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Allocation of Funds Under Title I-A of the Elementary and Secondary Education Act: Formula Changes Under S. 1177 and H.R. 5

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Summary

The Elementary and Secondary Education Act (ESEA) was last comprehensively reauthorized by the No Child Left Behind Act of 2001 (NCLB; P.L. 107-110). During the 114th Congress, the House Education and the Workforce Committee reported the Student Success Act (H.R. 5), which would provide for a comprehensive reauthorization of the ESEA. The bill was subsequently passed on the House floor on July 7, 2015. The Senate Health, Education, Labor, and Pensions (HELP) Committee reported the Every Child Achieves Act of 2015 (ECAA; S. 1177), which was subsequently passed on the Senate floor on July 16, 2015.

Title I-A of the ESEA authorizes 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 students attending pre-kindergarten through grade 12 schools with relatively high concentrations of students from low-income families. Title I-A has also become a vehicle to which a number of requirements affecting broad aspects of public K-12 education for all students have been attached as conditions for receiving Title I-A grants. It is the largest program authorized under the ESEA and was funded at $14.4 billion for FY2015.

Under Title I-A, funds are allocated to LEAs via states using four different allocation formulas specified in statute: Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Grants (EFIG). Annual appropriations bills specify that portions of each year's appropriation be allocated under each of these different formulas. Under three of the formulas—Basic Grants, Concentration Grants, and Targeted Grants—funds are initially calculated at the LEA level. State grants are the total of allocations for all LEAs in the state adjusted for state minimum grant provisions. Under EFIG, grants are first calculated for each state overall and are subsequently suballocated to LEAs within a state using a different formula. Once funds reach LEAs, the amounts allocated under the four formulas are combined and used jointly.

H.R. 5 and S. 1177 would both make changes to the formulas used to allocate funds under Title I-A. Under S. 1177, an Equity Grant formula would be added to the existing formulas used to distribute Title I-A funds to state educational agencies (SEAs) and LEAs. S. 1177 would also modify the process by which Title I-A funds are allocated from LEAs to schools. Under H.R. 5, a new option for distributing funds from the state level to LEAs and from LEAs to schools would be available. This option is often referred to as the "state option" or "Title I portability." H.R. 5 would also make changes to the determination of weighted child counts under two of the four Title I-A formulas included in current law.

This report begins with a detailed discussion of how Title I-A grants are determined under current law. It then discusses the changes to these formulas that have been proposed by S. 1177 and H.R. 5. **Table A-1** in **Appendix A** provides an overview of the key elements included in the four Title I-A formulas authorized under current law and the Equity Grant formula that would be added by S. 1177.

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Introduction

The Elementary and Secondary Education Act (ESEA) was last comprehensively reauthorized by the No Child Left Behind Act of 2001 (NCLB; P.L. 107-110). The authorization of appropriations for most programs authorized by the ESEA extended through FY2007.[1] As Congress has not reauthorized the ESEA, there is currently no explicit authorization of appropriations for ESEA programs. However, because the programs continue to receive annual appropriations, appropriations are considered implicitly authorized.

During the 114th Congress, the House Education and the Workforce Committee reported the Student Success Act (H.R. 5), which would provide for a comprehensive reauthorization of the ESEA. The bill was subsequently passed on the House floor on July 7, 2015. The Senate Health, Education, Labor, and Pensions (HELP) Committee reported the Every Child Achieves Act of 2015 (ECAA; S. 1177), which was subsequently passed on the Senate floor on July 16, 2015.[2]

H.R. 5 and S. 1177 would both make changes to the formulas used to allocate funds under Title I-A of the ESEA. Under S. 1177, an Equity Grant formula[3] would be added to the existing formulas used to distribute Title I-A funds to state educational agencies (SEAs) and local educational agencies (LEAs). S. 1177 would also modify the process by which Title I-A funds are allocated from LEAs to schools. Under H.R. 5, a new option for distributing funds from the state level to LEAs and from LEAs to schools would be available. This option is often referred to as the "state option" or "Title I portability."[4] H.R. 5 would also make changes to the determination of weighted child counts under two of the four Title I-A formulas included in current law.

This report begins with a detailed discussion of the four Title I-A formulas used to determine grants under current law. It then discusses changes to these formulas proposed by S. 1177 and H.R. 5. **Table A-1** in **Appendix A** provides an overview of the key elements included in the four current formulas and the Equity Grant formula that would be added by S. 1177.

Determination of Title I-A Grants Under Current Law

Title I-A of the ESEA authorizes aid to LEAs for the education of disadvantaged children. Title I-A grants provide supplementary educational and related services to low-achieving and other students attending pre-kindergarten through grade 12 schools with relatively high concentrations of students from low-income families. Title I-A has also become a vehicle to which a number of requirements affecting broad aspects of public K-12 education for all students have been attached

[1] The General Education Provisions Act (GEPA) provided a one-year extension of ESEA program authorizations. GEPA provides that "the authorization of appropriations for, or duration of, an applicable program shall be automatically extended for one additional fiscal year unless Congress, in the regular session that ends prior to the beginning of the terminal fiscal year of the authorization of such program" (20 U.S.C. 1226a). As Congress did not pass legislation to reauthorize the ESEA by the end of the 2005 calendar year, the program authorizations were automatically extended through FY2008.

[2] For a more detailed discussion of ESEA reauthorization proposals in the 114th Congress, see CRS Report R43916, *ESEA Reauthorization Proposals in the 114th Congress: Selected Key Issues*, by (name redacted) and (name redac ted) .

[3] The Equity Grant formula is commonly referred to as the "Burr Amendment."

[4] For more information about this proposed change, see CRS Report R43929, *Allocation of Funds Under Title I-A of the Elementary and Secondary Education Act: H.R. 5 and the State Option*, by (name redacted) .

as conditions for receiving Title I-A grants.[5] It is the largest program authorized under the ESEA and was funded at $14.4 billion for FY2015.

Under Title I-A, funds are allocated to LEAs via states using four different allocation formulas specified in statute: Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Grants (EFIG). Annual appropriations bills specify that portions of each year's appropriation be allocated under each of these different formulas. In FY2015, an estimated 45% of Title I-A appropriations were allocated through the Basic Grant formula, 9% through the Concentration Grant formula, and 23% through each of the Targeted Grant and EFIG formulas.[6]

The current four-formula strategy has evolved over time, beginning with the Basic Grant formula when the ESEA was originally enacted. The Concentration Grant formula was added in the 1970s in an attempt to focus funding more effectively on LEAs with relatively large numbers or high percentages of formula children (i.e., low-income children or children in need). During consideration of ESEA reauthorization in the early 1990s, there was an attempt to replace the two existing formulas with a new formula that would target Title I-A funds better by providing more funding per formula child as the percentage or number of formula children in an LEA increased. Both the House and the Senate developed formulas intended to accomplish this goal (Targeted Grants and EFIG, respectively). A compromise on one new formula was not reached; nor was there agreement on eliminating the existing formulas. As a result, funds are allocated through four formulas under current law.

For each formula, a maximum grant is calculated by multiplying a "formula child count," 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 formula child count and expenditure factor. 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 and "hold harmless" provisions. In general, LEAs must have a minimum number of formula children and/or a minimum formula child rate to be eligible to receive a grant under a specific Title I-A formula. Some LEAs may qualify for a grant under only one formula, while other LEAs may be eligible to receive grants under multiple formulas.

Under three of the formulas—Basic Grants, Concentration Grants, and Targeted Grants—funds are initially calculated at the LEA level. State grants are the total of allocations for all LEAs in the state adjusted for state minimum grant provisions. Under EFIG, grants are first calculated for each state overall and then are subsequently suballocated to LEAs within a state using a different formula. Once funds reach LEAs, the amounts allocated under the four formulas are combined and used jointly.[7]

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[5] For more information about accountability requirements associated with the receipt of Title I-A funds, see CRS In Focus IF10157, *Educational Accountability and Reauthorization of the ESEA*, by (name redacted) .

[6] The ESEA specifies that, provided funding levels are sufficient, appropriations for Basic Grants and Concentration Grants are to remain at their FY2001 levels, and all funds in excess of FY2001 levels are to be allocated through Targeted Grants and EFIG. In practice, appropriators have used their discretion to allow funding for both Basic Grants and Concentration Grants to fall below FY2001 levels and, in recent years, to divide any remaining appropriations evenly between Targeted Grants and EFIG. The division of funds between Targeted Grants and EFIG is not specified in statutory language. It is determined each year through the appropriations process. Since FY2004, Targeted Grants and EFIG have received the same level of appropriations. **Table B-2** provides appropriations levels and shares of total appropriations for each Title I-A formula from FY2001 to FY2015.

[7] For more information on the use of Title I-A funds, see U.S. Department of Education, *State and Local Implementation of the No Child Left Behind Act: Volume VI—Targeting and Uses of Federal Education Funds*, 2009, (continued...)

Basic Grants

Basic Grants is the original Title I-A formula, authorized and implemented each year since FY1966.[8] It is also the formula under which the largest proportion of funds are allocated (45% of FY2015 appropriations), and under which the largest proportion of LEAs participate, largely due to its low LEA eligibility threshold (see below). However, because all post-FY2001 increases in Title I-A appropriations have been provided to the Targeted Grant and EFIG formulas (see below), the proportion of Title I-A funds allocated under the Basic Grant formula has been declining steadily since FY2001.

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

Population Factor (Formula Child Count). The population used to determine Title I-A grants for the 50 states, the District of Columbia, and Puerto Rico consists of children ages 5-17 (1) in poor families, according to estimates for a recent income year for LEAs from the Census Bureau's Small Area Income and Poverty Estimates (SAIPE) program; (2) in institutions for neglected or delinquent children or in foster homes; and (3) in families receiving Temporary Assistance for Needy Families (TANF) payments above the poverty income level for a family of four (hereinafter referred to as TANF children). These children are commonly referred to as formula children. In FY2015, children in poor families accounted for about 97% of the total formula child count. Each element of the population factor is updated annually.

Eligibility Threshold. To receive funding under Basic Grants, an LEA must have at least 10 formula children and these children must account for more than 2% of the children ages 5-17 in the LEA. The latter qualification is referred to as the formula child rate and is calculated by dividing the number of formula children in an LEA by the number of children ages 5-17 who reside in the LEA.

