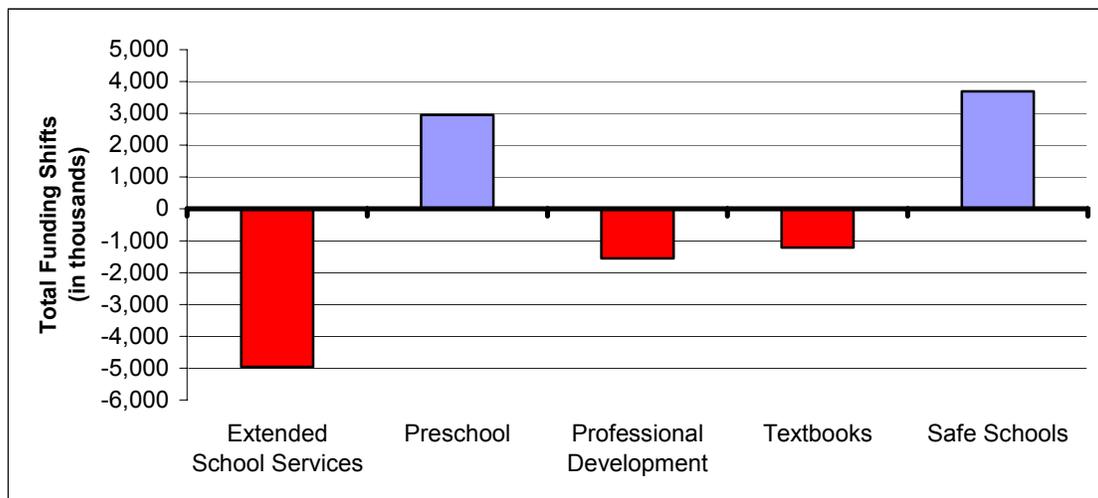
Under the Flex Focus program, funds have been shifted into the safe schools grant continually since FY 2003.

School districts have used the Flex Focus program to shift funds to the safe schools grant in all years since the program was implemented. These funding shifts have ranged from about \$130,000 in FY 2003 to over \$1 million in FY 2006 and FY 2007.

Over the 5 years that districts have had the ability to shift funding in these grant areas, the cumulative effect of the shifts has been a net increase in the preschool and safe schools grants and net decreases in extended school services, professional development, and textbooks. Figure 2.F summarizes the overall reallocations made under the Flexible Focus Funds program from FY 2003 through FY 2007.<sup>3</sup>

<sup>3</sup> The preschool grant data cover the period from FY 2003 through FY 2006. Final budget figures for FY 2007 do not include final adjustments due to enrollment growth in the preschool program.

**Figure 2.F**  
**Total Funding Shifts in Funding Under the Flexible Focus Fund Program:**  
**FY 2003-FY 2007**



Note: Data for preschool are for fiscal years 2003 through 2006. Funding shifts are calculated by subtracting districts' final budgets from their KDE grant allocations.  
Sources: Staff compilation using district allocations from KDE Division of Budgets and district final budgets provided by each district.

From FY 2003 through FY 2007, districts have shifted just under \$5 million from extended school services, \$1.5 million from professional development, and \$1.2 million from the textbooks grant. Over \$3.6 million has been reallocated to safe schools, and another \$2.9 million has gone to the preschool grant.

Through the Flexible Focus Funds program, districts have shifted just under \$5 million out of the extended school services grant, \$1.5 million out of professional development, and \$1.2 million out of the textbooks grant. Over \$3.6 million has been reallocated to safe schools, and the preschool grant has been increased by \$2.9 million.

As noted earlier, the analysis of funding shifts among the five grants provides a reasonable estimate of district implementation of the Flex Focus program, but the fund amounts and program percentages are based on data with acknowledged flaws. Therefore, while the overall patterns of funding shifts reflect district use of the Flex Focus program, the amounts shifted and the program percentages provided in the report are not precise. They are acceptable estimates based on the best available data.

### **Unspent Funds Carried Forward in the Flexible Focus Fund Program Grants**

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Districts are permitted by budget language to carry forward up to 10 percent of unexpended funds in the extended school services, preschool, safe schools, and professional development grants from one fiscal cycle to the next. There is no carry forward limit for the textbook grant.

Districts are permitted by budget language to carry forward up to 10 percent of unexpended funds in the extended school services, preschool, safe schools, and professional development grants from one fiscal cycle to the next. There is no carry forward limit for the textbook grant. The carry forward provision reflects the balance in the final budget at the time the grant is completed for the year. The ESS and preschool funding cycles run from July through September of the next year, while the professional development and safe schools grants follow the July through June fiscal cycle.

One reason to examine districts' carry forward activities is simply to confirm that the districts are complying with statutory requirements in this area. If districts carry forward more than the allowable amount of unspent funding, KDE's procedure is to reduce the grant in the following year by the funds in excess of the carry forward limit (Day, May 7). Districts are expected to plan for program needs and to allocate all available funds up to the carry forward limit each year (allowing for the fact that ESS and preschool program cycles run from July 1 through September 30).

As noted in Chapter 1, the Flex Focus program was first proposed by KDE in order to give districts more financial flexibility to meet local program needs when the General Assembly did not enact a budget during the 2002 session. The intent of the program is to facilitate better planning and budgeting. Similarly, the intent of the 10 percent carry forward limitation, coupled with KDE's stated procedure to recoup unspent funds in excess of 10 percent in the next year, is to encourage districts to budget effectively. For these reasons, the carry forward analysis provides an indirect measure of how well districts may be planning for local program needs.

Staff analyzed district quarterly financial reports to determine the level of carry forward amounts in the ESS, preschool, and professional development grants. Carry forward amounts were adjusted for encumbrances (goods or services purchased within the year but not paid for until after the close of the grant period). The safe schools grant was not examined because KDE does not collect expenditures for this grant. Table 2.3 summarizes the carry forward amounts in ESS and preschool budgets for fiscal years

2004 and 2005 and in the professional development budgets for fiscal years 2004, 2005, and 2006.<sup>4</sup>

**Table 2.3**  
**Budget Carry Forward Analysis for Extended School Services, Preschool, and Professional Development: Various Years**

Grant	School Year	Districts with Carry Forward Above 10%	Average Carry Forward	Minimum Carry Forward	Maximum Carry Forward
Professional Development	2006	57	28.50%	10.05%	65.16%
	2005	64	30.68%	10.95%	73.14%
	2004	79	29.42%	10.78%	83.59%
Extended School Services	2005	42	29.44%	10.77%	52.01%
	2004	34	39.16%	10.29%	99.81%
Preschool	2005	16	34.69%	12.10%	58.45%
	2004	19	36.95%	13.20%	88.25%

Source: Staff compilation using district quarterly financial reports provided by the Kentucky Department of Education.

An analysis of district carry forward activity showed that a substantial number of districts carry forward more than 10 percent. In addition, a small number of districts are not submitting quarterly project reports required by KDE. For those districts, it is not possible to analyze their carry forward levels.

As Table 2.3 illustrates, a substantial number of districts are carrying forward more than 10 percent of their grant funds for ESS, preschool, and professional development. On average, funds carried forward by these districts range from 28 percent to 39 percent of funds budgeted for these programs for the years analyzed.

In addition to the districts that are carrying forward more than the 10 percent permitted by budget language, a related problem involves districts that fail to submit quarterly reports on expenditure activities for these grants as required by KDE. Without quarterly report data, it was not possible to verify the carry forward amount for a number of districts. The extent of this problem varies depending upon the grant and the school year. For example, 18 districts' carry forward amounts could not be verified for the 2006 professional development grant, and 25 districts failed to provide a quarterly report for the 2005 PD grant. For the grants and school years reported in Table 2.3, an average of 16 districts failed to

<sup>4</sup> Since the fiscal cycle for ESS and preschool runs from July through September, quarterly expenditure data needed for this analysis were unavailable for FY 2006.

provide quarterly reports necessary to verify the carry forward amounts.

