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Vocational Education: State Grant Formula Under Current Law and Reauthorization Issues

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Summary

As Congress considers the reauthorization of the Carl D. Perkins Vocational and Technical Education Act of 1998 (P.L. 105-332; referred to as current law), one major issue is the formula used to determine basic state grants (referred to as state grants). While H.R. 366, the Vocational and Technical Education for the Future Act, would not alter the formula used to determine state grants, S. 250, the Carl D. Perkins Career and Technical Education Improvement Act of 2005, would make substantive changes to the formula. These bills have been passed by the House and Senate, respectively.

This report provides a detailed examination of the state grant formula under current law, focusing particularly on provisions that result in states receiving larger grants than they would have if only population and per capita income (pci) factors were considered. The results demonstrate that multiple states receive a substantial increase in funding over their initial allocation due to factors other than population and per capita income. This increase in funding is supported by a ratable reduction for all other state grants. It should be noted, however, that provisions added during the 1990 reauthorization of vocational education limited the increases in funding that states could receive above their initial allocation. As a result, eight states do not receive the full minimum grant of ½% of total funding.

This is followed by an analysis of the changes S. 250 would make to the current state grant formula. S. 250 would eliminate provisions that prevent states from receiving the full minimum grant of ½%. It would also use any new funding that exceeds the FY2006 appropriation to provide the eight states that do not receive a minimum grant of ½% with a minimum grant award prior to distributing any additional funding to the other states. S. 250 also contains a hold harmless provision, that in the absence of an increase in appropriations, would also provide the eight states with a minimum grant of ½% by ratably reducing the grants received by all other states.

Several alternatives to the formula proposed in S. 250 are also discussed. One set of strategies provides alternatives to the hold harmless provisions included in S. 250. The remaining strategies are designed to provide the aforementioned eight states with additional funding, while also allowing other states to benefit immediately from increases in appropriations, rather than having to wait for the eight states to reach a minimum grant of ½%. These strategies are offered for discussion purposes only. CRS takes no position with respect to these alternatives.

This report will not be updated.

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Vocational Education: State Grant Formula Under Current Law and Reauthorization Issues

As Congress considers the reauthorization of the Carl D. Perkins Vocational and Technical Education Act of 1998 (P.L. 105-332; referred to as current law), one major issue is the formula used to determine basic state grants (referred to as state grants). While H.R. 366, the Vocational and Technical Education for the Future Act, would not alter the formula used to determine state grants, S. 250, the Carl D. Perkins Career and Technical Education Improvement Act of 2005, would make substantive changes to the formula. These bills have been passed by the House and Senate, respectively.

Before the proposed changes in S. 250 can be analyzed, it is critical to develop an understanding of how state grants are determined under current law. As such, this report provides a detailed analysis of the formula currently used to determine state grants, focusing on provisions that result in states receiving larger state grants than they would have if only population and per capita income (pci) factors were included in the formula. It also includes a brief discussion of minimum grant provisions from prior vocational education laws, followed by an examination of the changes S. 250 would make to the current state grant formula. The subsequent sections of the report consider the amount of funding required to provide all states with a minimum grant of at least ½% and analyze additional strategies to accomplish similar outcomes to those that may be achieved under S. 250.

It should be noted that this report and its analyses do not take into account tech-prep funding. Under current law, tech-prep funding is determined independently of state grants. H.R. 366 would combine state grant funding and tech-prep funding into a single state grant program, while S. 250 would retain current law. Given the complexities of dealing solely with the state grant formula and the uncertainty concerning whether the two programs will be combined, tech-prep funding is not included in the analyses.

Current Law

This section begins with an examination of how grant amounts are determined under current law. This is followed by a discussion of the estimated FY2006 grant awards and how these awards compare to states' initial allocations. The section concludes with an analysis of the amount of funding provided to each state on a per-person basis.

Calculation of Grants. Under current law, the initial factors that determine state grants are population factors and per capita income. Population is based on the number of individuals in three age groups and the total number of individuals in these age groups. Each of these groups is weighted in a formula that calculates total population. The largest weight (0.5) is assigned to the age group including persons aged 15 to 19. The age group including persons aged 20 to 24 is assigned a weight of 0.2, while the age group including persons aged 25 to 65 is assigned a weight of 0.15. The final age group included in the calculation includes all individuals aged 15 to 65, and is assigned a weight of 0.15. Thus, among states with a similar number of people aged 15 to 65, states with relatively younger populations will have a higher weighted population count than states whose populations are relatively older.

Per capita income also affects the weighted population count for each state through an allotment ratio. Per capita income is defined as the total personal income in a state divided by the population of the state. For the purposes of determining state grants, each state is assigned an allotment ratio. The allotment ratio is calculated by dividing the pci for a given state by the pci for all states combined. The result is multiplied by 0.5 and subtracted from one. This calculation assigns higher values to states with pci's lower than the national average and lower values to states with higher-than-average pci's. No state, however, may have an allotment ratio higher than 0.60 or lower than 0.40.[1] This allotment ratio is multiplied by the total number of individuals in each of the aforementioned age groups prior to the weighting of the population counts in each group. The inclusion of pci in the formula helps to provide states with lower pci's with additional grant funds, and vice versa.

The resulting calculation of state grants based on population and pci factors is referred to as a state's initial allocation. Column B in **Table 1** details what these estimated grant amounts would be based on FY2006 appropriations. Column C in **Table 1** provides the percentage of total funds each state would receive for its initial allocation based on FY2006 appropriations for state grants.

[1] The Virgin Islands and Puerto Rico are required to be assigned an allotment ratio of 0.60.

Table 1. Estimated FY2006 State Grants Based on Initial Allocation and Full Implementation of Current Law Formula

(dollars rounded to nearest $000)

A	B	C	D	E	F	G	H	I
State	Initial estimated FY2006 allocation	Initial allocation as percent of total funding	Final strategy for determining state grants	Estimated FY2006 final grants	Change in grant amount (Column E - Column B)	Percent change in grant amount	Estimated FY2006 final grants as percent of total funding	Weighted per-person funding
Alabama	$20,321,000	1.76%	Ratably reduced	$19,991,000	$-330,000	-1.62%	1.73%	$19.19
Alaska	$2,803,000	0.24%	FY1998 grant	$4,215,000	$1,412,000	50.36%	0.36%	$26.28
Arizona	$24,818,000	2.15%	Ratably reduced	$24,415,000	$-403,000	-1.62%	2.11%	$19.24
Arkansas	$12,747,000	1.10%	Ratably reduced	$12,540,000	$-207,000	-1.62%	1.08%	$20.08
California	$130,878,000	11.32%	Ratably reduced	$128,753,000	$-2,125,000	-1.62%	11.14%	$15.55
Colorado	$15,898,000	1.38%	Ratably reduced	$15,640,000	$-258,000	-1.62%	1.35%	$14.44
Connecticut	$10,303,000	0.89%	Ratably reduced	$10,136,000	$-167,000	-1.62%	0.88%	$12.65
Delaware	$2,902,000	0.25%	150% NAPPP	$4,808,000	$1,906,000	65.70%	0.42%	$25.25
Florida	$64,483,000	5.58%	Ratably reduced	$63,436,000	$-1,047,000	-1.62%	5.49%	$16.67
Georgia	$37,190,000	3.22%	Ratably reduced	$36,587,000	$-603,000	-1.62%	3.17%	$17.74
Hawaii	$4,854,000	0.42%	½% minimum grant	$5,780,000	$926,000	19.06%	0.50%	$19.99
Idaho	$6,904,000	0.60%	Ratably reduced	$6,792,000	$-112,000	-1.62%	0.59%	$21.16
Illinois	$45,563,000	3.94%	Ratably reduced	$44,824,000	$-739,000	-1.62%	3.88%	$15.33

