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## ABSTRACT

Chapter 2 of Title I of the Elementary and Secondary Education Act is a formula grant program designed to support educational improvement. The intent of the Chapter 2 program is to make funds available for state education agencies (SEAs) and local education agencies (LEAs) to improve elementary/secondary education, meet the special educational needs of at-risk students, and support innovative school programs. Under the Chapter 2 program, LEAs receive block grants and have wide discretion over how they allocate funds. This paper assesses the effectiveness of the Chapter 2 program, with a focus on how successfully it promotes educational improvement. The data were collected through: national surveys conducted at the state and local levels; and case studies of 6 LEAs (Colorado, Indiana, Maryland, Mississippi, Texas, and Vermont) and 18 school districts (3 in each case-study state). If educational improvement is defined as addressing states' and districts' specific priorities, then Chapter 2 has been an effective strategy, especially when these priorities relate to educational reform as they often do. However, Chapter 2 has an uneven record in other respects. Findings show that these funds are used in much the same way as they were before the program's reauthorization: to support the purchase of instructional materials. As a strategy to focus funds on school improvement, the target areas have been less than successful. Recommendations include: (1) eliminate the targeted assistance areas; (2) focus both state and local Chapter 2 funds on educational reform initiatives and/or educational priorities; (3) eliminate materials and equipment as allowable expenditures unless they are directly related to reform; and (4) require that LEAs concentrate Chapter 2 funds on one specific activity/program related to reform or and educational priority. One figure and six tables are included. (LMI)

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## FEDERAL POLICY AND ITS SUPPORT FOR REFORM —IS A FLEXIBLE APPROACH EFFECTIVE?

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## FEDERAL POLICY AND ITS SUPPORT FOR REFORM —IS A FLEXIBLE APPROACH EFFECTIVE?

### INTRODUCTION

Chapter 2 of Title I of the Elementary and Secondary Education Act is a formula grant program designed to support educational improvement. The intent of the Chapter 2 program is to make funds available for state education agencies (SEAs) and local education agencies (LEAs) to improve elementary and secondary education, meet the special educational needs of at-risk/high-cost students, and support innovative school programs.

The Chapter 2 program is unique among federal programs for elementary and secondary education. As a block grant, local education agencies (and, to a lesser degree, states) have wide discretion over how to allocate Chapter 2 funds. By contrast, Chapter 1, Title II (Eisenhower Math and Science Education), impact aid, and bilingual education assistance, among others, are categorical programs. These programs deliver federal funds to serve particular *categories* of students (or categories of school, in the case of impact aid). Chapter 2 is a prime example of the new federalism of the 1980s—federal resources provided with few constraints in order to meet locally determined needs.

The purpose of this paper is to assess the effectiveness of the Chapter 2 program, which affords states and local school districts a wide degree of flexibility in fostering educational reform and innovation. The role of Chapter 2 as a federal policy option is currently unclear because of the uncertainty of the final makeup of the federal reform strategy.

The findings presented in this paper are based on SRI International's evaluation of the Chapter 2 program, conducted for the U.S. Department of Education. The evaluation included national surveys of states and local districts, and case studies of 6 states and 18 school districts. The data describe activities supported by Chapter 2 funds during the 1991-92 school year at the state and local levels.

We begin this paper by describing the intent of the block grant concept and the development of the Chapter 2 program in particular. We then describe the education improvement activities supported by Chapter 2, including activities that further the nation's

progress toward the National Education Goals and the extent to which the Chapter 2 program enables school systems to undertake systemic and meaningful education reform. We end with a discussion of the use of a flexible approach to achieving educational improvement, the strategies needed to bring Chapter 2 into the mainstream of the reform effort, and the future of Chapter 2.

### **History of the Chapter 2 Program**

Chapter 2 began in 1981 as a block grant that consolidated more than 40 former categorical programs. Chapter 2 was the first block grant for educational programs. The block grant concept embodied a different set of assumptions and priorities about federal education policy from those contained in most categorical education programs. The principal elements of change included the following: (1) less local programmatic direction from the federal and state levels than before, (2) an enhanced role for local education agencies in determining how educational program resources should be used, and (3) wider distribution of program benefits (including to private school students).

With the establishment of the block grant, the mechanism for distributing funds shifted dramatically, from competitive grant proposals for each of the programs to a formula allocation basis. Furthermore, funds that were available for specific, narrow purposes could be targeted to the broader needs of individual local districts. Each of the antecedent programs was preserved as an area of allowable expenditure, but state and local education agencies were given significant discretion in the use of Chapter 2 funds to improve education in their jurisdictions. This flexibility has become the hallmark of Chapter 2.

The consolidation of categorical programs thus raised new possibilities and questions about the future direction of federal education policy. Over time, the debate about the block grant concept has evolved from concern about the fate of previous policies to concern over the contribution of Chapter 2 to educational reform.

In 1988, the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988 reauthorized Chapter 2 by amending the Elementary and Secondary Education Act of 1965. In partial response to concerns over a lack of program focus and use of funds for activities not directly related to students, the revised statute defined the purpose of Chapter 2 in terms that underscored instructional improvement: "promising educational programs," "innovation and educational improvement," "meeting the needs of at

risk and high cost students," and "enhancing the quality of teaching and learning through initiating and expanding effective schools programs." In a more directive way, the statute (1) specified six allowable uses or targeted assistance areas for Chapter 2 funds (at-risk/high-cost student programs, instructional materials, innovative programs, professional development, programs to enhance personal excellence and student achievement, and programs to enhance school climate and educational programs); (2) it required states to set aside a portion of their funds for effective schools programs; (3) it limited state expenditures for Chapter 2 administration; and (4) it established two new reporting requirements. Although new Chapter 2 regulations are being implemented faithfully, mandates from the federal government have not significantly changed the operation of the Chapter 2 program since 1988.

