Center for American Progress


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Bitter Pill, Better Formula

Toward a Single, Fair, and Equitable Formula for ESEA Title I, Part A

Raegen T. Miller and Cynthia G. Brown February 2010

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Foreword

The United States funds its schools unfairly. Schools with the highest concentrations of low-income students usually receive the least funds. Unlike other advanced countries, students with the greatest needs are not supported with the greatest amount of funding. The neediest students attend the most dilapidated and disorganized schools, often staffed with the least experienced and least effective teachers.

Not surprisingly, there are yawning achievement gaps between low-income students and their more advantaged peers. Money well spent can result in high-performing high-poverty schools, but there are extra costs associated with educating low-income students to high levels, and it is "fundamentally unfair to hold educators accountable for reaching uniform high standards when the monetary tools they are given are so unequal."[1]

One reason for our current situation is that the United States has the most decentralized system of public schooling of any industrialized country. The federal government decided to work to level the playing field with the passage of the Elementary and Secondary Education Act of 1965. Federal funds account for only about 9 percent of the national average of $9,683 per pupil in current spending on public education, but this federal investment is significant.

The Center for American Progress proposes in the paper that follows a new funding formula for ESEA Title I, Part A, also known as Title I-A, the largest elementary and secondary program operated by the Department of Education. The program provides school districts serving concentrations of low-income students with funding with the aim of enhancing these students' educational experience. The formula needs revision because there is much confusion about the four distinct formulas in current use. These formulas—the product of 40-plus years of political compromise—are poorly aligned with the clear purpose of Title I-A funds: "… to provide financial assistance to local education agencies serving areas with concentrations of children from low-income families to expand and improve their educational programs by various means …"[2]

Educators, state elected officials, members of Congress, and advocates for disadvantaged students are increasingly raising concerns about the fairness of Title I-A funding. We found many misconceptions and conflicting views while talking to various advocates and experts about how the Title I-A formulas work. Some officials and advocates are totally unaware of the adverse financial consequences for the school districts in their jurisdictions, and others completely wrong about perceived unfairness.

We decided the first step would be to explain how the Title I-A formulas actually operate to allocate federal tax dollars. Perhaps naively, we originally thought we could describe this in "plain English," and have done our best in "Secret Recipes Revealed: Demystifying the Title I, Part A Funding Formulas," which was released in August 2009. But as readers will immediately observe, the formulas are so complex that plain English barely suffices to pull back the curtain on systematic inequity across and within states.

The United States needs a new, single formula for Title I-A—one that is simpler, more transparent, and fairer. We describe our proposed formula and the rationale behind it in this paper. We examine percent changes between fiscal year 2009 allocations and projected allocations based on fiscal year 2010 level appropriations—by state and district—to understand the effects that our proposed formula would have. These percent changes translate directly to winners and losers under the proposed funding scheme. As we make clear in the paper, winning states are found throughout the country, but within those states, the very largest districts often stand to lose. Small districts—especially low-income ones—often stand to win in states whose aggregated allocation would fall under the proposed formula.

Several core propositions lie beneath the politics of winners and losers. We recognize that funding tied to poverty rates creates a disincentive for states to implement policies that reduce poverty and ameliorate its effects. Yet we think that compensatory funding meant to supplement state and local funding, like Title I-A, is necessary nonetheless. The reason is that the whole nation stands to lose if children born into poverty fail to get a quality education. Furthermore, it is necessary to have strong legislative and regulatory safeguards to ensure that federal funds do not supplant local and state investments in education and put in place a robust accountability system to stimulate strategic uses of Title I-A funds. These aspects of the Elementary and Secondary Education Act can and should be strengthened, but the job of this paper is to inform the debate about a simpler, fairer funding approach.

Decisions about the distribution of federal tax revenues are among the hardest that members of Congress must make. We respect and honor the political debate and compromises that go into formula decision making. We realize that our proposed formula will be subject to much scrutiny and many proposed adjustments. But we believe it is essential that what we hope will be a very public debate begins with a simple, transparent, and fair proposal—and one that is relatively easy to comprehend. We stand ready to help decision makers and advocates better understand the elements of our proposed formula and the framework for fair funding in which it is grounded.

— Cynthia G. Brown and Raegen T. Miller

Executive summary

Federal policymakers and education officials, aware of the potential ferocity of a "formula fight," tread with care when it comes to revising the way Title I, Part A of the Elementary and Secondary Schools Act distributes funds. But the formulas driving Title I-A grants require a major overhaul because, in short, they favor wealthy states and enormous school districts. Many schools serving high concentrations of poor students are being shortchanged.

Previous efforts to improve the targeting of Title I-A funds to school districts serving children in concentrated poverty,[3] the program's intent, have quadrupled the number of formulas involved,[4] yielding only marginal improvements.[5] There are formidable political barriers to reform, but the sheer complexity of the formulas poses an additional barrier. It is easy for policymakers to overlook inequity when it is shrouded in the fog of four funding formulas.

A recent paper, "Secret Recipes Revealed," demystified the formulas driving Title I-A grants,[6] setting the stage for the three goals of this paper:

- To elaborate a framework shedding light on questions of fairness
- To propose a new, single formula to replace the current hodgepodge of Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Fund Grants
- To highlight major political obstacles to funding Title I-A more fairly

The framework for the proposed formula has three dimensions, each conceptually grounded in current policy but operationalized here in a refined way:

- The framework accounts for the cost of schooling by using the Comparable Wage Index, developed and maintained by the National Center for Education Statistics. This represents an improvement over the current use of state average per-pupil expenditures, which is biased in favor of wealthy states.
- Fiscal effort, the extent to which a state leverages its own resources to finance public education, is recognized by the current Title I-A funding scheme, albeit in an incomplete and slightly skewed way.[7] A refined measure of fiscal effort in the proposed formula eliminates current bias against states with large households.