A	B	C	D	E	F	G	H	I
State	Initial estimated FY2006 allocation	Initial allocation as percent of total funding	Final strategy for determining state grants	Estimated FY2006 final grants	Change in grant amount (Column E - Column B)	Percent change in grant amount	Estimated FY2006 final grants as percent of total funding	Weighted per-person funding
Indiana	$26,344,000	2.28%	Ratably reduced	$25,916,000	$-428,000	-1.62%	2.24%	$18.16
Iowa	$12,524,000	1.08%	Ratably reduced	$12,321,000	$-203,000	-1.62%	1.07%	$18.18
Kansas	$11,694,000	1.01%	Ratably reduced	$11,504,000	$-190,000	-1.62%	1.00%	$18.28
Kentucky	$18,433,000	1.59%	Ratably reduced	$18,133,000	$-300,000	-1.62%	1.57%	$18.85
Louisiana	$21,890,000	1.89%	Ratably reduced	$21,534,000	$-356,000	-1.62%	1.86%	$20.48
Maine	$5,517,000	0.48%	½% minimum grant	$5,780,000	$263,000	4.75%	0.50%	$18.72
Maryland	$17,122,000	1.48%	Ratably reduced	$16,844,000	$-278,000	-1.62%	1.46%	$13.01
Massachusetts	$18,723,000	1.62%	Ratably reduced	$18,419,000	$-304,000	-1.62%	1.59%	$12.40
Michigan	$39,953,000	3.46%	Ratably reduced	$39,304,000	$-649,000	-1.62%	3.40%	$16.78
Minnesota	$18,558,000	1.61%	Ratably reduced	$18,257,000	$-301,000	-1.62%	1.58%	$15.28
Mississippi	$14,153,000	1.22%	Ratably reduced	$13,923,000	$-230,000	-1.62%	1.20%	$20.84
Missouri	$24,167,000	2.09%	Ratably reduced	$23,775,000	$-392,000	-1.62%	2.06%	$17.95
Montana	$4,405,000	0.38%	150% NAPPP	$5,457,000	$1,052,000	23.89%	0.47%	$25.03
Nebraska	$7,256,000	0.63%	Ratably reduced	$7,138,000	$-118,000	-1.62%	0.62%	$17.81
Nevada	$8,339,000	0.72%	Ratably reduced	$8,204,000	$-135,000	-1.62%	0.71%	$15.60
New Hampshire	$4,510,000	0.39%	½% minimum grant	$5,780,000	$1,270,000	28.16%	0.50%	$18.82

A	B	C	D	E	F	G	H	I
State	Initial estimated FY2006 allocation	Initial allocation as percent of total funding	Final strategy for determining state grants	Estimated FY2006 final grants	Change in grant amount (Column E - Column B)	Percent change in grant amount	Estimated FY2006 final grants as percent of total funding	Weighted per-person funding
New Jersey	$25,124,000	2.17%	Ratably reduced	$24,716,000	$-408,000	-1.62%	2.14%	$12.50
New Mexico	$9,416,000	0.81%	Ratably reduced	$9,264,000	$-152,000	-1.62%	0.80%	$21.09
New York	$60,730,000	5.25%	Ratably reduced	$59,744,000	$-986,000	-1.62%	5.17%	$13.44
North Carolina	$35,372,000	3.06%	Ratably reduced	$34,797,000	$-575,000	-1.62%	3.01%	$17.79
North Dakota	$2,944,000	0.25%	FY1998 grant	$4,215,000	$1,271,000	43.17%	0.36%	$28.42
Ohio	$46,322,000	4.01%	Ratably reduced	$45,570,000	$-752,000	-1.62%	3.94%	$17.29
Oklahoma	$16,206,000	1.40%	Ratably reduced	$15,943,000	$-263,000	-1.62%	1.38%	$19.65
Oregon	$14,503,000	1.25%	Ratably reduced	$14,267,000	$-236,000	-1.62%	1.23%	$17.16
Pennsylvania	$46,329,000	4.01%	Ratably reduced	$45,576,000	$-753,000	-1.62%	3.94%	$16.13
Rhode Island	$3,989,000	0.35%	½% minimum grant	$5,780,000	$1,791,000	44.90%	0.50%	$23.15
South Carolina	$19,094,000	1.65%	Ratably reduced	$18,784,000	$-310,000	-1.62%	1.63%	$19.35
South Dakota	$3,490,000	0.30%	150% NAPPP	$4,372,000	$882,000	25.27%	0.38%	$24.84
Tennessee	$24,330,000	2.10%	Ratably reduced	$23,935,000	$-395,000	-1.62%	2.07%	$17.49
Texas	$96,656,000	8.36%	Ratably reduced	$95,087,000	$-1,569,000	-1.62%	8.23%	$18.37
Utah	$12,550,000	1.09%	Ratably reduced	$12,346,000	$-204,000	-1.62%	1.07%	$22.68
Vermont	$2,569,000	0.22%	FY1998 grant	$4,215,000	$1,646,000	64.06%	0.36%	$28.31

A	B	C	D	E	F	G	H	I
State	Initial estimated FY2006 allocation	Initial allocation as percent of total funding	Final strategy for determining state grants	Estimated FY2006 final grants	Change in grant amount (Column E - Column B)	Percent change in grant amount	Estimated FY2006 final grants as percent of total funding	Weighted per-person funding
Virginia	$26,233,000	2.27%	Ratably reduced	$25,807,000	$-426,000	-1.62%	2.23%	$14.75
Washington	$23,003,000	1.99%	Ratably reduced	$22,629,000	$-374,000	-1.62%	1.96%	$15.47
West Virginia	$7,894,000	0.68%	FY1998 grant	$8,429,000	$535,000	6.77%	0.73%	$20.21
Wisconsin	$22,553,000	1.95%	Ratably reduced	$22,187,000	$-366,000	-1.62%	1.92%	$17.27
Wyoming	$2,065,000	0.18%	FY1998 grant	$4,215,000	$2,150,000	104.16%	0.36%	$34.83
District of Columbia	$1,475,000	0.13%	FY1998 grant	$4,215,000	$2,740,000	185.70%	0.36%	$31.93
Puerto Rico	$19,291,000	1.67%	Ratably reduced	$18,977,000	$-314,000	-1.62%	1.64%	$21.32
Virgin Islands	$511,000	0.04%	150% NAPPP	$627,000	$116,000	22.72%	0.05%	$25.17
Total	$1,155,902,000	100.00%	—	$1,155,902,000	—	—	100.00%	—

Source: Table prepared by CRS, Apr. 17, 2006, based on unpublished state estimates provided by the U.S. Department of Education, Budget Service.