Expenditure Factor. The state expenditure factor is determined using the state average per pupil expenditure (APPE) for public K-12 education.[9] For Basic Grants, state APPE is subject to a minimum of 80% and a maximum of 120% of the national APPE. That is, if a state's APPE is less than 80% of the national APPE, the state's APPE is automatically raised to 80% of the national APPE. If a state's APPE is more than 120% of the national APPE, the state's APPE is automatically reduced to 120% of the national APPE. After adjustments, should they be needed, a

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http://www2.ed.gov/rschstat/eval/disadv/nclb-targeting/nclb-targeting.pdf.

[8] Under current law, all four Title I-A formulas are authorized under Title I-A, Subpart 2.

[9] Under current law, state APPE for Title I-A purposes is calculated by dividing aggregate "current expenditures" for all LEAs in the state and any direct "current expenditures" made by the state for the operation of those agencies by the average daily attendance in that state. Current expenditures are the total federal, state, and local expenditures for public education in a state minus expenditures on community services, capital outlay, and debt service and expenditures made from ESEA Title I and Title V-A funds. APPE and current expenditures are defined in Title IX (Section 9101) of the ESEA.

state's APPE is multiplied by 0.40 as specified in statute.[10] The expenditure factor is the same for all LEAs in the 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 prior-year grant, depending on the LEA's school-age child poverty rate. More specifically, the hold harmless rate is 85% of the previous-year grant if the LEA's formula child rate is less than 15%, 90% if the LEA's formula child rate is at or above 15% and less than 30%, and 95% if the LEA's formula child rate is at or above 30%. In order to benefit from the hold harmless provisions, an LEA must meet the eligibility requirements for Basic Grants.

Minimum State Grant. Each state is to receive the lesser of (1) 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),[11] and up to 0.35% of total Basic Grant appropriations in excess of the FY2001 amount, if any; or (2) the average of (i) 0.25% of the total FY2001 amount for state grants plus 0.35% of any amount above the FY2001 level, and (ii) 150% of the national average grant per formula child, multiplied by the number of formula children in the state.[12]

Initial LEA Grant. The initial grant for each LEA is calculated by multiplying the number of formula children in the LEA by the state expenditure factor.

Ratable Reduction. After initial grants are calculated, if appropriations are insufficient to pay the initial amounts (as has been the case every year beginning with FY1967), these amounts are reduced by the same percentage (though not necessarily the same dollar amount) for all LEAs, subject to LEA hold harmless and state minimum provisions, until they equal the aggregate level of appropriations.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Education. 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 Education and the Outlying Areas (Guam, American Samoa, the Virgin Islands, and the Commonwealth of the Northern Mariana Islands), in addition to a competitive grant to the Outlying Areas plus certain Freely Associated States,[13] are provided via reservation of 1% of total Title I-A appropriations.

Further Adjustments by SEAs of LEA Grants as Calculated by ED. Among ESEA programs, a distinctive aspect of Title I-A is that after calculation of LEA grants by ED applying the methods discussed here, SEAs make a number of adjustments before determining the final amounts that LEAs actually receive. These adjustments include (1) reservation of 4% of state total allocations to be used for school improvement grants;[14] (2) reservation of 1% of state total

[10] Statutory language refers to determining the expenditure factor under the Basic Grant, Concentration Grant, and Targeted Grant formulas by multiplying state APPE by 40% and bounding the resulting calculation at 32% and 48% of national APPE. Mathematically, this is identical to the calculation described above. Rather than refer to the 32% and 48% bounds, it is common practice to refer to the 80% and 120% bounds.

[11] Appropriation levels for each of the Title I-A formulas are provides in **Table B-2**.

[12] It should be noted that state minimum grant amounts are calculated based on the appropriations level after the funds for the U.S. Census Bureau, the Bureau of Indian Education, and the Outlying Areas are set aside.

[13] The Freely Associated States include Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands. As of July 2015, only Palau is eligible for this grant competition.

[14] 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. According to a survey by the Government Accountability Office, this limitation has prevented several states from being (continued...)

allocations under all formulas for ESEA Title I, Part A, plus funds allocated under the Migrant Education Program (Title I-C) and the Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk (Title I-D), or $400,000, whichever is greater, for state administration;[15] (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 student groups or exceed adequate yearly progress standards for two consecutive years or more; (4) providing 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).[16]

Basic Grant Allocation Formula

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

In Step 1, the population factor (formula child count) is multiplied by the expenditure factor for each eligible LEA. If this amount is greater than the LEA's hold harmless level it is used in the subsequent calculation. If it is less than the LEA's hold harmless level, the hold harmless amount is used.

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

In Step 2, to adjust grant amounts for insufficient appropriations, the amount for each LEA in Step 1 is divided by the total of these amounts for all eligible LEAs in the nation and multiplied by the available appropriation. This preliminary grant amount is used in the subsequent calculation unless it is less than the LEA's hold harmless level. In such instances, the hold harmless amount is used.

Step 3: Preliminary Grant 3 = (Preliminary 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. If appropriations are sufficient, no LEA will receive less than its hold harmless amount.

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able to reserve the full 4% in some 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, the school improvement reservation may be supplemented by additional funds separately appropriated for this purpose (see CRS Report RL34721, *Elementary and Secondary Education Act: An Analytical Review of the Allocation Formulas*, by (name redacted)).

[15] 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.

[16] As of August 2015, this statutory authority is exercised by seven states: Alaska, Iowa, Kansas, Maine, Nebraska, North Dakota, and Oklahoma. The policy letters to each of these states are available online from ED: http://www2.ed.gov/policy/elsec/guid/stateletters/index.html.

It should be noted that in the grant allocation process, only Steps 1 through 3 are calculated by ED. Thus, all estimates produced by ED (and by CRS) are the grant amounts calculated in Step 3.

Step 4: Final Grant = Preliminary 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 by the state 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 or formula child count
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 Basic Grants, with one substantial exception: it has a much higher LEA eligibility threshold. There are also differences in the LEA hold harmless and state minimum grant provisions. Although the Title I-A statute has included Concentration Grant formulas (with varying provisions and sometimes under different names) since 1970, the current version of the formula dates from 1988 (P.L. 100-297). A relatively small proportion (9% of FY2015 appropriations) of Title I-A appropriations is allocated under the Concentration Grant formula.

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 (Formula Child Count). Same as Basic Grants (see above).

Eligibility Threshold. To receive funding under Concentration Grants, an LEA must be eligible for a Basic Grant and have more than 6,500 formula children or a formula child rate greater than 15%.

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 with one exception. Unlike with Basic Grants and the other Title I-A formulas, LEAs that meet the eligibility requirements in one year to receive a Concentration Grant but fail to meet the requirements in a subsequent year will continue to receive a grant based on the hold harmless provisions for four additional years.

Minimum State Grant. The Concentration Grant state minimum is a modified version of the Basic Grant minimum. Each state is to receive the lesser of (1) 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; or (2) the average of (i) 0.25% of the total FY2001 amount for state grants plus 0.35% of the amount above this, and (ii) the greater of 150% of the national average grant per formula child, multiplied by the number of formula children in the state, or $340,000. [17,18]

Initial LEA Grant. Same as Basic Grants (see above).

Ratable Reduction. Same as Basic Grants (see above).

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Education. 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 formula children constituted less than 0.25% of the national total of such children as of the date of enactment of NCLB,[19] SEAs may allocate Concentration Grants among all LEAs with a formula child count or rate 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 formula children constituted less than 0.25% of the national total of such children as of the date of enactment of NCLB, the state total is to be allocated to LEAs based on the formula child counts in each LEA. These LEAs may include, at state discretion, either LEAs in the state meeting the Concentration Grant eligibility criteria described above, or all LEAs in the state with a formula child count or rate that is greater than the state average. In either case, in these states Step 3 of the grant allocation process is:

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

Where:

PF = Population factor or formula child count
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,[20] but no funds were appropriated for them until FY2002, after the formula was slightly modified by NCLB. Beginning in FY2002, all increases in Title I-A appropriations have been allocated as either Targeted Grants or EFIG (below). Thus,

[17] It should be noted that state minimum grant amounts are calculated based on the appropriations level after funds for the Bureau of Indian Education and the Outlying Areas are set aside.

[18] The $340,000 threshold is specified in ESEA Title I-A (Section 1124A) and is not adjusted over time.

[19] These states are Alaska, Delaware, New Hampshire, North Dakota, Vermont, and Wyoming.

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

Targeted Grants constitute a substantial and growing portion (23% of FY2015 appropriations) of total Title I-A grants.

The allocation formula for Targeted Grants is essentially the same as that for Basic Grants, except for substantial differences related to how children in the population factor are counted. For Targeted Grants, the formula children are assigned weights on the basis of each LEA's formula child rate *and* number of formula children. As a result, the higher an LEA's formula child rate and/or number of formula children are, the higher grants *per child counted in the formula* it receives. There is also a somewhat higher LEA eligibility threshold for Targeted Grants than for Basic Grants (e.g., 5% formula child rate for Targeted Grants and 2% formula child rate for Basic Grants). Aside from these two differences, Targeted Grants, like Basic Grants, are based on each eligible LEA's share, compared to the national total, of a formula child count 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 (Formula Child Count). 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. In general, children counted in the formulas are assigned weights on the basis of (1) each LEA's formula child rate (commonly referred to as percentage weighting), and (2) each LEA's number of formula children (commonly referred to as number weighting). Under both percentage weighting and number weighting, a weighted formula child count is produced. The higher of the two weighted formula child counts for a given LEA is then used in the formulas for determining grants. As a result, the higher an LEA's formula child rate and/or number are, the higher grants per formula child it receives. Of the LEAs for which ED calculates grants under the Targeted Grant formula, about 88% have higher weighted formula child counts based on their formula child rates than based on their number of formula children for FY2015. That is, 88% of LEAs receiving grants under the Targeted Grant formula use the percentage-based rather than the numbers-based weighting scale.

The weights are applied under number weighting and under percentage weighting in a stepwise manner to all LEAs nationwide to produce two weighted child counts (one under each weighting system). Formula children in LEAs with the highest formula child 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 formula child rate and number of such children (see **Table 1**, below).