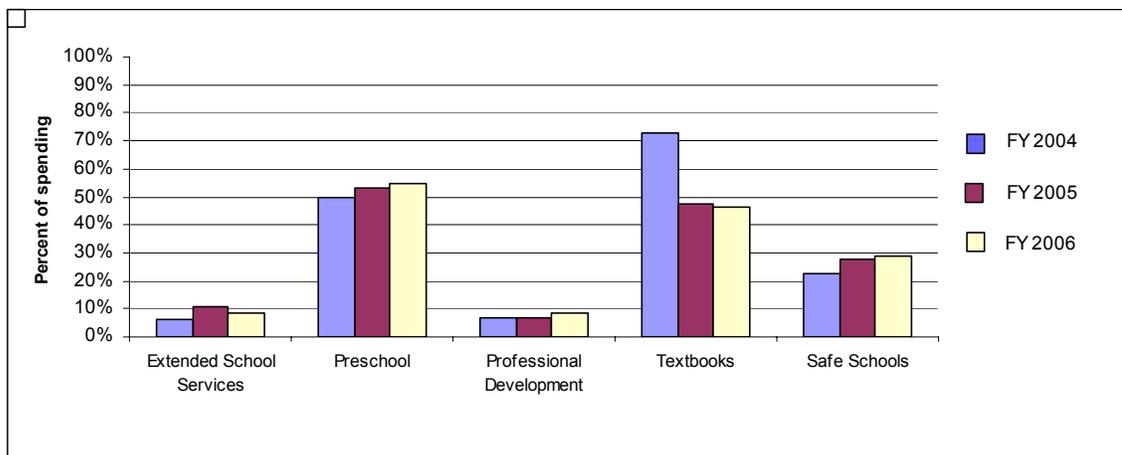
Staff discussed with KDE personnel the issue of districts carrying forward unspent and unencumbered funds totaling more than 10 percent. KDE staff subsequently analyzed carry forward amounts for the ESS and preschool grants for FY 2006 using data unavailable to OEA at the time of the analysis and found 38 districts had exceeded the 10 percent limit with ESS grant funds, and 4 districts exceeded the limit with preschool funds. KDE also verified OEA's analysis of districts' 2006 professional development carry forward amounts and found no substantial differences. In fact, according to the KDE review of districts' 2006 PD grant carry forward activity, 66 districts exceeded the 10 percent limit; the amount carried forward in excess of 10 percent exceeded \$1.2 million.

One other spending issue is related to the carry forward problem. In all Flex Focus grants except textbooks—for which there is no carry forward limitation—the expectation is that districts should spend prior year funding that has been carried forward at the beginning of the new fiscal cycle. In any case, funds from cycles older than 1 year should not be carried forward. However, an analysis of AFR data showed that in FY 2006, a total of \$1.5 million in Flex Focus grant spending came from fiscal year funds prior to 2005. While the magnitude of this problem is small in relation to total expenditures for the grants, in combination with other carry forward problems discussed above, it illustrates the need to monitor districts' grant expenditure practices.

### **Total District Spending for Flexible Focus Fund Grants**

School districts support the Flex Focus grants with funding outside the Flex Focus program. The two largest sources of non-Flex Focus funding are other grants and general fund expenditures. In order to examine the Flex Focus program within the context of total support for the five grant areas, Figure 2.G shows the percent of spending for each of the grants from general fund and other grant sources outside of Flex Focus for FY 2004 through FY 2006.

**Figure 2.G**  
**Percent of Total District Spending Outside the Flexible Focus Fund Program:**  
**FY 2004-FY 2006**



Note: Districts' general fund expenditures and spending from non-Flex Focus grants are included in this analysis. There may be spending from other non-Flex Focus funds that are not reported.

Source: Staff compilation using Annual Financial Reports from the Kentucky Department of Education.

About 10 percent or less of all spending for extended school services and professional development came from non-Flex Focus funding in FY 2004 through FY 2006. Between 20 and 30 percent of spending for safe schools was outside the Flex Focus grant. In FY 2004, districts did not receive a textbook appropriation, and over 70 percent of textbook spending came from outside Flex Focus. In the following 2 years, just under half of textbooks spending came from non-Flex Focus funds.

About half of all spending for preschool comes from sources outside the Flex Focus program.

About 10 percent or less of all spending for ESS and professional development came from non-Flex Focus funding in the period analyzed in Figure 2.G. Between 20 and 30 percent of spending for safe schools in FY 2004 through 2006 came from general fund and other grant sources.

In FY 2004, when districts did not receive an appropriation for textbooks, over 70 percent of textbook spending came from sources outside Flex Focus. The Flex Focus spending for textbooks came from funds that districts had carried forward from previous years, as well as from funding shifts into the textbook grant. In FY 2005 and FY 2006, districts supported just under half of all textbook spending with non-Flex Focus dollars.

About half of all spending for preschool comes from sources outside the Flex Focus program, and this support has increased slightly in each year from FY 2004 through FY 2006.

Table 2.4 compares total spending for the five grant programs under the Flex Focus program with spending from general fund and non-Flex Focus grant funding for FY 2004 through FY 2006. Appendix A presents Table 2.4 in FY 2004 constant dollars.

**Table 2.4**  
**Total District Spending From Flex Focus Funds and Non-Flex Focus Funding Sources:**  
**FY 2003-FY 2006**

<b>Extended School Services</b>						
School Year	Flex Focus Funds	Non-Flex Focus Grants	General Fund Spending	Total Non-Flex Focus Spending	Total Expenditures	Percent of Non-Flex Focus Spending
2004	30,916,167	1,854,697	223,698	2,078,396	32,994,562	6%
2005	20,812,122	1,975,438	480,031	2,455,468	23,267,590	11%
2006	27,473,324	2,275,521	327,236	2,602,757	30,076,081	9%
<b>Preschool</b>						
School Year	Flex Focus Funds	Non-Flex Focus Grants	General Fund Spending	Total Non-Flex Focus Spending	Total Expenditures	Percent of Non-Flex Focus Spending
2004	48,060,845	33,344,553	13,968,812	47,313,364	95,374,209	50%
2005	51,573,098	41,056,108	17,379,560	58,435,668	110,008,766	53%
2006	54,193,670	45,471,565	20,936,525	66,408,090	120,601,760	55%
<b>Professional Development</b>						
School Year	Flex Focus Funds	Non-Flex Focus Grants	General Fund Spending	Total Non-Flex Focus Spending	Total Expenditures	Percent of Non-Flex Focus Spending
2004	12,393,312	831,569	105,783	937,353	13,330,665	7%
2005	11,916,238	815,381	86,197	901,578	12,817,816	7%
2006	13,476,266	961,675	261,954	1,223,629	14,699,896	8%
<b>Textbooks</b>						
School Year	Flex Focus Funds	Non-Flex Focus Grants	General Fund Spending	Total Non-Flex Focus Spending	Total Expenditures	Percent of Non-Flex Focus Spending
2004	4,056,747	1,946,503	9,051,775	10,998,278	15,055,024	73%
2005	17,242,378	2,068,014	13,360,832	15,428,846	32,671,224	47%
2006	15,772,342	515,935	13,202,453	13,718,388	29,490,731	47%
<b>Safe Schools</b>						
School Year	Flex Focus Funds	Non-Flex Focus Grants	General Fund Spending	Total Non-Flex Focus Spending	Total Expenditures	Percent of Non-Flex Focus Spending
2004	10,302,712	464,020	2,560,156	3,024,176	13,326,888	23%
2005	9,478,214	357,384	3,269,022	3,626,406	13,104,620	28%
2006	10,144,351	731,447	3,391,165	4,122,611	14,266,962	29%

Source: Staff compilation using Annual Financial Reports from the Kentucky Department of Education.

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While districts have shifted Flex Focus dollars out of the extended school services grant, they have used non-Flex Focus grants to offset these reductions.

The extended school services program serves students who are not performing adequately or who are at risk of being retained or dropping out. As Table 2.4 shows, districts have been able to tap other grant funds outside Flex Focus to serve program needs for this population of students. The amount of general fund spending for ESS ranged between 11 and 20 percent of the total non-Flex Focus spending in FY 2004 through FY 2006. In addition, shifts in funding out of the ESS grant in FY 2004 (shown in Figure 2.A) were almost completely matched by non-Flex Focus grants. In FY 2006, these shifts were more than matched by non-Flex Focus grants.

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About half of total preschool funding comes from non-Flex Focus dollars.

Districts supplement about half their total preschool spending with non-Flex Focus dollars. Of that, about 70 percent of the funding outside Flex Focus comes from other grants. As Figure 2.B shows, districts also use Flex Focus to increase preschool funds.

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Between 7 and 8 percent of spending for professional development comes from sources outside the Flex Focus program. Most of the non-Flex Focus expenditures come from other grant sources. Almost all non-Flex Focus spending for textbooks comes from the general fund.

Between 7 and 8 percent of spending for professional development comes from sources outside the Flex Focus program. Most of the non-Flex Focus expenditures come from other grant sources. General fund expenditures for PD account for between 10 and 21 percent of all non-Flex Focus spending.