- The framework focuses on concentrations of children from low-income families, not on raw numbers of children in poverty, the source of inflated allocations to extremely large districts.

The proposed formula adopts the eligibility criteria of the most modern of the four Title I-A formulas. Eligible districts under these criteria must serve at least 10 poor children also representing at least 5 percent of all children served in the district. An authorized amount for each district equals the product of four factors:

- $2,250, a somewhat arbitrary amount that puts the product in dollar terms and determines an authorized total

- A weighted count of qualifying children employing the concentration-based weighting scheme embraced by the current Targeted Grant formula

- A rescaled weighted cost factor based on state and local values on the Comparable Wage Index

- A fiscal effort factor using a refinement of the measure used by the current Education Finance Incentive Grant formula

Ratable reduction procedures, conceptually the same as halving a recipe, rescale authorized amounts based on actual appropriations, and inherited hold-harmless procedures are implemented to protect districts from precipitous drops in funding for reasons beyond their control. Similarly, a growth ceiling prevents districts' allocations from increasing at imprudently fast rates.

Substantial funding increases would moderate discomfort created by a switch to the proposed formula. The 2010 fiscal year appropriations for Title I-A provide no such increase. Under level funding with the proposed formula, sparsely populated states would see substantial drops in funding rates, and most western and southern states would see increases. Yet the largest districts within states would tend to lose more or gain less than their smaller counterparts. The proposed formula could be made more palatable to those standing to lose in a number of ways, but the proposed formula should serve to stimulate a lively debate and responsible exploration of a way to fund Title I-A more fairly.

The problem

The fundamental mission of Title I-A, the largest elementary and secondary program operated by the U.S. Department of Education,[8] is surprisingly straightforward. The program began with the passage of The Elementary and Secondary Schools Act in 1965 and has continued through seven reauthorizations.[9] Title I-A funds have always aimed to enhance the educational experiences of children attending schools in areas serving concentrations of low-income families, to level the playing field.

Do Title I-A funds actually level the playing field? This is a difficult question for three reasons. First, permitted uses of Title I-A funds constitute a diffuse array of activities such as the development and adoption of formative or interim assessments of academic progress, training of teachers and administrators in their use, the development and adoption of supplemental instructional materials, and financing incentives to induce qualified staff to work in schools receiving Title I-A funds.[10] It tends to be impossible to isolate the separate effects of individual services, in part because services are administered schoolwide in schools serving high concentrations of students eligible for free or reduced-price meals, the standard criterion used by districts in parsing their Title I-A allocations.[11]

Second, the fiscal requirements for the agencies receiving funds do not ensure that Title I-A funds available to a school represent additional funding over and above those amounts provided by state and local sources. The comparability requirement—one of three fiscal requirements—allows districts to use reasonably similar staffing ratios as the basis for showing that state and local resources are distributed comparably between their Title I and non-Title I schools. The problem is that the more experienced teachers are underrepresented in Title I schools and overrepresented in non-Title I schools.[12] And since teacher compensation— the main category of spending in schools—is closely pegged to experience, Title I schools often receive less than their fair share of actual state and local resources. In other words, Title I funds do not always represent additional resources over and above those from state and local sources.

The third problem, detailed in "Secret Recipes Revealed," is that the formulas used to allocate funds to states and school districts are out of alignment with the mission of Title I-A. Funds flow inordinately to school districts with low concentrations of children in poverty, to school districts in wealthy states, and to enormous school districts.[13] Furthermore, the bewildering complexity of four different formulas magnifies administrative burden, hamstrings analysis, and stymies discussion of Title I-A funding. And the scope of the problem exceeds Title I-A, since the suspect formulas also drive funds for other federal programs.[14]

A new era of responsibility calls for an overhaul of the Title I-A funding formulas. No Child Left Behind, the current authorization of the Elementary and Secondary Education Act, helps build the case by requiring that appropriations over and above the $8.762 billion awarded in FY 2001 be allocated using just two of the four Title I-A formulas.[15] This stipulation, which can be interpreted as an admission that some formulas are poorly targeted, gained prominence with passage of the 2009 American Recovery and Reinvestment Act, or ARRA. The specific eligibility requirements of the two formulas that drove ARRA's supplemental Title I-A grants meant that approximately 8 percent of school districts receiving regular Title I-A funds received none of the $10 billion in supplemental Title I-A funds.[16]

This current twist in the tale of Title I-A funding raises two questions going forward: First, should the formulas shunned by ARRA continue to channel regular funds at all? Second, are the two formulas favored by ARRA worthy of shouldering the entire burden of regular Title I-A funding? The answer to both questions is clear: "No." A new single formula is needed that allocates money more fairly, in a way more faithful to the program's intent. This proposal is politically bold, but the new approach outlined here is practical because it relies heavily on data sources and methodology with which the Department of Education is very familiar.[17]

Framework for fairness

Federal funds account for less than a tenth of all money spent on elementary and secondary education, and although they cannot ameliorate all funding inequity, a few simple comparisons show that the current Title I-A formulas actually pour salt on the wound.

Three critical dimensions provide a framework for making fair comparisons: the cost of providing education, fiscal effort, and the concentration of students from low-income families. Each of these dimensions is firmly grounded in current policy. First, fairness means accounting appropriately for the cost of providing education, which, like the cost of butter or gasoline, varies within and between states. Yet the current Title I-A formulas ignore variation within states, and use state average-per-pupil expenditures as a proxy for cost at the state level.[18]

Unfortunately, expenditures track wealth better than they track the cost of providing education. The Comparable Wage Index offers a solution: focus on salaries, the main driver of costs. Moreover, Comparable Wage Index values are not sensitive to operational preferences such as class size. It may cost the same amount to hire a teacher in two different states, but one state's preference for smaller classes translates, on average, into higher spending.

