Education for the Disadvantaged: Analysis of Issues for the ESEA Title I-A Allocation Formulas

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Summary

Title I, Part A, of the Elementary and Secondary Education Act (ESEA) authorizes federal aid to local educational agencies (LEAs) for the education of disadvantaged children. Title I-A grants provide supplementary educational and related services to low-achieving and other pupils attending pre-kindergarten through grade 12 schools with relatively high concentrations of pupils from low-income families. In recent years, they have also become a "vehicle" to which a number of requirements affecting broad aspects of public K-12 education for all pupils have been attached as a condition for receiving Title I-A grants. These include requirements for assessments of pupil achievement; adequate yearly progress (AYP) standards and determinations for schools, LEAs, and states; consequences for schools and LEAs that fail to make AYP for two consecutive years or more; plus teacher and paraprofessional qualifications.

The ESEA was initially adopted in 1965, and was most recently reauthorized and amended by the No Child Left Behind Act of 2001 (NCLB), P.L. 107-110. Currently, although the authorization for ESEA Title I-A has expired, appropriations have continued to be provided, and the program continues to be implemented under the policies established by the most recent authorization statute. The 111th Congress is expected to consider proposals to extend and amend the ESEA.

For the allocation of funds to states and LEAs, Title I-A has four separate formulas: the Basic, Concentration, Targeted, and Education Finance Incentive Grant (EFIG) formulas. Once these funds reach LEAs, they are no longer treated separately; they are combined and used without distinction for the same program purposes. While there are numerous complications and special features associated with the Title I-A allocation formulas, each has the same underlying structure. For each formula, a maximum grant is calculated by multiplying a "population factor," consisting primarily of estimated numbers of school-age children in poor families, by an "expenditure factor" based on state average per pupil expenditures for public K-12 education. In some formulas, additional factors are multiplied by the population and expenditure factors, and/or the population factor is modified to direct increased funds to LEAs with concentrations of poverty.

Major Title I-A reauthorization issues regarding allocation formulas are likely to include the following: Should annual variations in the poverty estimates used to calculate Title I-A grants be reduced through multi-year averaging or other methods? Has the targeting of Title I-A funds on high poverty LEAs increased since 2001? Should the population weighting factors of the Targeted and Education Finance Incentive Grant (EFIG) formulas be modified to more equally favor LEAs with large numbers of school-age children in poor families and LEAs with high poverty rates? Should the expenditure factors continue to play a major role in the Title I-A formulas? Should there be some consolidation of the four different allocation formulas? Should the authorization level for Title I-A continue to be specified for future years, and if so, at what levels? Should the effort factor in the EFIG formula be modified? Should the equity factor in the EFIG formula be modified? Should the current provisions for intra-LEA allocation be reconsidered? Should the remaining special constraints on grants to Puerto Rico, the cap on aggregate population weights in the Targeted Grant formula, be removed? Should the Temporary Assistance to Needy Families (TANF) formula factor be eliminated? And finally, should each county portion of New York City and other multi-county LEAs continue to be treated as separate LEAs under the Title I-A allocation formulas? This report will not be updated.

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Introduction

Title I, Part A, of the Elementary and Secondary Education Act (ESEA) authorizes federal aid to local educational agencies (LEAs) for the education of disadvantaged children. Title I-A grants provide supplementary educational and related services to low-achieving and other pupils attending pre-kindergarten through grade 12 schools with relatively high concentrations of pupils from low-income families. In recent years, they have also become a "vehicle" to which a number of requirements affecting broad aspects of public K-12 education for all pupils have been attached as a condition for receiving Title I-A grants. These include requirements for assessments of pupil achievement; adequate yearly progress (AYP) standards and determinations for schools, LEAs, and states; consequences for schools and LEAs that fail to make AYP for two consecutive years or more; plus teacher and paraprofessional qualifications.

Title I-A is the largest federal elementary and secondary education assistance program, with services provided to (1) more than 90% of all LEAs; (2) approximately 52,000 (54% of all) public schools; and (3) approximately 16.5 million (34% of all) pupils, including approximately 188,000 pupils attending private schools. Three-fourths of all pupils served are in pre-kindergarten through grade 6, while only 8% of pupils served are in grades 10-12.

The ESEA was initially adopted in 1965, and was most recently reauthorized and amended by the No Child Left Behind Act of 2001 (NCLB), P.L. 107-110. NCLB authorized Title I-A through FY2007, and an automatic extension, through FY2008 was provided under the General Education Provisions Act (Title IV of P.L. 90-247, as amended). Currently, although the authorization for ESEA Title I-A has expired, appropriations have continued to be provided, and the program continues to be implemented under the policies established by the most recent authorization statute. The 111th Congress is expected to consider proposals to extend and amend the ESEA.

The focus of this report is on the formulas used to allocate Title I-A funds to states, LEAs, and schools. These formulas are used to allocate funds not only under the largest federal K-12 education program, but also several other ESEA and non-ESEA programs under which grants are made in proportion to ESEA Title I-A allocations. This report will not be updated.

Another CRS report (CRS Report RL33731, *Education for the Disadvantaged: Reauthorization Issues for ESEA Title I-A Under the No Child Left Behind Act*, by (name redacted) and (name redacted)) discusses issues related to the accountability and other policies of ESEA Title I-A. *Those interested in a more concise description of the ESEA Title I-A allocation formulas and review of reauthorization issues related to them than found in this report should refer to the final section of that report (RL33731).*

Additional CRS reports provide more detailed discussions and analyses of selected major aspects of the Title I-A program, including pupil assessments,[1] accountability,[2] and qualifications for teachers and paraprofessionals.[3] Also, see CRS Report RL34721, *Elementary and Secondary*

[1] See CRS Report RL31407, *Educational Testing: Implementation of ESEA Title I-A Requirements Under the No Child Left Behind Act*, by (name redacted).

[2] See CRS Report RL32495, *Adequate Yearly Progress (AYP): Implementation of the No Child Left Behind Act*, by (name redacted); CRS Report RL33032, *Adequate Yearly Progress (AYP): Growth Models Under the No Child Left Behind Act*, by (name redacted); and CRS Report RL31329, *Supplemental Educational Services for Children from Low-Income Families Under ESEA Title I-A*, by (name redacted).

[3] See CRS Report RL33333, *A Highly Qualified Teacher in Every Classroom: Implementation of the No Child Left*
(continued...)

Education Act: An Analytical Review of the Allocation Formulas, for a description and analysis of all of the ESEA's allocation formulas, as well as a discussion of general allocation formula concepts and procedures.

This report provides: (a) descriptions of the ESEA Title I-A allocation formulas; (b) a review of recent funding trends for Title I-A; and (c) analyses of major issues related to the Title I-A allocation formulas, divided into general categories of broad issues directly affecting all regions of the nation and issues that directly affect only a limited number of states or local educational agencies.

In summary, major Title I-A reauthorization issues regarding allocation formulas are likely to include the following:

Should annual variations in the poverty estimates used to calculate Title I-A grants be reduced through multi-year averaging or other methods?

- Annual variations in estimates of school-age children in poor families have been exceptionally large for a number of states. Several options are available to reduce the more extreme variations, if desired.

Has the targeting of Title I-A funds on high poverty LEAs increased since 2001?

- Targeting of Title I-A funds on the highest poverty LEAs has increased since adoption of the NCLB, although shifts have been gradual and relatively marginal.

Should the population weighting factors of the Targeted and Education Finance Incentive Grant (EFIG) formulas be modified to more equally favor LEAs with large numbers of school-age children in poor families and LEAs with high poverty rates?

- In some respects, the formula population weighting factors of the Targeted and EFIG formulas favor LEAs with large numbers of formula children over those with high school-age child poverty rates.

Should the expenditure factor continue to play a major role in the Title I-A formulas?

- The expenditure factor has a major impact on the distribution of all Title I-A funds, and the rationale for using this factor may be questioned. At best, it is a crude and indirect measure of variations in the costs of providing public K-12 education.

Should there be some consolidation of the four different allocation formulas?

- The allocation of portions of each year's Title I-A appropriation under four different allocation formulas is a result of legislative compromise, not design.

Should the authorization level for Title I-A continue to be specified for future years, and if so, at what levels?

- An authorized appropriation level was specified in the ESEA only through FY2007.

(...continued)

Behind Act and Reauthorization Issues for the 111th Congress, and CRS Report RS22545, *Paraprofessional Quality and the No Child Left Behind Act of 2001*, both by (name redacted).

Should the effort factor in the EFIG formula be modified?

- The current effort factor has very limited impact and favors states where school-age children are a relatively small share of the total population.

Should the equity factor in the EFIG formula be modified?

- The current equity factor might be broadened to consider additional categories of "high cost" pupils.

Should the current provisions for intra-LEA allocation be reconsidered?

- The participation of middle and, especially, high schools in Title I-A programs is very low, and might be increased through modification of the requirements for allocation of funds within LEAs.

Issues Affecting a Limited Number of States or LEAs:

Should the remaining special constraints on grants to Puerto Rico, the cap on aggregate population weights in the Targeted Grant formula, be removed?

- Title I-A grants to Puerto Rico would be substantially higher if remaining special constraints were removed.

Should the Temporary Assistance to Needy Families (TANF) formula factor be eliminated?

- This formula population factor is of little significance, and may remain primarily for historic and symbolic reasons.

Should each county portion of New York City and other multi-county LEAs continue to be treated as separate LEAs under the Title I-A allocation formulas?

- This provision leads to substantially different treatment of Title I-A schools in different counties within New York City, and has mixed impact on total Title I-A grants to the City overall.

Finally, a general introductory note regarding funding levels and allocations: Most references to appropriation levels, and all discussions and analyses of allocation patterns, in this report refer to those for *FY2008*, the most recent year for which actual allocations were available at the time this report was prepared. Therefore, there will be only marginal reference to FY2009 appropriations or allocations for Title I-A, whether provided under the American Recovery and Reinvestment Act (P.L. 111-5) or regular FY2009 omnibus appropriations legislation (P.L. 111-8).

Description of the ESEA Title I-A Allocation Formulas

For the allocation of funds to states and LEAs, ESEA Title I-A has four separate formulas: the Basic, Concentration, Targeted, and Education Finance Incentive Grant (EFIG) formulas. Once these funds reach LEAs, they are no longer treated separately; they are combined and used without distinction for the same program purposes.

A primary rationale for using four different formulas to allocate a share of the funds for a single program is that the formulas have distinct allocation patterns, providing varying shares of allocated funds to different types of localities (e.g., LEAs with high poverty rates, or states with

comparatively equal levels of spending per pupil among their LEAs), as is discussed later in this report. In addition, some of the formulas contain elements—such as the equity and effort factors in the EFIG formula—that are deemed to have important incentive effects or to be significant symbolically in addition to their impact on allocation patterns. There is also a historical explanation: the Targeted and EFIG formulas, in particular, were initially proposed as replacements for the Basic plus Concentration Grant formulas; that is, each of the Targeted and EFIG formulas was originally intended to be *the* Title I-A formula. But in subsequent deliberations, these formulas were ultimately authorized to supplement, but not replace, the Basic and Concentration Grant formulas, and implicitly to complement each other.

The discussion below describes the characteristics of the Title I-A allocation formulas as these have been amended by NCLB. The description immediately below is similar to that in a report on all of the ESEA program allocation formulas, CRS Report RL34721, *Elementary and Secondary Education Act: An Analytical Review of the Allocation Formulas*, by (name redacted). The formulas are described in three different formats:

- First, the general characteristics of all four formulas are introduced in very brief, narrative form.
- Second, selected characteristics of the four formulas are summarized in tabular format in **Table 1**.
- Third, each of the four formulas is described individually, and in greater detail, including a mathematical expression of each formula.

General Overview of the Title I-A Allocation Formulas

While numerous complications and special features are associated with the Title I-A allocation formulas, each of them has the same underlying structure. For each formula, a maximum grant is calculated by multiplying a "population factor," consisting primarily of estimated numbers of school-age children in poor families, by an "expenditure factor" based on state average per pupil expenditures for public K-12 education. In some formulas, additional factors are multiplied by the population and expenditure factors. Then these maximum grants are reduced to equal the level of available appropriations for each formula, taking into account a variety of state and LEA minimum grant or "hold harmless" provisions. Only LEAs meeting minimum numbers and/or percentages of children counted in the population factor may receive grants.

Under Title I-A, funds are allocated to LEAs via state educational agencies (SEAs). Annual appropriations legislation specifies portions of each year's appropriation to be allocated under four different formulas; once funds reach LEAs, the amounts allocated under the four formulas are combined and used jointly. Under three of the formulas—Basic, Concentration, and Targeted Grants—funds are calculated initially at the LEA level, and state total grants are the total of allocations for LEAs in the state, adjusted to apply state minimum grant provisions. Under the fourth formula, Education Finance Incentive Grants, allocations are first calculated for each state overall, with state totals subsequently suballocated by LEA using a *different* formula.

The discussion below describes the characteristics of the Title I-A allocation formulas as these have been amended by NCLB. These characteristics are summarized in **Table 1**.

Table 1. Brief Summary of ESEA Title I-A Allocation Formula Characteristics

Formula Characteristic	Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants
Population factor (also referred to as formula children)	Children aged 5-17: (a) in poor families; (b) in institutions for neglected or delinquent children or in foster homes; and (c) in families receiving Temporary Assistance for Needy Families (TANF) payments above the poverty income level for a family of four	Same as Basic Grants	Same as Basic Grants	Same as Basic Grants
Population factor eligibility threshold for LEAs	10 or more formula children *and* a school-age child poverty rate of more than 2%	More than 6,500 formula children *or* a school-age child poverty rate of more than 15%	10 or more formula children *and* a school-age child poverty rate of 5% or more	10 or more formula children *and* a school-age child poverty rate of 5% or more
Weighting of population factor	None	None	At *all* stages of the allocation process, poor and other children counted in the formula are assigned weights on the basis of each LEA's school-age child poverty rate and number of poor school-age children	For allocation of funds within states only, poor and other children counted in the formula are assigned weights on the basis of each LEA's school-age child poverty rate and number of poor school-age children
Expenditure factor	State average expenditures per pupil for public K-12 education, subject to a minimum of 80% and maximum of 120% of the national average, further multiplied by 0.40	Same as Basic Grants	Same as Basic Grants	Same as Basic Grants, except that the minimum is 85% and the maximum is 115% of the national average
Minimum state grant	Up to 0.25% of total state grants, subject to a series of caps	Same as Basic Grants	Up to 0.35% of total state grants, subject to a series of caps	Same as Targeted Grants
LEA hold harmless	85%-95% of the previous year grant, depending on the LEA's school-age child poverty rate, applicable only to LEAs meeting the formula's eligibility thresholds	Same as Basic Grants except that LEAs are eligible for the hold harmless for up to four years after they no longer meet the eligibility threshold	Same as Basic Grants	Same as Basic Grants
Stages in the grant calculation process	Grants are calculated at the LEA level, subject to state minimum provisions	Same as Basic Grants	Same as Basic Grants	Grants are first calculated for states overall, then state total grants are allocated to LEAs in a separate process
Additional formula factors	None	None	None	State effort and equity factors are applied in the calculation of state total grants

Source: Table prepared by CRS.

In the discussion below, each of the four ESEA Title I-A allocation formulas is discussed separately.

Detailed Description of Each of the Title I-A Allocation Formulas

Basic Grants

Basic Grants are the original Title I-A formula, authorized and implemented each year since FY1966. It is also the formula under which the largest proportion of funds is allocated (47% of FY2008 appropriations), and under which the largest proportion of LEAs participate (approximately 94% in FY2008), largely due to its low LEA eligibility threshold (see below). However, since all post-FY2001 increases in Title I-A appropriations have been provided for the Targeted and Education Finance Incentive Grant formulas (see below), the proportion of Title I-A funds allocated under the Basic Grant formula has been declining steadily since FY2001, when it was 84% of FY2001 appropriations.

Compared to some of the other Title I-A formulas, the Basic Grant formula is relatively straightforward. Grants are based on each LEA's share, compared to the national total, of a population factor multiplied by an expenditure factor, subject to available appropriations, an LEA minimum or "hold harmless," and a state minimum. These formula factors are described below, followed by a mathematical expression of the formula.

Population factor—Children aged 5-17: (a) in poor families, according to the latest available estimates for LEAs from the Census Bureau's Small Area Income and Poverty Estimates (SAIPE) program (these constitute approximately 96% of all formula children for FY2008); (b) in institutions for neglected or delinquent children or in foster homes (approximately 3.9% of all formula children for FY2008)[4]; and (c) in families receiving Temporary Assistance for Needy Families (TANF) payments above the poverty income level for a family of four (less than 0.1% of all formula children for FY2008). Each element of the population factor is updated annually.

Eligibility threshold—In order for an LEA to be eligible for a Basic Grant, the number of children counted in the population factor must constitute 10 or more such children *and* more than 2% of the total school-age population in the LEA.

Expenditure factor—State average per pupil expenditure for public K-12 education, subject to a minimum of 80% and a maximum of 120% of the national average, further multiplied by 0.40. The expenditure factor is the same for all LEAs in the same state.

LEA minimum grant or "hold harmless" level—If sufficient funds are appropriated, each LEA is to receive a minimum of 85%, 90%, or 95% of its previous year grant, depending on the LEA's school-age child poverty rate, assuming that the LEA continues to meet the Basic Grant formula's eligibility thresholds.[5]

[4] The portion of funds allocated to states under the Basic Grant and the other three Title I-A allocation formulas that is based on delinquent youth in local programs is set aside and separately allocated to LEAs providing services to such youth. SEAs are to allocate these funds to LEAs with concentrations of youth in local correctional facilities. SEAs may allocate these funds through a state-developed formula or on a discretionary basis.

[5] The hold harmless rate is 85% of the previous year grant if the LEA's school-age child poverty rate (population factor (continued...)

Minimum state grant—Each state is to receive a minimum of up to 0.25% of total Basic Grant appropriations if total Basic Grant funding is equal to or less than the FY2001 level (as has been the case each year since FY2001 thus far), and up to 0.35% of total Basic Grant appropriations in excess of the FY2001 amount, if any. A state may not, as a result of the state minimum provision, receive more than the *average* of: (1) 0.25% of the total FY2001 amount for state grants plus 0.35% of any amount above the FY2001 level, and (2) 150% of the national average grant per formula child, multiplied by the number of formula children in the state.

Ratable reduction—After maximum grants are calculated, if appropriations are insufficient to pay the maximum amounts (as has been the case every year beginning with FY1967), these amounts are reduced by the same percentage for all LEAs, *subject to LEA hold harmless and state minimum provisions*, until they equal the aggregate level of appropriations.

Fiscal requirements—There are three Title I-A fiscal accountability requirements, which are applicable to total LEA grants under all four formulas: (1) *maintenance of effort:* recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year; (2) Title I-A funds must be used so as to *supplement, and not supplant*, state and local funds that would otherwise be available for the education of disadvantaged pupils in Title I-A participating schools; (3) *comparability:* services provided with state and local funds in schools participating in Title I-A must be comparable to those in non-Title I-A schools of the same LEA.[6]

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs—With one possible exception,[7] Puerto Rico is treated the same as a state under the Basic Grant formula. Grants to schools operated or supported by the Bureau of Indian Affairs, the Outlying Areas of Guam, American Samoa, the Virgin Islands, and the Commonwealth of the Northern Mariana Islands, as well as a competitive grant to the Outlying Areas plus certain Freely Associated States[8] are provided via reservation of 1% of total Title I-A appropriations.

Further adjustments by SEAs of LEA grants as calculated by the U.S. Department of Education (ED)—Among ESEA programs, a distinctive aspect of Title I-A is that after calculation of LEA grants by ED, applying the methods discussed herein, SEAs make a number of adjustments before determining the final amounts that LEAs actually receive. These adjustments are made to the total of Title I-A grants to LEAs under all four formulas combined. These adjustments include (1) reservation of 4% of state total allocations to be used for school improvement grants;[9] (2) reservation of 1% of state total allocations under all formulas for ESEA

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divided by total school-age population) is less than 15%, 90% if the school-age child poverty rate is between 15% and 30%, and 95% if the school-age child poverty rate is greater than 30%.

[6] If all of an LEA's schools participate in Title I-A, then services funded from state and local revenues must be "substantially comparable" in each school of the LEA.

[7] Through FY2007, the minimum expenditure factor applicable to Puerto Rico was lower than that for any state. The NCLB provided for the elimination of this special provision in stages, although scheduled increases in the Puerto Rico expenditure factor are not to be implemented if doing so would result in a decrease in the grant to any state. The final step in this process was *not* implemented as scheduled in FY2007; however, it was implemented in FY2008.

[8] The Freely Associated States include Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands. As of March 2009, Palau is the only Freely Associated State that is eligible for this grant competition.

[9] In the process of making this deduction, SEAs may not reduce any LEA's net grant (i.e., its final grant, after making deductions for school improvement and state administration, plus any other adjustments) below its previous year level. (continued...)

Title I, Part A, plus Title I, Parts C and D (discussed below), or $400,000, whichever is greater, for state administration;[10] (3) optional reservation of up to 5% of any statewide *increase* in total Part A grants over the previous year for academic achievement awards to participating schools that significantly reduce achievement gaps between disadvantaged and other pupil groups and/or exceed adequate yearly progress standards for two consecutive years or more; (4) adjustment of LEA grants to provide funds to eligible charter schools or to account for recent LEA boundary changes; and (5) optional use by states of alternative methods to reallocate all of the grants as calculated by ED among the state's small LEAs (defined as those serving an area with a total population of 20,000 or fewer persons).[11]

Basic Grant Allocation Formula—

Step 1: Grant 1 = (PF * EF) or L_HH, whichever is greater

In Step 1, the population factor is multiplied by the expenditure factor for each eligible LEA. If this is less than the LEA's hold harmless level, the latter amount is used.

Step 2: Grant 2 = ((Grant 1 / ∑ Grant 1) * APP) or L_HH, whichever is greater

In Step 2, the amount for each LEA in Step 1 is divided by the total of these amounts for all eligible LEAs in the nation, then multiplied by the available appropriation. Again, if this is less than the LEA's hold harmless level, the latter amount is used.

Step 3: Grant 3 = (Grant 2 * S_MIN_ADJ * L_HH_ADJ) or L_HH, whichever is greater

In Step 3, the amount for each LEA in Step 2 is adjusted through application of the state minimum grant provision and by a factor to account for the aggregate costs of raising affected LEAs to their hold harmless level, given a fixed total appropriation level. The state minimum grant adjustment is upward in the smallest states, where total grants are increased through application of the minimum, and downward in all other states, where funds are reduced in order to pay the costs of applying the minimum. The LEA hold harmless adjustment is downward for all LEAs except those at their hold harmless level. Again at this stage, if this is less than the LEA's hold harmless level, the latter amount is the LEA's grant.

Step 4: Final Grant = Grant 3 * SCH_IMP_ADJ * S_ADMIN_ADJ * AWD_ADJ * OTR_ADJ

In the final step of calculating LEA grants under all Title I-A allocation formulas, LEA grants as calculated in Step 3 are further adjusted for the school improvement and state administration

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According to a recent survey by the Government Accountability Office, this limitation has prevented several states from being able to reserve the full 4% in recent years (see "No Child Left Behind Act: Education Actions Could Improve the Targeting of School Improvement Funds to Schools Most in Need of Assistance," GAO-08-380, February 2008). In addition, as is discussed later in this report, the school improvement reservation may be supplemented by additional funds separately appropriated for this purpose.

[10] If total appropriations for ESEA Title I, Parts A, C, and D exceed $14 billion, then state administration reservations are capped at the level that would pertain if the total appropriations for these programs were $14 billion. This limit was applicable for the first time in FY2008.

[11] As of March 2009, this statutory authority is exercised by 7 states: Alaska, Iowa, Kansas, Maine, Nebraska, North Dakota, and Oklahoma.

reservations, possible state reservations for achievement awards, and other possible adjustments (such as for grants to charter schools) discussed above.

Where:

PF = Population factor

EF = Expenditure factor

L_HH = LEA minimum or "hold harmless" level

APP = Appropriation

S_MIN_ADJ = State minimum adjustment (proportional increase (in small states) or decrease (in other states) to apply the statewide minimum grant)

L_HH_ADJ = LEA minimum or "hold harmless" adjustment (proportional decrease, in LEAs not benefitting from the LEA "hold harmless," to apply the LEA minimum grant)

SCH_IMP_ADJ = Reservation by SEA for school improvement grants

S_ADMIN_ADJ = Reservation by SEA for state administration

AWD_ADJ = Possible reservation by SEA for achievement awards

OTR_ADJ = Other possible adjustments by the SEA

$\sum$ = Sum (for all eligible LEAs in the nation)

Concentration Grants

The Concentration Grant formula is essentially the same as that for Basic Grants, with one major exception—it has a much higher LEA eligibility threshold. There are also differences regarding the LEA hold harmless and state minimum grant provisions. While the Title I-A statute has included Concentration Grant formulas (with varying provisions and sometimes under different names) since 1970, the current version dates from 1988 (P.L. 100-297). A relatively small (10% of FY2008 appropriations) and declining (from 14% in FY2001) proportion of Title I-A appropriations is allocated under the Concentration Grant formula. Approximately 50% of LEAs receive Concentration Grants (FY2008).

As with Basic Grants, Concentration Grants are based on each eligible LEA's share, compared to the national total, of a population factor multiplied by an expenditure factor, subject to available appropriations, an LEA minimum or "hold harmless," and a state minimum. These formula factors are described below, followed by a mathematical expression of the formula.

Population factor—Same as Basic Grants (see above).

Eligibility threshold—In order for an LEA to be eligible for a Concentration Grant, the number of children counted in the population factor must *exceed* either 6,500 such children *or* 15% of the total school-age population in the LEA.

Expenditure factor—Same as Basic Grants (see above).

LEA minimum grant or "hold harmless" level—The hold harmless rates for Concentration Grants are the same as those for Basic Grants. However, unlike Basic Grants and all of the other Title I-A formulas, the hold harmless applies to *all* LEAs that received grants for the previous year, even if they do not currently meet one of the Concentration Grant formula's eligibility thresholds, unless they fail to meet one of the thresholds for 4 consecutive years. That is, an LEA that is eligible to receive a Concentration Grant in one year can continue to receive a Concentration Grant for three succeeding years, even if it does not meet either of the eligibility thresholds in those succeeding years.[12]

Minimum state grant—The Concentration Grant state minimum is a modified version of the Basic Grant minimum. Each state is to receive a minimum of up to 0.25% of total Concentration Grant appropriations if total Concentration Grant funding is equal to or less than the FY2001 level (as has been the case each year since FY2001 thus far), and up to 0.35% of total Concentration Grant appropriations in excess of the FY2001 amount, if any. A state may not, as a result of the state minimum provision, receive more than the *average* of: (1) 0.25% of the total FY2001 amount for state grants plus 0.35% of the amount above this, and (2) the greater of (i) 150% of the national average grant per formula child, multiplied by the number of formula children in the state, or (ii) $340,000.

Ratable reduction—Same as Basic Grants (see above).

Fiscal requirements—Same as Basic Grants (see above).