The General Assembly does not fund textbooks for Kentucky high schools, so one would expect to find that a large proportion of non-Flex Focus spending comes from general fund expenditures. As Table 2.4 shows, this is the case. General fund spending accounted for between 82 and 96 percent of non-Flex Focus expenditures for textbooks from FY 2004 through FY 2006.

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Between 23 and 29 percent of all spending for safe schools comes from non-Flex Focus dollars. Almost all of those funds are general fund expenditures.

Around one-quarter of all spending for safe schools comes from non-Flex Focus dollars, and almost all of those funds are general fund expenditures. As Figure 2.E shows, districts also use the Flex Focus program to increase funding for safe schools.

Since districts are shifting Flex Focus funds into the safe schools grant and are using general fund dollars to supplement safe schools activities, it would be beneficial to know how districts are using safe schools funding. However, districts are not required to report to KDE on the specific purpose of safe schools expenditures on electronic quarterly report submissions. Instead, a paper report is filed with the Center for School Safety. Center personnel say the majority of districts use safe schools funding to support alternative education programs (Garrett). These are programs designed to serve at-risk students with behavior-related problems and/or academic deficiencies. To date, the information collected by the

center on districts' use of safe school funds precludes an analysis of how much safe school funding is used to support alternative education.

### **Survey Responses From Superintendents Regarding the Flexible Focus Fund Program**

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Staff conducted a survey of superintendents and finance officers to examine how well the flexibility provided through the Flex Focus program is meeting local program needs and to understand why many districts do not participate in the program. All districts responded to the survey.

Staff conducted a survey of superintendents and finance officers to examine how well the flexibility provided through the Flex Focus program is meeting local program needs and to understand why many districts do not participate in the program. Districts also provided final budget figures for all grants within the program for FY 2003 through FY 2007. All districts responded to the survey by providing final budgets for the Flex Focus grants, but not all districts provided responses to questions about why they do not participate or about how well the program helps them meet local needs. Appendix D contains the survey instrument.

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Almost three-quarters of 69 nonparticipating districts say there is not enough funding in any of the grants to warrant participating since they supplement all of the grants with general fund dollars. Among the participating districts, 101 (95 percent) say the Flex Focus program has helped them better meet their program needs.

As reported earlier, since the inception of the Flex Focus program, 106 districts have participated in at least one year. (See Appendix B for a list of the districts participating in Flex Focus from FY 2003 through FY 2007). Among the participating districts, 101 (95 percent) say the Flex Focus program has helped them better meet their program needs. Of the 69 districts that have not used the program's flexibility to reallocate funding among the five grant programs, 49 districts provided reasons why they do not participate. Almost three-quarters of these districts said there is not enough funding in any of the grants to warrant participating since the districts supplement all of the grants with general fund dollars.

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Regardless of whether they participate in the program, 87 percent of Kentucky's superintendents say they favor permanent statutory authority for Flex Focus. However, 74 percent of Kentucky's school superintendents oppose distributing the Flex Focus grant funding within the Support Education Excellence in Kentucky (SEEK) funding formula.

The authority for the Flex Focus program is currently contained in budget language. To continue the program, this language must be inserted in each budget cycle. Regardless of whether they participate in the program, 87 percent of superintendents say they favor permanent statutory authority for Flex Focus.

When the Kentucky Education Reform Act was first enacted in 1990, education experts advising the General Assembly envisioned that state funding for at least some of the Flex Focus grants eventually would be distributed within the Support Education Excellence in Kentucky (SEEK) formula (Augenblick 46). However, 74 percent of Kentucky's school superintendents oppose distributing the Flex Focus grant funding within SEEK. Many stated that without further study, the fiscal impact of such a policy change is unclear. However, most respondents cited the fact that

they are already supplementing these grant programs and some noted that if the grants were incorporated within SEEK, the visibility and legislative support for these programs could be weakened.

Although districts are not required to adopt written policies and procedures for the Flexible Focus Fund distribution process, KDE recommends that policies be formulated. However, to date, no district has reported adopting written policies for implementing the Flex Focus program.



## Chapter 3

### Study Conclusions and Recommendations

#### Organization of the Chapter

This chapter summarizes the major findings of the study and presents recommendations based on the analysis of the Flexible Focus Fund program. The chapter begins with a review of data integrity issues found through the study related to the five grants in the program. Other major findings are discussed, followed by study recommendations.

#### Data Quality Issues and Concerns

A previous OEA research report—*Indicators of Efficiency and Effectiveness in Elementary and Secondary Education Spending*—noted substantial evidence of expenditure miscoding and other accounting discrepancies by KDE and by school districts that reduce the accuracy and consistency of education finance reporting in the state. A number of the issues raised in that report relate to district coding of spending for the Flex Focus grants.

Staff reviewed the instructions KDE provides for determining which expenditures related to the grants are allowable as well as guidance on how specific spending activities should be coded. These instructions are found in the *State Funding Matrices for Federal Competitive, Non-competitive, and State Grants*. District annual financial report data were then examined to assess the extent to which districts are complying with these guidelines. The earlier OEA report focused on district spending from FY 2003 through FY 2005. This chapter builds on that analysis and reports coding discrepancies for FY 2006.

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Districts and schools are reporting expenditures for the Flex Focus grants that KDE says are not permitted.

There are essentially three problem areas identified by staff. First, schools and districts are reporting spending within the Flex Focus grants for expenditures that KDE indicates are not permitted. Second, a few spending activities that KDE states are not allowable expenditures appear to OEA staff to be appropriate based on spending parameters of the grants. Lastly, some expenditures that KDE indicates are allowable appear to violate the grant parameters. A related coding issue also surfaced in the course of reviewing KDE's guidelines for reporting expenditures: a number of KDE-specific expenditure codes are not included in the

guidelines, and, thus, it is unclear whether that exclusion implies that the spending activities are not permitted or whether failure to address those activities is an oversight on KDE's part. Table 3.1 summarizes the impact of expenditure coding errors from FY 2003 through FY 2006 for extended school services, preschool, professional development, and textbooks. It was not possible to analyze spending for safe schools because KDE does not provide accounting guidelines for this grant. Note that the term "disallowed" refers to spending in conflict with KDE guidelines. KDE has taken no action on this spending.

**Table 3.1**  
**State Grant Expenditures—Noncompliance With Coding Guidelines: FY 2003-FY 2006**

Spending Category	FY 2003		FY 2004		FY 2005		FY 2006		Summary by Grant	
	Spending	% of Total	Spending	% of Total	Spending	% of Total	Spending	% of Total	Spending	% of Total
<b>Extended School Services</b>										
Total	30,723,017	100	30,916,167	100	20,812,122	100	27,473,324	100	109,924,630	100
Disallowed	1,102,766	3.6	1,496,003	4.8	940,360	4.5	1,321,695	4.8	4,860,824	4
No Guidelines	183,828	0.6	94,616	0.3	77,505	0.4	66,285	0.2	422,234	0.4
<b>Preschool</b>										
Total	48,350,803	100	48,060,844	100	51,573,098	100	54,193,670	100	202,178,416	100
Disallowed	272,002	0.6	339,418	0.7	292,935	0.6	342,834	0.6	1,247,189	1
No Guidelines	155,554	0.3	146,311	0.3	-87,341	-0.2	-464,405	-0.9	-249,882	-0.1
<b>Professional Development</b>										
Total	12,361,263	100	12,393,312	100	11,916,238	100	11,916,238	100	48,587,051	100
Disallowed	741,670	6	638,521	5.2	416,367	3.5	416,367	3.5	2,212,925	5
No Guidelines	96,091	0.8	102,286	0.8	40,824	0.3	40,824	0.3	280,024	1
<b>Textbooks</b>										
Total	23,100,952	100	4,056,747	100	17,242,378	100	15,772,342	100	60,172,420	100
Disallowed	66,887	0.3	11,763	0.3	45,575	0.3	222,263	1.4	346,488	1
No Guidelines	0	0	0	0	0	0	-	0	-	-
<b>Summary by Year</b>										
	FY 2003		FY 2004		FY 2005		FY 2006		Total-All Years	
Total	114,536,036	100	95,427,070	100	101,543,836	100	109,355,574	100	420,862,517	100
Disallowed	2,183,326	2	2,485,705	3	1,695,236	2	2,303,158	2	8,667,426	2
No Guidelines	435,473	0.4	343,212	0.4	30,988	0.0	-357,297	-0.3	452,376	0.1

Note: Analysis for FY 2003 through FY 2005 first appeared in the OEA report *Indicators of Efficiency and Effectiveness in Elementary and Secondary Education Spending*.

Source: Staff analysis of KDE annual financial reports.

