Center for American Progress

# Spoonful of Sugar

## An Equity Fund to Facilitate a Single, Fair, and Equitable Formula for ESEA Title I, Part A

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It's never easy for Congress to revise the way a popular federal program is funded, but sometimes a "formula fight" is inevitable. This may be the case for Title I, Part A of the Elementary and Secondary Education Act—also called Title I-A—which is already overdue for reauthorization. Some actors may relish a fight for its own sake, but there are constructive reasons for Congress to revisit the way Title I-A funds flow. Appropriations for Title I-A have grown by more than 60 percent in real terms since Congress last tackled this challenge in 1994,[1] well before any accountability system tied the use of Title I-A funds to expectations, results, and consequences. It seems right and prudent to consider evidence that the program is shortchanging some schools before making further investments in it.

Current allocation patterns are hard to reconcile with the purpose of the program: to enhance the educational experience for children living in areas of concentrated poverty.[2] Consider, for example, South Carolina's Greenville County School District, which received $1,700 per low-income child served for fiscal year 2009, while its Calhoun County School District received only $1,266 per low-income child. Calhoun serves a higher concentration of low-income students than Greenville, so it seems clear that the four formulas currently driving Title I-A funds could better target school districts serving concentrations of low-income students. This example illustrates the formulas' bias against small school districts. Other examples also show a bias toward wealthy states, especially those spending a relatively modest fraction of public revenue on elementary and secondary education.

The Title I formulas' Byzantine complexity also cries out for simplification. The Center for American Progress released the report "Secret Recipes Revealed" in 2009 to demystify the current formulas,[3] and to foreshadow the recently released "Bitter Pill, Better Formula,"[4] which outlines a single, fair, and equitable approach to funding Title I-A and highlighted the political obstacles to adopting it. The main obstacle is that the proposed formula, on its own, would financially benefit some states at the expense of others, and members of Congress are reluctant to support measures that adversely affect their constituents. Embattled education budgets that heavily depend on sagging state and local revenue only reinforce this tendency.

## The benefits and costs of an equity fund

This brief outlines a policy option that could facilitate adoption of the Title I-A funding formula proposed in "Bitter Pill, Better Formula." An equity fund standing beside regular appropriations would allow for gradual improvement in the targeting of Title I-A funds without reducing allocations to any states or eligible school districts. The equity fund would represent an additional line item in the federal budget, and Congress would have to appropriate funds for it, at least for a few years. Just how many years would depend on the rate at which regular appropriations for Title I-A increase. The beauty of the equity fund is that it would ensure that any increase in regular appropriations for Title I-A serves to improve the overall targeting of funds.

The equity fund would require approximately $720 million in its first year of operation.[5] This amount represents 5 percent of the $14.5 billion appropriated for Title I-A in FY 2010. Similar funding for two more years brings the total three-year price tag for the equity fund to $2.16 billion. One can think of this as the one-time cost of improving the targeting of funds before making new investments in the program.

## How the equity fund works

The equity fund would allow the Department of Education to make whole allocations to those districts projected to lose a portion of their Title I-A funding under the proposed formula. Some of these losing districts are located in states that enjoy the generous state minimum provisions of the current formulas. Other districts would lose funds under the proposed formula because their allocations are inflated by the current formulaic bias in favor of sheer size. The proposed formula ends state minimum provisions and removes the bias toward large districts.

Still other districts would see their allocations drop because the proposed formula removes the current bias toward high-spending states that exert relatively low fiscal effort in education funding. The equity fund would ensure that these districts' allocations per poor child remain steady at FY 2009 levels. Moreover, while the equity fund protects their allocations, states that exert low fiscal effort would have an opportunity to bolster the percentage of state and local resources devoted to elementary and secondary education, a step that merits reward in the eyes of the proposed formula.

Figure 1 shows the combined effects of the proposed formula and equity fund as projected percent changes in states' aggregated allocations going from the 2009 fiscal year to the 2010 fiscal year. The 2010 fiscal year is well underway, so these projected changes are based on hypothetical 2010 fiscal year allocations, not the actual ones generated by way of the current formulas. The point of this exercise, therefore, is to illustrate how a single, fair, and equitable Title I formula can be made politically more tenable.

