The Meaning of Funding Cuts: Coping with Chapter 2 of ECIA.

Based on data from document reviews and interviews from 12 school districts in 3 states, this interim report presents findings from the first year of implementation of Chapter 2 of the Educational Consolidation and Improvement Act (ECIA) of 1981. The initial section of the report examines the redistribution of federal funds to local districts, the attainment of national education priorities, local flexibility in decision-making, and the reduction of administrative burdens. The second section, based on the premise that the local context significantly mediates Chapter 2's effects, presents case studies of five school districts that lost funding in the switch from antecedent programs to the block grant. These districts are examined because the current mood in Washington still supports funding cuts for social services and because adjustments in Chapter 2 being discussed at the state and federal levels appear to focus on ways to compensate losers. The third section provides a discussion of the case studies and tries to account for differences in impacts the systems felt. The conclusion examines subsequent policy adjustments. Two appendixes provide research methods (study's general approach, data collection procedures, and analysis methods) and capsule descriptions of the 12 school districts.
THE MEANING OF FUNDING CUTS:
COPING WITH CHAPTER 2 OF ECIA

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PREFACE

In 1982, RBS initiated a study of how policies issued by state and federal education agencies affect local school districts' operation. This effort complements previous RBS research on educational change that examined the process at the building level (the Local School Improvement Study) and how intermediate service agencies promote knowledge use in schools (the Regional Education Service Agency Study). This new study, called the Federal Policy and Local Systems Study, moves the investigation of the impetus for local change to higher levels of the education system. The first phase of the research looks at the effects of the Educational Consolidation and Improvement Act of 1981 (ECIA). This legislation replaced the landmark Elementary and Secondary Education Act of 1965. Its intents were to deregulate the administration of a portion of the federal funding for education and to increase local flexibility in determining the uses of the money. This interim report presents findings from the first year of ECIA's implementation.

Appreciation is expressed to John Connolly, Bill Firestone, Susan Fuhrman, Keith Kershner, Skip McCann, and Sheila Rosenblum for helpful critiques; to Mike Palladino and Jolley Christman for assistance with data collection; and to Elaine Krolikowski for word processing.
A disaster. An opportunity. The demise of equality in education.
The impetus for excellence. Opinions about the prospects of implementing
the New Federalism philosophy in education are mixed, to say the least.
Clark and Amiot (1983), for example, argue that the emphasis on
deregulation, consolidation, and funding cutbacks represents a substantial
break with the recent federal role in education. No, says Finn (1983),
these matters have long been discussed in Washington. At least four
journals have devoted entire issues to the topic in the last year:
Education and Urban Society, Harvard Educational Review, Issues in
Education, and Peabody Journal of Education. Regardless of speculations
about whether a new direction in federal, state, and local relationships is
beginning, however, the changes embodied in Chapter 2 of the Educational
Consolidation and Improvement Act of 1981 (ECIA) pose issues that school
districts must address in the present—for better or for worse, and long
before current debates are settled. This legislation combined money that
had previously been allocated among 28 distinct programs into a block
grant, considerably lessened constraint on the money's use, and deregulated
its administration. Thus, local school staff must not only adjust to
altered funding levels but also to new procedures, new relationships,
changed job descriptions, and differences in student access to services
(Ellis, 1983).

The research results from the first year of implementation of Chapter
2 are mixed. Essentially, the legislation's intents of increased local
flexibility and reduced administrative burden seem to have been realized. However, the objectives of two of the largest antecedent programs blocked under Chapter 2, Title IV-C (school improvement and innovation) and Emergency School Aid Act (desegregation), seem to be receiving less attention; and citizen input into local decisions has not been great.

By and large, these results reflect global assessments of the policy's impact and, consequently, mask considerable variation from district to district. As Elmore (1980) argues, a policy's implementation and its impact are significantly affected by local situations. Focusing solely on the policy without assessing the influence of these situations can lead to misleading results about the policy's effectiveness and misguided attempts to alter it. Thus, the purpose of this study of ECIA was to take an in-depth look at the implementation and impact of Chapter 2 in a small number of districts with a specific focus on how context mediated the policy's effects.

Twelve districts were in the study, evenly divided between winners and losers. Those selected had big gains in the switch from antecedent programs to the block grant (at least a 100 percent increase from previous categorical funding) and large losses (at least a 33 percent reduction). This selection process increased the likelihood of obtaining a sample of schools where effects of ECIA would be visible and thereby increase the chance of observing an interplay between context and policy. After all, although Chapter 2 is funded at $456 million, the majority of districts' specific allocations comprise a very small part of the local budgets. As a result, one should be surprised to find more than a ripple of activity in most local systems about how to handle this money.
However, for districts that had received categorical funding in the past, its availability was important. Categorical funds improved library collections, facilitated desegregation, and enabled systems to experiment with new programs. This report looks specifically at five losing districts--for two reasons. First, the current mood in Washington still seems to be to cut funding for social services. Whether or not the block grant continues, more and more districts are likely to face reduced resources. Thus, examining how losing districts coped with threats to existing programs is informative for the more general problem of how local systems respond to losses. Second, already adjustments in Chapter 2 are being discussed at both the state and federal levels. These seem to concentrate on ways to compensate the losers. Focusing on losers, therefore, is a timely research activity as well.

The initial section of the report summarizes the research to date on Chapter 2 by addressing four topics. The first two address the issues of the redistribution of federal dollars represented in the switch from categorical funding to ECIA and whether previous national education priorities encouraged by the antecedent programs are being addressed or ignored. The second two concern stated intents of the legislation: local flexibility in decision making and reduction of administrative burden. Interwoven into this review are data from 12 districts in this study.

The premise of the second section is that local context--defined as a district's immediate environment and its relationships with the local government, courts, community, and other educational agencies--significantly mediates Chapter 2's effects. In some districts a
loss of 33 percent or more in categorical funds is a minor problem, and in others it is a major disaster. Case vignettes of five districts are presented here. These are followed by a discussion section that looks across the vignettes and tries to account for differences in impacts the systems felt. Finally, the conclusion addresses the issue of subsequent policy adjustments.

Data for the study were collected through document reviews and interviews. Three days were spent in each district, two during an initial visit late in the school year and one as a follow-up six months later. More on methods is contained in Appendix A.

The First Year of ECIA

The Education Consolidation and Improvement Act of 1981 consists of three major sections. Chapter I is essentially a continuation of the former Title I program which provided compensatory aid to educationally deprived children. The major difference is that several previous regulations have been relaxed to allow local education agencies (LEA) greater flexibility in how they use the money. For example, districts may still select the most needy children to receive services but no longer are required to do so; and districts are free to disband the previously stipulated parent advisory councils and devise other means for interacting with parents of Chapter I students. Additionally, the total federal dollar amount has been reduced. (However, several districts in this study received greater funding for 1983-84 when compared to 1982-83 as a result of the shift to the 1980 census figures as a basis for allocation.)
Chapter 2 echoes the same two themes of deregulation and increased local flexibility in the use of federal funds. It accomplishes this by consolidating 28 categorical programs into a single block grant to each state based on school-aged population. The state education agencies (SEA) and special advisory councils in turn construct a formula (weighted heavily toward enrollment) for dispersing at least 80 percent of the grant to LEAs—provided the LEAs submit applications. Private schools also receive funds on an enrollment basis; in most states, these funds are administered through the public schools. Although the money is still earmarked for the antecedent categorical programs, districts are free to determine which ones will receive funding.

Prior to Chapter 2, a district seeking federal money for desegregation (under the Emergency School Aid Act, or ESAA), a teacher center, and an innovative program to improve local practice (under Title IV-C of the Elementary and Secondary Education Act, or ESEA) would have had to prepare three distinct proposals under different guidelines and submit the requests to various agencies at the federal level or to the SEA. Under Chapter 2 the district submits a simplified single application to the SEA and receives a lump sum of money to allocate among the initiatives as it wishes (minus the private schools’ share). Moreover, the procedures for reporting the effects of the programs have also been simplified. In 1981, the federal government made a combined total of $512 million available for the 28 separate programs. In 1982, Chapter 2 received $456 million. (For more detail on ECIA provisions, the reader should consult the 1981 publication of the National School Boards Association.)
Chapter 3 contains general provisions of the law. Essentially it reinforces the notion of deregulation by defining a limited federal role in governing the act. However, it contains a Damocles sword that, in fact, seems to hang over ECIA in general. Despite a restricted role, the government can withhold funds for non-compliance; yet guidelines for compliance are noticeable by their absence. Darlin-Hammond and Marks (1982) note that nonregulatory guidelines are binding for the Department of Education, but not for the Comptroller General who has the authority to audit ECIA programs. Thus, there is an implicit possibility of future accountability, but the criteria for compliance are not clear.

This report focuses almost exclusively on Chapter 2 of ECIA. In discussions of deregulation and administrative burden, districts' experiences with Chapter 1 will be included because it, too, sought these ends. The long history of this program, however, has already generated thorough assessments of its implementation and impact. Chapter 2 itself represents a clean break in the traditional federal role in funding education. The antecedent categorical programs were a means of directly pursuing national educational objectives like equity and equality of schooling. With the "New Federalism" philosophy of the Reagan Administration, the federal government maintains its concern for these issues but shifts the responsibility for program decisions and, increasingly, fiscal support to the SEAs and districts (Clark, Astuto, and Rooney, 1983).

