

DOCUMENT RESUME

ED 234 513

EA 016 100

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 TITLE Implementing the Education Block Grant. Issuegram 32.
 INSTITUTION Education Commission of the States, Denver, Colo.
 PUB DATE 1 Mar 83
 NOTE 10p.
 AVAILABLE FROM Distribution Center, Education Commission of the States, 1860 Lincoln Street, Suite 300, Denver, CO 80295 (\$2.00 prepaid; quantity discounts; add \$1.00 on non-prepaid orders to cover invoicing).
 PUB TYPE Information Analyses (070)
 EDRS PRICE MF01/PC01 Plus Postage.
 DESCRIPTORS *Block Grants; Bulletins; Categorical Aid; Elementary Secondary Education; *Federal Aid; Federal Legislation; Financial Support; *Revenue Sharing; School Desegregation; *School District Spending; *State Government; *State Programs; State School District Relationship
 IDENTIFIERS *Education Consolidation Improvement Act Chapter 2

ABSTRACT

Patterns of spending federal aid have shifted since Chapter 2 of the 1981 Education Consolidation and Improvement Act combined 29 existing programs into one block grant and placed the responsibility for allocating the funds with the states and local districts. Since 1982-83 Chapter 2 appropriations were 14.4 percent below funding for the antecedent programs, more than half the states now receive less aid. Chapter 2 funds are allocated to states on the basis of school age populations, and the states distribute at least 80 percent to districts using a state-designated formula based on school enrollments with adjustment for high-cost factors. An average of 73.6 percent of funds reserved at the state level are spent for educational improvement or support. Although desegregation was the largest of the programs replaced by the block grant, only eight states earmarked grant funds for that purpose. Because funding is low--averaging \$6.07 per child with additional amounts for high-cost students--and the future of Chapter 2 appears uncertain, districts tend to spend the allocation on one-time costs such as instructional materials, rather than on staff. (MJL)

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ED0234513

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This Issuegram was prepared on March 1, 1983, by Donald W. Burnes, director, ECS Education Governance Center. For more details, call 303-830-3830.

32. Implementing the Education Block Grant

The Issue

In the summer of 1981, Congress enacted Chapter 2 of the Education Consolidation and Improvement Act, thereby consolidating 29 individual programs into a single education block grant. Primary responsibility for distributing Chapter 2 dollars within several very broad categories was turned over to the states. How are states distributing dollars? How are states using the funds they are retaining at the state level? How are districts using their funds? Answers to these questions will be instructive as state officials contemplate possible changes in state allocations and the use of state set-asides for the 1983-84 school year.

The Context

One of the major strategies for reducing the federal government's role in the intergovernmental system has been to consolidate federal programs and transfer major discretion over block grants from Washington to state and local government. The Education Consolidation and Improvement Act (ECIA) has been the major federal education initiative based on this strategy.

ECIA ushers in a new era of federal aid to the nation's elementary and secondary schools. Since passage of the

Elementary and Secondary Education Act in 1965, federal aid to education had been largely categorical, targeted to specific student populations and programmatic purposes. Chapter 2 of ECIA overhauls 29 of these established federal aid programs by consolidating them into a single block grant.

The program to shift authority and control from Washington to the states has been based on certain central assumptions. First, the need for a strong federal presence in education to counterbalance states that were either unable or unwilling to meet the educational needs of the nation's children has been obviated by the growth in size, resources and professionalism of state departments of education and their acceptance of responsibility for special student populations. Second, excessive federal regulation and paperwork drained local resources and hindered local discretion. Fewer regulations and less paperwork will free educators to concentrate on substantive concerns. Third, categorical programs imposed the priorities of the federal government on local communities. Block grants, it is argued, will adjust the balance by returning a greater degree of decision making to states and local districts.

The design of Chapter 2 reflects these assumptions. For instance, legislative language specifically lists as the objectives of consolidation: (1) to reduce administrative and paperwork burdens; (2) to use Chapter 2 monies in accordance with the educational needs and priorities of state and local education agencies; (3) to assign basic responsibility for administering Chapter 2 monies to states; and (4) to assign responsibility for designing and carrying out programs assisted under Chapter 2 to local districts.

States and local districts have long shared these objectives, but reduced funding for Chapter 2 may challenge their new flexibility. Fiscal year 1982 appropriations for Chapter 2 (for the 1982-83 school year) were 14.4% below the 1981 appropriations for the 29 antecedent programs. As a result, more than half the states are now receiving less money than they did under the previous programs. Although the other states are receiving more money, most of the largest percentage gains are in states that receive the minimum amount of aid (Alaska, Nevada, North Dakota, South Dakota, Vermont and Wyoming).