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs—Same as Basic Grants (see above).

Further adjustments by SEAs of LEA grants as calculated by ED—With one exception, these are the same as for Basic Grants. The exception is that in states where the state total number of children counted in the population factor constituted less than 0.25% of the national total of such children as of the date of enactment of the NCLB,[13] SEAs may allocate Concentration Grants among all LEAs with a number *or* percentage of children counted in the population factor that is greater than the state average for that year (not just LEAs meeting the 6,500 or 15% thresholds).

Concentration Grant Allocation Formula—The mathematical expression of the Concentration Grant formula is the same as that for Basic Grants (above), with one exception. As discussed immediately above, in states where the number of children counted in the population factor constituted less than 0.25% of the national total of such children as of the date of enactment of the NCLB, the state total is to be allocated on the basis of the population factor among the LEAs that are to receive grants. These LEAs may include, at state discretion, either those LEAs in the state meeting the Concentration Grant eligibility criteria described above, or all LEAs in the state with a number or percentage of children counted in the population factor that is greater than the state average. In either case, *for states where the number of children counted in the population factor*

[12] In this scenario, the Concentration Grant for each year would be equal to 85% of the previous year grant.

[13] This group of states will be very similar to, but not necessarily the same as, the group of states currently receiving state minimum Concentration Grants.

constituted less than 0.25% of the national total of such children as of the date of enactment of the NCLB only (after state totals have been determined):

$$\text{LEA Grant} = (PF / \sum PF * ALL) \text{ or } L\_HH, \text{ whichever is greater}$$

Where:

PF = Population factor

ALL = State total allocation

L_HH = LEA minimum or "hold harmless" level

$\sum$ = Sum (for all eligible LEAs in the state)

Targeted Grants

Targeted Grants were initially authorized in 1994,[14] but no funds were appropriated for them until FY2002, after the formula was slightly modified by the NCLB. Beginning in FY2002, all increases in Title I-A appropriations have been allocated as either Targeted or Education Finance Incentive Grants (below). Thus, Targeted Grants constitute a substantial (21% of FY2008 appropriations) and growing portion of total Title I-A grants. They are allocated among a large majority of LEAs (87% in FY2008).

The allocation formula for Targeted Grants is essentially the same as that for Basic Grants, except for significant differences related to how children in the population factor are counted. For Targeted Grants, the poor and other children counted in the formula are assigned weights on the basis of each LEA's school-age child poverty rate *and* number of school-age children in poor families. As a result, LEAs receive higher grants *per child counted in the formula*, the higher their poverty rate and/or number. There is also a somewhat higher LEA eligibility threshold for Targeted Grants than for Basic Grants. Aside from these two differences, Targeted Grants are, like Basic Grants, based on each eligible LEA's share, compared to the national total, of a population factor multiplied by an expenditure factor, subject to available appropriations, an LEA minimum or "hold harmless," and a state minimum. These formula factors are described below, followed by a mathematical expression of the formula.

Population factor—The children counted for calculating Targeted Grants are the same as for Basic Grants (see above). However, for Targeted Grants, LEA-specific weights are applied to these child counts to produce a weighted child count that is used in the formula. Children counted in the formula are assigned weights on the basis of each LEA's number of school-age children in poor families and on the basis of each LEA's school-age child poverty rate. As a result, an LEA would receive higher grants *per child counted in the formula*, the higher its poverty rate *or* number. The weighting factors are applied in the same manner nationwide; formula children in LEAs with the highest *poverty rates* have a weight of up to four, and those in LEAs with the highest *numbers* of such children have a weight of up to three, compared to a weight of one for formula children in LEAs with the lowest poverty rate and number of such children (see **Table 2**,

[14] The Improving America's Schools Act (IASA), P.L. 103-382.

below). The higher of its two weighted child counts (on the basis of numbers and percentages) is actually used in the formula for calculating grants for each LEA.

Table 2. Weights Applied to Counts of Population Factor Children in the Calculation of ESEA Title I-A Targeted Grants

A. Weights Based on LEA *Numbers* of Children in the Population Factor	
Population Factor Count Range	**Weight Applied to Population Factor Children in This Range**
0-691	1.0
692-2,262	1.5
2,263-7,851	2.0
7,852-35,514	2.5
35,515 or more	3.0
B. Weights Based on LEA Population Factor Children as a *Percentage* of Total School-Age Population	
Population Factor Percentage Range	**Weight Applied to Population Factor Children in This Range**
Less than or equal to 15.58%	1.0
Above 15.58% but less than or equal to 22.11%	1.75
Above 22.11% but less than or equal to 30.16%	2.5
Above 30.16% but less than or equal to 38.24%	3.25
Above 38.24%	4.0

Source: Table prepared by CRS.

There are five ranges associated with each of the number and percentage weighting scales. These steps, or quintiles, were based on the actual distribution of Title I-A population factor children among the nation's LEAs, according to the latest available data in 2001 (at the time that the NCLB was being considered). Based upon those data, one-fifth of the national total of population factor children were in LEAs in each of the five numbers ranges and, separately, each of the five percentage ranges.

The Targeted Grant population factor weights are applied in a stepwise manner, rather than the highest relevant weight being applied to all population factor children in the LEA, and the greater of the two weighted child counts for each LEA is the number actually used to calculate the Targeted Grant. For example, assume an LEA has 2,000 population factor children, the total school-age population is 10,000, and therefore the population factor percentage is 20%. The population factor figure used to calculate Targeted Grants would be determined as follows:

Numbers Scale:

Step 1: 691 * 1.0 = 691

The first 691 population factor children are weighted at 1.0.

Step 2: (2,000 - 691) = 1,309 * 1.5 = 1,963.5

For an LEA with a total number of population factor children falling within the second step of the numbers scale, the number of population factor children above 691 (the maximum for the first step) is weighted at 1.5.

Total (Numbers Scale) = 2,654.5

The weighted population factor counts from Steps 1 and 2 are combined.

Percentage Scale:

Step 1: 15.58% * 10,000 = 1,558 * 1.0 = 1,558

A number of population factor children constituting up to 15.58% of the LEA's total school-age population is weighted at 1.0.

Step 2: (20% - 15.58%) = 4.42% * 10,000 = 442 * 1.75 = 773.5

For an LEA with a population factor percentage falling within the second step of the percentage scale, the number of population factor children above 15.58% of the LEA's total school-age population (the maximum for the first step) is weighted at 1.75.

Total (Percentage Scale) = 2,331.5

The weighted population factor counts from Steps 1 and 2 are combined.

Since the numbers scale weighted count of 2,654.5 exceeds the percentage scale weighted count of 2,331.5, the numbers scale count would be used as the population factor for this LEA in the calculation of Targeted Grants.

Eligibility threshold—In order for an LEA to be eligible for a Targeted Grant, the number of children counted in the population factor (with no weights applied) must constitute 10 or more such children *and* 5% or more of the total school-age population.

Expenditure factor—Same as Basic Grants (see above).

LEA minimum grant or "hold harmless" level—Same as Basic Grants (see above).

Minimum state grant—Each state is to receive a minimum of up to 0.35% of all Targeted Grant appropriations. A state may not, as a result of the state minimum provision, receive more than the average of: (1) 0.35% of total state grants, and (2) 150% of the national average grant per formula child, multiplied by the number of formula children in the state. (In the latter calculation, population factor child counts are not weighted.)

Ratable reduction—Same as Basic Grants (see above).

Fiscal requirements—Same as Basic Grants (see above).

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs—Same as Basic Grants (see above), with the additional provision that for Puerto Rico (only), a cap of 1.82 is

placed on the aggregate weight applied to the population factor under the Targeted Grant formula.[15]

Further adjustments by SEAs of LEA grants as calculated by ED: Same as Basic Grants (see above).

Targeted Grant Allocation Formula—Same as Basic Grants (see above), except that the population factor (PF) would be the weighted child count, as described above.

Education Finance Incentive Grants (EFIG)

The EFIG formula is in several ways significantly different from the other Title I-A allocation formulas. As with Targeted Grants, EFIG Grants were initially authorized in 1994,[16] but no funds were appropriated for them until FY2002, after the formula was (in the case of EFIG) considerably modified by the NCLB. Beginning in FY2002, all increases in Title I-A appropriations have been allocated as either EFIG or Targeted Grants. Thus, as with Targeted Grants, EFIG Grants constitute a substantial (21% of FY2008 appropriations) and growing portion of total Title I-A grants. They are allocated among a large majority of LEAs (87% in FY2008).

The distinctive elements of the EFIG formula begin with the fact that the first stage in the process of calculating grants is based on data for states as a whole, not LEAs. LEA grants are determined in a separate, later stage of the allocation process.

A second major difference is that the EFIG formula includes not only a population factor and an expenditure factor, but also two unique factors. These are an effort factor, based on average per pupil expenditure for public K-12 education compared to personal income per capita for each state compared to the nation as a whole, and an equity factor, based on variations in average per pupil expenditure among the LEAs in each state.

A third distinctive feature of the EFIG formula is that while population factor child counts are *not* weighted when calculating state total grants, they are weighted in the separate process of suballocating state total grants among LEAs. This intra-state allocation process is based on the same number and percentage scales as used for Targeted Grants, although the weights attached to each point on those scales varies among states, based on the state's equity factor. A final difference between the EFIG Grant and other Title I-A formulas is that the expenditure factor is modified through application of slightly more narrow floor and ceiling constraints for EFIG Grants.

Thus, state total EFIG Grants are based on each state's share, compared to the national total, of a population factor multiplied by an expenditure factor, an effort factor, and an equity factor, adjusted by a state minimum. Then, each LEA's share of the state total EFIG Grant is based on a

[15] This cap applies to both the numbers and percentages weighting scales, and was intended to provide that the share of Targeted Grants allocated to Puerto Rico would be approximately equal to its share of grants under the Basic and Concentration Grant formulas for FY2001. This cap reduces grants below the level that would obtain if there were no cap at all (i.e., if Puerto Rico were treated in the same manner as the 50 states and the District of Columbia), since Puerto Rico's high number and percentage of school-age children in poor families would translate into a significantly higher aggregate weighting factor if not capped.

[16] The Improving America's Schools Act (IASA), P.L. 103-382.

weighted population factor count for the LEA, compared to the total for all LEAs in the state, adjusted by an LEA hold harmless provision. These formula factors are described below, followed by a mathematical expression of the formula.

Population factor—In the first-stage calculation of state total EFIG Grants, this factor is the same as for Basic Grants (see above). In the second-stage suballocation of state total grants among LEAs, as under all stages of the allocation process for Targeted Grants, weights are applied to child counts before they are actually used in the formula. This process is the same as for Targeted Grants with respect to the number and percentage scales used, and use of the greater of the two weighted child counts to calculate LEA grants. However, for EFIG Grants only, the weights attached to each point on the number and percentage scales differs, depending on the state's equity factor (described below). This variation is illustrated in **Table 3**, below.

Table 3. Weights Applied to Counts of Population Factor Children in the Calculation of LEA Grants Under the ESEA Title I-A Education Finance Incentive Grant Formula

A. Weights Based on LEA *Numbers* of Children in the Population Factor

Population Factor Count Range	Weight Applied to Population Factor Children in This Range		
	State Equity Factor Below 0.10	State Equity Factor Above 0.10 But Below 0.20	State Equity Factor of 0.20 or Above
0-691	1.0	1.0	1.0
692-2,262	1.5	1.5	2.0
2,263-7,851	2.0	2.25	3.0
7,852-35,514	2.5	3.375	4.5
35,515 or more	3.0	4.5	6.0

B. Weights Based on LEA Population Factor Children as a *Percentage* of Total School-Age Population

Population Factor Percentage Range	Weight Applied to Population Factor Children in This Range		
	State Equity Factor Below 0.10	State Equity Factor Above 0.10 But Below 0.20	State Equity Factor of 0.20 or Above
Less than or equal to 15.58%	1.0	1.0	1.0
Above 15.58% but less than or equal to 22.11%	1.75	1.5	2.0
Above 22.11% but less than or equal to 30.16%	2.5	3.0	4.0
Above 30.16% but less than or equal to 38.24%	3.25	4.5	6.0
Above 38.24%	4.0	6.0	8.0

Source: Table prepared by CRS.

As indicated in **Table 3**, the weights rise more rapidly as the numbers and percentages of population factor children increase in states with higher equity factors. For states with an equity

factor below 0.10, the weights are the same as for Targeted Grants. For states with equity factors between 0.10 and 0.20, or above 0.20, the maximum weights are 50% higher, and twice as high, respectively, as for Targeted Grants. As is discussed below, states with higher equity factors have relatively high degrees of variation in average per pupil expenditure among the state's LEAs.

Factors Not Found in Other ESEA Program Formulas—As noted above, the EFIG formula has two additional factors not found in any other ESEA program allocation formula.

Effort Factor—The effort factor is based on a comparison of state average per pupil expenditure (APPE) for public elementary and secondary education with state personal income per capita (PCI). More specifically, it is the ratio of APPE to PCI for each state divided by the ratio of APPE to PCI for the nation. The resulting index number is greater than 1.0 for states where the ratio of expenditures per pupil for public elementary and secondary education to personal income per capita is greater than average for the nation as a whole, and below 1.0 for states where the ratio is less than average for the nation as a whole. Narrow bounds of 0.95 and 1.05 are placed on the resulting multiplier, so that its influence on state grants is rather limited and its importance is largely symbolic.

Equity Factor—The equity factor is based upon a measure of the average disparity in average per pupil expenditure among the LEAs of a state called the *coefficient of variation* (CV). The CV is expressed as a decimal proportion of the state average per pupil expenditure. In the CV calculations for this formula, an extra weight (1.4 vs. 1.0) is applied to estimated counts of children from poor families. The effect is that grants would be maximized for a state where expenditures per pupil from a poor family are 40% higher than expenditures per pupil from a non-poor family.[17] Typical state equity factors range from 0.0 (for the single-LEA jurisdictions of Hawaii, Puerto Rico, and the District of Columbia, where by definition there is no variation among LEAs), to approximately 0.25 for a state with high levels of variation in expenditures per pupil among its LEAs; the equity factors for most states fall into the 0.10 - 0.20 range.[18] In calculating grants, the equity factor is subtracted from 1.30 to determine a multiplier to be used in calculating state grants. As a result, the lower a state's expenditure disparities among its LEAs, the lower is its CV and equity factor, the higher is its multiplier and its grant under the EFIG formula. Conversely, the greater a state's expenditure disparities among its LEAs, the higher is its CV and equity factor, and the lower is its multiplier and its grant under the EFIG formula.

Eligibility threshold—Same as Targeted Grants (see above).

Expenditure factor—State average per pupil expenditure for public K-12 education, subject to a minimum of *85%* (not 80%, as in the other Title I-A formulas) and a maximum of *115%* (not 120%, as in the other Title I-A formulas) of the national average, further multiplied by 0.40. The expenditure factor is the same for all LEAs in each state.

[17] Limited purpose LEAs, such as those providing only vocational education, are excluded from the calculations, as are small LEAs with enrollment below 200 pupils.

[18] There is a special provision for states meeting the expenditure disparity standard established in regulations for the Impact Aid program (ESEA Title VIII), for which the equity factor is capped at a maximum of 0.10. For an explanation of the Impact Aid equalization provision, see CRS Report RL34119, *Impact Aid for Public K-12 Education: Reauthorization Under the Elementary and Secondary Education Act*, by (name redacted) and (name redacted), pages 17-18.

LEA minimum grant or "hold harmless" level—Same as Basic Grants (see above), with one exception. The hold harmless is not taken into consideration in the initial calculation of state total grants. Therefore, it is possible (and has occurred in a small number of instances) that state total grants are insufficient to fully pay hold harmless amounts to all LEAs in the state. In that case, each LEA gets a proportional share of its hold harmless amount.

Minimum state grant—Same as Targeted Grants (see above).

Ratable reduction—Same as Basic Grants (see above).

Fiscal requirements—Same as Basic Grants (see above).

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs—Same as Basic Grants (see above).

Further adjustments by SEAs of LEA grants as calculated by ED—Same as Basic Grants (see above).

Education Finance Incentive Grant Allocation Formula—

Stage 1: Calculation of State Total EFIG Allocations

Step 1: State Grant 1 = PF * EF * EFF * (1.30 - EQ)

In Step 1, the population factor is multiplied by the expenditure factor, the effort factor, and 1.30 minus the equity factor for each state.

Step 2: State Grant 2 = ((State Grant 1 / ∑ State Grant 1) * APP * S_MIN_ADJ) or S_MIN, if greater

In Step 2, the amount for each state in Step 1 is divided by the total of these amounts for all eligible states in the nation, then multiplied by the available appropriation, adjusted through application of the state minimum grant provision. The state minimum grant adjustment is upward in the smallest states, where total grants are increased through application of the minimum, and downward in all other states, where funds are reduced in order to pay the costs of applying the minimum.

Stage 2: Calculation of LEA EFIG Allocations

Step 1: LEA Grant 1 = ((PF / ∑ PF) * S_ALL) or L_HH, whichever is greater

In Step 1, the population factor for each eligible LEA is divided by the total population factor for all eligible LEAs *in the state*. If this is less than the LEA's hold harmless level, the latter amount is used.

Step 2: LEA Grant 2 = (LEA Grant 1 * L_HH_ADJ) or L_HH, whichever is greater

In Step 2, the amount for each LEA in Step 1 is adjusted through application of a factor to account for the aggregate costs of raising affected LEAs *in the state* to their hold harmless level, given a fixed total state allocation level. The LEA hold harmless adjustment is downward for all LEAs except those at the hold harmless level.

Step 3: Final LEA Grant = LEA Grant 2 * SCH_IMP_ADJ * S_ADMIN_ADJ * AWD_ADJ * OTR_ADJ

In the final step of calculating LEA grants under all Title I-A allocation formulas, LEA grants as calculated in Step 2 are further adjusted for the school improvement and state administration reservations, possible state reservations for achievement awards, and other possible adjustments (such as for grants to charter schools) discussed above.

Where:

PF = Population factor

EF = Expenditure factor

EFF = Effort factor

EQ = Equity factor

APP = Appropriation

S_MIN_ADJ = State minimum adjustment (proportional increase (in small states) or decrease (in other states) to apply the statewide minimum grant)

S_MIN = State minimum

S_ALL = State total allocation

L_HH = LEA minimum or "hold harmless" level

L_HH_ADJ = LEA minimum or "hold harmless" adjustment (proportional decrease, in LEAs not benefitting from the LEA "hold harmless," to apply the LEA minimum grant)

SCH_IMP_ADJ = Reservation by SEA for school improvement grants

S_ADMIN_ADJ = Reservation by SEA for state administration

AWD_ADJ = Possible reservation by SEA for achievement awards

OTR_ADJ = Other possible adjustments by the SEA

$\sum$ = Sum (for all states in the nation in Stage 1, and for all eligible LEAs in the state in Stage 2)

ESEA Title I-A School Improvement Grants

Under ESEA Title I-A, two different mechanisms are authorized for the generation of funds for School Improvement activities. Whatever the source, these funds are to be targeted on schools that are identified as being in need of improvement, corrective action, or restructuring because they have failed to make AYP for two consecutive years or more.[19] First, states are to reserve 4%

[19] See CRS Report RL33731, *Education for the Disadvantaged: Reauthorization Issues for ESEA Title I-A Under the* (continued...)

of their total Title I-A LEA grants, under the four formulas described above, for School Improvement activities.[20]

Second, the ESEA authorizes a separate appropriation for state School Improvement Grants. These funds are allocated to states in proportion to state total grants under ESEA Title I, Parts A, C (State Agency Migrant Program—see below), and D (State Agency Neglected, Delinquent, or At-Risk Program—see below). At least 95% of each state's funds from either source (the reservation or the separate appropriation) is to be allocated to LEAs for schools identified as being in need of improvement, corrective action, or restructuring. The funds are allocated at state discretion—there is no statutory intrastate allocation formula for School Improvement funds, beyond the general direction that they are to be directed to LEAs with schools identified as being in need of improvement, corrective action, or restructuring.

Title I grant factor—Funds are allocated to states in proportion to total grants under Title I, Parts A, C, and D.

School Improvement Grant Allocation Formula—

$$\text{State Grant} = [\ (T1A + T1C + T1D)\ /\ \textstyle\sum (T1A + T1C + T1D)\ ] * APP$$

Each state (including Outlying Areas and the Bureau of Indian Affairs) receives a School Improvement Grant equal to its proportional share of total grants under ESEA Title I, Parts A, C, and D.

Where:

T1A = State total grant under ESEA Title I, Part A

T1C = State total grant under ESEA Title I, Part C

T1D = State total grant under ESEA Title I, Part D

APP = Appropriation (separate) for School Improvement Grants

$\sum$ = Sum (for all states)

Suballocation of LEA Grants to Schools

Unlike other federal elementary and secondary education programs, most Title I-A funds are allocated to individual schools, although LEAs retain substantial discretion to control the use of a significant share of Title I-A grants at a central district level.[21] While there are several rules

(...continued)

No Child Left Behind Act, by (name redacted) and (name redacted) for details.

[20] In reserving these funds, SEAs may not reduce any LEA's grant below its previous year level. As a result, in some years, a number of states may be unable to reserve the full 4% of state total LEA grants for this purpose. For details, see Government Accountability Office, "No Child Left Behind Act: Education Actions Could Improve the Targeting of School Improvement Funds to Schools Most in Need of Assistance," GAO-08-380, February 2008.

[21] Detailed guidance regarding the selection of schools to receive Title I-A grants and the allocation of funds among them may be found in the following ED policy guidance document—*Local Educational Agency Identification and* (continued...)

related to school selection, LEAs must generally rank their public schools by their percentage of pupils from low-income families, and serve them in rank order. All participating schools must generally have a percentage or number of children from low-income families that is higher than the LEA's average, or 35%, whichever of these two figures is *lower*,[22] although LEAs have the option of setting school eligibility thresholds higher than the minimum in order to concentrate available funds on a smaller number of schools.[23]

Once schools are selected, Title I-A funds are allocated among them (and reserved for services to private school pupils) in proportion to their number of pupils from low-income families. In a large majority of cases, the data used to determine which pupils are from low-income families for the distribution of funds to schools are *not* the same as those used to identify school-age children in poor families for purposes of calculating allocations to states and LEAs. This is because data are not typically available on the number of school-age children enrolled in a school, or living in a residential school attendance zone, with income below the standard federal poverty threshold. Such "population in poverty" estimates, as used in the standard formulas for allocation of funds to states and LEAs (discussed above), are usually available only for LEAs, counties, and states.

Thus, LEAs must use available proxies for low-income status. The Title I-A statute allows LEAs to use the following low-income measures: (a) eligibility for free and reduced-price school lunches; (b) eligibility for Temporary Assistance to Needy Families (TANF); or (c) eligibility for Medicaid.[24] At the level of individual schools, the most commonly used criterion for determining whether pupils are from low-income families is eligibility for free and reduced-price school lunches. According to the most recent relevant data, approximately 90% of LEAs receiving Title I-A funds use free/reduced-price school lunch data—sometimes alone, sometimes in combination with other authorized criteria—to select Title I-A schools and allocate funds among them.[25] The income eligibility thresholds for free and reduced-price lunches are higher than the poverty levels used in the allocation formulas to states and LEAs: 130% of poverty for free lunches, 185% for reduced-price lunches.

After data have been compiled on the percentage or number of pupils from low-income families who are either enrolled in a LEA's public schools or residing in the attendance areas served by such schools, available Title I-A funds are allocated among these schools in rank order, beginning with the highest poverty schools, until no further funds are available. LEAs may choose to consider only schools of selected grade levels (e.g., only elementary schools) in determining eligibility for grants, as long as *all* schools with 75% or more of pupils from low-income families receive grants.

Funds are allocated among schools in proportion to their number of pupils from low-income families, although grants to eligible schools per pupil from a low-income family need not be

(...continued)

Selection of School Attendance Areas and Schools and Allocation of Title I Funds to Those Areas and Schools, 2003.

[22] This minimum percentage is reduced from 35% to 25% for schools participating in certain desegregation plans.

[23] There is an exemption from all of the Title I-A school selection requirements for small LEAs—defined in this case as those with enrollments of 1,000 or fewer pupils. Such small LEAs do not have to meet any of the school ranking requirements discussed in this report.

[24] LEAs may also develop and use a composite of two or more of these measures—for example, school-age children in families receiving TANF or Medicaid benefits.

[25] U.S. Department of Education, *Study of Education Resources and Federal Funding: Final Report*, 2000, p. 33

equal for all schools. LEAs may choose to provide higher grants per child from a low-income family to schools with higher percentages of such pupils (e.g., higher grants per child to a school where 70% of pupils are from low-income families than to a school where 40% of pupils are from low-income families). If a LEA provides Title I-A funds to schools with low-income pupil percentages below 35%, then it must provide a minimum amount of funds per child from a low-income family—equal to at least 125% of the LEA's Title I-A grant per child from a low-income family—to each participating school.

In the 2004-2005 school year, an estimated 56% of all public schools in the nation received Title I-A grants. This included 82% of public schools in the highest quartile with respect to their percentage of pupils in low-income families, declining to 37% of schools in the lowest quartile. Elementary schools (70%) are much more likely than secondary schools (39%) to receive Title I-A grants. [26]

Similarly, the share of funds to be used by each recipient LEA to serve educationally disadvantaged pupils attending private schools is determined on the basis of the number of children from low-income families living in the residential areas served by public schools selected to receive Title I-A grants. LEAs may use for this purpose either the same source of data used to select and allocate funds among public schools (i.e., usually free/reduced-price school lunch data) or one of a specified range of alternatives.[27]

Recent Funding Trends for Title I-A

Information on the Title I-A appropriations for FY2007-2009, plus the Administration budget request for FY2010 may be found in **Table 4**, below. The table is preceded by brief descriptions of appropriations for FY2008 and FY2009 plus the FY2010 request.

FY2008

The Administration's budget for FY2008 requested $13,909,900,000 for Title I-A LEA grants, an increase of $1,071,775,000 (8.3%) over the FY2007 appropriation, plus a separate appropriation of $500 million for school improvement grants, a fourfold increase over FY2007. All of the increase in LEA grants would have been devoted to Targeted Grants (along with a $62.5 million reduction in EFIG grants). P.L. 110-161, the Consolidated Appropriations Act for FY2008, provided a total of $13,898,875,000 for Title I-A grants to LEAs, plus a separate appropriation of $491,265,000 for school improvement grants. As in the recent past, the funding level for

[26] Jay G. Chambers, Irene Lamb, and Kanya Mahitivanichcha, et al., *State and Local Implementation of the No Child Left Behind Act: Volume VI—Targeting and Uses of Federal Education Funds*, U.S. Department of Education, Office of Planning, Evaluation, and Policy Development, Policy and Program Studies Service, A report from the National Longitudinal Study of No Child Left Behind (NLS-NCLB) and the Study of State, Washington, DC, January 2009, p. p. 23, 28, and 50. http://www.ed.gov/rschstat/eval/disadv/nclb-targeting/nclb-targeting.pdf.