Table 1. Weights Applied to Formula Child Counts in the Calculation of ESEA Title I-A Targeted Grants

A. Weights Based on LEA Numbers of Formula Children (Number Weighting)	
Population Range	**Weight Applied to Formula 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 Formula Children as a Percentage of Total School-Age Population (Percentage Weighting)	
Population Range	**Weight Applied to Formula Children in This Range**
0-15.58%	1.0
15.58-22.11%	1.75
22.11-30.16%	2.5
30.16-38.24%	3.25
Above 38.24%	4.0

Source: Table prepared by CRS, based on CRS analysis of current law.

Note: Each population quintile includes 20% of all formula children. For example, 20% of all formula children live in LEAs that have 0-691 formula children. Similarly, 20% of all formula children live in LEAs in which up to 15.58% of all children ages 5-17 are formula children.

There are five ranges associated with each of the number and percentage weighting scales demarcated in current law. These steps, or quintiles, were based on the actual distribution of Title I-A formula children among the nation's LEAs according to the latest available data in 2001 (at the time that NCLB was being considered). Each quintile includes roughly 20% of all children included in the determination of FY2001 Title I-A grants.

As previously discussed, the Targeted Grant formula child weights are applied in a stepwise manner, rather than the highest relevant weight being applied to all formula children in the LEA. For example, assume an LEA has 2,000 formula children and the total school-age population is 10,000; the formula child rate is 20%. The following calculations demonstrate how an LEA's weighted child count would be calculated under number weighting and percentage weighting in this example:

Numbers Scale:

Step 1: 691 * 1.0 = 691

The first 691 formula 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 formula children falling within the second step of the numbers scale, the number of formula children above 691 (the maximum for the first step) is weighted at 1.5.

Total (Numbers Scale) = 691 + 1,963.5 = 2,654.5

The weighted formula child counts from Steps 1 and 2 are combined.

Percentage Scale:

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

The number of formula 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 formula child rate falling within the second step of the percentage scale, the number of formula 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) = 1,558 + 773.5 = 2,331.5

The weighted formula child 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. To receive funding under Targeted Grants, an LEA must have at least 10 formula children (with no weights applied) and have a formula child rate of 5% or more.

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 the lesser of (1) 0.35% of total state grants, and (2) the average of 0.35% of total state grants and 150% of the national average grant per formula child, multiplied by the number of formula children in the state. (In the latter calculation, formula child counts are not weighted.) [21]

Initial LEA Grant. Same as Basic Grants (see above) except that the formula child count for each LEA is weighted.

Ratable Reduction. Same as Basic Grants (see above).

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Education. Same as Basic Grants (see above), with the additional provision that for Puerto Rico, a cap of 1.82 is placed on the aggregate weight applied to the population factor under the Targeted Grant formula when calculating the weighted child count for Puerto Rico.[22]

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 would be the weighted child count, as described above.

Education Finance Incentive Grants (EFIG)

As with the Targeted Grant formula, the EFIG formula was initially authorized in 1994,[23] but no funds were appropriated for it until FY2002 after the formula was (in the case of EFIG) considerably modified by 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, grants under EFIG constitute a substantial and growing portion (23% of FY2015 appropriations) of total Title I-A grants. The EFIG formula is, however, substantially different from the other Title I-A allocation formulas.

First, under EFIG grants are initially calculated at the state level, unlike the other Title I-A formulas. As a result, a state grant amount is affected by the formula child count within the state

[21] It should be noted that state minimum grant amounts are calculated based on the appropriations level after funds for the Bureau of Indian Education and the Outlying Areas are set aside.

[22] This cap applies to both the numbers and percentage 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 be obtained 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), because Puerto Rico's high number and percentage of formula children would translate into a substantially higher aggregate weighting factor if not capped.

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

relative to the formula child count in other states. Subsequently, LEAs within each state compete for grants against other LEAs in the state, and these grants are determined, in part, based on how an LEA's formula child count compares to that of other LEAs in the same state. Under the other three Title I-A formulas, grants are initially determined at the LEA level, so each LEA competes for funding against all other LEAs nationwide.

Second, while formula child counts are not weighted when calculating state total grants under the EFIG formula, 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 used for Targeted Grants, but the weights vary among states based on a state's equity factor.

Third, slightly narrower floor and ceiling constraints are applied to the expenditure factor under EFIG compared to the other Title I-A formulas. In general, this results in higher expenditure factors for lower-spending states and lower expenditure factors for higher-spending states relative to the other Title I-A formulas.

Fourth, the EFIG formula includes not only a formula child count and an expenditure factor but also two unique factors. These are an effort factor, based on APPE 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 APPE among the LEAs within a given state.

Thus, state total grants under EFIG are based on each state's share, compared to the national total, of a formula child count 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's total grant under EFIG is based on a weighted formula child 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 (Formula Child Count). 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 to LEAs, as under all stages of the allocation process for Targeted Grants, weights are applied to the formula 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 only the weights on the number and percentage scales differ, depending on the state's equity factor. That is, the weights rise more rapidly as the numbers and percentages of formula children increase in states with higher equity factors. As is discussed below, states with higher equity factors have relatively high degrees of variation in APPE among their LEAs. 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, the maximum weights are 50% higher than for Targeted Grants. For states with equity factors of 0.20 or above, the maximum weights are twice as high as for Targeted Grants. This variation is illustrated in **Table 2**.

Table 2. Weights Applied to Formula Child Counts in the Calculation of LEA Grants Under the ESEA Title I-A Education Finance Incentive Grant Formula

A. Weights Based on LEA *Numbers* of Formula Children (Number Weighting)

Population Range	Weight Applied to Formula Children Based on State Equity Factor		
	State Equity Factor Below 0.10	State Equity Factor of 0.10-0.20	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 Formula Children as a *Percentage* of Total School-Age Population (Percentage Weighting)

Population Range	Weight Applied to Formula Children Based on State Equity Factor		
	State Equity Factor Below 0.10	State Equity Factor of 0.10-0.20	State Equity Factor of 0.20 or Above
0-15.58	1.0	1.0	1.0
15.58-22.11	1.75	1.5	2.0
22.11-30.16	2.5	3.0	4.0
30.16-38.24	3.25	4.5	6.0
Above 38.24	4.0	6.0	8.0

Source: Table prepared by CRS, based on CRS analysis of current law.

Note: Each population quintile includes 20% of all formula children. For example, 20% of all formula children live in LEAs that have 0-691 formula children. Similarly, 20% of all formula children live in LEAs in which up to 15.58% of all children ages 5-17 are formula children.

Eligibility Threshold. Same as Targeted Grants (see above).

Expenditure Factor. The state expenditure factor is determined using the state APPE for public K-12 education. For EFIG, state APPE is 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 APPE. That is, if a state's APPE is less than 85% of the national APPE, the state's APPE is automatically raised to 85% of the national APPE. If a state's APPE is more than 115% of the national APPE, the state's APPE is automatically reduced to 115% of the national APPE. After adjustments, should they be needed, a state's APPE is multiplied by 0.40 as specified in statute.[24] The expenditure factor is the same for all LEAs in the same state.

Effort Factor. The effort factor is one of the two factors that is only included in the EFIG formula. It is a ratio of the three-year average APPE for public K-12 education to the three-year

[24] Statutory language refers to determining the expenditure factor under the EFIG formula by multiplying state APPE by 40% and bounding the resulting calculation at 34% and 46% of national APPE. Mathematically, this is identical to the calculation described above. Rather than refer to the 34% and 46% bounds, it is common practice to refer to the 85% and 115% bounds.

average state personal income per capita (PCI) divided by the ratio of the three-year average national APPE to the three-year average national PCI. The effort factor ratio is

$$\text{Effort} = \frac{\text{3-Year Average APPE State : 3-Year Average PCI State}}{\text{3-Year Average APPE National : 3-Year Average PCI National}}$$

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 PCI is greater than the average for the nation as a whole, and below 1.0 for states where the ratio is less than the average for the national 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. The effort factors are the same for all LEAs in the same state.

Equity Factor. The equity factor is also unique to the EFIG formula. It is based on a measure of the average disparity in APPE among the LEAs of a state, called the *coefficient of variation* (CV). The CV is expressed as a decimal proportion of the state APPE. In the CV calculations for this formula, an extra weight (1.4 vs. 1.0) is applied to estimated counts of formula children. The effect of including this additional weight is that grants would be maximized for a state where expenditures per formula child are 40% higher than expenditures per non-formula child.[25] 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.[26] 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 are, the lower its CV and equity factor are, and the higher its multiplier and grant are under the EFIG formula. Conversely, the greater a state's expenditure disparities among its LEAs are, the higher its CV and equity factor are, and the lower its multiplier and grant are under the EFIG formula. In effect, states are rewarded for having lower disparities among LEAs.

LEA Minimum Grant or "Hold Harmless" Level. Same as Basic Grants (see above), with one exception. The hold harmless provisions are not taken into consideration in the initial calculation of state total grants. Therefore, it is possible (and it has occurred in a small number of instances) that state total grants would be insufficient to fully pay hold harmless amounts to all LEAs in a state. In that case, each LEA gets a proportional share of its hold harmless amount.[27]

Minimum State Grant. Same as Target Grants (see above), with one exception. The formula child count used in the calculation of the minimum grant amounts for each state includes children in LEAs that are ineligible for grants under the EFIG formula. In contrast, under Targeted Grants only children in LEAs eligible to receive Targeted Grants are included in the determination of the state minimum grant amounts.[28,29]

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

[26] 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.

[27] In this scenario, an LEA that did not receive a grant under the EFIG formula in the prior year would not receive a grant as they would not have a prior year hold harmless amount.

[28] The difference in the EFIG and Targeted Grant state minimum provisions is not specified in law but is differentiated (continued...)

Initial State Grant. The initial grant for each state is calculated by multiplying the unweighted number of formula children in the state by the state expenditure factor, the state effort factor, and the state equity factor.

Ratable Reduction. Same as Basic Grants (see above).

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Education. 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: Preliminary State Grant = 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: Final State Grant = (Preliminary State Grant / ∑ Preliminary State Grant) * 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, and 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: Preliminary LEA Grant 1 = (WPF / ∑ WPF) * S_ALL, or L_HH, whichever is greater

In Step 1, the weighted population factor for each eligible LEA is divided by the total weighted population factor for all eligible LEAs in the state. If this amount is greater than the LEA's hold harmless amount, it is used. If it is less than the LEA's hold harmless level and sufficient funds are available, the hold harmless amount is used.

