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Education for the Disadvantaged: ESEA Title I Allocation Formula Provisions

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Summary

Title I, Part A of the Elementary and Secondary Education Act (ESEA) authorizes federal aid to state and local educational agencies (SEAs, LEAs) for the education of disadvantaged children. Title I grants are used to provide supplementary educational and related services to low-achieving children attending schools with relatively high concentrations of pupils from low-income families. For FY2000, the total funding for Title I, Part A is \$8.6 billion. The Title I allocation formulas are important not only because of the size of this program, but also because some or all of the grants under numerous *other* federal education programs are made in proportion to Title I allocations. Title I was last reauthorized and substantially revised in 1994, by the Improving America's Schools Act (IASA), and it will likely be considered for reauthorization by the 107th Congress.

In general, federal aid program formula factors are intended to reflect the basic purpose of the program, putting congressional intent into concrete form. In addition to targeting schools and districts with the greatest need for Title I services, the formulas may also attempt to recognize differences in fiscal capacity and in the costs of providing program services, and provide incentives to adopt certain policies deemed desirable, such as increased state and local spending for education or greater equity in school finance systems.

Two formulas — Basic and Concentration Grants — are currently used to allocate Title I funds. Two further formulas — Targeted and Education Finance Incentive Grants — were authorized in 1994 but have not yet been implemented. While there are four authorized formulas, all funds are combined at the LEA level and used for a single program. The two primary factors in both of the allocation formulas currently in use are a population factor — primarily school-age children in poor families, according to the latest available census data — and an expenditure factor, which is based on each state's average expenditure per pupil for public elementary and secondary education. Within LEAs, Title I funds are allocated to the schools with relatively high percentages or numbers of pupils from low-income families.

While the Title I allocation formulas were a major focus of debates during the last reauthorization of Title I, few of the numerous major formula changes adopted in 1994 have been fully implemented.

Contents

Introduction	1
Role of the Title I, Part A Allocation Formulas	2
“Full Funding” Concepts	3
Allocation of Title I Funds to LEAs and States: The Current Formulas	4
Formula Elements or Factors	4
Structures of the Four ESEA Title I, Part A Formulas	7
Title I Funds to LEAs and States: Major IASA Provisions and Their Implementation Since 1994	13
Major Issues Debated in the Last Reauthorization of Title I, and Formula Provisions of the Improving America’s Schools Act of 1994	13
Implementation of the IASA Provisions and Trends in Funding of Title I Since 1994	15
Allocation of Title I Funds to Schools Within LEAs	16
IASA Provisions	17
Concluding Remarks	18
Appendix A: Programs Other Than ESEA Title I, Part A Under Which at Least a Share of Funds Is Allocated in Proportion to Part A Grants	20

List of Tables

Table 1. ESEA Title I, Part A Grants Per School-Age Child in a Poor Family .	10
Table 2. Estimated State Share of Grants Under Each of the Four Formulas Authorized Under ESEA Title I, Part A	12
Table 3. ESEA Title I, Part A Appropriations, FY1996-2000	16

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Introduction

Title I, Part A of the Elementary and Secondary Education Act (ESEA) authorizes federal aid to state and local educational agencies (SEAs, LEAs) for the education of disadvantaged children. Title I grants are used to provide supplementary educational and related services to low-achieving children attending schools with relatively high concentrations of pupils from low-income families. Services may be provided at pre-kindergarten through high school levels. Title I has been the anchor of the ESEA since it was first enacted in 1965, and is the largest federal elementary and secondary education assistance program. For FY2001, the total funding for Title I, Part A is \$8.6 billion. The Title I allocation formulas are important not only because of the size of this program, but also because some or all of the grants under numerous *other* federal education programs are made in proportion to Title I allocations (see Appendix A for a list of these).

Title I was last reauthorized and substantially revised in 1994, by the Improving America's Schools Act, or IASA. Its authorization expired at the end of FY2000, although appropriations have been provided for FY2001, and it is likely to be considered for reauthorization by the 107th Congress. This report provides an analytical overview of the allocation formula provisions of ESEA Title I, Part A. It is one of a pair of related reports; the other report — CRS Report RL30492, *Education for the Disadvantaged: Allocation Formula Issues in ESEA Title I Reauthorization Legislation* — provides an analysis of allocation formula-related issues that are being debated in congressional consideration of Title I reauthorization legislation. These two related reports complement CRS Issue Brief IB10029, *Education for the Disadvantaged: ESEA Title I Reauthorization Issues*, which provides information on the allocation formula-related provisions of current Title I reauthorization proposals. This report will be updated infrequently and only to reflect major enacted changes to the Title I, Part A allocation formulas.

This report directly covers only Part A of ESEA Title I, which constitutes over 90% of total Title I funding (FY2001). Other Parts of Title I authorize the Even Start program of joint services to young disadvantaged children and their parents (Part B), plus aid for the education of migrant (Part C) and neglected or delinquent youth (Part D), and for program evaluation and demonstration projects of innovative practices, particularly the Comprehensive School Reform Program (Part E). However, as is indicated in Appendix A, grants to states under Parts B and E are made in proportion to Part A grants.

This report begins with a general discussion of the role and rationale for the ESEA Title I, Part A formulas. This is followed by:

- ! a detailed description of the factors and structures of the four currently authorized Part A formulas for allocation of funds *to LEAs and states*,
- ! the net state-by-state effects of current formula provisions on grants to states and LEAs, and
- ! a review of the formula-related debates and provisions associated with the last (1994) reauthorization of Title I; a description of the Part A provisions for allocating funds *to schools* within LEAs, and an analysis of their effects.