Fiscal effort is generally defined as the extent to which a state leverages its own resources to finance public education. The current approach to funding Title I-A does indeed recognize fiscal effort, albeit in an incomplete and slightly skewed way.[19] Only one of the current four formulas involves a measure of fiscal effort, the ratio of a states' three-year average of per-pupil expenditures—current expenditures less federal revenues—divided by the three-year average of per capita income, relative to the national average for this ratio. Computed values of fiscal effort are censored to be no less than .95 and no greater than 1.05.

The framework offered here adopts a refined version of fiscal effort. Specifically, total expenditures replace per-pupil expenditures, and total personal income replaces per capita personal income. This refinement eliminates current bias against states that tend to have more children per household. Between two states with equal spending per pupil and equal income per household, the one with more children per household exerts more fiscal effort.[20] Also, the proposed formula uses more of the natural range in computed values of fiscal effort, censoring those below .9 and those above 1.1.

Finally, the framework focuses on concentrations of children from low-income families, defined as the number of children ages 5 to 17 living in families with income below the poverty line divided by the total number of children ages 5 to 17 living in the same area.[21] The current Title I-A formulas divide their attention between these concentrations and raw numbers of children in poverty.[22] This division creates a demonstrable bias in favor of large districts.

Variation between states

Table 1 shows the current interstate inequity in the distribution of Title I-A funds. The table provides states' final Title I-A allocations in dollars per poor child for FY 2009, grouped by similarity in states' fiscal effort and the cost of providing education. Five bins sorted by states' uncensored values of fiscal effort combined with five bins for cost, represented by states' values on the Comparable Wage Index, yield 24 groups of similar states.

Table 1 makes apparent the extent of interstate inequity in Title I-A funding, as the following examples illustrate:

- Georgia and Pennsylvania both face very high costs and exert high fiscal effort, yet Georgia received $1,559 per poor child to Pennsylvania's $1,918.
- Idaho and North Dakota both face low or very low costs and exert low or very low fiscal effort, yet Idaho received $1,265 per poor child to North Dakota's $3,024.
- Illinois and California both face very high costs and exert low fiscal effort, yet California received $1,521 per poor child to Illinois' $1,819.

What's worse, the state with the higher concentration of children in poverty has the lower allocation rate in each of these pairs.[23] And while these per poor child differences may seem small, they matter a great deal when scaled up to the school or state level. Take California, which has more children in poverty than any other state and runs larger schools than all but five, with an average enrollment of 651 pupils. A high-poverty school in California could receive nearly $200,000 less than it would receive if it were in Illinois.[24] The cumulative shortfall for California amounts to several hundred million dollars, a sum worthy of concern.

TABLE 1

Different states, different rates

State Title I-A allocations in terms of dollars per poor child for fiscal year 2009, grouped by similarity of fiscal effort and cost of providing education

	Cost									
Fiscal effort	Very low		Low		Medium		High		Very high	
Very high	ME	1,922	VT	3,416	AK	2,749	MI	1,764	NJ	1,841
			WV	1,655			RI	2,028	NY	2,135
High	AR	1,441	IN	1,548	NH	2,293	GA	1,559	CT	1,918
	WY	3,401	KS	1,658	WI	1,769	OH	1,681		
			NE	1,714			PA	1,918		
			NM	1,495						
			SC	1,470						
Medium	IA	1,309	AL	1,350	MO	1,448	DE	2,243	MA	1,917
	MS	1,365	KY	1,498			TX	1,411	MD	2,063
	MT	1,749							VA	1,615
Low			ID	1,265	HI	2,354	MN	1,476	CA	1,521
					NC	1,345			IL	1,819
					OR	1,500				
					UT	1,238				
Very low	ND	3,024	LA	1,603	AZ	1,380	CO	1,380	DC	2,574
	OK	1,315			FL	1,516	NV	1,477	WA	1,379
	SD	2,039			TN	1,332				

Note: Values presented here and throughout the paper are based on a sample of 13,695 local educational agencies. The roughly one percent of all agencies omitted from the analysis tend to be very small. Two names dominate the list of excluded districts. "Undistributed" appears to be more of an accounting device than a district, and "Part D, Subpart 2" denotes a program for neglected, delinquent, or at-risk students.

The data involved come from many sources: final Title I-A allocations for FY 2009 from the U.S. Department of Education; poverty estimates come from the 2007 Small Area Income and Poverty Estimates, Census Bureau, U.S. Department of Commerce; personal income data from Personal Income and Outlays, Bureau of Economic Analysis, U.S. Department of Commerce; education spending data from 2005-2007 Public Elementary-Secondary Education Finance Data, Census Bureau; measures of cost from the 2005 Comparable Wage Index, National Center for Education Statistics, U.S. Department of Education; information on enrollment from the Common Core of Data, National Center for Education Statistics.

Variation within states

Intrastate funding inequity in Title I-A funding is perhaps of even greater concern.[25] For instance, poor children served by Michigan's Flint City School District drew $1,984 in Title I-A funds, while those served by Detroit City School District drew $2,266. Detroit's 19 percent advantage outstrips the difference in the cost of providing education, as reflected by these districts' values on the Comparable Wage Index. Moreover, their different allocation rates highlight a bias toward extremely large districts as Flint and Detroit serve roughly the same high concentration of children in poverty—38 and 39 percent, respectively—although Flint serves 9,577 low-income children while Detroit serves 80,289 low-income children.