Although only one-sixth the size of Chapter 1, Chapter 2 has already generated substantial attention from the research community, primarily because it is viewed as the first attempt to redirect federal involvement
in education. The following summary of findings related to Chapter 2 is based on research conducted by Advanced Technology Inc., the American Association of School Administrators (AASA), the Far West Laboratory, the National Committee for Citizens in Education, the National Institute of Education, the Rand Corporation, and several SEAs. In addition, this review incorporates a summary of the findings about the twelve districts included in this study. The review is organized around four topics that continually appear throughout the research efforts: (1) the redistribution of federal funds to local districts; (2) the attainment of national education priorities; (3) inputs into local decision-making; and (4) the reduction of administrative burden.

The 12 districts selected for this study were from three states. (See Appendix B for a summary of district characteristics.) Six of these districts had less than 10,000 students, and six had more. Local budgets were divided in the same way with the six smallest districts all having budgets under $20 million and the six largest having budgets of $30 million or more. When both the 1981 categorical funding amounts and the Chapter 2 allocations are compared to these budgets, it becomes clear that research attention given to Chapter 2 is justified more on the basis of its experimental nature than on the amount of money it represents. In only three districts did a categorical or Chapter 2 allocation exceed one percent of the local budget; however, in one of these systems—Crab Cove—the 1981 allocation from four antecedent programs represented, at a minimum, almost 14 percent of local expenditures.
Redistribution of Funds

The law directed each SEA to develop a formula to distribute the funds to LEAs. Enrollment was the primary criterion, with some adjustments to allow for high cost students. At least 80 percent of the state's grant had to be allocated to local systems. The remainder was a discretionary fund for the state's use. Each SEA had to have a state advisory council (SAC) whose functions were to recommend a formula and to advise on the use of the state's set aside money. Whether a particular SAC was constructively influential, a rubber stamp, or an obstruction seems to have varied considerably (Henderson, 1983).

No matter how the formula was derived, it meant a redistribution of federal money from the antecedent programs. Under the prior initiatives, all but Title IV-B were awarded competitively from a variety of agencies. For example, districts undergoing either voluntary or court-ordered desegregation could apply for ESAA funds directly to the federal government and receive the award directly back, without any money passing through the SEA. Title IV-C funds (for local innovation and improvement), on the other hand, were administered by the SEAs, who also determined the guidelines for the competition. Title IV-B (administered by the SEAs and the largest of the categorical programs) made money available for instructional materials and library resources, and its funds were allocated on a formula basis to both public and private schools. The major criterion was enrollment. For the majority of school districts in this country, IV-B was the only experience with federal funding. Thus, losers under Chapter 2 were primarily either successful competitors for programs like IV-C, districts...
undergoing desegregation, or systems with large numbers of newly students (Henderson, 1983). That is, such districts received fewer federal dollars under Chapter 2 than when the 28 separate programs operated. The winners--those receiving more money from Chapter 2 than from the antecedents--were districts that had rarely, if ever, actively sought federal funds.

Data from the AASA's survey point to the extent of redistribution. Based on responses from over 1,000 small, medium, and large districts (out of 2,500 surveyed), 67 percent received more funds under Chapter 2, 31 percent received less, and two percent had no gain or loss. Losers were big participants in the former programs. Districts that received over $50,000 from the antecedents showed average losses while those receiving less than $50,000 showed average gains.

Studies of individual states' experiences also reflect the same trend. In Pennsylvania, 383 out of 501 districts were winners, and many of those were from a collection of 284 districts that had only received the IV-B funds in the past (Pennsylvania Department of Education, 1983). In Rhode Island, 81 percent of its districts got more money from Chapter 2 with the largest percentage increases going to districts whose primary federal funding had come from IV-B (Long and De Vito, forthcoming). The same seems to be the case in other states like Maine, South Carolina, and Texas as well (Kyle, 1983). Overall, the majority of losers were large, urban centers and small districts that had successfully competed for categorical funding--and especially those that had ESAA programs.

Six of the districts in this sample lost money in the switch to Chapter 2, and six gained funding. In terms of participation in the
antecedent programs, the sample reflected the general national trend of who won and who lost. The winners had received Title IV-B funds and little else; the losers had obtained grants from at least two categorical programs other than IV-B, especially from ESAA (five of the six) and Title IV-C (four of the six). The winners at least doubled the amount of funding they had received from antecedent programs. The losing districts had reductions of at least 33 percent. Two, New Park and Crab Cove, lost more than 75 percent.

Shifts in Priorities

It is important to remember that the categorical programs were initiated to encourage SEAs and LEAs "to fill specific perceived needs not being adequately taken care of at state and local levels" (Kyle, 1983:18). The intentions behind Chapter 2 were not necessarily to detract attention from these same targets but rather to increase flexibility in districts' selection of programs in order to better meet local needs. Two questions which have attracted a great deal of attention from researchers are: (1) How is the Chapter 2 money being spent, and (2) What federal priorities seem to have gained or lost significance?

Overwhelming participation in IV-B-like activities has continued. Eighty-eight percent of the districts in the AASA survey spent an average of $15,000 on instructional materials and school library resources. These expenditures included books and materials, computer hardware, computer software, and audio-visual equipment. The most notable aspect of this by far is the advancement into high technology. There are at least two ways to view this occurrence. One is that people are uncertain about the
stability of the amounts of federal money and even the continuation of Chapter 2. In the face of similar uncertainties, local educators have learned that equipment once purchased remains whether the funds do or not; personnel have to be refunded each year. Thus, purchasing computers and other instructional materials offers protection against the whims of legislators. A second view is that Chapter 2 has provided the extra money and flexibility needed to advance districts' already-existing interest in computers. That is, Chapter 2 provides just enough discretionary funding to avoid having to initiate computer programs at the expense of current activities. After noting these two viewpoints, Kyle (1983) argues that both are likely operating.

The number of districts allocating money to other categorical programs drops off sharply after the IV-B-like expenditures, according to the AASA survey. Indeed, the category of "other" was the third most popular (behind improvement in local practices) when compared to the list of 28 antecedents. (Because respondents had the full list of 28 to refer to in identifying their expenditures, this perhaps is an indication that local flexibility is being interpreted more broadly than the original legislation intended.) Such apparent reduced attention to national education objectives has been expected since the legislation was first proposed (Darling-Hammond and Marks, 1983). For example, early in ECIA planning in four western states, it became clear that districts were not going to initiate many new programs; instead they might continue or, at best, expand existing ones (Hood, 1982). Thus, school improvement and innovation objectives, such as those encouraged by IV-C, have suffered. Similarly, less spending on desegregation has been apparent, even though ESAA was the
second largest of the antecedent programs in dollar amounts. The reasons for this reduced attention are complex: (1) the problems have been solved; (2) desegregation is simply no longer a political priority in some communities (e.g., Loeb, 1983); (3) these objectives can be met through more indirect means; or (4) a combination of the above (Kyle, 1983).

Nevertheless, there is evidence that the objectives of the categorical programs are receiving some support and interest. Jung and Tashjian (1983:202) observe that state set-asides are being used in some cases "to encourage local school districts to continue to attend to certain categorical objectives once part of the antecedent programs." And in Pennsylvania, all 28 of the antecedents are being funded somewhere in the state, whereas under the categorical grants this had not been the case (Pennsylvania Department of Education, 1983).

The districts in this study also allocated much of their Chapter 2 funding to instructional materials and equipment (nine of the 12). Four of these nine made significant investments in computers and four funded the library programs at the same levels as under IV-B. The computer expenditures helped all four districts progress more quickly in already-existing computer literacy programs than they could have otherwise. Library staff in seven districts that did not receive substantial allocations expressed concern about their ability to maintain quality programs. Title IV-B had been used predominantly for large equipment and expensive reference materials, with local budgets covering general collection purchases. The loss of this program put libraries into forced choice situations they had not previously faced. Either equipment
and reference materials could be replaced as they became worn and/or out-of-date or books could be purchased, but not both.

One theme echoed in ECIA studies is that Chapter 2 money is being used more to salvage, maintain, and expand existing programs than to start new ones, thereby ignoring the objectives of programs like IV-C (e.g., Hood, 1982; Kyle, 1983). Such was the case in this study as well. Of the 12 systems, three--Montvale, Rolling Hills, and Seamarsh--used money to initiate programs they had not had previously. The three programs were a mini-grants competition for classroom teachers, a teacher training program, and computer labs. Notable is the fact that four of the six losing LEAs did no more than maintain or salvage some level of effort in a few existing programs; all six of the winning systems managed to fund an innovation or at least some enhancement of current programs.

Appendix B does not reflect situations in which former categorical programs were shifted to a local budget when federal funding was reduced. This phenomenon gets detailed treatment in the case studies, although it was infrequent--primarily in Riverport, Montvale, and New Park.