Role of the Title I, Part A Allocation Formulas

ESEA Title I, Part A funds are allocated by the U.S. Department of Education (ED) to SEAs, which then suballocate grants to LEAs, in most cases providing grant amounts calculated by ED. As is explained below, two formulas — Basic and Concentration Grants — are currently used to allocate Title I funds. Two further formulas — Targeted and Education Finance Incentive Grants — were authorized in 1994 but have not yet been implemented. While there are four authorized formulas, funds allocated under any of these formulas are combined and used for the same purposes by recipient LEAs.

In general, federal aid program formula factors are intended to reflect the basic purpose of the program, putting congressional intent into concrete form. In addition to targeting schools and LEAs with the greatest need for Title I services, the formulas may also attempt to recognize differences in fiscal capacity to raise revenues for education and other public services, and in the costs of providing program services, or to provide incentives to adopt certain policies deemed desirable, such as increased state and local spending for education or greater equity in school finance systems.

The *basic* elements of the formulas that are actually used to allocate Title I grants are relatively simple. Complications arise from: constraints on those formulas such as hold harmless and state minimum provisions, formulas that are not currently funded, and alternative formulas that are sometimes proposed. The two primary factors in both of the allocation formulas currently in use (and one of the two that are authorized but not yet in use) are a population factor and an expenditure factor. In three of the four authorized formulas, the population factor consists primarily of school-age children in poor families, using the standard Census Bureau/Office of Management and Budget criteria of poverty;¹ currently, approximately 96% of the children counted for allocation purposes are in this category. The expenditure factor is based on each state's average expenditure per pupil for public elementary and secondary education.²

¹For 1998, this threshold was \$16,530 for a family of four persons with two children under age 18.

²The exception is the (unfunded) Education Finance Incentive Grant formula, under which grants to the states would be based on three different factors: (a) *total* school-age children; (b) an “equity” factor based on variations in expenditures per pupil among the state’s LEAs; and
(continued...)

Within LEAs, Title I funds are used to provide supplementary educational services to pupils at public schools with the highest percentages or numbers of children from low-income families, as well as eligible pupils who live in the areas served by these public schools, but who attend private schools.³ While Title I funds are allocated among states, LEAs, and schools on the basis of numbers or percentages of children from low-income families, the family income of pupils is not considered at the school level, and there is no means test for individual children to be served by Title I.

There are two basic types of Title I programs. *Schoolwide programs* are authorized when a school serves a high poverty pupil population. In general, the percentage of pupils served by a school has to be 50% in order to qualify for schoolwide program authority; however, many schools with lower percentages of pupils from low-income families have obtained waivers of the 50% threshold requirement. In schoolwide programs, Title I funds may be used to improve the performance of all pupils in a school, and there is no requirement to focus services on only the most disadvantaged pupils. The other major type of Title I service model is the *targeted assistance school* program. This is the traditional, and still most common, type of Title I program, under which Title I-funded services are generally limited to the lowest achieving pupils in the school.

“Full Funding” Concepts. The Basic Grant formula is the basis for a common interpretation of the concept of “*full funding*” for Title I, Part A. There is no completely unarguable answer to the question, “What is the full, authorized level of funding for ESEA title I, Part A?” For each of the last several reauthorization cycles, the statutory authorization level has been stated as a specific maximum dollar amount for the first year (only) of the reauthorization period, then simply “such sums as may be necessary” for the remainder of the period. Thus, for Title I as most recently reauthorized by the IASA in 1994 (Section 1002(a)) the authorization is stated as \$7.4 billion for FY1995 and “such sums as may be necessary” for FY1996-1999. Some would argue that in this case, the authorization level for any year subsequent to FY1995 should be the FY1995 amount (\$7.4 billion) increased by an inflation factor.

Historically, a very different approach has been taken on this question. Most program advocates have argued that the “full funding” concept for Title I, Part A has always been based on maximum payment calculations under the Basic Grant allocation formula, and that provisions such as the \$7.4 billion level for FY1995 are simply temporary caps that have no impact beyond the specific periods to which they apply. As is described below, the Part A Basic Grant formula establishes a maximum payment based on poor and other “formula children” multiplied by a state expenditure

²(...continued)

(c) an “effort” factor based on a comparison of the state’s average expenditures per pupil compared to its personal income per capita.

³While Title I funds are used to serve eligible private school pupils, funds remain under the control of public school authorities — i.e., they are not transferred to private schools.

factor. The total of these maximum payments are understood by many analysts to represent the “full funding” level for Part A.⁴

The Title I, Part A allocation formulas are important not only because of the size and scope of that program, but also because some or all of the funds under several other federal elementary and secondary education programs are allocated to (interstate allocations) and/or within states (intrastate allocations) in proportion to the distribution of funds under Title I, Part A. A list of these other programs may be found in Appendix A of this report.

Allocation of Title I Funds to LEAs and States: The Current Formulas

The structure and major provisions of the four authorized ESEA Title I allocation formulas — Basic, Concentration, Targeted, and Education Finance Incentive Grants — are described below. Our discussion begins with a review of elements or factors used in the formulas; this is followed by a description of the structures of the individual formulas. It should be kept in mind that while all four of these formulas are currently authorized in ESEA Title I, Part A, only two of them — Basic and Concentration Grants — are currently, or thus far have ever been, funded.

Formula Elements or Factors. Certain types of factors which are common to most or all of the Title I, Part A allocation formulas are described below.