[27] According to the ED policy guidance document, *Local Educational Agency Identification and Selection of School Attendance Areas and Schools and Allocation of Title I Funds to Those Areas and Schools* (p. 16), "To obtain a count of private school children, an LEA may use: (1) The same poverty data it uses to count public school children. (2) Comparable poverty data from a survey of families of private school students that, to the extent possible, protects the families' identity. The LEA may extrapolate data from the survey based on a representative sample if complete actual data are not available. (3) Comparable data from a different source, such as scholarship applications, so long as the income level for both sources is generally the same. (4) Proportional data based on the poverty percentage of each public school attendance area applied to the total number of private school children who reside in that area. (5) An equated measure of low income correlated with a measure of low income used to count public school children."

Concentration Grants was the same for FY2008 as for FY2007, and equal amounts were appropriated for the Targeted and EFIG formulas ($2,967,949,000 for each). All of an across-the-board reduction for Title I-A was applied to Basic Grants, reducing funds under that formula to $6,597,946,000.

FY2009

For FY2009, regular appropriations are provided under P.L. 111-8, an omnibus appropriations act. Under P.L. 111-8, total regular FY2009 appropriations for grants to LEAs are $14,492,401,000. The FY2009 funding for Basic and Concentration Grants is the same as for FY2008, while Targeted and EFIG grants each receive $3,264,712,000. In addition, $545,633,000 is separately appropriated for School Improvement Grants.

In addition to regular FY2009 appropriations legislation for ED, the *American Recovery and Reinvestment Act of 2009 (ARRA)*, P.L. 111-5, provides a total of *$13 billion* in *additional* FY2009 appropriations for Title I-A—$10 billion for grants to LEAs and $3 billion for School Improvement Grants. These funds are in addition to amounts provided in regular FY2009 appropriations legislation. Half of the additional grants to LEAs will be allocated under the Targeted Grant formula and half under the Education Finance Incentive Grant formula.

FY2010

On May 7, 2009, the Obama Administration released its detailed budget recommendations for FY2010. For ESEA Title I-A, the Administration requested a total of $12,992,401,000 for grants to LEAs, a reduction of $1,500,000,000 (10.4%) from the FY2009 amount. All of this reduction would be applied to Basic Grants, which would decline from $6,597,946,000 for FY2009 to $5,097,946,000 for FY2010. At the same time, for School Improvement Grants under Title I-A, the Administration requested a $1,000,000,000 increase, from $545,633,000 for FY2009 to $1,545,633,000 for FY2010.

On July 24, 2009, the House passed H.R. 3293, to provide FY2010 appropriations for the Departments of Labor, Health and Human Services, and Education and Related Agencies. As passed by the House, H.R. 3293 would provide $14,492,401,000 for Title I-A grants to LEAs, $1,500,000,000 more than the Administration request for Basic Grants but the same as requested for all other formulas, and $545,633,000, the same as the Administration request, for School Improvement Grants. The Senate Committee on Appropriations reported its version of H.R. 3293 on July 30, 2009. As reported by the Senate Committee on Appropriations, H.R. 3293 would provide $13,792,401,000 for Title I-A grants to LEAs, $800,000,000 more than the Administration request for Basic Grants but the same as requested for all other formulas, and $545,633,000, the same as the Administration request for School Improvement Grants. **Table 4**, below, shows total Title I-A appropriations for FY2009-FY2010.

Table 4. FY2009-FY2010 Appropriations for ESEA Title I, Part A

Formula	FY2009 Regular Appropriations	FY2009 ARRA Additional Appropriations	FY2010 Administration Budget Request	FY2010 Under H.R. 3293 as Passed by House	FY2010 Under H.R. 3293 as Reported by Senate Committee
Basic Grants[a]	$6,597,946,000	—	$5,097,946,000	$6,597,946,000	$5,897,946,000
Concentration Grants	1,365,031,000	—	1,365,031,000	1,365,031,000	1,365,031,000
Targeted Grants	3,264,712,000	$5,000,000,000	3,264,712,000	3,264,712,000	3,264,712,000
Education Finance Incentive Grants	3,264,712,000	5,000,000,000	3,264,712,000	3,264,712,000	3,264,712,000
Total ESEA Title I-A Grants to LEAs	14,492,401,000	10,000,000,000	12,992,401,000	14,492,401,000	13,792,401,000
School Improvement Grants (separate authorization)	545,633,000	3,000,000,000	1,545,633,000	545,633,000	545,633,000

Source: Table prepared by CRS.

a. The amounts shown above for Basic Grants include approximately $3.5 million each year for census updates.

FY2008 Allocation Patterns

FY2008 (school year 2008-2009) grants are the latest available actual allocations under Title I-A. Overall, the FY2008 funding level for Title I-A is 8.3% above the FY2007 level. This contrasts with the period of FY2005-2007, when aggregate funding for Title I-A LEA grants was essentially constant.

Due largely to the comparatively large increase in Title I-A funding for FY2008, all states except one (Wisconsin, where grants declined by 1.3%) received higher total grants for FY2008 than for FY2007. At the LEA level, approximately 61% of all LEAs nationwide that received Title I-A grants for both FY2007 and FY2008 received larger grants for FY2008, while 39% received lower grants for FY2007. LEAs receiving lower Title I-A grants for FY2008 than in FY2007 have been experiencing reductions in their estimated number of school-age children in poor families; these include LEAs of all sizes and degrees of poverty concentration, in contrast to the FY2002-FY2006 period when a large majority of large or high-poverty LEAs experienced grant increases, while a majority of LEAs overall were losing funds.

Tables 5-8 provide a series of analyses of the distribution of Title I-A funds among the states, as well as different types or categories of LEAs. Each table is preceded by a brief description of the information provided in the table. Subsequently, these tables will be referred to in the course of a series of analyses of possible Title I-A formula reauthorization issues.

Table 5, below, shows state average FY2008 Title I-A grants per child counted in the Title I-A allocation formulas. Separate amounts are provided for each of the four formulas, plus a Title I-A total. The substantial variation in these amounts reflect a combination of factors, many of which are analyzed in detail in the final section of this report. These factors include:

- State minimum grant provisions—Under all formulas, average grants per formula child are much higher for the smallest (in population) states.
- Expenditure factor—Under all formulas, but especially with respect to Basic Grants, average grants per formula child are much higher for states with high expenditure factors (e.g., Connecticut, Massachusetts, New Jersey, or New York) than for states with low factors (e.g., Alabama, Arkansas, Mississippi, or Utah).
- Targeting on LEAs with large numbers of school-age children in poor families—With the exception of the smallest states (where average grants per formula child are high regardless of poverty rates), average grants per child under the Concentration, Targeted, and Education Finance Incentive Grant (EFIG) formulas are higher for several states containing LEAs with very high *numbers* of school-age children in poor families (e.g., Illinois, Michigan, New York, or Pennsylvania) than for other states. In contrast, states with large numbers of LEAs with high poverty *rates* (e.g., Alabama, Arkansas, Mississippi, New Mexico) are below the national average, primarily due to low expenditure factors for these states.
- Equity factor—Several states with especially favorable equity factors (e.g., the District of Columbia, Hawaii, West Virginia, and Wisconsin) receive relatively high average grants per formula child under the EFIG formula.

However, many key formula factors operate in opposite directions, largely cancelling each other out. For example, California has LEAs with very large numbers of school-age children in poor families, but also a relatively low expenditure factor, resulting in an average Targeted Grant per formula child that is approximately the same as the national average.

Table 5. ESEA Title I-A Grant Amount Per Child Counted in the Allocation Formulas, FY2008

State	Title I-A Grant Amount Per Child Counted in the Allocation Formulas, FY2008				
	Basic Grant	Concentration Grant	Targeted Grant	Education Finance Incentive Grant	Total Title I-A Grant
United States	$684	$142	$308	$308	$1,441
Alabama	$566	$134	$241	$269	$1,211
Alaska	$979	$132	$518	$515	$2,143
Arizona	$624	$135	$264	$264	$1,287
Arkansas	$610	$143	$242	$307	$1,301
California	$641	$135	$303	$269	$1,347
Colorado	$624	$112	$259	$281	$1,275

State	Title I-A Grant Amount Per Child Counted in the Allocation Formulas, FY2008				
	Basic Grant	Concentration Grant	Targeted Grant	Education Finance Incentive Grant	Total Title I-A Grant
Connecticut	$950	$142	$290	$371	$1,754
Delaware	$1,002	$123	$521	$521	$2,167
District of Columbia	$861	$212	$504	$438	$2,015
Florida	$576	$139	$336	$273	$1,324
Georgia	$658	$152	$295	$319	$1,424
Hawaii	$764	$178	$412	$421	$1,774
Idaho	$550	$90	$252	$252	$1,144
Illinois	$847	$165	$360	$321	$1,692
Indiana	$717	$120	$256	$330	$1,423
Iowa	$616	$78	$189	$287	$1,170
Kansas	$710	$123	$242	$353	$1,429
Kentucky	$642	$150	$272	$318	$1,382
Louisiana	$616	$153	$303	$244	$1,315
Maine	$822	$138	$337	$393	$1,690
Maryland	$872	$180	$419	$369	$1,840
Massachusetts	$869	$142	$319	$371	$1,702
Michigan	$773	$146	$342	$367	$1,629
Minnesota	$713	$80	$238	$305	$1,335
Mississippi	$584	$137	$254	$268	$1,243
Missouri	$628	$124	$242	$273	$1,266
Montana	$673	$148	$368	$368	$1,557
Nebraska	$695	$98	$267	$354	$1,414
Nevada	$548	$131	$331	$267	$1,277
New Hampshire	$939	$99	$481	$503	$2,022
New Jersey	$875	$138	$293	$375	$1,682
New Mexico	$605	$150	$276	$297	$1,328
New York	$917	$202	$481	$376	$1,975
North Carolina	$560	$133	$257	$271	$1,221
North Dakota	$1,198	$175	$631	$633	$2,636
Ohio	$740	$138	$294	$345	$1,518
Oklahoma	$559	$120	$225	$264	$1,169
Oregon	$650	$132	$246	$325	$1,352
Pennsylvania	$844	$155	$361	$372	$1,732
Puerto Rico	$548	$141	$269	$290	$1,248

State	Title I-A Grant Amount Per Child Counted in the Allocation Formulas, FY2008				
	Basic Grant	Concentration Grant	Targeted Grant	Education Finance Incentive Grant	Total Title I-A Grant
Rhode Island	$908	$158	$354	$399	$1,818
South Carolina	$614	$146	$261	$303	$1,324
South Dakota	$807	$151	$467	$465	$1,888
Tennessee	$549	$129	$250	$266	$1,193
Texas	$593	$136	$290	$269	$1,287
Utah	$570	$72	$224	$261	$1,126
Vermont	$1,251	$204	$657	$665	$2,778
Virginia	$722	$127	$284	$300	$1,434
Washington	$631	$98	$225	$284	$1,238
West Virginia	$708	$168	$276	$361	$1,512
Wisconsin	$849	$125	$308	$379	$1,661
Wyoming	$1,345	$180	$716	$713	$2,954

Source: Table prepared by CRS.

Table 6, below, provides each state's percentage share of the funds allocated under each of the Title I-A formulas, as well as total Title I-A grants, for FY2008. The distinctive feature here is that while these shares are similar under all formulas for most states, some states receive substantially higher or lower shares under some formulas than under the other formulas. Focusing on those states where the highest share of grants under any formula is one-third or more above its lowest share, there are 19 states where the share of funds received under one of the four formulas is substantially different from the others. These include:

- Seven small states where the share under the Targeted and/or EFIG formulas is much greater than under Basic or Concentration Grants, due to the higher state minimum under the former formulas (Alaska, Delaware, New Hampshire, North Dakota, South Dakota, Vermont, and Wyoming);
- Four states with relatively low poverty rates where the share of Basic Grants is substantially higher than under any other formula (Connecticut, Minnesota, New Jersey, and Wisconsin);
- Two states with many LEAs with relatively high poverty rates where shares are substantially higher under Concentration Grants than the other formulas (Louisiana and West Virginia);
- One state where the share of Targeted Grants is substantially higher than under the other formulas, due to the impact of one very large LEA (Nevada); and
- Five states where the share of EFIG Grants is substantially higher than under the other formulas, due primarily to relatively favorable equity factors (Iowa, Kansas, Nebraska, Utah, and Washington).

Table 6. State Shares of Funds Allocated Under Each of the ESEA Title I-A Formulas, FY2008

ESEA Title I-A Grants to LEAs: State Shares of Grants by Formula					
	Basic Grants	**Concentration Grants**	**Targeted Grants**	**Education Finance Incentive Grants**	**Total LEA Grants**
United States	100.00%	100.00%	100.00%	100.00%	100.00%
Alabama	1.54%	1.77%	1.46%	1.63%	1.57%
Alaska	0.27%	0.18%	0.32%	0.32%	0.28%
Arizona	2.04%	2.14%	1.92%	1.92%	2.00%
Arkansas	1.04%	1.17%	0.91%	1.16%	1.05%
California	12.37%	12.62%	12.98%	11.54%	12.35%
Colorado	1.01%	0.88%	0.94%	1.01%	0.98%
Connecticut	0.96%	0.69%	0.65%	0.83%	0.84%
Delaware	0.27%	0.16%	0.31%	0.31%	0.28%
District of Columbia	0.31%	0.37%	0.40%	0.35%	0.34%
Florida	4.37%	5.10%	5.66%	4.61%	4.77%
Georgia	3.16%	3.52%	3.14%	3.41%	3.24%
Hawaii	0.29%	0.33%	0.35%	0.36%	0.32%
Idaho	0.34%	0.27%	0.35%	0.35%	0.34%
Illinois	4.55%	4.29%	4.30%	3.83%	4.32%
Indiana	1.91%	1.54%	1.51%	1.95%	1.80%
Iowa	0.59%	0.36%	0.40%	0.61%	0.53%
Kansas	0.73%	0.61%	0.55%	0.80%	0.69%
Kentucky	1.48%	1.67%	1.40%	1.63%	1.52%
Louisiana	2.11%	2.53%	2.31%	1.86%	2.14%
Maine	0.38%	0.31%	0.35%	0.41%	0.37%
Maryland	1.40%	1.39%	1.49%	1.31%	1.40%
Massachusetts	1.83%	1.45%	1.49%	1.74%	1.70%
Michigan	3.83%	3.50%	3.77%	4.04%	3.83%
Minnesota	1.04%	0.56%	0.77%	0.99%	0.92%
Mississippi	1.35%	1.53%	1.30%	1.37%	1.36%
Missouri	1.71%	1.63%	1.46%	1.65%	1.64%
Montana	0.29%	0.31%	0.35%	0.35%	0.32%
Nebraska	0.45%	0.31%	0.39%	0.51%	0.44%
Nevada	0.53%	0.61%	0.71%	0.58%	0.59%
New Hampshire	0.27%	0.14%	0.31%	0.32%	0.28%
New Jersey	2.29%	1.74%	1.70%	2.18%	2.09%
New Mexico	0.79%	0.95%	0.80%	0.86%	0.82%
New York	8.72%	9.27%	10.16%	7.96%	8.92%

ESEA Title I-A Grants to LEAs: State Shares of Grants by Formula

	Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants	Total LEA Grants
North Carolina	2.52%	2.89%	2.57%	2.71%	2.61%
North Dakota	0.23%	0.17%	0.27%	0.28%	0.25%
Ohio	3.82%	3.44%	3.38%	3.96%	3.72%
Oklahoma	1.09%	1.13%	0.97%	1.14%	1.08%
Oregon	1.03%	1.01%	0.87%	1.14%	1.02%
Pennsylvania	4.22%	3.74%	4.01%	4.14%	4.11%
Puerto Rico	3.43%	4.28%	3.75%	4.04%	3.71%
Rhode Island	0.41%	0.34%	0.35%	0.40%	0.39%
South Carolina	1.46%	1.68%	1.38%	1.60%	1.49%
South Dakota	0.27%	0.25%	0.35%	0.35%	0.30%
Tennessee	1.69%	1.91%	1.70%	1.81%	1.74%
Texas	9.17%	10.14%	9.97%	9.23%	9.45%
Utah	0.47%	0.28%	0.41%	0.47%	0.44%
Vermont	0.23%	0.18%	0.26%	0.27%	0.24%
Virginia	1.74%	1.49%	1.52%	1.61%	1.64%
Washington	1.50%	1.13%	1.18%	1.50%	1.39%
West Virginia	0.71%	0.82%	0.62%	0.81%	0.72%
Wisconsin	1.56%	1.11%	1.26%	1.54%	1.45%
Wyoming	0.22%	0.14%	0.26%	0.26%	0.23%

Source: Table prepared by CRS.

Table 7, below, provides average Title I-A grants per formula child, by formula and total, for LEAs in five illustrative categories. It must be emphasized that these are limited numbers of LEAs in each category, selected to concretely illustrate certain patterns of Title I-A allocations. They are not necessarily representative of all LEAs in each category. (The following **Table 8** provides summary data for all LEAs in each of 12 standard categories of localities.)

The illustrative categories for **Table 7** are:

- LEAs with very large numbers of formula children,
- LEAs with very high percentages of formula children,
- LEAs in minimum grant states,
- LEAs with relatively large numbers, but relatively low percentages, of formula children, and
- LEAs with low numbers and percentages of formula children.

Distinctive allocation patterns illustrated in **Table 7**, all of which will be discussed further in the issue analyses at the end of this report, include the following:

- Grants per formula child are much higher than average under the Targeted and EFIG grant formulas for the selected LEAs with *very large numbers* of formula children;
- The selected LEAs with *very high percentages* of formula children receive higher than average grants per formula child under the Targeted and EFIG formulas, but much lower than the LEAs with very large numbers of formula children, partially due to their treatment under these formulas but primarily because they are located in states with low expenditure factors;
- The selected LEAs in *minimum grant states* receive higher grants per formula child than LEAs in any other category under all formulas except possibly Concentration Grants;[28]
- The selected LEAs with *relatively large numbers, but relatively low percentages*, of formula children receive Concentration, Targeted, and EFIG grants per formula child that are above the national average, in spite of their low formula child percentages; and
- The selected LEAs with *low numbers and percentages* of formula children receive grants per formula child that are well below average under all formulas except Basic Grants.

[28] As discussed earlier in this report, SEAs have a substantial degree of discretion regarding the distribution of Concentration Grants to LEAs in minimum grant states. The amounts shown in **Table 6** are those calculated by ED under the national Concentration Grant formula; the Concentration Grant amounts actually received by these LEAs may differ substantially from the amounts shown.

Table 7. ESEA Title I-A Grant Amount Per Child Counted in the Allocation Formulas for LEAs in Selected Categories, FY2008

State	LEA Code	LEA Name	Number of Formula Children, FY2008	Formula Child %, FY2008	Grant Amount Per Formula Child, FY2008			
					Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants
Category 1: LEAs with very large numbers of formula children								
CA	622710	Los Angeles	245,840	28.8%	$641	$160	$463	$495
GA	1300120	Atlanta	24,617	32.0%	$761	$192	$391	$481
IL	1709930	Chicago	138,144	26.6%	$910	$230	$551	$581
NY	3682047	Kings County (Brooklyn)	137,262	29.5%	$902	$228	$628	$533
PA	4218990	Philadelphia	89,179	33.6%	$814	$210	$603	$728
		Average for Category 1 LEAs Listed Above			$806	$204	$527	$564
Category 2: LEAs with Very High Percentages of Formula Children								
AZ	401940	Chinle	3,461	61.7%	$548	$141	$401	$474
KY	2105970	Wolfe County	626	49.7%	$662	$161	$405	$474
MS	2801980	Holmes County	2,432	61.7%	$597	$141	$401	$502
TX	4823100	Hidalgo	1,574	63.0%	$559	$144	$413	$383
TX	4828290	Los Fresnos	4,494	62.1%	$559	$144	$411	$380
		Average for Category 2 LEAs Listed Above			$585	$147	$406	$443
Category 3: LEAs in Minimum Grant States								
DE	1000200	Christina	3,376	11.3%	$1,002	$0	$635	$660
NH	3304980	Nashua	1,424	9.1%	$929	$0	$616	$643
VT	5007050	Rutland City	487	19.0%	$1,273	$398	$717	$700
WY	5601980	Laramie County 01	1,465	10.4%	$1,341	$0	$815	$808
ND	3819260	Warwick 29	127	42.2%	$1,205	$483	$1,136	$1,343
		Average for Category 3 LEAs Listed Above			$1,150	$176	$784	$831

State	LEA Code	LEA Name	Number of Formula Children, FY2008	Formula Child %, FY2008	Grant Amount Per Formula Child, FY2008			
					Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants
Category 4: LEAs with Relatively Large Numbers, but Relatively Low Percentages, of Formula Children								
FL	1200180	Broward County	42,837	13.9%	$576	$149	$383	$311
CO	804800	Jefferson County R-1	7,540	8.1%	$615	$159	$300	$322
GA	1301290	Cobb County	9,829	8.7%	$638	$164	$335	$372
MD	2400480	Montgomery County	9,244	5.6%	$1,085	$274	$444	$390
VA	5101260	Fairfax County	10,034	5.5%	$712	$184	$377	$436
		Average for Category 4 LEAs Listed Above			$725	$186	$368	$366
Category 5: LEAs with Low Numbers and Percentages of Formula Children								
IL	1731920	Pleasant Plains Community	62	4.3%	$721	$0	$0	$0
MA	2506900	Lincoln	50	3.7%	$822	$0	$0	$0
MN	2718810	Maple Lake	57	5.1%	$683	$0	$184	$217
NY	3606990	Chappaqua Central	74	1.8%	$0	$0	$0	$0
NY	3629850	Wantagh Union	71	2.1%	$822	$0	$0	$0
		Average for Category 5 LEAs Listed Above			$609	$0	$37	$43

Source: Table prepared by CRS.

The last of the data tables in this report section, **Table 8**, displays the distribution of total school-age population, Title I-A formula children, and Title I-A grants (by formula and total) among LEAs in 12 standard locale categories. (Note that Puerto Rico is excluded from this analysis.) These categories are based on the "urban-centric" locale codes developed by the National Center for Education Statistics (NCES).[29]

The final column (Column J) in **Table 8** shows the percentage difference between the share of total Title I-A grants going to LEAs in that category (Column I) and the share of Title I-A formula children (Column D). This figure indicates the aggregate size and direction of variations in the distribution of Title I-A formula children and the distribution of Title I-A grants. For example, if the amount in Column J were large and positive, this would indicate that LEAs in that category receive a substantially higher share of Title I-A funds than their share of the children counted in the Title I-A formulas. Conversely, if the amount in Column J were large and negative, this would indicate that LEAs in that category receive a substantially smaller share of Title I-A funds than their share of the children counted in the Title I-A formulas.

As shown in **Table 8**, applying an arbitrary threshold of +/- 10% or more to indicate substantial differences in shares of grants versus formula children, the following patterns are illustrated:

- The urban group as a whole (locale codes 11-13) receives substantially higher shares of grants than their share of formula children (+13.8%) with virtually all of this differential occurring with respect to the large city groups of LEAs (code 11) with a difference of +25.3%. In addition, whether substantial or not, the direction of the difference is negative for all locale code groups except large city (11) and midsize city (12).
- The town (codes 31-33) and rural (codes 41-43) LEA groups as a whole receive substantially lower shares of grants than their share of formula children.
- The suburban (codes 21-23) LEA group receives lower shares of grants than its share of formula children, although the difference does not exceed the 10% threshold with respect to the large suburban group (code 21) or the suburban codes overall (codes 21-23).

[29] For a description of these locale codes, see http://nces.ed.gov/whatsnew/commissioner/remarks2006/6_12_2006.asp, visited Oct. 1, 2008.

Table 8. Distribution of School-Age Population, Title I-A Formula Children, and Title I-A Grants Among LEAs by Locale Type

LEA Percentage Shares of Title I-A Grants and Population by Locale Code, FY2008									
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**
Locale Code	**Locale Type**	**Total School-Age Population, FY2008**	**Title I-A Formula Children, FY2008**	**Basic Grants**	**Concentration Grants**	**Targeted Grants**	**Education Finance Incentive Grants**	**Total Title I-A Grants**	**% Difference (Col. I – Col. D)**
11	Large City	16.90%	24.93%	26.58%	32.20%	35.62%	36.75%	31.23%	25.3%
12	Midsize City	7.53%	9.25%	9.04%	10.13%	9.57%	9.73%	9.41%	1.8%
13	Small City	8.41%	9.11%	9.01%	9.06%	8.17%	8.04%	8.63%	-5.2%
11-13 Total		32.84%	43.28%	44.63%	51.39%	53.36%	54.52%	49.26%	13.8%
21	Large Suburb	32.32%	22.16%	22.23%	17.83%	19.91%	18.67%	20.55%	-7.3%
22	Midsize Suburb	3.38%	2.63%	2.54%	1.81%	2.14%	2.01%	2.27%	-13.8%
23	Small Suburb	2.08%	1.63%	1.61%	1.21%	1.23%	1.11%	1.38%	-15.1%
21-23 Total		37.79%	26.41%	26.37%	20.85%	23.28%	21.79%	24.20%	-8.4%
31	Fringe Town	3.48%	3.04%	3.03%	2.53%	2.20%	2.10%	2.61%	-14.3%
32	Distant Town	4.85%	5.50%	5.20%	5.37%	4.13%	4.07%	4.75%	-13.7%
33	Remote Town	3.79%	4.70%	4.45%	4.83%	3.87%	4.07%	4.28%	-8.9%
31-33 Total		12.12%	13.25%	12.68%	12.74%	10.20%	10.24%	11.64%	-12.2%
41	Fringe Rural	7.65%	6.69%	6.29%	5.14%	4.94%	4.99%	5.61%	-16.1%
42	Distant Rural	6.47%	6.56%	6.25%	5.80%	4.82%	4.82%	5.60%	-14.7%
43	Remote Rural	3.13%	3.81%	3.78%	4.09%	3.40%	3.64%	3.70%	-2.9%
41-43 Total		17.25%	17.06%	16.32%	15.03%	13.16%	13.45%	14.91%	-12.6%
Grand Total		**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**0.0%**

Source: Table prepared by CRS based on provisions of ESEA Title I-A.

ESEA Reauthorization Issues Related to the Title I-A Allocation Formulas

The remainder of this report describes and analyzes a number of issues that may arise in the context of efforts to amend and reauthorize the ESEA during the 111th Congress.

Should Annual Variations in the Poverty Estimates Used to Calculate Title I-A Grants Be Reduced Through Multi-year Averaging or Other Methods?

As noted earlier, all the factors used to calculate Title I-A grants are now updated each year. This includes the primary formula factor, estimated numbers of school-age children in poor families, which constitute approximately 96% of all children counted in the Title I-A allocation formulas.