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A total of \$8.6 million has been spent by districts on Flex Focus grants from FY 2003 through FY 2006 for expenditures that are not permitted under KDE guidelines. While the fiscal magnitude of these spending and coding issues is not large, they illustrate a need for KDE to better analyze and enforce districts' accounting procedures. In addition, these discrepancies will hamper attempts to conduct evaluations of the effectiveness of the grant programs.

From FY 2003 through FY 2006, a total of \$8.6 million has been spent by districts on Flex Focus grants for expenditures that are not permitted under KDE guidelines. This accounts for 2 percent of total spending for the four grants analyzed in Table 3.1. The amount of disallowed spending varies by year and by grant; the largest proportion of disallowed spending is found in professional development and ESS. By comparison, much less textbook and preschool spending has gone to disallowed expenditures.

While the fiscal magnitude of these spending and coding issues is not large, they illustrate a need for KDE to better analyze and enforce districts' accounting procedures. In addition, these discrepancies will hamper attempts to conduct evaluations of the effectiveness of the grant programs. Staff has discussed these concerns with KDE; although the agency has begun to address some of the data integrity issues raised in the earlier OEA research report, it has not yet acted to correct problems related to the Flex Focus grants.

### **Flexible Focus Fund Program Findings and Conclusions**

The Flexible Focus Fund program was initiated as a way to provide school districts with budgeting flexibility. Just over 60 percent of Kentucky's 175 school districts have used the Flex Focus program to reallocate funding among their ESS, preschool, PD, textbooks, and safe schools grants in at least one year since the funding shifts began in FY 2003. However, program participation in any given year has been low—ranging from 15 percent (27 districts) in FY 2003 to 39 percent (68 districts) in FY 2004 and FY 2006. In FY 2007, 56 districts (32 percent) used the Flex Focus program.

Staff surveyed school superintendents to obtain final budget data for the five grants and to ascertain how districts are using the Flex Focus program. The primary reason superintendents give for not making greater use of the program is their contention that the grants are not sufficiently funded and that districts must supplement Flex Focus grants with general fund and other funding sources. In FY 2004 through FY 2006, districts supplemented Flex Focus dollars with general fund and other moneys in all five program grants. This support ranged from under 10 percent of total spending for ESS and PD to around half of total spending for preschool and textbooks. In FY 2004, over 70 percent of spending for textbooks came from non-Flex Focus dollars. Districts used

non-Flex Focus funds to support between 25 and 30 percent of spending for safe schools.

Regardless of whether they use the program, superintendents overwhelmingly support continuing Flex Focus and making statutory authorization permanent. Superintendents whose districts participate in the program say the Flex Focus has provided needed budgetary flexibility and enhanced their districts' ability to meet local needs.

Education experts advising the General Assembly on education reform policies envisioned that state funding for at least some of the Flex Focus grants eventually would be distributed within the Support Education Excellence in Kentucky formula (Augenblick 46). However, three-quarters of Kentucky's school superintendents oppose distributing the Flex Focus grant funding within SEEK.

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Overall, districts have used the program to shift funds out of extended school services and—to a lesser extent—out of professional development and textbooks. The reallocated funding has gone to support safe schools and preschool.

Overall, districts have used the program to shift funds out of extended school services and—to a lesser extent—out of professional development and textbooks. The reallocated funding has gone to support safe schools and preschool. Since districts are not required to file quarterly reports on their safe schools grants with KDE or with the Center for School Safety, there are no reliable quantitative data on the nature of this spending; there also is no systematic information about why districts have been shifting funds into the safe schools grant in each year of the Flex Focus program.

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The Flexible Focus Fund program appears to be providing participating districts with the intended flexibility to reallocate funds among these grants. Superintendents indicate that Flex Focus has helped districts to meet local program needs.

Districts have been successful in offsetting most of the Flex Focus dollars they shift out of these grants with other non-Flex Focus funding. In addition, when no textbook appropriation was made in FY 2004, districts used Flex Focus to shift ESS funds to the textbook grant. In the following year, superintendents indicated they used the program to “repay” the ESS grant. In this regard, the program appears to be providing participating districts with the intended flexibility to reallocate funds among these grants to meet local program needs.

### **Recommendations**

The recommendations included in this report are based on the research and analysis that is reported in earlier sections of the study. Where appropriate, it reflects information provided by superintendents and finance officers. OEA has discussed study findings with KDE staff.

**Program Overview.** Authorization for the Flexible Focus Fund program has appeared in budget language since FY 2003 and must be renewed in each new budget cycle. School superintendents surveyed on the issue expressed support for making the program permanent. KDE instructions to school districts regarding how to use the program and guidelines on accounting procedures were prepared in July 2003 and have not been updated or revised since that time.

### Recommendation 1

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If the General Assembly wishes to make permanent the budget flexibility provided by the Flex Focus program, including authorization in statute would increase the consistency of the program.

**If the General Assembly chooses to continue to allow districts flexibility in shifting funds among the five grants, including authorization in statute would increase the consistency of the Flexible Focus Fund program.**

### Recommendation 2

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KDE should review its Flex Focus guidelines to ensure that districts are receiving clear and accurate instructions regarding implementing the program.

**If the General Assembly authorizes the Flexible Focus Fund program in statute, the Kentucky Department of Education will be required to issue an implementing regulation. Even if the authorization is continued through budget language, KDE should review its guidelines and make appropriate changes and updates.**

**Data Integrity.** As reported earlier in this chapter, districts are using Flex Focus grant funds for expenditures that are not permitted by KDE guidelines. Although the magnitude of these errors is small in relation to the overall size of the grants, they illustrate the need for KDE to monitor districts' accounting procedures.

The study compares KDE's allocations to districts' final budgets to determine the reallocations districts are performing under the Flex Focus program. However, since some districts fail to set up grants correctly by indicating start and end dates in the accounting software and some fail to adjust budgets when KDE sends updated information, AFR data show incorrect budgets. For this reason, staff asked each district to provide final budget data on the Flex Focus grants. It is possible that these data do not include all adjustments made to the budgets.

In addition, when KDE awards the Flex Focus grants, the agency specifies that districts will be required to submit quarterly electronic financial reports for final budget and expenditure data. However, a number of districts have failed to provide these reports,

and KDE has permitted others to submit data by fax and e-mail. The KDE Division of Budgets maintains a master accounting of state and federal grants for each fiscal year and posts these data in spreadsheets on the agency's Web site. These spreadsheets and the master account record for the Flex Focus grants have not been updated as adjustments are made.

### Recommendation 3

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KDE should monitor Flex Focus grant expenditures to ensure that spending guidelines are being followed.

**The Kentucky Department of Education should monitor districts' expenditures for Flex Focus grants to ensure that agency spending guidelines are being followed.**

### Recommendation 4

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KDE should enforce its requirement that districts submit quarterly electronic financial reports. KDE should also work with districts to improve districts' understanding of proper procedures for setting up the grants in the accounting software.

**The Kentucky Department of Education should monitor districts' annual financial report data to ensure final budgets for Flexible Focus grants are reported correctly. Enhanced training of local district personnel may improve performance in this area. KDE should enforce its requirement that districts submit electronic quarterly reports on grant budget and expenditure data.**

### Recommendation 5

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Current grant allocation records should be maintained and posted on KDE's Web site.

**The Kentucky Department of Education should maintain current records of state grant allocations and should post updated allocation data on its Web site in a timely manner.**

**Financial Recordkeeping.** In guidelines to school districts about the Flex Focus program, KDE states that the "total amount of the allocation for the five [grants] in the [Flex Focus] program must at all times match the allocation received by the district from the state" (Commonwealth. Dept. of Ed. *Flexible Focus Funds*). The reason for this is that districts are not permitted to reallocate funding outside the five Flex Focus grants. However, staff saw no evidence that this provision is being reviewed by KDE. In fact, given the lack of fiscal reporting on safe school grants, as described below, it is probably not possible at present to examine whether districts are meeting this budgetary requirement.

Districts are required to submit an annual report to the Center for School Safety in order to qualify for subsequent safe schools grants. The report collects data on safety and security incidents and violations of school and board policies. It also asks districts to list the types of activities that are supported with grant funds.

However, unlike the reporting requirements of other Flex Focus grants, districts are not required to submit financial statements to the center or to KDE. The department provides a set of instructions on how expenditures should be coded by districts for the other grants, but the safe schools grant is not included in these guidelines.

### Recommendation 6

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KDE should provide expenditure guidelines to districts regarding the safe schools grant and should require districts to include the safe schools grant in their quarterly reports to the department. KDE should verify that the total Flex Focus allocation matches districts' total budgets for the grants.