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

In Step 2, the amount for each LEA is adjusted to account for the aggregate costs of raising LEAs in the state to their hold harmless levels. That is, when LEAs whose preliminary grant amounts are below their hold harmless levels are brought up to their hold harmless levels, the grant amounts for all other LEAs in the state are reduced by the same percentage (but not necessarily the same amount). If an LEA's new grant amount is less than the LEA's hold harmless level and sufficient funds are available, the latter amount is used.

(...continued)

in how ED has interpreted these provisions.

[29] Under Basic Grants and Concentration Grants, as under Targeted Grants, only children in LEAs eligible to receive a grant are included in the calculation of the state minimum grant amounts.

It should be noted that in the grant allocation process, only Stage 1 and Steps 1 and 2 in Stage 2 are calculated by ED. Thus, all estimates produced by ED (and by CRS) are the grant amounts calculated in Step 2 of Stage 2.

Step 3: Final LEA Grant = Preliminary 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 by the state 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 or formula child count
EF = Expenditure factor
EFF = Effort factor
EQ = Equity factor
APP = Appropriation
S_MIN_ADJ = State minimum adjustment (proportional decrease in non-minimum grant states to account for the increase in grant amounts in minimum grant states)
S_MIN = State minimum
WPF = Weighted population factor
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)

The Title I-A Formulas and S. 1177: Overview and Potential Issues

Under S. 1177, Title I-A funds would be allocated to LEAs via states using five formulas. More specifically, all appropriations up to $17 billion would be allocated through the four formulas prescribed in current law. All funds appropriated in excess of $17 billion would be allocated using a new Equity Grant formula.[30]

Additionally, S. 1177 would alter the process by which schools are annually ranked to determine Title I-A grants. While there are several rules related to Title I-A school selection, under current law LEAs must generally rank their public schools by their percentages of students from low-income families and serve them in rank order. This must be done without regard to grade span for any eligible school attendance area in which the concentration of children from low-income families exceeds 75%. Below this point, an LEA can choose to serve schools in rank order at

[30] The Equity Grant formula was added to S. 1177 by amendment during floor consideration of the bill and is commonly referred to as the "Burr Amendment".

specific grade levels (e.g., only serve elementary schools in order of their percentages of children from low-income families). Under S. 1177, LEAs would have to serve elementary and middle schools with more than 75% of their children from low-income families and high schools with more than 50% of their children from low-income families before choosing to serve schools in rank order by specific grade levels. However, no LEA would be required to reduce the amount of funding provided to elementary and middle schools below the level provided in the fiscal year prior to the enactment of S. 1177 in order to comply with the proposed requirement related to serving high schools under Title I-A.

The Equity Grant Formula

The Equity Grant formula would essentially be the same as EFIG, with two major exceptions: it would remove the effort factor used in the determination of state level grants and use the same expenditure factor for all states as opposed to a state level expenditure factor. There would also be differences regarding the calculation of the weighted formula child counts used in the determination of LEA grant amounts and Puerto Rico's grant amount.

Like the EFIG formula, grants under the Equity Grant formula would be allocated first to states and then to LEAs within each state. As a result, a state's Equity Grant would be affected by the formula child count within the state relative to the formula child counts in other states. LEA grants would then be determined, in part, based on how an LEA's formula child count compares to that of other LEAs in the same state. In contrast, under the Basic Grant, Concentration Grant, and Targeted Grant formulas, grants are initially determined at the LEA level, so each LEA competes for funding against all other LEAs nationwide.

Thus, state total Equity Grants would be based on each state's share, compared to the national total, of a formula child count multiplied by a national expenditure factor, and an equity factor, adjusted by a state minimum.[31] Then, each LEA's share of the state total Equity Grant would be based on a weighted formula child 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 (Formula Child Count). The children counted for calculating Equity Grants would be the same as for Basic Grants (see above). As under Targeted Grants and EFIG, when state grants are suballocated to LEAs weights would be applied to these child counts before they are actually used in the formula. Similar to the EFIG formula, under Equity Grants the set of weights used for a state would depend on what range the state's equity factor falls into. The same weights and equity factor ranges used for EFIG would be used for Equity Grants. As under Targeted Grants and EFIG, the formula child weights would be applied based on quintiles. However, the number and percentage quintiles used under Equity Grants would be different than those under Targeted Grants and EFIG. The Equity Grant quintiles would be based on the most current distribution of formula children in FY2015 as opposed to the distribution of formula children at the time NCLB was being considered. The same methodology used to calculate the quintiles under the Targeted Grant and EFIG formulas is used to calculate the quintiles included in the Equity Grant formula.

Additionally, under Equity Grants all LEAs would have to have a formula child rate at or above 20% to benefit from the weights in the 4th and 5th quintiles on the numbers weighting scale. That

[31] Unlike under the EFIG formula, the Equity Grant formula does not include an effort factor in the determination of state level grants.

is, for LEAs that have a formula child rate at or above 20% the numbers-based formula child counts would be determined using the formula child weights for all five quintiles on the numbers weighting scale. For LEAs that have a formula child rate below 20% the numbers-based weighted formula child counts would be determined using only the weights in the first three quintiles on the numbers scale. It should be noted that this provision would only affect the population factor in LEAs that would otherwise benefit from the formula child weights in the 4th and 5th quintiles on the numbers weighting scale and have an estimated formula child rate below 20%. Of the LEAs for which ED would calculate grants under the Equity Grant formula, 29 (0.23%) would meet the aforementioned criteria in FY2015. As a result, this provision would have a limited impact on grant amounts.

The numbers and percentage formula child weighting scales are illustrated in **Table 3**.

Table 3. Weights Applied to Formula Child Counts in the Calculation of LEA Grants Under the Equity Grant Formula in S. 1177

A. Weights Based on LEA *Numbers* of Formula Children (Number Weighting)

	Weight Applied to Formula Children Based on State Equity Factor					
	State Equity Factor Below 0.10		State Equity Factor of 0.10-0.20		State Equity Factor of 0.20 or Above	
Population Range	Formula Child Rate Below 20%	Formula Child Rate Above 20%	Formula Child Rate Below 20%	Formula Child Rate Above 20%	Formula Child Rate Below 20%	Formula Child Rate Above 20%
0 – 834	1.0	1.0	1.0	1.0	1.0	1.0
835 – 2,629	1.5	1.5	1.5	1.5	2.0	2.0
2,630 – 7,668	2.0	2.0	2.25	2.25	3.0	3.0
7,669 – 26,412	2.0	2.5	2.25	3.375	3.0	4.5
26,413 or more	2.0	3.0	2.25	4.5	3.0	6.0

B. Weights Based on LEA Formula Children as a *Percentage* of Total School-Age Population (Percentage Weighting)

	Weight Applied to Formula Children Based on State Equity Factor		
Population Range	State Equity Factor Below 0.10	State Equity Factor of 0.10-0.20	State Equity Factor of 0.20 or Above
0 – 17.27%	1.0	1.0	1.0
More than 17.27% - 23.48%	1.75	1.5	2.0
More than 23.48% - 29.11%	2.5	3.0	4.0
More than 29.11% - 36.10%	3.25	4.5	6.0
Above 36.10%	4.0	6.0	8.0

Source: Table prepared by CRS, based on CRS analysis of current law and the Every Child Achieves Act (ECAA; S. 1177).

Note: Each population quintile includes 20% of all formula children. For example, 20% of all formula children live in LEAs that have 0-834 formula children. Similarly, 20% of all formula children live in LEAs in which up to 17.27% of all children ages 5-17 are formula children.

Equity Factor. Same as EFIG (see above).

Eligibility Threshold. Same as Targeted Grants (see above).

Expenditure Factor. The expenditure factor for all states would be determined by multiplying the national APPE by 0.40 (not by multiplying the state APPE by 0.40, as in the other formulas). Using the national APPE to determine the expenditure factor for every state is essentially the same as multiplying all of the initial grant amounts by 1. State APPE would therefore have no effect in the determination of Title I-A grants.

LEA Minimum Grant or "Hold Harmless" Level. Same as EFIG (see above).[32]

Minimum State Grant. Same as EFIG (see above).

Initial State Grant. The initial grant for each state is calculated by multiplying the unweighted number of formula children in the state by the national expenditure factor and the state equity factor.

Ratable Reduction. Same as Basic Grants (see above).

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Education. Puerto Rico's grant would be capped at the percentage amount that Puerto Rico received, relative to other states, in FY2015 under current law. The percentage of Puerto Rico's grant would be calculated by dividing the amount Puerto Rico received in FY2015 by the total amount available to states for FY2015. Puerto Rico's Equity Grant would then be calculated by multiplying the total amount available to states by this percentage. This means that in years when the amount available to states increases Puerto Rico's grant would increase, but its percentage share of the total would remain the same. Similarly, when the amount available to states remains constant, Puerto Rico's grant would remain the same. If the overall level of funding available to states were to decrease in a subsequent year, the amount of funding provided to Puerto Rico would also decrease. The treatment of the Outlying Areas and the Bureau of Indian Education would be the same as Basic Grants (see above).

Further Adjustments by SEAs of LEA Grants as Calculated by ED. Same as Basic Grants (see above).

Equity Grant Allocation Formula.

Stage 1: Calculation of State Total Equity Grant Allocations

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

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

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

In Step 2, the amount for each state in Step 1 would be divided by the total of these amounts for all eligible states in the nation, then multiplied by the available appropriation, adjusted by the application of the state minimum grant provision. The state minimum grant adjustment would be upward in the smallest states, where total grants would be increased through application of the

[32] For the first year Equity Grants are funded, no hold harmless provisions would apply as there would be no prior-year grant amounts on which to base the hold harmless amounts.

minimum, and downward in all other states, where funds would be reduced in order to pay the costs of applying the minimum.

Stage 2: Calculation of LEA Equity Grant Allocations

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

In Step 1, the weighted population factor for each eligible LEA would be divided by the total weighted population factor for all eligible LEAs in the state. If this is greater than the LEA's hold harmless level, it would be used in the subsequent calculation. If it is less than the LEA's hold harmless level, the hold harmless amount would be used.

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

In Step 2, the amount for each LEA would be adjusted to account for the aggregate costs of raising LEAs in the state to their hold harmless levels. That is, when LEAs whose preliminary grant amounts are below their hold harmless levels are brought up to their hold harmless levels, the grant amounts for all other LEAs in the state would be reduced by the same percentage (but not necessarily the same amount). If, as a result of this adjustment, an LEA's new grant amount is less than the LEA's hold harmless level and sufficient funds are available, the LEA's hold harmless amount would be used.