Notes: Details may not add to totals due to rounding. The final strategy for determining the state grants column reflects the relevant requirement in the state grant formula that determines the state's grants. "Ratably reduced" means that a state's initial grant was at or above the 0.5% minimum grant amount; thus the grant was subsequently ratably reduced to provide states whose initial allocations were below the 0.5% minimum grant amount with additional funding. The expression "150% NAPPP" means that a state's grant was ultimately determined based on the state's population multiplied by 150% of the NAPPP; "½% minimum grant" means that a state's grant was ultimately determined to be the minimum grant of ½%; and "FY1998" means that the state was held harmless at its FY1998 state grant amount. Weighted per-person funding was calculated using the weighted population counts that are used in determining state grants.

These are estimated grants only. In addition to other limitations, some of the data that will be used to calculate final grants are not yet available. These estimates are provided solely to assist in comparisons of the relative impact of alternative formulas and funding levels in the legislative process. They are not intended to predict specific amounts states will receive.

Under current law, there are several provisions that alter these initial allocations to ensure that no state's allocation is below certain minimum grant levels. One minimum amount is the state's FY1998 grant; the other minimum is ½% of the total allocated to states. The ½% minimum may be adjusted based on the following calculations. First, it is determined what the state would receive if provided with a minimum grant of ½%. This amount is compared with the grant amount that would be awarded to the state under a special rule that provides the state with the lesser of (1) 150% of their prior year grant or (2) state population multiplied by 150% of the national average per pupil payment (NAPPP).[2] Based on these calculations, the state then receives the lesser of ½% of total funding or the grant amount calculated under the special rule (referred to as the adjusted ½% minimum grant). This amount is subsequently compared with the amount the state received in FY1998, and the larger amount is awarded. For states whose initial grants exceed the minimum grant amount of ½%, their initial allocations are ratably reduced[3] to provide states whose initial allocations were below the ½% minimum grant with their final grants. However, the resulting ratably reduced grants may be further adjusted it the results fall below a state's FY1998 grant or the adjusted ½% minimum grant amount for a state. **Figure 1** and four examples are provided to demonstrate how the formula works in practice.

Example 1: Delaware

Based on population and pci factors, Delaware would receive an initial allocation of $2.9 million or 0.25% of total funding. As this is below a minimum grant of ½% ($5.8 million), a minimum grant of ½% is calculated and the special rule is used to determine Delaware's final award. Under the special rule, Delaware would receive $7.4 million based on 150% of its prior year grant, and $4.8 million when state population is multiplied by 150% of the NAPPP. The smaller of these two payments is the latter. This is then compared with the minimum grant amount of ½%. As the amount obtained by multiplying the state's population by 150% of the national average per-pupil payment is the smaller of the two grant amounts but is greater than Delaware's FY1998 grant, Delaware receives the $4.8 million.[4] This is referred to as the "150% NAPPP" strategy in Column D of **Table 1**.

Example 2: Hawaii

Based on population and pci factors, Hawaii would receive an initial allocation of $4.9 million or 0.42% of total funding. As this is below a minimum grant of ½% ($5.8 million), a minimum grant of ½% is calculated and the special rule is used to determine Hawaii's final award. Under the special rule, Hawaii would receive $8.8 million based on 150% of its prior year grant, and $7.4 million when state population

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[2] The NAPPP is determined for each state by dividing the total amount allocated to all states by total population ages 15 to 65 in all states. The resulting amount (the national average per pupil payment) is then multiplied by each state's total unweighted population count for individuals aged 15 to 65.

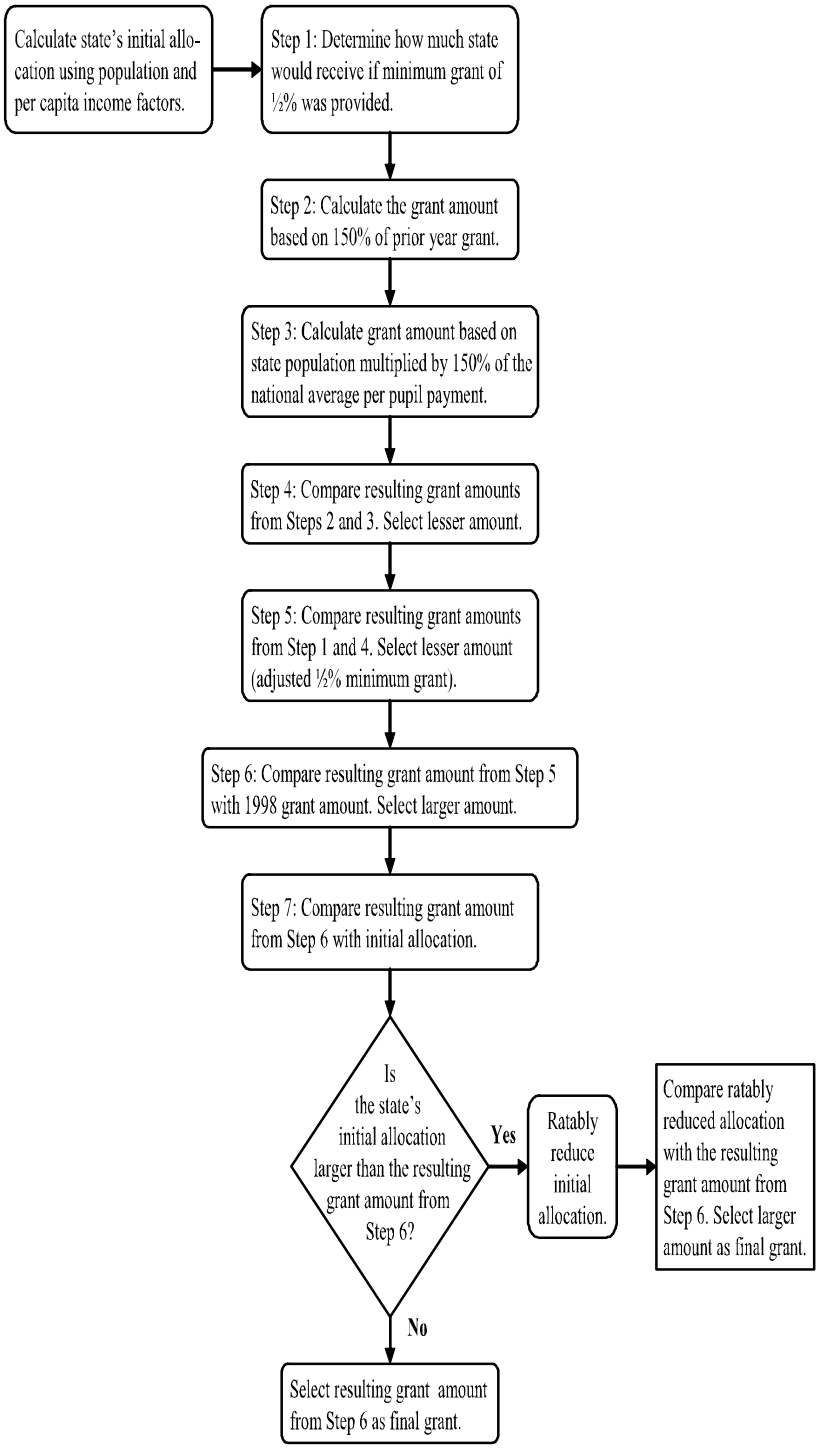
[3] Ratable reduction refers to the reduction of each state's grants (except for those receiving some minimum grant amount) by the same percentage. Notice in Column G of **Table 1** that many states have their initial allocation reduced by 1.62%.

