



PERFORMANCE AUDIT REPORT

K-12 Education: Reviewing Free-Lunch Student Counts Used as the Basis for At-Risk Funding, Part II

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
December 2006**

Legislative Post Audit Committee

Legislative Division of Post Audit

THE LEGISLATIVE POST Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$11 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U.S. Government Accountability Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the Representatives, three are appointed by the Speaker of the House and two are appointed by the Minority Leader.

Audits are performed at the direction of the Legislative Post Audit Committee. Legislators

or committees should make their requests for performance audits through the Chairman or any other member of the Committee. Copies of all completed performance audits are available from the Division's office.

LEGISLATIVE POST AUDIT COMMITTEE

Senator Les Donovan, Chair
Senator Anthony Hensley
Senator Nick Jordan
Senator Derek Schmidt
Senator Chris Steineger

Representative John Edmonds, Vice-Chair
Representative Tom Burroughs
Representative Peggy Mast
Representative Bill McCreary
Representative Tom Sawyer

LEGISLATIVE DIVISION OF POST AUDIT

800 SW Jackson
Suite 1200
Topeka, Kansas 66612-2212
Telephone (785) 296-3792
FAX (785) 296-4482
E-mail: LPA@lpa.state.ks.us
Website:
<http://kslegislature.org/postaudit>
Barbara J. Hinton, Legislative Post Auditor

The Legislative Division of Post Audit supports full access to the services of State government for all citizens. Upon request, Legislative Post Audit can provide its audit reports in large print, audio, or other appropriate alternative format to accommodate persons with visual impairments. Persons with hearing or speech disabilities may reach us through the Kansas Relay Center at 1-800-766-3777. Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.



LEGISLATURE OF KANSAS
LEGISLATIVE DIVISION OF POST AUDIT

800 SOUTHWEST JACKSON STREET, SUITE 1200
TOPEKA, KANSAS 66612-2212
TELEPHONE (785) 296-3792
FAX (785) 296-4482
E-MAIL: lpa@lpa.state.ks.us

December 8, 2006

To: Members, Legislative Post Audit Committee

Senator Les Donovan, Chair	Representative John Edmonds, Vice-Chair
Senator Anthony Hensley	Representative Tom Burroughs
Senator Nick Jordan	Representative Peggy Mast
Senator Derek Schmidt	Representative Bill McCreary
Senator Chris Steineger	Representative Tom Sawyer

This report contains the findings, conclusions, and recommendations from our completed performance audit, *K-12 Education: Reviewing Free-Lunch Student Counts as the Basis for At-Risk Funding, Part II*.

The report also contains an appendix showing the funding basis for at-risk services used in 41 of the 50 States.

The report includes several recommendations for the Department of Education. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

Barbara J. Hinton
Legislative Post Auditor

Get the Big Picture

Read these Sections and Features:

1. **Executive Summary** - an overview of the questions we asked and the answers we found.
2. **Conclusion and Recommendations** - are referenced in the Executive Summary and appear in a box after each question in the report.
3. **Agency Response** - also referenced in the Executive Summary and is the last Appendix.

Helpful Tools for Getting to the Detail 🔍

- In most cases, an “**At a Glance**” description of the agency or department appears within the first few pages of the main report.
- **Side Headings** point out key issues and findings.
- **Charts/Tables** may be found throughout the report, and help provide a picture of what we found.
- **Narrative text boxes** can highlight interesting information, or provide detailed examples of problems we found.
- **Appendices** may include additional supporting documentation, along with the audit **Scope Statement** and **Agency Response(s)**.

EXECUTIVE SUMMARY
LEGISLATIVE DIVISION OF POST AUDIT

Overview of At-Risk Services and State At-Risk Funding

Free-lunch counts are used to determine the amount of State funding each district receives for at-risk services, but districts decide which students need those services. page 3
The Department provides the districts with guidelines for identifying at-risk students, but every school district develops its own criteria for identifying students who are “at risk” of failing academically and need additional services. Since 1992, the State has provided funding for at-risk services based on the number of students who are eligible for free lunches under the National School Lunch Program. However, the 2006 Legislature expanded the at-risk funding formula to include high density at-risk and non-proficient at-risk funding mechanisms. The State is projected to provide more than \$195 million in funding for at-risk services in 2006-07.

Question 1: How Does the Number of Free-Lunch Students in Kansas Compare With the Number of Students Who Receive At-Risk Services?

The Department doesn’t have a reliable count of students receiving at-risk services. page 7
Each year, the Department requires districts to report the number of students who receive State-funded, at-risk services. However, the Department hasn’t given school districts clear guidance about how they should report their at-risk students. Therefore, the counts of at-risk students that districts report to the Department each year aren’t uniform or consistent. Also, the number of students who receive State-funded, at-risk services may not be the most meaningful at-risk measure because it excludes at-risk students served by other funding sources, and it captures only students who receive services, not those that need services.

There’s little relationship between the students used to fund at-risk services and the number of students who receive at-risk services. page 9
Smaller districts generally provided at-risk services to fewer students than the number of free-lunch students counted for funding purposes, while larger district generally provided at-risk services to more students. For 12 of our 22 sample districts, fewer than half the students for whom districts received State at-risk funding also received at-risk services. Because the free-lunch count is only a proxy measure for the number of at-risk students, it’s not expected to be a one-to-one match with students receiving at-risk services.

Question 1 Conclusion page 11

Question 1 Recommendations page 11

Question 2: What Is the Basis for Funding At-Risk Services in Other States?