Formula Children:

Basic and Concentration Grants: Children aged 5-17: (1) in poor families, according to the latest available data that are satisfactory to the Secretary of Education, and applying the Census Bureau’s standard poverty income thresholds (approximately 96% of all formula children); (2) in certain institutions for neglected or delinquent children and youth (approximately 4% of all formula children); and (3) in families receiving Temporary Assistance for Needy Families (TANF) payments above the poverty income level for a family of four (only about 0.1% of all formula children).

Targeted Grants: The same child counts are used as for Basic and Concentration Grants, except that the child counts are *weighted* so that the *effective* count of formula children is relatively greater in LEAs with large numbers or high percentages of such children.

Education Finance Incentive Grants: Total children aged 5-17 in the state.

State Expenditure Factor: For all formulas except Education Finance Incentive Grants, formula child counts are multiplied by a state expenditure factor in calculating maximum grant amounts. As a result, under these three formulas Title I grants *per*

⁴For FY1999, this amount would be approximately \$23.4 billion.

formula child are up to 50% higher in high spending states than in low spending states.

Basic, Concentration, And Targeted Grants: The state average expenditure per pupil in average daily attendance for public elementary and secondary education, held within limits of 80% and 120% of the national average (i.e., if the state figure is below 80% it is raised to 80%, and if it is above 120% it is reduced to 120%), and further multiplied by 40%. (A very minor modification is applied to this factor for Concentration Grants, and a special, lower minimum amount is applied to Puerto Rico.)

Education Finance Incentive Grants: No expenditure factor is used.

Pro Rata Reduction: After maximum grants are calculated, if appropriations are insufficient to pay the maximum amounts, these amounts are reduced by the same percentage for all areas, *subject to hold harmless and state minimum provisions* (described below), until they equal the aggregate level of appropriations available to be allocated under that formula.

LEA Hold Harmless:

Basic and Targeted Grants: According to the *authorizing statute* (i.e., the ESEA itself), LEAs must receive Basic Grants and (if they were funded) Targeted Grants that are no less than 85-95% of their previous year grant, if sufficient funds are available to pay these hold harmless amounts. The hold harmless percentage used depends on the LEA's child poverty rate — the higher the poverty rate, the higher the hold harmless percentage.

Concentration and Education Finance Incentive Grants: The *authorizing statute* provides *no* hold harmless for these formulas.

However, annual appropriations legislation for each of FY1998-2000 has provided for a 100% LEA hold harmless for both Basic and Concentration Grants.

State Minimum Grant:

Basic and Targeted Grants: Each state is to receive a minimum of the *lesser* of (a) or (b), where —

(a) = 0.25% of total state grants, and

(b) = the *average* of —

(1) 0.25% of total state grants, and

(2) 150% of the national average grant per formula child, multiplied by the number of formula children in the state.

Concentration Grants: Each state is to receive a minimum of the *lesser* of (a) or (b), where —

(a) = 0.25% of total state grants, and

- (b) = the *average* of —
- (1) 0.25% of total state grants, and
 - (2) the greater of —
 - (i) 150% of the national average grant per formula child, multiplied by the number of formula children in the state, or
 - (ii) \$340,000.

Education Finance Incentive Grants: 0.25% of total state grants.

Level of Government at Which Grants Are Calculated:

Basic, Concentration and Targeted Grants: Beginning in FY1999 (the 1999-2000 program year) ED calculates grants by LEA, with SEAs given flexibility to modify these amounts for relatively low-population LEAs. (Previously, ED calculated grants by county, and SEAs suballocated these county amounts to LEAs or, in selected states, suballocated grants to LEAs statewide, without regard for ED's calculations for counties.)

Education Finance Incentive Grants: This formula is calculated only at the *state* level. State total grants would be suballocated to LEAs in proportion to total grants under the other three Title I, Part A formulas.

Minimum Number of Children, or Minimum School-Age Child Poverty Rate, for LEAs to Qualify for Grants:

Basic Grants: LEAs must have 10 formula children *and* a 2% school-age child poverty rate.

Concentration Grants: LEAs must have 6,500 formula children *or* a 15% school-age child poverty rate.

Targeted Grants: LEAs must have a 5% school-age child poverty rate.

Education Finance Incentive Grants: There is no direct minimum, but a LEA must qualify for grants under at least one of the three other formulas in order to receive a share of state grants under this formula.

School-age Child Poverty Rate: For all formulas, this is the number of children counted for Basic Grants (i.e., school-age children in poor families plus neglected, delinquent, etc., children) expressed as a percentage of total school-age children.

Source of Poverty Data: Estimates of the number of poor school-age children in LEAs are provided by the most recent decennial census or from biennial updated estimates provided by the Census Bureau. Such "intercensal" updates have been published for 1994 and 1996. The 1994 updates were published only for states and counties, while the 1996 updates were published for states, counties, and LEAs.

Structures of the Four ESEA Title I, Part A Formulas. The specific structures of the authorized Title I, Part A formulas — i.e., how the formula elements or factors are combined to determine LEA and state total grants — are described below.

A. Basic Grants (84% of FY2001 Title I, Part A appropriations)

Maximum LEA Grant = Formula Children * Expenditure Factor

Subject to

Pro Rata Reduction to the Level of Available Appropriations, and

State Minimum and LEA Hold Harmless Provisions

B. Concentration Grants (16% of FY2001 Title I, Part A appropriations)

Maximum LEA Grant = Formula Children * Expenditure Factor

If the LEA Meets Either the 6,500 Formula Child or the 15% School-age Child Poverty Rate Eligibility Threshold

Subject to

Pro Rata Reduction to the Level of Available Appropriations and State Minimum

(and LEA Hold Harmless Provisions *if* Provided in Appropriations Legislation)

Note that this formula is essentially the same as that for Basic Grants, except that in general, LEAs are eligible only if they meet the 6,500 formula child *or* the 15% school-age child poverty rate threshold.