[4] States other than Delaware that have their estimated FY2006 grants based on 150% of the NAPPP include Montana, South Dakota, and the Virgin Islands.

is multiplied by 150% of the NAPPP. The smaller of these two payments is the latter. This is then compared with the minimum grant amount of ½%. As the minimum grant amount of ½% is the smaller of the two grants but is greater than Hawaii's FY1998 grant, Hawaii receives the minimum grant amount of ½%.[5] This is referred to as the "½% minimum grant" strategy in Column D of **Table 1**.

[5] States other than Hawaii that have their estimated FY2006 grants based on the minimum grant of ½% include Maine, New Hampshire, and Rhode Island.

Figure 1. Overview of Current Law Formula for Determining Basic State Grants



Source: Figure prepared by CRS, May 10, 2006.

Example 3: Alaska
Based on population and pci factors, Alaska would receive an initial allocation of $2.8 million (0.24% of total funding). As this is below a minimum grant of ½% ($5.8 million), a minimum grant of ½% is calculated and the special rule is used to determine Alaska's final award. Under the special rule, Alaska would receive $6.3 million based on 150% of its prior year grant, and $4.0 million when state population is multiplied by 150% of the NAPPP. The smaller of these two payments is the latter. This is then compared with the minimum grant amount of ½%. The grant amount based on state population and 150% of the NAPPP is less than the amount that would be provided by a minimum grant of ½%. The former is then compared with the grant amount received by Alaska in FY1998, which was $4.2 million. Since the FY1998 hold harmless amount is greater than the amount that would be provided through the formula, Alaska receives the hold harmless amount.[6] This is referred to as the "FY1998 grant" strategy in Column D of **Table 1**.

Example 4: California
Based on population and pci factors, California would receive an initial allocation of $130.9 million (11.32% of total funding). Since this grant amount is higher than the state's adjusted ½% minimum grant, California's initial allocation is ratably reduced by 1.62% or $2.1 million to support grants to states whose initial allocation did not provide them with a state grant that exceeded the ½% minimum grant. This is referred to as the "ratably reduced" strategy in Column D of **Table 1**. For states whose initial allocation is subject to a ratable reduction, the ratably reduced amount is compared with the state's FY1998 grant amount and its adjusted ½% minimum grant. The largest amount is awarded. For example, since California's ratably reduced amount is greater than its FY1998 grant and its adjusted ½% minimum grant, California receives its initial allocation minus 1.62%.[7]

Estimated FY2006 Grants. Columns E, F, G, and H in **Table 1** provide each state's estimated FY2006 final grant amount, the change in the grant amount from initial allocation to final allocation, the percentage change in funding between the initial and final allocation, and the state's final percentage of total funding, respectively. Using the special rule to determine state grants and the FY1998 hold harmless, rather than population and pci factors only, results in an increase in funding for 13 states and the Virgin Islands and a 1.62% decrease in funding for all other states (**Table 1**). For example, the use of these provisions results in Wyoming receiving more than twice as much funding as it would have received under the initial allocation. In addition, under current law, the eight states receiving less than the minimum grant of 0.5% receive between 24% (Montana) and 186% (District of

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[6] States other than Alaska that have their estimated FY2006 grants based on their FY1998 grants include North Dakota, Vermont, West Virginia, Wyoming, and the District of Columbia.

[7] All states not previously mentioned in Examples 1, 2, or 3 have their initial allocation determined by population and pci factors, and their final grants determined after a ratable reduction to support increases in the initial allocations of states whose initial allocations are less than ½% of total funding. Approximately 39 states had their estimated FY2006 grants determined based on this strategy.

Columbia) more than they would have received if grants were based solely on population and pci.

Per-Person Funding. State grants can also be analyzed based on how much funding the state receives for each person included in the population count. As previously discussed, the population count is based on the population in each of three age groups and total population across the three age groups. In determining per-person funding, each of these populations was weighted by the factors assigned to each population group for the calculation of state grants (e.g., 0.5 for individuals aged 15 to 19). Dividing estimated FY2006 state grants by this weighted population count produces the amount of funding a state received for each person.[8]

As depicted in **Table 1**, there is substantial variability in per-person funding by state. More specifically, among states receiving less than the minimum grant of 0.5% in FY2006, including the Virgin Islands, per-person funding ranges from $24.84 (South Dakota) to $34.83 (Wyoming), exceeding the level of per-person funding provided to all other states which ranges from $12.40 (Massachusetts) to $23.15 (Rhode Island).

Minimum State Grant Amounts Under Prior Laws

This section examines minimum grant provisions in federal vocational education laws beginning with the Vocational Education Act of 1963 (P.L. 88-210). While this act did not mark the beginning of federal involvement in vocational education, the state grant formula included in the act provided a framework for subsequent legislation.

Under the Vocational Education Act of 1963, state grants were calculated using only population and pci factors. All states were guaranteed a minimum grant of $10,000.

The Vocational Education Act of 1963 was amended in 1984 by the Carl D. Perkins Vocational Education Act (Perkins I; P.L. 98-524).[9] Perkins I replaced the $10,000 minimum grant with a minimum grant of ½% of total funds, not to exceed 150% of a state's prior year grant. It also included a provision that held states harmless at their FY1984 grant amounts. Under Perkins I, states that were receiving less than the minimum grant of ½% gradually received increases in their grant amounts but these increases were limited by the 150% cap on year-to-year increases. By FY1989, all states reached the minimum grant amount of ½% and continued to receive the minimum grant amount in FY1990.

The Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 (Perkins II, P.L. 101-392) further amended the state grant

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[8] The allotment ratio was not included in this calculation as the focus was on determining the weighted count of individuals without adjusting for per capita income.

[9] The Vocational Education Act of 1963 was also amended by the Vocational Education Amendments of 1968 (P.L. 90-576), but these amendments did not modify the state grant formula.

formula by adding the special rule that provides states with the lesser of (1) 150% of their prior year grant or (2) state population multiplied by 150% of the NAPPP. The special rule also included a provision that held states harmless at their FY1991 grant amounts.[10] This effectively left states that received less than the minimum grant of ½% in FY1991 at the same amount they received in FY1990 ($4.2 million), as amounts for these states were identical in FY1991 and FY1990. Over time, a handful of these states eventually exceeded their FY1991 grant amounts.[11]

The Carl D. Perkins Vocational and Technical Education Act of 1998 (Perkins III; P.L. 105-332) retained the state grant formula used in Perkins II, but modified the hold harmless provision to hold all states harmless at their FY1998 grant amounts regardless of whether they were subject to a second set of calculations. This effectively left Alaska, District of Columbia, North Dakota, Vermont, and Wyoming at their FY1990 grant amounts, as their grant amounts did not change from FY1990 through FY1998.