**Inputs into Local Decision Making**

At the state level, the SEAs are required to have SACs. These committees recommend a formula, advise the state on its use of the discretionary pot of money, and review evaluations of local programs submitted by the districts. No such formal committee was required at the local level. Instead, in their applications, LEAs had to give assurance that they had consulted with parents, administrators, and teachers about the needs the funds would address. Summarizing findings from seven state
case studies, Henderson (1983:36) cautions that Chapter 2's emphasis on citizen input has not necessarily opened up channels of outside influence:

The lack of reporting requirements means there are no reports for citizens to read. The lack of state and federal direction means there is no higher level of authority for parents to appeal to. The lack of binding regulations (the ECIA specifies that the regulations will not have the force of law) or guidelines (the Education Department has issued only a "non-binding handbook") means there are no rules or standards to which officials may be held. If anything goes, then anything goes.

The source of the problem is that the law attempts to make federal programs more "responsive" to local need by moving authority over decisions from one set of officials to another. Provisions for increased community involvement—or even protections for the low level of participation that is prescribed—are not made. Time and again in this study we see that public involvement becomes constituency involvement, and that the constituents of officials are other officials, not the public or parents. SEAs meet public notification requirements by sending notices to county or local superintendents' offices. Local districts provide for "systematic consultation" of parents and teachers by asking the school board to ratify their Chapter 2 applications.

This generally gloomy statement seems, however, to mask considerable variation. The South Carolina experience suggests that the range of input has been a wide one, from "a single official to the involvement of the broader community, including parent-teacher groups" (Kyle, 1983:44).

Another of the NIE case studies—Pennsylvania—also found examples of community input into the decision-making process, in some instances relying on existing committees and advisory groups that had been established prior to the block grant (Kyle, 1983). Variation was also evident in a study of nine districts in three states. Consultation in some of these districts amounted to no more than casual queries in the course of informal conversation; in others, actual councils were formed or advisory groups for previous programs were consolidated into the PTA (Hastings and Bartell,
Thus, the lack of direction on how to meet the consultation requirements has apparently led to a not surprising outcome: considerable differences from district to district.

In the twelve districts in this study, the range of involvement of staff and community in decision-making about Chapter 2 reflected similar variation. The Crab Cove superintendent solely made the decision to allocate Chapter 2 funds to a former IV-C program that assisted students who had failed a state competency exam. At the other end of the spectrum, a whole collection of committees originally formed to advise New Park on consolidation and desegregation were called on during Chapter 2 planning. The remaining districts relied on a variety of assessment instruments, special committees, and informal staff input. The modal process was for the superintendent and several central office administrators to propose alternatives and make the decisions. There were at least four instances of lively internal debate about where the money would go, but generally little controversy, or even discussion, was evident between the districts and external interests.

The Reduction of Administrative Burden

One of the foremost goals of the ECIA legislation is reduction in the amount of administration and paperwork required. The wording of the legislation implies that previous stipulations for writing applications, keeping records, conducting evaluations, compiling reports, and the concomitant administrative time needed to accomplish these tasks was a hindrance to LEAs' capacity to use the money effectively for services to students (Hastings, 1983). To combat this perceived obstacle to service
delivery and to effect cost savings, many of the former requirements were stripped from Chapter 2. The research indicates that administrative burdens have been relieved; however, a few caveats sprinkle the evidence.

For example, the application procedures have been simplified. Districts send one proposal—a short one—to a single agency. Hastings (1983) uncovers much unreserved praise for this, as in the case of one administrator who said he now had more time to provide services because he was spending less time acquiring and reporting on the funds that support them. Nevertheless, several respondents in the same study noted that the previous requirements facilitated planning by forcing applicants to address issues like program objectives, needs assessments, and evaluation. In fact, two districts continued to write their applications as they had for the categorical programs.

Less of a reduction seems to be taking place in record-keeping (Hastings and Bartell, 1983). Kyle (1983:38-39) offers a summary of the local view of Chapter 2's version of deregulation that may account for this:

In all of the states being studied, officials at both state and local levels have expressed concern about the lack of more specific regulation and a fear that a future audit will result in problems for the districts. Those with previous experience in receiving federal funds are more skeptical than those who have not had them before. While they generally applaud the reduced and simplified paperwork, they simply find it difficult to accept that this was really intended and will continue.

Darling-Hammond and Marks (1983) argue that, in fact, there has not really been deregulation but simply non-specification. Indeed, the legislation contains hints of reprisal for noncompliance which contribute to local
concerns about the re-emergence of regulation. Thus, there is tendency to keep the same records as before.

Differences in how SEAs handled ECIA played a major part in determining whether the 12 districts in this study noted sharp reductions in paperwork or the time necessary to administer Chapte r 2. In the state in which four of the districts were located (Seamarsh, Bayview, Crab Cove, and Riverport), SEA officials expressed serious concerns that future federal audits and evaluations would require more documentation than the minimal amount specified in the ECIA legislation. For this reason, they kept the same procedures for applying for funds, record-keeping, and evaluations that had been used previously. Thus, these four districts discerned little change in how Chapter 2 programs were handled—with the exception of a change in tone in communications with SEA field monitors from an emphasis on regulations to a greater willingness to provide technical assistance. The federal programs officers and/or superintendents in seven of the remaining eight districts (the exception is Greenwood) all said applying for the funds was easier but they worried about (1) the potential for future audits and/or (2) the ability to assess the effectiveness of current programs for internal decision-making. This led to maintaining records similar to what they had kept in the past.

A Final Note

While noting general trends, the above section also provides glimpses of important variations in the local response to Chapter 2—especially with respect to funding priorities, who had input into local decision-making, and the importance of paperwork reductions. Given the importance of a
district's context in shaping its implementation of any policy and the concomitant potential for subsequent variations in the policy's impact (Elmore, 1980), it should also be expected that both the meaning districts attached to the redistribution of federal dollars and their ability to cope with declines or use windfalls creatively should have been less than uniform from LEA to LEA. In the next section, this paper takes a close look at this expectation by examining the experiences of districts that lost money with the advent of Chapter 2. Specifically, the focus is on (1) the impact of the funding declines—e.g., a monumental disaster, a potential disaster, a minor inconvenience, or a price worth paying to reduce the strings attached to the money—and (2) how characteristics of a district's context helped shaped this.

The Meaning of Loss

The preceding data can be viewed in two ways. One, Chapter 2 has done little harm and achieved some good, especially if one's concerns are with flexibility and administrative burden. Two, Chapter 2 has achieved little good and done some harm because of the de-emphasis of national educational priorities. Current debates on tinkering with ECIA seem to focus on preserving the gains for most districts while minimizing the losses for the others. Suggestions include using state set-asides for certain categories of districts or to unblock portions of the money for a specific purpose (e.g., desegregation). Local district contextual influences on impact are likely to insure that gross adjustments will continue to overcompensate some and undercompensate others. Thus, this section looks more closely at
the systems that suffered reduced funding to see if the losses were uniformly or differentially felt.

Certainly all of the losing districts would prefer more money to less and would hesitate to say that they could get along nicely without federal funds. The fact is, though, that some have coped better than others. Coping means being able to provide the same or a moderately reduced level of service in programs as before Chapter 2 (if a district so desires) and to maintain a sense that the district is still improving. The following five case studies are arranged in roughly descending order of ability to cope with the reduction of federal funds. (The sixth losing district—Collegeville—is not included in the case studies because its categorical grants were administered by Brook City when they were in a consolidated district and, thus, sorting ECIA impacts from redistricting impacts was difficult.)

Riverport

Riverport was a vanguard school district. Comprised of urban and suburban areas, it covered over 1620 square miles near two large cities. The district had an extensive facilities development program resulting in prototype open-space schools, and a curriculum and instruction initiative that revitalized instruction. Excellence was Riverport’s top priority. A central administrator described this:

We feel that every student should have whatever we can give him. We revamped the curriculum. We also studied the high school offerings to see what we needed to beef up....We've had the luxury of looking at excellence because we went through the Civil Rights crisis early.
Developed by a committee of five teachers and one central administrator, the plan for educational excellence provided guidelines and recommendations for improving most aspects of the instructional program. Referred to as a kind of Bible, this document contained goals and criteria that far exceeded SEA guidelines. The district looked beyond the state's criteria because, "they force you to focus on minimal levels and then you haven't said very much" (central administrator).

Thus, Riverport was on the cutting edge educationally. Much of this could be attributed to the vision of the superintendent who served the district for over 15 years. He consistently engaged teachers and the community in planning. For example, the plan for educational excellence was researched and written over one and one-half years by teachers who were granted leaves from classroom duties. Although a strong leader, the superintendent shared responsibility at crucial times.

Redistribution of funds. Riverport experienced reductions of nearly one-third in the shift from categorical programs to Chapter 2. In 1981-82, categorical funds totaled about $750,000 in ESAA funds, as well as Titles IV-B and -C. The district's 1982-83 allocation under Chapter 2 was about $500,000, but increased somewhat (to $550,000) for 1983-84. Yet, because of the rich resources of the region and good relations with the school board, the district did not seem to be suffering. Taxes were reduced several years ago, although an increase was anticipated more recently. One central office person described the region as "almost depression-proof" because of its proximity to two large cities and the number of major business firms within the county. Coupled with these resources was an active board that lobbied for the school district with county officials.
The board was appointed by the Governor and had no fiscal authority; thus it depended on the county for final budget decisions. One board member remarked that "our size helps us there—we can always find resources. We scrounge around and find money."