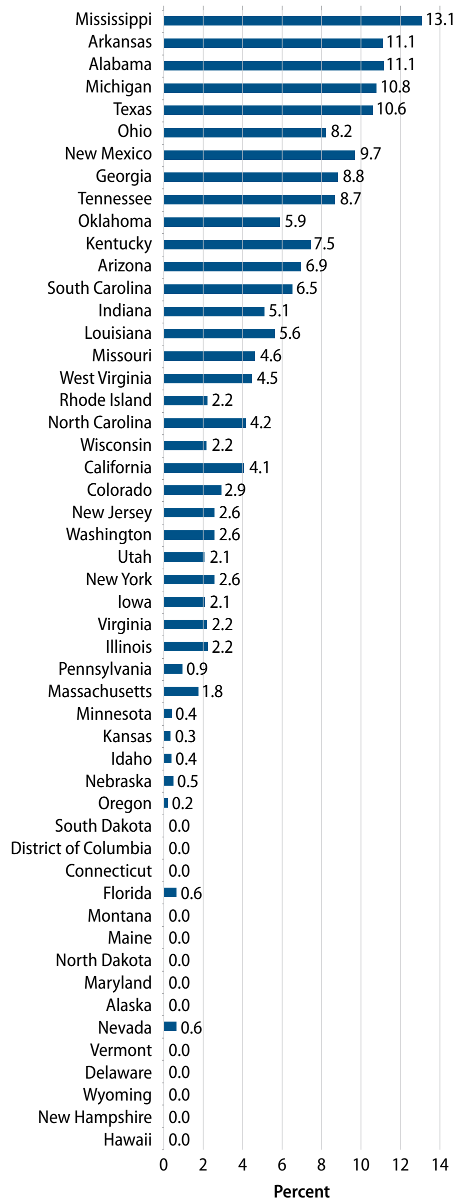
Figure 1 does not show projected changes in allocations at the district level, but it bears mentioning that small- and medium-size districts serving high concentrations of low-income students would do well under the proposed formula. Nearly 40 percent of children from low-income families live in school districts serving fewer than 10,000 children.[6] The proposed formula eliminates a bias against these districts, while safeguarding allocations for large districts.

The equity fund would not help districts that are ineligible to receive Title I-A funds under the proposed formula. Each of these districts would instead see their allocations dip by 15 percent, in accordance with the proposed formula's hold-harmless provision, which copies the current approach to shielding districts from precipitous drops in revenue. These roughly 1,000 districts serve populations in which fewer than 5 percent of children come from low-income households. Such districts are arguably in a position to ensure either that low-income children are not concentrated in a few schools, or that these schools receive supplemental funding from nonfederal sources.

**FIGURE 1**

**The combined effects of proposed formula and equity fund**

Projected percent change in Title I-A allocations for states and the District of Columbia between FY 2009 and FY 2010




## Conclusion

The new Title I-A funding formula proposed in "Bitter Pill, Better Formula" deals frankly with the discord between the way Title I-A funds currently flow and the purpose Congress meant them to serve. Frankness, at least in this case, is not always a winning political attribute. But a combination of the proposed formula and the equity fund described above would go a long way toward improving the targeting fidelity of Title I-A funds.

Implementing this combination requires additional investments in the program, and the long-term wisdom of making such investments is easily justified.[7] In the short term, however, Congress will have to weigh many competing priorities, both during reauthorization of the Elementary and Secondary Education Act, and when deliberating upon annual appropriations measures. Creating a smarter and fairer way to fund Title I-A should be a high priority.

## Endnotes

1 Historical Title I-A spending figures are available from the U.S. Department of Education, available at http://www.ed.gov/about/overview/budget/history/edhistory.pdf; inflation adjustment based on Consumer Price Index values published by the U.S. Bureau of Labor Statistics, available at ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt.

2 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).

3 Raegen T. Miller, "Secret Recipes Revealed: De-mystifying the Title I, Part A Funding Formulas" (Washington: Center for American Progress, 2009).

4 Raegen T. Miller, "Bitter Pill, Better Formula: Toward a Single, Fair, and Equitable Formula for Title I, Part A" (Washington: Center for American Progress, 2010).

5 The basis for this estimate comes from work using a sample of 13,695 local educational agencies representing roughly 99 percent of all districts residing in states or the District of Columbia. Accordingly, the estimate has been scaled up to correspond to the full 2010 appropriation of $14.5 billion, and not just that portion allocated to districts in the sample. 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.

6 Authors' calculation based on data described above.

7 McKinsey & Co., Social Sector Practice, "The Economic Impact of the Achievement Gap in America's Schools" (Washington, 2009), available at http://www.mckinsey.com/App_Media/Images/Page_Images/Offices/SocialSector/PDF/achievement_gap_report.pdf.

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