It should be noted that in the grant allocation process, only Stage 1 and Steps 1 and 2 in Stage 2 would be calculated by ED. Thus, all Equity Grant estimates produced by ED (and by CRS) are the grant amounts calculated in Step 2 of Stage 2.

Step 3: Final LEA Grant = Preliminary 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 would be further adjusted by the states for the school improvement and state administration reservations, and other possible adjustments (such as for grants to charter schools) discussed above.

Where:

PF = Population factor or formula child count
EF = Expenditure factor
EQ = Equity factor
APP = Appropriation
S_MIN_ADJ = State minimum adjustment (proportional decrease in non-minimum grant states to account for the increase in grant amounts in minimum grant states)
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)
WPF = Weighted population factor
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 (for all states in the nation in Stage 1, and for all eligible LEAs in the state in Stage 2)

Estimated State Grants Under S. 1177

This section of the report examines estimated state level grants under S. 1177 assuming two appropriations levels: $17.5 billion and $20 billion. These appropriations levels were chosen as hypothetical examples because they are in excess of the $17 billion trigger established in S. 1177 for the Equity Grant formula to be activated and provide an example of estimated grant amounts based on a level just over the $17 billion trigger and a level substantially above the trigger. This section begins with a discussion of the methodology used to conduct this analysis followed by an examination of estimated grants at various appropriations levels under S. 1177.

Methodology

The estimated FY2015 Title I-A grant amounts under current law were calculated by ED and all other estimated grant amounts were calculated by CRS using the most current data available.[33] CRS used the estimated FY2015 Title I-A grants amounts calculated by ED as the prior-year grant amounts for calculating the estimated FY2016 Title I-A grant amounts. Additionally, it was assumed funding would remain at FY2015 levels for Basic Grants and Concentration Grants and any increases in appropriations for the four formulas under current law would be split evenly between Targeted Grants and EFIG, as appropriators have divided any increase in Title I-A appropriations equally between these two formulas for the past several years.

It should be noted that, as prescribed in statute, before grants are made to states approximately $4 million is set aside from the Basic Grant appropriation for the U.S. Census Bureau to produce the SAIPE dataset discussed previously. From the remaining appropriations amount, an additional 1% is set aside under each of the four formulas to make grants to the Bureau of Indian Education (BIE) and the Outlying Areas. As a result, 1% of any appropriations increase would be used to make grants for the Outlying Areas and BIE and 99% would be used to make grants to the 50 states, the District of Columbia, and Puerto Rico.[34]

Please note that the estimated 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 LEAs or states will receive.

Estimated FY2016 State Grants

Table 4 provides estimated FY2016 Title I-A grants under S. 1177 assuming appropriations are increased above the $17 billion threshold required to fund the Equity Grant formula. More specifically, grants are estimated assuming appropriations levels of $17.5 billion and $20 billion. For comparison purposes, estimated FY2016 grants under current law assuming the same increases in appropriations are also provided. Note that all differences and percentage differences were calculated relative to estimated FY2016 grants under current law with an increase in appropriations.

It should be noted that nine states (Alaska, Delaware, Maine, Montana, New Hampshire, North Dakota, South Dakota, Vermont, and Wyoming) and the District of Columbia are estimated to

[33] The estimated grant amounts included in this report are based on the data used by ED to determine FY2015 Title I-A grant amounts for the initial allocation of funds on July 1, 2015. It is possible that the underlying data used to determine these grant amounts (e.g., average per pupil expenditure (APPE)) may change prior to the final calculation of Title I-A grant amounts by ED that will be used to determine grant amounts for the October 1, 2015, allocation of funds.

[34] As the approximate $4 million for the Census Bureau was already accounted for, only the 1% for the Outlying Areas and BIE was deducted from the additional appropriations provided for FY2016 under each funding scenario.

receive a minimum grant under Targeted Grants, EFIG, and Equity Grants. As discussed previously, there is a small difference in the calculation of the Targeted Grant state minimum provisions and the EFIG and Equity Grant state minimum provisions. The minimum grant under Targeted Grants is determined using only children in LEAs that are eligible for grants under the formula, while the minimum grant provisions under EFIG and Equity Grants are determined using children in all LEAs for which ED calculates grants regardless of whether the LEA is eligible to receive a grant or not under the formula. Thus, the state minimum provisions under the Targeted Grant formula are favorable to different states than those under the EFIG and Equity Grant formulas. Due to the addition of a fifth formula and the resulting redistribution of appropriations under S. 1177, states that receive a higher minimum grant under the Targeted Grant provisions (Alaska, Delaware, the District of Columbia, and Wyoming) would see a decrease in their estimated grant amounts when funds are also allocated under the Equity Grant formula, and states that receive a higher minimum grant under the EFIG and Equity Grant provisions (New Hampshire, North Dakota, South Dakota, and Vermont) would see an increase in their estimated grants amounts under S. 1177 relative to current law. States that have no difference in their minimum grant amounts under the three formulas (Maine and Montana) would see no change in their grant amounts under S. 1177 relative to current law.

Appropriations Level of $17.5 Billion

Overall, 20 states and the District of Columbia would lose funds relative to their estimated FY2016 grants under current law, ranging from $1,000 in Alaska and Wyoming to $12.6 million in New York. No state would lose more than 0.9% of their Title I-A funding. Two states (Maine and Montana) would see no change in their grant amounts. The remaining states and Puerto Rico would see an increase in their grant amounts, ranging from less than $1,000 in South Dakota to $5.9 million in Texas. No state would have their grant increase by more than 0.7%.

Appropriations Level of $20 Billion

Overall, 20 states and the District of Columbia would lose funds relative to their estimated FY2016 grants under current law, ranging from $3,000 in Wyoming to $75.7 million in New York. No state would lose more than 4.8% of their Title I-A funding. Two states (Maine and Montana) would see no change in their grant amounts. The remaining states and Puerto Rico would see an increase in their grant amounts, ranging from less than $1,000 in South Dakota to $35.2 million in Texas. No state would have their grant increase by more than 3.5%.

Table 4. Estimated FY2016 State Grants Under Title I-A Based on S. 1177 and Assuming Appropriations Levels of $17.5 Billion and $20 Billion

Dollars in thousands

A	B	C	D	E	F	G	H	I	J
		Appropriations Level of $17.5 Billion				Appropriations Level of $20 Billion			
State	Estimated FY2015 Grant Calculated by ED	Estimated FY2016 Grant Under Current Law	Estimated FY2016 Grant under S. 1177	Difference from FY2016 Grant under Current Law (Col. D – Col. C)	Percentage Difference (Col. E / Col. C)	Estimated FY2016 Grant under Current Law	Estimated FY2016 Grant under S. 1177	Difference from FY2016 Grant under Current Law (Col. H – Col. G)	Percentage Change (Col. I / Col. G)
Alabama	$221,675	$267,602	$269,003	$1,400	0.52%	$305,526	$313,935	$8,410	2.75%
Alaska	$37,335	$46,007	$46,006	-$1	0.00%	$53,154	$53,147	-$7	-0.01%
Arizona	$322,822	$389,959	$391,044	$1,085	0.28%	$444,853	$451,423	$6,569	1.48%
Arkansas	$154,451	$183,669	$184,350	$682	0.37%	$209,267	$213,274	$4,008	1.92%
California	$1,684,977	$2,061,427	$2,065,733	$4,306	0.21%	$2,354,147	$2,380,363	$26,216	1.11%
Colorado	$150,086	$180,681	$181,704	$1,023	0.57%	$206,350	$212,488	$6,138	2.97%
Connecticut	$115,996	$139,667	$139,194	-$473	-0.34%	$158,988	$156,174	-$2,814	-1.77%
Delaware	$44,349	$54,652	$54,649	-$3	0.00%	$63,068	$63,052	-$16	-0.03%
District of Columbia	$42,820	$52,553	$52,551	-$2	0.00%	$60,553	$60,539	-$14	-0.02%
Florida	$775,326	$965,846	$967,461	$1,614	0.17%	$1,112,236	$1,121,665	$9,429	0.85%
Georgia	$499,248	$605,787	$607,849	$2,062	0.34%	$693,255	$705,588	$12,333	1.78%
Hawaii	$47,045	$57,644	$57,631	-$13	-0.02%	$66,369	$66,294	-$75	-0.11%
Idaho	$57,304	$68,750	$69,138	$387	0.56%	$77,923	$80,248	$2,325	2.98%
Illinois	$663,791	$812,378	$806,157	-$6,221	-0.77%	$927,005	$889,494	-$37,511	-4.05%

A	B	C	D	E	F	G	H	I	J
		Appropriations Level of $17.5 Billion				Appropriations Level of $20 Billion			
State	Estimated FY2015 Grant Calculated by ED	Estimated FY2016 Grant Under Current Law	Estimated FY2016 Grant under S. 1177	Difference from FY2016 Grant under Current Law (Col. D – Col. C)	Percentage Difference (Col. E / Col. C)	Estimated FY2016 Grant under Current Law	Estimated FY2016 Grant under S. 1177	Difference from FY2016 Grant under Current Law (Col. H – Col. G)	Percentage Change (Col. I / Col. G)
Indiana	$258,436	$310,627	$312,000	$1,374	0.44%	$353,601	$361,906	$8,305	2.35%
Iowa	$91,259	$110,338	$110,906	$568	0.51%	$125,242	$128,671	$3,430	2.74%
Kansas	$104,127	$125,829	$126,282	$454	0.36%	$143,084	$145,780	$2,696	1.88%
Kentucky	$211,876	$252,949	$253,331	$382	0.15%	$288,694	$290,981	$2,286	0.79%
Louisiana	$284,811	$344,823	$344,031	-$792	-0.23%	$393,676	$388,899	-$4,777	-1.21%
Maine	$50,087	$60,434	$60,434	$0	0.00%	$69,097	$69,097	$0	0.00%
Maryland	$195,845	$242,148	$240,408	-$1,740	-0.72%	$278,011	$267,636	-$10,375	-3.73%
Massachusetts	$231,735	$282,184	$280,816	-$1,368	-0.48%	$321,058	$312,910	-$8,147	-2.54%
Michigan	$498,742	$582,699	$581,602	-$1,097	-0.19%	$664,005	$657,151	-$6,854	-1.03%
Minnesota	$148,649	$180,325	$180,619	$294	0.16%	$205,059	$206,858	$1,798	0.88%
Mississippi	$190,654	$229,127	$230,074	$946	0.41%	$261,778	$267,357	$5,579	2.13%
Missouri	$240,817	$288,819	$289,573	$754	0.26%	$328,204	$332,694	$4,490	1.37%
Montana	$45,473	$55,916	$55,916	$0	0.00%	$64,579	$64,579	$0	0.00%
Nebraska	$68,871	$83,573	$83,444	-$129	-0.15%	$95,193	$94,425	-$768	-0.81%
Nevada	$116,689	$144,654	$144,567	-$87	-0.06%	$166,830	$166,328	-$501	-0.30%
New Hampshire	$39,727	$48,565	$48,595	$31	0.06%	$55,982	$56,166	$184	0.33%
New Jersey	$330,260	$403,332	$401,493	-$1,839	-0.46%	$459,358	$448,389	-$10,968	-2.39%