Exceptions: (a) In states receiving minimum grants, the SEA may allocate Concentration Grants to any LEA with a number of formula children, or a formula child poverty rate, at or above the state average; and (b) there is a slight, generally very insignificant modification to the Basic Grant expenditure factor for Concentration Grants.

C. Targeted Grants (Currently Unfunded):

Maximum LEA Grant = *Weighted* Formula Children * Expenditure Factor

Subject to

Pro Rata Reduction to the Level of Available Appropriations and

State Minimum and LEA Hold Harmless Provisions

Weighted Formula Children: The poor and other children counted in the formula are assigned weights based on each LEA's child poverty rate *and* number of poor school age children. As a result, a LEA would receive higher Part A grants per child counted in the formula, the higher its poverty rate or number. The maximum weight assigned to formula children in LEAs with the highest poverty *rates* nationwide is 4, and for those with the highest *numbers* of poor children nationwide is 3, while the weight for children in the lowest poverty (either rate or number) LEAs nationwide is 1. For each LEA, the higher of its two weighted child counts is used in calculating grants.

D. Education Finance Incentive Grants (Currently Unfunded):

Step 1: Calculation of state total grant

$$\text{State Grant} = \frac{\text{State School Age Population} * \text{Effort Factor} * \text{Equity Factor}}{\text{Total for all States of (School Age Population} * \text{Effort Factor} * \text{Equity Factor)}} * \text{Total Appropriation}$$

Subject to

State Minimum Provision

Step 2: Suballocation of state total grants to LEAs

LEA Grant = LEA Share of State Grants Under Other Part A Formulas * State Total Education Finance Incentive Grant

Equity Factor = The equity factor is based upon a measure of the average disparity in expenditures per pupil among the LEAs of a state called the *coefficient of variation* (CV), which is expressed as a percentage of the state average expenditure per pupil. In the CV calculations for this formula, an extra weight (1.4 vs. 1.0) is applied to estimated counts of children from poor families. Limited purpose LEAs, such as those providing only vocational education, are excluded from the

calculations, as are small LEAs with enrollment below 200 pupils. Specifically, the equity factor is equal to $1.30 - (CV)$, so the lower a state's CV, the higher its equity factor multiplier. There are special provisions for states meeting the expenditure disparity standard established in regulations for the Impact Aid program (ESEA Title VIII), as well as the single-LEA areas of Hawaii, Puerto Rico, and D.C.

Effort Factor = The effort factor is based on a comparison of state expenditures per pupil for public elementary and secondary education with state personal income per capita. This ratio for each state is further compared to the national average ratio, resulting in an index number that is greater than 1.0 for states where the ratio of expenditures per pupil for public elementary and secondary education to personal income per capita is greater than average for the Nation as a whole, and below 1.0 for states where the ratio is less than average for the Nation as a whole. Narrow *bounds of 0.95 and 1.05* are placed on the resulting multiplier, so that its effects on state grants is limited.

The net effect of the allocation formula provisions described above may be seen in the following **Table 1** showing total FY1999 Part A grants per school-age child in a poor family. In this analysis, the state average grants per child vary from a low of \$475 for Puerto Rico, reflecting the special, low expenditure factor for that Commonwealth, to a high of \$1,240-1,364 for the five smallest (in population) states, reflecting primarily the effects of the minimum state grant provisions for Basic and Concentration Grants. The more modest state variations within these extremes reflect primarily the effects of the expenditure factor and the 100% hold harmless provisions of FY1998-2001 appropriations legislation, the latter of which leads to substantial variation in grants per poor child according to the *latest* population data.

Table 1. ESEA Title I, Part A Grants Per School-Age Child in a Poor Family

State	Total FY1999 Part A grants	Poor school-age children, 1996 estimates	Grants per child
Alabama	\$128,529,675	187,857	\$684
Alaska	\$18,885,685	15,234	\$1,240
Arizona	\$121,033,087	187,989	\$644
Arkansas	\$78,656,312	119,221	\$660
California	\$940,850,248	1,363,763	\$690
Colorado	\$71,277,595	87,634	\$813
Connecticut	\$69,293,940	74,177	\$934
Delaware	\$21,087,579	16,732	\$1,260
District of Columbia	\$24,977,616	25,758	\$970
Florida	\$360,645,739	522,558	\$690
Georgia	\$207,637,592	308,614	\$673
Hawaii	\$20,119,987	26,107	\$771
Idaho	\$23,355,862	33,563	\$696
Illinois	\$326,647,862	362,791	\$900
Indiana	\$116,147,429	140,393	\$827
Iowa	\$53,276,464	62,281	\$855
Kansas	\$55,734,882	65,999	\$844
Kentucky	\$127,598,779	167,126	\$763
Louisiana	\$191,246,371	256,468	\$746
Maine	\$31,403,006	32,391	\$969
Maryland	\$102,232,556	107,724	\$949
Massachusetts	\$152,228,989	141,153	\$1,078
Michigan	\$333,880,357	327,993	\$1,018
Minnesota	\$87,876,278	95,681	\$918
Mississippi	\$124,767,905	155,334	\$803
Missouri	\$133,471,311	179,912	\$742
Montana	\$26,073,019	33,324	\$782