Local priorities. The district had a history of funding innovative programs locally. Then, if they proved valuable, federal money helped expand them. One central staff person said that "We institutionalize successful programs as quickly as possible...by using local and supplementing with federal funds...Our commitment is to the program." This was reflected in their use of Chapter 2 funds. Previously the district had received money from ESAA, Title IV-B, and Title IV-C. Four programs were supported by the reduced Chapter 2 funds: student concerns (formerly ESAA), instructional resource teams (formerly ESAA), a demonstration center for special education teachers (formerly Title IV-C), and an instructional leadership program. Two of these—the resource teams and the demonstration center—also got local funding. This allowed the programs to expand to previously unserved populations. Regarding the resource teams, an administrator felt that "The categoricals were too narrow....We took four resource teachers who were dedicated to only particular schools and we could redefine their impact." Another staff person felt that "It's helped me enormously. I had resources assigned to my curriculum area generally that previously had been just for ESAA."

The district expected to fund these four programs through the first three-year cycle of ECIA. At that time, they would re-examine their priorities and possibly alter funding. One person remarked that "We might make changes—some programs have outlived their usefulness."
Although the losses were a very small proportion of the district's overall budget, some of those funds provided services for special-needs populations. For example, the student concerns program supported integration and assisted students with integration-related behavior problems. It was reduced. However, both central office administrators and principals felt that the need for this service had diminished over the past five years. One principal said that:

The whole atmosphere is different now from ten years ago. It's not a crisis situation anymore. We don't have the numbers of new teachers we did ten years ago. We have stability of staff. We also have stability of population.

Local decision-making. Chapter 2 decisions were made by top central office administrators with little or no input from teachers, principals, or the community. At first glance, this seemed inconsistent with the superintendent's policy of involving professionals and the community in planning. However, Chapter 2 funds represented seven percent of Riverport's total federal revenue and only .3 percent of its operating budget. Central staff felt there were no real decisions to be made:

"There were no decisions to make... We had commitments to programs... We had been using funds for those programs, so we didn't have any decision to make."

Yet libraries and media services were excluded from any Chapter 2 spending, despite having previously received IV-B funds. The district, however, supported libraries quite extensively through local funds. As an instructional priority, libraries received allocations in three ways: (1) a basic allocation for a new school; (2) a regular per pupil allocation ($13.25); and (3) extra funds from central office discretionary funds.
During the "building year" when new schools were opening, Title IV-B funds helped supplement basic collections. "The need was greater than the resources available so IV-B money was very helpful," said one library person. Title IV-B funds were also used to buy microcomputers--Riverport had purchased over 500. Without those funds, said a library person, "we would have never gotten off the ground with computers."

Despite the loss of funds, the quality of the libraries was maintained. Enrollments declined and few new schools opened; collection maintenance was possible through the per pupil allocation and discretionary funds. Although IV-B funds could have been used for cable television and video cassette recorder applications, a library person understood the reasoning behind the decision to exclude libraries from Chapter 2. As he said, "I understood why they made the decisions they did. I agreed."

Administrative burden. The deregulation associated with ECIA was valued throughout the district. Although record-keeping was much the same as under the categorical programs because of the SEA's procedures, flexibility in assigning staff was a benefit. The district historically used most of its federal funds (with the exception of IV-B) for personnel. One central administrator remarked,

It has eased our grantsmanship. It was a terrible responsibility to make sure things were continued. Not having to deal with the competitive aspects is a benefit....We never really felt fiscal stability with IV-C funds....You get locked into categorical's and keep it up as long as you can. You become afraid to make changes because you don't want to ruin a good thing. Now we feel free to make changes.

Summary. Improvement of buildings, instruction, and striving for excellence, in the opinion of district personnel, ameliorated problems
experienced in the late 1960s and early 1970s. Federal money helped this process, but was not crucial. Programs were developed and sustained because they met planned priorities; federal support expanded these programs. Loss of federal funds, then, was not perceived as devastating. If the program was sound, local support was usually found.

Brook City

Also coping with significantly decreased federal funds was Brook City School District. Only two years old, the district was able to manage the problems associated with newness as well as decreased federal funds. The reason seemed related to strong ties among schools, the board, and the broader community. Community involvement was unusually high in this district through an extensive volunteer program. In fact, lack of community access to the schools was a major reason for the redistricting from one large district to four smaller ones.

Redistribution of funds. Although the recent redistricting made tracing the flow of federal money difficult, some broad patterns emerged in Brook City. To support desegregation efforts, Essex County (the one large district which encompassed several others) received nearly $7 million in ESAA money in 1978-79. This diminished to about $3.5 million before the second redistricting in 1981. Described as a "monumental windfall," the ESAA funds supported 400 staff (administrators, reading teachers, human relations specialists) and provided research and evaluation of the desegregation process as well as inservice training. The large district also received nearly $2 million from 1978 through 1982 for other categorical programs like a gifted and talented program, a computer program, a
pre-implementation grant, and the Teacher Corps. All of these programs were blocked under ECIA in 1982 when the four small districts altogether received only $1.25 million from Chapter 2. Total loss was over $3 million.

In Brook City's first year, according to one administrator, it received nearly one million dollars in categorical funds. Of these, $50,000 was from Title IV-B and at least $50,000 from Title IV-C. The IV-C money supported a gifted and talented program. In addition, the district had carry-over ESAA funds to support human relations specialists and continued to administer several federal programs for the other districts. During that year, special staff for these programs numbered about 100. With ECIA, Brook City received $230,000 in Chapter 2 funds. Including non-public school allocations, this totaled about $370,000.

Local decision-making. Because the district was still under court order to desegregate, the superintendent (with the advice of two central office administrators) felt obliged to use the Chapter 2 money to support human relations specialists. Even so, the money was insufficient for all the positions they needed; state and local funds supplemented this program in 1982-83. Chapter 2 funds covered 60 percent of the costs; local funds, 30 percent; and state funds, 10 percent. In 1983-84, only the block grant (90 percent) and local funds (10 percent) supported these specialists.

Administrative burden. Reactions both to the change from categorical funding to the block grant and to the reduced funding level were mixed. A district staff member felt that the block grant saved enormous amounts of time previously spent on proposal writing:
The time that we saved in not writing up compensatory grant proposals has to be considered a positive aspect. You can imagine how much work it took to write proposals. The first year we actually carried our proposal down in two suitcases.

This was echoed by an administrator who described federal money as icing on the cake:

> We always adopt the position that we're responsible for baking the cake and [federal money] is the icing on the cake. Sometimes it's better to eat the cake without the icing because of the strings.

The "strings" he referred to were restrictions on Chapter 1 aides. In small elementary schools, he expected everyone to pitch in. Although the aides were restricted from certain activities, they were used in any way they could be helpful. The administrator resented the regulations and went on to describe how dependence on federal money could be harmful:

> Sometimes you can have too much help. Then when it goes, you walk with a crutch. You say, "I can't do it today because the aide isn't here." That's handicapping.

Another noted a "tremendous reduction in paperwork" and that it was "easier to deal with the state" under the block grants.

**Local priorities.** Several administrators underscored the lack of protection Chapter 2 afforded special-needs students. One remarked that,

> The big minus is the way the block grant proposals are designed and the distribution of dollars. When we moved from categoricals, the youngsters most in need were most penalized. I would opt for categoricals to protect the students who need the most.

Reductions in federal funds also affected special populations. One district staff member mentioned that special needs children were vulnerable because of cuts, although they did not suffer unduly in Brook City because the district continued to provide them services. However, one central office person felt that regular counseling and social support services were
not enough to help get "minority youngsters integrated into a majority school system." Historically, programs with required parental involvement alerted minority children's parents to special opportunities. For example, bright minority students could be identified and placed in college-bound or gifted programs. Thus, reduced minority parental involvement was seen as a major drawback of ECIA.

On the other hand, another staff member believed cuts were not devastating to the regular program because federal funds had always been supplementary:

As funds were pulled back, we continued to do what we had to do. For example, with reading. We don't have additional classroom teachers, but it hasn't devastated us....We've absorbed a great number of needs into our regular programming.

In contrast, a district administrator felt the reductions had been a financial disaster. Federal money was a critical support for students with special needs, for program development, and for general improvement:

[Federal funds are] absolutely necessary. The demands on schools are getting more and more. Local funds are about at the breaking point, and the state giveth and taketh away.

Local response. The reductions in federal funds resulting from ECIA prompted Brook City to develop an elaborate volunteer program and a development effort. Both programs were intended to stimulate other sources of support for the schools--one directly and the other indirectly--thereby cushioning the impact of funding cuts.

The volunteer program was very successful; between 1,400 and 1,500 people participated. An administrator estimated that 600 people turned out for a volunteers' function whereas only 10 or 12 showed up for a typical
board meeting. People at the building level also acknowledged the value of volunteers. One person reported,

We have lots of volunteers here. It's pretty good. We've had seven PTA meetings this year. Some, [like] the head of the PTA, never did have children here.

Cultivating this support in the community had two effects. First, people felt closer and more involved in their schools. Second, they would probably help support an up-coming school referendum. As an administrator said,

[We] set up the volunteer program not because [we] love the idea, but because in two years we're going to have to pass a referendum. So I see building a core of volunteers as a way of ensuring that we have the votes we'll need. And only ten percent of the people show up for referendum votes.