S. 250 Changes to Current State Grant Formula

The Senate bill would alter the current formula in several ways.[12] First, it would eliminate the use of the special rule. That is, state grants would be based on population and pci factors only, while retaining the minimum grant of ½% provision. As a result, the Senate formula would provide the eight states[13] that receive less than ½% of the total grant with increases in their state grants until they reached the minimum grant of ½%, provided appropriations in a succeeding year were higher than they were in FY2006 (hereafter referred to as new funding). More specifically, any new funding available to support state grants would be provided to these eight states based on an inverse proportion of how far the state is from receiving the minimum grant of ½% (i.e., states furthest below ½% of total funding would receive higher amounts than states closest to ½% of total funding). No other states would receive any of the new money until each of the eight states had reached the ½% minimum grant.

Table 2 demonstrates the amount of funding each state would receive assuming appropriations increased by 1% ($11.6 million) in FY2007. A 1% increase in

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[10] States that were not subject to the second set of calculations were held harmless at their FY1985 grant amount. This resulted, for example, in Massachusetts receiving its FY1985 grant amount until FY2002, with the exception of FY1992 when Massachusetts received a slightly higher allotment.

[11] For example, Delaware, Montana, and South Dakota have exceeded their FY1991 grant amounts but have not reached the minimum grant amount of ½% of total funding.

[12] For additional information about other changes that would be made to current law by S. 250, see CRS Report RL32962, *Vocational Education Reauthorization: Comparison and Analysis of Selected Provisions in H.R. 366 and S. 250*, by Rebecca R. Skinner and Richard N. Apling.

[13] As detailed in Column H of **Table 1**, the eight states include Alaska, Delaware, Montana, North Dakota, South Dakota, Vermont, Wyoming, and the District of Columbia. While the Virgin Islands also receives less than the minimum grant of ½%, under S. 250, it would not be guaranteed a minimum grant of ½%.

appropriations would be sufficient to provide all states with a minimum grant of at least ½%, while also providing most other states with a small increase in funding. The eight states that receive estimated state grants below the minimum grant of ½% in FY2006 would receive increases ranging from 7.0% to 38.5% ($380,000 to $1.6 million). The four states that receive estimated state grants of ½% in FY2006 would receive a 1% increase in funds ($58,000) to continue to provide them with the minimum grant amount of ½%. Most other states would receive increases of 0.03%, ranging from $2,000 to $40,000. Any subsequent increases in funding would also require funds to be used to ensure all states receive the minimum grant amount of ½% (or as close to it as possible) prior to providing funding increases to any other states. It should be noted that these calculations use the same population and pci factors used to calculated estimated FY2006 grants. Changes in these factors would result in additional changes in the amount and percentage of funds received by states with grant amounts over ½% of total funding. For example, states with growing populations would receive more funding than those with constant or declining populations.

S. 250 also includes a hold harmless provision. From FY2007 through FY2009, states would be held harmless at their FY2006 grant level, provided appropriations are sufficient to provide this level of funding.[14] From FY2010 through FY2012, the hold harmless provision would change to at least 95% of the prior year grant amount. Assuming constant appropriations, this would allow states with growing populations to receive increased grant amounts from states that are not experiencing population growth (or have a below average rate of increase).[15] It would also allow states that were not receiving the minimum grant of ½% to move closer to or reach this level of funding. Increased funding to states receiving less than the minimum grant amount of ½% and states with growing populations would be funded by reducing the grant amounts for all other states. Under the provisions of S. 250, however, states with increasing populations would not receive additional funding until states receiving less than the minimum grant amount of ½% reached the minimum grant amount.

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[14] For the purposes of this analysis, the years for which various hold harmless provisions would apply have been updated by one year to account for the start of FY2006.

[15] It would also accommodate changes to pci.

Table 2. Estimated FY2007 State Grants Under S. 250 Assuming a One Percent Increase in Appropriations

State	Estimated FY2006 grants	Estimated FY2007 grants (assuming 1% increase in appropriations)	Increase in grant amount from FY2006 to FY2007	Percentage increase in grant amount from FY2006 to FY2007	Percent of FY2007 total
Alabama	$19,991,000	$19,998,000	$6,000	0.03%	1.71%
Alaska	$4,215,000	$5,837,000	$1,622,000	38.49%	0.50%
Arizona	$24,415,000	$24,422,000	$8,000	0.03%	2.09%
Arkansas	$12,540,000	$12,544,000	$4,000	0.03%	1.07%
California	$128,753,000	$128,793,000	$40,000	0.03%	11.03%
Colorado	$15,640,000	$15,645,000	$5,000	0.03%	1.34%
Connecticut	$10,136,000	$10,139,000	$3,000	0.03%	0.87%
Delaware	$4,808,000	$5,837,000	$1,029,000	21.40%	0.50%
Florida	$63,436,000	$63,456,000	$20,000	0.03%	5.44%
Georgia	$36,587,000	$36,598,000	$11,000	0.03%	3.13%
Hawaii	$5,780,000	$5,837,000	$58,000	1.00%	0.50%
Idaho	$6,792,000	$6,794,000	$2,000	0.03%	0.58%
Illinois	$44,824,000	$44,838,000	$14,000	0.03%	3.84%
Indiana	$25,916,000	$25,924,000	$8,000	0.03%	2.22%
Iowa	$12,321,000	$12,324,000	$4,000	0.03%	1.06%
Kansas	$11,504,000	$11,508,000	$4,000	0.03%	0.99%
Kentucky	$18,133,000	$18,139,000	$6,000	0.03%	1.55%
Louisiana	$21,534,000	$21,541,000	$7,000	0.03%	1.85%
Maine	$5,780,000	$5,837,000	$58,000	1.00%	0.50%
Maryland	$16,844,000	$16,849,000	$5,000	0.03%	1.44%
Massachusetts	$18,419,000	$18,425,000	$6,000	0.03%	1.58%
Michigan	$39,304,000	$39,316,000	$12,000	0.03%	3.37%
Minnesota	$18,257,000	$18,263,000	$6,000	0.03%	1.56%
Mississippi	$13,923,000	$13,928,000	$4,000	0.03%	1.19%
Missouri	$23,775,000	$23,782,000	$7,000	0.03%	2.04%
Montana	$5,457,000	$5,837,000	$380,000	6.97%	0.50%
Nebraska	$7,138,000	$7,141,000	$2,000	0.03%	0.61%
Nevada	$8,204,000	$8,206,000	$3,000	0.03%	0.70%
New Hampshire	$5,780,000	$5,837,000	$58,000	1.00%	0.50%
New Jersey	$24,716,000	$24,724,000	$8,000	0.03%	2.12%
New Mexico	$9,264,000	$9,266,000	$3,000	0.03%	0.79%
New York	$59,744,000	$59,763,000	$19,000	0.03%	5.12%
North Carolina	$34,797,000	$34,808,000	$11,000	0.03%	2.98%
North Dakota	$4,215,000	$5,837,000	$1,622,000	38.49%	0.50%
Ohio	$45,570,000	$45,584,000	$14,000	0.03%	3.90%
Oklahoma	$15,943,000	$15,948,000	$5,000	0.03%	1.37%
Oregon	$14,267,000	$14,272,000	$4,000	0.03%	1.22%
Pennsylvania	$45,576,000	$45,591,000	$14,000	0.03%	3.91%
Rhode Island	$5,780,000	$5,837,000	$58,000	1.00%	0.50%
South Carolina	$18,784,000	$18,790,000	$6,000	0.03%	1.61%