It is not hard to find even more grave examples of inequity. Take South Carolina, for example, where the Greenville County School District serves a substantially lower concentration of children in poverty, 14 percent, than other districts in the state, particularly those in the "corridor of shame" along Interstate 95.[26] Nearly 22 percent of the children served by the Calhoun County School District, the eastern portion of which is definitively in the "corridor of shame,"[27] come from low-income families, but the district receives $1,266 per poor child, substantially less than the $1,700 seen in Greenville. This allocation pattern flies in the face of fairness considering that the two districts face nearly identical costs.

The formula

The framework for fairness serves as a basis for proposing a single formula to allocate Title I-A funds to school districts. Figure 1 offers a conceptual guide to the proposed formula. Each factor represents a dimension of the framework with the exception of the fixed $2,250. This factor puts results in dollar terms, and its magnitude, though somewhat arbitrary, sets an appropriate overall authorization level. The weighted count of qualifying children is the same concentration-based count used by the Targeted Grant and Education Finance Incentive Grant formulas. The rescaled weighted cost of providing education factor employs state and local values on the Comparable Wage Index. The fiscal effort factor uses the refined measure discussed above.

Table 2 highlights similarities and differences between the proposed formula and the current ones. The light blue cells indicate where the proposed formula draws directly from one or more of the current ones. The blue cells indicate where the proposed formula refines aspects of the current ones. The white cells flag where the proposed formula departs from one or more of the current ones.

FIGURE 1

A new funding formula

Conceptual guide to the proposed formula for Title I-A grants to local educational agencis

Calculate authorized amounts

Weighted count of qualifying children (Local)

x

Rescaled weighted cost factor (Local and state)

X

Fiscal effort factor (State)

X

$2,250

Ratable reduction

Proportionally reduce authorized amounts based on funds appropriated for Title I-A

Hold-harmless

Increase current allocation to appropriate percentage of prior year's allocation, or prune allocations to keep rates of increase to prudent levels

The $2,250 implies an authorized total of roughly $23 billion for all Title I-A grants.[28] Congress is not liable to "fully fund" Title I-A, much to the consternation of some groups, so dwelling on this total is not productive.[29] In practical terms, the number provides room for appropriations to grow toward the authorized total.

Credit where credit is due

The proposed formula takes a cue from the formulas driving Targeted and Educational Finance Incentive Grants, the two formulas favored by ARRA. It would only allocate funds to districts serving 10 or more eligible children who also represent a concentration of at least 5 percent.

Fine tuning

The proposed formula refines aspects of the current ones in three ways. First, while the Targeted Grant formula employs weighted counts of children based on concentrations and raw numbers of poor children, the proposed formula sticks exclusively to concentrations.[30] This ensures that funding rates, or dollars per poor child, increase with the concentration of children in poverty.

TABLE 2

The new versus the old

Eligibility criteria, determining factors measures, and adjustment procedures underlying calculations of preliminary Title I-A allocations to local educational agencies, by formula

Components		Formulas: Proposed	Current: Basic	Current: Concentration	Current: Targeted	Current: Education Finance Incentive
Eligibility criteria	Number of formula Children	At least 10	At least 10	More than 6,500	At least 10	At least 10
	Concentration of formula children	And at least 5%	And more than 2%	Or more than 15%	And at least 5%	And at least 5%
Determining factors	Child count	Weighted	Simple number	Simple number	Weighted	Weighted
	Cost of providing education	Comparable Wage Index	State per pupil expenditure	State per pupil expenditure	State per pupil expenditure	State per pupil expenditure
	Fiscal effort	State expenditure and personal income	n/a	n/a	n/a	State expenditure and personal income
	Financial equity	n/a	n/a	n/a	n/a	LEA per pupil expenditure
Adjustment procedures	State minimum	No	Yes	Yes	Yes	Yes
	Hold-harmless	Yes	Yes	Yes	Yes	Yes

Proposed formula refines aspects of the current ones

Proposed formula draws directly from one or more of the current ones

Proposed formula departs from one or more of the current ones

Second, the limited current use of fiscal effort as a factor in the Education Finance Incentive Grant formula is refined to be less biased against those states in which families tend to have more children. And the proposed formula censors values of fiscal effort like the Educational Finance Incentive Grant formula does, only less aggressively. Values of fiscal effort above 1.10 or below 0.90 are set to 1.10 or 0.90, respectively, thus allowing fiscal effort to play a greater role in driving funds.

Third, the proposed formula incorporates essentially the same hold-harmless procedure used by the current formulas to prevent districts from suffering precipitous drops in Title I-A funding from one year to the next.[31] Under these hold-harmless procedures, districts with poverty concentrations at or above 0.3 are guaranteed 95 percent of their prior year's allocation; districts with concentrations between 0.15 and 0.3 are guaranteed 90 percent; and districts with concentrations at or below 0.15 are guaranteed 85 percent. The proposed formula refines this adjustment procedure by also limiting the rate at which a district's allocation per poor pupil can increase to 15 percent.

Stop the insanity

The proposed formula, out of respect for the framework for fairness, departs rather sharply from the current ones in two ways. First, the proposed formula completely replaces the current approach to accounting for variation in the cost of providing education across states and districts. Yet it does so without imposing difficult new data requirements on the Department of Education. The cost of education factor is a rescaled weighted average of the district and state values on the Comparable Wage Index, relative to the national average. The weights—two parts state to one part local—are meant to account for the forces that states exert on local costs, such as a statewide salary schedule, while recognizing local variation. These weighted averages are then averaged with one, a step that shrinks the range of values while preserving their order.[32]

Second, the proposed formula eschews the state minimum provisions rife in the current approach to funding Title I-A. Contrary to the framework for fairness, these provisions are political concessions to sparsely populated states such as Wyoming, whose allocation of $3,401 per poor child is the most striking example of unfairness in Table 1. A convincing argument that small states face exceptional challenges in operating Title I programs—higher-per-pupil administrative costs for example—could inform the design of an appropriate modification to the proposed formula with little overall financial impact.