**The Kentucky Department of Education should provide expenditure guidelines to districts regarding the safe schools grant. In addition, KDE should require districts to include the safe schools grant in their required quarterly reports to the department. KDE should review districts' quarterly reports to ensure that the total allocation for the five Flex Focus grants matches districts' total budgets for these five programs.**

### Recommendation 7

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Districts should be required to provide financial data on budgets and expenditures in safe schools grants. KDE should request that the Center for School Safety's annual report include a review of districts' final budgets and expenditures and that the data be at a sufficient level of detail to permit an evaluation of the safe schools grant.

**The Center for School Safety should require school districts to submit end of fiscal year final budgets for the school safety grant so reallocations into and out of the grant can be determined. The center should also request expenditure data that show how districts are spending the grant funds.**

### Recommendation 8

**The Kentucky Department of Education should require the Center for School Safety to include in the center's annual report a review of school districts' initial grant allocations, final budgets, and expenditures. The expenditure data should be at a sufficient level of detail to allow for an evaluation of the safe schools grant.**

**Grant cycles.** As discussed in the study, the funding cycle for the preschool and extended school services grants runs from July through September. The other grants operate under a normal July through June fiscal year cycle. The ESS and preschool grants operate under a 15-month cycle because many districts offer these services during the summer. Local budgeting and accounting for these programs is reportedly simplified somewhat by continuing the current fiscal year funds through the summer months.

On the other hand, the difficulty KDE experiences in tracking district budgets and spending in the Flex Focus grants may be exacerbated by multiple funding cycles. The fact that allocations

for preschool and professional development are adjusted during the year to account for changes in students served also complicates recordkeeping.

In addition to the coding problems discussed earlier in this chapter, this study has also noted that KDE has not been monitoring the amount of funding districts are allowed to carry forward from one year to the next. There is no carry forward limit for textbooks; all other Flex Focus grants are subject to a 10 percent carry forward limit. Staff found that a substantial number of districts do not comply with this provision. While of much less magnitude, staff also noted that districts are carrying these funds over several fiscal cycles rather than spending funds carried forward at the beginning of the next fiscal year.

While changing the ESS and preschool grant cycles back to a July through June schedule might simplify KDE's efforts to monitor districts' financial activities for these grants, it should be noted that the problems and discrepancies described in this study occur in grants with regular fiscal year cycles and not just in those with 15-month funding cycles. In addition, it is unclear that the benefits of simplifying the grant cycles would offset the constraints such a move would place on districts whose ESS and preschool services extend to summer months.

### Recommendation 9

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KDE should monitor district quarterly reports to ensure that districts comply with the 10 percent carry forward limitation and should instruct districts to spend prior year funds within the next fiscal year.

**The Kentucky Department of Education should monitor district quarterly reports to ensure that districts comply with the 10 percent carry forward limitation, and should instruct districts to spend prior year funds within the next fiscal year.**

In enforcing the carry forward provision, KDE is required to return to the state general fund unspent grant funding carried forward in excess of 10 percent. This could mean that these education dollars would ultimately be spent for other purposes. In addition, the carry forward provision results in counteracting the General Assembly's intent that education appropriations for these programs be spent in the appropriate fiscal year.

### Recommendation 10

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The legislature may wish to consider statutory language that would permit KDE to utilize carry forward funds in excess of 10 percent to support the goals of the originating grants.

**If it is the intent of the General Assembly that appropriations for the Flex Focus grants are spent in support of these grant purposes, the legislature may wish to consider statutory language that would permit the Kentucky Department of Education to utilize carry forward funds in excess of 10 percent to support the goals of the originating grants.**

### Recommendation 11

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The General Assembly may wish to discontinue its authorization of the 10 percent carry forward provision for all Flex Focus grants except textbooks.

**As an alternative to recommendations 9 and 10, the General Assembly may wish to discontinue its authorization of the 10 percent carry forward provision for all Flex Focus grants except textbooks. The Flexible Focus Fund program provides districts with the ability to plan for local needs and reallocate funding to accommodate budget priorities.**

**Professional Development Funds Distributed to Schools.** KDE has determined that districts will receive \$23 per pupil based on prior year average daily attendance. Those funds will be adjusted when student attendance data are updated in October. This distribution level, which has been set at \$23 since FY 1995, may have been linked to specific programmatic needs at one time. However, there is no evidence that in recent years KDE has established the per-pupil allotment to reflect a strategic plan for professional development related to teaching and learning objectives. In addition, if the General Assembly wishes to increase the PD allocation with the intent that additional funding be received by school districts, a constant KDE per-pupil allocation will not accomplish this. Increases in General Assembly appropriations are not necessarily passed on to districts when the per-pupil allotment remains the same over time but may be used by KDE for other professional development activities.

Districts are required to allocate to school councils at least 65 percent of the school's per-pupil allotment. If districts use the flexibility provided by the Flex Focus program to budget for an increase in funding for their PD grants, they are required by KDE to distribute 65 percent of the additional funding to schools on a per-pupil basis. KDE applies the 65 percent rule to districts' first quarterly report on their Comprehensive District Improvement Plans, which reflect program funding levels as of the end of September.

As this study has shown, some districts fail to submit quarterly reports; for those districts, it is not possible to check whether the appropriate amount of funding is being forwarded to districts. In fact, KDE has reported that the agency does not investigate whether districts are complying with the 65 percent rule unless it receives a specific complaint.

### Recommendation 12

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KDE should ensure that per-pupil funding levels for professional development meet the teaching and learning objectives of Kentucky's educational system.

**The Kentucky Department of Education should review its criteria for establishing per-pupil allotments for professional development to ensure that the funding level adequately reflects teaching and learning objectives of Kentucky's educational system.**

### Recommendation 13

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If the General Assembly wishes to ensure that increases in professional development appropriations are passed through to schools and districts, statutory language instructing KDE to increase the \$23 per-pupil allotment will be needed.

**If it is the intent of the General Assembly that increases in budget allocations for professional development will result in corresponding increases in PD funding to districts and schools, the General Assembly may wish to instruct the Kentucky Department of Education through statute or budget language that per-pupil funding levels must increase when overall allocations increase.**

### Recommendation 14

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KDE should use districts' final allocation data on the June 30 report to enforce the 65 percent rule for professional development grant allocations to local schools.

**In addition to enforcing its requirement that districts submit quarterly electronic financial reports for Flex Focus grants, the Kentucky Department of Education should use districts' quarterly reports to enforce the 65 percent rule for professional development grant allocations to local schools found in KRS 160.345(8).**

## Conclusion

This study has shown that while the number of districts utilizing the funding flexibility provided under the Flex Focus program is fairly low, those that do use the program find it is beneficial in meeting local needs. When districts shift funding out of ESS, PD, and textbooks and into the preschool and safe schools grants, they are able to use other, non-Flex Focus grants to partially offset these funding shifts.

The analysis points to a number of areas in which monitoring and better enforcement by KDE would improve the implementation of the Flex Focus program. In addition, current reporting procedures for the safe schools grant are not sufficient to allow for an examination of how districts spend these grant funds. The recommendations in this chapter address these oversight problems. Staff reviewed the study findings and recommendations with KDE personnel. The agency's response to this study is found in Appendix E.



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## Appendix A

### Inflation-adjusted Appropriations and Expenditures for Flexible Focus Program Grants: FY 2003-FY 2007

This appendix presents the appropriation and expenditure data for the five Flexible Focus Fund program grants in inflation-adjusted terms. Unless otherwise noted, all amounts are in 2003 dollars.

**Table A.1**  
**Enacted Budgets for Flexible Focus Fund Programs FY 2003-FY 2007**  
**(FY 2003 Constant Dollars)**

Fiscal Year	Extended School Services	Preschool	Professional Development	Safe Schools	Textbooks (K-8)	Total
2003	32,910,300	46,281,100	14,486,100	10,961,300	21,704,100	126,342,900
2004	31,177,540	43,865,902	13,770,003	9,911,501	-	98,724,947
2005	17,419,700	49,044,467	13,291,921	9,086,052	20,615,237	109,457,376
2006	29,155,178	47,243,294	13,758,513	9,268,582	19,858,136	119,283,704
2007	28,586,606	67,409,281	13,490,201	9,312,148	19,470,871	138,269,107

Source: Staff compilations of state budgets from various years; Bureau of Labor Statistics.

