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Executive Summary of

Local Education Agency Race to the Top Expenditures

An Analysis of Fund Use and
Expenditure Patterns

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LOCAL EDUCATION AGENCY RACE TO THE TOP EXPENDITURES: AN ANALYSIS OF FUND USE AND EXPENDITURE PATTERNS

Executive Summary

In 2010, North Carolina was awarded \$399,465,769 from the federal Race to the Top (RttT) competition to fund state and local educational reform. States receiving RttT funds were required to allocate half of the funds to participating local education agencies (LEAs) and eligible charter schools. North Carolina pooled locally-allocated funds, totaling \$34,639,376, to provide a computing infrastructure to serve local needs statewide, referred to as the North Carolina Education Cloud (NCEdCloud). LEAs were required to contribute, on a prorated basis, funds from their local allocations to this project, after which the amount allocated directly to LEAs (including eligible charter schools) was \$165,360,624. The purpose of the direct allocation of funds to North Carolina LEAs was to provide them with resources to support statewide RttT initiatives locally and to allow LEAs flexibility in crafting their own plans to achieve the objectives of RttT. LEAs pursued multiple strategies for spending their first two years of RttT funds. In 2010-11, LEA RttT expenditures totaled \$12,617,032 or approximately \$11.92 per pupil. In 2011-12, LEA RttT expenditures totaled \$58,745,648 or approximately \$40.18 per pupil.

The initial report on LEA RttT expenditures¹ provided information on the amount of RttT funds that were allocated to LEAs and participating charter schools, as well as an historical analysis of the equity of funding expended by LEAs (Houck 2012). This second report on local expenditures of RttT funds has three purposes: (1) to review the findings on local expenditures with an additional year of data and more sophisticated coding and expenditure-tracking techniques; (2) to investigate patterns of local expenditures of RttT funds across time and by purpose; and (3) to report on progress of the NCEdCloud, for which LEAs contributed a portion of their RttT funds. Data for this report include expenditure data provided by the North Carolina Department of Public Instruction (NCDPI), detailed scopes of work (DSWs) submitted by LEAs and participating charter schools and approved by NCDPI, and survey and interview responses from LEA and charter school officials.

Key Findings

1. Statewide, the top four local expenditures of RttT funds from 2010-11 through 2011-12 were for classroom instruction (56.5%), instructional support (22.9%), school leadership (8.1%), and professional development (7.4%), together totaling \$69,002,697, or 94.9% of all RttT local expenditures. For the same time period and across all expenditure categories, the top four purposes for which the expenditures were used were: technology (44.9%), contracted services (13.6%), bonus/supplement/ extra-duty pay (12.3%), and instructional personnel (10.1%), which together totaled \$58,871,178, or 80.9% of all RttT expenditures.
2. Consistent with LEA and charter school DSWs, the primary expenditures associated with RttT were for technology and professional development. According to DSWs, interviews,

¹ *Local Education Agency Race to the Top Expenditures: An Initial Analysis*; http://cerenc.org/wp-content/uploads/2011/11/NC-RttT_Local-spending-baseline_9-4-12.pdf

and survey responses, technology expenditures focused on two main areas: (1) The North Carolina 1:1 Learning Technology Initiative, in which every student and teacher has access to her or his own computer to support 21st century teaching and active learning; and (2) achieving the capacity to administer real-time on-line student assessments, which will be needed to fully realize the benefits of the assessments being developed for the Common Core and Essential Standards. Professional development expenditures were focused primarily on preparing to implement the Common Core and Essential Standards.