The poverty estimates for Title I-A are from the Census Bureau's Small Area Income and Population Estimates (SAIPE) program, which provides estimates of poor and total children aged 5-17 for LEAs, counties, and states. Under the provisions of the Improving America's Schools Act (IASA) of 1994 (P.L. 103-382), use of SAIPE estimates replaced the previous practice of relying on data from the decennial Census surveys that were updated only once every 10 years.[30] As amended by the IASA in 1994, the Title I-A statute provided that beginning in FY1997, the Secretary of Education "shall" use updated population data prepared by the Census Bureau "unless the Secretary [of Education] and the Secretary of Commerce determine that use of the updated population data would be inappropriate or unreliable, taking into consideration the recommendations" of a series of studies of the updating methodology to be conducted by the National Academy of Sciences (NAS).[31] In March 1997, a NAS panel[32] recommended use of a combination of 1990 census and income year (IY)1993[33] updated population estimates in allocating FY1997 (1997-1998) grants.[34] In a later report, the panel recommended use of a slightly revised set of IY1993 SAIPE estimates as the sole basis for calculating FY1998 grants, and ED followed this recommendation as well. Finally, beginning with FY1999 grants, the NAS panel recommended that ED use the latest available SAIPE estimates of school-age children in poor families *and* that grants be calculated by ED on the basis of LEA, not county, population data,[35] and ED has followed these recommendations.

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[30] Before initiation of the SAIPE program, the sole exception to the use of decennial Census poverty estimates was the period FY1980-FY1988, when a portion of Title I-A grants (half of the increase over the FY1979 level) was allocated based on state-level estimates, using a different measure of low-income (children in families with income below 50% of the national median income for a family of four), from the one-time (1976) Survey of Income and Education.

[31] Section 1124(c)(3) and (4) of the ESEA text as in effect between 1994 and 2001.

[32] Panel on Estimates of Poverty for Small Geographic Areas, Committee on National Statistics, National Research Council. The most recent of the reports on SAIPE by this Panel is "Small-Area Income and Poverty Estimates: Priorities for 2000 and Beyond," published in 2000 by the National Academy of Sciences.

[33] Estimated numbers of school-age children in poor families, based on income received in calendar year 1993.

[34] Specifically, the panel recommended that each county's school-age child poverty rates based on 1990 census and IY1993 SAIPE estimates should be averaged, and those average poverty rates be multiplied by the IY1993 estimate of total school-age children in the county. The resulting "combined estimate" of school-age children in poor families was used in calculating Title I-A grants for FY1997.

[35] From the beginning of the Title I-A program in FY1966 until FY1999, LEA grants were calculated by ED on a county basis, and SEAs suballocated these amounts by LEA in the majority of states where LEA and county boundaries (continued...)

The latest available poverty estimates from SAIPE are used to calculate each year's Title I-A grants. The SAIPE estimates are updated every year. As of this writing, the latest SAIPE data are for income year 2007; these estimates were initially published in December 2008, and will be used to calculate FY2009 Title I-A allocations. For IY1993 through IY1999 (FY1997-2002 Title I-A grants), these estimates were updated every two years. Since IY1999 (Title I-A grants from FY2003 through the present), they have been updated annually. There is a two-year gap in the income year for SAIPE estimates used to calculate FY2009 Title I-A grants (IY2007) versus FY2008 grants (IY2005) because Census has reduced the time required to develop the SAIPE estimates (previously the gap was three years).

SAIPE is not a survey of households separate from other federal surveys conducted by the Census Bureau or other agencies. SAIPE data are indirect estimates, produced through statistical modeling of data from the most recent decennial census, other Census Bureau household surveys, primarily the American Community Survey (ACS),[36] and administrative records, such as federal income tax returns, Food Stamp and Supplemental Security Income program participation, and income data from the Bureau of Economic Analysis of the Department of Commerce.

The provision for use of population updates was added to Title I-A in an attempt to distribute funds on the basis of the latest available, reliable data on the distribution of school-age children in poor families among states and localities, and to try to minimize the considerable disruption that had occurred previously with the introduction of new population data only once every 10 years. However, somewhat unexpectedly, the updates themselves have caused significant shifts in allocation shares among states and regions. With the publication of each set of SAIPE estimates, shifts in the estimated number of school-age children in poor families have generally been relatively modest for most states, but there have always been a number of states (and LEAs) with quite substantial estimated shifts over a one- or two-year period.

Annual Shifts in Poverty Estimates

Table 9 provides data from the last four series of SAIPE estimates that have been, or will be, used to calculate Title I-A grants, those for income years 2003 (FY2006), 2004 (FY2007), 2005 (FY2008) and 2007 (FY2009). It provides each state's estimated number of school-age children in poor families, and the percentage change in this estimated number from the previous year.[37]

(...continued)

are not contiguous. While estimates of school-age children in poor families for LEAs were produced after the 1970, 1980, and 1990 Censuses, such LEA level estimates were considered to be insufficiently reliable to serve as a basis for allocating funds under Title I-A. The FY1999 Title I-A grants were based on the initial set of SAIPE estimates for LEAs, based on income in 1995 (previously, SAIPE published estimates only for states and counties).

[36] The ACS is a relatively new annual sample survey intended to provide a wide range of demographic, housing, social and economic data. For further information, see http://www.census.gov/acs/www/SBasics/What/What1.htm. Previous to income year 2005 (the first year of full implementation of the ACS), the SAIPE program relied primarily on data from the Annual Social and Economic Supplement to the Census Bureau's ongoing Current Population Survey (CPS). The CPS is an annual survey of a nationally representative sample of households. The CPS household sample is much smaller than the sample surveyed with respect to income and poverty status in either a decennial census or the ACS.

[37] The percentage change figures in **Table 9** show the percentage change in each state's estimated *number* of school-age children in poor families. During periods when changes in the national aggregate estimate of school-age children in poor families are relatively large, it may be more instructive to consider each state's *percentage share* of the national total estimated number of school-age children in poor families, and the percentage change in the percentage share. This is because Title I-A grants are not entitlements, the level of which would adjust directly to changes in the number of formula children, rather they are always subject to an annually set appropriations level. However, over the period IY2003-IY2007, the aggregate change in the estimated number of school-age children in poor families was relatively small, and state changes in percentage share are quite similar to state changes in the number of such children.

Table 9. State Estimated Number of School-Age Children in Poor Families, Income Years 2003-2007

State	Estimated Children Aged 5-17 in Poor Families, IY2003	Estimated Children Aged 5-17 in Poor Families, IY2004	Percentage Change in Estimated Number, IY2004 vs. IY2003	Estimated Children Aged 5-17 in Poor Families, IY2005	Percentage Change in Estimated Number, IY2005 vs. IY2004	Estimated Children Aged 5-17 in Poor Families, IY2007	Percentage Change in Estimated Number, IY2007 vs. IY2005
Alabama	165,225	160,787	-2.7%	172,197	7.1%	174,665	1.4%
Alaska	14,396	14,841	3.1%	16,841	13.5%	13,787	-18.1%
Arizona	214,052	214,962	0.4%	205,175	-4.6%	209,683	2.2%
Arkansas	104,883	95,393	-9.0%	108,273	13.5%	113,370	4.7%
California	1,292,920	1,225,762	-5.2%	1,197,835	-2.3%	1,062,605	-11.3%
Colorado	96,357	94,396	-2.0%	101,811	7.9%	114,762	12.7%
Connecticut	55,972	64,564	15.4%	62,095	-3.8%	58,597	-5.6%
Delaware	15,986	15,877	-0.7%	17,149	8.0%	18,289	6.6%
District of Columbia	21,775	19,536	-10.3%	19,634	0.5%	18,995	-3.3%
Florida	510,674	447,172	-12.4%	474,430	6.1%	437,055	-7.9%
Georgia	291,342	296,706	1.8%	304,220	2.5%	318,255	4.6%
Hawaii	26,812	19,121	-28.7%	23,729	24.1%	18,364	-22.6%
Idaho	36,037	33,487	-7.1%	39,106	16.8%	39,046	-0.2%
Illinois	333,218	369,244	10.8%	341,763	-7.4%	348,638	2.0%
Indiana	129,513	155,506	20.1%	166,214	6.9%	166,365	0.1%
Iowa	49,842	53,683	7.7%	57,449	7.0%	58,426	1.7%
Kansas	55,425	59,392	7.2%	60,203	1.4%	61,149	1.6%
Kentucky	137,877	135,287	-1.9%	146,404	8.2%	149,095	1.8%
Louisiana	207,713	201,957	-2.8%	220,555	9.2%	191,094	-13.4%
Maine	25,041	23,769	-5.1%	28,864	21.4%	27,487	-4.8%
Maryland	100,977	107,072	6.0%	98,407	-8.1%	92,601	-5.9%
Massachusetts	112,900	121,129	7.3%	129,183	6.6%	126,588	-2.0%

State	Estimated Children Aged 5-17 in Poor Families, IY2003	Estimated Children Aged 5-17 in Poor Families, IY2004	Percentage Change in Estimated Number, IY2004 vs. IY2003	Estimated Children Aged 5-17 in Poor Families, IY2005	Percentage Change in Estimated Number, IY2005 vs. IY2004	Estimated Children Aged 5-17 in Poor Families, IY2007	Percentage Change in Estimated Number, IY2007 vs. IY2005
Michigan	250,954	276,639	10.2%	308,636	11.6%	308,714	0.0%
Minnesota	77,036	82,727	7.4%	87,697	6.0%	92,798	5.8%
Mississippi	139,285	142,059	2.0%	148,662	4.6%	144,806	-2.6%
Missouri	146,376	158,877	8.5%	170,436	7.3%	160,841	-5.6%
Montana	25,841	22,842	-11.6%	26,584	16.4%	25,988	-2.2%
Nebraska	32,497	32,859	1.1%	38,637	17.6%	39,327	1.8%
Nevada	59,385	60,862	2.5%	58,687	-3.6%	62,021	5.7%
New Hampshire	13,110	17,353	32.4%	17,856	2.9%	17,188	-3.7%
New Jersey	154,881	148,348	-4.2%	165,069	11.3%	154,235	-6.6%
New Mexico	85,364	75,513	-11.5%	82,630	9.4%	78,583	-4.9%
New York	639,014	638,113	-0.1%	594,230	-6.9%	576,131	-3.0%
North Carolina	247,890	252,410	1.8%	287,894	14.1%	275,164	-4.4%
North Dakota	11,284	10,712	-5.1%	11,872	10.8%	11,671	-1.7%
Ohio	258,469	288,329	11.6%	322,771	11.9%	323,397	0.2%
Oklahoma	116,879	103,472	-11.5%	120,814	16.8%	121,880	0.9%
Oregon	93,136	88,798	-4.7%	99,462	12.0%	91,925	-7.6%
Pennsylvania	274,501	289,566	5.5%	305,450	5.5%	293,616	-3.9%
Puerto Rico	400,212	399608	-0.2%	404,549	1.2%	389,831	-3.6%
Rhode Island	27,378	28,943	5.7%	28,272	-2.3%	25,763	-8.9%
South Carolina	138,184	143,249	3.7%	150,806	5.3%	142,963	-5.2%
South Dakota	19,212	20,000	4.1%	20,442	2.2%	20,625	0.9%
Tennessee	171,430	170,654	-0.5%	194,253	13.8%	206,308	6.2%
Texas	902,259	909,592	0.8%	983,654	8.1%	960,471	-2.4%

State	Estimated Children Aged 5-17 in Poor Families, IY2003	Estimated Children Aged 5-17 in Poor Families, IY2004	Percentage Change in Estimated Number, IY2004 vs. IY2003	Estimated Children Aged 5-17 in Poor Families, IY2005	Percentage Change in Estimated Number, IY2005 vs. IY2004	Estimated Children Aged 5-17 in Poor Families, IY2007	Percentage Change in Estimated Number, IY2007 vs. IY2005
Utah	49,493	52,513	6.1%	51,517	-1.9%	55,841	8.4%
Vermont	9,667	8,424	-12.9%	10,753	27.6%	9,809	-8.8%
Virginia	148,985	143,376	-3.8%	153,431	7.0%	152,581	-0.6%
Washington	138,385	144,330	4.3%	145,368	0.7%	141,844	-2.4%
West Virginia	63,540	55,490	-12.7%	64,238	15.8%	56,406	-12.2%
Wisconsin	96,394	126,498	31.2%	114,754	-9.3%	120,571	5.1%
Wyoming	9,807	8,695	-11.3%	9,129	5.0%	9,461	3.6%
Total	8,799,785	8,830,494	0.3%	9,170,090	3.8%	8,889,675	-3.1%

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates program.

Note: No data are shown above for IY2006 because SAIPE data for that year were not used in the calculation of ESEA Title I-A grants. Estimates for IY2005 were used to calculate FY2008 Title I-A grants while IY2007 estimates will be used to calculate FY2009 grants. Thus, the change from IY2005 to IY2007 estimates represents a one year change in terms of Title I-A allocations.

As seen in **Table 9**, for many states there is a substantial degree of year-to-year variation in these poverty estimates. For IY2004 compared to IY2003, the national aggregate poverty estimate increased by 0.3%, virtually no change at all, while the estimates for individual states ranged from -28.7% to +32.4%. Comparing IY2005 with IY2004, while the national aggregate poverty estimate increased by 3.8%, the estimates for individual states ranged from -9.3% to +27.6%. Finally, comparing IY2007 with IY2005, the national poverty estimate declined by 3.1%, while the estimates for individual states varied from -22.6% to +12.7%.

Not only is the range in annual shifts in SAIPE poverty estimates for the states overall quite large; these estimates also fluctuate quite substantially from year to year for a number of individual states. As is illustrated in **Table 10**, below, the estimates for several states have fluctuated widely in recent years, at a time when the estimated aggregate change was relatively small. While several of these are states with relatively small populations (e.g., Alaska, Montana, New Hampshire, and Vermont), this group also includes such relatively large states as Florida and Wisconsin, as well as the moderate size states of Hawaii and West Virginia.

Table 10. Estimated Annual Changes in Estimated Number of School-Age Children in Poor Families, Income Years 2003-2007, Selected States

State	Percentage Change in Estimated Number of School-Age Children in Poor Families, IY2004 vs. IY2003	Percentage Change in Estimated Number of School-Age Children in Poor Families, IY2005 vs. IY2004	Percentage Change in Estimated Number of School-Age Children in Poor Families, IY2007 vs. IY2005
Alaska	3.1%	13.5%	-18.1%
Florida	-12.4%	6.1%	-7.9%
Hawaii	-28.7%	24.1%	-22.6%
Louisiana	-2.8%	9.2%	-13.4%
Montana	-11.6%	16.4%	-2.2%
New Hampshire	32.4%	2.9%	-3.7%
Vermont	-12.9%	27.6%	-8.8%
West Virginia	-12.7%	15.8%	-12.2%
Wisconsin	31.2%	-9.3%	5.1%

Source: Table prepared by CRS.

During the initial period of use of the SAIPE poverty estimates, special provisions were added to FY1997-2001 appropriations legislation for Title I-A to limit the impact of the updates. As was discussed above, in all years, the Title I-A authorizing statute provides for "hold harmless" rates of 85-95% of the previous year grant, applied at the LEA level. The FY1997-2001 appropriations acts for ED provided for higher 100% hold harmless rates, applied either at the state or the state plus LEA levels.[38]

[38] Separately, for FY1996 only, a 100% hold harmless rate for LEAs was provided under the 1994 ESEA reauthorization legislation. Also note that the FY2001 appropriations provisions were somewhat complex, but ultimately amounted to a 100% hold harmless rate.

These high hold harmless rates were applied during a period when there was little or no growth in aggregate Title I-A funding and substantial shifts in the estimated number of school-age children in poor families for many states and LEAs. As a result of 100% hold harmless rates and little growth in total appropriations, state and LEA funding shares remained quite static during this FY1997-2001 period.

Beginning with FY2002, the 100% hold harmless rates were dropped from annual appropriations acts for Title I-A. This shift was facilitated by a combination of significantly increased total funding (an increase of 18% for FY2002 compared to FY2001), and initial funding of two formulas (the Targeted Grant and EFIG formulas) that resulted in each state (although not each LEA) receiving an increase in Title I-A funds for FY2002. As the rate of annual appropriations increases declined over the period of FY2003-2007, not only a substantial number of LEAs, but also (beginning with FY2004[39]) a number of states experienced annual reductions in Title I-A grants. Finally, for FY2008, Title I-A appropriations rose by 8.3%, and only one state received a smaller allocation for FY2008 than for FY2007.

Selected Alternatives to Use of Only the Most Current Poverty Estimates

Concern about the variability of the SAIPE poverty estimates for many states may lead to proposals to limit resulting decreases in Title I-A grants, beyond the effects of the statutory hold harmless provisions for LEAs. The remainder of this section of the report provides a discussion and analysis of four possible options for limiting year-to-year reductions in Title I-A grants resulting from fluctuations in poverty estimates.

Option 1: Higher Hold Harmless Rates

One option might be a return to higher (100%) hold harmless rates in annual appropriations legislation, applied at either the LEA or state level, as occurred between FY1997 and 2001. This would have the effect of eliminating reductions in Title I-A grants overall, while limiting increases to states or LEAs with rising estimated numbers of school-age children in poor families. If there were little or no increase in total Title I-A appropriations, this would result in a static geographic distribution of funds, as occurred between FY1997 and FY2001.

A variation of this option would address the particular problems of LEAs that have experienced dramatic shifts in funding from one year to the next as their school-age child poverty rate varies by small amounts around the Targeted Grant and EFIG formula child eligibility threshold of 5.0%. Large swings in funding make it exceptionally difficult to use Title I-A funds efficiently. The four-year phase-out of hold-harmless provisions, now applied only to Concentration Grants, might be extended to Targeted and EFIG grants.

[39] For FY2003, three states were initially projected to lose funds under Title I-A in comparison to FY2002. However, the Emergency Supplemental Appropriations Act, 2003, provided for the transfer of an additional $4,353,368 in unobligated FY2003 funds from a variety of ED programs to Title I-A. These funds were allocated to the three states for which the initial FY2003 allocations were less than their FY2002 allocation; the amount transferred brought the FY2003 allocation for each of these states up to its FY2002 level.

Option 2: Use of the Average of the Latest and Second Latest Poverty Estimates for All LEAs

A second alternative for limiting the impact of large variations in annual poverty estimates would be to combine the most recent poverty estimates with the estimates for one or more immediately preceding years, in order to make the transition to the most recent estimates more gradual for states or LEAs where estimated changes are relatively large. This could be accomplished by using the average of the poverty estimates for the last two or even three years in the Title I-A allocation formulas. **Table 11**, below, illustrates the estimated impact of this approach on grants for FY2008. Actual FY2008 Title I-A grants under current law (i.e., based on IY2005 poverty estimates) are compared to estimates under an alternative formula using the average of the latest and the second most recent poverty estimates (i.e., those for IY2005 and IY2004) as the poverty population factor. The estimated FY2008 grants based on the average (two-year) poverty estimates are compared to actual grants for FY2008 (Column E) and FY2007 (Column G), along with a comparison of actual grants for FY2008 compared to FY2007 (Col. F).

As mentioned earlier, with a relatively substantial (8.3%) funding increase for FY2008 over FY2007, under current law only one state (Wisconsin) received a lower grant for FY2008 than for FY2007 (a reduction of 1.3%). For the other states, the rate of increase for FY2008 over FY2007 ranged from 0.1% to 20.8% (Column F). As seen in **Table 11** (Column G), under the alternative formula, all states are estimated to have received higher grants for FY2008 compared to FY2007, with increases ranging from 1.8% to 16.1%. Thus, as expected, the range in variation from previous year (FY2007) grants is somewhat less under the alternative formula (1.8% to 16.1%) than under current law (-1.3% to 20.8%). Comparing estimated FY2008 grants under the alternative formula to actual FY2008 grants (Column E of **Table 11**), estimated differences range from -4.3% (Maine) to 5.9% (Nevada).

Option 3: Use of the Greater of the Latest or the Average of the Latest and Second Latest Poverty Estimates for Each LEA

A third approach, illustrated in **Table 12**, would be to use the greater of: (i) the latest poverty estimate, or (ii) the average of the latest and the previous year estimate for each LEA. Under this alternative, if the latest poverty estimate is higher than the one for the previous year for an LEA, then only the latest estimate is used in calculating grants. Alternatively, if the latest poverty estimate for an LEA is lower than the one for the previous year, then the average of the latest and the immediately preceding estimate is used. As a result, areas with estimated increases in poverty receive "credit" for that increase, while losses are cushioned for LEAs with estimated decreases in poverty. This would have a more limited impact on grants than the use of the average of the poverty estimates for the last two years for *all* LEAs.

As seen in **Table 12** (Column G), under this alternative formula, all states are estimated to have received higher grants for FY2008 compared to FY2007, with increases ranging from 0.5% to 19.9%. This range of variation falls in between the wider range under current law (-1.3% to 20.8%—Column F) and the somewhat more narrow range under the alternative formula discussed in option 2 (1.8% to 16.1%). Comparing estimated FY2008 grants under the alternative formula to actual FY2008 grants (Column E of **Table 12**), estimated differences fall within the relatively narrow range of -1.5% (Puerto Rico) to 2.5% (Connecticut).

Table 11. State Total Grants under Title I-A, ESEA: Actual Grants for FY2007 and FY2008 Compared to Estimated Grants Based on the Average of IY2004 and IY2005 Estimates of School-Age Children in Poor Families

A	B	C	D	E	F	G
State	FY2007 Actual Grant	FY2008 Actual Grant	FY2008 Estimated Grant Using Averaged Poverty Estimates	Col. D - Col. C, %	Col. C- Col. B, %	Col. D - Col. B, %
United States	$12,706,341,000	$13,755,995,000	$13,755,995,000	0.0%	8.3%	8.3%
Alabama	$194,251,000	$215,192,000	$212,462,000	-1.3%	10.8%	9.4%
Alaska	$34,025,000	$38,846,000	$38,452,000	-1.0%	14.2%	13.0%
Arizona	$263,204,000	$274,777,000	$278,525,000	1.3%	4.4%	5.8%
Arkansas	$122,031,000	$144,268,000	$140,185,000	-2.8%	18.2%	14.9%
California	$1,643,496,000	$1,698,808,000	$1,724,902,000	1.6%	3.4%	5.0%
Colorado	$123,928,000	$135,392,000	$134,102,000	-0.9%	9.2%	8.2%
Connecticut	$111,879,000	$115,562,000	$116,648,000	0.9%	3.3%	4.3%
Delaware	$34,110,000	$38,380,000	$38,173,000	-0.5%	12.5%	11.9%
District of Columbia	$46,026,000	$47,295,000	$47,981,000	1.4%	2.8%	4.2%
Florida	$589,157,000	$656,255,000	$662,416,000	1.0%	11.4%	12.4%
Georgia	$410,011,000	$446,271,000	$450,508,000	1.0%	8.8%	9.9%
Hawaii	$39,639,000	$44,337,000	$42,678,000	-3.7%	11.9%	7.7%
Idaho	$41,327,000	$46,662,000	$45,938,000	-1.6%	12.9%	11.2%
Illinois	$593,136,000	$593,980,000	$604,850,000	1.9%	0.1%	2.0%
Indiana	$230,085,000	$247,109,000	$243,299,000	-1.5%	7.4%	5.7%
Iowa	$69,214,000	$72,717,000	$72,075,000	-0.8%	5.1%	4.1%
Kansas	$88,061,000	$95,359,000	$98,042,000	2.7%	8.3%	11.3%
Kentucky	$185,854,000	$208,551,000	$205,444,000	-1.5%	12.2%	10.5%
Louisiana	$277,650,000	$294,843,000	$291,151,000	-1.2%	6.2%	4.9%
Maine	$43,870,000	$51,525,000	$49,360,000	-4.3%	17.4%	12.5%

A	B	C	D	E	F	G
State	**FY2007 Actual Grant**	**FY2008 Actual Grant**	**FY2008 Estimated Grant Using Averaged Poverty Estimates**	**Col. D - Col. C, %**	**Col. C- Col. B, %**	**Col. D - Col. B, %**
Maryland	$188,034,000	$192,239,000	$201,638,000	4.8%	2.2%	7.2%
Massachusetts	$211,607,000	$233,354,000	$229,240,000	-1.9%	10.3%	8.3%
Michigan	$460,302,000	$527,255,000	$510,710,000	-3.1%	14.5%	11.0%
Minnesota	$114,583,000	$126,936,000	$125,733,000	-0.9%	10.8%	9.7%
Mississippi	$174,679,000	$187,346,000	$187,871,000	0.2%	7.3%	7.6%
Missouri	$201,452,000	$225,205,000	$223,161,000	-0.9%	11.8%	10.8%
Montana	$38,635,000	$43,555,000	$42,545,000	-2.3%	12.7%	10.1%
Nebraska	$50,662,000	$60,246,000	$57,667,000	-4.2%	18.9%	13.8%
Nevada	$80,299,000	$80,755,000	$85,544,000	5.9%	0.6%	6.5%
New Hampshire	$34,248,000	$38,198,000	$38,196,000	-0.0%	11.5%	11.5%
New Jersey	$252,409,000	$286,765,000	$275,943,000	-3.8%	13.6%	9.3%
New Mexico	$103,847,000	$113,156,000	$111,672,000	-1.3%	9.0%	7.5%
New York	$1,210,071,000	$1,226,786,000	$1,267,983,000	3.3%	1.4%	4.8%
North Carolina	$301,104,000	$358,570,000	$347,188,000	-3.2%	19.1%	15.3%
North Dakota	$29,825,000	$33,742,000	$33,306,000	-1.3%	13.1%	11.7%
Ohio	$449,255,000	$511,797,000	$496,022,000	-3.1%	13.9%	10.4%
Oklahoma	$128,266,000	$148,406,000	$142,748,000	-3.9%	15.7%	11.3%
Oregon	$121,425,000	$139,987,000	$136,136,000	-2.7%	15.3%	12.1%
Pennsylvania	$516,459,000	$565,518,000	$561,609,000	-0.7%	9.5%	8.7%
Puerto Rico	$455,589,000	$510,525,000	$528,108,000	3.4%	12.1%	15.9%
Rhode Island	$50,390,000	$52,978,000	$53,402,000	0.8%	5.1%	6.0%
South Carolina	$187,902,000	$205,597,000	$206,275,000	0.4%	9.4%	9.8%
South Dakota	$37,274,000	$41,539,000	$41,607,000	0.2%	11.4%	11.6%
Tennessee	$205,728,000	$239,071,000	$232,300,000	-2.9%	16.2%	12.9%
Texas	$1,169,500,000	$1,299,356,000	$1,276,395,000	-1.8%	11.1%	9.1%

A	B	C	D	E	F	G
State	**FY2007 Actual Grant**	**FY2008 Actual Grant**	**FY2008 Estimated Grant Using Averaged Poverty Estimates**	**Col. D - Col. C, %**	**Col. C- Col. B, %**	**Col. D - Col. B, %**
Utah	$58,197,000	$60,019,000	$61,594,000	2.6%	3.1%	5.8%
Vermont	$27,199,000	$32,862,000	$31,571,000	-3.9%	20.8%	16.1%
Virginia	$204,733,000	$226,096,000	$225,253,000	-0.3%	10.4%	10.0%
Washington	$182,795,000	$191,853,000	$194,708,000	1.5%	5.0%	6.5%
West Virginia	$89,221,000	$99,607,000	$96,055,000	-3.5%	11.6%	7.7%
Wisconsin	$201,601,000	$199,030,000	$205,173,000	3.1%	-1.3%	1.8%
Wyoming	$28,094,000	$31,516,000	$31,453,000	-0.2%	12.2%	12.0%

Source: Actual FY2007 and FY2008 grants under current law are provided by the U.S. Department of Education. Estimated FY2008 grants based on the average of IY2004 and IY2005 poverty estimates were prepared by CRS. Table prepared by CRS.