State	Total FY1999 Part A grants	Poor school-age children, 1996 estimates	Grants per child
Nebraska	\$32,183,426	33,811	\$952
Nevada	\$22,831,797	35,773	\$638
New Hampshire	\$19,451,320	14,550	\$1,337
New Jersey	\$175,150,980	178,604	\$981
New Mexico	\$65,464,085	106,556	\$614
New York	\$725,737,516	764,401	\$949
North Carolina	\$146,132,809	230,370	\$634
North Dakota	\$19,639,414	18,182	\$1,080
Ohio	\$302,179,405	325,191	\$929
Oklahoma	\$95,179,222	150,460	\$633
Oregon	\$68,522,619	75,693	\$905
Pennsylvania	\$335,111,657	332,828	\$1,007
Puerto Rico	\$262,430,237	553,022	\$475
Rhode Island	\$24,637,724	26,535	\$928
South Carolina	\$98,915,241	156,210	\$633
South Dakota	\$19,730,276	26,709	\$739
Tennessee	\$134,263,765	183,809	\$730
Texas	\$661,699,092	966,281	\$685
Utah	\$35,295,233	38,046	\$928
Vermont	\$17,699,100	13,141	\$1,347
Virginia	\$115,969,508	174,830	\$663
Washington	\$108,934,314	133,602	\$815
West Virginia	\$73,470,916	83,281	\$882
Wisconsin	\$125,823,721	126,606	\$994
Wyoming	\$17,419,534	12,772	\$1,364
U.S. Total/Average	\$7,524,279,361	9,671,183	\$776

In addition, **Table 2** below shows the estimated state percentage share of grants under each of the four authorized Part A formulas. All estimates are based on data for FY1999, and are compared to state percentage shares of actual FY1999 grants. It is important to note a major distinction between the actual grant shares in column 1 and the series of estimates in columns 2-5: while the actual grants apply the 100% hold harmless provision of the FY1999 appropriations act, the four sets of estimates apply only the hold harmless provisions of the ESEA itself (i.e., 85-95% of previous year for Basic and Targeted Grants, no hold harmless for Concentration and Education Finance Incentive Grants). Thus, differences in the percentage shares for states under the various formulas reflect both the provisions of those formulas and differential hold harmless effects.

Table 2. Estimated State Share of Grants Under Each of the Four Formulas Authorized Under ESEA Title I, Part A

State	FY1999 total Part A grants with special 100% hold harmless	Basic grant formula	Concentra- tion grant formula	Targeted grant formula	Education incentive grant formula
Alabama	1.68%	??	??	1.55%	??
Alaska	0.25%	0.24%	0.17%	0.21%	0.30%
Arizona	1.58%	1.60%	1.62%	1.66%	1.76%
Arkansas	1.03%	1.01%	1.12%	1.00%	0.92%
California	12.29%	12.70%	13.37%	13.77%	12.10%
Colorado	0.93%	0.86%	0.58%	0.64%	1.43%
Connecticut	0.91%	0.96%	0.81%	0.97%	1.21%
Delaware	0.28%	0.25%	0.17%	0.21%	0.28%
District of Columbia	0.33%	0.35%	0.43%	0.45%	0.25%
Florida	4.71%	5.05%	5.97%	5.32%	5.29%
Georgia	2.71%	2.91%	3.26%	2.98%	2.65%
Hawaii	0.26%	0.27%	0.29%	0.25%	0.45%
Idaho	0.31%	0.29%	0.25%	0.25%	0.49%
Illinois	4.27%	4.14%	3.98%	4.53%	4.16%
Indiana	1.52%	1.55%	1.12%	1.19%	2.24%
Iowa	0.70%	0.66%	0.32%	0.39%	1.11%
Kansas	0.73%	0.73%	0.64%	0.54%	1.01%
Kentucky	1.67%	1.60%	1.81%	1.64%	1.41%
Louisiana	2.50%	2.16%	2.60%	2.37%	1.54%
Maine	0.41%	0.40%	0.33%	0.27%	0.49%
Maryland	1.34%	1.38%	1.28%	1.28%	1.90%
Massachusetts	1.99%	1.89%	1.56%	1.59%	2.04%
Michigan	4.36%	4.27%	3.96%	4.42%	3.62%
Minnesota	1.15%	1.07%	0.62%	0.72%	1.88%
Mississippi	1.63%	1.35%	1.48%	1.37%	1.06%
Missouri	1.74%	1.76%	1.69%	1.63%	1.68%
Montana	0.34%	0.34%	0.34%	0.29%	0.36%
Nebraska	0.42%	0.40%	0.25%	0.25%	0.63%
Nevada	0.30%	0.33%	0.28%	0.31%	0.62%
New Hampshire	0.25%	0.24%	0.13%	0.19%	0.41%
New Jersey	2.29%	2.29%	1.89%	2.08%	2.94%
New Mexico	0.86%	0.89%	1.08%	1.02%	0.72%
New York	9.48%	10.09%	10.96%	12.52%	6.12%
North Carolina	1.91%	2.02%	2.11%	1.62%	2.66%
North Dakota	0.26%	0.25%	0.20%	0.23%	0.25%