This person also emphasized the volunteers' potential to facilitate the second program—the development appeal to private industry and foundations. The program targeted foundations and businesses that could contribute to the district. One avenue to the leaders of these organizations was through the volunteers:

We have upper, middle, and low income groups here. Most volunteers come from the upper income group. If that's so, most of their husbands are connected with a major industry.

The district received a $150,000 interest-free loan from a major corporation to buy computers and one junior high school had its own foundation. This development program was intended to soften the impact of reduced federal money, but also had drawbacks. As the administrator said, "We've moved from dependency on the federal government to industry and foundations." However, the same administrator argued that this was the direction in which districts should move. In fact, federal program offices
should be "a development office....You have to be willing to lobby, go to lunches, socialize in settings where people make decisions."

**Summary.** Brook City responded to reduced funds associated with ECIA in two ways. First, it pared programs to essentials and reduced the extra staffing federal money provided. Second, it turned to its local community to build support for an upcoming referendum and to businesses and foundations for additional funds. These efforts softened the impact of declining federal money, but it was not clear that they would protect the needs of special populations—the one major drawback of ECIA mentioned frequently.

**Montvale**

Montvale was a paradox. On the one hand, it was beset by a stagnant economy, a hard-pressed tax base, declining school enrollment, and reduced federal funding. On the other hand, it was a vibrant, innovative community and school district. The city's downtown area was being renewed and a public relations campaign touted the advantages of living in Montvale and sending children to the public schools. Several educators were born and raised in the area and chose to remain rather than take jobs in other areas. Vitality and commitment characterized the city and the educational community. Cuts in federal money were not a disaster to these people. Certainly they would have preferred more money, but the loss was offset by increased flexibility and opportunities to be innovative.

**Redistribution of funds.** Previous categorical funds exceeded $150,000; in 1982-83, Chapter 2 funds were only $90,000, a loss of over 40 percent. Although categorical programs represented a small proportion of
Montvale's total budget, that money supported library and media services through Title IV-A, a career education program with two resource centers, an alternative education program for high-risk children in the middle grades, the Crossroads program, and a communications skills program that used video tapes to improve language arts skills. Of these, two were funded under Chapter 2 (libraries and career education), one was dropped (communication skills), and the costs of the remaining two (alternative education and Crossroads) were funded through the local budget.

**Local priorities.** Rather than only trying to salvage old programs, the district began two new efforts using Chapter 2 in 1982-83. One activity was planning a teachers' center, and the other was a mini-grant competition supporting teachers in the classroom. Only the mini-grants continued in 1983-84. The superintendent described it as the only top-down innovation he had encouraged during his five year tenure. Principals and teachers who won the grants felt they were able to be creative and try out things that would otherwise not have been possible. The projects ranged from a new attendance system at a middle school to a sensory program for deaf students in an elementary classroom. In all, ten projects were funded at a maximum of $500 each.

**Administrative burden.** Clearly, Montvale's educators viewed the increased flexibility of Chapter 2 as a distinct benefit. However, the deregulatory aspects were seen as a "mixed blessing." One central administrator described how reduced paperwork was a relief but noted that record-keeping and evaluations were also valuable:

There is a reduction in what we submit and what records we keep. On the other hand, we might become a little lax...Not as good records on what we did and how it went....The long range problem
for us is that measure of effectiveness could replace the need for regulation. We have to justify for ourselves what is needed.

Thus, although paperwork was reduced, some of it served valuable purposes. The responsibility for evaluation shifted to the district and was viewed as an important input for internal decision-making.

Local decision-making. In the spring of 1982, knowledge of Chapter 2 was not widespread among staff. The library coordinator, however, received information from the state association and lobbied successfully for some of the funds. The superintendent and key central office staff ultimately made the allocations but solicited input from building principals. Teachers became aware of Chapter 2 as news of the mini-grant program spread.

Decision-making for the second year included more advocates of particular programs. The superintendent said that this year saw greater input from those working with kids. Five teachers gave proposals for how to spend the whole $96,000 in their school. That's kind of neat....Of the $96,000, I directly influence one third or one quarter....We have competent people here (who) come in with proposals....I don't feel I ought to impose my preferences; (otherwise) Why do we have people in their fields?

Thus, although decisions were ultimately made by the superintendent and his staff, teachers and principals had opportunities to propose programs and justify them. The central office staff seemed committed to broadened participation in the decisions.

Local response. This response of innovation and local support was clearly not the norm for losing districts. Montvale, however, displayed pride in the schools, a commitment to excellence, a supportive board, and a closely knit educational community. These elements built support across the city for valued and effective programs. Innovation, responsibility,
and autonomy were fostered by central office staff and permeated the system. As one administrator remarked,

We have pilot programs. We're always looking for new ideas. You can sell your ideas to [the superintendent]. We're given free rein to run our buildings. We're responsible for our own budgets now.

Local support grew from a close relationship between the board and central administrators, and an unusual commitment on the board's part. Several board members came out of the PTA which gave them a better understanding of how the schools operated. Winning board support, however, was a negotiated process. Three administrators believed that the best strategy was to go before the board with evidence that a program was effective, outline how continuance was jeopardized by decreasing federal money, and request local support. A board member had a more political perspective: If the "right people" supported a program, it became expedient for the board to do so as well. Both strategies seemed to work. For example, a preschool program's effectiveness was easy to demonstrate because less than 15 percent of its students showed up later in remedial programs. Prevention was clearly more effective than remediation. On the other hand, the effectiveness of another program was less easy to demonstrate, but the program was headed by an activist in the religious community who successfully used citizen pressure to lobby with the board.

In addition to community and board support, Montvale initiated a business partnership program. Although not as fully developed as Brook City's, this program quickly yielded results: Two local banks agreed to give the district money for a computer program. Montvale also began a public relations campaign designed to "generate favorable publicity" about
the schools from alumni. Both efforts were intended to encourage further community involvement in Montvale's schools.

**Summary.** Reactions to reduced federal money were muted. Because the district lost funds, there was concern about the future of some programs. Yet, one staff member argued that the district now had more flexibility, which was seen as an advantage. The superintendent encouraged autonomy and responsibility in his staff and in the principals, and supported innovation at all levels. His commitment to sound programs was strong, and he was hoping that the board would pick up more threatened programs because of their proven value. Reduced paperwork was a "mixed blessing." One person saw an advantage to submitting shorter forms, while another worried about the possibility of the district's becoming lax in internal record-keeping.

Despite Montvale's success in managing cuts, there was a caveat. The board was able to support the most valued programs, thereby softening the effects of lost funds. But that support came through leaving positions vacant when a retirement or death occurred, allocating reduced amounts for textbooks, and moving money from capital maintenance. A board member described these as one-time remedies and feared that in coming years it would be more difficult to support endangered programs. Although this district was not thriving under adversity, it was meeting the challenges posed by reduced federal funds and a strained local economy with energy, commitment, and a resolve to do more with less.

**New Park**

When ECIA was enacted, the New Park school district lost money—a lot of it. In 1981-1982, they received nearly $200,000 from categorical
programs that were blocked under Chapter 2. In 1982-1983, New Park's Chapter 2 allocation was $37,400. Despite this huge loss, the district managed to survive without major problems, desegregation occurred without serious incidents, and libraries were still functioning. Central administrators were proud that they coped successfully. They attributed this outcome to their extensive preparation for consolidation and desegregation with many community involvement activities to help calm opposition. However, they were concerned about the future: They did not think they could cope with additional cuts and worried that the effects of present cuts would become more painful.

The school district, with nearly 5,000 students and 10 schools, was in an old, densely populated, highly industrialized suburb of a major city. It was organized in 1972 by the state-ordered consolidation of three smaller, diverse districts. Consolidation aroused active resistance from numerous organized community groups, and subsequent lawsuits were not resolved until 1978. The opposition seemed to revolve around class and economic issues as much as racial ones. One of the districts was primarily white middle class, one black middle class, and one white working class. Middle class parents resisted joining forces with the working class district that had a lower tax base.

Several years after the decision to consolidate, the district was cited by a government agency for non-compliance because it had a school that was more than 50 percent black. As they responded to this and other external pressures for desegregation, the district merged three high schools (one from each of the original districts), established two middle
schools, and closed several elementary schools. In the process, which concluded in 1982-1983, 2,000 students and half of the staff were transferred.

Community opposition was also fueled by substantial tax increases in 1981 and again in 1982. This was related to an eleven-week teachers' strike which resulted in contracts granting increases of 13, 11, and 13 percent for three years beginning in 1980-1981. The district attempted to reduce community opposition and build support for the schools by involving parents extensively in planning for both consolidation and desegregation. For example, 15 committees were established to plan for secondary school consolidation.

Redistribution of funds. The $37,400 Chapter 2 allocation replaced ESAA and Title IV-B grants which had funded a variety of programs the previous year. ESAA funds totaling nearly $185,000 had supported—among other activities—three community relations specialists, staff development programs, activities for students and parents, and the salary of a program director. An additional $13,700 from IV-B funds provided money for libraries.