Note: The estimated FY2008 grants 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 that states will receive.

Table 12. ESEA Title I, Part A, Actual Grants for FY2007 and FY2008 Compared to Estimated FY2008 Grants Using the Greater of: (i) Poverty Estimates for Income Year 2005 (FY2008) or (ii) the Average of Poverty Estimates for Income Years 2004 (FY2007) and 2005 (FY2008) for Each LEA

A	B	C	D	E	F	G
State	FY2007 Actual Grant	FY2008 Actual Grant	FY2008 Estimated Grant Using Modified Poverty Estimates	Col. D - Col. C, %	Col. C - Col. B, %	Col. D - Col. B, %
United States	$12,706,341,000	$13,755,995,000	$13,755,995,000	0.0%	8.3%	8.3%
Alabama	$194,251,000	$215,192,000	$213,686,000	-0.8%	10.8%	10.0%
Alaska	$34,025,000	$38,846,000	$38,648,000	-0.5%	14.2%	13.6%
Arizona	$263,204,000	$274,777,000	$278,205,000	1.2%	4.4%	5.7%
Arkansas	$122,031,000	$144,268,000	$142,369,000	-1.3%	18.2%	16.7%
California	$1,643,496,000	$1,698,808,000	$1,704,364,000	0.4%	3.4%	3.7%
Colorado	$123,928,000	$135,392,000	$133,860,000	-1.1%	9.2%	8.0%
Connecticut	$111,879,000	$115,562,000	$118,434,000	2.5%	3.3%	5.9%
Delaware	$34,110,000	$38,380,000	$38,188,000	-0.5%	12.5%	12.0%
District of Columbia	$46,026,000	$47,295,000	$46,971,000	-0.7%	2.8%	2.1%
Florida	$589,157,000	$656,255,000	$650,338,000	-0.9%	11.4%	10.4%
Georgia	$410,011,000	$446,271,000	$446,194,000	0.0%	8.8%	8.8%
Hawaii	$39,639,000	$44,337,000	$43,935,000	-0.9%	11.9%	10.8%
Idaho	$41,327,000	$46,663,000	$46,569,000	-0.2%	12.9%	12.7%
Illinois	$593,136,000	$593,980,000	$606,656,000	2.2%	0.1%	2.3%
Indiana	$230,085,000	$247,109,000	$247,784,000	0.3%	7.4%	7.7%
Iowa	$69,214,000	$72,717,000	$72,487,000	-0.3%	5.1%	4.7%
Kansas	$88,061,000	$95,359,000	$96,331,000	0.9%	8.3%	9.4%
Kentucky	$185,854,000	$208,551,000	$207,191,000	-0.6%	12.2%	11.5%
Louisiana	$277,650,000	$294,843,000	$291,772,000	-1.0%	6.2%	5.1%
Maine	$43,870,000	$51,525,000	$51,186,000	-0.7%	17.4%	16.7%

A	B	C	D	E	F	G
State	FY2007 Actual Grant	FY2008 Actual Grant	FY2008 Estimated Grant Using Modified Poverty Estimates	Col. D - Col. C, %	Col. C - Col. B, %	Col. D - Col. B, %
Maryland	$188,034,000	$192,239,000	$195,258,000	1.5%	2.2%	3.8%
Massachusetts	$211,607,000	$233,354,000	$234,399,000	0.3%	10.3%	10.8%
Michigan	$460,302,000	$527,255,000	$522,951,000	-0.8%	14.5%	13.6%
Minnesota	$114,583,000	$126,936,000	$126,864,000	-0.0%	10.8%	10.7%
Mississippi	$174,679,000	$187,346,000	$187,220,000	-0.1%	7.3%	7.2%
Missouri	$201,452,000	$225,205,000	$224,749,000	-0.2%	11.8%	11.6%
Montana	$38,635,000	$43,555,000	$43,468,000	-0.2%	12.7%	12.5%
Nebraska	$50,662,000	$60,246,000	$59,471,000	-1.3%	18.9%	17.4%
Nevada	$80,299,000	$80,755,000	$82,146,000	1.7%	0.6%	2.3%
New Hampshire	$34,248,000	$38,198,000	$38,255,000	0.1%	11.5%	11.7%
New Jersey	$252,409,000	$286,765,000	$286,417,000	-0.2%	13.6%	13.5%
New Mexico	$103,847,000	$113,156,000	$111,977,000	-1.0%	9.0%	7.8%
New York	$1,210,071,000	$1,226,786,000	$1,248,212,000	1.7%	1.4%	3.2%
North Carolina	$301,104,000	$358,570,000	$353,723,000	-1.3%	19.1%	17.5%
North Dakota	$29,825,000	$33,742,000	$33,530,000	-0.6%	13.1%	12.4%
Ohio	$449,255,000	$511,797,000	$510,172,000	-0.3%	13.9%	13.6%
Oklahoma	$128,266,000	$148,406,000	$146,612,000	-1.3%	15.7%	14.3%
Oregon	$121,425,000	$139,987,000	$138,357,000	-1.1%	15.3%	13.9%
Pennsylvania	$516,459,000	$565,518,000	$562,552,000	-0.5%	9.5%	8.9%
Puerto Rico	$455,589,000	$510,525,000	$503,311,000	-1.5%	12.1%	10.5%
Rhode Island	$50,390,000	$52,978,000	$53,371,000	0.7%	5.1%	5.9%
South Carolina	$187,902,000	$205,598,000	$203,574,000	-1.0%	9.4%	8.3%
South Dakota	$37,274,000	$41,539,000	$41,559,000	0.0%	11.4%	11.5%
Tennessee	$205,728,000	$239,072,000	$235,834,000	-1.4%	16.2%	14.6%

A	B	C	D	E	F	G
State	**FY2007 Actual Grant**	**FY2008 Actual Grant**	**FY2008 Estimated Grant Using Modified Poverty Estimates**	**Col. D - Col. C, %**	**Col. C - Col. B, %**	**Col. D - Col. B, %**
Texas	$1,169,500,000	$1,299,356,000	$1,294,962,000	-0.3%	11.1%	10.7%
Utah	$58,197,000	$60,019,000	$60,150,000	0.2%	3.1%	3.4%
Vermont	$27,199,000	$32,862,000	$32,609,000	-0.8%	20.8%	19.9%
Virginia	$204,733,000	$226,096,000	$224,376,000	-0.7%	10.4%	9.6%
Washington	$182,795,000	$191,853,000	$192,495,000	0.4%	5.0%	5.3%
West Virginia	$89,221,000	$99,607,000	$98,225,000	-1.4%	11.6%	10.1%
Wisconsin	$201,601,000	$199,030,000	$202,654,000	1.8%	-1.3%	0.5%
Wyoming	$28,094,000	$31,516,000	$31,375,000	-0.4%	12.2%	11.7%

Source: Actual FY2007 and FY2008 grants under current law are provided by the U.S. Department of Education. Estimated FY2008 grants based on the greater of IY2004 and IY2005 poverty estimates were prepared by CRS. Table prepared by CRS.

Note: The estimated FY2008 grants 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 that states will receive.

Those concerned about the impact of frequent, sometimes quite large, variations in poverty estimates and subsequent Title I-A grants on program operations might support the use of two-year averages for poverty data, as reflected in the alternative formulas of **Tables 11 and 12**. Given the underlying reliance of the SAIPE estimation process on sample survey data, the reliability of the estimates should be increased through combination of estimates for multiple years. The most recent poverty estimates would still be used, but introduced more gradually. States and LEAs would be allowed more time to adjust to either increases or decreases in allocations, and program stability would be enhanced.

However, opponents of a shift from the current practice of always using the latest available poverty estimates would argue that averaging poverty estimates over two years, or choosing the greater of the latest estimates or a two-year average for each LEA, would delay implementation of updates. Under current practice, estimates based on income for calendar year 2007 will be applied to grants for FY2009, the 2009-2010 school year; thus, there is a two- to three-year lag between the income year and the program year. Use of one of the alternatives discussed above under Options 2 and 3 would add, in part, another year to this time lag. Further, the most severe negative impacts of reductions in poverty estimates are already limited by the LEA hold harmless provisions, under which grants may not fall below 85-95% of the previous year amount, with high poverty LEAs offered the greatest degree of protection. Finally, if the SAIPE process is deemed to provide reliable poverty estimates, that are preferable to those from other sources, some ask why should not the latest available estimates be used in calculating Title I-A grants?

Option 4: Limit the Degree of Annual Decreases in Poverty Estimates

Another option, given that annual shifts in poverty estimates have thus far been especially large for a small number of states, would be to place a limit on the size of these shifts. Either a floor, or a floor and ceiling, might be placed on the annual percentage change in either each state's estimated number, or on each state's share of the national total estimated number, of school-age children in poor families. For example, it might be provided that no state's percentage share of the national total estimated number of school-age children in poor families could decline by more than 10% compared to the previous year. If the estimated decline were greater than 10%, the estimate used in the Title I-A allocation formulas would be set at the level representing a 10% percentage share reduction. This example is based on state percentage shares, rather than the estimated number, of school-age children in poor families in order to adjust for nationwide increases or decreases in these estimates. Also, as mentioned earlier (footnote 37), given a fixed annual total appropriation for Title I-A, changes in each state's percentage share of the total estimated number of school-age children in poor families are more closely related to trends in allocations than are changes in the estimated number of such children.

Such a provision—a 10% limit on reductions in state share of poverty estimates—would have affected one state for FY2005, four states for FY2006, nine states for FY2007, and four states for FY2008. Grants to those states would have increased, while those to most other states would have declined.

Has the Targeting of Title I-A Funds on High Poverty LEAs Increased Since 2001?

For many years, a primary issue regarding the Title I-A allocation formulas has been the extent to which funds are targeted on high-poverty LEAs. Over 90% of the nation's LEAs receive grants

under ESEA Title I-A, largely because the eligibility thresholds for three of the four allocation formulas, as described above, are relatively low. In general, all LEAs receive Title I-A grants except those that have extraordinarily low school-age poverty rates or have extremely few pupils.[40] A few LEAs (including certain charter schools that are treated as separate LEAs under state law) are eligible for relatively small Title I-A grants, but choose not to participate in the program, at least in part because the responsibilities accompanying participation are perceived to exceed the value of the prospective grants.

Table 13, below, presents the distribution of Title I-A grants among LEAs grouped by poverty rate quintile.[41] Each quintile contains LEAs with one-fifth of the nation's total estimated number of school-age children in poor families, on the basis of the Census Bureau IY2005 population estimates used in calculating FY2008 grants. **Table 13** lists the percentage share (of the national total) of Title I-A grants that are allocated to LEAs in each poverty quintile. These data are provided separately for each of the four Title I-A allocation formulas, as well as for total grants for FY2008.[42]

As illustrated in **Table 13** and **Figure 1**, below, the share of Title I-A funds allocated to LEAs in various poverty rate ranges varies significantly among the four allocation formulas. For Basic Grants, the share is similar for each quintile of LEAs, varying only within the narrow range of 19.2%-21.1%. For Concentration Grants, the share of funds allocated to LEAs in each poverty rate range is again similar, with the exception of the lowest-poverty quintile, which receives a much lower share (4.0% of total grants vs. 23.1%-25.2% for the other four quintiles). This reflects the eligibility threshold for Concentration Grants (formula child rate of at least 15% or 6,500 formula children). Overall, the primary pattern for both Basic and Concentration Grants is relatively constant shares of funds for all quintiles of LEAs meeting minimum eligibility thresholds. In other words, grants per poor and other child counted in the Title I-A allocation formulas are approximately the same for all LEAs meeting the initial eligibility criteria for Basic and Concentration Grants, whether those LEAs have high, average, or somewhat below average school-age child poverty rates.

The pattern of distribution of grants under the Targeted and EFIG formulas is somewhat different. Under each of these formulas, the share of total grants increases steadily from the lowest to the second-highest poverty rate quintile, then is approximately constant for the 4th and 5th quintiles. While this partly reflects the slightly higher eligibility threshold for these formulas in comparison to Basic Grants (5% vs. 2% formula child rate), it primarily results from the structure of these formulas. Under both the Targeted and EFIG (within-state) formulas, the grant per formula child continuously increases as either the LEA's school-age child poverty rate, or its total number of children counted in the Title I-A formulas, increases. The share of funds going to LEAs in the 5th quintile (highest poverty rates) under each of these formulas is not substantially higher than the share going to LEAs with the second highest poverty rates (4th quintile) primarily because of the

[40] According to program data for FY2008, approximately 80% of the LEAs receiving no Title I-A grants have an estimated total number of school-age children of fewer than 100.

[41] For the LEA-level analyses in this report, "poverty rates" are based on estimated school-age children in poor families divided by total school-age population.

[42] It should be noted that this analysis is based on LEA grants as calculated by the U.S. Department of Education. It does not take into consideration the adjustments that SEAs may make to these grants (reservations for state administration and program improvement, reallocation of funds among small LEAs in selected states, and adjustments for charter schools and LEA boundary changes). In the aggregate, the impact of this limitation should be quite small.

strong influence of high numbers of formula children on the allocation of funds,[43] the influence of the expenditure factor,[44] and the cap placed on Targeted Grant formula population weights for Puerto Rico.[45]

Table 13. Share of ESEA Title I-A Funds Allocated to LEAs by LEA Poverty Rate Quintile, FY2008

	Poverty Rate Quintile					
	1	2	3	4	5	
Title I-A Formula	(Poverty Rates of 13.59% or Below)	(Poverty Rates At or Above 13.59% But Below 18.64%)	(Poverty Rates At or Above 18.64% But Below 25.73%)	(Poverty Rates At or Above 25.73% But Below 31.37%)	(Poverty Rates At or Above 31.37%)	All LEAs
	Percentage Share of Total Grants					
Total Title I-A Grants, FY2008	16.5%	19.3%	19.0%	22.9%	22.3%	100.0%
Basic Grants (48% of FY2008 appropriations)	21.1%	19.7%	19.2%	20.5%	19.5%	100.0%
Concentration Grants (10% of FY2008 appropriations)	4.0%	23.1%	23.9%	25.2%	23.9%	100.0%
Targeted Grants (21% of FY2008 appropriations)	14.5%	18.4%	17.9%	24.8%	24.3%	100.0%
Education Finance Incentive Grants (21% of FY2008 appropriations)	14.1%	17.4%	17.6%	25.4%	25.6%	100.0%

Source: Table prepared by CRS.

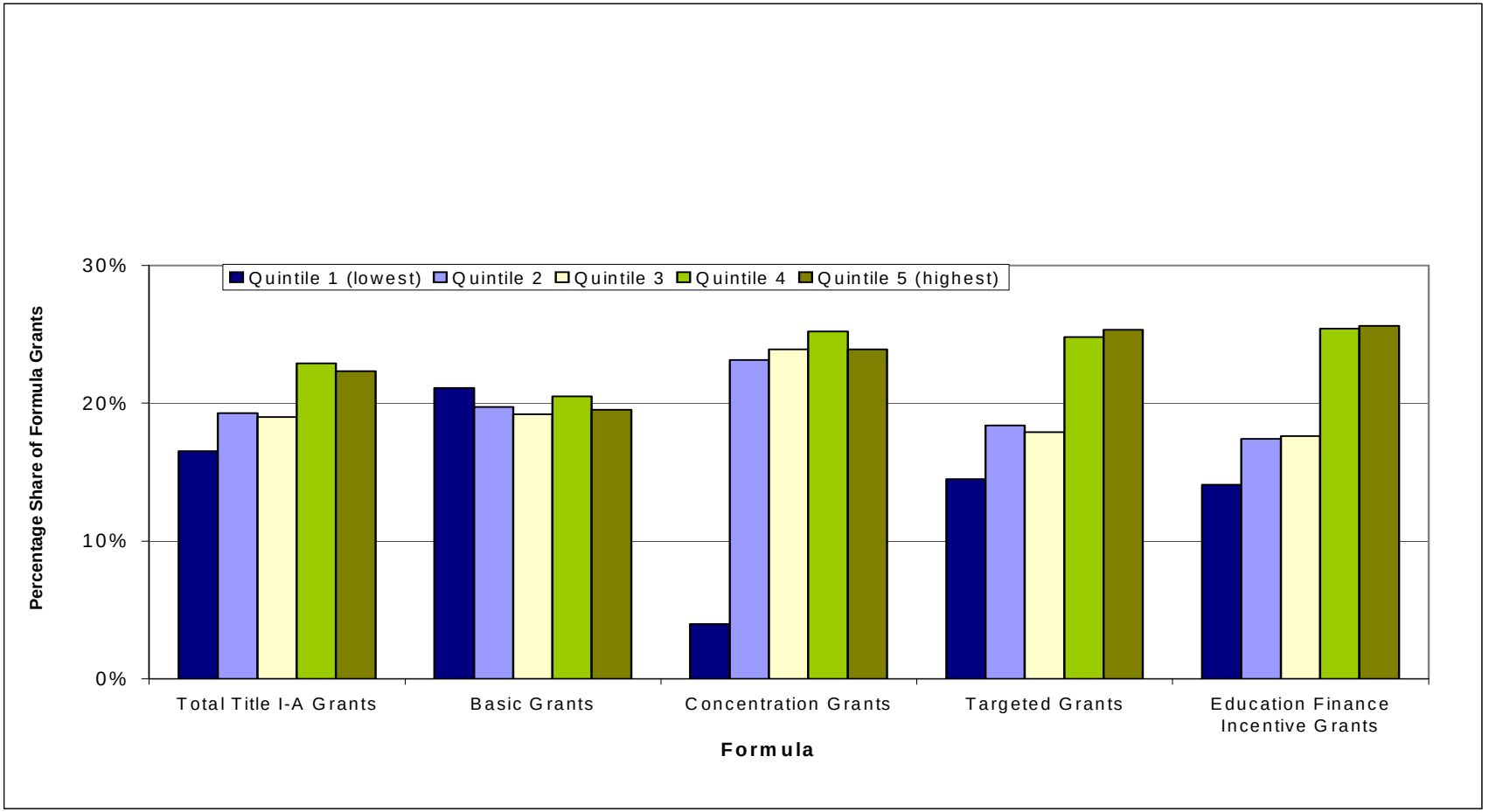
Notes: Table reads (for example): The quintile of LEAs with the highest school-age child poverty rates received 22.3% of total FY2008 ESEA Title I-A grants, 19.5% of all funds allocated as Basic Grants for FY2008, 23.9% of Concentration Grants, 24.3% of Targeted Grants, and 25.6% of Education Finance Incentive Grants.

[43] With the exception of Puerto Rico, LEAs with the largest numbers of school-age children in poor families tend to have higher than average, but not among the highest, school-age child poverty rates.

[44] LEAs with the highest school-age child poverty rates are frequently located in states with relatively low expenditure factors.

[45] As mentioned in a previous footnote, a cap is placed on the aggregate formula child weighting factor for Puerto Rico, reducing the share of Targeted Grant funds allocated to this LEA with a very high poverty rate (the highest poverty quintile).

Figure 1. Share of ESEA Title I-A Funds Allocated to LEAs by Poverty Rate Quintile, FY2008



Source: Figure prepared by CRS.

Overall, the share of funds allocated to LEAs in the top two poverty rate quintiles is substantially higher under the Concentration (49.1%), Targeted (49.1%), and especially the EFIG (51.0%) Grant formulas than under the Basic Grant formula (40.0%). As a result, as long as all additional funds (i.e., amounts in excess of the previous year appropriation) continue to be allocated under the Targeted and EFIG Grant formulas, as has been the case each year from FY2002-2009, the degree of targeting on high poverty LEAs for total Title I-A grants would increase. Thus, overall targeting on high poverty LEAs has increased since the enactment of the NCLB.

While noteworthy, at least by historical standards, these shifts are nevertheless relatively marginal. For example, the share of total Title I-A funds allocated to LEAs in the two highest poverty rate quintiles rose from 42.3% for FY2002 (when Targeted and EFIG Grants were first funded and Basic Grants constituted 69% of total Title I-A LEA grant appropriations) to 45.2% for FY2008 (when Basic Grants constitute 48% of total Title I-A LEA grant appropriations). Another way to evaluate trends in targeting is to compare the share of grants actually allocated to LEAs in the top two poverty rate quintiles for FY2008 with an estimate of this share if FY2008 funds were allocated in the same manner as in the last pre-NCLB year of FY2001, when 84% of Title I-A appropriations was allocated under the Basic Grant formula and 16% under Concentration Grants. Applying that fund distribution from FY2001, 40.6% of FY2008 funds would have gone to LEAs in the top two poverty rate quintiles versus 45.2% for FY2008 actual grants.

A partial reason why increases in targeting, measured as above, are relatively marginal is that allocations under the Targeted and EFIG Grant formulas are highly influenced by the number, as well as the percentage, of formula children in each LEA, while this sort of targeting analysis identifies high poverty LEAs only in terms of their percentage of formula children. If "high poverty" LEAs were defined as those with either high percentages *or* high numbers of Title I-A formula children, the estimated increase in targeting would be slightly greater. For example, defining "high poverty" LEAs as those in one of the top two quintiles in the statutory Targeted and EFIG Grant formulas (i.e., 7,852 or more formula children, or a formula child percentage of 30.16% or higher), 53.4% of actual FY2008 grants went to such "high poverty" LEAs compared to an estimated 47.9% under the FY2001 distribution (84% Basic Grants and 16% Concentration Grants). This difference, of 5.5 percentage points, is slightly higher than the 4.6 percentage point differential based on poverty rates alone.

Finally, while debates regarding the targeting of Title I-A funds have primarily focused on shifting fund distribution toward areas with the greatest concentrations of poverty, some have been concerned about declines in the share of funds going to relatively low poverty LEAs. While low poverty LEAs may be assumed to have less need for Title I-A assistance in general, they are experiencing declines in funding at a time when they are subject to substantial and increasing requirements applicable to all LEAs that participate in Title I-A. In particular, LEAs with a school-age child poverty rate of between 2.0% and 5.0% are generally eligible only for Basic Grants, funding for which has declined by 8.0% in nominal terms since enactment of the NCLB, from $7,169,471,000 for FY2001 to $6,597,946,000 for FY2008.

Should the Population Weighting Factors of the Targeted and EFIG Formulas Be Modified to More Equally Favor LEAs With Large Numbers of School-Age Children in Poor Families and LEAs With High Poverty Rates?

As is discussed above, both the Targeted and the EFIG Grant formulas are designed to allocate to LEAs increased amounts of aid *per formula child* as either their school-age child poverty rate or their total number of formula children rises. The scales of steadily increasing weights applied to LEA formula child counts would appear to favor LEAs with high poverty rates, because relatively higher weights are assigned to LEAs with high poverty rates than to those with high numbers of formula children. For example, in the Targeted Grant formula, the highest weight assigned on the basis of numbers is 3.0 while the maximum weight assigned on the basis of poverty rates is 4.0.

However, in practice, these formulas tend to favor LEAs with either high numbers of formula children as well as those with high poverty rates, and in some respects may seem to favor LEAs with moderately large numbers of formula children over those with moderately high poverty rates. The major reasons for this effect are that (a) a very large LEA will have a much larger share of its formula children weighted at the highest point in the scale than will a LEA with a very high school-age child poverty rate, and (b) LEAs with moderately large numbers of formula children are treated at least as favorably as LEAs with marginally lower numbers of formula children but much higher school-age child poverty rates.

One way to view the level of targeting provided under the Targeted and EFIG Grant formulas is to examine the average grant per formula child for high poverty LEAs versus state averages. **Table 14**, below, provides the Title I-A grant per formula child, by formula, for the 15 LEAs in the nation with the largest number of formula children for FY2008. The table also provides these statistics for the LEA with the highest poverty rate in these states plus the state average grants per formula child, by formula. LEAs are compared with others in the same state to adjust for variations in grants per child arising from statewide factors including the expenditure factor used in all formulas plus the effort and equity factors of the EFIG formula.

As seen in **Table 14**, Basic and Concentration Grants per formula child are approximately the same for all LEAs in the same state (assuming minimum LEA eligibility criteria are met); variations in grants per formula child result primarily from hold harmless effects. However, LEAs that are among the 15 largest in the nation receive much higher grants per formula child than other LEAs in the same state under the Targeted and EFIG Grant formulas. Targeted Grants per formula child are in many cases more than twice as high as the average for all other LEAs in the state for the largest LEA in the states shown in **Table 14**, while EFIG Grants per formula child are in some cases more than three times as high. In most cases, the Targeted and EFIG Grants per formula child are higher than the state average for LEAs in each state having the highest *poverty rate*, although not as high as for the LEA with the largest *number* of formula children. *This reflects a general pattern whereby the Targeted and EFIG Grant formulas are favorable to LEAs with both high numbers of formula children and high poverty rates, but generally somewhat more favorable to the former.*

Table 14. Title I-A: Illustration of the Allocation of Funds to the Nation's 15 Largest LEAs Compared to Other LEAs in the Same State

State	LEA	Total Number of Formula Children, FY08	Formula Child Percentage, FY08	Total Title I-A Grant Per Child	Basic Grant Per Child	Concentration Grant Per Child	Targeted Grant Per Child	Education Finance Incentive Grant Per Child
CA	Los Angeles Unified	245,840	28.84%	$1,760	$641	$160	$463	$495
CA	West Fresno Elementary	611	53.60%	$1,738	$773	$182	$401	$383
CA	State Average			$1,347	$641	$135	$303	$269
CA	Average for All Other LEAs in the State			$1,248	$640	$129	$264	$214
FL	Broward County School District	42,837	13.87%	$1,419	$576	$149	$383	$311
FL	Dade County School District	89,990	21.97%	$1,499	$576	$149	$427	$347
FL	Holmes County	977	33.10%	$1,208	$576	$149	$266	$217
FL	State Average			$1,324	$576	$139	$336	$273
FL	Average for All Other LEAs in the State			$1,269	$576	$136	$307	$250
IL	City of Chicago School District 299	138,144	26.56%	$2,273	$910	$230	$551	$581
IL	Cairo Community Unit School District	443	61.61%	$2,080	$857	$188	$527	$507
IL	State Average			$1,692	$847	$165	$360	$321
IL	Average for All Other LEAs in the State			$1,315	$805	$123	$235	$152
MI	Detroit City School District	81,330	38.64%	$2,186	$749	$193	$549	$694
MI	Covert Public Schools	409	54.24%	$2,149	$836	$200	$513	$600
MI	State Average			$1,629	$773	$146	$342	$367
MI	Average for All Other LEAs in the State			$1,442	$781	$130	$273	$257
NV	Clark County School District	46,446	14.94%	$1,370	$548	$141	$370	$310

State	LEA	Total Number of Formula Children, FY08	Formula Child Percentage, FY08	Total Title I-A Grant Per Child	Basic Grant Per Child	Concentration Grant Per Child	Targeted Grant Per Child	Education Finance Incentive Grant Per Child
NV	Mineral County	181	21.19%	$970	$548	$141	$177	$103
NV	State Average			$1,277	$548	$131	$331	$267
NV	Average for All Other LEAs in the State			$1,021	$549	$103	$222	$147
NY	Bronx County	110,726	38.65%	$2,244	$880	$223	$619	$522
NY	Kings County	137,262	29.52%	$2,292	$902	$228	$628	$533
NY	New York County	57,676	32.89%	$2,184	$910	$230	$577	$467
NY	Queens County	58,060	16.24%	$2,364	$1,053	$266	$577	$468
NY	Kiryas Joel Village Union	2,620	52.12%	$2,043	$858	$217	$549	$419
NY	State Average			$1,975	$917	$202	$481	$376
NY	Average for All Other LEAs in the State			$1,556	$911	$158	$299	$189
PA	Philadelphia City School District	89,179	33.55%	$2,355	$814	$210	$603	$728
PA	Farrell Area School District	506	43.66%	$2,135	$921	$233	$479	$503
PA	State Average			$1,732	$844	$155	$361	$372
PA	Average for All Other LEAs in the State			$1,498	$855	$134	$270	$239
TN	Memphis City School District	37,567	27.70%	$1,475	$548	$141	$353	$433
TN	Oneida Special School District	522	49.62%	$1,471	$548	$141	$355	$427
TN	State Average			$1,193	$549	$129	$250	$266
TN	Average for All Other LEAs in the State			$1,128	$549	$126	$226	$227
TX	Dallas Independent School District	50,609	27.17%	$1,623	$705	$178	$384	$355
TX	Houston Independent School District	77,606	31.34%	$1,539	$601	$152	$408	$378

State	LEA	Total Number of Formula Children, FY08	Formula Child Percentage, FY08	Total Title I-A Grant Per Child	Basic Grant Per Child	Concentration Grant Per Child	Targeted Grant Per Child	Education Finance Incentive Grant Per Child
TX	Santa Maria Independent School District	388	72.12%	$1,546	$559	$144	$438	$405
TX	State Average			$1,287	$593	$136	$290	$269
TX	Average for All Other LEAs in the State			$1,246	$586	$132	$274	$254
WI	Milwaukee	40,118	34.04%	$2,192	$889	$225	$484	$595
WI	Augusta	327	35.12%	$1,858	$843	$213	$360	$442
WI	State Average			$1,661	$849	$125	$308	$379
WI	Average for All Other LEAs in the State			$1,393	$829	$75	$220	$270

Source: Table prepared by CRS.