Almost all states use some measure of poverty as the basis for distributing at-risk funding. <i>Of the 41 states for which information was available, only one distributes at-risk funding based on the number of students who actually receive at-risk services. Some measure of poverty—primarily free- and reduced-price lunch counts—is used to distribute at-risk funding in 39 states. Ten states, including Kansas, distribute at-risk funding through a “poverty-plus” mechanism that combines a measure of poverty with additional at-risk indicators, such as low assessment scores.</i>page 12
Question 2 Conclusionpage 13
Appendix A: Scope Statementpage 14
Appendix B: Funding Basis for At-Risk Services Used in Other Statespage 16
Appendix C: Agency Responsepage 19

This audit was conducted by Katrin Osterhaus, Allen Bartels, and Dan Bryan. Scott Frank was the audit manager. If you need any additional information about the audit’s findings, please contact Ms. Osterhaus at the Division’s offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at LPA@lpa.state.ks.us.

K-12 Education: Reviewing Free-Lunch Student Counts Used as the Basis for At-Risk Funding

Since the State's school finance formula was passed in 1992, State funding for at-risk services has been distributed to school districts based on the number of students in each district that qualify for the federal free-lunch program. Funding for at-risk services has increased significantly in recent years. The 2005 Legislature nearly doubled the weighting factor for free-lunch students, bringing total at-risk funding Statewide to almost \$111 million for the 2005-06 school year.

In addition, the multi-year funding plan passed by the 2006 Legislature will more than double at-risk funding through the 2008-09 school year. As funding for at-risk services increases, the number of students who qualify for the free-lunch program becomes an increasingly important factor in the State's school finance formula.

Recently, legislators have seen information indicating the number of students districts report as eligible for the free-lunch program varies significantly from similar poverty estimates prepared by the U.S. Census Bureau. In addition, information compiled by the State Department of Education, as well as findings in the Legislative Post Audit cost study, indicate the number of students eligible for free lunch has little relationship to the number of students who actually receive at-risk services.

This information has raised concerns among some legislators about the validity of using the number of students qualifying for free lunch to measure poverty within each district, and for some it also calls into question the appropriateness of using free-lunch counts as the basis for distributing State at-risk funding.

This audit was conducted in two parts. Part I of this audit was issued in November 2006 and provided information about the accuracy of free-lunch counts and how they compare to poverty estimates developed by the U.S. Census Bureau. This report answers the following questions:

- 1. How does the number of free-lunch students in Kansas compare with the number of students who receive at-risk services?**
- 2. What is the basis for funding at-risk services in other states?**

For reporting purposes, we answered these questions in place of the third question of the original scope statement. To answer the

questions, we reviewed documents and interviewed officials from the Department of Education to understand the State's definitions for identifying and reporting at-risk students, and compared them to the at-risk identification and reporting definitions provided by a sample of 11 school districts. We requested a list of students receiving at-risk services from the sample school districts and compared them to data from the Department showing which students qualified for free lunches. Lastly, we surveyed other states and collected existing information to determine the basis for funding at-risk programs in other states.

A copy of the complete scope statement for the audit request approved by the Legislative Post Audit Committee is included in *Appendix A*.

In conducting this audit, we followed all applicable government auditing standards set forth by the U.S. Government Accountability Office, except that, because of time constraints, we didn't test the district's self-reported lists of students receiving at-risk services. We found no indication that the data were grossly or systematically wrong.

Our findings begin on page 7, following a brief overview of at-risk services provided and funding sources.

Overview of At-Risk Services and State At-Risk Funding

***Free-Lunch Counts
Determine the State's
Funding for
At-Risk Services, But
Districts Decide
Which Students
Need Those Services***

At-risk programs are part of a broad effort to provide additional services to students who aren't performing adequately in school. Districts provide additional services to these students in an attempt to help close the achievement gap. The most common types of at-risk services include the following:

- after-school activities, such as tutoring in reading and math
- special reading and math programs offered during regular school hours
- alternative school settings (primarily high schools)
- counseling services

Every school district develops its own criteria for identifying students who are “at risk” of failing academically and need additional services. Each year, the Department gives the districts guidelines for identifying at-risk students. The districts then can modify or expand the State's guidelines to develop their own criteria that address specific needs and issues within each district.

The Department's 2005-06 guidelines for identifying at-risk students included four criteria:

- the student isn't working on grade level
- the student isn't meeting the requirements to be promoted to the next grade
- the student isn't meeting the requirements to graduate from high school
- the student has to repeat a grade level

Figure OV-1 on the next page compares the 2005-06 at-risk criteria used in 11 sample districts. As the figure shows:

- The at-risk criteria used by each district vary substantially, and no two districts in the sample used exactly the same criteria.
- Nine of the 11 districts included each of the four State-recommended criteria in their criteria.
- Each of the 11 districts created additional criteria to meet their specific issues. These included both school-related factors (e.g., failing State assessments, frequently absent) and non-school related factors (e.g., pregnant, alcohol or drug problems, legal issues).

Since 1992, the State has provided funding for at-risk services based on the number of students who are eligible for free lunches under the National School Lunch Program. The program is administered by the U.S. Department of Agriculture and provides nutritionally balanced, low-cost or free lunch to more than 27 million children each day. Students from families with incomes below 130% of the federal poverty level—or who participate in certain designated programs—qualify for free lunches (this is described in more detail in the box on page 5).