Local priorities. When district administrators learned that federal funds would be reduced so drastically the following year, they were in the process of developing a magnet schools program that would help desegregate the district. Wanting to preserve a neighborhood school by attracting more students to it, parents from one of the predominantly white districts launched a campaign for a "basics" school which would feature strict discipline and dress-code standards. The district decided that, in
addition to satisfying parental requests, such a magnet school would help promote desegregation by drawing black students into the neighborhood.

The district subsequently decided to establish a second magnet school to emphasize computer education in a black neighborhood. The entire Chapter 2 allocation was used to purchase computer hardware and software for this magnet school, as well as the high school. Two district administrators explained:

When word of ECIA came in February or March, our specific concern was with desegregation. Having started a plan of action, this weighed heavily in terms of our commitment to human relations.

'We have only a small amount of money (from Chapter 2). If we divide it up the money will be used up. Instead of debating, let's earmark this money for this (magnet school) program.

They did not allocate any Chapter 2 money to libraries. (Second-year ECIA funds were also used entirely for computers, primarily for middle school labs.) In general, most activities previously supported with ESAA funds were not pursued in 1982-1983. The program employees, a director and three community relations specialists were either laid off or returned to the classroom. Activities that were continued survived primarily because some staff exerted extra effort to save them. For the most part, staff believed many ESAA-related activities were no longer necessary.

Local decision-making. The process of deciding how to allocate Chapter 2 funds continued the district's practice of soliciting community input, which had begun when plans were developed for consolidation. A central office administrator estimated that 70-80 people were involved in planning the computer magnet school. At least two ongoing advisory councils, one on desegregation and the other on budget, submitted
recommendations regarding the use of Chapter 2 funds to the district administrative cabinet.

Nevertheless, the district had to deal with community opposition that threatened to accelerate tensions. Certain activities previously supported by ESAA might have been able to prevent those tensions. Consequently, the district deliberately attempted to reduce some of this tension and build community support by involving citizens extensively in planning efforts.

**Summary.** Events in the New Park school district were another illustration of a school district initially coping successfully with major reductions in federal funding. However, some activities which would have been supported with a categorical grant for desegregation (ESAA) were severely curtailed or eliminated rather than continued through alternate sources of support. Although desegregation proceeded without serious eruptions of racial tensions and no other major effects of funding cuts were observed, district administrators were nervous about the future on four counts. First, budgets had been cut repeatedly and could not be reduced further without reducing programs. Second, taxes were raised sharply in 1981 and again in 1982. They were not a viable source of revenue increases in the near future. Third, the effects of previous ESAA-funded activities to prevent racial tensions would wear off eventually. Also, new problems were likely to arise and, without ESAA, the district's capacity to deal with them was reduced. And, finally, libraries continued to deteriorate as the district did not perform such maintenance functions as updating reference collections or purchasing textbooks to accompany curricular revisions.
Crab Cove

Based on the available research, it is clear that districts which had successfully competed for aid suffered reductions with the advent of Chapter 2. Staff in Crab Cove learned this lesson well. In 1981, categorical funding was 14 percent of the education budget; Chapter 2 funds amounted to one-tenth of that, or 1.4 percent of all expenditures.

Crab Cove was in a rural coastal area. As one staff member described the region: "This (area) is one-third marsh, one-third wooded, and one-third farmland." The region had no industries except for farming and seafood. But the district was very successful in obtaining categorical aid programs: "By virtue of SES circumstances, we qualify for everything; we can justify getting the money," according to one administrator.

Redistribution of funds. Indeed, the district received considerable federal support. This included two projects funded under Title IV-C (one for helping students pass a state reading competency exam), an ESAA program that established guidance counselors in the junior high schools, and an exemplary teacher center program (in the SEA's view). The system also, of course, had Title IV-B. In all, around $350,000 a year in categorical funding was coming to a system of 3,600 students with a local budget of $2,577,083. This budget had not been increased in five years.

How important was the federal money? "The aid turned the school system around.... [It] brought us out of the woods from a bare bones operation to where we were offering substantial services to kids," one official said. Under Chapter 2, however, the first year allocation to Crab Cove was $33,000; the second year's was $35,000.
Local priorities. This loss of funds meant that the junior high guidance counselor positions were not funded, one of the IV-C projects was terminated, the libraries no longer received supplementary money for expensive materials, the IV-C project for reading competency was reduced (all of the Chapter 2 money went to this program), and several central office positions were combined and/or redefined. The teacher center was also designated to be cut until the state provided funds for it from SEA set-aside allocations. According to staff, these cuts hurt badly:

This whole thing will change. They're [the SEA) putting in state-wide math and writing tests. As a result, more and more kids will need assistance. That's where the shortage of money will kill us....I don't see how you can implement assistance for three tests without more staff.

Our books need to be weeded out....[In addition] things just walk out. It won't take too many years before this whole (library) collection will be the pits.

The school system from the early 70's to now has gone through a metamorphosis from no aid to a peak two years ago to having substantial money to shrinking now....I see that [federal aid] drying up; it really hurts.

Things are not as drastic as they will be.

Local decision-making. To Crab Cove staff members, the allocation of Chapter 2 funds was not controversial. The total of $33,000 would not go very far. The superintendent felt a pressing need to continue the remedial program to help high school students pass the state reading competency exam. Although this decision was discussed with the central office budget advisory committee, other staff or community members were not involved. Everyone, however, acknowledged there was little else the money could be used for realistically.
Administrative burden. Generally, Crab Cove staff members did not think that ECIA reduced administrative burden, although they recognized that reapplying for Chapter 2 funds would be easier because it required only a one-page proposal. Still, they felt they had to go through a lot to get only $33,000 and questioned whether it was worth the effort. This was partially because the state department required districts to keep similar records as under the categorical programs; but district administrators considered the relationship with the state more positive because monitoring was more oriented to providing technical assistance than previously was the case.

Local response. Certainly these losses were impressive for such a small district, but it would be difficult to argue that they were so much greater than Brook City's or Montvale's to explain the sense of disaster one got from talking to Crab Cove staff. As was seen in Riverport, Brook City, and Montvale, a supportive board, an interested (or increasingly interested) community, and a widely-shared commitment to education among all groups helped give staff a feeling that they could cope with losses. To be sure, they would rather have had the money than not; but they did not express a fear that the district was suffering a severe setback.

In Crab Cove, which illustrated the reverse, the federal government had become the major provider of resources needed to move the district ahead, to give it vitality, and to encourage creativity. This was accomplished almost in spite of the local board and community. But once the federal money was reduced, there was no second line of defense. The district's operating budget reverted to the same level as the last five years, with no adjustments for inflation. Although the board had picked up
the salary of a Title I teacher, an administrator--echoing the view of other district staff--said, "There's no way they will pick up that kind of money" to cover the other programs.

The local economy and the attitudes of the board, local government, and the community toward education offered little hope for improvement in the situation. According to one administrator, "the board's big question is where is the money going to come from...(the answer), not from here." The board approved the local school budget and, from staff reports, would likely have agreed to an increased budget if the money were available. But, the board could not set the tax rate. That was done by the local municipal government. This body was viewed by an administrator as "more supportive of education, but not financially....They really don't have it....A penny on the tax rate raises $14,000." Thus, a significant tax increase would have been necessary to increase the local budget for basic education by even a modest percentage, much less to compensate for several hundred thousand dollars in federal money for more ancillary programs.

The community would not have been in favor of such a move, given its attitude about education historically. "Traditionally education is not supported in this county....It is not a priority," according to a staff member who added that the local economy depended on most people performing jobs for which little education was a pre-requisite in the first place. In short, it was not politically wise in Crab Cove to propose a steep increase in taxes for a service that was not highly valued.

Parental involvement in the schools was viewed as minimal; in fact, at least one school had disbanded its Parent-Teacher Association because of lack of interest and instead relied on a short list of volunteers. Given
all of this, the fact that the teachers were consistently the lowest paid in the state added considerable insult to injury.

Despite the lack of appreciation teachers felt, Crab Cove staff conveyed pride in their work and a commitment to "give kids the best education we can with what we have." To a person, teachers praised building administrators and building administrators praised the central office. As one staff member said,

There is little turnover. When you look at the salary structure, there must be something here....We have a lot going for us. There is open communication between the top man and the bottom man. Even neighboring [systems) can't say that. We're friends...like a big family.

Another added,

People (the community) don't appreciate what they have here. People (staff) are out there working harder....I think they take pride in doing a good job educationally without a lot of equipment and supplies...(without them), it's your skill as a teacher that makes a difference.

Understandably, though, this commitment was substantially different from Brook City and Montvale. First, there were few bonds between the schools and the remainder of the community. Second, instead of a proactive effort to promote education, staff commitments had more of a retrenchment undertone, of doing the best one could in the face of overwhelming adversity.

Summary. In such a context, it was easy to see how the kind of changes represented in Chapter 2 indeed became catastrophic. This goes against the general picture this report has painted thus far—that accommodation to ECIA has been relatively smooth. Yet Crab Cove, in spite of a diligent commitment to education, faced intractable problems tapping alternative sources of support to see that commitment to fruition.
Context and Chapter 2

The interaction between a district's context and Chapter 2 was clearly evident in the preceding discussion. Not only did contextual features mediate the effects of the policy but also they influenced how Chapter 2 was implemented. For example, flexibility of use was dramatically constrained in Brook City because the district remained under court order to desegregate. There was little possibility that Chapter 2 money would be used for any activities other than the most important ones previously funded by ESAA. Similarly, the reduction of administrative burden was not as noticeable in Riverport and Crab Cove as in the other three districts because the SEA retained most of the procedures that had existed under categorical funding.