A	B	C	D	E	F	G	H	I	J
		Appropriations Level of $17.5 Billion				Appropriations Level of $20 Billion			
State	Estimated FY2015 Grant Calculated by ED	Estimated FY2016 Grant Under Current Law	Estimated FY2016 Grant under S. 1177	Difference from FY2016 Grant under Current Law (Col. D – Col. C)	Percentage Difference (Col. E / Col. C)	Estimated FY2016 Grant under Current Law	Estimated FY2016 Grant under S. 1177	Difference from FY2016 Grant under Current Law (Col. H – Col. G)	Percentage Change (Col. I / Col. G)
New Mexico	$116,205	$142,179	$142,670	$491	0.35%	$162,661	$165,622	$2,961	1.82%
New York	$1,104,146	$1,364,344	$1,351,726	-$12,618	-0.92%	$1,566,236	$1,490,539	-$75,698	-4.83%
North Carolina	$416,987	$510,208	$512,525	$2,317	0.45%	$583,736	$597,763	$14,028	2.40%
North Dakota	$33,486	$41,491	$41,493	$2	0.00%	$47,966	$47,979	$12	0.03%
Ohio	$558,414	$669,979	$668,044	-$1,935	-0.29%	$763,870	$752,348	-$11,522	-1.51%
Oklahoma	$156,253	$188,793	$190,035	$1,242	0.66%	$215,035	$222,463	$7,428	3.45%
Oregon	$140,708	$168,292	$168,838	$546	0.32%	$191,375	$194,595	$3,220	1.68%
Pennsylvania	$544,019	$654,548	$650,757	-$3,790	-0.58%	$746,438	$723,756	-$22,682	-3.04%
Puerto Rico	$418,467	$475,993	$477,218	$1,225	0.26%	$542,380	$549,840	$7,459	1.38%
Rhode Island	$49,334	$60,282	$60,279	-$3	-0.01%	$68,962	$68,941	-$21	-0.03%
South Carolina	$225,816	$277,028	$277,358	$330	0.12%	$316,514	$318,509	$1,995	0.63%
South Dakota	$43,470	$53,977	$53,977	$0	0.00%	$62,477	$62,477	$0	0.00%
Tennessee	$283,633	$347,203	$348,727	$1,523	0.44%	$397,313	$406,488	$9,175	2.31%
Texas	$1,320,435	$1,607,325	$1,613,249	$5,924	0.37%	$1,840,391	$1,875,605	$35,214	1.91%
Utah	$87,185	$107,463	$108,047	$585	0.54%	$122,862	$126,395	$3,533	2.88%
Vermont	$33,196	$41,035	$41,042	$7	0.02%	$47,376	$47,419	$44	0.09%
Virginia	$243,634	$295,597	$295,259	-$338	-0.11%	$335,829	$333,872	-$1,957	-0.58%

A	B	C	D	E	F	G	H	I	J
		Appropriations Level of $17.5 Billion				Appropriations Level of $20 Billion			
State	Estimated FY2015 Grant Calculated by ED	Estimated FY2016 Grant Under Current Law	Estimated FY2016 Grant under S. 1177	Difference from FY2016 Grant under Current Law (Col. D – Col. C)	Percentage Difference (Col. E / Col. C)	Estimated FY2016 Grant under Current Law	Estimated FY2016 Grant under S. 1177	Difference from FY2016 Grant under Current Law (Col. H – Col. G)	Percentage Change (Col. I / Col. G)
Washington	$230,297	$278,386	$279,667	$1,281	0.46%	$316,548	$324,236	$7,689	2.43%
West Virginia	$89,209	$108,063	$108,015	-$48	-0.04%	$123,084	$122,818	-$266	-0.22%
Wisconsin	$208,522	$255,119	$254,783	-$336	-0.13%	$291,692	$289,717	-$1,976	-0.68%
Wyoming	$33,060	$40,787	$40,786	-$1	0.00%	$47,167	$47,164	-$3	-0.01%
Subtotal for the 50 states, the District of Columbia, and Puerto Rico	$14,261,760	$17,321,056	$17,321,056	—	—	$19,796,056	$19,796,056	—	—
Set aside for the Outlying Areas and the Bureau of Indian Education (1% of total appropriation)	$144,058	$174,960	$174,960	—	—	$199,960	$199,960	—	—
Set aside for the Census Bureau	$3,984	$3,984	$3,984	—	—	$3,984	$3,984	—	—
Total Appropriations	$14,409,802	$17,500,000	$17,500,000	—	—	$20,000,000	$20,000,000	—	—

Source: Table prepared by CRS, based on CRS analysis of the Every Child Achieves Act (ECAA; S. 1177) and unpublished data provided by the U.S. Department of Education (ED), Budget Service. Estimated FY2015 grants based on current law were calculated by ED. Estimated FY2016 grants were calculated by CRS.

Notes: Details may not add to totals due to rounding. Percentages were calculated based on unrounded numbers. It should be noted that all four Title I-A formulas under current law received their FY2015 appropriations amounts. The differences between these amounts and the $17 billion threshold established in S. 1177 were divided equally between the Targeted Grant and Education Finance Incentive Grant (EFIG) formulas.

Notice: 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 states will receive. In addition to other limitations, data needed to calculate final grants may not yet be available.

Additional Considerations

In addition to the Equity Grant formula factors and distribution of funds discussed previously, Congress may consider the following issues in relation to Equity Grants. First, while the Equity Grant formula has some similarities to the existing Title I-A formulas (particularly the EFIG formula), it differs in various ways, most notably with respect to the expenditure factor. Second, moving from four formulas to five makes Title I-A grant determinations more complex and would shift the relative percentage of Title I-A funds allocated to each formula if the appropriators allocated funds for the Equity Grant Formula in accordance with the provisions of S. 1177 . That is, the influence of the Targeted Grant and EFIG formulas would be reduced. Third, the Equity Grant formula may have little if any impact on Title I-A grant amounts in the near future, as the formula would only be implemented if appropriations exceed $17 billion. The remainder of this section discusses each of these issues in more detail.

State Education Spending As a Factor in Title I-A Grant Determinations[35]

The four Title I-A formulas under current law all include factors that reflect a state's education "inputs" (e.g., spending). More specifically, all four formulas under current law include an expenditure factor based on state APPE and the EFIG formula includes an effort factor that is based on a state's education spending relative to personal income. In contrast, the Equity Grant formula proposed in S. 1177 does not include any factors that account for the differences in education spending among states.[36]

There has been disagreement over the use of an expenditure factor in the calculation of Title I-A grants since the program was initiated in 1965. Since that time, all of the formulas have included a factor that reflects state education spending.

Arguments for an expenditure factor that varies by state, as opposed to a national level expenditure factor, are that it

- recognizes and compensates for different levels of spending associated with providing public education in different states;[37]
- provides an incentive for states and LEAs to increase education spending;
- rewards states that spend relatively high amounts per pupil for public education; and
- accounts for the different costs of living in various regions that would be missed by a reliance on poverty data alone, as no geographic cost of living adjustment is applied to the income thresholds used to calculate the estimated number of children in poverty.

[35] Further analysis of the ESEA Title I-A expenditure factor is contained in CRS Report RL30492, *Education for the Disadvantaged: Allocation Formula Issues in ESEA Title I Reauthorization Legislation*, by Wayne Riddle and Richard Apling. A copy of CRS Report RL30492 is available from the author of this report.

[36] The Equity Grant formula is not the first formula to not include a state-based expenditure factor. When the EFIG formula was first added to Title I-A in 1994, it did not include an expenditure factor. The EFIG formula has, however, always included an effort factor and thus has always reflected, to some extent, the differences in education spending by state. Additionally, the EFIG formula was not funded until 2002, by which time NCLB had modified the formula to include an expenditure factor.

[37] This is the reason cited by ED for the inclusion of the expenditure factor in current law, see U.S. Department of Education, *State and Local Implementation of the No Child Left Behind Act: Volume VI—Targeting and Uses of Federal Education Funds*, 2009, https://www2.ed.gov/rschstat/eval/disadv/nclb-targeting/nclb-targeting.pdf.

Conversely, arguments against an expenditure factor that varies by state include the following:

- the expenditure factor may not compensate for differences in education costs as it is based on levels of state and local spending (rather than costs);[38]
- as the Title I-A expenditure factor is the same for all LEAs in each state, it does not account for the potentially large differences in the education costs among LEAs within each state;
- the expenditure factor may provide little incentive for increased spending as (1) an increase in spending would only result in higher grant amounts if a state's APPE increased relative to that of other states, (2) an increase in spending might not result in an increase in a state's expenditure factor in a very high- or very low-spending state due to the bounds placed on APPE in determining the expenditure factor,[39] (3) the increase in Title I-A funding would likely be small in comparison to the increase in state and local spending, and (4) an increase in spending by an individual LEA may have little impact on the aggregate spending per pupil used to determine the expenditure factor;
- states with relatively high concentrations of formula children (e.g., California, New Mexico, Mississippi) tend to have relatively low APPEs and thus receive less Title I-A funding as a result of the expenditure factor included in current law; and
- the expenditure factor might not provide the appropriate adjustment for poverty data as there is no widely accepted measure of variation in state or local costs of living and those costs may not be closely associated with variations in state APPE.[40,41]

The Shift from Four to Five Formulas

Under S. 1177, Title I-A grant amounts would be determined by five, rather than four, formulas. Although there are differences among the five Title I-A allocation formulas, questions may arise about whether each formula serves a sufficiently distinct role and purpose as to justify its continued use. Additionally, the current four-formula strategy is the result of compromises over proposals to replace previous proposals with a single new formula. At the least, the use of four

[38] For more information see U.S. Government Accountability Office, *Title I Funding: Poor Children Benefit Though Funding Per Poor Child Differs*, GAO-02-242, January 2002, http://www.gao.gov/assets/240/233331.pdf.