**Figure OV-1
Comparison of At-Risk Criteria Used in 11 Sample Districts
2005-06 School Year**

At-Risk Definition Criteria	Blue Valley (229)	Pittsburg (250)	South Barber (255)	Renwick (267)	Plainville (270)	Salina (305)	Colby (315)	Manhattan (383)	Russell (407)	Independence (446)	Topeka (501)	# of Districts Using this Criterion
STATE-RECOMMENDED CRITERIA												
Not Working on Grade Level	X	X	X	X	X	X	X	X	X	X	X	11 of 11
Not Meeting Grade Promotion Requirements	X	X	X		X	X	X	X	X	X	X	10 of 11
Not Meeting Graduation Requirements	X	X	X		X	X	X	X		X	X	9 of 11
Has Been Retained (Repeat Grade Level)	X	X	X		X	X	X	X		X	X	9 of 11
ADDITIONAL SCHOOL-RELATED CRITERIA												
Failed State Assessments (a)	X	X	X	X	X	X		X	X	X	X	10 of 11
Failed Other Diagnostic/Academic Tests				X	X			X	X			4 of 11
Frequently Absent (a)	X	X	X		X	X		X	X	X		8 of 11
Repeatedly Suspended or Expelled (a)	X	X	X		X	X			X	X	X	8 of 11
English as Second Language (a)	X	X	X			X		X		X	X	7 of 11
ADDITIONAL NON-SCHOOL-RELATED CRITERIA												
Is a Parent or Is Pregnant		X	X		X				X			4 of 11
Is Homeless or Migrant (a)	X	X	X			X		X		X	X	7 of 11
Is a Drop-Out or a Potential Drop-Out					X		X	X		X	X	5 of 11
Has Family Issues		X	X		X				X			4 of 11
Has an Alcohol or Drug Problem		X	X		X				X			4 of 11
Has Legal Issues		X	X		X				X			4 of 11
Other		X	X	X	X				X		X	6 of 11

Source: LPA survey of 11 sampled school districts.

(a) The Department added these criteria to the State-recommended guidelines for the 2006-07 school-year.

- Kansas distributes most of the at-risk funding based on the count of free-lunch students in each district on September 20th of every school year. In 2006-07, school districts will receive \$1,200 in at-risk funding for each free-lunch student.
- In allocating at-risk funding, Kansas uses the number of students eligible for free lunches as a proxy for the number of at-risk students for a couple of reasons:
 - ▶ **According to academic research, student poverty is highly correlated with being at risk of failing academically.**
 - ▶ **The free-lunch count is a timely and convenient measure of poverty.**
- Additionally, using a proxy such as poverty—rather than the actual count of at-risk students—avoids creating an incentive for districts to over-identify at-risk students to maximize their at-risk funding.

Students Can Become Eligible for Free Lunches in Two Ways

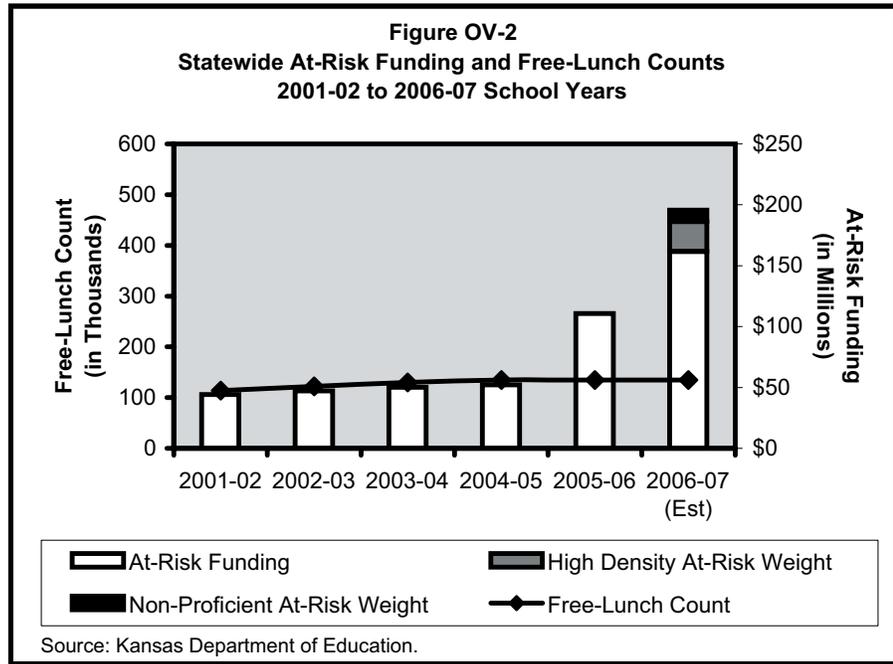
Currently, most of the funding for at-risk programs is distributed based on the number of students who are eligible for free lunches in each district on September 20th of each year. Students can qualify for free lunches in two ways:

- **Some students are eligible for free lunches when they participate in one of several designated programs.** The designated programs include Food Stamps, Temporary Assistance for Needy Families (TANF), and Head Start. Students also are categorically eligible when they've been identified as migrant, homeless, or runaway.

Many students are directly certified for free lunches by their school district. Just before the start of the school year, the Department of Social and Rehabilitation Services (SRS) notifies school districts of all students it is aware of whose families are receiving benefits through Food Stamps or TANF. The district automatically signs these students up for free lunches and no further application is needed.

- **Other students are eligible for free lunches when their families report income below 130% of the poverty threshold.** These families are supposed to report all household members and their incomes on an application for free lunches. District officials review the applications and compare the income to a set of eligibility guidelines published by the U.S. Department of Agriculture. Families whose income is less than the threshold are eligible and their children can receive free lunches. Children who have been placed in foster care establish their eligibility in a similar fashion, except only the child's income is taken into consideration.