However, local context was an even more influential determinant of whether a district was able to cope with funding reductions. Coping with losses under Chapter 2 meant being able to continue services funded by categorical programs at essentially the same or modestly reduced levels—if the district felt it desirable to do so (i.e., it had a choice)—and to maintain a sense of progress or vitality. Using these criteria, three of the five sites were clearly coping, one was close, and one was not. For the three—Riverport, Brook City, and Montvale—program decisions continued to be made on the basis of whether an activity was effective, not on the basis of whether funding was available. This enabled them to pursue district priorities in the ways they deemed most appropriate. New Park managed to retain the most important activities initiated with categorical funds but terminated others. Nevertheless, the tone of central staff
comments indicated the district was still moving in the direction it wanted
to go. This was certainly not the case in Crab Cove. Important programs
were lost under Chapter 2, programs which remained first priorities should
additional money be located in the future. The district retained pride in
the quality of services it was providing, but there was no sense of
progress.

A district's ability to cope depended upon several factors: (1) the
availability of alternative sources of support for the district to tap, (2)
whether categorical funds were used for basic or ancillary activities, (3)
the district's relationship with its environment, and (4) what might be
called the culture of education in the community. First, alternative
resources were located in several places: within a local budget (either by
shifting funds or simply not restaffing some positions), contributions from
local businesses, or additional allocations from a school board. Of
course, these avenues of recourse were more available in some districts
than others.

Second, prior uses of categorical funds were also important. A
district felt the loss of funds much less when the support had been for
programs that were either ancillary to what the district defined as its
core activities (e.g., several IV-C projects) or designated for acute needs
that were well on their way to being met, such as many of the desegregation
objectives in New Park and Riverport.

Third, a district's immediate environment included the school board,
municipal government, parents of students, the business community, and the
citizen as a whole. (Its more distant environment, of course, encompassed
the SEAs and federal government, not to mention courts, colleges, and
Fourth, the character of the relationship between the district and its immediate environment was largely governed by the standing of education in the local culture. "Culture is socially shared and transmitted knowledge of what is, and what ought to be, symbolized in act and artifact" (Wilson, 1971:90). That is, culture defines the meanings a group of people attach to both their current situation and some desired situation (Firestone & Wilson, 1983). It enabled each community to assign value and worth to the activities it conducted, thereby determining the level of support citizens would be willing to give to each.

Although it is easy to keep these four factors conceptually distinct, in reality they were intricately interwoven. This became clear in the five cases once an explanation for how well a district coped was attempted. For example, in Riverport, categorical funds comprised a minute portion of its local budget; and the majority of these funds had been for a program (ESAA) whose objectives, according to district staff, had been met. Given the considerable wealth in the district and a widely shared commitment to education, finding resources to continue the categorical programs that remained priorities was not difficult.

In Brook City and Montvale, most of the categorical funds helped the districts address current priorities and were slightly more significant components of their local budgets. Thus, coping required more effort. Still, alternative resources were available, both within the budget and from local businesses. Moreover, as in Riverport, education as a cultural goal was widely valued; also prized were the particular means by which each
district pursued that goal. Thus, threatened programs that the districts deemed effective and necessary tended to be viewed by the local board in the same way. A cooperative search, or "scrounging around," for support then began. This led to the discovery of slack areas in the budget, decisions to increase the budget, or coordinated efforts to tap the resources of local businesses.

In New Park, consolidation and desegregation activities had located and helped create pockets in the community that valued education as a goal, but most of the community remained less willing to acknowledge the schools as a critical priority. This put more constraints on the district's search for external resources, especially remedies like raising taxes. However, internal management of funds coupled with the fact that many ESAA objectives had been met lessened the short term difficulties the district faced. Nevertheless, their ability to cope depended largely on "one time solutions." This situation seemed to back up the central office claim that while they were managing for the moment, more serious problems loomed in the future.

Education as an end, at least in the form Crab Cove staff felt was necessary for quality service, was not highly valued in the community. While the local board and county government offered some verbal support for the district, there was little willingness to increase local expenditures for education; it was simply not politically expedient for these two bodies to go to bat for the district. Moreover, tax increases would have generated little revenue in absolute dollars because of the limited tax base. Coupled with the lack of local businesses that needed highly educated people, the kinds of resources other districts were able to tap...
were simply not available. Problems were compounded by the large contribution categorical funds made to the local budget and the fact that this money funded what in other districts was considered to be basic activities.

Conclusion

The ability to cope hinged on a complex combination of factors. The amount of money relative to the size of the local budget and the centrality of the activities for the district helped determine the size of the problem created by ECIA. However, to cope effectively with any size problem required both a collective will and alternative ways to get money. Although one might hesitate to argue "if there is a will there is a way," research on effective businesses suggests this may be so:

When times are tough, these companies can reach deeply into their shared values and beliefs for the truth and courage to see them through. When new challenges arise, they can adjust. (Deal and Kennedy, 1982:196)

Of course, drawing an analogy between businesses and the situation of local school districts is not entirely appropriate. The business of educating children is a community enterprise and, therefore, not solely the province of educators. It is not enough for the commitment to quality education to be shared simply among practitioners; instead, the commitment must be evident in citizens, local government, and businesses if threatened services are to be continued. Coping, then, appears to be not so much a district responsibility as a community one.

Having dislodged the onus from the district and placed it on the community does not solve the problem. An additional, and perhaps much more appropriate, lesson from the study of organizations is that the process of
developing widespread value commitments is painstakingly slow. It is heartening that three of the five districts in the study already seemed to have established the basis for coping with reductions over the long term. It was not so clear that New Park would be able to do so, and certainly Crab Cove would not. Remedies will likely have to come from outside these districts. Policy makers have already initiated some attempts to compensate districts that lost significant amounts of federal money in the switch from categorical funding to ECIA. The message of this report is that losing districts have not suffered uniformly and that the actual size of the loss is not the most important determinant of the magnitude of the impact. Instead, for policy adjustments to have maximum impact, differences in local contexts must be understood and taken into account.
References


Firestone, W., & Wilson, B. *Using bureaucratic and cultural linkages to improve instruction: The high school principal's contribution.* Eugene, OR: Center for Education Policy and Management, 1983.


Hood, P. Research and school improvement in the far west: The effects of federal and state cutbacks, consolidation, and deregulation on education in California, Nevada and Utah. San Francisco: Far West Laboratory, 1982.


Appendix A: Research Methods

The general research approach, data collection procedures, and analysis methods are described in this section. Since the study began in January 1983, site visits have been made to each of the three SEAs and 12 LEAs. The research approach concentrates on the local level, uses qualitative data collection methods (especially interviews and document reviews), and a longitudinal design.

General Approach

The rationale for focusing on the lower levels of a system when studying the implementation of policy made at a higher level is that policy effects should be studied directly. As Elmore (1980) and others acknowledge, policies are not always implemented as intended. Variation in implementation results, at least in part, from local contextual factors. Therefore the study was designed to capture local influences on Chapter 2 implementation.

Because of the need to study a variety of contextual factors which could not all be identified in advance, to examine the decision-making process, and to identify a wide range of effects, the study could not be constrained by data collection methods whose advance structure would limit the information that could be acquired. Therefore, the researchers decided to use qualitative data collection methods such as interviewing and document review. In addition, a longitudinal design was needed to study the long-term effects of funding shifts and to examine what occurs as
increasing numbers of local personnel become aware of the availability and potential flexibility of Chapter 2 funds.

**SEA Data Collection**

In the three states that agreed to participate in the study, initial fieldwork at the SEAs obtained background information on the implementation of ECIA and the general educational context of each state. Two-person research teams went to two of the SEAs for two days and to the smallest SEA for one day. Data were collected through document reviews and interviews. Documents included information received from the federal level concerning ECIA, orientation packages that the states prepared for LEAs, minutes from state advisory council (SAC) meetings, testimony prepared for open hearings, summary data on the allocation of funds to LEAs, and actual applications received from school systems.

The number of interviews conducted at the SEAs varied, primarily because of the size of the SEA. In one, three staff members had complete responsibility for administering Chapters 1 and 2; two were interviewed. In another, more than ten staff members were responsible for some aspect of ECIA program administration or policy setting; eight were interviewed. For the third and smallest, one person had administrative responsibility for ECIA; that person and a Chapter 1 monitor were interviewed. In addition to meeting with individuals directly responsible for current administration of ECIA programs, interviews were conducted with staff who formerly worked with categorical programs blocked in Chapter 2 and with members of the SACs.
During these visits, researchers sought information in five primary categories:

- **Chapter 2 policy development**—including issues surrounding the development of the funding formula, who participated in SAC discussions and public hearings, and how Chapter 2 information was shared with local systems;

- **Current administration of Chapters 1 and 2**—including staffing patterns, the nature of SEA/LEA interactions, and administrative procedures;

- **Administration of Title I and the categorical programs**—including staffing patterns, the nature of SEA/LEA interactions, and administrative personnel;

- **State context**—including the political and economic climate of the state, the SEAs interorganizational relationships with LEAs and other groups with strong educational interests, and the intra-organizational climate of the SEA;

- **Reactions to ECIA**—including staff's perceptions of the relative merits of the new legislation, anticipated benefits and problems, and assessments of the success or failure of previous federal funding efforts.

