



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE DEPUTY SECRETARY

May 23, 2014

The Honorable Bill Haslam
Office of the Governor
State Capitol
Nashville, Tennessee 37243-0001

Dear Governor Haslam:

I am writing in response to Tennessee's request to amend its approved Race to the Top grant project. Between March 17, 2014 and May 22, 2014, the State submitted amendment requests to and held conversations with the U.S. Department of Education (Department). As you are aware, the Department has the authority to approve amendments to your plan and budget, provided that such a change does not alter the scope or objectives of the approved proposal. In March 2013, the Department issued "Amendment Requests with No-cost Extension Guidance and Principles" indicating the process by which amendments containing requests to provide additional time for a grantee to accomplish the reform goals and deliverables it committed to in its Race to the Top application and approved Scope of Work would be reviewed and approved or denied. To determine whether approval could be granted, the Department has applied the conditions and elements specific to no cost extensions noted in the document, and compared it with the Race to the Top program *Principles* included in the "Grant Amendment Submission Process" document issued to Governors of grantee States in October 2011.

I approve the amendment below, including no-cost extensions to three projects as described below. Note that some of these amendments utilize funds identified in a May 9, 2014, amendment approval letter as unexpended funds to be redirected to support other areas in the State's plan pending Department review and approval of future amendment(s).ⁱ

- In the "Achievement School District (ASD)" project, revise budgets for Years 2-4 based on actual expenditures, clarify billing for contracts that support multiple projects in the State's plan, and shift unexpended funds to Year 5 to extend implementation through June 30, 2015.

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- Reduce the equipment and indirect cost budgets by \$5,111,160. According to the State, the ASD's equipment costs were lower than anticipated and most purchases were less than \$5,000 and therefore classified within other cost categories. Additionally, the ASD stopped charging indirect costs as the district transitioned off the State systems for payroll and human resources during Year 2.
- Reduce the ASD contractual budget by \$4,237,277. According to the State, actual costs for several functions supporting the ASD (e.g., human resource and other data systems, curricular tools, educator recruitment) in Years 2-4 varied from projections, and, in some instances, the ASD completed functions initially planned as contractual costs through other strategies or funding sources.
 - This contractual adjustment includes adding \$92,107 to the "ASD" budget to clarify billing for contracts that support multiple projects in the State's plan. Specifically, the State will: (1) shift \$3,171,777 from Year 4 of the "ASD" budget to the "Turnaround Schools" budget to streamline accounting for a contract with Teach For America, which includes recruiting teachers for high-needs schools in the ASD and other high-needs schools in Memphis and Nashville, and (2) shift \$3,263,884 from the "Charter School Fund" budget to the "ASD" budget to account for expenditures incurred during Years 1 and 2 before a separate project budget was established for the "Charter School Fund."ⁱⁱ According to the State, these expended funds need to be shifted back into the ASD budget to meet State accounting requirements. The State reported that these adjustments do not impact planned deliverables or timelines.
- The ASD will shift a total of \$5,307,458 from the adjustments in equipment, contractual, and indirect across cost categories to update Years 2-4 personnel, fringe, travel, supplies, and other based on actual costs, including supporting personnel for summer training.
- Shift the \$4,133,086 of unexpended funds in Years 2-4 to Year 5 to support 34 full-time staff members and a portion of eight additional staff members through June 30, 2015. According to the State, these personnel will continue to oversee and support operations of the ASD Central Office and the district's schools during school year (SY) 2014-2015.
- In the "Charter School Fund" project, in addition to the adjustment to the "ASD" project as described above, shift \$2,596,272 from Year 2 to Years 3 and 4 to align the project budget with the State's timeline for planning and opening additional

charter schools. According to the State, the Charter School Growth Fund is on track with goals to expand or create seven charter management organizations (CMOs) and to have those CMOs open 14 schools by SY 2014-2015.

- In the “Turnaround Schools” project, in addition to the adjustment from the “ASD” project as described above, shift funds from Year 3 to Year 4 based on actual expenditures.
 - Shift approximately \$1,300,000 in supplemental funding to LEAs and \$700,000 in contractual from Year 3 to the same cost categories in Year 4 based the timing of contractors and LEA competitive grant recipients invoicing for supports delivered to Focus, Reward, and Renewal Schools in Year 3.
 - Shift \$1,064,925 of this project’s budget to be requested in a future amendment(s) based on actual Renewal and Reward Schools expenditures.
- In the “Strengthening Instruction in Tennessee Elementary Schools: Focus on Mathematics (SITES M)” project, shift funds from Year 3 to Year 4 based on actual expenditures and shift unexpended funds to Year 5 to extend implementation through June 30, 2015.
 - Shift \$1,249,107 from Year 3 to Year 4 based on timing of billing for expenditures for activities, such as summer training, that were completed in Year 3 but invoiced in Year 4.
 - Utilize \$40,000 of unexpended funds identified in a May 9, 2014, amendment letter for personnel needed to conclude grant activities through June 30, 2015. According to the State, this will support final data collection on program participants and coordination with external researchers evaluating the program.
- In the “Tennessee STEM Innovation Network (TSIN)” project, shift \$878,051 from Year 4 to Year 5, based on expenditures to date to extend a portion of TSIN activities.
 - The State has met its commitment of opening six STEM Platform Schools and Hubs during the grant period. To provide additional time for two Platform Schools and one Regional Hub to support integration of STEM instructional practices and regional partnerships, and for Battelle Memorial Institute to oversee and support sustainability planning for the

TSIN, the State is approved for a no-cost extension of \$878,051 through June 30, 2015.

As described in a July 12, 2013, amendment approval letter, the Department indicated that it generally approves the State's process to review local educational agency (LEA) subgrant requests to obligate and liquidate funds after September 23, 2014. Prior to June 30, 2014, the Department expects the State to submit a record of each participating LEA project approved by the State for a no-cost extension and the total funding approved for LEAs' Year 5 Scopes of Work.

It is our understanding that these amendments will not result in a change in your State's performance measures and outcomes, nor will they substantially change the scope and objectives of the work. Please note that we are expecting grantees with no-cost extensions to liquidate all funds by September 1, 2015, given that by law all Race to the Top funds revert to the U.S. Department of Treasury as of October 1, 2015. Please note that this letter will be posted on the Department's website as a record of the amendments.

If you need any assistance or have any questions regarding Race to the Top, please do not hesitate to contact Tennessee's Race to the Top Program Officer, Jessie Harteis at 202-453-6651 or Jessie.Harteis@ed.gov.

Sincerely,

/s/

Ann Whalen
Director, Policy and Program Implementation
Implementation and Support Unit

cc: Kevin Huffman, Commissioner
Meghan Curran, Director, First to the Top

ⁱ Based upon revisions approved in this letter and other minor budget adjustments, \$1,046,770 is being added to those funds most recently discussed in a May 2014 amendment. A total of \$3,840,174 remains in the State's overall budget requiring additional amendment(s) for Department review.

ⁱⁱ It is the Department's understanding that funds shifted from the "Charter School Fund" to the "ASD" include \$497,898 to Year 3 to account for deliverables completed in Year 2 but paid in Year 3.