The State is projected to provide more than \$195 million in funding for at-risk services in 2006-07. As described earlier, most of this funding is distributed based on the number of free-lunch students in each district. *Figure OV-2* on the next page compares Statewide at-risk funding to the total number of free-lunch students in the State from 2001-02 to 2006-07.



- As *Figure OV-2* shows, Statewide at-risk funding has more than quadrupled over the last two years because of significant funding increases passed by the Legislature in 2005 and 2006.
- Districts will receive about \$35 million for the 2006-07 school year from two new at-risk weights the Legislature added in 2006.
 - ▶ **High Density At-Risk Funding** (\$25 million)—Districts with high concentrations of free-lunch students receive additional at-risk funding.
 - ▶ **Non-Proficient At-Risk Funding** (\$10 million)—Districts receive additional at-risk funding for students who aren't eligible for free lunches but who fail either the State math or reading assessments. This funding source was approved for only one year and expires after the 2006-07 school year.
- Because of the three-year education funding plan passed by the Legislature in 2006, State at-risk funding per free-lunch student will increase almost 2.5 times—from \$822 in 2005-06 to \$2,021 in 2008-09.

Figure OV-3
Kansas At-Risk Funding Per Free-Lunch Student
2005-06 to 2008-09 School Years

School Year	Base State Aid Per Pupil	At-Risk Weight (as % of Base)	At-Risk Funding Per Free-Lunch Student
2005-06	\$4,257	19.3%	\$822
2006-07	\$4,316	27.8%	\$1,200
2007-08	\$4,374	37.8%	\$1,653
2008-09	\$4,433	45.6%	\$2,021

Source: K.S.A. 72-6414

This is shown in *Figure OV-3*.

In addition to increasing at-risk funding, the Legislature also gave districts more flexibility in how they use those funds. For example, at-risk funding may now be used to pay for bilingual and vocational education programs, as well as all-day kindergarten.

Question 1: How Does the Number of Free-Lunch Students in Kansas Compare With the Number of Students Who Receive At-Risk Services?

ANSWER IN BRIEF

The Department of Education doesn't have a reliable count of students who receive at-risk services. School districts don't report their at-risk students on a uniform and consistent basis because the Department hasn't given them clear guidance on what to report. Based on the at-risk student data we gathered directly from a sample of districts, districts received at-risk funds for a different number of students than they served, and generally provided at-risk services to a different group of students than they received funding for. However, an actual student-to-student relationship can't be expected between funding and services because at-risk funding primarily is based on the "stand-in" measure of free-lunch students. These and related findings are discussed in the sections that follow.

The Department Doesn't Have a Reliable Count of Students Receiving At-Risk Services

As discussed in the Overview, the free-lunch count is used as a "stand-in" measure of the number of students who are at risk of failing academically. This count is then used to compute the amount of State funding districts will receive for providing at-risk services. Because this count is only a proxy measure, it won't necessarily reflect the same number of students that districts have identified as being "at risk."

The Department requires districts to report the number of students who receive State-funded at-risk services each year as part of what's called the "local consolidated plan." The Department uses these figures when legislators and others ask how many at-risk students there are in the State, rather than reporting the free-lunch count figures.

For 2005-06, school districts reported that they had provided State-funded at-risk services to about 177,000 students.

The counts of at-risk students that districts report to the Department each year aren't uniform or consistent. We found the following, based on information we received from 11 sample districts:

- The types of students districts include in their reported at-risk count varied significantly by district. The types of students reported by our 11 sample districts are shown in **Figure 1-1**.
- In six of the 11 districts, the number of students who qualify for free or reduced-price lunches represented all or most of the at-risk count they reported. These students may or may not actually receive at-risk services.
- None of the 11 districts told us their count represented the number of students receiving State-funded at-risk services, which the count is supposed to represent.

- Four of the 11 districts included students who participated in other non-State funded at-risk programs, even though they only are supposed to report students served with State at-risk dollars.

**Figure 1-1
Summary of At-Risk Reporting Definitions Used in 11 Sample Districts
2005-06 School Year**

District	What Types of Students Did the District Include in the At-Risk Count It Reported to the Department of Education?				
	Students Who Qualify for:		Students Who Participate in Non State Funded At-Risk Programs (e.g., Title I)	Students Who Meet the District's At-Risk Criteria	Students Who Are Struggling Academically
	Free Lunch	Free or Reduced-Price Lunch			
Blue Valley (229)		X			X
Pittsburg (250)				X	X
South Barber (255)		X	X		
Renwick (267)			X		
Plainville (270)			X		
Salina (305)		X			
Colby (315)				X	X
Manhattan (383)	X				
Russell (407)	X		X		
Independence (446)		X			
Topeka (501)					X

Source: LPA survey of 11 sampled school districts.

The Department hasn't given school districts clear guidance about how they should report at-risk students. According to Department officials, the at-risk counts districts report on their local consolidated plan are supposed to reflect the number of students who receive services that are paid for with State at-risk funds. However, we found:

- Those plans don't include any instructions on which students districts should include in their at-risk counts.
- Officials from the 11 districts told us the Department hasn't provided them with any additional guidance as to what they should report.

As **Figure 1-1** showed, without clear guidance school districts have developed a variety of interpretations of which students to include in their at-risk counts.