[39] State APPE is bounded when used in the calculation of the expenditure factor. Under Basic Grants, Concentration Grants, and Targeted Grants, the upper and lower bounds on state APPE are 120% and 80% of the national APPE. Under EFIG, the upper and lower bounds are 115% and 85% of the national APPE. Thus, if a state with an APPE above 120% of the national APPE were to increase its education spending, its APPE would remain bounded at 120% and 115% of national APPE in the determination of the expenditure factor.

[40] For more information on the variation in costs of living and cost of living indices, see Lisa Dubay, Laura Wheaton, and Shelia Zedlewski, *Geographic Variation in the Cost of Living: Implications for the Poverty Guideline and Program Eligibility*, Urban Institute, June 2013, http://aspe.hhs.gov/sites/default/files/aspe-files/UrbanGeographicVariation_0.pdf.

[41] The Bureau of Economic Analysis (BEA) is creating Regional Price Parities (RPPs), which may be a way to account for regional variation in costs of living. RPPs measure differences in price levels across regions. For more information, see Bettina H. Aten and Roger J. D'Souza, *Regional Price Parities: Comparing Price Level Differences Across Geographic Areas*, Bureau of Economic Analysis, November 2008, http://www.bea.gov/scb/pdf/2008/11%20November/1108_spotlight_parities.pdf; and Bettina H. Aten, Eric B. Figueroa, and Troy M. Martin, *Regional Price Parities for States and Metropolitan Areas, 2006-2010*, Bureau of Economic Analysis, August 2012, http://www.bea.gov/scb/pdf/2012/08%20August/0812_regional_price_parities.pdf.

different allocation formulas to award portions of each year's Title I-A appropriations is complicated. The use of multiple formulas also detracts from transparency as multiple formula factors and provisions may be changing simultaneously. Adding a fifth formula to the Title I-A program would make the grant allocation process more complex.

A primary rationale for using multiple formulas to allocate shares 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 LEAs or states (e.g., LEAs with high poverty rates or states with comparatively equal levels of spending per pupil among their LEAs).[42] In addition, some of the formulas contain elements that are deemed to have important incentive effects or to be significant symbolically, in addition to their impact on allocation patterns.

The result of dividing appropriations among multiple formulas is that it tempers the influence of any one formula. Under S. 1177, appropriations above $17 billion that otherwise would most likely be divided between Targeted Grants and EFIG would go to Equity Grants.[43] Thus, S. 1177 would decrease the level of funding that would have been allocated through the Targeted Grant and EFIG formulas, thereby decreasing their overall impact on Title I-A grant amounts. Additionally, adding the Equity Grant formula as a fifth formula rather than using it to replace the four existing formulas limits its impact on total Title I-A grant amounts.

Impact of a $17 Billion Appropriations Trigger

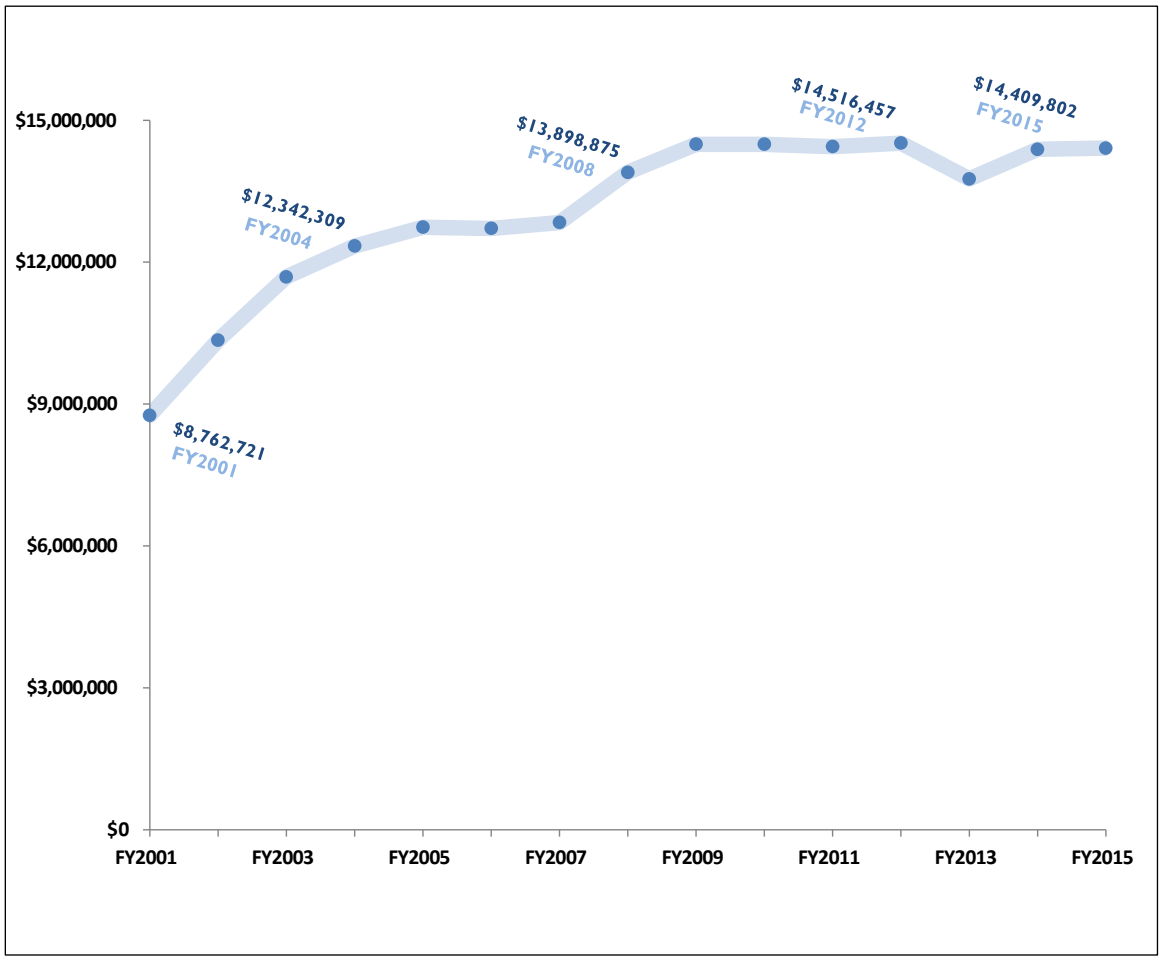
Under S. 1177, only Title I-A appropriations in excess of $17 billion would be allocated through the Equity Grant formula. **Figure 1** details the appropriations levels for Title I-A since FY2001. Overall, after NCLB reauthorized the ESEA in 2002, there was a steady increase in Title I-A appropriations through FY2005, and a second period of increasing appropriations from FY2007 to FY2009. In recent years, however, appropriations for Title I-A have remained relatively constant. The FY2015 level ($14.4 billion) is below the $17 billion threshold needed to fund the Equity Grant formula. If current funding trends continue, the Equity Grant formula may not be funded in the near future. If, however, appropriations increase by the same amount they did from FY2001 to FY2005, the Equity Grant formula would be implemented in the next few years.

[42] For more information on the allocation patterns for each formula, see CRS Report R44097, *Estimated FY2015 State Grants Under Title I-A of the Elementary and Secondary Education Act (ESEA)*, by (name redacted) .

[43] For the past several years, appropriations have divided any funds not provided for Basic Grants and Concentration Grants equally between Targeted Grants and EFIG.

Figure 1. ESEA Title I-A Appropriations Levels, FY2001-FY2015

Dollars in thousands



Source: Figure prepared by CRS, based on data available from the U.S. Department of Education, Budget Service.

Notes: Appropriations provided in current (not constant) dollars. The appropriations level for FY2009 does not reflect the additional $10 billion for Title I-A appropriated through the American Recovery and Reinvestment Act (ARRA; P.L. 111-5).

A table of appropriations levels as well as difference and percentage difference from the prior year is included in **Table B-1**.

The Title I-A Formulas and H.R. 5: Overview and Possible Issues

Under H.R. 5, Title I-A grants would continue to be allocated to states and LEAs based on the four formulas prescribed in current law. As discussed previously, under the Targeted Grant and EFIG formulas, there are five sets of weights that apply to an LEA's formula child count and percentage of formula children, and these weights correspond to formula child quintile ranges. H.R. 5 would slightly alter both the numbers-based and percentage-based quintiles used to determine the weighted child counts under Targeted Grants and EFIG beginning in FY2022. Additionally, H.R. 5 specifies that if the quintile change would result in a decrease in Title I-A

funds for any LEA, the quintiles demarcated in current law would continue to be used to determine grant amounts.

It should be noted that H.R. 5 would also add a new option for states to distribute funds available under Title I-A to LEAs and schools. This provision is commonly referred to as the "state option" or "Title I-A Portability." Unlike the change to the quintiles, the state option would not alter the formulas used by ED to calculate Title I-A grant amounts but would give states the option to change how Title I-A funds are allocated within the state. As the state option is discussed in detail in CRS Report R43929, *Allocation of Funds Under Title I-A of the Elementary and Secondary Education Act: H.R. 5 and the State Option*, by (name redacted) , the remainder of this section focuses only on the quintile changes proposed in H.R. 5.

New Quintiles Under H.R. 5

The changes to the quintiles used for weighted child counts based on the number of formula children and based on the percentage of formula children are shown in **Table 5** and **Table 6**, respectively. Under H.R. 5, the ceiling for the first four quintiles on the numbers weighting scale would be increased by 1 and the ceiling for the first four quintiles on the percentage weighting scale would be increased by 0.01 percentage points. The floors for the 2nd through 5th quintiles would then be adjusted accordingly. As these would be relatively small changes to the quintiles, their impact would be somewhat limited.