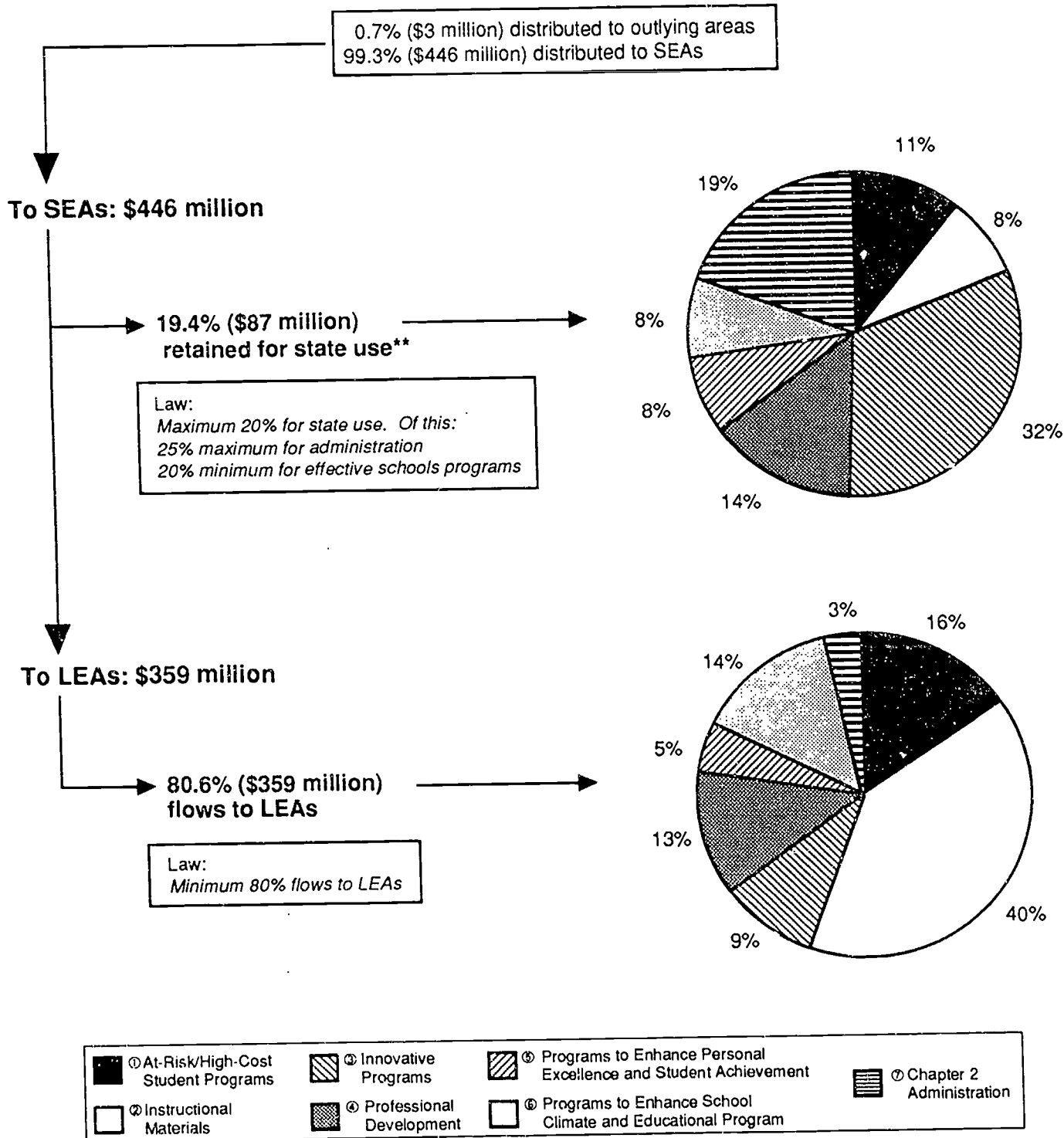
It should be kept in mind that the Chapter 2 legislation does not prescribe specific types of activities. In fact, the legislation is intentionally broad to encourage and support local flexibility. States and districts are explicitly encouraged to use Chapter 2 funds for school improvement as they define it for their local needs. Nevertheless, it was apparent to us as we studied Chapter 2 programs at the state and local levels that some uses were more clearly linked than others to the legislative intent of educational improvement. It was necessary to impose some value system on the range of activities we observed in order to differentiate "effective use of Chapter 2" from "less effective use of Chapter 2." In many cases, effective and less effective uses are funded side by side. For the purpose of our analysis in this paper, we have defined educational improvement under four categories of activities:

- (1) Support for educational reform
- (2) Support for educational priorities
- (3) Support for innovative programs
- (4) Services to enhance teaching and learning.

### **Program Administration and Expenditures**

The Chapter 2 program is administered by the Chapter 2 program office within School Improvement Programs of the U.S. Department of Education (ED). The Chapter 2 program office retains less than 1% of the Chapter 2 grant appropriation to distribute to outlying areas and distributes the rest as Chapter 2 grants to states according to the size of their school-aged populations (i.e., ages 5 through 17) (see Figure 1). However, each state is guaranteed a minimum of 0.5% of the total amount allocated for states (a minimum of \$2.2 million in 1991-92).

**Grants to States and Outlying Areas\*: FY 1991  
Total Grants = \$449 Million**



\*Outlying areas include American Samoa, Guam, Northern Mariana Islands, Palau, and the Virgin Islands.

\*\* SEAs retained between 14% and 20% of Chapter 2 funds for state use. The mean retained for state use was 19.4%. SEAs, on average, distributed 80.6% of Chapter 2 funds to their school districts. Distributions ranged from 80% to 86%.

**FIGURE 1 THE CHAPTER 2 PROCESS**

Since the program's reauthorization in 1988, Chapter 2 allocations have ranged from a high of \$463 million in 1989 to a low of \$369.5 million, which has been estimated as the allocation for FY94. When adjusted for inflation, funding has declined by 22.5% since the high in 1989. Because allocations are based on the school-age population, the size of Chapter 2 grants to states varied widely in 1991-92<sup>1</sup> (from a minimum of \$2.2 million up to \$49.1 million). Despite the fact that the total Chapter 2 allocation represents a substantial sum, Chapter 2 funds comprise a very small proportion (less than 0.5%) of any state's education budget, regardless of the size of its grant award.