State	FY1999 total Part A grants with special 100% hold harmless	Basic grant formula	Concentra- tion grant formula	Targeted grant formula	Education incentive grant formula
Ohio	3.95%	3.52%	3.05%	3.14%	4.03%
Oklahoma	1.24%	1.28%	1.33%	1.24%	1.27%
Oregon	0.90%	0.87%	0.60%	0.60%	1.25%
Pennsylvania	4.38%	4.34%	3.96%	3.99%	4.22%
Puerto Rico	3.43%	3.25%	3.95%	2.98%	1.76%
Rhode Island	0.32%	0.34%	0.27%	0.32%	0.37%
South Carolina	1.29%	1.34%	1.49%	1.26%	1.41%
South Dakota	0.26%	0.25%	0.25%	0.25%	0.28%
Tennessee	1.75%	1.61%	1.63%	1.36%	1.80%
Texas	8.65%	8.99%	9.85%	9.90%	7.62%
Utah	0.46%	0.37%	0.22%	0.25%	0.96%
Vermont	0.23%	0.23%	0.20%	0.20%	0.25%
Virginia	1.52%	1.61%	1.47%	1.41%	2.11%
Washington	1.42%	1.37%	0.94%	0.95%	2.12%
West Virginia	0.96%	0.90%	1.08%	0.91%	0.69%
Wisconsin	1.64%	1.59%	1.10%	1.35%	2.15%
Wyoming	??	0.22%	0.18%	0.19%	0.25%
Totals	100.00%	98.41%	98.23%	100.00%	98.51%

Note: All grant estimates are calculated using 1996 population estimates (as used for FY1999 Title I, Part A grants) and FY1999 expenditure factor data. Also note that with the exception of the first column, only the hold harmless provisions of the authorizing statute are applied, not the special (100%) hold harmless provisions of the FY1999 appropriations act.

Title I Funds to LEAs and States: Major IASA Provisions and Their Implementation Since 1994

Major Issues Debated in the Last Reauthorization of Title I, and Formula Provisions of the Improving America's Schools Act of 1994.

During the last reauthorization of the ESEA in 1994 under the Improving America's Schools Act (IASA), a great deal of debate was focused on the Title I allocation formulas. These debates were largely focused on four aspects of the formulas:

- ! whether formulas adequately targeted funds on high-poverty schools and LEAs and states of greatest need; how to minimize the disruptive effects of large once-a-decade shifts in grants as new estimates of school-age children in poor families become available from each decennial census;
- ! whether it was feasible to move toward calculation of grants nationwide on the basis of LEAs, rather than counties; and whether it was desirable to incorporate factors related to state school finance equity and fiscal effort into the Title I formulas.

The major Title I formula-related provisions of the 1994 ESEA amendments attempted to address each of these issues. With respect to *targeting*, the IASA provided that annual appropriations up to the amount provided for Title I, Part A for FY1995 would continue to be allocated under the pre-existing Basic and Concentration Grant formulas, but that any increases above the FY1995 level would be allocated according to either the Targeted or the Education Finance Incentive Grant formulas, both of which were newly-authorized by the IASA.⁵ As is discussed further below, the IASA also made a number of changes to the provisions for allocation of funds within LEAs which were intended to increase targeting on the highest poverty schools.

With respect to using the *latest available population data* and attempting to minimize funding shifts when these data are updated, the IASA provided for use of a new series of “intercensal” updates of estimated school-age children in poor families in allocating Title I, Part A grants. The Act provided that the new estimates would be implemented when these updates were made available by the Census Bureau *unless* the Secretaries of Education and Commerce, informed by a study to be conducted by a National Academy of Sciences panel, determined that the forthcoming intercensal estimates were “inappropriate or unreliable.” These updated population estimates were to be prepared and implemented initially on a county basis, but ultimately for LEAs (see below).

The IASA further provided that Title I, Part A grants would continue to be calculated by ED on a county basis (with SEAs calculating subcounty grants to LEAs) until FY1999, at which time grants would begin to be calculated by ED on the basis of *LEAs*, *if* satisfactory population updates for LEAs were made available by the Census Bureau.

Fourth, the IASA authorized a new Part A formula, for Education Finance Incentive Grants, to address concerns regarding *school finance equity* among LEAs in the states, as well as *fiscal effort* (defined as expenditures per pupil compared to personal income per capita) by each state overall.⁶

⁵There was substantial ambiguity regarding one aspect of this plan — the extent to which funds in excess of the FY1995 appropriation level were to be allocated as Targeted Grants versus Education Finance Incentive Grants — although it was clear that increases were to be devoted to at least one of the new formulas.

⁶In addition to these major amendments, the IASA included a number of relatively minor formula changes, all of which *have* been implemented. First, it was provided that in order to be eligible for Basic Grants, LEAs must have at least 10 poor or other children counted under the allocation formula and a child poverty rate of at least 2%. Second, an adjustment was made to the state minimum “caps” for Concentration Grants, resulting in somewhat higher minimum grants to a few small states. Third, it was provided that counties (through FY1998) or LEAs (FY1999 and beyond) meeting either the 15% child poverty rate or the 6,500 formula child threshold for eligibility would be treated the same in calculating Concentration Grants (previously, counties meeting only the 6,500 child threshold received lower grants than those meeting the 15% threshold).

Implementation of the IASA Provisions and Trends in Funding of Title I Since 1994. The provisions of annual appropriations acts adopted after 1994 have prevented some major aspects of the IASA's intended plan for Title I funding from being implemented, and have allowed others to be implemented to only a limited extent. These trends are briefly reviewed immediately below.

Neither of the two allocation formulas newly-authorized in 1994, the Targeted and Education Finance Incentive Grant formulas, has been implemented. Annual appropriations legislation has provided that all funds be allocated under the previous Basic and Concentration Grant formulas. There has been a small shift in the share of funds allocated under these two formulas, from 90% Basic/10% Concentration Grants in FY1994 to 84% Basic/16% Concentration Grants for FY2001. IASA provisions intended to increase targeting on the highest poverty *schools* within LEAs have generally been implemented.