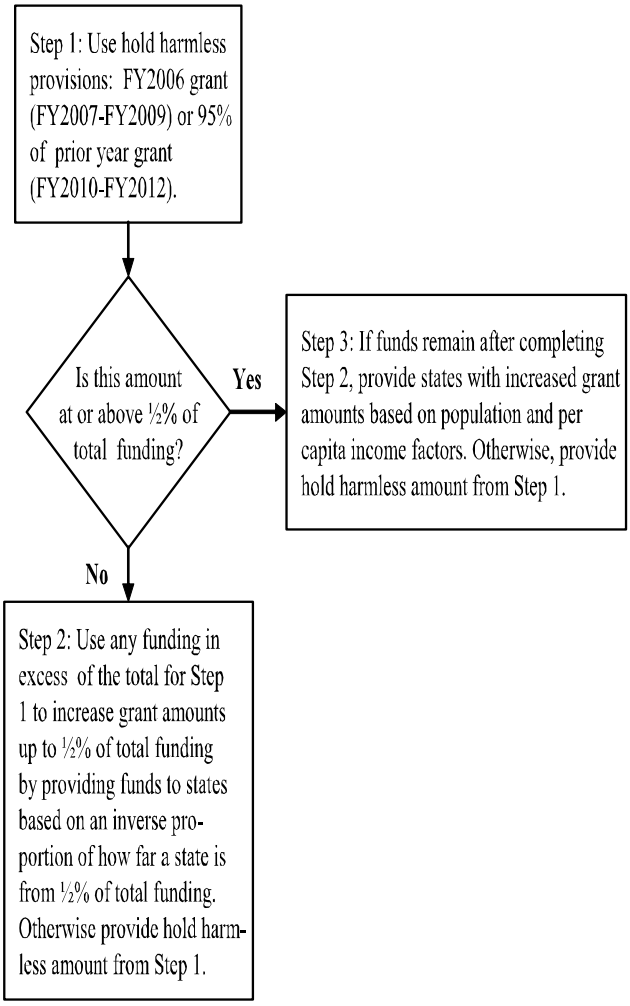
State	Estimated FY2006 grants	Estimated FY2007 grants (assuming 1% increase in appropriations)	Increase in grant amount from FY2006 to FY2007	Per-centage increase in grant amount from FY2006 to FY2007	Percent of FY2007 total
South Dakota	$4,372,000	$5,837,000	$1,465,000	33.51%	0.50%
Tennessee	$23,935,000	$23,942,000	$8,000	0.03%	2.05%
Texas	$95,087,000	$95,117,000	$30,000	0.03%	8.15%
Utah	$12,346,000	$12,350,000	$4,000	0.03%	1.06%
Vermont	$4,215,000	$5,837,000	$1,622,000	38.49%	0.50%
Virginia	$25,807,000	$25,815,000	$8,000	0.03%	2.21%
Washington	$22,629,000	$22,637,000	$7,000	0.03%	1.94%
West Virginia	$8,429,000	$8,429,000	$0	0.00%	0.72%
Wisconsin	$22,187,000	$22,193,000	$7,000	0.03%	1.90%
Wyoming	$4,215,000	$5,837,000	$1,622,000	38.49%	0.50%
District of Columbia	$4,215,000	$5,837,000	$1,622,000	38.49%	0.50%
Puerto Rico	$18,977,000	$18,983,000	$6,000	0.03%	1.63%
Virgin Islands	$627,000	$627,000	$0	0.00%	0.05%
Total	$1,155,902,000	$1,167,461,000	$11,559,000	1.00%	100.00%

Source: Table prepared by CRS, Apr. 17, 2006, based on unpublished FY2006 state estimates provided by the U.S. Department of Education, Budget Service. FY2007 estimates were calculated by CRS.

Note: Details may not add to totals due to rounding. These are estimated grants only. In addition to other limitations, some of the data which will be used to calculate final grants are not yet available. These estimates are provided solely to assist in comparisons of the relative impact of alternative formulas and funding levels in the legislative process. They are not intended to predict specific amounts states will receive.

With a hold harmless of 95% of the prior year amount, it is possible that some states could receive smaller grants each year. For example, if a state originally received $10 million and is held harmless at 95% of that amount, its subsequent grant could be as low as $9.5 million. If it is held harmless at 95% of the prior year amount the following year, its subsequent grant could be as low as $9.025 million, and so forth. Thus, while no state would receive less than 95% of their prior year grant, states with declining or constant populations could gradually lose funding each year to initially provide smaller states with a ½% minimum grant and to provide larger states with growing populations with additional funds. Under the provisions of S. 250 and constant appropriations, only states that received more than ½% of total state funding in FY2006 could lose funding to support states at or below this amount in FY2006 or population increases in other states. **Figure 2** demonstrates how the formula would work in practice.

Figure 2. Overview of S. 250 Proposed Formula for Determining Basic State Grants



Source: Figure prepared by CRS, May 10, 2006.

For example, assuming appropriations are constant from FY2006 through FY2010, as depicted in **Table 3**, all states would continue to receive their FY2006 grant amount through FY2009, as they would be held harmless at the FY2006 amount. In FY2010, states would be held harmless at 95% of their FY2009 grant.[16] This would result in most state grants declining by 0.9% to provide states that were receiving grants of less than ½% with the minimum state grant amount. For this analysis, estimated state grants beyond FY2006 are based on the same population and pci factors as the FY2006 grants as currently estimated. Thus, changes in grant amounts depicted in **Table 3** do not reflect the effects of changes in population or pci factors.

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[16] Assuming constant appropriations, states' FY2009 grant amount would be the same as their FY2006 grant amount.