Federal regulations stipulate that at least 80% of the state grant be allocated for grants to school districts. Of the 20% or less reserved for state use, up to 25% may be used for state Chapter 2 program administration, and at least 20% must be spent to support effective schools programs. The remaining funds may be used for programs related to seven targeted<sup>2</sup> assistance areas. Funds to LEAs are distributed according to their enrollments, with adjustments made by the states to provide higher per-pupil allocations to LEAs that serve the greatest numbers or percentages of children whose education entails a higher-than-average cost.

During the 1991-92 school year, Chapter 2 supported a wide array of activities—programs of professional development, programs to acquire and use library or other instructional materials, and programs and services for students. There was no defining characteristic or theme across Chapter 2 activities. Virtually all types of educational programs, activities, positions, and purchases have been funded by Chapter 2.

### **Background of the Study**

The overall purpose of the study that SRI carried out under contract to the Department of Education was to describe the full range of educational improvement activities supported by Chapter 2, including activities that promote progress toward the National Education Goals. Two data collection strategies were used to collect the necessary data: (1) national surveys

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<sup>1</sup> Our research focused on Chapter 2 activities during the 1991-92 school year. For a more in-depth discussion of all of the study's findings, see Ruskus, Padilla, Wechsler, Anderson, and Hawkins (1994).

<sup>2</sup> A seventh targeted assistance area to promote literacy was added to the original six.

conducted at the state and local levels, and (2) case studies of 6 SEAs (Colorado, Indiana, Maryland, Mississippi, Texas, and Vermont) and 18 districts (3 in each case study state).

The state and local surveys were designed to measure program administration, expenditures, decision-making, use of funds, and perceived impact of funds. The state sample included the entire universe of SEAs, that is, all 50 state agencies plus the agencies of the District of Columbia and Puerto Rico. The district survey was sent to an overall sample of 1,501 districts drawn from cells of a sampling frame defined by two variables: (1) district size, which was based on student enrollment, and (2) district poverty, as measured by the Orshansky percentile. The district data were weighted to reflect the full population of districts in the nation. The SEA data were not weighted since the universe of SEAs was surveyed. We achieved a 100% response rate to the state survey and an 80% response rate to the district survey.

On-site data collection consisted mostly of semi-structured, protocol-guided interviews with Chapter 2 staff and other key education personnel. A detailed case report was prepared for each case study SEA and LEA. These reports were guided by an analytic debriefing form. To facilitate later cross-site analysis, each case report author "coded" his or her written report. Codes corresponding to different study themes and concepts were entered into *ETHNOGRAPH*, a software package designed to aid qualitative data analysis. The completed case reports and *ETHNOGRAPH* codes were used jointly for cross-site analysis. The goal of this analysis was to identify common themes across sites in order to make statements about the case study sample as a whole.

The mail surveys generated quantitative data used to make national estimates of Chapter 2 expenditures, activities, and program operations. The case study data yielded qualitative data used to describe in greater detail the use of Chapter 2 funds and to hypothesize about the reasons underlying the patterns uncovered in the survey data. This paper is a synthesis of both the quantitative and qualitative data.

## **CHAPTER 2 AND ITS ROLE IN EDUCATIONAL IMPROVEMENT**

There is ample evidence from both the survey and case study data that Chapter 2 is used to support educational improvement as intended by the legislation. This is most obvious through its support of state and local educational reform, educational priorities, and innovative programs.



Although Chapter 2 is used to support educational improvement much of the time, however, this is not always the case. Some of the programs and activities it supports are isolated from reform initiatives under way in states and districts. Others have little direct impact or no impact on students, instruction, school staff, or school performance. Some states and districts continue to fund the same activities with Chapter 2 year after year, with little thought as to the most appropriate use of the funds.

Below we review four major ways that Chapter 2 is used to support educational improvement—support for educational reform, support for educational priorities, support for innovative programs, and services to enhance teaching and learning—and review the positive and negative evidence that Chapter 2 is supporting each.

### **Support for Educational Reform**

For the purpose of this discussion, we define “reform” as specific strategies implemented by states or districts to achieve educational change. We measured state and local use of Chapter 2 for educational reform on the surveys and documented the nature of reform efforts through the case studies. In most instances, reform initiatives were clearly articulated and education staff shared a common understanding of their purpose. We looked at three major categories of reform: support for the National Goals, support for state/district reform initiatives, and support for effective schools programs.

### **Support for the National Goals**

Since the National Goals were established by the President and the nation’s governors in 1989, ED has encouraged states and districts to link Chapter 2 to the Goals. The survey data suggest that they are doing so. As Table 1 shows, almost all states and about half of all districts claim that they are addressing each of the National Goals. In states that addressed the goals, relatively high proportions used Chapter 2 funds to support four of the Goals: “Student Achievement and Citizenship” (61%), “Science and Mathematics Achievement” (56%), “Readiness for School” (53%), and “High School Completion” (52%). Districts were less likely than states to use Chapter 2 when they addressed the Goals. For example, 50% of districts said they addressed “Student Achievement and Citizenship,” but just over one-fourth of them (27%) used Chapter 2 funds to do so.

**Table 1**  
**PERCENTAGES OF STATES AND DISTRICTS THAT USED CHAPTER 2 TO**  
**SUPPORT ACTIVITIES RELATED TO THE NATIONAL EDUCATION GOALS**

National Goal Activity	Percent of SEAs		Percent of Districts	
	Engaged in Activity	Used Chapter 2*	Engaged in Activity	Used Chapter 2†
Activities related to the National Goal "Readiness for School"	94.0	53.2	41.5	11.4
Activities related to the National Goal "High School Completion"	96.2	52.0	49.1	27.4
Activities related to the National Goal "Student Achievement and Citizenship"	95.7	61.4	50.0	26.6
Activities related to the National Goal "Science and Mathematics Achievement"	98.1	56.0	69.4	39.1
Activities related to the National Goal "Adult Literacy and Lifelong Learning"	95.9	17.0	37.4	22.8
Activities related to the National Goal "Safe, Disciplined, and Drug-Free Schools"	96.2	32.7	69.9	11.9

\* Based on the number of states that engaged in the specified goal activity. All 52 SEAs responded to this item.

† Based on the number of districts that engaged in the specified goal activity.