**Table A.2**  
**Flexible Focus Fund Program District Allocations: FY 2003-FY 2007**  
**(FY 2003 Constant Dollars)**

Fiscal Year	Extended School Services	Preschool	Professional Development	Safe Schools	Textbooks (K-8)	Total
2003	\$32,348,004	\$47,423,992	\$13,024,815	\$10,007,860	\$21,499,710	\$124,304,381
2004	\$30,283,869	\$44,831,677	\$12,370,109	\$9,046,024	\$0	\$96,531,679
2005	\$17,077,600	\$49,040,859	\$12,441,476	\$8,266,556	\$20,425,079	\$107,251,570
2006	\$28,455,113	\$47,243,294	\$12,085,224	\$8,305,119	\$19,733,785	\$115,822,535
2007	\$28,234,697	\$66,281,664	\$11,985,244	\$8,345,042	\$19,290,065	\$134,136,712

Source: Staff compilations of KDE Division of Budgets district allocation data; Bureau of Labor Statistics.

**Table A.3**  
**Total District Spending From Flex Focus and Non-Flex Focus Funding Sources:**  
**FY 2004-FY 2006 (Constant FY 2004 Dollars)**

<b>Extended School Services</b>						
School Year	Flex Focus Funds	Non-Flex Focus Grants	General Fund Spending	Total Non-Flex Focus Spending	Total Expenditures	Percent of Non-Flex Focus Spending
2004	30,916,167	1,854,697	223,698	2,078,395	32,994,562	6%
2005	19,771,652	1,876,679	456,033	2,332,712	22,104,364	11%
2006	25,141,313	2,082,368	299,459	2,381,827	27,523,140	9%
<b>Preschool</b>						
School Year	Flex Focus Funds	Non-Flex Focus Grants	General Fund Spending	Total Non-Flex Focus Spending	Total Expenditures	Percent of Non-Flex Focus Spending
2004	48,060,845	33,344,553	13,968,812	47,313,365	95,374,210	50%
2005	48,994,779	39,003,570	16,510,695	55,514,265	104,509,044	53%
2006	49,593,562	41,611,814	19,159,375	60,771,189	110,364,751	55%
<b>Professional Development</b>						
School Year	Flex Focus Funds	Non-Flex Focus Grants	General Fund Spending	Total Non-Flex Focus Spending	Total Expenditures	Percent of Non-Flex Focus Spending
2004	12,393,312	831,569	105,783	937,352	13,330,664	7%
2005	11,320,504	774,617	81,888	856,505	12,177,009	7%
2006	12,332,364	880,045	239,719	1,119,764	13,452,128	8%
<b>Textbooks</b>						
School Year	Flex Focus Funds	Non-Flex Focus Grants	General Fund Spending	Total Non-Flex Focus Spending	Total Expenditures	Percent of Non-Flex Focus Spending
2004	4,056,747	1,946,503	9,051,775	10,998,278	15,055,025	73%
2005	16,380,372	1,964,627	12,692,878	14,657,505	31,037,877	47%
2006	14,433,542	472,141	12,081,793	12,553,934	26,987,476	47%
<b>Safe Schools</b>						
School Year	Flex Focus Funds	Non-Flex Focus Grants	General Fund Spending	Total Non-Flex Focus Spending	Total Expenditures	Percent of Non-Flex Focus Spending
2004	10,302,712	464,020	2,560,156	3,024,176	13,326,888	23%
2005	9,004,365	339,517	3,105,592	3,445,109	12,449,474	28%
2006	9,283,271	669,360	3,103,314	3,772,674	13,055,945	29%

Source: Staff compilation using annual financial reports from KDE; Bureau of Labor Statistics.

## Appendix B

### School District Participation in the Flexible Focus Fund Program: FY 2003-FY 2007

FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Bowling Green Ind.	Ashland Ind.	Boone County	Anchorage Ind.	Anchorage Ind.
Bracken County	Barbourville Ind.	Calloway County	Ashland Ind.	Ashland Ind.
Bullitt County	Bath County	Clark County	Barbourville Ind.	Augusta Ind.
Clark County	Boone County	Corbin Ind.	Bardstown Ind.	Bardstown Ind.
Clay County	Boyd County	Crittenden County	Bath County	Bath County
Cloverport Ind.	Boyle County	Cumberland County	Beechwood Ind.	Beechwood Ind.
Corbin Ind.	Breathitt County	Elizabethtown Ind.	Boone County	Bowling Green Ind.
Cumberland County	Burgin Ind.	Eminence Ind.	Bowling Green Ind.	Boyd County
Dawson Springs Ind.	Carter County	Erlanger-Elsmere Ind.	Boyd County	Boyle County
Elizabethtown Ind.	Casey County	Fairview Ind.	Bracken County	Bracken County
Estill County	Clark County	Fleming County	Caldwell County	Caldwell County
Fairview Ind.	Corbin Ind.	Frankfort Ind.	Campbell County	Carter County
Fort Thomas Ind.	Crittenden County	Grant County	Carter County	Clark County
Garrard County	Cumberland County	Graves County	Clark County	Clinton County
Grayson County	Edmonson County	Grayson County	Corbin Ind.	Corbin Ind.
Greenup County	Elizabethtown Ind.	Hancock County	Crittenden County	Crittenden County
Harrison County	Estill County	Hardin County	Cumberland County	Edmonson County
Jackson County	Fairview Ind.	Harlan County	Danville Ind.	Elizabethtown Ind.
Kenton County	Fayette County	Harrison County	Dayton Ind.	Fleming County
Logan County	Fleming County	Hart County	East Bernstadt Ind.	Frankfort Ind.
Muhlenberg County	Frankfort Ind.	Hazard Ind.	Elizabethtown Ind.	Franklin County
Owensboro Ind.	Fulton Ind.	Henry County	Erlanger-Elsmere Ind.	Fulton County
Pike County	Grant County	Jackson County	Fairview Ind.	Garrard County
Russell Ind.	Grayson County	Jefferson County	Fayette County	Graves County
Spencer County	Green County	Kenton County	Frankfort Ind.	Grayson County
Washington County	Greenup County	LaRue County	Franklin County	Harlan County
Whitley County	Hancock County	Marshall County	Fulton County	Harrison County
	Harlan County	Nicholas County	Fulton Ind.	Henry County
	Harrison County	Ohio County	Garrard County	Hopkins County
	Hart County	Owensboro Ind.	Grant County	Jefferson County
	Henderson County	Paducah Ind.	Grayson County	Jessamine County
	Henry County	Perry County	Hancock County	Johnson County
	Jackson County	Pike County	Harlan County	Kenton County
	Jefferson County	Russell County	Hart County	Knox County
	Jessamine County	Russell Ind.	Hazard Ind.	Laurel County
	Kenton County	Russellville Ind.	Henry County	Logan County
	Knox County	Spencer County	Hopkins County	Madison County
	LaRue County	Trimble County	Jackson County	Marshall County
	Logan County	Washington County	Jefferson County	McCreary County
	Lyon County	Whitley County	Jessamine County	Menifee County
	Madison County		Kenton County	Middlesboro Ind.
	Marshall County		Knox County	Nicholas County
	Mason County		LaRue County	Ohio County
	Menifee County		Logan County	Paintsville Ind.

## School District Participation in the Flexible Focus Fund Program (continued)

<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
	Montgomery County		Madison County	Perry County
	Muhlenberg County		Martin County	Pike County
	Murray Ind.		McLean County	Pikeville Ind.
	Nicholas County		Murray Ind.	Rowan County
	Ohio County		Nicholas County	Russell County
	Oldham County		Ohio County	Russell Ind.
	Owensboro Ind.		Owensboro Ind.	Russellville Ind.
	Paintsville Ind.		Paducah Ind.	Science Hill Ind.
	Pendleton County		Paintsville Ind.	Trigg County
	Perry County		Pendleton County	Trimble County
	Pike County		Perry County	Whitley County
	Pulaski County		Pike County	Williamsburg Ind.
	Raceland Ind.		Pikeville Ind.	
	Robertson County		Russell County	
	Rowan County		Russell Ind.	
	Russell County		Russellville Ind.	
	Russell Ind.		Silver Grove Ind.	
	Russellville Ind.		Spencer County	
	Shelby County		Trigg County	
	Trigg County		Trimble County	
	Union County		Union County	
	Washington County		Whitley County	
	Whitley County		Williamsburg Ind.	
	Williamsburg Ind.		Wolfe County	

## Appendix C

### Flexible Focus Fund Allocation Shift Summary

Appendix C summarizes the districts' allocations, final budgets, and funding shifts for the five Flex Focus grants from FY 2003 through FY 2007. The tables in the appendix also report the smallest and largest (minimum and maximum) district allocation, budget, and funding shift data. To show the average district's allocation and funding shift, both average and median statistics are reported. Because there are wide deviations in districts' allocations and Flex Focus shifts, the median data provide the best illustration of the average district's funding and use of reallocation shifts.