Table 3. Estimated Basic State Grants Under S. 250: FY2007 through FY2010

State	Estimated FY2006 state grant	Estimated FY2007 state grant	Estimated FY2008 state grant	Estimated FY2009 state grant	Estimated FY2010 state grant	Dollar difference FY2010 vs. FY2009	Percent-age difference FY2010 vs. FY2009
		(hold harmless at 100% of FY06 grant; grants rounded to nearest $000; totals may differ slightly due to rounding)			(hold harmless at 95% of FY06 grant; grants rounded to nearest $000; totals may differ slightly due to rounding)		
Alabama	$19,991,000	$19,991,000	$19,991,000	$19,991,000	$19,806,000	$-185,000	-0.9%
Alaska	$4,215,000	$4,215,000	$4,215,000	$4,215,000	$5,780,000	$1,565,000	37.1%
Arizona	$24,415,000	$24,415,000	$24,415,000	$24,415,000	$24,189,000	$-226,000	-0.9%
Arkansas	$12,540,000	$12,540,000	$12,540,000	$12,540,000	$12,424,000	$-116,000	-0.9%
California	$128,753,000	$128,753,000	$128,753,000	$128,753,000	$127,561,000	$-1,192,000	-0.9%
Colorado	$15,640,000	$15,640,000	$15,640,000	$15,640,000	$15,495,000	$-145,000	-0.9%
Connecticut	$10,136,000	$10,136,000	$10,136,000	$10,136,000	$10,042,000	$-94,000	-0.9%
Delaware	$4,808,000	$4,808,000	$4,808,000	$4,808,000	$5,780,000	$971,000	20.2%
District of Columbia	$4,215,000	$4,215,000	$4,215,000	$4,215,000	$5,780,000	$1,565,000	37.1%
Florida	$63,436,000	$63,436,000	$63,436,000	$63,436,000	$62,849,000	$-587,000	-0.9%
Georgia	$36,587,000	$36,587,000	$36,587,000	$36,587,000	$36,248,000	$-339,000	-0.9%
Hawaii	$5,780,000	$5,780,000	$5,780,000	$5,780,000	$5,780,000	$0	0.0%
Idaho	$6,792,000	$6,792,000	$6,792,000	$6,792,000	$6,729,000	$-63,000	-0.9%
Illinois	$44,824,000	$44,824,000	$44,824,000	$44,824,000	$44,409,000	$-415,000	-0.9%
Indiana	$25,916,000	$25,916,000	$25,916,000	$25,916,000	$25,676,000	$-240,000	-0.9%
Iowa	$12,321,000	$12,321,000	$12,321,000	$12,321,000	$12,206,000	$-114,000	-0.9%
Kansas	$11,504,000	$11,504,000	$11,504,000	$11,504,000	$11,398,000	$-106,000	-0.9%
Kentucky	$18,133,000	$18,133,000	$18,133,000	$18,133,000	$17,965,000	$-168,000	-0.9%

State	Estimated FY2006 state grant	Estimated FY2007 state grant	Estimated FY2008 state grant	Estimated FY2009 state grant	Estimated FY2010 state grant	Dollar difference FY2010 vs. FY2009	Percent-age difference FY2010 vs. FY2009
		(hold harmless at 100% of FY06 grant; grants rounded to nearest $000; totals may differ slightly due to rounding)			(hold harmless at 95% of FY06 grant; grants rounded to nearest $000; totals may differ slightly due to rounding)		
Louisiana	$21,534,000	$21,534,000	$21,534,000	$21,534,000	$21,335,000	$-199,000	-0.9%
Maine	$5,780,000	$5,780,000	$5,780,000	$5,780,000	$5,780,000	$0	0.0%
Maryland	$16,844,000	$16,844,000	$16,844,000	$16,844,000	$16,688,000	$-156,000	-0.9%
Massachusetts	$18,419,000	$18,419,000	$18,419,000	$18,419,000	$18,249,000	$-170,000	-0.9%
Michigan	$39,304,000	$39,304,000	$39,304,000	$39,304,000	$38,940,000	$-364,000	-0.9%
Minnesota	$18,257,000	$18,257,000	$18,257,000	$18,257,000	$18,088,000	$-169,000	-0.9%
Mississippi	$13,923,000	$13,923,000	$13,923,000	$13,923,000	$13,795,000	$-129,000	-0.9%
Missouri	$23,775,000	$23,775,000	$23,775,000	$23,775,000	$23,555,000	$-220,000	-0.9%
Montana	$5,457,000	$5,457,000	$5,457,000	$5,457,000	$5,780,000	$322,000	5.9%
Nebraska	$7,138,000	$7,138,000	$7,138,000	$7,138,000	$7,072,000	$-66,000	-0.9%
Nevada	$8,204,000	$8,204,000	$8,204,000	$8,204,000	$8,128,000	$-76,000	-0.9%
New Hampshire	$5,780,000	$5,780,000	$5,780,000	$5,780,000	$5,780,000	$0	0.0%
New Jersey	$24,716,000	$24,716,000	$24,716,000	$24,716,000	$24,487,000	$-229,000	-0.9%
New Mexico	$9,264,000	$9,264,000	$9,264,000	$9,264,000	$9,178,000	$-86,000	-0.9%
New York	$59,744,000	$59,744,000	$59,744,000	$59,744,000	$59,191,000	$-553,000	-0.9%
North Carolina	$34,797,000	$34,797,000	$34,797,000	$34,797,000	$34,475,000	$-322,000	-0.9%
North Dakota	$4,215,000	$4,215,000	$4,215,000	$4,215,000	$5,780,000	$1,565,000	37.1%
Ohio	$45,570,000	$45,570,000	$45,570,000	$45,570,000	$45,148,000	$-422,000	-0.9%
Oklahoma	$15,943,000	$15,943,000	$15,943,000	$15,943,000	$15,796,000	$-148,000	-0.9%
Oregon	$14,267,000	$14,267,000	$14,267,000	$14,267,000	$14,135,000	$-132,000	-0.9%

State	Estimated FY2006 state grant	Estimated FY2007 state grant	Estimated FY2008 state grant	Estimated FY2009 state grant	Estimated FY2010 state grant	Dollar difference FY2010 vs. FY2009	Percent-age difference FY2010 vs. FY2009
		(hold harmless at 100% of FY06 grant; grants rounded to nearest $000; totals may differ slightly due to rounding)			(hold harmless at 95% of FY06 grant; grants rounded to nearest $000; totals may differ slightly due to rounding)		
Pennsylvania	$45,576,000	$45,576,000	$45,576,000	$45,576,000	$45,154,000	$-422,000	-0.9%
Rhode Island	$5,780,000	$5,780,000	$5,780,000	$5,780,000	$5,780,000	$0	0.0%
South Carolina	$18,784,000	$18,784,000	$18,784,000	$18,784,000	$18,610,000	$-174,000	-0.9%
South Dakota	$4,372,000	$4,372,000	$4,372,000	$4,372,000	$5,780,000	$1,407,000	32.2%
Tennessee	$23,935,000	$23,935,000	$23,935,000	$23,935,000	$23,713,000	$-222,000	-0.9%
Texas	$95,087,000	$95,087,000	$95,087,000	$95,087,000	$94,207,000	$-880,000	-0.9%
Utah	$12,346,000	$12,346,000	$12,346,000	$12,346,000	$12,232,000	$-114,000	-0.9%
Vermont	$4,215,000	$4,215,000	$4,215,000	$4,215,000	$5,780,000	$1,565,000	37.1%
Virginia	$25,807,000	$25,807,000	$25,807,000	$25,807,000	$25,568,000	$-239,000	-0.9%
Washington	$22,629,000	$22,629,000	$22,629,000	$22,629,000	$22,420,000	$-209,000	-0.9%
West Virginia	$8,429,000	$8,429,000	$8,429,000	$8,429,000	$8,007,000	$-421,000	-5.0%
Wisconsin	$22,187,000	$22,187,000	$22,187,000	$22,187,000	$21,981,000	$-205,000	-0.9%
Wyoming	$4,215,000	$4,215,000	$4,215,000	$4,215,000	$5,780,000	$1,565,000	37.1%
Puerto Rico	$18,977,000	$18,977,000	$18,977,000	$18,977,000	$18,802,000	$-176,000	-0.9%
Virgin Islands	$627,000	$627,000	$627,000	$627,000	$596,000	$-31,000	-5.0%
Total	$1,155,902,000	$1,155,902,000	$1,155,902,000	$1,155,902,000	$1,155,902,000	—	—

Source: Table prepared by CRS, Apr. 17, 2006, based on unpublished FY2006 state estimates provided by the U.S. Department of Education, Budget Service. FY2007-FY2010 estimates were calculated by CRS.