The case studies shed more light on the relationship between Chapter 2 and the National Goals. There was an explicit, intentional link between activities supported by Chapter 2 and the National Goals in just two of the six state agencies we visited. Colorado and Maryland are the clearest examples of the way Chapter 2 is linked to the National Goals. In both states, those designing and implementing the activities supported by Chapter 2 had the National Goals in mind.

Maryland's 10 state goals encompass each of the National Goals, and Chapter 2 is intentionally linked to five of the Goals. The Maryland School Performance Program (MSPP), which is the state's strategy for achieving its Schools for Success

reform initiative, is supported by Chapter 2. The MSPP includes five strands: (1) identified data-based areas (e.g., assessed student knowledge, student participation), (2) standards for each data-based area to be achieved within 5 years, (3) an annual state School Performance Report, (4) site-based school improvement, and (5) a school performance review system, which involves criteria for schools and eventual assistance to schools if they are not able to meet criteria. The MSPP explicitly addresses "High School Completion," "Student Achievement and Citizenship," "Science and Mathematics Achievement," and "Safe, Disciplined, and Drug-Free Schools." Chapter 2 in Maryland also supports an early learning readiness assessment that is articulated as a strategy for addressing "Readiness for School."<sup>3</sup>

In each of the other four states we studied, relationships could be seen between the National Goals and Chapter 2 activities, but the relationships were implicit, after-the-fact, and not generally noted by state respondents.

The discrepancy between the case study findings (that Chapter 2 is not intentionally or directly linked to the National Goals in most cases) and the state survey findings raises an important issue about the validity of some of the survey data. State survey respondents were aware of the National Goals and aware that ED is promoting the Goals. Naturally, they wanted their programs to be viewed in a positive light, and when presented with the survey item, they may have made logical links between their activities and the National Goals. The survey responses most likely represent the extent to which Chapter 2 activities could feasibly be related to the National Goals, rather than the extent to which Chapter 2 is purposefully linked to the Goals. It is interesting that districts were less likely to claim a relationship between their Chapter 2 activities and the National Goals, although when examined with the same criteria used for states, the activities districts support are actually more closely linked to the Goals. Parenthetically, none of the case study districts made explicit links between their Chapter 2 activities and the National Goals, even when their states did so.

### **Support for State and Local Reform**

Higher percentages of both states and districts used Chapter 2 for reform not directly related to the National Goals. Table 2 shows the percentages of states and districts that reported engaging in various reform activities and the percentages of those states and districts that used Chapter 2 to support the activity.

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<sup>3</sup> Examples are taken from Ruskus et al. (1994).

**Table 2**  
**PERCENTAGES OF STATES AND DISTRICTS THAT USED CHAPTER 2**  
**TO SUPPORT EDUCATIONAL REFORM**

Reform Activity	Percent of SEAs		Percent of Districts	
	Engaged in Activity	Used Chapter 2*	Engaged in Activity	Used Chapter 2†
Support for effective schools programs	100.0	98.0	69.3	42.0
Other educational reform activities	90.0	88.9	11.1	48.1
Support for school improvement planning	96.1	81.6	77.3	31.5
Revising/developing curriculum frameworks that promote higher-order thinking skills	89.8	76.2	72.8	40.0
Systemic reform efforts	90.4	71.1	57.1	22.8
Support for school-based restructuring efforts	95.1	69.4	58.1	23.4
Establishing public-private partnerships	81.2	46.2	34.2	4.8
Revising/developing standards for student performance	94.1	44.7	62.6	27.0
Activities related to AMERICA 2000	72.9	42.9	37.2	15.6
Developing alternative measures of student achievement	92.2	40.4	52.5	14.7
Alternative teacher and/or administrator certification	79.2	18.9	**	**

\* Based on the number of states that engaged in the specified reform activity. All 52 SEAs responded to this item.

† Based on the number of districts that engaged in the specified reform activity.

\*\* Not asked of districts.

According to survey responses, the most frequently supported type of reform was effective schools programs. All states said they sponsored effective schools programs, and 98% used Chapter 2 to support those programs; 69% of districts said they sponsored effective schools programs, and 42% of those districts used Chapter 2. Effective schools programs are

discussed in more detail in the following section, since this type of reform initiative is highlighted in the Chapter 2 legislation.

Very high percentages of states also used Chapter 2 for school improvement planning (82%), revising/developing curriculum frameworks that promote higher-order thinking skills (76%), systemic reform (71%), and school-based restructuring (69%). Districts were less likely to use Chapter 2 for these or other types of reform.

The case studies provide many concrete examples of the way in which Chapter 2 is linked to state and local reform initiatives. Each of the case study states used Chapter 2 to fund at least one activity that was directly related to the state's reform effort. Colorado was the exemplar, with nearly all of its Chapter 2 activities relating to state reform.

The reform effort in Colorado encompasses four major strategies: educational accountability, high expectations and standards for student performance, teacher preparation and renewal, and community support for restructuring. The state education department has recently added two special units—a High Risk Intervention Unit and a School Effectiveness Unit. Both units provide technical assistance to locals in implementing state reform and the National Goals. Chapter 2 funds positions in both units.

Most local Chapter 2 programs focused on local reform as opposed to state reform, which is appropriate given Chapter 2's emphasis on local needs. For example:

Fremont Schools of Excellence,<sup>4</sup> the district's ambitious reform effort, promoted shared decisionmaking teams; school improvement planning; decentralization of decisions; and expansion of the core curriculum to include art, music, and a multicultural, multiethnic focus. Similar to Adams, Chapter 2 empowered school decisionmaking teams by providing them with minigrants, in this case to develop programs for at-risk students. Chapter 2 dollars were also used for People Place, a multicultural learning center for first-graders, which ties in with curriculum reform.

### **Support for Effective Schools Programs**

One of the purposes of Chapter 2, as reauthorized in 1988, is "to enhance the quality of teaching and learning through initiating and expanding effective schools programs." As defined by the legislation, effective schools programs are school-based programs "that have the objectives of (1) promoting school-level planning, instructional improvement, and staff

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<sup>4</sup> Pseudonyms are used for district names to protect the confidentiality of the respondents.

development, (2) increasing the academic achievement levels of all children, and particularly educationally deprived children, and (3) achieving as ongoing conditions in the school the factors identified through effective schools research as distinguishing effective from ineffective schools" (i.e., the correlates of effective schools). The legislation went so far as to include these activities in the list of targeted assistance areas and required states to spend at least 20% of state funds on effective schools programs. States allocated more than this amount in 1991-92 (22% of state funds, on the average).