3. LEA school finance officers reported using RttT local funds to support new or innovative RttT-inspired practices in their LEAs. Seventy-five percent of responding school finance officers (SFOs) reported using local funds to support the development of innovative new programs, while 21% reported using RttT local funds to provide additional funding to previously implemented innovations. Reflecting the difficult fiscal environment faced by public educators, 25% of responding SFOs used RttT local funds to continue the funding of innovative programs threatened by budget cuts.
4. Actual RttT expenditures compared to the projected costs of implementing the local DSWs present three distinct patterns. Thirty-seven LEAs (33%) and four charters (36%) are on track with their yearly spending to meet the spending goals of their DSWs by the end of RttT. Twenty-eight LEAs (25%) and one charter (9%) have spent their RttT allocation at a faster pace than that projected by their 2010-12 DSWs, suggesting that these LEAs and charter schools have remaining RttT funds that fall short of their projected 2012-13 and 2013-14 expenditures. Forty-seven LEAs (42%) and six charters (55%) have spent at a slower pace than their projected 2010-12 expenditure levels and have remaining RttT funds that exceed their remaining projected RttT expenditures.
5. LEAs that expended over 40% of their total RttT allotments in one year—whether in 2010-11 or 2011-12—primarily did so on technology. In 2010-11, eleven of twelve LEAs that expended over 40% of their annualized RttT allotment averaged 90.2% of that spending on technology. In 2011-12, 36 of 45 LEAs that expended over 40% of their annualized RttT allotment averaged 56.5% of that spending on technology.
6. LEAs expended a majority of their funds at the central office level. These expenditures accounted for \$50,599,366 (70.4%) of 2010-12 local RttT expenditures. In 2010-11 and 2011-12, 53 and 33 LEAs expended the entirety of their RttT expenditures at the central office level, respectively. Twenty-three of those LEAs had no school-level expenditures in either year of implementation. Technology accounted for \$27,013,744 (53.4%) of central office expenditures. Professional development-related expenses accounted for approximately \$10 million (19.8%) of central office expenditures. Given the predominance of these two expenditures, LEAs may be purchasing goods and services centrally and then allocating them to schools.
7. School-level expenditures accounted for \$21,266,835 (29.6%) of all RttT local expenditures. For those LEAs that expended funds at the school level, the average amount expended at each school was \$23,442, with a high of \$295,395 and a low of \$91. The predominant expenditure categories were for technology and bonus/supplement/extra-duty pay associated with professional development activities.
8. Patterns of spending of RttT funds—defined by category, yearly spending levels, LEA-versus school-level spending, and support funding—do not show a statistically discernible

difference across LEAs by initial 2010 performance levels. In other words, the expenditure patterns in lower-performing LEAs are similar to those of higher-performing LEAs.

Recommendations

- *Require updated DSWs for select LEAs and Charters:* LEAs and charters that have under- or over-expended RttT funds according to their RttT expenditure projections in the most recent approved DSWs (typically Fall 2012) should submit revised DSWs that account for the surplus/deficit in their remaining RttT expenditure plans. This requirement should include those LEAs and charters that are not in the 95%-105% range of projected RttT expenditures for 2012-14 (see Table 7, main report text). It is important to note that this updating already may have occurred in some DSWs, as the updating of the DSWs is a continuous process and data in this report reflect only a point in time in Fall of 2012.
- *Include additional program report codes that align with the main RttT initiatives:* The vision set forth by the U.S. Department of Education to ensure college- and career-ready students focused on four pillars of reform: Great teachers and leaders; Standards and assessments; Turning around the lowest-achieving schools; and Data systems to support instruction. While the definitions and coding structure of expenditure categories used in the DSWs are well aligned with the pillars of the RttT initiative, they are difficult to replicate through coding of the annual financial reports using the current chart of accounts. Traditionally defined expenditure categories can encompass expenditures across multiple RttT pillars. A supplemental coding structure for the DSWs in the context of the current chart of accounts may help align implementers', evaluators', managers', and the public's understanding of how RttT funds are expended locally. One possible approach is to include a separate program report code for each pillar similar to the program report codes used for local support of statewide RttT initiatives. However, the benefits of the additional codes should be weighed against the cost of implementation. Providing additional layers of budget coding may affect the consistency of budget categorization across LEAs.
- *Develop a systematic categorization of professional development-related expenditures:* The accurate categorization of professional development expenditures presents challenges. Because costs associated with professional development can be apportioned to various parts of the budget, it is difficult to determine its true cost. Findings from this report suggest that some expenditures for professional development activities may have been sorted into other categories in a number of LEAs. The Evaluation Team suggests that a framework for assessing the actual local RttT expenditures for professional development activities be constructed through the use of a separate purpose code. As with the previous recommendation, the addition of such a code may provide further insight into the expenditures on professional development, but only in as much as the additional categorizations do not affect the consistency of coding across LEAs.