A major reason for this pattern is that LEAs with large numbers of formula children are often able to apply relatively high weights to higher proportions of their formula children than are smaller LEAs with relatively high percentages of formula children. This can be illustrated by the following comparison of Los Angeles, California, a LEA with a very high number of formula children, with the Hidalgo Independent LEA in Texas, that has one of the highest school-age child poverty rates in the nation. The following table shows the number and percentage share of each LEA's formula children for FY2008 to which various weights are applied under the number and percentage scales for Targeted Grants. After each calculation is made for each LEA, the greater of the two is selected for use in the formula; therefore, the numbers scale is ultimately applicable to Los Angeles and the percentage scale to Hidalgo. As indicated below, a large majority of the total formula child count for Los Angeles (85.6%) falls in the highest weight category (3.0) on the numbers scale, while a much smaller percentage of Hidalgo's formula children (39.3%) falls in the highest weight category (4.0) on the percentage scale.

Table 15. Weighted Formula Child Counts for FY2008

		Local Educational Agency			
		Los Angeles		Hidalgo	
	Weight applied to formula children in this range	Number of Formula Children Falling Within the Range	Percentage of Total Formula Children Falling Within this Range	Number of Formula Children Falling Within the Range	Percentage of Total Formula Children Falling Within this Range
Formula child number range					
0-691	1.00	691	0.3%	691	43.9%
692-2,262	1.50	1,571	0.6%	883	56.1%
2,263-7,851	2.00	5,589	2.3%	0	0.0%
7,852-35,514	2.50	27,663	11.3%	0	0.0%
35,515 and above	3.00	210,326	85.6%	0	0.0%
Total weighted child count based on numbers of formula children		714,361	100.0%	2,016	100.0%
Formula child percentage range					
Less than or equal to 15.58%	1.00	132,810	54.0%	389	24.7%
Above 15.58% but less than or equal to 22.11%	1.75	55,664	22.6%	163	10.4%
Above 22.11% but less than or equal to 30.16%	2.50	57,369	23.3%	201	12.8%
Above 30.16% but less than or equal to 38.24%	3.25	0	0.0%	202	12.8%

		Local Educational Agency			
		Los Angeles		Hidalgo	
	Weight applied to formula children in this range	Number of Formula Children Falling Within the Range	Percentage of Total Formula Children Falling Within this Range	Number of Formula Children Falling Within the Range	Percentage of Total Formula Children Falling Within this Range
Above 38.24%	4.00	0	0.0%	619	39.3%
Total weighted child count based on school-age child poverty rates		373,647	100.0%	4,308	100.0%

Source: Table prepared by CRS.

Note: Table reads (in part)—The total weighted formula child count for Los Angeles is 714,361 on the numbers weighting scale and 373,647 on the percentage weighting scale; therefore, the numbers scale weighted child count is used to calculate Targeted Grants for Los Angeles. In contrast, the total weighted formula child count for Hidalgo is 2,016 on the numbers weighting scale and 4,308 on the percentage weighting scale; therefore, the percentage scale weighted child count is used to calculate Targeted Grants for Hidalgo. Further, 85.6% of all of the Los Angeles formula children are weighted at the highest level (3.0) on the scale used to calculate its Targeted Grants (the numbers scale), while only 39.3% of all of the Hidalgo formula children are weighted at the highest level (4.0) on the scale used to calculate its Targeted Grants (the percentage scale).

Another perspective on the impact of the Targeted and EFIG Grant formulas on different types of LEAs is provided in **Table 16**, below. It again focuses on different types of LEAs in the same state, to eliminate the influence of statewide formula factors, especially the expenditure factor.[46] The table compares state average grants per formula child, by formula, with grants per formula child to three types of LEAs: (1) LEAs with relatively large numbers, but relatively low percentages, of formula children, (2) LEAs with relatively large numbers and above-average percentages of formula children, and (3) LEAs with percentages of formula children that are among the highest in the state. LEAs in these categories are compared in three states—Florida, Maryland, and Virginia—that have a number of LEAs in each of these categories. The general pattern seen in **Table 16** for these states is that LEAs in both of the first two categories—LEAs with relatively large numbers, but relatively low percentages, of formula children and LEAs with relatively large numbers and above-average percentages of formula children—invariably receive Targeted, EFIG, and total grants per formula child that are significantly above the state average. LEAs that have the state's highest percentages of formula children also receive higher than average grants in Virginia, but not in Florida or Maryland. This is another reflection of the way in which even moderately high numbers of formula children can substantially influence the distribution of Targeted and EFIG Grants, even for LEAs that have very low school-age child poverty rates by national standards.

[46] A comparison of the LEAs with the highest numbers of formula children and the highest school-age child poverty rates nationwide (i.e., across states) would show greater variation in grants per formula child between these two groups of LEAs. However, those differences would result largely, but not totally, from differences in state expenditure factors, as LEAs with the nation's highest poverty rates are generally located in states with low expenditure factors.

Table 16. Illustration of the Effect of the Title I-A Formulas on LEAs with High Numbers but Low Percentages of Formula Children Comparing LEAs in the Same State

LEA	Total Number of Formula Children, FY2008	Formula Child Rate, FY2008	Grants Per Formula Child, FY2008				
			Total Title I-A	Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants
A. Florida							
LEAs with relatively large numbers, but relatively low percentages, of formula children							
Broward County School District	42,837	13.9%	$1,419	$576	$149	$383	$311
Brevard County School District	10,414	12.8%	$1,284	$576	$149	$308	$251
LEAs with Relatively Large Numbers and Above-average Percentages of Formula Children							
Dade County School District	89,990	22.0%	$1,499	$576	$149	$427	$347
LEAs with Very High Percentages of Formula Children							
Hardee County School District	1,692	32.8%	$1,204	$576	$149	$264	$215
Holmes County School District	977	33.1%	$1,208	$576	$149	$266	$217
State Total/average	495,604	17.27%	$1,324	$576	$139	$336	$273
B. Maryland							
LEAs with Relatively Large Numbers, but Relatively Low Percentages, of Formula Children							
Baltimore County Public Schools	10,549	8.0%	$1,960	$911	$230	$441	$378
Prince George's County Public Schools	15,105	9.6%	$1,937	$822	$212	$475	$428
LEAs with Relatively Large Numbers and Above-average Percentages of Formula Children							
Baltimore City Public School System	34,984	31.1%	$2,048	$822	$212	$521	$494
LEAs with Very High Percentages of Formula Children							
Dorchester County Public Schools	1,035	20.4%	$1,483	$822	$212	$261	$188

LEA	Total Number of Formula Children, FY2008	Formula Child Rate, FY2008	Grants Per Formula Child, FY2008				
			Total Title I-A	Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants
Somerset County Public Schools	856	26.0%	$1,577	$822	$212	$313	$229
State Total/average	104,513	10.4%	$1,840	$872	$180	$419	$369
C. Virginia							
LEAs with Relatively Large Numbers, but Relatively Low Percentages, of Formula Children							
Virginia Beach City Public Schools	8,187	9.7%	$1,639	$712	$184	$354	$389
Fairfax County Public Schools	10,034	5.5%	$1,709	$712	$184	$377	$436
LEAs with Relatively Large Numbers and Above-average Percentages of Formula Children							
Richmond City Public Schools	8,597	29.8%	$1,657	$712	$184	$360	$401
Norfolk City Public Schools	10,553	26.6%	$1,724	$712	$184	$382	$446
LEAs with Very High Percentages of Formula Children							
Town of Colonial Beach Public Schools	208	42.8%	$1,846	$748	$184	$412	$503
Franklin City Public Schools	474	33.1%	$1,586	$712	$184	$329	$361
State total/average	157,663	12.2%	$1,434	$722	$127	$284	$300

Source: Table prepared by CRS.

Thus, while the Targeted and EFIG Grant formulas cannot be said to be sharply biased against relatively small LEAs with high poverty rates, LEA size (in terms of numbers of formula children) can be said to have somewhat greater influence on allocation patterns than poverty rates. If desired, an adjustment for this pattern could be accomplished through changes in the weights associated with different ranges of LEA formula child numbers and rates. For example, the formula child percentage scale could be left as is under the Targeted Grant formula, while revising the formula child number scale to top out at 2.0 or 2.5, instead of 3.0, with comparable changes made to the three sets of weighting scales used for EFIG Grants. Alternatively, LEAs with relatively large numbers of formula children could be required to have minimum poverty rates in order to benefit from the full formula child weight on the numbers scale. For example, if an LEA has a formula child rate of less than 20% (approximately the national average), its numbers scale weight could be multiplied by its formula child percentage divided by 20%.

Should the Expenditure Factors Continue to Play a Major Role in the Title I-A Formulas?

The state expenditure factors, while little noticed, have a major impact on the distribution of Title I-A grants. As discussed above, they are the same statewide, with no consideration of local variations; they likely provide little incentive to increase state spending on K-12 education; and they reflect differences in ability to raise revenues at least as much as differences in costs. Perhaps the best argument for continuing them is that they partially, roughly, and indirectly compensate for the lack of a geographical cost adjustment for the poverty population factor income thresholds.[47]

As was discussed earlier, the Title I-A expenditure factor for a given fiscal year is equal to state[48] current[49] expenditures for public elementary and secondary education per pupil in average daily attendance[50] in the third preceding fiscal year. This amount is multiplied by a "federal share" of 0.4. Floor and ceiling constraints are placed on this calculation. For three of the four formulas—Basic, Concentration, and Targeted Grants—these are 80% and 120%, respectively, of the national average. For the fourth formula—Education Finance Incentive Grants—the floor and ceiling are 85% and 115%, respectively, of the national average. Until recently, the expenditure factor floor was adjusted for one jurisdiction, Puerto Rico, that is otherwise treated as a state in the Title I-A formulas.[51] **Table 17**, below, presents state expenditure factors that were used in calculating Title I-A grants for FY2008 (school year 2008-2009).

As seen in **Table 17**, among the 50 states and the District of Columbia (i.e., excluding Puerto Rico), the FY2008 expenditure factor ranges from $2,956 to $4,435, a ratio of 1.5 to 1, for all formulas except EFIG Grants, and from $3,141 to $4,250, a ratio of 1.35 to 1, for the EFIG formula. In effect, the expenditure factor acts as a "weight" applied to each formula's population factor, resulting in grants per formula child that are 50% higher in states at the expenditure factor ceiling than for states at the floor under Basic, Concentration, and Targeted Grants, and 35% higher under EFIG Grants, when all other relevant factors are held constant.

[47] The income thresholds used to determine whether a family is poor vary by family size, but not by state or locality.

[48] All state and local source funds are included, but most federal source funds are excluded from this calculation.

[49] Capital expenditures (for construction and debt repayment related to facilities) are not included.

[50] The denominator in this calculation is the average pupil attendance over the course of the school year, not (for example) pupil enrollment or membership.

[51] Before enactment of the NCLB, for Puerto Rico only, the minimum state expenditure factor for each of the four Title I-A allocation formulas was further multiplied by the ratio of the Puerto Rico average expenditure per pupil divided by the lowest average expenditure per pupil for any state. For FY2001, the last pre-NCLB year, this ratio was approximately 75.0%; as a result, the FY2001 grant to Puerto Rico was approximately one-third less than the amount it would have received if it were treated in the same manner as the 50 states and the District of Columbia. The NCLB placed a floor on this ratio, which rose in steps from 77.5% for FY2002 to 100.0%—i.e., the same minimum expenditure factor as for a state—for FY2007 and beyond. The scheduled increases in the Puerto Rico expenditure factor are not to be implemented if doing so would result in a decrease in the grant to any state. The scheduled increases took place each year except FY2007. However, the final step, to 100.0% of the minimum expenditure factor for a state, took effect in FY2008.

Table 17. ESEA Title I-A State Expenditure Factors for FY2008

State	Expenditures Per Pupil	Expenditure Factor for all but EFIG Grants	Expenditure Factor for EFIG Grants
United States	$9,239	$3,696	$3,696
Alabama	$7,299	$2,956	$3,141
Alaska	$12,004	$4,435	$4,250
Arizona	$7,110	$2,956	$3,141
Arkansas	$8,143	$3,257	$3,257
California	$7,969	$3,188	$3,188
Colorado	$8,303	$3,321	$3,321
Connecticut	$13,014	$4,435	$4,250
Delaware	$11,871	$4,435	$4,250
District of Columbia	$16,416	$4,435	$4,250
Florida	$7,779	$3,112	$3,141
Georgia	$8,581	$3,432	$3,432
Hawaii	$10,322	$4,129	$4,129
Idaho	$6,524	$2,956	$3,141
Illinois	$9,734	$3,894	$3,894
Indiana	$9,072	$3,629	$3,629
Iowa	$8,041	$3,216	$3,216
Kansas	$9,381	$3,752	$3,752
Kentucky	$8,439	$3,376	$3,376
Louisiana	$8,115	$3,246	$3,246
Maine	$11,175	$4,435	$4,250
Maryland	$11,130	$4,435	$4,250
Massachusetts	$12,158	$4,435	$4,250
Michigan	$10,119	$4,048	$4,048
Minnesota	$9,223	$3,689	$3,689
Mississippi	$6,999	$2,956	$3,141
Missouri	$8,219	$3,288	$3,288
Montana	$8,865	$3,546	$3,546
Nebraska	$9,447	$3,779	$3,779
Nevada	$7,202	$2,956	$3,141
New Hampshire	$10,304	$4,122	$4,122
New Jersey	$14,842	$4,435	$4,250
New Mexico	$7,882	$3,153	$3,153
New York	$15,498	$4,435	$4,250

State	Expenditures Per Pupil	Expenditure Factor for all but EFIG Grants	Expenditure Factor for EFIG Grants
North Carolina	$7,505	$3,002	$3,141
North Dakota	$8,309	$3,324	$3,324
Ohio	$9,634	$3,854	$3,854
Oklahoma	$6,786	$2,956	$3,141
Oregon	$8,694	$3,478	$3,478
Pennsylvania	$10,997	$4,399	$4,250
Puerto Rico	$5,093	$2,956	$3,141
Rhode Island	$13,410	$4,435	$4,250
South Carolina	$8,166	$3,266	$3,266
South Dakota	$7,678	$3,071	$3,141
Tennessee	$6,754	$2,956	$3,141
Texas	$7,554	$3,022	$3,141
Utah	$5,521	$2,956	$3,141
Vermont	$12,739	$4,435	$4,250
Virginia	$9,618	$3,847	$3,847
Washington	$8,170	$3,268	$3,268
West Virginia	$9,232	$3,693	$3,693
Wisconsin	$9,981	$3,992	$3,992
Wyoming	$11,820	$4,435	$4,250

Source: CRS calculations based on source data from the U.S. Department of Education, National Center for Education Statistics.

Rationale for the Current Expenditure Factor

The Title I-A allocation formulas have included an expenditure factor since the program was initiated in 1965 (P.L. 89-10).[52] Proponents of inclusion of the expenditure factor in the Title I-A allocation formulas have argued that this serves four policy goals:

- It recognizes and compensates for differences in the costs of providing public elementary and secondary education in different areas of the Nation, by providing higher grants per child to areas with higher educational costs.

[52] Floor and ceiling provisions for the expenditure factor varied from the current provisions during Title I-A's early years. In the original legislation (P.L. 89-10), there was no floor or ceiling on the state average per pupil expenditure, and the "federal share" was 0.5, rather than the current 0.4. ESEA amendments adopted in 1966 (P.L. 89-313) made the cost factor equal to the greater of state or national average expenditures per pupil. The current expenditure factor, as applied in three of the four Title I-A formulas—the state average expenditure per pupil, with a floor of 80% and a ceiling of 120% of the national average, multiplied by 0.4—was adopted under the Education Amendments of 1974 (P.L. 93-380). Finally, the current EFIG formula expenditure factor (with floor and ceiling of 85% and 115% of the national average) was adopted under the NCLB of 2001.

- It provides an incentive for states and LEAs to increase spending for public elementary and secondary education, since Title I-A grants would be increased in response to increases in state and local spending.
- It rewards states that spend relatively high amounts per pupil for public K-12 education.
- Since no geographic cost of living adjustment is applied to the income thresholds used to calculate estimated numbers of school-age children in poor families, and since (it is argued) such costs of living tend to be correlated with variations in average expenditures per pupil, the expenditure factor helps to treat different regions of the nation more fairly than a reliance on poverty data alone.

There are limits associated with each of these rationales. A difficulty with the first rationale is that the expenditure factor is based on levels of state and local *spending*, and is not a measure or index of the *costs* of providing public elementary and secondary education in the various states. A cost index would measure the relative costs of providing a *standardized* service in different states or localities. In contrast, the Title I-A expenditure factor measures the average level of expenditures per pupil in each state for public elementary and secondary education services which may vary substantially in nature and quality. State average differences in expenditures per pupil are likely to vary in part due to underlying differences in the costs of providing similar educational services, but also in response to such factors as differences in ability to pay for educational services; the relative priority that a state's population places on elementary and secondary education (as opposed to other public services or tax limitation); the nature of the services provided; and even the relative share of a state's total population that consists of school-age children and youth.[53] Further, since the Title I-A expenditure factor is the same for all LEAs in each state, it could not account for the potentially large differences in the costs of providing public education among the LEAs *within* states.

With respect to the second rationale for inclusion of the expenditure factor in the ESEA Title I-A allocation formulas, it is true that for many states, future Title I-A grants would increase in response to an increase in the level of state and local expenditures per pupil for public elementary and secondary education. However, several considerations are likely to significantly limit the impact of the Title I-A expenditure factor as a potential incentive to raise state and local public education spending, including the following.

- An increase in state and local expenditures per pupil would lead to an increase in Title I-A grants only if the rate of increase in expenditures per pupil were greater than the national average increase in expenditures per pupil over the relevant time period. For example, if the national average level of expenditures per pupil increased by 4% from one year to the next, a state would have to increase its level of expenditures per pupil by more than 4% in order to experience any increase in Title I-A grants.
- If a state's expenditure factor were already significantly more than 120%, or significantly below 80%, of the national average (115% and 85% for EFIG Grants), then an increase in state and local spending might have no effect on the state's Title I-A expenditure factor. For example, if a substantial increase in state

[53] States where the share of total population that is aged 5-17 is relatively low tend to have relatively high average expenditures per pupil, and vice versa, other relevant factors (such as fiscal capacity) being approximately equal.

and local spending were to increase a state's expenditure factor from 70% to 75%, or from 125% to 130%, of the national average, there would be no significant effect on Title I-A grants to the state.[54]

- Since the expenditure factor is the same for all LEAs in each state, and is based on aggregate state and local source spending within the state, it is likely to provide little incentive for individual LEAs to increase their level of spending, since such increases might have very little impact on aggregate state expenditures per pupil.
- Even if the relative level (in comparison to other states) of a state's expenditure factor were to increase, and the state fell between the floor and ceiling parameters, so an increase would have a direct impact on the state's expenditure factor as used in the Title I-A formulas, the amount of the consequent increase in Title I-A grants would likely be very small in comparison to the size of the increase in state and local spending. For example, if California (a state at 86% of the national average for FY2008) were to have increased its average expenditure per pupil for 2005-2006 (the year upon which the expenditure factor for FY2008 grants was based) by $100, and if all other relevant factors (such as the expenditure factors for other states) remained constant, then estimated total Part A grants to California for FY2008 would increase by $10.7 million. This is equivalent to only 1.7% of the $635 million in additional spending of state and local funds that would have been necessary to increase the expenditure factor for California by $100 per pupil for that year. It seems unlikely that such a relatively small "bonus," with a three-year time lag, would provide substantial motivation to states and LEAs in deciding whether to increase their level of spending for public elementary and secondary education.

Regarding the third rationale noted above, the current expenditure factor certainly does reward states with relatively high levels of spending for public K-12 education per pupil. However, it does not reward effort—expenditures relative to each state's fiscal capacity, i.e., its ability to raise revenues.

Finally, with respect to the fourth rationale for the current expenditure factor, it is true that the income thresholds used to determine whether or not a family is poor vary only by family size, not by the state or locality in which the family resides. As a result, it can be reasonably argued that the number of school-age children in poor families is underestimated in areas with high living costs, and possibly overestimated in areas with relatively low living costs. Proposals have been made to incorporate a geographic cost of living adjustment to the poverty thresholds,[55] but none of these has yet been adopted by the Federal Government. Nevertheless, there is no widely-accepted measure of variation in state or local costs of living,[56] and no definitive evidence that such costs are closely associated with variations in state average expenditures per pupil.

[54] There would be a marginal effect of raising the national average expenditure per pupil, and thereby raising the floor and ceiling, potentially raising the Title I-A grant to the state. However, the expenditure factor would also increase for all states at the floor or ceiling (and those with expenditures per pupil between the current ceiling and the new one), so the net level of increase in grants for the state in question would be exceptionally small.

[55] See, for example, "Measuring Poverty, A New Approach," National Academy of Sciences, 1995.

[56] As is discussed further below, such measures have been developed on an experimental basis.

Alternatives to the Title I-A Expenditure Factor

Some policy analysts have expressed concerns about the Title I-A expenditure factor, partly because of the limits on the factor's rationale discussed above, and partly because of its "disequalizing" effect, since on average it provides higher grants per formula child to states with relatively high average levels of income than to states with relatively lower income levels.[57]

Use the National Average as the Expenditure Factor for All States

The simplest alternative to the current Title I-A expenditure factor provision would be to eliminate the factor completely—i.e, use the national average expenditure per pupil as the expenditure factor for all states.[58] This would follow the example of the other very large federal K-12 education program—the state grant program under Part B of the Individuals with Disabilities Education Act (IDEA)—under which the national average is used as an expenditure factor for all states. **Table 18**, below, shows the estimated impact on FY2008 Title I-A grants of totally eliminating a (varying) expenditure factor—i.e., using the national average as the expenditure factor for all states, the District of Columbia, and Puerto Rico. This allocation formula change would significantly affect the estimated level of grants to most states. While there would be no estimated change in grants to states receiving the minimum grant amount under all four formulas (Alaska, Delaware, New Hampshire, North Dakota, South Dakota, Vermont and Wyoming), grants to many states would change substantially. Estimated grants would rise by 10% or more for such relatively low expenditure factor states as Alabama, Nevada, North Carolina, Oklahoma, and Tennessee ; while they would decline by 10% or more for relatively high expenditure factor states such as Connecticut, Maine, Maryland, Massachusetts, Nebraska, New Jersey, and Pennsylvania.

It is worth noting that the "dividing line" between gaining and losing states as a result of eliminating the expenditure factor would not actually be the national average expenditure factor, but rather would be somewhat below that, typically approximately 93-95% of the national average. In other words, losing states would include not only all those with average expenditures per pupil above the national average, but also those with expenditures slightly below the average. This is because the national average is, in effect, an average weighted on the basis of the *total* school-age population in each state, whereas it would be the national average weighted by each state's number of *poor and other children counted in the Title I-A formulas* that would be relevant to Part A grants. Since many of the states with the greatest concentrations of poor school-age children also tend to have relatively low expenditure factors, the average expenditure factor weighted according to poor children is below the national average weighted according to total school-age children.

[57] See, for example, "Interstate Inequality in Educational Opportunity," by Goodwin Liu, *New York University Law Review*, December 2006, pages 2044-2128.

[58] A variation of this would include narrowing the bounds on the expenditure factor, for example, to a floor and ceiling of 90% and 110%, respectively, of the national average.