Amicable separation

The proposed formula ignores the issue of intrastate equity in the distribution of state and local funds, as do three of the four current formulas.[33] This is not to dismiss the importance of intrastate funding equity. A strong case exists for conditioning the receipt of Title I-A funds on states' progress in making their own funding schemes more equitable. Such a condition is almost unimaginable from a political standpoint and is not proposed here, but it does represent a potentially effective way of stimulating desired reform.[34]

In contrast, the use of intrastate funding equity as a basis for redistributing Title I-A funds within a state—as done by the Education Finance Incentive Grant formula—does not provide a clear incentive for states to reform their own funding schemes in a desirable way.[35] In particular, the formula encourages states to equalize funding across districts. This kind of reform would be welcome in regressive states—Pennsylvania, New York, Illinois—where per-pupil funding is negatively correlated with concentrations of poor children.[36] But equalization does not make sense in states such as Ohio, Massachusetts, New Jersey that fund education progressively. Responding to the incentive in these states would mean lowering expenditures in the poorest districts, increasing expenditures in the wealthiest districts, or some mixture of both activities, which run at cross purposes with the Title I-A program.

Adopting a technical fix to this problem would reduce transparency of the proposed formula, and with no guarantee of affecting states' funding schemes. Yet there may be non-formulaic ways to make a federal push for a fairer distribution of state and local resources. A potential example of such an approach would be to augment the fiscal requirement that districts provide Title I schools with services comparable to those provided to other schools.[37] In particular, the requirement could also apply to clusters of districts defined by similarity in the cost of providing education.

Making the switch

Reauthorization of the Elementary and Secondary Education Act offers a window of opportunity to overhaul the way Title I-A is funded. Any such overhaul, however, is bound to compete against a number of other priorities in the impending reauthorization. Reauthorization will revisit—for the first time—the accountability provisions associated with its predecessor, the No Child Left Behind Act of 2001. Advocates for the education of children in poverty should promote enhanced rigor in the accountability provisions *and* a fairer Title I-A formula, but the history of reauthorization is a tale of tradeoffs.

Reauthorization will take place in the shadow of the American Recovery and Reinvestment Act of 2009. This context matters because states' assurances around key aspects of reform and their acceptance of principles of accountability and transparency are conditions for receiving recovery act funds. State submission in this sense creates significant restraints against some types of deal-making that reauthorization may have witnessed otherwise. For example, the novel requirement that states promptly report education expenditures on a school-by-school basis initiates an era of greater transparency around the distribution of federal, state, and local resources among schools.[38] Researchers and advocacy groups are bound to use this new source of data to highlight many types of inequity, thus reducing lawmakers' opportunities to pursue policy goals that exacerbate or ignore inequity. Yet there will be deal making, based in large part on how various policy-makers' constituents fair by a proposed change to the formulas driving Title I-A grants.

Assumptions

Just who would win and who would lose from a shift to the proposed formula, and to what degree? Answers are presented in terms of projected percent changes in dollars allocated per poor child, by state and district, going from the FY 2009 to FY 2010. Projections, of course, depend on a number of assumptions and data limitations.

Formula changes are sometimes lubricated with increased appropriations, but the Title 1-A funding for FY 2010 remains at $14.5 billion. Level funding is indeed reasonable because there is little urgency around increasing regular appropriations while supplemental appropriations from the American Recovery and Reinvestment Act are still around.

Moreover, inflation is negligible, and state and local expenditures are projected to fall, on average, due to recession-damaged revenue streams. Regular Title I-A funds are not meant for fiscal stabilization.

Projected allocations for FY 2010 do not take into account children in publicly financed foster care, children served by the Temporary Aid to Needy Families program, or children incarcerated in nonfederal facilities. Such children are meant to be included in districts' raw eligibility counts, but district-level information on these children is not readily available.[39] Projected allocations to districts serving high concentrations of students in poverty are probably understated because these children are systematically more likely to be located in such districts.[40]

Lastly, this paper overlooks any penalty applied to districts that fail to meet their maintenance of effort requirements, or MOE. Districts whose prior year's expenditures from state and local sources fall below 90 percent of the preceding year's expenditures are meant to suffer a similar reduction in Title I-A funding, but the data necessary to account for these penalties are not yet publicly available. It is worth noting, however, that MOE issues represent a nontrivial concern going forward. FY 2010 current expenditures from state and local revenues are projected to be off by as much as 10 percent, even after State Fiscal Stabilization Fund dollars from the American Recovery and Reinvestment Act are applied and treated as nonfederal revenue.[41] Penalties corresponding to MOE failure in 2010 would apply in the 2012 fiscal year.

The data limitations, when taken together, militate for cautious interpretation of projected allocations for individual districts. On the other hand, the patterns revealed in the following analyses should be fairly robust in their portrayal of the political obstacles to fairer funding of Title I-A.

State breakdown

Figure 2 displays all 50 states and the District of Columbia as winners or losers from the proposed switch. There is no apparent relationship between the party affiliation of state's governor and the percent change in allocation per poor child when comparing the biggest winner, Mississippi, at the top, to the biggest loser, Hawaii, at the bottom. But there are several patterns worth mentioning. First, states with the smallest populations of children in poverty would see a substantial drop in Title I-A funding. Second, southern and western states would see the greatest boosts in funding rates in general.

These general patterns come as no surprise given the characteristics of the proposed formula. Fidelity to the framework for fairness is bad news for the small, sparsely populated states accustomed to generous minimum allocations. Southern and western states, however, stand to do well because they are currently penalized by low per-pupil expenditures and an abundance of small districts with high concentrations of poverty. Moreover, high enrollment growth in many of these states magnifies the importance of funding them more fairly. Arizona, Texas, and Georgia stand out as significant winners with high enrollment growth. Florida is the only significant loser of substantial size with high enrollment growth.