Next Steps for the Local Expenditures Evaluation

This report evaluates how LEAs spent RttT funds along three dimensions: category, year, and level. The report describes differences in expenditures by broad policy-relevant categories (such as classroom instruction and instructional support) and by the object or goods or services purchased by the funding (such as technology or contractual services). The report also describes

the variations in local expenditures based on LEAs' actual annual spending, comparisons of that spending to their spending plans, and the extent to which spending is done at the school or central office level. In addition to providing a description of LEA and charter school expenditure patterns, the analysis of expenditures lays the groundwork for our investigation of the relationship between local expenditures and student performance. In future reports, the Evaluation Team will investigate the extent to which:

1. Expenditure priorities of the LEAs as defined by the amounts expended in 14 policy-relevant categories² are associated with better student outcomes;
2. Expenditure priorities of the LEAs as defined by the amounts expended for various types of goods and services are associated with better student outcomes;
3. Expending more funds earlier in the grant period is associated with better student outcomes, relative to expending funds consistent with the LEA-planned expenditures; and
4. Expending more of the RttT funds at the school level, which may reflect using the funds in ways that are more tailored to individual school needs, or expending more of the RttT funds at the central office, which may reflect improved purchasing power or more LEA-level strategies, is associated with better student outcomes.

The remainder of the project period also will consider an expansion of the scope of work with consultation and feedback from NCDPI. Two evaluation components will be considered for addition:

1. *Conduct case studies:* Understanding how LEAs and charters expend funds through the classification and aggregation of RttT-related expenditures is an important aspect of the evaluation. However, estimating initiative effects through the broad application of expenditure categorization may be limited. The implicit assumption is that identical expenditures will have similar effects. The reality is that the quality of the goods and services purchased within the categories may vary significantly across LEAs. For example, \$100,000 expended on professional development in one LEA may be of higher quality than the same expenditure in another LEA and subsequently may affect outcomes differently. The current coding structure cannot capture this difference in quality. While the Evaluation Team will continue to improve the interview protocol and the survey instrument to provide a deeper understanding of the context surrounding RttT fund use and implementation, there remains an opportunity to understand better the nuances of local expenditures. Since this one area accounts for half of all RttT expenditures, the Team suggests that several case studies be added to the current scope of work, using selection criteria developed with the help of the Financial and Business Services Department at NCDPI. The Team also plans to coordinate this work in conjunction with other RttT initiative evaluation projects that already are conducting case studies.
2. *Expand the technology evaluation:* Demonstrated by the nearly \$67.3 million of local and NCEdCloud expenditures, technology is a main strategy of most local expenditure plans. While it is premature to discuss the impact these expenditures have on student outcomes, there are both short- and long-term considerations. A more extensive evaluation plan will be

² Codes were generated by evaluators prior to RttT implementation. The categories focus primarily on grouping related purpose codes from the NCDPI chart of accounts. See Table 1 (main text) and Appendix A for the full list.

developed to examine how technology is being implemented in the classroom as well as what type and to what extent staff development supports incorporation of technology into instructional practices. This plan also will evaluate the alignment between RttT technology-related expenditures and the strategies set forth by the North Carolina Learning Technology Initiative (NCLTI). This evaluation strategy will allow evaluators to better assess the impact of technology by understanding the variations in how it is supported and used locally. Finally, the evaluation will consider the extent to which technology has been or can be effectively deployed and utilized in those LEAs and charter schools that have not engaged in large technology initiatives, and how technology initiatives in the LEAs that have expended RttT funds can be sustained.

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