**Table C.1**  
**District-level Funding Activity for Extended School Services:**  
**FY 2003-FY 2007**

	<b>KDE Allocation</b>	<b>District Final Budget</b>	<b>Funding Shifts</b>
<b>2003 Total</b>	4,894,254	4,094,830	799,424
Minimum	15,000	15,000	-
Maximum	563,100	512,141	50,959
Average	181,269	151,660	29,608
Median	151,693	134,505	17,188
<b>2004 Total</b>	17,203,756	14,909,681	2,294,075
Minimum	19,760	-	19,760
Maximum	4,971,401	4,496,157	475,244
Average	252,996	219,260	33,736
Median	130,057	114,611	15,446
<b>2005 Total</b>	6,767,742	7,618,668	(850,926)
Minimum	15,000	-	15,000
Maximum	2,891,887	3,825,014	(933,127)
Average	169,194	190,467	(21,273)
Median	74,079	75,567	(1,488)
<b>2006 Total</b>	16,062,884	14,086,450	1,976,434
Minimum	15,000	-	15,000
Maximum	4,665,188	5,363,508	(698,320)
Average	236,219	207,154	29,065
Median	106,723	93,712	13,011
<b>2007 Total</b>	13,751,412	13,006,275	745,137
Minimum	15,000	-	15,000
Maximum	4,934,747	5,823,874	(889,127)
Average	245,561	232,255	13,306
Median	133,787	113,461	20,326

Sources: Staff compilation using Kentucky Department of Education grant allocation data and final budget data provided by school districts.

**Table C.2**  
**District-level Funding Activity for Preschool:**  
**FY 2003-FY 2006**

	<b>KDE Allocation</b>	<b>District Final Budget</b>	<b>Funding Shifts</b>
<b>2003 Total</b>	6,615,169	7,028,168	(412,999)
Minimum	55,340	51,023	4,317
Maximum	934,170	1,306,693	(372,523)
Average	245,006	260,303	(15,296)
Median	178,544	182,464	(3,920)
<b>2004 Total</b>	23,328,829	23,877,644	(548,815)
Minimum	-	-	-
Maximum	6,630,505	7,574,047	(943,542)
Average	343,071	351,142	(8,071)
Median	174,421	185,583	(11,162)
<b>2005 Total</b>	17,862,086	18,699,569	(837,483)
Minimum	-	-	-
Maximum	7,247,339	7,628,667	(381,329)
Average	446,552	467,489	(20,937)
Median	147,057	166,649	(19,592)
<b>2006 Total</b>	24,422,263	26,036,276	(1,614,013)
Minimum	-	-	-
Maximum	7,494,281	7,623,049	(128,768)
Average	359,151	382,886	(23,735)
Median	146,339	165,748	(19,409)

Sources: Staff compilation using Kentucky Department of Education grant allocation data and final budget data provided by school districts.

**Table C.3**  
**District-level Funding Activity for Professional Development:**  
**FY 2003-FY 2007**

	<b>KDE Allocation</b>	<b>District Final Budget</b>	<b>Funding Shifts</b>
<b>2003 Total</b>	2,024,267	2,195,957	(171,690)
Minimum	5,624	5,623	1
Maximum	257,998	361,595	(103,597)
Average	74,973	81,332	(6,359)
Median	54,660	59,321	(4,661)
<b>2004 Total</b>	6,971,380	6,470,694	500,686
Minimum	7,872	8,155	(283)
Maximum	1,812,954	1,383,874	429,080
Average	102,520	95,157	7,363
Median	52,780	51,790	990
<b>2005 Total</b>	4,822,983	3,801,695	1,021,288
Minimum	11,035	-	11,035
Maximum	1,878,286	1,375,703	502,583
Average	120,575	95,042	25,532
Median	51,303	46,845	4,458
<b>2006 Total</b>	6,687,374	6,726,610	(39,236)
Minimum	6,384	4,554	1,830
Maximum	1,886,450	1,748,671	137,779
Average	98,344	98,921	(577)
Median	46,837	49,122	(2,285)
<b>2007 Total</b>	5,663,937	5,484,110	179,827
Minimum	5,699	-	5,699
Maximum	1,900,065	1,830,963	69,102
Average	101,142	97,931	3,211
Median	54,893	59,490	(4,597)

Sources: Staff compilation using Kentucky Department of Education grant allocation data and final budget data provided by school districts.

**Table C.4**  
**District-level Funding Activity for Textbooks:**  
**FY 2003-FY 2007**

	<b>KDE Allocation</b>	<b>District Final Budget</b>	<b>Funding Shifts</b>
<b>2003 Total</b>	3,389,494	3,412,466	(22,972)
Minimum	9,311	9,311	-
Maximum	420,171	388,203	31,968
Average	125,537	126,388	(851)
Median	94,709	102,535	(7,826)
<b>2004 Total</b>	-	731,002	(731,002)
Minimum	-	-	-
Maximum	-	141,816	(141,816)
Average	-	10,750	(10,750)
Median	-	-	-
<b>2005 Total</b>	7,891,054	6,878,142	1,012,912
Minimum	20,393	14,400	5,993
Maximum	3,100,382	2,296,990	803,392
Average	197,276	171,954	25,323
Median	81,525	87,232	(5,707)
<b>2006 Total</b>	11,055,543	10,427,004	628,539
Minimum	9,138	-	9,138
Maximum	3,128,105	2,560,104	568,001
Average	162,582	153,338	9,243
Median	75,048	74,149	899
<b>2007 Total</b>	9,071,251	8,784,325	286,926
Minimum	9,768	-	9,768
Maximum	3,034,357	2,214,332	820,025
Average	161,987	156,863	5,124
Median	87,083	103,515	(16,432)

Sources: Staff compilation using Kentucky Department of Education grant allocation data and final budget data provided by school districts.

**Table C.5**  
**District-level Funding Activity for Safe Schools:**  
**FY 2003-FY 2007**

	<b>KDE Allocation</b>	<b>District Final Budget</b>	<b>Funding Shifts</b>
<b>2003 Total</b>	1,547,755	1,677,819	(130,064)
Minimum	22,833	-	22,833
Maximum	147,766	248,000	(100,234)
Average	57,324	62,141	(4,817)
Median	47,239	55,823	(8,584)
<b>2004 Total</b>	4,520,417	5,082,854	(562,437)
Minimum	23,505	-	23,505
Maximum	845,063	818,754	26,309
Average	66,477	74,748	(8,271)
Median	43,980	47,767	(3,787)
<b>2005 Total</b>	2,710,985	3,238,703	(527,718)
Minimum	24,574	23,679	895
Maximum	766,960	846,960	(80,000)
Average	67,775	80,968	(13,193)
Median	40,202	43,895	(3,693)
<b>2006 Total</b>	4,202,148	5,233,094	(1,030,946)
Minimum	22,302	18,028	4,274
Maximum	820,503	846,960	(26,457)
Average	61,796	76,957	(15,161)
Median	39,708	44,806	(5,098)
<b>2007 Total</b>	3,575,931	5,016,193	(1,440,262)
Minimum	22,496	-	22,496
Maximum	845,919	845,919	-
Average	63,856	89,575	(25,719)
Median	43,709	58,611	(14,902)

Sources: Staff compilation using Kentucky Department of Education grant allocation data and final budget data provided by school districts.



## Appendix D

### Office of Education Accountability Review of the Flexible Focus Fund Program Survey of Superintendents and Finance Officers

The General Assembly has directed the Office of Education Accountability (OEA) to conduct a study of the Flexible Focus Fund Program (FFF) to determine how school districts are using the program and to analyze the nature of funding redistributions districts are making. The FFF Program was created by the General Assembly and was implemented with the FY 2004 state budget. It allows school districts to shift budget allocations among Extended School Services, Preschool, Professional Development, Textbooks, and Safe Schools. Program rules require that districts continue to serve the intended populations and that they comply with the programs' governing statutes and regulations.

We are sending this email to Superintendents, and copying Finance Officers and others responsible for fiscal policies to ask for your help in providing us with your Flex Focus budgets and in understanding district policy. **This is a very brief questionnaire and it should not take more than a few minutes to complete!** We are asking that Superintendents answer questions 2 through 9, and that Superintendents collaborate with their financial staff to answer question 1. Once you are ready to submit your response, please respond to this email by clicking "Reply" and filling in the answers to the questions listed below. In order for OEA to meet its report deadline, **please respond by March 9, 2007.**

1. Please insert your district's final Flex Focus budgets in the empty cells below. Instructions on pulling the data are provided at the bottom of the table. Please remember to enter your district number in the top right table cell.