The IASA's provisions for use of population updates and calculation of grants by ED on the basis of LEAs have both been implemented. An initial set of 1994 population estimates for counties were used in part to allocate FY1997 grants, and in full to allocate grants for FY1998. A second set of updates, for counties and LEAs, were used to allocate FY1999 and FY2000 appropriations. However, the impact of using the updated population estimates has been constrained by increased hold harmless rates provided under annual appropriations acts for FY1998-2001, each of which has applied a 100% hold harmless to both Basic and Concentration Grants, in contrast to the 85-95% hold harmless rate for Basic Grants, and no hold harmless for Concentration Grants, provided in the Title I authorizing statute. Coupled with relatively small growth in total Part A appropriations (see **Table 3**) over this period (FY1998-2001), this has meant that almost all funds are dedicated to funding the hold harmless requirements, and little shifting can occur in response to population trends reflected in the updates.

The following **Table 3** shows the overall growth in Title I, Part A appropriations in fiscal years 1996-2001. Note that all figures are in \$1,000s.

Table 3. ESEA Title I, Part A Appropriations, FY1996-2000

FY	Basic grants	Concentration grants	Targeted grants	Education finance incentive grants	Total Part A grants
FY1996 Appropriation	6,046,266 ^a	684,082	0	0	6,730,348
FY1997 Appropriation	6,273,212 ^a	1,022,020	0	0	7,295,232
FY1998 Appropriation	6,273,212 ^a	1,102,020	0	0	7,375,232
FY1999 Appropriation	6,574,000 ^a	1,158,397	0	0	7,732,397
FY2000 Appropriation	6,783,000 ^{ab}	1,158,397	0	0	7,941,397 ^b
FY2001 Appropriation (P.L. 106-554)	7,237,721 ^{ab}	1,364,000	0	0	8,601,721

^a Funds to be used to pay costs of updating 1990 census data for LEAs are included in these amounts (\$3.5 million for each of FY1996-2001).

^b Amounts are reserved from the Basic (and total Part A) Grants total (\$134,000,000 for FY2000 and \$225,000,000 for FY2001) for program improvement activities. These funds are to be allocated under a previously-unfunded authority for “additional school improvement grants” (ESEA Title I, Section 1003(b)). They are to be allocated to the states in proportion to their other Part A grants, and be used to help implement requirements (Section 1116(c)) to identify and take corrective actions with respect to Title I schools where performance is inadequate. At the same time, appropriations legislation for FY2000-01 requires states and LEAs to provide to pupils attending schools identified as performing inadequately the option of attending other *public* schools not so identified, unless it is impossible, consistent with state and local law, to accommodate all such transfer requests.

Allocation of Title I Funds to Schools Within LEAs

Another important aspect of the distribution of federal financial aid under ESEA Title I, Part A is the allocation of funds to individual schools within LEAs. Unlike most federal elementary and secondary education programs, most Title I funds are allocated to individual schools, although LEAs retain substantial discretion to decide that control over a significant share of Title I grants should be maintained by central district offices rather than individual schools and their staff. While there are several rules related to school selection, the participating schools must generally have a percentage or number of children from low-income families that is higher than the LEA’s average, or 35%, whichever is *lower*. LEAs can generally choose to focus Title I services on selected grade levels (e.g., only in elementary schools), but they

must usually provide services in all schools, whatever their grade level, where the percentage of pupils from low-income families is 75% or more. There is an exemption from all of the Title I school selection requirements for small LEAs — those with enrollments of 1,000 or fewer pupils.

Once schools are selected, Title I funds are allocated among them (and reserved for services to private school pupils) in proportion to their number of pupils from low-income families. In most cases, the criteria used to determine which pupils are from low-income families at this stage are not the same as those used to identify school-age children in poor families for purposes of calculating allocations to states and LEAs. This is because data are not typically available on the number of school-age children enrolled in a school, or living in a residential school attendance zone, with income below the standard federal poverty threshold. Such “population in poverty” data are usually available only for LEAs, counties, and states. Thus, LEAs must use available proxies for low-income status. The Title I statute allows LEAs to use the following low-income measures: (a) eligibility for free or reduced price school lunches; (b) eligibility for Temporary Assistance to Needy Families (TANF); or (c) eligibility for Medicaid. These low-income thresholds are often higher than the standard federal poverty income thresholds. LEAs most often use free or reduced-price school lunch eligibility. Pupils are eligible for free lunches with family income up to 130% of the relevant federal poverty thresholds, and are eligible for a reduced price lunches if their income is up to 185% of poverty.

After data have been compiled on the percentage or number of pupils from low-income families who are either enrolled in a LEA’s public schools or residing in the attendance areas served by such schools, available Title I funds are allocated among these schools in rank order, beginning with the highest poverty schools, until no further funds are available. As noted above, LEAs may choose to consider only schools of selected grade levels (e.g., only elementary schools), as long as *all* schools with 75% or more of pupils from low-income families receive grants. Funds are allocated among schools in proportion to their number of pupils from low-income families. Similarly, the share of funds to be used to serve educationally disadvantaged pupils attending private schools is determined on the basis of the number of low-income children living in the residential areas served by public schools selected to receive Title I grants. In this process, many LEAs must provide to each school a minimum amount per low-income pupil.⁷

IASA Provisions. During the last reauthorization of Title I, there was a widespread perception that funds were spread very thinly among a large percentage of all public schools, and should be better targeted on schools with the highest concentrations of pupils from poor families. The IASA contained three sets of provisions intended to focus funds within LEAs more on high poverty schools. First, while LEAs would still have discretion, in general, to select the grade levels at which

⁷In general, LEAs must provide to each school an amount per low-income pupil which is equal to 125% of the amount per such equivalent pupil received under Title I by the LEA. LEAs which provide grants only to schools with a low-income pupil percentage of 35% or more need not comply with this requirement.