The quintile ranges in current law were based on the actual distribution of formula children among the nation's LEAs, according to the latest data in 2001 (at the time NCLB was being considered). Each quintile contains one-fifth of the national total of formula children. If reauthorization legislation were to follow the model of NCLB, these quintiles would need to be updated to reflect the actual distribution of formula children in FY2015. The changes to the quintiles proposed by H.R. 5 do not follow the NCLB approach.

Table 5. Quintiles for Weighted Child Counts Based on the Number of Eligible Children

Population Ranges in Current Law	Proposed Population Ranges in H.R. 5
0–691	0–692
692–2,262	693–2,263
2,263–7,851	2,264–7, 852
7,852–35,514	7,853–35,515
35,515 or more	35,516 or more

Source: Table prepared by CRS, based on CRS analysis of current law and the Student Success Act (H.R. 5).

Table 6. Updated Quintiles for Weighted Child Counts Based on the Percentage of Eligible Children

Population Ranges in Current Law	Proposed Population Ranges in H.R. 5
0–15.58%	0–15.59%
More than 15.58%–22.11%	More than 15.59%–22.12%
More than 22.11%–30.16%	More than 22.12%–30.17%

Population Ranges in Current Law	Proposed Population Ranges in H.R. 5
More than 30.16%–38.24%	More than 30.17%–38.25%
Above 38.24%	Above 36.10%

Source: Table prepared by CRS, based on CRS analysis of current law and the Student Success Act (H.R. 5).

Additional Considerations

Under H.R. 5, the changes to the quintiles would go into effect in FY2022,[44] only if the change to the new quintiles would result in no "harm" to an LEA. That is, for FY2016 through FY2021 there would be no change to the quintiles used in the Targeted Grant and EFIG formulas. Subsequently, the new quintiles would only be used in the determination of Title I-A grants if, as a result of the change, no LEAs were to lose Title I-A funds relative to their Title I-A grant amount for the prior year as a result of the change.

The quintile change, like any formula change, would shift Title I-A funds among states and LEAs. In general, formula changes result in no LEAs losing funds when there is a large enough increase in appropriations to offset any losses. In recent years, appropriations for Title I-A have remained relatively constant. Thus, there is a reasonable chance that the proposed change to the quintiles would result in "harm" to some LEAs and would therefore not go into effect during FY2022 or a subsequent fiscal year. Additionally, as the quintile change would not immediately go into effect, it is possible that the ESEA would be reauthorized before the new quintiles were used in the determination of Title I-A grants. Thus, the quintile changes proposed in H.R. 5 would have little, if any, impact on Title I-A grants.

[44] The authorization of appropriations for many ESEA programs, including Title I-A, would expire in FY2019.

Appendix A. Title I-A Formula Characteristics

Table A-1. Overview of ESEA Title I-A Allocation Formula Characteristics Under Current Law and As Proposed by S. 1177

	Current Law				S. 1177
Formula Characteristic	**Basic Grants**	**Concentration Grants**	**Targeted Grants**	**Education Finance Incentive Grants (EFIG)**	**Equity Grants**
Formula child count	Children ages 5-17: (1) in poor families; (2) in institutions for neglected or delinquent children or in foster homes; and (3) 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	Same as Basic Grants
Formula child eligibility threshold for LEAs[a]	10 or more formula children AND a formula child rate of more than 2%	More than 6,500 formula children OR a formula child rate of more than 15% AND must meet the eligibility requirements for Basic Grants	10 or more formula children AND a formula child rate of 5% or more	Same as Targeted Grants	Same as Targeted Grants
Weighting of formula child count	None	None	At all stages of the allocation process, formula children are assigned weights on the basis of each LEA's number of formula children and formula child rate	For allocation of funds within states only, formula children are assigned weights on the basis of each LEA's number of formula children and formula child rate	Same as EFIG

	Current Law				S. 1177
Formula Characteristic	**Basic Grants**	**Concentration Grants**	**Targeted Grants**	**Education Finance Incentive Grants (EFIG)**	**Equity Grants**
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	National average expenditures per pupil multiplied by 0.40.
Minimum state grant[b]	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	Same as Targeted Grants
LEA hold harmless	85%–95% of the previous-year grant, depending on the LEA's formula child 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	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	Same as EFIG
Additional formula factors	None	None	None	State effort and equity factors are applied in the calculation of state total grants[c,d]	A state equity factor is applied in the calculation of state total grants[d]

	Current Law				S. 1177
Formula Characteristic	**Basic Grants**	**Concentration Grants**	**Targeted Grants**	**Education Finance Incentive Grants (EFIG)**	**Equity Grants**
Funding trigger	None	None	Receives a share of Title I-A appropriations that are in excess of the amount of funds provided for Basic Grants and Concentration Grants in FY2001; appropriators determine how to divide these funds between Targeted Grants and EFIG[e]	Receives a share of Title I-A appropriations that are in excess of the amount of funds provided for Basic Grants and Concentration Grants in FY2001; appropriators determine how to divide these funds between Targeted Grants and EFIG[e]	Only implemented if Title I-A appropriations exceed $17 billion

Source: Table prepared by CRS.

a. The formula child rate is the percentage of children ages 5-17 residing in a given LEA who are formula children. It is calculated by dividing the number of formula children in an LEA by the number of children ages 5-17 who reside in the LEA.

b. Formula child counts are used to determine the caps on the minimum grants under all four formulas. Under Basic Grants, Concentration Grants, and Targeted Grants only formula children in LEAs eligible for Title I-A are included in the determination of the state minimum grant amounts. Under EFIG and Equity Grants, all formula children, regardless of whether or not they reside in an LEA eligible for Title I-A, are included in the determination of the state minimum grant amounts.

c. The effort factor is calculated based on average per pupil expenditures for public K-12 education compared to personal income per capita for each state compared to the nation as a whole.

d. The equity factor is determined based on variations in average per pupil expenditures among the LEAs in each state.

e. Funds provided to Basic Grants and Concentration Grants have fallen below their FY2001 levels, due in part to across-the board reductions and rescissions. In recent years, appropriators have divided funds not appropriated for Basic Grants and Concentration Grants evenly between Targeted Grants and EFIG.

Appendix B. ESEA Title I-A Appropriations

Table B-1. Title I-A Appropriations, FY2001 through FY2015

Dollars in thousands

Fiscal Year	Appropriations Level	Difference from Prior Year	Percentage Difference from Prior Year
2001	$8,762,721	—	—
2002	$10,350,000	$1,587,279	18.11%
2003	$11,688,664	$1,338,664	12.93%
2004	$12,342,309	$653,645	5.59%
2005	$12,739,571	$397,262	3.22%
2006	$12,713,125	-$26,446	-0.21%
2007	$12,838,125	$125,000	0.98%
2008	$13,898,875	$1,060,750	8.26%
2009[a]	$14,492,401	$593,526	4.27%
2010	$14,492,401	$0	0.00%
2011	$14,442,927	-$49,474	-0.34%
2012	$14,516,457	$73,530	0.51%
2013	$13,760,219	-$756,238	-5.21%
2014	$14,384,802	$624,583	4.54%
2015	$14,409,802	$25,000	0.17%

Source: Table prepared by CRS, based on data available from the U.S. Department of Education, Budget Service.

Notes: Appropriations provided in current (not constant) dollars.

a. Does not include the additional $10 billion for Title I-A appropriated through the American Recovery and Reinvestment Act (ARRA; P.L. 111-5).

Table B-2. Title I-A Appropriations by Formula, FY2001 through FY2015

Dollars in thousands

Fiscal Year	Appropriations Level or Share of Total Appropriations	Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants (EFIG)
2001	Appropriations	$7,397,690	$1,365,031	—	—
	Share of Total	84.42%	15.58%	—	—
2002	Appropriations	$7,172,971	$1,365,031	$1,018,499	$793,499
	Share of Total	69.30%	13.19%	9.84%	7.67%
2003	Appropriations	$7,111,635	$1,365,031	$1,670,239	$1,541,759
	Share of Total	60.84%	11.68%	14.29%	13.19%
2004	Appropriations	$7,037,592	$1,365,031	$1,969,843	$1,969,843
	Share of Total	57.02%	11.06%	15.96%	15.96%

Fiscal Year	Appropriations Level or Share of Total Appropriations	Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants (EFIG)
2005	Appropriations	$6,934,854	$1,365,031	$2,219,843	$2,219,843
	Share of Total	54.44%	10.71%	17.42%	17.42%
2006	Appropriations	$6,808,408	$1,365,031	$2,269,843	$2,269,843
	Share of Total	53.55%	10.74%	17.85%	17.85%
2007	Appropriations	$6,808,408	$1,365,031	$2,332,343	$2,332,343
	Share of Total	53.03%	10.63%	18.17%	18.17%
2008	Appropriations	$6,597,946	$1,365,031	$2,967,949	$2,967,949
	Share of Total	47.47%	9.82%	21.35%	21.35%
2009[a]	Appropriations	$6,597,946	$1,365,031	$3,264,712	$3,264,712
	Share of Total	45.53%	9.42%	22.53%	22.53%
2010	Appropriations	$6,597,946	$1,365,031	$3,264,712	$3,264,712
	Share of Total	45.53%	9.42%	22.53%	22.53%
2011	Appropriations	$6,579,151	$1,359,726	$3,252,025	$3,252,025
	Share of Total	45.55%	9.41%	22.52%	22.52%
2012	Appropriations	$6,577,904	$1,362,301	$3,288,126	$3,288,126
	Share of Total	45.31%	9.38%	22.65%	22.65%
2013	Appropriations	$6,232,639	$1,293,919	$3,116,831	$3,116,831
	Share of Total	45.29%	9.40%	22.65%	22.65%
2014	Appropriations	$6,459,401	$1,362,301	3,281,550	3,281,550
	Share of Total	44.90%	9.47%	22.81%	22.81%
2015	Appropriations	$6,459,401	$1,362,301	$3,294,050	$3,294,050
	Share of Total	44.83%	9.45%	22.86%	22.86%

Source: Table prepared by CRS, based on data available from the U.S. Department of Education, Budget Service.

Notes: Appropriations provided in current (not constant) dollars. Percentages based on unrounded numbers.

a. Does not include the additional $10 billion for Title I-A appropriated through the American Recovery and Reinvestment Act (ARRA; P.L. 111-5).

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