Although a high percentage of state Chapter 2 funds were targeted to effective schools programs, we did not find that activities classified in this category necessarily constituted effective schools activities as defined by the legislation. We found through the case studies that the target areas in general had different meanings from state to state and district to district. The "effective schools" label seemed to be most liberally applied and broadly defined. When we looked closely at the nature of state activities funded as "effective schools programs," we found few that paralleled the characteristics outlined in the legislation. An example of a state effective schools program that did reflect the legislation follows.

Vermont used Chapter 2 funds for professional development and technical assistance to local public and independent school personnel for the implementation of effective schools programs. The effective schools literature was the basis for Vermont's school standards, a key component of that state's reform initiative. State staff worked directly with school principals and teachers, helping them to analyze their own programs and to develop and implement a local school improvement plan. The plan addresses the total school curriculum, school climate, school leadership, assessment of student programs, and ongoing professional development. Vermont's effective schools program has expanded well beyond the original conception of "effective schools" to include more ambitious restructuring efforts and more comprehensive evaluation. The state is using Chapter 2 funds to develop an evaluation system that will incorporate assessments of student performance at grades 4 and 8 using a uniform assessment and a portfolio of each student's work, an evaluation of school programs, and outcome measures for other school effectiveness indicators, such as school climate, dropout data, the number of students advancing to postsecondary education, and student aspirations.

Districts allocated a much lower proportion of their Chapter 2 funds (3% to effective schools programs (accounted for by 6% of all districts). Two possible reasons are that (1) districts were not required to spend funds in this area, and/or (2) district respondents may have used a more stringent definition of "effective schools" than did states.

The district case studies corroborate these data. Out of the 18 districts we studied, only 2 programs could clearly be characterized as effective schools programs. Packwood schools, for example, underwent Indiana's mandated performance-based accreditation in 1991-92, which is based on the correlates of the effective schools model. Chapter 2 funds were used to pay for substitutes so that school staff could work on their school improvement plan in preparation for the accreditation process.

Like states, districts tended to interpret "effective schools" very broadly. Many Chapter 2 administrators would argue that virtually any activity related to education contributes to more effective schools, whether that be purchasing calculators or providing technical assistance to staff.

### **Overview of Chapter 2 Support for Educational Reform**

Considering each of the categories of education reform discussed above, it is clear that Chapter 2 has played some role in supporting reform, but not a major role. Returning to Table 2, it is evident that almost all states and high proportions of districts claim to be involved in various types of educational reform. As discussed above, Chapter 2 was frequently used by states to support some of these reform initiatives—effective schools programs, school improvement planning, revising/developing curriculum frameworks that promote higher-order thinking skills, systemic reform efforts, and school-based restructuring. But the table also shows that Chapter 2 was used by fewer than half of the states that engaged in public-private partnerships, revising/developing standards for student performance, AMERICA 2000 activities, developing alternative measures of student achievement, and developing alternative teacher/administrator certification.

Districts used Chapter 2 even less for educational reform. Whereas 69% of districts sponsored effective schools programs, Chapter 2 was involved less than half the time. More than 75% of districts engaged in school improvement planning, but fewer than a third of them used Chapter 2 for this purpose. More than half of districts reported some systemic reform efforts, but fewer than one-fourth of them used Chapter 2 funds to support these efforts. There also were several clear examples in our case studies of exciting educational reforms at the state and local levels that were unrelated to Chapter 2.

Despite this evidence on the actual use of Chapter 2 in supporting reform, state and local education agencies were very positive with respect to the value of Chapter 2 in supporting

educational reform. For example, the state survey included an open-ended item that asked Chapter 2 coordinators: "What has been Chapter 2's most important contribution to your state's educational program?" We were able to discern six major themes in these open-ended data. The most frequently occurring theme was the contribution that Chapter 2 makes to promote educational reform (57% of state coordinators). Most of the coordinators discussed the catalytic role of Chapter 2 in initiating reform, especially through effective schools programs. Reform has moved beyond effective schools in most states, but it provided the framework for more complex, systemic reform. Many coordinators also noted that Chapter 2 funding was critical in launching, developing, and sustaining their reform efforts. The fact that Chapter 2 can be used in a flexible manner also played a role in its being used for educational reform. Regular state funds are sometimes difficult to use for innovative, ambitious, untried programs, which are often the defining characteristics of reform. Some coordinators also mentioned that Chapter 2 funds enabled their state agencies to use national experts and hire well-qualified staff to help them develop and evaluate their reform efforts. Others noted that Chapter 2 allowed their agencies to provide more technical assistance related to reform, more professional development related to reform, and more extensive dissemination of materials pertaining to reform.

### **Support for Educational Priorities**

Support for educational priorities is by far the most pervasive use of Chapter 2. Quantitative data from the district survey support this finding at the local level. Nearly 80% of district respondents reported that Chapter 2 activities related to district priorities either "quite a bit" or "a great deal" (see Table 3). The larger the district, the more likely this was to be the case.

There was not a comparable item on the state survey. However, state coordinators were asked to rate the extent to which various factors influenced the use of Chapter 2 funds in their states. State priorities for education and local needs and priorities all received high ratings: 67% rated state priorities for educational reform as having "quite a bit" or "a great deal" of influence; 59% rated local needs and priorities as having "quite a bit" or "a great deal" of influence (see Table 4).



**Table 3**  
**EXTENT TO WHICH LOCAL CHAPTER 2 ACTIVITIES RELATED**  
**TO DISTRICT PRIORITIES**

District Size	Percent of Districts*			
	Not at All	Some	Quite a Bit	A Great Deal
All districts	1.4	19.6	28.8	50.3
Very large	0.0	7.9	21.7	70.4
Large	0.5	9.7	26.1	63.7
Medium	0.6	12.1	28.9	58.4
Small	1.7	22.6	29.0	46.8

\*Excludes districts that responded "don't know" or did not respond to the survey item.