For each interview, researchers identified in advance which categories were relevant knowing that most interviewees would be more useful informants for some categories than others. That proved to be true; however, responses bridged all of the categories, as typically happens with open-ended questions.

**LEA Data Collection**

After the SEA site visits were finished, the research team selected 12 LEAs to be in the study. Three were from the smallest state, four from the mid-sized state, and five from the largest. LEAs were selected based on several criteria. First, the research team wanted a mix of sites representing those who gained money during the first year of Chapter 2 versus the previous categorical programs, and those who lost. Of the twelve, five
received more money, six lost, and one had level funding. Second, research staff wanted variation on the size of the districts; six had less than 6,000 students and six had more than 10,000. LEAs also varied as to the type of community they served. Four were clearly rural, four were suburban, two served medium-sized urban areas, and two served mixed areas. Finally, SEA staff were given the opportunity to nominate systems that were of special interest because they had reputations for being particularly innovative, were known to have received considerable federal funding in the past, and/or had a large population of private schools. The 12 systems were not selected to be representative of a larger population of systems; instead, the intention was to obtain districts that would illustrate a range of prospects and problems associated with ECIA and any subsequent policies to be studied.

As was the case at the SEA level, two-person research teams visited each LEA for two days. (Exceptions were one district that had a third day of fieldwork and another requiring only one day.) Usually, the first day was devoted to talking with central office staff and obtaining documents, and the second day was spent interviewing building staff. In all, interviews were conducted with 11 superintendents, 53 other central office staff, 41 building administrators, 44 teachers, 16 media specialists, two counselors, one aide, eight representatives from non-public schools, and five school board members.

The interviews ranged from 15 minutes to well over an hour, based on the kinds of information sought and the interviewee's familiarity with federal funding. Once again, the research team identified in advance the
categories of information to be discussed with each respondent. The categories included:

- Policy development for ECIA—including how decisions were made about how to handle Chapter 2 funds or changes in Chapter 1 allocations, who was involved in these decisions, communication with the SEA and federal government about the legislation, and differences between the two chapters;

- Antecedent programs and ECIA changes—this involved obtaining information about programs, activities, funding levels, staffing patterns, and students served with federal funds past and present;

- Reactions to changes—including perceptions of current and future impact, changes in paperwork, flexible use of the money, local discretion, concerns about future audits and evaluations, and the extent to which federal money is being used to maintain existing programs or to start new ones;

- Local context—focusing on major district issues, innovative activities, relationships with the SEA and the local community, and stability (labor conflicts, enrollment, tax base, staff turnover, etc.).

Another source of data from LEAs included a statistical information form which the research team left with the site contact person who filled it out and returned it by mail. The form requested information on the amount of federal funds received from categorical programs in 1979-1980, 1980-1981, and 1981-1982, as well as from ECIA in 1982-1983; the number of public and non-public schools which received funds; and the number of public school staff whose salaries were paid by the funds. For the same period of time, the form also requested the total district enrollment, percent of minority students, total district budget, and percent of the budget that came from local, state, and federal sources.

Documents provided by the LEAs varied, but included brochures, descriptions, and evaluation reports of federally-funded programs; proposals for ECIA funds; and correspondence with SEAs. Other documents pertained to
the districts in general rather than to federal programs, for example, budgets, goal statements, and long-term plans.

Analysis Methods

After each site visit, researchers edited their notes and wrote site summary reports which described the site visit, summarized data about ECIA and the local district context, and identified emerging cross-site findings as well as questions for the second round of site visits. Then members of the research team used the field notes and written site summaries to answer sets of questions about each system. A display chart was prepared to facilitate cross-district comparisons. It included the data summaries and cited locations in the field notes for specific information on which the summaries were based. These analyses led to the findings reported earlier in an interim report.

After the completion of the initial round of site visits, researchers revisited the SEAs and gave them informal feedback. This feedback consisted of a verbal description of the initial findings on the general impact of ECIA. The reactions and comments of SEA personnel were used to revise and refine the analyses. A second round of site visits to the 12 LEAs also solicited their reactions to the interim report. Those reactions are incorporated in this report. During those second visits, data were obtained on 1983-84 funding levels, programs, and experiences with ECIA. This analysis strategy of giving feedback to participants and eliciting their reactions will iteratively improve the validity of the researchers' descriptions and interpretations.
### Appendix B. Capsule Descriptions of the 12 Sites

<table>
<thead>
<tr>
<th>Site</th>
<th>Number of Students</th>
<th>Type of Community</th>
<th>Previous Categorical Amount 1981</th>
<th>Chapter 2 Programs Funding 1982</th>
<th>Chapter 2 Programs Funding 1983/1981</th>
<th>Chapter 1 Programs Funding 1981/1982</th>
<th>Local Dec.</th>
<th>Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montvale</td>
<td>10,455</td>
<td>small industrial city</td>
<td>$150,000+</td>
<td>$942-$1,000+$36,000+$90,000</td>
<td>Library/mini-grants/teacher education aides/Teacher Center Planning</td>
<td>$335,000+$90,000+$1,000,000+</td>
<td>Central office staff &amp; local lobbying from library coordinator</td>
<td>Mixed blessings-ECLA promotes reduced record keeping; need to know about program effectiveness remains.</td>
</tr>
<tr>
<td>Greenwood</td>
<td>2,283</td>
<td>small town-industrial</td>
<td>$6,600</td>
<td>$2,473</td>
<td>Libraries/Counseling &amp; Counseling</td>
<td>$55,000+$77,000+$37,000</td>
<td>Superintendent with input from counselors, internal sources, federal program coordinator</td>
<td>Wholeheartedly enthusiastic for increased local flexibility and reduced paperwork.</td>
</tr>
<tr>
<td>Atchield</td>
<td>10,000</td>
<td>small city (6 sq. miles)</td>
<td>$69,000</td>
<td>$198-$1,000+$1,000+$115,000</td>
<td>Libraries/Counseling &amp; Counseling</td>
<td>$257,000+$37,000+$90,000+</td>
<td>Superintendent's Cabinet</td>
<td>District has to keep more records on because eventually will be accountable for Ch 2 programs.</td>
</tr>
<tr>
<td>Southdale</td>
<td>1,000</td>
<td>suburban</td>
<td>$12,700</td>
<td>$198-$1,000+$1,000+$115,000</td>
<td>Libraries/Counseling &amp; Counseling</td>
<td>$34,000+$54,000+$30,000</td>
<td>Superintendent's Cabinet</td>
<td>Minimal paperwork about the same. (No basis for comparison because limited participation in categorical.)</td>
</tr>
<tr>
<td>New Park</td>
<td>1,080</td>
<td>suburban</td>
<td>$58,000</td>
<td>$198-$1,000+$1,000+$115,000</td>
<td>Libraries/Counseling &amp; Counseling</td>
<td>$28,000+$50,000+$10,000+</td>
<td>Committee of community members, administrators, teachers; central office and board of education</td>
<td>More paperwork on categorical to less of 5 under Ch 3, &amp; recent cuts federal mandates; fund programs, not staff.</td>
</tr>
<tr>
<td>St. Paul</td>
<td>14,571</td>
<td>urban area but encompasses several suburban neighborhoods</td>
<td>$300,000+</td>
<td>$198-$1,000+$1,000+$115,000</td>
<td>Libraries/Counseling &amp; Counseling</td>
<td>$34,000+$54,000+$30,000</td>
<td>Superintendent with advice from central office administrators</td>
<td>Increased paperwork on categorical; intent is to keep paperwork to ensure needy kids get money.</td>
</tr>
</tbody>
</table>
Appendix B. Capsule Descriptions of the 12 Sites (continued)

<table>
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</thead>
<tbody>
<tr>
<td>Crabs Cove</td>
<td>1,547</td>
<td>312</td>
<td>rural-service center</td>
<td>$250,000 to $300,000</td>
<td>$250,000 to $300,000</td>
<td>1983- $1,100,000</td>
<td>$1,125,000</td>
<td>1982- $1,100,000</td>
<td>$1,125,000</td>
<td>Superintendant</td>
</tr>
<tr>
<td>Creekside</td>
<td>65.500</td>
<td>325</td>
<td>urban, suburban, some rural areas, (1,200 square miles)</td>
<td>$280,000</td>
<td>$280,000</td>
<td>1982-1983 $500,000 to $600,000</td>
<td>$500,000</td>
<td>1982-1983 $500,000 to $600,000</td>
<td>Superintendent and his cabinet</td>
<td></td>
</tr>
<tr>
<td>Watsonville</td>
<td>18,500</td>
<td>325</td>
<td>rural, with industrial community</td>
<td>$270,000</td>
<td>$270,000</td>
<td>1982-1983 $500,000 to $600,000</td>
<td>$500,000</td>
<td>1982-1983 $500,000 to $600,000</td>
<td>Administrative cabinet, with input from Chapter 2 Advisory Committee</td>
<td></td>
</tr>
</tbody>
</table>

Despite federal relaxation of regulations, districts are likely to be held accountable and need to continue keeping same records.