Senate Health, Education, Labor, and Pensions Committee

Only 6 of the 22 states represented by senators on the Senate Health, Education, Labor, and Pensions Committee stand to gain Title I-A allocations under the proposed formula, and many would lose substantially. States currently enjoying the largesse of the state minimum provisions would be the worst hit, but retaining some version of these provisions would scarcely improve the proposed formula's popularity.

Only ongoing hefty annual increases in Title I-A appropriations would allow for rapid progress toward fair funding, although an increase to Title I-A funding on the order of 5 or 6 percent for FY 2010 would appear soften the blow for hard hit states.

Big city breakdown

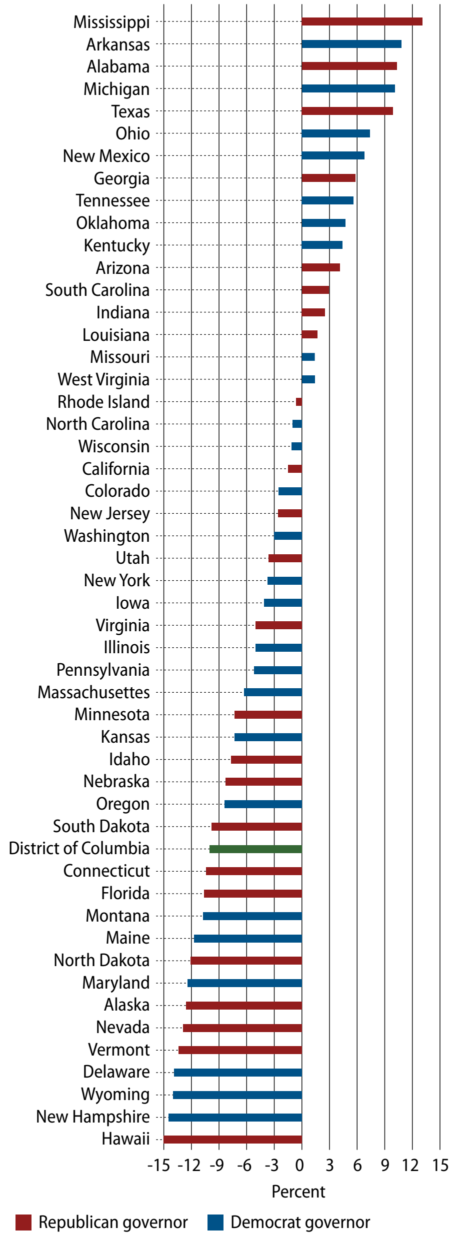
The proposed formula would face substantial difficulty in the House of Representatives, even if funds were available to win affection in the Senate. This is because the proposed formula would remove an unfair funding advantage currently enjoyed by enormous school districts, which are often the largest employer in members' respective congressional districts.

Figure 3 shows the tension that would be created by funding reform in Missouri, whose aggregated allocation would increase by 1.4 percent under the proposed formula. Each circle represents a school district. The percent change in Title I-A allocation increases from bottom to top, and the percentage of children living in poverty increases from left to right. The size of a circle is based on the number of children living in poverty that the corresponding district serves.

FIGURE 2

Winners and losers

Projected percent change in states' Title I-A allocations per poor child between fiscal years 2009 and 2010



The green bar corresponds to the District of Columbia, which has no governor but is treated like a state for fund allocation purposes.

FIGURE 3

Projected percent change in Title I-A allocations for Missouri districts, with larger circles serving greater numbers of children in poverty, and those to the right serving greater concentrations

More than 72 percent of school districts in Missouri would experience an increase in Title I-A allocations, but St. Louis and Kansas City, the two districts serving the largest numbers of children in poverty, would experience a decrease of 2.8 and 6.5 percent, respectively, despite serving very high concentrations of such children. This example illustrates how the current formulas pit small districts against large ones, even among those serving roughly comparable concentrations of children in poverty. Analogous figures for other states would simply punctuate the point that Representatives are liable to hold very different views on the merits of the proposed formula in ways that significantly complicate its chances, even if annual funding increases were queued up for years going forward.

Conclusion

These sobering glimpses at the political obstacles to implementing a fairer Title I-A funding formula may be discouraging to some, but the case is nonetheless strong that now is the time to overhaul the current funding scheme. Improving fairness will only be harder if base funding levels climb higher before the formulas are modified.

The proposed formula presented in this paper would have a measurable effect on fairness. The correlation between districts' allocations per poor child and their concentration of poor children was .19 in FY 2009, but the correlation rises to .32 under this proposed formula. The proposed formula would see funding rates track poverty rates more progressively, on average.

The cost of increased overall fairness, however, would involve reduced allocations to many districts serving both high numbers of children and high concentrations of children in poverty. Title I-A appropriations sufficient to shield especially these districts but also other less needy ones from reduced allocations may not be forthcoming for several years, but it has to be possible for the reauthorization of ESEA to improve fairness somewhat, and to lay the groundwork for small but steady annual improvements going forward.

The framework underlying the proposed formula presented here suggests that improvements in fairness can be made along three dimensions: targeting of funds to districts serving concentrations of children poverty, sensitivity to democratic preferences embedded in states' fiscal effort, and calibration of allocations to variation in the cost of providing education. A reauthorized Elementary and Secondary Education Act is unlikely to yield radical improvements to Title I-A funding fairness in the short term, but some immediate improvements along one or more of these dimensions should be within reach.

Endnotes

1 John Podesta and Cynthia G. Brown, "NEEDED: Federal Action for Fair Funding of High-Poverty Schools," *Education Week*, July 25, 2008.