**Table 4**  
**FACTORS INFLUENCING USE OF STATE CHAPTER 2 FUNDS**

Factor	Percent of SEAs*				Mean Rating <sup>†</sup>
	Not at All	Some	Quite a Bit	A Great Deal	
Requirements of the Chapter 2 program	0	17.6	9.8	72.5	3.5
State priorities for educational reform	0	32.7	30.8	36.5	3.0
Local needs and priorities	5.9	35.3	31.4	27.5	2.8
Input of Chapter 2 Advisory Committee	0	49.0	23.5	27.5	2.8
Past use of Chapter 2 funds	7.8	41.2	23.5	27.5	2.7
Other state priorities	14.6	52.1	16.7	16.7	2.4
Unanticipated critical needs	52.2	34.8	13.0	0	1.6

\* Excludes states that responded "don't know" or did not respond to the survey item. Fifty-one SEAs responded to this item.

<sup>†</sup> Based on a four-point scale: 1=not at all, 2=some, 3=quite a bit, 4=a great deal. The midpoint is 2.5.

The case studies provide further evidence that Chapter 2 is instrumental in supporting state and district educational priorities. Priorities were generally reflected in written goal statements. However, we found that informal priorities were prevalent as well, usually being more temporary and more vulnerable to agency politics, but influential nonetheless. We took both types into account in our case studies.

Each of the case study states used Chapter 2 for state priorities, although some did so more than others.

Mississippi, for example, used Chapter 2 to provide technical assistance to low-performing schools to help them meet accreditation requirements (state priority: school accountability), for new administrator staff development (state priority: building administrator capacity), for technical assistance and evaluation of local programs for students with disabilities (state priority: reducing dropout rate), and for an innovative fiber optic program that networks classrooms and universities (state priority: satellite education).

Districts were more likely than states to use Chapter 2 to support their own educational priorities. As indicated above (Table 3), nearly all districts did so to some extent. We were able to document this through the case studies.

Jefferson used Chapter 2 exclusively for this purpose. Jefferson funded two activities with Chapter 2—the Community Mentorship Program, which pairs community volunteers with potential dropouts (local priority: dropout prevention) and acquisition of computer hardware and software for instructional purposes (local priority: technology education). Jefferson is representative of many districts in our case studies that cited technology as a local priority.

A major contribution noted by one-fifth of state coordinators in their surveys was Chapter 2's flexibility in enabling them to meet state and local needs/priorities. Several respondents pointed out that local needs can shift quickly, so that it is particularly important to have a flexible source of resources available. There were many mentions of Chapter 2's being used to support state priorities in the areas of curriculum development, especially in science, mathematics, and early childhood education; alternative assessments; technology; and professional development.

## Support for Innovative Programs

The heart of Chapter 2's identity since its last reauthorization has been its role in supporting educational innovation, which often overlaps with educational reform and educational priorities. For the purpose of this discussion, we focus on the use of Chapter 2 to initiate programs, whatever their content, especially those that would not have been implemented without Chapter 2 resources.

The survey data displayed in Table 5 show the national prevalence of using Chapter 2 to initiate new programs in 1991-92. A substantial percentage of states (38%) used Chapter 2 as the **sole** source of funding for new programs, with approximately two-thirds using Chapter 2 as seed money (the survey options were not mutually exclusive). In contrast, fewer than one-fifth of districts reported using Chapter 2 as seed money. Very large and large districts were most likely to do so (43% and 36%, respectively). A very low percentage of districts across all sizes (7%) relied entirely on Chapter 2 for new programs, although a substantial percentage of very large districts (29%) did so.

**Table 5**  
**USE OF CHAPTER 2 FUNDS IN 1991-92**

Type of Use	Percent of SEAs*	Percent of Districts				
		All Districts	Very Large	Large	Medium	Small
Continuation of existing Chapter 2 programs	98.1	53.4	91.2	79.0	63.6	48.4
Seed money for new programs that will eventually derive some or all of their funds from other sources	65.4	18.8	43.4	36.4	25.0	15.7
Expansion of programs initiated with funds from other sources	46.2	32.4	38.7	33.0	33.3	32.0
Full support for new programs	38.5	6.9	29.0	17.5	7.3	5.8

\* All 52 SEAs responded to this item.

† Excludes districts that responded "don't know" or did not respond to the survey item.

State coordinators credited Chapter 2 with promoting innovation or special projects, allowing them to take risks (26% of state coordinators). This is a particularly relevant contribution in times of fiscal retrenchment, when state boards are reticent to use funds on untried projects. Chapter 2 provides the resources to pilot new programs that, once shown to be effective, stand a better chance of getting funded through the regular education budget. Chapter 2 provides the flexibility to support innovative and creative efforts to achieve educational improvements, particularly in areas that are not addressed by federal programs.

The case studies generated a rich set of data on innovative uses of Chapter 2. Two especially innovative programs that are supported with a high proportion of Chapter 2 funds are highlighted here.

As part of its satellite education program (a state priority area), Mississippi used Chapter 2 to fund a two-way fiber optic network that links four pilot classrooms and several participating colleges and universities. Chapter 2 provided the initial funding for these pilots with a \$200,000 grant in 1988. Other sources of funds are now used in conjunction with Chapter 2, including state funds, foundation grants, and funds from regional institutions of higher education. Local funds are also required for participation fees and telecommunications equipment.

Madison uses local Chapter 2-funded minigrants to help school staff implement both district and school adopted reforms. For example, one minigrant—Partners in Learning, Understanding, and Sharing (PLUS)—is a mentor program that is offered to 24 second-grade Chapter 1 and special education students before their school day begins to help improve their reading and writing skills. The fifth-grade mentors are former Chapter 1 students who are now performing at or above grade level. Mentor activities include reading with their mentees, developing story maps, helping to write stories on the computer, and playing games to improve word skills (every week, mentors are taught teaching skills that they can use with their second-grade mentees). The role of teachers is to make sure that students are on task and to act as facilitators. The program has received much positive feedback from classroom teachers because of the increase in self-esteem and reading scores on the part of both second- and fifth-graders. Chapter 2 funds have been used primarily to purchase materials, and the program has received some additional funding from the PTA to purchase book bags and from business partners to purchase books and awards.