The number of students who receive State-funded at-risk services may not be the most meaningful at-risk measure. While it may be useful to know how many students receive services, for the following reasons it would be more meaningful to gather data on the number of students who've been identified as needing services:

- **Reporting only students who received State-funded services excludes some at-risk students from the count.** In our January 2006 cost study related to K-12 education in Kansas, we found that a district's decision about which programs to fund with different funding sources is largely just an accounting issue.
- **The free-lunch count is a proxy measure for students who need at-risk services, not students who receive State-funded at-risk services.** Beginning in 2005-06, the Department's guidelines require districts to use some form of diagnostic assessment or evidence-based criteria to identify at-risk students (such as the results of State or local assessment tests, or records of academic performance). Given that, it would be more meaningful to have districts report all students they've identified as at-risk based on those criteria.

There's Little Relationship Between the Students Used To Fund At-Risk Services and the Number of Students Who Receive At-Risk Services

Because the at-risk student counts school districts provide to the Department weren't reliable, we couldn't use that information to help us answer this audit question. Instead, we used the same methodology we had used to address a similar question in our education cost study: We asked a sample of 11 districts to provide a list of all students who had received at-risk services during the 2005-06 school year. To be consistent with our earlier study, we asked those districts to report students who had participated in any at-risk program districts offered—not just State-funded programs.

We then compared each district's list of students receiving at-risk services to Department data showing which students were eligible for free lunches (the count used for State at-risk funding purposes). We compared that information in two ways:

- total headcount of students receiving at-risk services to total headcount of free-lunch students [to determine if the number of students funded was comparable to the number of students served]
- student-to-student comparisons of the students receiving at-risk services to the free-lunch students [to determine if the actual students funded were the actual students who received services]

We combined the results of our comparisons for our new sample of 11 districts with the earlier sample of 11 districts we had reviewed for the cost study. The results from both reviews were consistent.

Figure 1-2 shows the following:

- Smaller districts generally provided at-risk services to fewer students than the number of students counted for funding purposes. This is shown in **Comparison 1**. For example, Plainville provided at-risk services to 58 students, but had 95 free-lunch students for whom it received at-risk funding. In contrast, larger districts generally provided at-risk services to more students than the number of students counted for funding purposes.

- Several larger districts from the earlier cost study sample identified all students who qualified for free lunches as being eligible for and receiving at-risk services. Many of the larger districts had a more difficult time providing a list of specific at-risk students who had received services because they generally provide school-wide services—such as class-size reduction.
- For our 22 sample districts, 12 provided at-risk services to half or fewer of the students for whom they received State at-risk funding. This is shown in **Comparison 2**. The match between students funded (free-lunch students) and students served ranged from 5% (Riverton) to 100% (Dodge City, Kansas City, Liberal, and Wichita).

Figure 1-2
Comparing Students Receiving At-Risk Services
To Students Counted for At-Risk Funding
2004-05 and 2005-06 School Years

USD	District	Total Enrollment	Number of Students Eligible for Free Lunch	Comparison 1: Headcounts of Students Receiving At-Risk Services with Free-Lunch Students			Comparison 2: Names of Students Receiving At-Risk Services with Free-Lunch Students	
				Number of Students Receiving At-Risk Services	Difference (# Served Minus # Free lunches)		Students Who Got At-Risk Services AND Free Lunch	% Match (a)
326	Logan (b)	191	63	47	16	fewer	13	21%
217	Rolla (b)	212	94	59	35	fewer	28	30%
255	South Barber	262	69	45	24	fewer	19	28%
349	Stafford (b)	334	147	73	74	fewer	57	39%
270	Plainville	429	95	58	37	fewer	16	17%
404	Riverton (b)	844	255	39	216	fewer	13	5%
407	Russell	1,020	292	316	24	more	128	44%
315	Colby	1,024	263	409	146	more	227	86%
446	Independence	1,967	725	1,486	761	more	568	78%
267	Renwick	2,004	143	267	124	more	33	23%
250	Pittsburg	2,680	1,234	976	258	fewer	590	48%
480	Liberal (b)	4,439	2,593	2,949	356	more	2,593	100% (c)
253	Emporia (b)	4,939	2,279	1,876	403	fewer	1,134	50%
383	Manhattan	5,161	1,120	1,844	724	more	657	59%
443	Dodge City (b)(d)	6,019	4,004	4,976	972	more	4,004	100% (c)
305	Salina	7,399	2,506	3,733	1,227	more	1,651	66%
457	Garden City (b)	7,572	3,511	4,770	1,259	more	1,756	50%
501	Topeka	13,286	7,151	10,886	3,735	more	5,909	83%
229	Blue Valley	19,860	445	2,351	1,906	more	148	33%
500	Kansas City (b)	20,440	12,593	17,708	5,115	more	12,593	100% (c)
512	Sh. Mission (b)	28,958	3,654	6,609	2,955	more	2,205	60%
259	Wichita (b)	48,627	25,389	39,290	13,901	more	25,389	100% (c)

(a) Percent of students eligible for free lunches who also received at-risk services.
(b) 2004-05 results from "LPA Cost Study Analysis--Elementary and Secondary Education in Kansas: Estimating the Costs of K-12 Education Using Two Approaches."
(c) These districts stated that all free-lunch students are at risk, and all of them received at-risk services.
(d) Excludes 4-year old at-risk program (124 students).

Source: LPA Analysis of data reported by a sample of districts.

These results weren't surprising to us, because the free-lunch count is only a proxy measure of the number of at-risk students a district has (for State at-risk funding purposes). It's not expected to be a one-to-one match.