Note: Details may not add to totals due to rounding. These are estimated grants only. In addition to other limitations, some of the data which will be used to calculate final grants are not yet available. These estimates are provided solely to assist in comparisons of the relative impact of alternative formulas and funding levels in the legislative process. They are not intended to predict specific amounts states will receive.

Cost of Providing States with Minimum Grants

As previously discussed based on FY2006 current estimates of state grants, eight states would receive less than ½% of total funding. Determining the amount of funding required to provide these states with a minimum grant of ½%, without changing any of the current formula provisions, is complicated because any increases in funding to provide these minimum grants results in an increase in overall funding and a related increase in the value of a minimum grant.

While it was not possible to estimate the exact amount of funding required to provide the ½% minimum grants under the current law formula with its 150% of NAPPP cap, it appears that overall funding would have to more than quadruple. This would be a significant increase in funding to accomplish the goal of providing eight states with a minimum grant of ½%. Under the formula proposed by S. 250, overall funding would also have to increase to meet this goal but only by about $11.2 million, as any funding in excess of the FY2006 appropriated amount would be directed to the eight states until they reached the minimum grant amount of ½%.

One additional strategy for providing the eight states with a ½% minimum grant without significantly increasing overall funding would be to determine how much additional funding would be needed in a given fiscal year to increase their grants to the desired level and provide that amount of funding as a separate line item. For example, for FY2006, a minimum grant of ½% would be $5,780,000. Based on the estimated state grants these eight states would receive (**Table 1**), an additional $10.5 million would be needed to provide them with minimum grants of ½%. Additional funding may need to be provided in subsequent years if appropriations increase and Congress wants to continue providing these states with a minimum grant of ½%. This strategy requires providing funding outside of the current law formula or the formula proposed in S. 250. If the $10.5 million was provided to the eight states via either the current law or S. 250 formula, the additional $10.5 million would increase the minimum grant from $5,780,000 to $5,832,000. This, in turn, would require additional funding to provide minimum grants of ½%, resulting in the need to increase overall funding, and so forth.

Alternative Strategies

This section discusses alternatives to those proposed in S. 250. The first set of strategies addresses the hold harmless provisions contained in S. 250, specifically if appropriations are held constant at their FY2006 level. The other strategies focus on providing the aforementioned eight states with a minimum grant of ½% or, at least, providing them with increases over their FY2006 estimated grant levels. Both strategies would result in increased funding for the eight states over time but rely on increased appropriations, rather than reductions in FY2006 current estimated state grants, to support the increases, and neither strategy would result in other states receiving less than their estimated FY2006 grant.

Hold Harmless Provisions. If appropriations for state grants remain constant at their FY2006 level, there are several possible alternatives to the hold harmless provisions included in S. 250. For example, states could be held harmless at their FY2006 grant amounts through FY2012. While this does not accommodate

population increases or provide states receiving less than the minimum grant of ½% with additional funding, it does guarantee that all states would continue to receive at least what they received in FY2006, assuming appropriations are constant. A second alternative would be to modify the hold harmless provision to hold states harmless at 95% of their FY2006 grant amount rather than their prior year grant amount in FY2010 through FY2012. This would prevent states from continually losing money each year, while continuing to provide additional funding to states with increasing populations and states receiving less than the minimum grant of ½%. A third alternative would be to set the hold harmless percentage for FY2010 through FY2012 at a higher amount, such as 97½%, and either apply that higher percentage to states' FY2006 grant amount or to their prior year grant amount. This would reduce the amount by which states could fall below their FY2006 grant amount, while still providing funding increases to states experiencing population growth and to provide states receiving less than the minimum grant of ½% with additional funding. A fourth alternative would be to continue to apply the current law hold harmless provision and hold states harmless at 100% of the FY1998 grant amount. Finally, another alternative that could be applied to several of the aforementioned alternatives would be to only use the hold harmless provision to provide additional funds to states with growing populations, rather than also providing additional funding to states receiving less than the minimum grant amount of ½%. This would prevent other states from having their FY2006 grant amounts reduced to provide states receiving less than the minimum grant of ½% with additional funding.

Increased Funding Based on Overall Increases in Funding. Under this strategy, states that received less than a minimum grant of ½% in FY2006 would be guaranteed the same percentage increase in funding as the percentage increase in total funding for state grants. For example, if total funding for state grants increased by 1%, all states that received grants of less than ½% during the prior year would receive a guaranteed 1% increase in funding. The remaining funds could be distributed using the current formula, the formula proposed under S. 250, or another formula agreed to by Congress. For example, in FY2006, Alaska, North Dakota, Vermont, Wyoming, and the District of Columbia would receive estimated grants of $4,215,000. A 1% increase in total appropriations to $1,167,461,000 and subsequent 1% increase in their grants would provide them with grants of $4,257,000. While this is still below the $5,915,000 that would be required for a minimum grant of ½% (assuming a 1% increase in appropriations), it would provide these states with their first increase in funding since FY1990.

Guaranteed Percentage of New Funding. This strategy is similar to the formula proposed under S. 250, but instead of providing the states that received estimated state grants of less than ½% in FY2006 with as much available new funding as is required to provide these states with a minimum grant of ½%, these states would receive a guaranteed percentage of any new funding, such as 30% or 75%. Depending on the agreed upon percentage and amount of new funding, these states may reach a minimum grant of ½% in a year, over several years, or not at all, but they would receive additional funding. At the same time, other states would also benefit from new funding immediately, as opposed to having to wait for the eight states to reach a minimum grant of ½%; they would not, however, benefit as much as they would if no funds were set-aside for these eight states.

Conclusion

While changes have been made over time to limit the amount of additional funding states may receive above their initial allocations, the current state grant formula provides substantial increases in funding to states that would otherwise receive smaller grant amounts if only population and pci factors were considered in making grants. S. 250 would alter the current formula to provide additional funding specifically to the eight states that receive less than the minimum grant of ½%, while also eliminating the provisions included in the current formula that hold grant amounts for these states below the minimum grant of ½%. The Senate formula would use any new funding available for state grants that exceed the FY2006 appropriation to provide these eight states with a minimum grant of ½%, or to move them closer to the minimum grant amount depending on the amount of new funding available. If no new funding becomes available, the S. 250 proposed formula would rely on hold harmless provisions that ultimately decline to increase the grant amounts to these eight states and provide additional funding to states with growing populations by decreasing grant amounts to other states. These reductions in funding could be mitigated, for example, by establishing a higher hold harmless provision for FY2010 through FY2012 and/or by only allowing funds to shift from one state to another to accommodate changes in population. If new money becomes available, funding could be increased for the eight states, while also providing other states with increased funding rather than having their funding levels remain constant until the eight states reach the minimum grant amount of ½%. This could be accomplished, for example, by providing these eight states with an increase in funding proportional to the overall increase in total funding, or by providing them with a dedicated percentage of new funding rather than as much funding as needed to provide them with a minimum grant of ½%.