Table 18. Actual State Total Allocations under Title I, Part A of the Elementary and Secondary Education Act (ESEA) for FY2008 under Current Law and Estimated FY2008 Grants Under an Alternative Formula Under Which the National Average Expenditure Factor Is Used for All States

State	Estimated FY2008 Grant Using National Average Expenditure Factor for Each State	Actual FY2008 Grant	Percentage Difference, Estimated Grant vs. Actual
Alabama	$238,061,000	$215,192,000	10.6
Alaska	$38,846,000	$38,846,000	0.0
Arizona	$295,440,000	$274,777,000	7.5
Arkansas	$148,647,000	$144,268,000	3.0
California	$1,767,463,000	$1,698,808,000	4.0
Colorado	$137,091,000	$135,392,000	1.3
Connecticut	$104,022,000	$115,562,000	-10.0
Delaware	$38,380,000	$38,380,000	0.0
District of Columbia	$45,747,000	$47,295,000	-3.3
Florida	$707,349,000	$656,255,000	7.8
Georgia	$441,793,000	$446,271,000	-1.0
Hawaii	$42,060,000	$44,337,000	-5.1
Idaho	$50,229,000	$46,663,000	7.6
Illinois	$561,663,000	$593,980,000	-5.4
Indiana	$237,859,000	$247,109,000	-3.7
Iowa	$75,600,000	$72,717,000	4.0
Kansas	$89,079,000	$95,359,000	-6.6
Kentucky	$208,498,000	$208,551,000	0.0
Louisiana	$303,792,000	$294,843,000	3.0
Maine	$45,388,000	$51,525,000	-11.9
Maryland	$171,446,000	$192,239,000	-10.8
Massachusetts	$202,869,000	$233,354,000	-13.1
Michigan	$475,441,000	$527,255,000	-9.8
Minnesota	$119,428,000	$126,936,000	-5.9
Mississippi	$204,985,000	$187,346,000	9.4
Missouri	$229,829,000	$225,205,000	2.1
Montana	$42,728,000	$43,555,000	-1.9
Nebraska	$54,244,000	$60,246,000	-10.0
Nevada	$90,651,000	$80,755,000	12.3
New Hampshire	$38,201,000	$38,198,000	0.0
New Jersey	$248,351,000	$286,765,000	-13.4
New Mexico	$119,596,000	$113,156,000	5.7

State	Estimated FY2008 Grant Using National Average Expenditure Factor for Each State	Actual FY2008 Grant	Percentage Difference, Estimated Grant vs. Actual
New York	$1,117,112,000	$1,226,786,000	-8.9
North Carolina	$396,320,000	$358,570,000	10.5
North Dakota	$33,747,000	$33,742,000	0.0
Ohio	$473,890,000	$511,797,000	-7.4
Oklahoma	$164,870,000	$148,406,000	11.1
Oregon	$136,247,000	$139,987,000	-2.7
Pennsylvania	$498,612,000	$565,518,000	-11.8
Puerto Rico	$572,073,000	$510,525,000	12.1
Rhode Island	$50,223,000	$52,978,000	-5.2
South Carolina	$211,199,000	$205,597,000	2.7
South Dakota	$41,542,000	$41,539,000	0.0
Tennessee	$267,630,000	$239,072,000	11.9
Texas	$1,406,168,000	$1,299,356,000	8.2
Utah	$65,921,000	$60,019,000	9.8
Vermont	$32,867,000	$32,862,000	0.0
Virginia	$204,003,000	$226,096,000	-9.8
Washington	$196,828,000	$191,853,000	2.6
West Virginia	$93,647,000	$99,607,000	-6.0
Wisconsin	$186,805,000	$199,030,000	-6.1
Wyoming	$31,516,000	$31,516,000	0.0
Total	$13,755,995,000	$13,755,995,000	0.0

Source: Actual grants for FY2008—U.S. Department of Education. Estimated grants for FY2008 using the national average expenditure factor for all states—CRS estimates based on data provided by the U.S. Department of Education.

Note: 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 that states will receive.

Replace the Expenditure Factor With a Cost Index

A second alternative to the current Title I-A expenditure factor would involve substituting a cost index for it. This would be conceptually appropriate, assuming that the primary purpose of the expenditure factor is to reflect differences in costs. The major obstacle is the lack of an official, or otherwise widely accepted, index for state or local variations in the costs of providing public elementary and secondary education. Nevertheless, serious efforts have been made to develop such an index, and the results of one such recent project are shown in **Table 19**, below. **Table 19** compares the current Title I-A expenditure factor (with both sets of floors and ceilings, 80-120% and 85-115%) with a Comparable Wage Index (CWI) that has been developed as a measure for comparing educational costs across states and localities. Both the expenditure factor and the CWI are expressed as index numbers with a national average value of 1.00. No floor or ceiling has

been applied to the CWI (as it falls beyond the bounds of 0.80-1.20 in extremely few cases), while the two current combinations of floor and ceiling have been applied to the Title I-A expenditure factor.

The CWI attempts to measure state and local differences in the costs of providing public K-12 education by focusing on the primary source of such costs, salaries for teachers and other professional staff.[59] Further, in order to minimize the influence of factors that can be influenced by SEA and LEA policies, the CWI is based on wages paid to individuals in professions with similar educational requirements *outside of* K-12 education. Thus, the focus is on the competitive labor market conditions faced by local school systems in hiring and retaining staff.

As can be seen in columns E and F of **Table 19**, there are numerous substantial differences in relative state values (i.e., state value compared to the national average) for the Title I-A expenditure factors versus the CWI. This has at least two implications: (a) use of the CWI as a substitute for the current expenditure factor would result in very substantial shifts in Title I-A grants among the states; and (b) to the extent that the CWI may be considered to be an appropriate measure of the relative costs of providing public K-12 education, the correlation between this measure and the expenditure factor is very limited. There are several states where the expenditure factor is above the national average but the CWI is below average (Alaska, Hawaii, Kansas, Maine, Michigan, Nebraska, New Hampshire, Ohio, Pennsylvania, Vermont, Wisconsin, and Wyoming), and a smaller number of other states with a relatively low expenditure factor but a CWI that is at or above the national average (California and Washington). It is also clear that variations among the states with respect to the CWI are less than variations in the expenditure factor, even with the application of floors or ceilings to the latter but not the former. Only two states (Montana and South Dakota) have a CWI index for 2005 that is below .80, and only the District of Columbia has a CWI index above 1.20.

In order to reflect not only interstate, but also intrastate, differences in costs, the CWI has been calculated for individual LEAs, as well as states. However, the CWI is the same for all LEAs in the same metropolitan area. The current Title I-A expenditure factor could also be calculated for and applied to all individual LEAs, rather than being applied only at the state level.[60]

Table 19. Comparison of State Expenditure Factor and the Comparable Wage Index (CWI)

A	B	C	D	E	F
State	**Expenditure Index FY2008, 80-120 Limits**	**Expenditure Index FY2008, 85-115 Limits**	**CWI Index**	**Percentage Difference, Col. D - Col. B**	**Percentage Diff, Col. D - Col. C**
United States	1.00	1.00	1.00	0%	0%
Alabama	0.80	0.85	0.88	10%	3%
Alaska	1.20	1.15	0.95	-21%	-17%

[59] For details on the CWI, see "A Comparable Wage Approach to Geographic Cost Adjustment," by Lori L. Taylor and William J. Fowler, Jr., published by the U.S. Department of Education, National Center for Education Statistics, May 2006. Available at http://nces.ed.gov/pubs2006/2006321.pdf.

[60] In recent years, relevant finance data have been collected for all LEAs by the National Center for Education Statistics and the Census Bureau.

A	B	C	D	E	F
State	**Expenditure Index FY2008, 80-120 Limits**	**Expenditure Index FY2008, 85-115 Limits**	**CWI Index**	**Percentage Difference, Col. D - Col. B**	**Percentage Diff, Col. D - Col. C**
Arizona	0.80	0.85	0.92	15%	8%
Arkansas	0.88	0.88	0.82	-7%	-7%
California	0.86	0.86	1.10	27%	27%
Colorado	0.90	0.90	0.96	7%	7%
Connecticut	1.20	1.15	1.10	-8%	-4%
Delaware	1.20	1.15	1.02	-15%	-12%
District of Columbia	1.20	1.15	1.23	2%	7%
Florida	0.84	0.85	0.93	10%	9%
Georgia	0.93	0.93	0.98	6%	6%
Hawaii	1.12	1.12	0.95	-15%	-15%
Idaho	0.80	0.85	0.81	1%	-5%
Illinois	1.05	1.05	1.03	-2%	-2%
Indiana	0.98	0.98	0.89	-10%	-10%
Iowa	0.87	0.87	0.84	-4%	-4%
Kansas	1.02	1.02	0.85	-17%	-17%
Kentucky	0.91	0.91	0.88	-3%	-3%
Louisiana	0.88	0.88	0.87	-1%	-1%
Maine	1.20	1.15	0.83	-30%	-27%
Maryland	1.20	1.15	1.08	-10%	-6%
Massachusetts	1.20	1.15	1.09	-9%	-5%
Michigan	1.10	1.10	0.98	-11%	-11%
Minnesota	1.00	1.00	0.97	-3%	-3%
Mississippi	0.80	0.85	0.83	4%	-2%
Missouri	0.89	0.89	0.90	2%	2%
Montana	0.96	0.96	0.74	-23%	-23%
Nebraska	1.02	1.02	0.85	-17%	-17%
Nevada	0.80	0.85	0.99	24%	17%
New Hampshire	1.12	1.12	0.93	-17%	-17%
New Jersey	1.20	1.15	1.13	-6%	-2%
New Mexico	0.85	0.85	0.88	3%	3%
New York	1.20	1.15	1.12	-7%	-3%
North Carolina	0.81	0.85	0.94	16%	11%
North Dakota	0.90	0.90	0.80	-11%	-11%
Ohio	1.04	1.04	0.96	-8%	-8%
Oklahoma	0.80	0.85	0.84	5%	-1%

A	B	C	D	E	F
State	**Expenditure Index FY2008, 80-120 Limits**	**Expenditure Index FY2008, 85-115 Limits**	**CWI Index**	**Percentage Difference, Col. D - Col. B**	**Percentage Diff, Col. D - Col. C**
Oregon	0.94	0.94	0.91	-3%	-3%
Pennsylvania	1.19	1.15	0.95	-20%	-17%
Puerto Rico	0.80	0.85	na	na	na
Rhode Island	1.20	1.15	1.01	-16%	-12%
South Carolina	0.88	0.88	0.90	2%	2%
South Dakota	0.83	0.85	0.76	-8%	-11%
Tennessee	0.80	0.85	0.92	15%	8%
Texas	0.82	0.85	0.99	21%	16%
Utah	0.80	0.85	0.92	15%	8%
Vermont	1.20	1.15	0.85	-30%	-26%
Virginia	1.04	1.04	1.08	4%	4%
Washington	0.88	0.88	1.04	17%	17%
West Virginia	1.00	1.00	0.85	-15%	-15%
Wisconsin	1.08	1.08	0.95	-12%	-12%
Wyoming	1.20	1.15	0.81	-33%	-30%

Source: CRS calculations based on data from the U.S. Department of Education, National Center for Education Statistics.

Note: The CWI data are for 2005.

Replace the Expenditure Factor With an Effort Index

Since major, if secondary, rationales for the current Title I-A expenditure factor are to provide an incentive for increased spending for public K-12 education or to reward high levels of expenditures, a third alternative to the current factor might be an effort index. This would reward high levels of expenditures for public K-12 education *relative to* each state's fiscal capacity—i.e., its ability to pay.

An effort index is included in the Title I-A Education Finance Incentive Grant formula. It is based on a three-year average of expenditures per pupil relative to personal income per capita for the state compared to the national average. However, in addition to affecting only one of the four Title I-A formulas, this factor is quite limited in its impact, as a floor of 0.95 and a ceiling of 1.05 are placed on the effort index (compared to a national average of 1.0).

A K-12 education expenditure effort index that is more broad than the one used in the EFIG formula is illustrated in **Table 20**, below. It is based upon *total* state and local expenditures for public K-12 education relative to a measure of *Total Taxable Resources (TTR)*, not just personal income, compiled by the U.S. Department of Commerce. The TTR index is a comprehensive measure of the relative ability of state and local governments to raise revenues.[61]

[61] For a description of the methodology used to calculate the TTR index, see http://www.treasury.gov/offices/ (continued...)

Since, unlike the CWI-based cost index, the TTR-based effort index varies among the states approximately as widely as the Title I-A expenditure factor if left unconstrained (from 0.68 for Delaware to 1.43 for Vermont), separate comparisons are made between the two current versions of the expenditure factor and versions of the effort factor using the same limits (80%/120% and 85%/115% of the national average). Thus, Column E represents the percentage difference between the TTR-based effort index with 80% and 120% limits (Col. C of **Table 20**) and the expenditure factor with the same limits (Col. B of **Table 19**), and Column F represents the percentage difference between the TTR-based effort index with 85% and 115% limits (Col. D of **Table 20**) and the expenditure factor with those limits (Col. C of **Table 19**).

Table 20. Comparison of State Expenditure Factor and Education Expenditure Effort Index Based on Total K-12 Education Expenditures Relative to Total Taxable Resources (TTR)

A	B	C	D	E	F
State	TTR-Based Effort Index	TTR-Based Effort Index, 80-120 Limits	TTR-Based Effort Index, 85-115 Limits	Percentage Difference, 80-120 Limits	Percentage Difference, 85-115 Limits
United States	1.00	1.00	1.00	0%	0%
Alabama	0.94	0.94	0.94	17%	10%
Alaska	1.16	1.16	1.15	-3%	0%
Arizona	0.88	0.88	0.88	10%	3%
Arkansas	1.14	1.14	1.14	29%	29%
California	0.92	0.92	0.92	7%	7%
Colorado	0.80	0.80	0.85	-11%	-5%
Connecticut	1.01	1.01	1.01	-16%	-12%
Delaware	0.68	0.80	0.85	-33%	-26%
District of Columbia	0.71	0.80	0.85	-33%	-26%
Florida	0.75	0.80	0.85	-5%	0%
Georgia	1.02	1.02	1.02	10%	10%
Hawaii	0.91	0.91	0.91	-18%	-18%
Idaho	0.98	0.98	0.98	22%	15%
Illinois	0.95	0.95	0.95	-10%	-10%
Indiana	1.08	1.08	1.08	10%	10%
Iowa	0.93	0.93	0.93	7%	7%
Kansas	0.98	0.98	0.98	-3%	-3%
Kentucky	0.99	0.99	0.99	8%	8%
Louisiana	0.98	0.98	0.98	12%	12%
Maine	1.27	1.20	1.15	0%	0%

(...continued)

economic-policy/resources/nmpubsum.pdf.

A	B	C	D	E	F
State	TTR-Based Effort Index	TTR-Based Effort Index, 80-120 Limits	TTR-Based Effort Index, 85-115 Limits	Percentage Difference, 80-120 Limits	Percentage Difference, 85-115 Limits
Maryland	0.90	0.90	0.90	-25%	-22%
Massachusetts	1.00	1.00	1.00	-17%	-13%
Michigan	1.25	1.20	1.15	10%	5%
Minnesota	0.89	0.89	0.89	-11%	-11%
Mississippi	1.08	1.08	1.08	34%	27%
Missouri	0.91	0.91	0.91	2%	2%
Montana	1.09	1.09	1.09	14%	14%
Nebraska	0.98	0.98	0.98	-4%	-4%
Nevada	0.69	0.80	0.85	0%	0%
New Hampshire	0.97	0.97	0.97	-13%	-13%
New Jersey	1.23	1.20	1.15	0%	0%
New Mexico	1.08	1.08	1.08	27%	27%
New York	1.18	1.18	1.15	-2%	0%
North Carolina	0.82	0.82	0.85	1%	0%
North Dakota	0.89	0.89	0.89	-1%	-1%
Ohio	1.09	1.09	1.09	5%	5%
Oklahoma	0.96	0.96	0.96	20%	13%
Oregon	0.88	0.88	0.88	-6%	-6%
Pennsylvania	1.09	1.09	1.09	-9%	-6%
Puerto Rico	na	na	na	na	na
Rhode Island	1.11	1.11	1.11	-8%	-4%
South Carolina	1.07	1.07	1.07	21%	21%
South Dakota	0.78	0.80	0.85	-4%	0%
Tennessee	0.78	0.80	0.85	0%	0%
Texas	0.99	0.99	0.99	21%	17%
Utah	0.90	0.90	0.90	12%	6%
Vermont	1.43	1.20	1.15	0%	0%
Virginia	0.87	0.87	0.87	-17%	-17%
Washington	0.83	0.83	0.85	-6%	-4%
West Virginia	1.34	1.20	1.15	20%	15%
Wisconsin	1.10	1.10	1.10	2%	2%
Wyoming	0.93	0.93	0.93	-23%	-19%

Source: CRS calculations based on data from the U.S. Department of Commerce and the U.S. Department of Education, National Center for Education Statistics.

Again, as indicated in Columns E and F of **Table 20**, there are in many cases notable differences between the relative level of state effort, according to this measure, and of the state expenditure factor (which is not repeated in **Table 20**—see **Table 19**). States where the *effort index* is *much higher* (at least 10% in one or both comparisons) than the expenditure index include Alabama, Arizona, Arkansas, Georgia, Idaho, Indiana, Louisiana, Michigan, Mississippi, Montana, New Mexico, Oklahoma, South Carolina, Texas, Utah, and West Virginia. Many of these are Southern and Western states with relatively low expenditure factors but also with relatively low total taxable resources. In contrast, states where the effort index is *much lower* (again, at least 10% in one or both comparisons) than the expenditure index include Colorado, Connecticut, Delaware, Hawaii, Illinois, Maryland, Massachusetts, Minnesota, New Hampshire, Virginia, and Wyoming, plus the District of Columbia. Many of these states have expenditure factors that are above the national average, but also have relative levels of total taxable resources that exceed the national average to a substantially greater degree.

Should There Be Some Consolidation of the Four Different Allocation Formulas?

Although there are differences among the four Title I-A allocation formulas, and each of them has a somewhat distinctive distributional pattern, it may be questioned whether each formula serves a sufficiently distinct role and purpose as to justify its continued use. This potential issue will be noted only briefly here, but there may be interest in some degree of consolidation of the four Title I-A LEA allocation formulas. It has never been directly intended that portions of Title I-A appropriations be allocated under four different formulas. The four-formula strategy has resulted from compromises over proposals to replace previous proposals with a single new formula. At the least, the use of four different allocation formulas for portions of each year's Title I-A appropriations leads to complication and occasional confusion.

Historically, the Tile I-A program has tended to have one formula under which almost all LEAs qualify, Basic Grants, and one or more formulas that are targeted more on LEAs relatively high percentages and/or numbers of school age children in poor families. This pattern could be resumed through either selection of one of the remaining three formulas—Concentration, Targeted, and EFIG Grants—or some new formula combining elements of these, as the second, more targeted, formula. For example, the Concentration, Targeted and EFIG Grant formulas be combined into a single formula through application of the effort and equity factors to the Targeted Grant formula, incorporating the Targeted Grant formula's child weighting factors, along with a higher eligibility threshold, as under Concentration Grants.

Should the Authorization Level for Title I-A Continue to Be Specified for Future Years, and If So, at What Levels?

Since the enactment of the NCLB, a great deal of attention has been paid to the level of funding appropriated for Title I-A in comparison to the amount authorized. Over the decades since enactment of the original ESEA in 1965, the typical pattern of ESEA authorizing statutes has been to specify an authorized level of appropriations only for the first year of the authorization period (if at all) for Title I-A, and to simply authorize "such sums as may be necessary" for the remaining years. The NCLB broke with this pattern, specifying authorization amounts for Title I-A for each of FY2002-2007.

The question of authorized funding levels is closely linked to concepts of "full funding" for this program. For Title I-A, many program advocates have argued that the "full funding" level should be based on maximum payment calculations under the Basic Grant allocation formula, even in years when no authorization level was explicitly specified. As discussed earlier in this report, the Title I-A Basic Grant formula establishes a maximum payment based on poor and other "formula children" multiplied by a state expenditure factor. The total of these maximum payments is understood by a number of analysts to represent the "full funding" level for Part A. In contrast, at least during periods when Title I-A authorizations are explicitly specified in statute (e.g., FY2002-2007), many argue that these authorization amounts are the only meaningful concepts of "full funding" for Title I-A.

There is a link between the two alternative "full funding" concepts for Title I-A. In the NCLB, Title I-A appropriations authorization levels were specified for each of FY2002-FY2007. Under the automatic extension provisions of the General Education Provisions Act, the FY2007 authorization applied to FY2008 as well. The FY2007 amount was set at a level approximately equal to the level of maximum Basic Grants as of FY2001 (the year preceding enactment of NCLB). Thus, the implicit goal was for funding to increase from the then-current appropriation level to the then-current maximum payment level for Basic Grants over the period of FY2002-2007. In practice, over the FY2002-FY2007 period, the appropriation for Title I-A was below the authorized amount each year, with the gap between authorization and appropriation increasing each year. In addition, by the end of the period to which the NCLB authorizations applied (FY2008), maximum Basic Grants had grown from approximately $25 billion to an estimated $33.2 billion. Thus, the practical impact of specifying authorization amounts for each year may be questioned. In addition, any authorization levels for the Title I-A program thus far may be deemed to be somewhat arbitrary, since there is no precise way to specify the level of additional spending necessary to raise the achievement of low-achieving pupils to a proficient level.

At the same time, specified authorizations do provide a goal for those seeking increased funding, and express the judgment of those involved in the authorizing process of an appropriate level of funding. Finally, if authorization issues are to be specified for future years, there may be proposals to link implementation of certain Title I-A requirements to the provision of authorized (or some other specified) levels of appropriations, or even to appropriate the authorized amounts in reauthorization legislation.

Table 21, below, provides appropriations for FY2001-FY2009 compared to authorization levels for Title I-A overall, where applicable. Under the automatic extension provisions for the General Education Provisions Act, the Title I-A authorization level for FY2008 was the same as the FY2007 level. For fiscal years beyond FY2008, there is no specific authorization level for Title I-A, until new authorization legislation is enacted.

For FY2002, the Title I-A authorization was $13.5 billion, and the appropriation was $10.35 billion.[62] This FY2002 appropriation level represented a substantial increase of 17.0% over the FY2001 level for Title I-A. Appropriations also increased significantly, by 14.0%, for FY2003 compared to FY2002. Appropriations continued to increase, but at a declining rate, for FY2004 compared to FY2003 (5.6%). Funding was essentially flat over the period of FY2004-FY2007 for

[62] The discussion in this section of the report considers only the authorization and appropriations for Title I-A grants to LEAs. It does not consider the separate authorization and (beginning in FY2007) appropriations for Title I-A school improvement grants.

Title I-A. Finally, for FY2008, funding for Title I-A increased by 8.3% over FY2007. For FY2009, regular appropriations are 4.3% over those for FY2008. However, the additional amounts provided under the American Recovery and Reinvestment Act (ARRA) represent a much larger increase, the specific size of which depends on the extent to which these additional funds are considered as FY2009 or FY2010 amounts.

Table 21. Authorizations and Appropriations for ESEA Title I-A Grants to LEAs, FY2001-FY2009

(in millions of dollars)

Fiscal Year	ESEA Title I-A		
	Appropriation	Authorization	Appropriation as a Percentage of Authorization
2001	$8,763	na	na
2002	10,250	$13,500	76%
2003	11,689	16,000	73%
2004	12,342	18,500	67%
2005	12,740	20,500	62%
2006	12,713	22,750	56%
2007	12,838	25,000	51%
2008	13,899	25,000	57%
2009 Regular Appropriation	14,492	na	na
2009 ARRA	10,000	na	na

Source: CRS calculations based on authorization levels in the NCLB and annual appropriations.

Another trend is that over the period of FY2002-FY2007, appropriations represented a decreasing share of authorizations for Title I-A each year, although this proportion rose somewhat in FY2008. For FY2002, the first year under the NCLB, the appropriation for Title I-A was 76% of the amount authorized. By FY2007, the appropriation represented 51% of the Title I-A authorization. For FY2008, this proportion rose to 57%.

If the model of the NCLB were to be followed in reauthorization legislation, and if the latter were to be enacted during FY2009, then explicit authorization levels might increase in steps from the FY2009 appropriation[63] to the estimated FY2008 maximum Basic Grant level of $33.2 billion. An alternative approach might involve stepwise movement toward a level of maximum Basic Grants as projected for the *last* year of the new authorization period, rather than the year preceding the new authorization period. The second approach would undoubtedly yield substantially higher authorization levels.

[63] In the process, it would need to be decided whether to include all Title I-A appropriations provided under the ARRA as FY2009 appropriations, or to divide them between FY2009 and FY2010, or perhaps not to consider them as all, under an assumption that this represents extraordinary, one-time funding.

Should the Effort Factor in the Education Finance Incentive Grant Formula Be Modified?

As discussed above, the effort factor used in the Title I-A EFIG formula is based on a comparison of state average per pupil expenditure (APPE) for public elementary and secondary education with state personal income per capita (PCI). More specifically, it is the ratio of APPE to PCI for each state divided by the ratio of APPE to PCI for the nation. The resulting index number is greater than 1.0 for states where the ratio of expenditures per pupil for public elementary and secondary education to personal income per capita is greater than average for the nation as a whole, and below 1.0 for states where the ratio is less than average for the nation as a whole. Narrow bounds of 0.95 and 1.05 are placed on the resulting multiplier.

There are two potential issues related to the current structure of this effort factor. First, the rather narrow bounds on the effort factor mean that its impact is quite limited and mostly symbolic. This could be resolved by expanding the bounds, perhaps to the same range (compared to the national average) as the expenditure factor (0.85-1.15 for EFIG grants, 0.80-1.20 for the other three formulas.

Second, as noted above, it is based on *individual* factors—i.e., average *per pupil* expenditure and personal income *per capita*. An alternative structure would be based on *aggregate* measures—e.g., *total* state and local expenditures for public K-12 education and *total* personal income (or Total Taxable Resources, as discussed earlier with respect to the expenditure factor) in each state. While the concepts are similar, the two different measures of effort have substantially different implications for which states may be considered to exert high versus low levels of effort. The differences are primarily based on state demographic patterns. In many of the states with high expenditures per pupil the share of the population that is school-age (5-17) is relatively low, and vice-versa. Thus, an individual measure of effort tends to favor states with relatively few school-age children, many of them in the northeastern and north central regions, while an aggregate measure would tend to favor states where comparatively high shares of the population are of school age, most of which are in the south and west.

The difference between individual and aggregate measures of effort is illustrated in **Table 22** below. It compares an effort measure based on individual factors to one based on aggregate factors for each state. In order to illustrate the maximum possible effect of using each type of index, the effort measures in **Table 22** are shown with no bounds.[64]

As seen in **Table 22**, the differences between individual and aggregate measures of state effort are often quite substantial. For the District of Columbia and states such as Hawaii, Delaware, New York, Rhode Island, Montana, Pennsylvania, and Maine, the aggregate measure of effort is much lower than the individual measure. In contrast, for states such as Utah, Texas, Alaska, and California, the aggregate measure of effort is much higher than the individual measure. However, the impact of the differences depend heavily on whether the bounds on the EFIG formula effort factor remain narrow; if the bounds continue to be 0.95-1.05, then most of the differences seen in **Table 22** would be irrelevant, because most states would be held at either the 0.95 floor or the 1.05 ceiling if either effort concept were applied.

[64] In addition, the effort measures in **Table 22** are based on data for only the most recent year, while the current EFIG formula effort measure is based on data averaged over the most recent 3 year period.