CONCLUSION

Academic research indicates that student poverty is highly correlated with being at risk of failing academically. Because the free-lunch count is a timely and convenient measure of poverty, Kansas uses it as a proxy measure for at-risk students. However, because there are no good Statewide data on the number of at-risk students in Kansas, it's difficult to assess whether the free-lunch count truly is an adequate proxy for at-risk students. As a result, the only way to validate the free-lunch count as a proxy is to compare at-risk and free-lunch counts for smaller samples of districts—as we've done in this audit and in our earlier cost study.

RECOMMENDATIONS

1. To help ensure that school districts provide consistent and useful at-risk counts that allow for comparisons with the free-lunch count used to fund at-risk services, the Department of Education should do the following:
 - a. provide clear and explicit instructions on the local consolidated plan for districts to only include those students who receive State-funded at-risk services.
 - b. require districts to also provide the total number of students who receive at-risk services, no matter how these services are funded, and
 - c. require districts to also report the number of students needing at risk-services based on the criteria the districts have adopted to identify those students.

Question 2: What Is the Basis for Funding At-Risk Services in Other States?

ANSWER IN BRIEF *Of the 41 states for which information was available, only one distributes at-risk funding based on the number of students who actually receive at-risk services. In 39 states, some measure of poverty—primarily the free- and reduced-price lunch count—is used to distribute some or all at-risk funding. Ten states, including Kansas, distribute at-risk funding through a “poverty-plus” mechanism that combines a measure of poverty with additional at-risk indicators, such as low assessment scores. These and related findings are discussed in the sections that follow.*

Almost All States Use Some Measure of Poverty as the Basis for Distributing At-Risk Funding

As described in the Overview, Kansas has used the number of students who are eligible for free lunches under the National School Lunch program as the basis for distributing at-risk funding for many years. In 2006, the Legislature created two new supplemental streams for at-risk funding—high-density at-risk funding, and non-proficient at-risk funding.

To find out how other states distribute state funding for at-risk programs, we surveyed education officials from other states and consolidated our results with additional information from four previous surveys conducted by other groups. We were able to get at-risk funding information for 41 states, which is summarized in **Figure 2-1**. Detailed information for each state is contained in **Appendix B**.

The At-Risk Council Recommended Maintaining the At-Risk Funding Formula in Kansas

In 2005, the Legislature created the At-Risk Council to study issues related to serving at-risk students. Among the Council’s charges was to study and recommend alternatives for funding at-risk services. The Council presented its final report in September 2006. Among the Council’s conclusions and recommendations were the following:

- The primary means of distributing at-risk funding should be based on student poverty and measured by either the free-lunch count or the free- and reduced-price lunch count.
- High-density at-risk funding should be retained with some technical modifications.
- Non-proficient at-risk funding should be retained with some technical modifications, and its effectiveness should be studied in the future.

As **Figure 2-1** shows:

- Only one state (Georgia) provides at-risk funding based on the number of students who receive at-risk services. Georgia has developed specific criteria for identifying at-risk students, relying heavily on their performance on state assessments. Every other state uses a proxy measure to distribute at-risk funds.

**Figure 2-1
At-Risk Funding in Other States**

Basis for Funding At-Risk Services		Number of States That Use This Basis
POVERTY ONLY	Free-Lunch Count	6
	Free- and Reduced-Price Lunch Count	14
	Free- and Reduced-Price Lunch Count + Other Poverty Measures (e.g., U.S. Census, Title I)	2
	Other Poverty Measures	7
	SUBTOTAL: Poverty Only	29
POVERTY PLUS	Free- and Reduced-Price Lunch Count + Additional Funding Mechanisms (b) (includes Kansas)	7
	Other Poverty Measures + Additional Funding Mechanisms (b)	3
	SUBTOTAL: Poverty Plus	10
OTHER	Students Receiving At-Risk Services	1
	High School Dropouts	1
	SUBTOTAL: Other	2
TOTAL: ALL STATES (a)		41
(a) We weren't able to get information for eight states. In addition, Nevada doesn't provide specific state funding for at-risk services. (b) Additional funding mechanisms include student assessment results, "categorical" students such as English language learners or foster care, and enrollment. Source: LPA summary of surveys from other groups and LPA questionnaire		

- In 39 of 41 states, student poverty is used to distribute some or all at-risk funding. Of these states, 29 use either the free-lunch count or free- and reduced-price lunch count as the primary measure of poverty.
- Ten states, including Kansas, use a “poverty-plus” funding mechanism—combining a measure of poverty (e.g., free-lunch counts) with additional at-risk indicators, such as low assessment scores or having limited English proficiency.

CONCLUSION

Many have questioned Kansas’ use of free-lunch counts as a proxy measure for at-risk students in distributing funding for at-risk services. However, Kansas appears to be like the vast majority of states—39 of the 41 states for which we found information used a poverty-based measure as well. Although using free-lunch counts to distribute State at-risk funds isn’t a perfect mechanism, it doesn’t appear that other states have found a better mechanism at this time.

APPENDIX A Scope Statement

This appendix contains the scope statement approved by the 2010 Commission for this audit on May 19, 2006. The audit was conducted in two parts, the first part covering Questions 1 and 2, and the second part covering the remaining question.