Not all of our data supported the use of Chapter 2 for innovation, however. A prevalent theme across our case studies was continued funding of the same activities year after year. This trend is substantiated by the survey data. Table 5 above shows that nearly all states (98%) used Chapter 2 as a source of continuation funding for existing Chapter 2 programs. This was the most common use of Chapter 2 funds for both states and districts (53% of

districts used Chapter 2 as a source of continuation funding). Higher percentages of very large and large districts engaged in this practice, at rates similar to those of states.

We consider this a less effective use of Chapter 2 because the programs we studied that used Chapter 2 in this way did not demonstrate that they had thought carefully about the appropriateness of continued funding. Rather, it appeared that the use of Chapter 2 had become "institutionalized." Staff gave little thought to other potential uses of Chapter 2 or alternative sources of funding for programs carried by Chapter 2. When questioned about this practice, many local Chapter 2 coordinators said that they continued funding programs simply because that was what their district had always done.

Farmdale has funded the Gifted and Talented program and no other activities since 1988, despite the fact that the district is engaged in a number of innovative reform programs (e.g., creating its own set of performance-based assessments). According to central office staff, the parents of students in the gifted program are the most politically active in the system. "No one ever considered touching the Gifted and Talented program. We felt the Chapter 2 funding of the program was sacred." From the perspective of district staff, using Chapter 2 funds for this program ensured its continuation.

### **Services to Enhance Teaching and Learning**

The six target assistance areas established during the 1988 reauthorization of Chapter 2 were intended to direct federal funds toward the enhancement of teaching and learning, especially services for at-risk students. These included staff development and a host of programs to enhance school climate and student achievement.

We asked district respondents in a standard closed-ended item on their survey form to indicate what, if anything, Chapter 2 had accomplished for their district's overall educational program. Table 6 displays the frequency of responses for each type of outcome, categorized by student outcomes and staff outcomes. Districts reported outcomes for students far more frequently than staff outcomes. Within student outcomes, exposing students to new materials/technology was cited most frequently (80% of districts) as a Chapter 2 accomplishment, which is not surprising given the level of expenditures in the instructional materials target area (40% of the total district allocation). This was followed by two other student outcomes, improved student services (75%) and improved student performance (75%). Note that very large districts were the most likely to report student outcomes (over 84% for all three types of outcome).

Table 6

LOCAL PERCEPTIONS OF CHAPTER 2 OUTCOMES

STUDENT OUTCOMES

District Size	Percent of Districts*		
	Exposed Students to New Materials/ Technology	Improved Student Services	Improved Student Performance
All districts	79.5	75.4	75.2
Very large	84.1	84.8	89.7
Large	79.4	75.1	80.4
Medium	79.7	74.1	82.7
Small	79.3	75.6	72.5

STAFF OUTCOMES

District Size	Percent of Districts*		
	Improved Staff Morale	Improved Staff Qualifications	Paid for Additional Staff
All districts	30.1	20.7	12.2
Very large	49.7	44.8	53.2
Large	36.9	37.9	36.3
Medium	31.3	25.3	15.8
Small	29.1	18.0	9.2

\* Excludes districts that responded "don't know" or did not respond to the survey item.

According to district respondents, Chapter 2 has also had positive effects on staff. Almost one-third indicated improved staff morale, and one-fifth reported improved staff qualifications. Fewer districts overall (12%) said that Chapter 2 made a contribution by paying for additional staff, although more than half of very large districts cited this as a benefit. It is very important to note that the frequency of districts reporting each type of staff outcome decreases with decreasing size of district. This pattern suggests that Chapter 2 grants must be sufficiently large to yield discernible benefits. For example, paying for additional staff is not an option for small districts that receive \$5,252 in Chapter 2 funds.

There was also positive evidence that states use Chapter 2 to enhance teaching and learning. In responding to an open-ended question on the benefits of Chapter 2, one-fifth of state coordinators surveyed pointed out that Chapter 2 provided more professional development opportunities for staff than would have been available otherwise, especially at the local level. The survey data on Chapter 2 allocations corroborate this qualitative theme—states spent 12% of their Chapter 2 funds on professional development (excluding professional development most likely offered through the other target areas, especially effective schools programs), and districts spent 13%. This translates into roughly \$164,000 of additional funds for professional development per SEA and \$3,500 per district. Chapter 2 funds are often used to plan, implement, and evaluate professional development, to hire speakers, to pay for travel to conferences, and to support substitute time so teachers can attend workshops and visit other classrooms.

Twelve percent of state coordinators credited Chapter 2 with supplementing state programs and services through additional resources. Comments in this category referred to school improvement efforts, curriculum improvements, expanded technical assistance, and enhancing statewide leadership capacity. The following comment captures the essence of this theme:

"Chapter 2 allows the SEA to provide direct technical assistance to LEAs and statewide leadership to 5 specific curricular areas in which such activity would otherwise be lacking or extremely limited. The areas of math, arts in education, humanities education, and health education, as well as elementary education, receive total support from Chapter 2. Statewide leadership, especially for development and improvement of curricula, would not be supported without Chapter 2, nor would technical assistance to local efforts in these areas."

Another theme from the open-ended responses of state coordinators was that Chapter 2 enabled states to advance in the area of educational technology, a priority area for many states. Funding for computer hardware and software has been critical to these efforts, but Chapter 2 funds have also been used to hire qualified technical staff and consultants, provide technical assistance to state staff and locals, and provide training in the use of technology. We found support for each of these survey-generated themes in our case studies.

Not all of the evidence supports the use of Chapter 2 for enhancing teaching and learning. The most obvious example is the use of Chapter 2 for instructional materials. Using Chapter 2 to fund instructional materials, particularly library materials, has been a controversial issue since the program's reauthorization. Many believe that funding instructional materials represents an opportunity cost—those funds could be “better” spent on programs for students or staff. Others view funding of instructional materials as a carryover from antecedent programs, particularly the School Library Resources Program (Part B, Title IV, ESEA), that misses the intent of the current Chapter 2 program to support educational innovation and improvement. However, the Chapter 2 legislation does include a target area specifically for the acquisition and use of instructional and educational materials and gives one of the purposes of the program as “support for library and instructional materials.” [P.L. 100-297, Section 1501 (b)] (Federal Register, 1990).