Table 22. Individual and Aggregate Measures of State Effort

State	Individual Effort, No Limits	Aggregate Effort, No Limits	Percentage Difference, Aggregate Minus Individual
United States	1.00	1.00	0%
Alabama	0.98	0.99	1%
Alaska	1.28	1.48	16%
Arizona	0.90	0.90	0%
Arkansas	1.12	1.13	1%
California	0.81	0.92	14%
Colorado	0.81	0.79	-3%
Connecticut	0.98	1.02	4%
Delaware	1.19	1.03	-14%
District of Columbia	1.17	0.74	-37%
Florida	0.87	0.78	-9%
Georgia	1.06	1.12	6%
Hawaii	1.17	0.99	-16%
Idaho	0.83	0.91	10%
Illinois	0.99	0.94	-4%
Indiana	1.10	1.10	1%
Iowa	0.95	1.00	5%
Kansas	1.06	1.05	-1%
Kentucky	1.12	1.01	-10%
Louisiana	1.00	0.95	-5%
Maine	1.40	1.24	-11%
Maryland	1.03	0.95	-7%
Massachusetts	1.04	0.98	-5%
Michigan	1.20	1.21	1%
Minnesota	0.93	0.92	0%
Mississippi	1.00	1.04	4%
Missouri	1.00	0.96	-4%
Montana	1.12	0.99	-12%
Nebraska	1.09	1.06	-3%
Nevada	0.78	0.79	1%
New Hampshire	1.04	1.02	-2%
New Jersey	1.29	1.31	1%
New Mexico	1.08	1.17	9%
New York	1.40	1.21	-14%

State	Individual Effort, No Limits	Aggregate Effort, No Limits	Percentage Difference, Aggregate Minus Individual
North Carolina	0.93	0.90	-3%
North Dakota	0.90	0.84	-7%
Ohio	1.15	1.11	-4%
Oklahoma	0.82	0.89	8%
Oregon	1.03	0.93	-10%
Pennsylvania	1.16	1.04	-11%
Rhode Island	1.41	1.21	-14%
South Carolina	1.09	1.05	-3%
South Dakota	0.87	0.82	-6%
Tennessee	0.83	0.78	-6%
Texas	0.85	0.99	16%
Utah	0.76	0.92	21%
Vermont	1.43	1.38	-4%
Virginia	0.99	0.96	-3%
Washington	0.83	0.80	-4%
West Virginia	1.29	1.26	-2%
Wisconsin	1.12	1.09	-3%
Wyoming	1.14	1.13	-1%

Source: CRS table and calculations based on expenditure data from the National Center for Education Statistics and personal income data from the Bureau of Economic Analysis.

Notes: The effort measures in the table above are based on data for only the most recent year, while the current EFIG formula effort measure is based on data averaged over the most recent three-year period. In addition, comparable data are not available for Puerto Rico; under current law, the effort factor for Puerto Rico is set at the lowest level for any state (0.95).

Should the Equity Factor in the Education Finance Incentive Grant Formula Be Modified?

As was discussed above, the EFIG formula equity factor is based upon a measure of the average disparity in average per pupil expenditure among the LEAs of a state called the *coefficient of variation* (CV). The CV is expressed as a decimal proportion of the state average per pupil expenditure. In the CV calculations for this formula, an extra weight (1.4 vs. 1.0) is applied to estimated counts of children from poor families. The effect is that grants would be maximized for a state where expenditures per pupil from a poor family are 40% higher than expenditures per pupil from a non-poor family. Typical state equity factors range from 0.0 (for the single-LEA jurisdictions of Hawaii, Puerto Rico, and the District of Columbia, where by definition there is no variation among LEAs), to approximately 0.25 for a state with high levels of variation in

expenditures per pupil among its LEAs; the equity factors for most states fall into the 0.10 - 0.20 range.[65] In calculating grants, the equity factor is subtracted from 1.30 to determine a multiplier to be used in calculating state grants. As a result, the lower a state's expenditure disparities among its LEAs, the lower is its CV and equity factor, the higher is its multiplier and its grant under the EFIG formula. Conversely, the greater a state's expenditure disparities among its LEAs, the higher is its CV and equity factor, and the lower is its multiplier and its grant under the EFIG formula.

There are two potential issues regarding the current structure of this factor. The first is whether there should be adjustments not only for school-age children in poor families, but also for other "high cost" groups of pupils, particularly LEP pupils and pupils with disabilities. In the past, a constraint here has been the availability of data. Although that may have been resolved, concerns about the consistency of data remain. As discussed above, estimates of the number of school-age children in poor families are prepared annually by the Census Bureau through the Small Area Income and Poverty Estimates program. Data on LEP pupils and pupils with disabilities by LEA are now compiled and published by ED through the National Center for Education Statistics' Common Core of Data program. However, the system for reporting these data, by LEA and state, raises concerns about consistency across the nation, especially with respect to LEP pupils. In addition, if weights for LEP pupils and pupils with disabilities were to be included in the calculation of state equity factors, questions would arise regarding the appropriate weights to apply and possible adjustment for the fact that many pupils exhibit two or more of these characteristics.[66]

A second potential issue regarding the current structure of the EFIG formula equity factor is whether alternative concepts of equity should be applied in place of the coefficient of variation. While the CV is one of the most commonly used measures of school finance equity within states, other measures are also frequently employed. A review of alternative measures of school finance equity among the LEAs in each state is beyond the scope of this report. A report published in 2000 by the national Center for Education Statistics provides a review of major alternative school finance equity concepts with data for states applying each of these measures.[67]

Should the Current Provisions for Intra-LEA Allocation Be Reconsidered?

As was discussed above, in the allocation of Title I-A funds to individual schools, LEAs must generally rank their public schools by their percentage of pupils from low-income families, and serve them in rank order. All participating schools must generally have a percentage or number of

[65] There is a special provision for states meeting the expenditure disparity standard established in regulations for the Impact Aid program (ESEA Title VIII), for which the equity factor is capped at a maximum of 0.10. For an explanation of the Impact Aid equalization provision, see CRS Report RL34119, *Impact Aid for Public K-12 Education: Reauthorization Under the Elementary and Secondary Education Act*, by (name redacted) and (name redacted), pages 17-18.

[66] The 0.4 weight now applied to estimated numbers of school-age children in poor families is based primarily on the Basic Grant maximum grant calculation of 40% of state average per pupil expenditure (with 80%-120% of national average limits) per formula child.

[67] William J. Hussar and William Sonnenberg, *Trends in Disparities in School District Level Expenditures per Pupil*, U.S. Department of Education, National Center for Education Statistics, Statistical Analysis Report NCES 2000-020, Washington, DC, January 2000.

children from low-income families that is higher than the LEA's average, or 35%, whichever of these two figures is *lower*,[68] although LEAs have the option of setting school eligibility thresholds higher than the minimum in order to concentrate available funds on a smaller number of schools. LEAs can generally choose to focus Title I-A services on selected grade levels (e.g., only in elementary schools), but they must usually provide services in all schools, whatever their grade level, where the percentage of pupils from low-income families is 75% or more. Once schools are selected, Title I-A funds are allocated among them (and reserved for services to private school pupils) in proportion to their number of pupils from low-income families, although grants to eligible schools per pupil from a low-income family need not be equal for all schools. LEAs may choose to provide higher grants per child from a low-income family to schools with higher percentages of such pupils. If a LEA provides Title I-A funds to schools with low-income pupil percentages below 35%, then it must provide a minimum amount of funds per child from a low-income family—equal to at least 125% of the LEA's Title I-A grant per child from a low-income family—to each participating school.

The primary issue that has arisen with respect to intra-LEA allocation of Title I-A funds is whether an equitable share of funds is being allocated to middle and high schools. In the 2004-2005 school year, an estimated 56% of all public schools in the nation received Title I-A grants. Elementary schools (70%) are much more likely than secondary schools (39%) to receive Title I-A grants. [69] Reports on student participation by grade levels indicate that a large majority of participants (73%) are in prekindergarten through grade 6, while only 18% are in grades 7-9 and 9% in grades 10-12.[70]

The relatively low share of Title I-A funds being allocated to middle and high schools has resulted from two factors. First, LEAs have tended to use their discretion to focus funds on selected grade levels (after all schools with 75% or more from low-income families are served) to concentrate assistance on schools serving pupils at grades K-6. Second, both because they tend to serve larger, less homogeneous populations than elementary schools, and because older students are less likely to participate in the free and reduced-price school lunch programs, the percentage of pupils from low-income families tends to be lower for middle and especially high schools than for elementary schools.

The low Title I-A participation rates for middle and high schools is of concern both because resources may not be equitably distributed in relation to student need, and because corrective actions and other consequences for failure to meet adequate yearly progress standards need only be applied, under federal law, to schools that participate in Title I-A. Thus, there has been increased interest in proposals intended to increase the share of Title I-A funds being allocated to middle and high schools. In its ESEA reauthorization proposal released in early 2007, the Bush Administration proposed that Title I-A funding increases be distributed such that "Districts will

[68] This minimum percentage is reduced from 35% to 25% for schools participating in certain desegregation plans.

[69] Jay G. Chambers, Irene Lamb, and Kanya Mahitivanichcha, et al., *State and Local Implementation of the No Child Left Behind Act: Volume VI—Targeting and Uses of Federal Education Funds*, U.S. Department of Education, Office of Planning, Evaluation, and Policy Development, Policy and Program Studies Service, A report from the National Longitudinal Study of No Child Left Behind (NLS-NCLB) and the Study of State, Washington, DC, January 2009, p. p. 23, 28, and 50. http://www.ed.gov/rschstat/eval/disadv/nclb-targeting/nclb-targeting.pdf.

[70] Elizabeth Dabney, *State ESEA Title I Participation Information for 2003-04*, U.S. Department of Education, Washington, DC, 2007.

have to give their high schools at least 90 percent of the high schools' proportionate share of the increased funds."[71] Details on exactly how this policy would be implemented were not published.

Another alternative would be to emphasize, encourage, or perhaps even require use of a school selection option that is currently sanctioned by ED policy guidance—use of the "feeder school" concept to increase Title I-A funding for middle and high schools.[72] Under current policy guidance, LEAs may project low-income pupil rates for middle and high schools based on the rates for elementary or (in the case of high schools) middle schools whose graduates attend those secondary schools. For example, if all of a middle school's students come from two elementary schools in the same LEA, and those elementary schools have an average (weighted by enrollment) of 60% of their pupils from low-income families, then the middle school may also be deemed to have a 60% low income pupil percentage, even if the directly measured percentage for the middle school is lower than that.

Title I-A Allocation Formula Issues Affecting a Limited Number of States or LEAs

Should the Last Remaining Special Constraints on Grants to Puerto Rico Be Removed?

In recent decades, Puerto Rico has been treated as a state in the Title I-A allocation formulas, but with a few special provisions that resulted in Puerto Rico receiving grants that were somewhat lower than it would receive if it were treated fully as a state. The most significant of these constraints placed a limit on Puerto Rico's expenditure factor that was lower than the minimum expenditure factor for any state. However, the NCLB provided for a gradual phase-out of this constraint, and this was fully implemented with respect to FY2008 grants.

Two special constraints on Title I-A grants to Puerto Rico remain, each of which affects only one of the four allocation formulas. First, the effort factor under the EFIG formula is set at the minimum level (0.95) for Puerto Rico. However, this provision has limited (if any) impact. As was discussed above, the effort factor has such a limited range (0.95-1.05) that its effect on the grant to any state is marginal. Nevertheless, if the calculated effort factor for Puerto Rico were higher (up to the limit of 1.05), removing this constraint would increase EFIG grants to Puerto Rico.[73]

Of potentially greater significance for Puerto Rico is the second current constraint on its grant. Under the Targeted Grant formula, a cap is placed on the net, aggregate weight applied to Puerto Rico's formula child count. This cap, of 1.82, was intended to provide to Puerto Rico a share of total Targeted Grants that was equivalent to its share of funds under the previously funded Basic

[71] U.S. Department of Education, Building on Results: A Blueprint for Strengthening the No Child Left Behind Act, Washington, DC, January 2007, p. 10.

[72] U.S. Department of Education, Local Educational Agency Identification and Selection of School Attendance Areas and Schools and Allocation of Title I Funds to Those Areas and Schools, Washington, DC, 2003, p. 12.

[73] Data for Puerto Rico that are fully comparable to those used to calculate the effort factor for the states plus the District of Columbia are not immediately available.

and Concentration Grant formulas. It is substantially lower than the weight that would be applied to Puerto Rico's Targeted Grant formula child count if unconstrained. If unconstrained, the net aggregate formula child weight for Puerto Rico under the Targeted Grant formula would be approximately 2.94, resulting in an increase in the Targeted Grant to Puerto Rico of approximately 60%, and a consequent decrease in the Targeted Grants to the states and the District of Columbia.

Should the Temporary Assistance to Needy Families (TANF) Population Factor Be Eliminated?

As noted earlier, the TANF population factor is now extremely small (less than 0.1% of all formula children). It may be questioned whether any formula factor that affects only a small minority of LEAs and states, and is comparatively small even when counted, should continue to be included in the Title I-A formulas.

For FY2008, only 542 of the nation's LEAs (4.1% of all LEAs receiving Title I-A grants) have *any* children counted under the TANF factor. Children counted under the TANF factor constitute 1% or more of all Title I-A formula children in 148 of the nation's LEAs, and in no case do they constitute more than 12% of total Title I-A formula children. All but five of the LEAs where TANF children constitute 1% or more of all formula children are in the states of New York or Ohio, and all but two of these LEAs (Columbus, Ohio, and New York County, New York) are small.

The significance of this formula factor is essentially historic. In the early years of the Title I-A program, formula children included those in poor families school-age children in families whose income exceeded the poverty level as a result of payments under the Aid to Families with Dependent Children (AFDC, now TANF) program. During a period in the early 1970s, the children counted under the AFDC factor actually exceeded those counted under the "poverty" factor.[74] However, after 1974 amendments to Title I-A, the AFDC/TANF children have constituted a rapidly declining minority of all Title I-A formula children.

Should Each County Portion of New York City and Other Multi-County LEAs Continue to Be Treated as Separate LEAs Under the Title I-A Allocation Formulas?

With the exception of three areas of the Nation, each LEA is treated as a single entity by ED in calculating total grants to be allocated *to* the LEA under Title I-A . In addition, in all except these three areas, Title I-A funds are allocated *within* each LEA in a manner that treats schools with similar characteristics (e.g., their percentage of pupils from low-income families, among schools at the same grade level) consistently LEA-wide. In almost all cases, Section 1113 of Title I-A

[74] From the initial adoption of the ESEA in 1965 until the Education Amendments of 1974 (P.L. 93-380), Title I-A formula children included school-age children in families with income below a fixed level of $2,000 plus school-aged children in families receiving AFDC payments above $2,000. With the advent of data from the 1970 Census, the AFDC portion of the formula exceeded the number of children in families with income below $2,000. In the 1974 amendments, the $2,000 income criterion was replaced with the standard Census measure of poverty, and children in such poor families constituted a majority of all formula children.

requires that schools be selected to receive Title I-A grants using a single poverty standard, based on the percentage of pupils from low-income families, which is the same throughout the LEA. Also in almost all cases, LEAs are required either to allocate to participating schools equal amounts of Title I-A funds per child from a low-income family, or to allocate varying amounts per low-income child only if this results in providing higher amounts per low-income child to schools with higher percentages of pupils from low-income families. In other words, in every LEA except three special cases, there is a single, LEA-wide policy to determine which schools may participate in Title I-A and the level of Title I-A funds per low-income child that will be allocated to participating schools.

Under the provisions of ESEA Title I, Part A, Section 1124(c)(2), an exception to this general policy is made for one class of LEAs—those which serve two or more counties *in their entirety*.[75] There are three such areas in the Nation: (1) New York City, a single, citywide LEA that serves five counties (Bronx, Kings (Brooklyn), New York (Manhattan), Queens, and Richmond (Staten Island)) in their entirety; (2) the state of Hawaii, a single statewide LEA that serves all of the state's five counties (Hawaii, Honolulu, Kalawao, Kauai, and Maui); and (3) the Williamsburg/James City County LEA in Virginia, that serves a county plus an independent city that is treated as if it were a county in ED's allocation procedures. For these three LEAs, each county (or independent city)[76] is treated as if it were a separate LEA in the calculation of LEA total grants by ED.

In the allocation of Title I-A funds to these LEAs, each county unit is treated by ED and the SEA as if it were a separate LEA. The separately-calculated grants under the four Part A formulas are combined into a single, total grant to the LEA. Then, in the allocation of most of these funds[77] to individual eligible schools, instead of applying consistent policies LEA-wide, these three LEAs must insure that the share of the LEA's total grant that is allocated to schools in each county is the same as the county's share of the school-age population counts used by ED in calculating the LEA's total grant. Thus, for example, if one county in a multi-county LEA has 30% of the children counted in calculating the Title I-A allocations for the LEA, then 30% of the Title I-A funds which the LEA allocates to individual schools must be allocated to eligible schools in that county.

The multi-county LEA provision was added to Title I-A in the 1994 Improving America's Schools Act (IASA, P.L. 103-382), and was extended without revision by the No Child Left Behind Act of 2001 (NCLBA, P.L. 107-110). Prior to adoption of the IASA, Title I-A grants were calculated by ED by county, and SEAs suballocated county totals to LEAs. Each county in these multi-county LEAs was treated as a separate entity in the allocation of funds *to*, although not *within*, LEAs. The IASA provided that, beginning in FY1999, if certain conditions were met, ED would begin calculating grants by LEA. The multi-county LEA provision was adopted, in part, to preserve the former policy of treating each county separately (at least in the allocation of funds *to* the LEA) after that transition.[78] Further, with respect to the allocation of funds to schools within these

[75] There are numerous LEAs which serve *portions* of two or more counties. However, this provision does not apply to them.

[76] In the remainder of this discussion, the term "county" will be used to refer to both counties and independent cities (i.e., cities over which no county has jurisdiction), which are treated as counties in ED's allocation procedures. There are a limited number of such independent cities in the nation; many of them are in Virginia.

[77] All LEAs have substantial discretion regarding the share of Title I-A funds which is allocated to individual schools, as opposed to being used for centrally-administered services, or for administration, planning, and related activities.

[78] While the focus was on the FY1999 transition to calculating grants by LEA, this provision was interpreted by ED as (continued...)

multi-county LEAs, the IASA provision addressed the concern expressed by some that schools in certain counties were receiving a share of Title I-A grants which was substantially lower than the share of LEA total grants generated by their formula population counts. *The implementation of this provision has generated significant debate only with respect to New York City; therefore the remainder of this discussion will deal specifically with that LEA.*

Impact on Total Title I-A Grants to the New York City LEA

The multi-county LEA provision has a relatively small, but potentially significant, impact on the *total* level of funding to the New York City LEA. As shown in **Table 23**, total (combining all four formulas) estimated grants to the New York City LEA for FY2008 would be somewhat higher if it were treated as a single LEA in the calculation of LEA grants by ED. This difference is due to the Targeted Grant formula and, to a lesser extent, the Education Finance Incentive Grant formula, under both of which the LEA's estimated total grant would be higher if New York City were treated as a single LEA. Under each of these formulas, LEAs receive higher grants per formula child, the higher is their total number of formula children or their formula child percentage (compared to total school age population). Thus, under each of these formulas, the total grant to New York City would be somewhat higher if citywide numbers of formula children were combined.

Table 23. Total ESEA Title I-A Grants to New York City for FY2008 If Treated as Five LEAs vs. One LEA

Title I-A formula	Actual FY2008 grant: total for 5 counties treated separately	Estimated FY2008 grant if New York City were treated as a single LEA	Percentage difference (single LEA minus current law)
Basic grants	$346,093,000	$336,919,000	-2.7%
Concentration grants	$87,540,000	$85,163,000	-2.7%
Targeted grants	$227,801,000	$244,312,000	7.2%
Education Finance Incentive Grants	$189,525,000	$193,085,000	1.9%
Total Part A grants	$850,959,000	$859,479,000	1.0%

Source: Table prepared by CRS.

Note: These are estimated grants only. 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 which LEAs will receive.

However, for FY2008, these increases in Targeted and EFIG Grants are almost totally offset by estimated deceases in Basic and Concentration Grants to New York City if it were treated as a single LEA. The reason for this is that Basic and Concentration Grants are at a hold harmless level for FY2008 for all Boroughs except Richmond under current law, and for the City overall if treated as a single LEA. As was discussed above, hold harmless percentages (85%, 90%, or 95%)

(...continued)

applying immediately after enactment of the IASA—i.e., beginning in FY1995. Since ED was still calculating grants by county from FY1995-98, the provision affected only the intra-LEA allocation of funds during that period.

vary among LEAs depending on their poverty rate. When treated as one LEA, the hold harmless rate for New York City is 90%, but if treated as five LEAs, Bronx and New York counties qualify for the higher 95% hold harmless rate. Thus, in periods when the estimated number of formula children is declining significantly for New York City, as is the case for FY2008, the City receives higher grants under the Basic and Concentration Grant formulas when treated as five LEAs rather than one. In contrast, if the City's share of the Nation's estimated number of formula children were steady or increasing, it would receive the same amount under Basic and Concentration Grants, and substantially more under Targeted and EFIG Grants, if treated as a single LEA.

Impact on the Allocation of Title I-A Funds Within the New York City LEA

With respect to the allocation of funds to schools, it would be theoretically possible for the affected LEAs to comply with the multi-county LEA provision of Title I-A by either establishing varying school eligibility thresholds in each county, then allocating the same dollar amount per low-income child to each eligible school, or by setting the same eligibility threshold for schools LEA-wide and allocating varying amounts per low-income child to eligible schools in each county, or a combination of these two types of adjustments. Between 1995 and 2003, New York City, in consultation with ED staff, applied a standard school eligibility threshold citywide, varying only the allocation per low-income child to comply with the Title I-A county provision. As a result, allocations per low-income pupil in Title I-A-eligible schools varied widely among the City's counties.[79]

However, beginning with the 2003-2004 school year, again in consultation with ED staff, New York City has employed a combination of variations in school eligibility thresholds and allocations per low-income child in order to comply with the county provision. As seen in **Table 24**, in the 2008-2009 school year, both the Title I-A funds per low-income pupil and school eligibility thresholds vary among the five counties in New York City. As shown in **Table 24**, the school eligibility threshold is slightly lower for Queens county (55.71%), and much lower for Richmond county (37.84%), than for the other 3 counties in New York City (60.00%). At the same time, the amount allocated to schools in each county, per child from a low-income family attending an eligible school, varies from a high of $1,274.33 for New York county to $906.77 for Queens county.

The last 2 columns of **Table 24** also show the estimated effects of applying a standard school eligibility threshold and grant per child from a low-income family citywide. For purposes of illustration, the same total amount is allocated to schools as for 2008-2009 actual grants; i.e., there is no attempt to reflect the effects of potentially increased total grants to New York City if it were treated as a single LEA (as discussed above). It is assumed that a standard school eligibility threshold of 60.0% is applied citywide, with a resulting standard grant per child from a low-income family of $1,765.32. As a result, the amount allocated to schools in Richmond county is estimated to decline by approximately 49% and the amount to Kings county by 11%, while the estimated amounts to the other 3 counties would increase by 2% for Queens county, 3% for Bronx county, and 9% for New York county.[80]

[79] For example, in FY2002, a standard school eligibility threshold of 62% was applied citywide. However, the grants to these schools, per child from a low-income family, were $762 in Bronx county, $1,038 in Kings county, $934 in New York county, $947 in Queens county, and $2,193 in Richmond county.

[80] Note: In calculating these estimates, schools receiving Title I-A grants for 2008-2009 due to a "grandfather clause," allowing them to participate even though they currently fall below their county's eligibility threshold, are excluded. (continued...)

The primary basis for this variation—between actual grants based on current policy versus estimated grants if the Title I-A multi-county LEA provision were eliminated—is the difference in the distribution among New York City's counties of: (a) *total* school-age children in poor families[81], versus (b) school-age children from low-income families[82] who live in areas of *concentrated* poverty. In general, all LEAs receive Title I-A grants on the basis of *all* of their children in poor families, but funds are allocated only to schools serving areas of *concentrated* poverty.

As shown in **Table 24**, for FY2008 (school year 2008-2009), Richmond County has 3.6% of the total school-age children in poor families used by ED in calculating Title I-A grants. However, it has only an estimated 1.5% of the City's total low-income pupils living in areas of concentrated poverty and attending public schools meeting a citywide standard for Title I-A eligibility of 60.0%. In contrast, Queens County has 15.4% of the total school-age children in poor families used by ED in calculating Title I-A grants, but 19.4% of the City's total low-income pupils living in areas of concentrated poverty and attending schools meeting the citywide standard for Title I-A eligibility.

Arguments *in favor* of the current special rule regarding multi-county LEAs include:

- The individual counties of New York City have been treated as separate entities in the allocation of Title I-A funds to (although not always within) the City ever since the program was initiated in 1965 (previous to implementation of the current multi-county LEA policy, grants were calculated nationwide by county).
- Under this provision, schools in each county receive a share of funds which is proportional to their number of school-age children in poor families.
- As the largest LEA in the Nation, New York City is a special case, and it is appropriate to divide it into its primary constituent parts in the allocation of Title I-A grants.

Arguments *opposing* this special rule—i.e., in favor of treating New York City and the other two affected LEAs in the same manner as all other LEAs in the Nation—include:

- New York City is a single LEA, and similarly situated schools should be treated the same wherever they may be located within the City.
- Eliminating this special provision would, overall, increase targeting by shifting funds away from the New York City county with the lowest school-age child poverty rate (Richmond), while increasing funds to two of the counties with the highest poverty rates (Bronx and New York)
- The City overall would receive increased Title I-A funds if it were treated as a single LEA in the national allocation formulas.

(...continued)

Also, homeless children and youth attending non-Title I-A schools are excluded from these calculations.

[81] The term, "school-age children in poor families" is used in this report section to refer to the total number of children counted in the allocation of Title I-A funds to LEAs.

[82] In part because the population data used in the formulas for allocating funds to LEAs are generally not available for individual schools, LEAs are authorized to use other, usually broader, measures of low-income (such as pupils receiving free or reduced-price lunches) to select schools to participate in Title I-A and allocate funds among them.

Table 24. Data Regarding Allocation of Title I-A Funds to Public Schools in New York City in the 2008-2009 School Year

County (Borough)	School-age child poverty rate (FY2008)	Number of poor and other children counted in the national allocation formulas (FY2008)	Share of city total	Title I-A eligibility threshold for schools (2008-2009 actual)	Title I-A grant per low-income pupil in a Title I school (2008-2009 actual)	Aggregate amount to schools (2008-2009 actual)	Estimated number of children in low-income families in schools at or above 60.0%	Share of City total	Estimated Title I-A grants to schools for 2008-2009 if equal thresholds and per-pupil amounts applied LEA-wide
Bronx	38.65%	110,726	29.3%	60.00%	$1,061.38	$248,371,146	144,685	30.1%	$255,416,000
Kings (Brooklyn)	29.52%	137,262	36.4%	60.00%	$1,161.38	$314,018,478	158,554	32.9%	$279,899,000
New York (Manhattan)	32.89%	57,676	15.3%	60.00%	$1,274.33	$125,371,146	77,551	16.1%	$136,903,000
Queens	16.24%	58,060	15.4%	55.71%	$906.77	$136,756,077	93,275	19.4%	$164,661,000
Richmond (Staten Island)	15.80%	13,607	3.6%	37.84%	$1,029.01	$25,059,295	7,193	1.5%	$12,698,000
New York City Total	27.53%	377,331	100.0%			$849,576,142	481,258	100.00%	$849,576,000

Source: Table prepared by CRS based on provisions of ESEA Title I-A.

Note: These are estimated grants only. 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 which LEAs will receive.

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