K-12 Education: Reviewing Free-Lunch Student Counts Used as the Basis for At-Risk Funding

Since the State's school finance formula was passed in 1992, State funding for at-risk services has been distributed to school districts based on the number of students in each district that qualify for the federal free-lunch program. Funding for at-risk services has increased significantly in recent years. The 2005 Legislature nearly doubled the weighting factor for free-lunch students, bringing total at-risk funding Statewide to almost \$111 million for the 2005-06 school year. In addition, the recent Legislative Post Audit cost study indicated the need for more than \$360 million in funding based on free-lunch counts in order to give all school districts the opportunity to meet outcome standards adopted by the State Board of Education. As funding for at-risk services increases, the number of students who qualify for the free-lunch program becomes an increasingly important factor in the State's school finance formula.

Recently, legislators have been presented with information that indicates the number of students that districts report as eligible for the free-lunch program varies significantly from similar poverty estimates prepared by the U.S. Census Bureau. In addition, information compiled by the State Department of Education, as well as findings in the Legislative Post Audit cost study, indicate that the number of students eligible for free lunch has little relationship to the number of students who actually receive at-risk services. This information has raised concerns among some legislators about the validity of using the number of students qualifying for free lunch to measure poverty within each district, and for some it also calls into question the appropriateness of using free-lunch counts as the basis for distributing State at-risk funding.

This school district performance audit would answer the following questions:

- 1. Does the number of free-lunch students reported by school districts accurately reflect the number of students who are eligible for the program?** To answer this question, we'd interview staff with the U.S. Department of Agriculture to understand the eligibility requirements for the federal free-lunch program. We'd survey school district officials and interview staff from the State Department of Education to find out what they do to verify the eligibility of students who apply for the free-lunch program and to determine the adequacy of those processes. For a sample of districts, we'd review documentation to verify that they are following their verification processes. We would also select a sample of students who were enrolled in the free-lunch program and review tax returns and other documentation to verify that they were actually eligible. We would survey school district officials to identify students who may be eligible for the program but haven't applied, and for a sample of these students, we would review documentation to determine if they were indeed eligible.

2. **How does the number of free-lunch students reported by school districts compare with poverty estimates compiled by the U.S. Census Bureau?** To answer this question, we would contact staff with the U.S. Census Bureau to understand how it defines poverty and how its poverty estimates are compiled. We'd compare the Census poverty definition to the eligibility requirements for the federal free-lunch program to determine if they are comparable. We'd also compare the Census poverty estimates for each school district to the number of free-lunch students reported to the Department of Education over the last several years to determine if there are significant discrepancies. We'd compare the Statewide free-lunch counts in Kansas and a sample of other states to the Census estimates over the last several years to determine if there are any cyclical patterns to the disparities.

3. **How does the number of free-lunch students in Kansas compare with the number of students who receive at-risk services?** To answer this question, we would assess the reliability of at-risk student counts submitted by districts to the Department of Education, and compare those counts to the number of free-lunch students reported by school districts. For a sample of districts, we would compare lists of students who qualified for free lunches with lists of students who received at-risk services to determine to what extent they are the same students. We'd also find out how many other states use free-lunch counts as the basis for at-risk funding, and how many rely on other measures.

Estimated completion time: 12-14 weeks

APPENDIX B

Funding Basis for At-Risk Services Used in Other States

This appendix contains the at-risk funding mechanisms used by 41 of the 50 states. These results were compiled into one comprehensive table from the following sources:

- Kansas Legislative Division of Post Audit survey “State At-Risk Funding” (2006).
- Kansas Department of Education, “National Survey of At-Risk and Bi-Lingual Funding” (2005).
- Education Commission of the States, “Funding Systems of At-Risk Programs in Randomly Selected States” (2002).
- Center on Budget and Policy Priorities, “State Poverty-Based Education Funding: A Survey of Current Programs and Options for Improvement” (2002).
- Report to the Colorado General Assembly, “Study of At-Risk Funding in the School Finance Formula” (2000).

Because some states may have changed the way they fund education, it’s possible that some of the information presented in this appendix may be outdated—especially for states where we had to use an older source.

Appendix B Funding Basis for At-Risk Services Used in Other States				
CATEGORY	STATE	BASIS FOR DISTRIBUTING AT-RISK FUNDING	YEAR OF MOST RECENT INFORMATION	
POVERTY ONLY	Free-Lunch Count	Arizona	2002	
		Kentucky	2006	
		Michigan	2005	
		Mississippi	2006	
		New Jersey	2002	
		Virginia	2005	
	Free- and Reduced-Price Lunch Count	Iowa	2002	
		Louisiana	2002	
		Maine	2000	
		Massachusetts	2002	
		Minnesota	2006	
		Missouri	2006	
		New Hampshire	2002	
		Oklahoma	2002	
		Rhode Island	2005	
		South Carolina	2006	
		Tennessee	2006	
		Texas	2005	
		Utah	2005	
		Washington	2002	
	Free- and Reduced-Price Lunch Count + Other Poverty Measures	Maryland	1) Free- and Reduced-Price Lunch 2) Census Data/Title I Eligibility	2002
		Nebraska	1) Free Lunch 2) Adjusted Gross Income Below \$15,000	2006
	Other Poverty Measures	California	Welfare Program Participation	2002
		Illinois	Census Poverty Data/Title I Eligibility	2002
		Montana	Title I Eligibility	2006
		New Mexico	Census Poverty Data/Title I Eligibility	2002
		Ohio	Welfare Program Participation	2002
Pennsylvania		Participation in Aid to Families with Dependent Children	2002	
Vermont		Welfare Program Participation	2005	