2 Elementary and Secondary Education Act of 1965 (P.L. 89-10), §201, 79 Stat.27, 27 (1965).

3 See, for example, the Office for Policy and Planning, "Reinventing Chapter 1: The Current Chapter 1 Program and New Directions" (U.S. Department of Education, 1993). This report, the Final Report of the National Assessment of the Chapter 1, includes simulations of methods of enhancing the targeting accuracy of the formulas.

4 Specifically, the intent of Title I-A is "… to provide financial assistance to local education agencies serving areas with concentrations of children from low-income families to expand and improve their educational programs by various means …" Elementary and Secondary Education Act of 1965 (P.L. 89-10), §201, 79 Stat.27, 27 (1965).

5 Office of Planning, Evaluation and Policy Development, "Policy and Program Studies Service, State and Local Implementation of the No Child Left Behind Act, Volume VI—Targeting and Uses of Federal Education Funds" (U.S. Department of Education, 2009).

6 Raegen T. Miller, "Secret Recipes Revealed: Demystifying the Title I, Part A Funding Formulas" (Washington: Center for American Progress, June 2009).

7 U.S.C. 20 § 6337(b)(2)(A).

8 With Fiscal Year 2008, and an appropriation of $14.6 billion, the Child Nutrition Programs, or CNP, include the School Lunch and School Breakfast Program, which is actually larger than Title I-A. However, CNP is operated by the U.S. Department of Agriculture. See FY 2008 Budget Summary, available at http://www.obpa.usda.gov/budsum/fy08budsum.pdf (last accessed December 23, 2008).

9 Notable reauthorizations include the Education Consolidation and Improvement Act of 1982 (P.L. 97-35), the Improving America's Schools Act of 1994 (P.L. 103-382), and the No Child Left Behind Act of 2001 (P.L. 107-110).

10 In general, Title I-A funds have been treated as a highly flexible source of funding, and a full description of acceptable use of funds would be voluminous. The regulations and guidance issued by the Department of Education resort to a few legislative proscriptions and requirements. The overriding question is usually whether the Title I-A funds will be used to supplement state and local funds, or to supplant them. See U.S. Department of Education, "GUIDANCE: The American Recovery and Reinvestment Act of 2009 (ARRA), Using Title I, Part A ARRA, Funds for Grants to Local Educational Agencies to Strengthen Education, Drive Reform, and Improve Results for Students" (2009), available at http://www.ed.gov/policy/gen/leg/recovery/guidance/titlei-reform.pdf.

11 Launor F. Carter, "The Sustaining Effects Study of Compensatory and Elementary Education, *Educational Researcher*, 13(7) (1984): 4-13; Gene V. Glass, "Primary, Secondary, and Meta-Analysis of Research," *Educational Researcher*, (5) 10 (1976): 3-8; Stephen W. Raudenbush, "New Directions in the Evaluation of Title I" (Washington: American Educational Research Association, 2002), available at http://www-personal.umich.edu/~rauden/titlei.pdf; George Farkas and L. Shane Hall, "Can Title I Attain Its Goal?" In Diane Ravitch, ed., Brookings Papers in Education Policy 2000 (Washington: The Brookings Institution, 2000), available at http://muse.jhu.edu/journals/brookings_papers_on_education_policy/v2000/2000.1farkas.pdf.

12 For a discussion of the loophole in the comparability provision, see Ross Wiener, "Strengthening Comparability Advancing Equity in Public Education" (Washington: Center for American Progress, 2008); for evidence that the maintenance of effort provision, another of the three fiscal requirements of Title I-A, is not sufficiently strict, see Nora Gordon, "Do Federal Grants Boost School Spending? Evidence from Title I" *Journal of Public Economics*, 88 (9-10) (2004):1771-92.

13 Inequity in the distribution of Title I funds is documented in Goodwin Liu's "Improving Title I Funding Equity Across States, Districts, and Schools," *Iowa Law Review* 93 (3)(2008): 973-1013.

14 Title I-A funding formulas also affect other regular programs: Even Start Family Literacy Program (Title I, Part B, Subpart 3), the Comprehensive School Reform Program (Title I, Part F), educational technology grants (Title II, Part D), 21st Century Community Learning Centers (Title IV, Part B), educational programs under the McKinney-Vento Homeless Assistance Act (42 20 U.S.C §§ 11431), and Safe and Drug-Free Schools and Communities (Title IV, Part A). See Liu, cited above at note 11, or see Wayne Riddle, "Education for the Disadvantaged: ESEA Title I Allocation Formula Provisions" (Washington: Congressional Research Service, 2001).

15 20 U.S.C. §§ 6332(a)(3), 6336(b).

16 Thomas W. Fagan, "Who Gets Title I Funds from the Economic Stimulus Package?" (Washington: Center on Education Policy, March 2009). This report specifies that roughly 1,000 districts are affected, and this is about 8 percent of Local Educational Agencies receiving funds;

The American Recovery and Reinvestment Act designated a total of $13 billion for Title I, $10 billion for Title I-A grants split between the fiscal years ending in 2009 and 2010, and another $3 billion for the School Improvement Program.

17 Trudi Renwick, "Alternative Geographic Adjustments of U.S. Poverty Thresholds: Impact on State Poverty Rates" (U.S. Census Bureau, 2009), available at http://www.census.gov/hhes/www/povmeas/papers/Geo-Adj-Pov-Thld8.pdf.

18 The Guide to U.S. Department Programs specifies that state-per-pupil expenditures serve as a proxy for cost, available at http://www.ed.gov/programs/titleiparta/gteptitleiparta.pdf; expenditure data is available from the U.S. Census Bureau, "Public Elementary-Secondary Education Finance Data," available at http://www2.census.gov/govs/school/06f33pub.pdf (last accessed on November 5, 2008); roughly one-third of the variation in LEAs' per-pupil expenditure lies between states, and two-thirds within states.