**Flex Focus Fund Final Budgets FY 2003–FY 2007**

Fund 2 Revenue Budget	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Extended School Services					
KERA Preschool					
Professional Development					
Textbooks					
Safe Schools					

**Instructions for providing FFF final budget data.** This will reflect any shifting of funds for the FFF program:

- Use the project budget report menu to pull the final budget data.
- Do a seg-find on Fund 2, org code 220, object code 3200, and attach the project number for each grant.
- Project codes: ESS: 120X; Preschool: 135X; Professional Development: 140X; Textbooks: 160X; Safe Schools: 168X. The X represents the last digit of the Fiscal Year.

2. If your district does not participate in the Flex Focus Program, why not?

If your district does not participate in the Flex Focus Program, **skip to question 6.**

3. If your district has made only limited use of the Program (i.e. not in all years, and/or small reallocation amounts) please indicate why your district has not made greater use of the program.

4. KDE recommends that districts use one of the following two fund allocation methods:

Method #1: The district begins with its Flex Focus allocation and sets aside a small percentage for district-wide needs (e.g. district level PD) as well as the total allocation for Preschool services. The remainder is used to determine a Flex Focus Fund allocation for each school in the district. (Note: Safe Schools money may be allocated at the district or the school level).

Method #2: The district determines, exclusively at the district level, how much funding is required in each program to provide needed services. The district then allocates an appropriate amount to each program based on needs. This method more closely aligns with the former grant allocation process, except that the district determines the allocation, rather than the state making the determination.

Which allocation method does your district use?

If your district does not use one of the allocation methods listed above, please explain your district's Flex Focus Fund allocation procedures.

5. Has the Flex Focus Program helped your district better meet its program needs?

Yes

No

Additional Comments

6. The authority for the Flex Focus Program is currently in budget language, which must be renewed each budget cycle. Do you favor permanent authority for the Flex Focus Program?

Yes

No

Additional Comments

7. If Flex Focus funds were made part of the SEEK allocation formula, would this change enhance your district's ability to meet local program needs?

Yes

No

Additional Comments

8. Please attach to this email a copy of your district's adopted policies and procedures for the Flexible Focus Fund distribution process.

9. Whom should we contact if we have questions regarding your responses?

Contact:

Phone:

Email:

If you have any questions about this survey, please contact:

Sabrina Olds at (502) 564-8167 or email [sabrina.olds@lrc.ky.gov](mailto:sabrina.olds@lrc.ky.gov) or

Jo Ann Ewalt at (502) 564-8167 or email [joann.ewalt@lrc.ky.gov](mailto:joann.ewalt@lrc.ky.gov)

Thank you. We appreciate your assistance in analyzing the Flexible Focus Fund Program.





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**Kevin M. Noland**  
Interim Commissioner of Education

**MEMORANDUM**

TO: Marcia Seiler, Director  
Office of Education Accountability

FROM: Kevin M. Noland, Interim Commissioner  
Kentucky Department of Education

DATE: June 15, 2007

SUBJECT: Review of the Flexible Focus Fund

Thank you for providing the department the opportunity to review and respond to your study of the flexible focus funds. The General Assembly has provided districts flexibility to use these categorical funds to meet the needs of local districts. Although it has not been used widely, the response from superintendents (87%) favoring permanent statutory authority is a testament to its popularity. Although superintendents (74%) do not favor distributing these categorical funds through SEEK, I believe we should work with districts to further explore this option, especially for funding the preschool program.

**Recommendation 1**

**If the General Assembly chooses to continue to allow districts flexibility in shifting funds among the five grants, including authorization in statute would increase the consistency of the Flex Focus program.**

**Recommendation 2**

**If the General Assembly authorizes the Flex Focus program in statute, KDE will be required to issue an implementing regulation. Even if the authorization is continued through budget language, KDE should review its guidelines and make appropriate changes and updates.**

**Recommendation 3**

**KDE should monitor districts' expenditures for Flex Focus grants to ensure that agency spending guidelines are being followed.**

The department is developing a plan where all programs included in the Flexible Focus Grant will be administered and monitored by one person in the Division of Budgets. That person will be responsible for the calculations as well as for collaborating with the department program contact to be sure the funding matrix indicates the allowable and non-allowable spending codes. The budget contact will then monitor the expenditure reports throughout the school year and will work with the district program contact or district finance officer if any adjustments are necessary.

#### **Recommendation 4**

**KDE should monitor districts' AFR data to ensure final budgets for Flexible Focus grants are reported correctly. Enhanced training of local district personnel may improve performance in this area. KDE should enforce its requirement that districts submit electronic quarterly reports on grant budget and expenditure data.**

*As stated in Recommendation 3, the department budget contact will be responsible for ensuring all expenditure reports are submitted on a timely basis. Payment for the Flex Focus Grant is made on a quarterly basis and the department is developing a plan whereby quarterly payments will be held if proper documentation is not submitted.*

#### **Recommendation 5**

**KDE should maintain current records of state grant allocations and should post updated allocation data on its web site in a timely manner.**

*The department has posted the tentative state and federal allocations on the web at the beginning of the school year. The department will now post revised state and federal allocations as any changes are made during the year to the state and federal allocations. We are also working closely with Jon Akers, Center for School Safety, to ensure reports for Safe Schools are submitted in a timely manner.*

#### **Recommendation 6**

**KDE should provide expenditure guidelines to districts regarding the safe schools grant. In addition, KDE should require districts to include the safe schools grant in their required quarterly reports to the department. KDE should review districts' quarterly reports to ensure that the total allocation for the five Flex Focus grants matches districts' total budgets for these five programs.**

*The department has been working closely with Jon Akers, Center for School Safety, to include Safe Schools in the funding matrix that is posted on the web. The department will send updated information to the district finance officers indicating all changes being made to the Flex Focus grant procedures.*

#### **Recommendation 7**

**The Center for School Safety should require school districts to submit end of fiscal year final budgets for the school safety grant so reallocations into and out of the grant can be determined. The center should also request expenditure data that show how districts are spending the grant funds.**

*The department will monitor the expenditure reports and will work closely with the Center for School Safety if adjustments are necessary.*

**Recommendation 8**

**KDE should require the Center for School Safety to include in the center’s annual report a review of school districts’ initial grant allocations, final budgets, and expenditures. The expenditure data should be at a sufficient level of detail to allow for an evaluation of the safe schools grant.**

*The department agrees.*

**Recommendation 9**

**KDE should monitor district quarterly reports to ensure that districts comply with the 10 percent carry forward limitation, and should instruct districts to spend prior year funds within the next fiscal year.**

*The department budget contact for the Flex Focus grant will be responsible for maintaining a spreadsheet for each of the five grants in order to monitor the 10% carry forward amount. KDE will adjust the next year’s district allocation by reducing the allocation by any amount above the 10%. This information will be communicated to the district finance officers with the updated instructions for the Flex Focus grant procedures.*

**Recommendation 10**

**If it is the intent of the General Assembly that appropriations for the Flex Focus grants are spent in support of these grant purposes, the legislature may wish to consider statutory language that would permit KDE to utilize carry forward funds in excess of 10 percent to support the goals of the originating grants.**

*The department agrees.*

**Recommendation 11**

**KDE should review its criteria for establishing per-pupil allotments for professional development to ensure that the funding level adequately reflects teaching and learning objectives of Kentucky’s educational system.**

*The department will review the per-pupil allotment for professional development and the state regulations to determine whether changes could be made to improve support for high quality professional development. Currently, the professional development programs of schools failing to meet their accountability goals and designated in need of assistance are considered during scholastic audits and scholastic reviews and recommendations are provided.*

**Recommendation 12**

**If it is the intent of the General Assembly that increases in budget allocations for professional development will result in corresponding increases in PD funding to districts and schools, the General Assembly may wish to instruct KDE through statute or budget language that per-pupil funding levels must increase when overall allocations increase.**

*The department expends the retained funds to support quality professional development for school district employees.*

**Recommendation 13**

**In addition to enforcing its requirement that districts submit quarterly electronic financial reports for Flex Focus grants (see Recommendations 2 and 5), KDE should use districts' final allocation data on the June 30 quarterly report to enforce the 65 percent rule for professional development grant allocations to local schools found in KRS 160.345(8).**

*The department has indicated to districts to set their professional development allocation based on their first quarter (September 30<sup>th</sup>) report and not their last quarter. KRS 160.345 (8) refers to the schools receiving 65% of the state allocation for professional development. Once a district has allocated 65% to schools, any additional money moved into the professional development grant under the Flexible Focus language has not been subject to the 65% rule.*