**Appendix B
Funding Basis for At-Risk Services Used in Other States**

CATEGORY	STATE	BASIS FOR DISTRIBUTING AT-RISK FUNDING	YEAR OF MOST RECENT INFORMATION	
POVERTY PLUS	Alabama	1) Free- and Reduced-Price Lunch 2) Low Test Scores	2006	
	Kansas	1) Free Lunch 2) Low Test Scores	2006	
	Arkansas	1) Free- and Reduced-Price Lunch 2) Attending Alternative Learning Center	2006	
	Colorado	1) Free Lunch 2) ESL Students	2006	
	Indiana	1) Free Lunch 2) Census Poverty Data 3) ESL students 4) Adults w/o 12 grade education 5) Single Parent Families	2002	
	New York	1) Free- and Reduced-Price Lunch 2) ESL Students 3) Enrollment per Square Mile	2005	
	Wyoming	1) Free- and Reduced-Price Lunch 2) ESL Students 3) Mobile Students	2006	
	Other Poverty Measures + Additional Funding Mechanisms	Connecticut	1) Welfare Program Participation 2) Remedial Performance 3) ESL Students Not Served In Bilingual Program	2005
		North Carolina	1) Title I Eligibility 2) Average Daily Enrollment 3) Students in Treatment Programs	2006
		Oregon	1) Census Poverty Data 2) Pregnant / Teen Parent 3) Census Foster Care/ Neglected or Delinquent Data	2005
OTHER	Georgia	Students Receiving At-Risk Services	2005	
	Wisconsin	High Student Dropouts	2006	

Source: LPA summary of surveys from other groups and LPA questionnaire

APPENDIX C

Agency Response

On November 30, 2006, we provided copies of the draft audit report to the Department of Education. Its response is included in this Appendix.



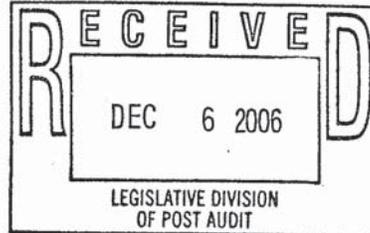
Division of Fiscal and Administrative Services

785-296-3871
785-296-0459 (fax)

120 SE 10th Avenue • Topeka, KS 66612-1182 • (785) 296-6338 (TTY) • www.ksde.org

December 6, 2006

Mrs. Barbara J. Hinton
Legislative Post Auditor
Legislative Division of Post Audit
800 S. W. Jackson Street, Suite 1200
Topeka, Kansas 66612-2212



Dear Ms. Hinton:

Thank you for the opportunity to respond to your performance audit, *Reviewing Free-Lunch Student Counts as the Basis for At-Risk Funding—Part II*. Listed below are the recommendations applicable to the State Department of Education and our response.

RECOMMENDATION: The Department of Education should provide clear and explicit instructions on the local consolidated plan for districts to only include those students who receive State-funded at-risk services.

RESPONSE: The Kansas State Department of Education will comply with this recommendation.

RECOMMENDATION: The State Department of Education should require districts to also provide the total number of students who receive at-risk services, no matter how these services are funded.

RESPONSE: The Kansas State Department of Education will comply with this recommendation.

RECOMMENDATION: The State Department of Education should require districts to also report the number of students needing at-risk services based on the criteria the districts have adopted to identify those students.

RESPONSE: The Kansas State Department of Education will comply with this recommendation.

SPECIAL NOTE: The at-risk funding is not as simple a process as it might appear. The state provides state aid based upon the number of free lunch students but the money may be used for numerous types of at-risk students. The 2006 Legislature broadened this to include all-day kindergarten for any students. School districts also receive funds from other sources for at-risk students. The definition that we provide school districts for at-risk students is listed below.

An at-risk student is one who meets one or more of the following criteria.

- Is not working on grade level. (i.e., reading and/or mathematics)*
- Is not meeting the requirements necessary for promotion to the next grade; is failing subjects or courses of study
- Is not meeting the requirements necessary for graduation from high school (e.g., potential dropout)
- Has insufficient mastery of skills or is not meeting state standards (e.g., is below proficient on state assessments)
- Has been retained
- Has a high rate of absenteeism
- Has repeated suspensions and expulsions from school
- Is homeless and/or migrant
- Is identified as an English Language Learner

*Students who are not working on grade level are often put at-risk as a result of the following.

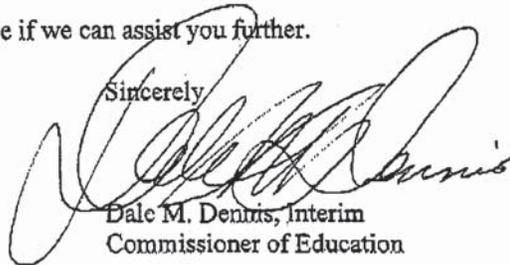
*Low attachment to or involvement with school
Continual or persistently inappropriate behavior
Repeated discipline infractions
A high rate of transition or mobility
Living in an environment of poverty
Living in an environment of limited educational achievement*

*Has a drug or alcohol problem
Is pregnant or is a parent or both
Participates in gang or gang-like activity
Is adjudicated as a juvenile offender
Is a "child in need of care" (CINC)*

Many school districts do not serve all at-risk students up to the need of the students. The comprehension of the program and the students who are served is determined by the local district. For example, you might serve a large number of students with a limited program or a smaller number of students with a more comprehensive program. Some districts may choose to concentrate all funds at the elementary level rather than the high school level which then impacts the number of students served.

Please feel free to contact this office if we can assist you further.

Sincerely



Dale M. Dennis, Interim
Commissioner of Education

DMD:tjm

h:lq:LDPA—Free Lunch•At-Risk—Part II