Title I services are offered, and to consider only schools at those grade levels in selecting grantees, they would be required to provide Title I services to any school, *no matter the grade level*, with a low-income pupil rate of 75% or more. A second set of amendments regarding school selection raised the low income pupil rate at which a school may be automatically selected for title I from 25% to 35%, and deleted some alternative options for school selection that had facilitated the spread of funds among a large number of schools in many LEAs. Third, the IASA amended Title I provisions regarding allocation of funds among eligible schools, requiring LEAs to allocate Title I funds among eligible schools solely on the basis of their number of pupils from low income families, and specifying a minimum grant per low income child to each participating school that was intended to result in greater concentration of funds on each LEA's highest poverty schools.

It was generally assumed that these IASA amendments would reduce somewhat the total number of public schools receiving Title I grants, thereby increasing the targeting of funds on the remaining, higher poverty schools. During the initial period of implementation of these amendments, through 1997-1998, the percentage of *all* public schools receiving Title I grants was 58%, compared to 62% in 1993-1994. Among *high poverty* schools (75% or more of pupils from low-income families), the percentage receiving Title I funds increased over this period from 79% to 95%, while the percentage of *low poverty* schools (34% or fewer pupils from low-income families) participating in Title I fell from 49% to 36%. This shift largely occurred through an increase in the percentage of high poverty secondary schools receiving Title I grants, from 61% of such schools in 1993-1994 to 93% in 1997-1998. Thus, while the share of all public schools receiving Title I grants fell only marginally, there was a substantial increase in the participation of high poverty schools, and a significant decrease in the participation of low poverty schools.⁸ During this time period, the increase in targeting on high poverty schools within LEAs was limited somewhat by the granting of waivers to allow a number of LEAs to continue allocating Title I funds to relatively low poverty schools that otherwise would have been dropped from eligibility as the 1994 amendments were implemented.⁹

Concluding Remarks

In conclusion, it might be emphasized that the Title I, Part A allocation formulas and related issues are important because it is the largest federal elementary and secondary education program, plus the Part A formulas are used to allocate half or all of the funds under many other federal elementary and secondary education programs. ESEA Title I, Part A is the source of the largest federal impact on overall state and local school finance systems, at least marginally equalizing the overall level

⁸U.S. Department of Education. Office of the Under Secretary. Planning and Evaluation Service. *Promising Results, Continuing Challenges, The Final Report of the National Assessment of Title I*. 1999. p. 5-8 and 5-11.

⁹For further information, see CRS Report 98-676, *Federal Elementary and Secondary Education Programs: Ed-Flex and Other Forms of Flexibility*, by Wayne Riddle.

of revenues among high and low poverty LEAs within states, simply because funds are allocated on the basis of poor children. The formulas have also been a primary focus of attention during many past ESEA reauthorization debates, especially during the last major reauthorization in 1993-1994.

On the other hand, some observers argue that often too much attention is paid to these allocation formulas; that an intense focus on Title I's allocation formulas tends to distract from a focus on basic program purposes, structure, rationale, and effectiveness; and that, especially in 1993-1994, an enormous amount of attention was devoted to major formula revisions although, as detailed above, very few of these revisions have been implemented.

As indicated by experience following the adoption of numerous allocation formula revisions in 1994, it is very difficult to effectively change the Title I, Part A formulas, either to substantially increase the targeting of funds on high poverty LEAs or to address other policy concerns such as the equity of state and local school finance systems, particularly if the changes would result in significant losses for any state or locality.

Appendix A: Programs Other Than ESEA Title I, Part A Under Which at Least a Share of Funds Is Allocated in Proportion to Part A Grants

Interstate Allocations

Even Start Family Literacy Program — ESEA Title I, Part B; based on Title I, Part A grants for the same year.

Comprehensive School Reform Program — ESEA Title I, Part E, Section 1502; based on Title I, Part A grants for the previous year.

Eisenhower Professional Development Program — ESEA Title II; 50% Title I, Part A grants for the previous year, 50% population aged 5-17, 0.5% state minimum.

Technology Challenge Grants — ESEA Title III, Part A, Subpart 2; based on Title I, Part A, grants for the same year, 0.5% state minimum; based on Title I, Part A grants for the same year.

Safe and Drug Free Schools — ESEA Title IV; 50% Title I, Part A grants for the previous year, 50% population aged 5-17, 0.5% state minimum.

Class Size Reduction Program — Funding provided under appropriations legislation for FY1999-2001; based on Title I, Part A or ESEA Title II grants for FY1998, whichever is greater.

Goals 2000 State Grants — 50% total Title I, 50% Title VI grants for the previous year, no (direct) state minimum.

McKinney Homeless Assistance Act — Title VII, Subtitle B, Education for Homeless Children and Youth; based on Title I, Part A grants for the same year.

School Renovation Grants — Funding provided under FY2001 appropriations legislation; based on Title I, Part A grants for FY2000, with a state minimum of 0.5%.

Intrastate Allocations

Eisenhower Professional Development Program — ESEA Title II; 50% Title I, Part A grants for the previous year, 50% population aged 5-17.

Safe and Drug Free Schools — ESEA Title IV; 50% Title I, Part A grants for the previous year, 50% population aged 5-17.

Carl D. Perkins Vocational and Applied Technology Education Act — For FY1999 only, 70% of state grants for secondary programs are allocated to LEAs in proportion to Title I, Part A grants.