19 U.S.C. 20 § 6337(b)(2)(A).

20 This refinement of the measure of fiscal effort embraced by the formula driving Education Finance Incentive Grants, or EFIG, responds to a suggestion of Liu in "Improving Title I Funding Equity Across States, Districts, and Schools."

21 U.S. Census Bureau, "Small Area Income and Poverty Estimates," available at http://www.census.gov/hhes/www/saipe/ (last accessed on November 5, 2008). In 2005, the SAIPE began using data from the American Community Survey in place of data from the Annual Social and Economic Supplements of the Current Population Survey.

22 The number of the so-called formula children served by a school district also includes those living in publicly supported foster homes and those living in nonfederal institutions for neglected or delinquent children. See 20 U.S.C. § 6333(c). It is likely some children are double counted.

23 The concentrations of children in poverty in California, Illinois, Georgia, Pennsylvania, Idaho, and North Dakota are .158, .151, .177, .143, .135, and .115, respectively.

24 Following Education Trust in using 50 percent of students in poverty as the lower threshold for high-poverty schools, an average California high-poverty school has between 326 and 651 poor students. Applying the $298 difference in per-poor child funding between California and Illinois, this range translates into a funding shortfall of between $97,000 and $194,000.

25 Multilevel statistical regression techniques reveal that 54 percent of the variation in the district's FY 2008 Title I-A allocations resides within states, and 46 percent between states.

26 The Corridor of Shame garnered national attention when President Obama enlisted Tyshema Bethea, a student from Dillon, SC, in the 2009 State of the Union Address. For the relevant section of this address, see http://www.youtube.com/watch?v=6Nx7xDyFVF4; for an online portrait of the area, see http://www.corridorofshame.com/.

27 Personal communication with Marty Strange, Director, Policy Programs, The Rural Schools and Community Trust, available at http://www.ruraledu.org/cms.php?action=staff.

28 The authorized total, of course, can fluctuate with changes in number of qualifying children, their distribution among states and districts, state and local costs, and fiscal effort. In the aggregate, these quantities are fairly stable over time.

29 For a discussion of the relationship between authorized Title I allocations and funded amounts, see Thomas W. Fagan and Nancy L. Kober, "Title I Funds—Who's Gaining, Who's Losing and Why" (Washington: Center on Education Policy, 2004).

30 In fact, the Education Finance Incentive Grant formula also uses weighted child counts, but only in its second stage, where it divides state allocations among districts. See Miller, "Secret Recipes Revealed."

31 The term "hold-harmless" has a general legal sense of preventing an entity from damage caused by forces outside of its control. For hold-harmless provisions, see 20 U.S.C. §§ 6332(c), 6337(g) (3), but note that the Concentration Grant did not have a hold-harmless provision until FY 1997. See Panel on Estimates of Poverty for Small Geographic Areas, "Small-Area Estimates of School-Age Children in Poverty: Evaluation of Current Methodology."

32 The expression for the rescaled weighted cost factor is this:

$$\frac{\dfrac{1\times CWI_{local} + 2\times CWI_{state}}{3\times CWI_{national}} + 1}{2}$$

33 20 U.S.C. §6337(d)(1)(B), (2)(B), (3)(B).

34 Federal grants to states can influence both the way services are provided and certain behaviors, but having both effects requires careful design. See Allan R. Odden and Lawrence O. Picus, *School Finance: A Policy Perspective*, 3rd Ed. (New York: McGraw-Hill, 2004).

35 The average state funds high-poverty schools at lower rates than low-poverty schools. In terms of state and local revenue, the gap was $825 per student for the 2003-2004 school year. In this sense, most state funding systems are regressive. The EFIG formula does not discriminate among states on this basis. See Ross Wiener and Eli Pristoop, "How States Shortchange the Districts That Need the Most Help" in "Funding Gaps" (Washington: Education Trust, 2006).

36 The extent to which a state's funding scheme is progressive or regressive is measured here by the correlation between districts' current expenditures per pupil, as operationalized by the Education Finance Incentive Grant, and the concentration of children in poverty. Notably, districts serving 200 or fewer students are removed from the calculation of a state's coefficient of variation, as per code and regulations around Title VIII of ESEA, which provides impact aid to states with a large federal presence (for example, military bases). For a map portraying states' funding equity, see New America Foundation's Federal Education Budget Project, available at http://www.newamerica.net/education_budget_project/school_finance_equity (last accessed December 17, 2008).

37 A loophole in the current comparability provisions could be fixed by replacing district-wide average teacher salaries with actual teacher salaries at the school level. Such a change would promote fair funding within districts. See Podesta and Brown, "NEEDED: Federal Action for Fair Funding of High-Poverty Schools."

38 The U.S. Department of Education website maintains up-to-date information about the specific implementation of legislative requirements for programs funded by the American Recovery and Reinvestment Act, as described in the following link for Title I-A supplemental grants, available at http://www.ed.gov/policy/gen/leg/recovery/factsheet/title-i.html.

39 The Department of Health and Human Services does make state-level totals for children in foster care and those served by the TANF program available on its website, but no solid way of apportioning these numbers to districts was discovered.

40 The number of the so-called formula children served by a district is the sum of the number of children ages 5-17 living in poverty, the number of children served by Temporary Aid to Needy Families, and the number of children incarcerated in nonfederal facilities. Clearly, some children are counted more than once.

41 Marguerite Roza, "Ranking the States: Federal Education Stimulus Money and the Prospects for Reform" (Seattle: Center on Reinventing Public Education, University of Washington, Bothell, 2009).

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