Nonetheless, it is our opinion that using Chapter 2 funds to purchase instructional materials, especially when those purchases are not clearly related to specific instructional programs, does not constitute the most effective use of Chapter 2. The highest percentage of local Chapter 2 funds (40%) is spent on Target Area 2: Instructional Materials. District size affects the level of funds allocated to instructional materials: very large districts allocated 23%, large districts allocated 38%, medium districts allocated 56%, and small districts allocated 54%. It is no wonder that Chapter 2 is often considered a “materials program” at the local level. In contrast, states tended to allocate very low levels of funds to instructional materials, averaging 7% of their total allocation.

Materials acquisitions are not the only type of Chapter 2 expenditure that does not have a direct impact on students, instruction, school staff, or school performance. There were a variety of examples throughout our case studies of “questionable” uses of Chapter 2. These uses were not illegal, but it was a stretch to interpret them as contributing to educational improvement or innovation. They were most often intermixed with other, more effective uses of Chapter 2.



## CONCLUSION

The data presented in this paper suggest several themes regarding the use of Chapter 2 for educational improvement. It is clear that Chapter 2 supports reform at both the state and local levels to some extent. However, in most cases Chapter 2 funds have not been the impetus for state/local reform; rather, they are used as a convenient source of funding **after** the agency has committed to the reform effort. Chapter 2 activities can be linked to the National Goals, but they are generally not specifically designed or funded to do so. Finally, some states and districts are engaged in reform initiatives that are not supported with any Chapter 2 funds.

The principal way that Chapter 2 is used to support educational improvement is by funding activities related to local and state priorities. Support of state and local goals for education, both formal and informal, was far more prevalent than the use of Chapter 2 for reform initiatives. The flexibility of Chapter 2—its distinguishing feature—makes it well suited for meeting the changing needs of states and districts.

Chapter 2 is used to support educational innovation, and there are many examples of exemplary programs that would not have been initiated without Chapter 2 funding. At the same time, however, Chapter 2 is noted for its role in funding continuing programs, often in a rote, business-as-usual fashion.

Although most uses of Chapter 2 are related in some way to enhancing teaching and learning, we did find that Chapter 2 continues to fund some programs/activities that are not directly related to instruction, particularly when Chapter 2 is used simply for the purchase of instructional materials, a practice most prevalent at the local level.

What can be said, then, about Chapter 2's record in promoting educational improvement? If educational improvement is defined as addressing states' and districts' specific priorities, then Chapter 2 has been an effective strategy, especially when these priorities relate to educational reform as they often do. But in other respects, Chapter 2 has an uneven record. There is indisputable evidence that these funds are used in much the same way as they were before the program's reauthorization: to support the purchase of instructional materials. As a strategy to focus funds on school improvement, the target areas have been less than successful.

## **Recommendations to Align Chapter 2 More Closely with Reform**

Considering the full range of our Chapter 2 study data and ED's current focus on coordinating federal programs to move the nation toward the National Goals, we recommended that ED consider several alternatives as strategies to bring Chapter 2 into the mainstream of the reform effort. Those most relevant to the issues discussed in this paper include the following:

- (1) Eliminate the targeted assistance areas. They are too broad to be meaningful; they overlap; they are misleading in the reporting of data because they mean different things to different people; they send mixed messages regarding the funding of materials; and they create, rather than reduce, administrative burden.
- (2) Focus both state and local Chapter 2 funds on educational reform initiatives and/or educational priorities.
- (3) Eliminate materials and equipment as allowable expenditures unless they can be directly related to an educational reform initiative or a state's or district's educational priority. By "directly related," we mean that they must be shown to be essential to the operation of a specific instructional program.
- (4) Require that locals concentrate Chapter 2 funds on one specific activity or program relating to reform or an educational priority in order to:
  - Maximize the chance that the funds will make a difference.
  - Facilitate evaluation.
  - Encourage thoughtful decisions about the best use of Chapter 2.

We believe, as do state coordinators and local case study participants, that Chapter 2 can be a powerful vehicle for educational reform if certain aspects of the program are changed. As the program stands now, it does support reform to a limited extent, but it does not play a leadership role. Focusing the program on reform will energize those in states and districts who administer Chapter 2 programs, and it will add a considerable source of resources to move the nation in this direction. Further, the unique features of Chapter 2—its flexibility, its "hands-off" provision, and its reputation for innovation—make it well suited to take its place among the set of federal strategies leading the nation toward educational reform.

## The Future of Chapter 2

Chapter 2 stands out as an early federal reform strategy, one that may be eclipsed by the more "systemic" thinking in Goals 2000 and the reauthorized Elementary and Secondary Education Act (ESEA). The current goal of Congress is to make federal programs integral to, not separate from, state and community education reforms. Under the original proposed changes to ESEA, rather than be restructured, Chapter 2 was to be eliminated as a separate program in FY96. Chapter 2 funding was to be shifted to the expanded Eisenhower professional development program to improve teaching and learning. The intent was to support "sustained, intensive, high-quality professional development to enable teachers to teach state content standards in all core academic areas" because research suggests that to support real changes in teaching and school, professional development must be much more intensive and long-term (U.S. Department of Education, 1993). More recently, however, Chapter 2 has been reinserted into the House version of the reauthorization bill for ESEA. Opinions about Chapter 2 vary, but many representatives are reluctant to eliminate a flexible source of funds from schools in their jurisdictions.

The controversy that surrounds the fate of the Chapter 2 program highlights the tension that exists between facilitating local control and flexibility in addressing educational needs and using federal initiatives to promote a specific vision of educational improvement. If Chapter 2 does not survive the final round of reauthorization negotiations, we feel that both states and districts will have lost a flexible source of funding to address a variety of educational needs, and they will have lost resources that support technical assistance and professional development in areas outside of math and science. They would be restrained in their ability to fund innovative programs, untried programs, and nontraditional programs because regular education funds are typically reserved for basic educational programs and services, especially when educational resources are scarce. However, these potential costs may be outweighed, or eventually overcome, if Goals 2000 and the new vision of ESEA fulfill their promise of significantly restructuring and focusing the nation on educational reform.

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