How Are States Distributing Dollars to Districts?

Whereas most earlier federal programs used discretionary grant funding, Chapter 2 allocates funds by formula. By law, allocations to states are made on the basis of school-age population. Within states, formulas allocate dollars on the

basis of public and nonpublic school enrollments, adjusted to provide higher per-pupil allocations to districts that have large numbers of "high-cost" children, i.e., children from low-income families, children living in economically depressed urban and rural areas, and children living in sparsely populated areas.

One of the areas in which states have substantial flexibility is in developing the formula for allocating Chapter 2 funds to local school districts. States can, to a degree, decide how much of the state grant is passed through to districts and determine what factors to use in their formula and how much to weight each factor.

According to the statute, states are required to pass at least 80% of the state grant through to local districts on the basis of a state formula. Forty-seven states 47 to be exact, pass the minimum 80% along to the districts. (Alabama passed through 90%; California 80.5%; and Pennsylvania 82.7%.)

Besides the basic enrollment factor, states use eight "high cost" factors for distributing dollars to districts. Of these, economic need is used most commonly -- by 47 states in all. Other commonly used factors include "size of enrollment" (sparsity of population within districts or small districts -- 24 states) and "exceptional students" (25 states).

The bulk of Chapter 2 money to local districts is being allocated on the basis of enrollment. On average, states allocate 70 percent of the pass-through money on this basis, although the range varies from 100% in Hawaii to 30% in Alaska and New Jersey.

How Much Money Is Being Distributed To Districts?

In budgeting terms, the "bottom line" in the distribution of funds is the extra amount of money that is being generated per child. (It should be noted, however, that the formula dollars allocated because of the presence of a certain type of child -- e.g., a student eligible for Title I funds -- do not have to be spent on services for that child.)

Each of the 33 states for which data are available allocates \$6.07 of Chapter 2 dollars on average for each enrolled child. In terms of allocations made according to "high cost" factors, states allocate an average of an additional \$5.75 for each Title I student, \$4.36 for each student in sparsely populated areas, and \$6.21 for each special education

student.

Another way of looking at the question is to identify what types of districts are receiving Chapter 2 dollars. Preliminary findings from a mid-year survey by the American Association of School Administrators (AASA) indicate that: (1) more than 70% of the districts that receive Chapter 2 money receive less than \$25,000; and (2) less than 5 % of the districts receive more than \$100,000 in Chapter 2 dollars. These data suggest that the large majority of districts that get Chapter 2 funds are relatively small districts, and they are receiving small amounts of Chapter 2 money.

How Are States Using Their State Chapter 2 Funds?

States have considerable discretion in how they use the Chapter 2 funds that they keep at the state level. They can spend these funds on administration of the program or on any of a number of services and programs related to the three subparts of the legislation -- basic skills, education improvement and special projects. The actual amount that states reserve for their own use varies widely. On average, each state has \$1.6 million reserved, but the amounts range from \$437,000 in Alaska, Delaware, Hawaii, Idaho, Maine, Montana, Nevada, New Hampshire, North Dakota, Rhode Island, South Dakota and Wyoming to and \$6.3 million in New York and \$8.1 million in California.

Individual state plans indicate that, on average, states will use 13% of the total funds reserved for state use on Chapter 2 administration. Concealed in this average, however, is wide variation among the states. Delaware and Virginia plan to use less than 2% of the reserved funds for administration. Fifteen states -- California, Georgia, Indiana, Maryland, Michigan, New Hampshire, New York, Ohio, Oregon, South Dakota, Tennessee, Texas, Washington, Wisconsin and Wyoming -- plan to use less than 10% for administration. But, at the other end of the spectrum, Colorado plans to use more than 30% for administration, and Alaska more than 40%.

Most of the remaining money will be used by states for education improvement and support (73.6% of all state funds are used for these activities), and all states plan to spend some portion of their research funds in these areas. States generally plan to concentrate on improving the planning, management and implementation of education programs. Interestingly, only eight states -- Connecticut, Indiana, Massachusetts, New Jersey, New York, Tennessee, Texas and Wisconsin -- plan to spend state funds to address the needs of students who attend desegregated schools, although desegregation was the largest of the original programs

incorporated into the block grant.

A few states have used their state funds to initiate new efforts. For example:

- o Pennsylvania created a competitive grants program in the area of technology and innovative projects to improve education.
- o Connecticut created a competitive grants program for innovative projects in basic skills, school-site professional development, instructional technology, comprehensive planning, and effective schools.

Most states are not developing new programs, however, and are planning instead to use their funds to continue providing districts with technical assistance. Colorado, New York and North Carolina are good examples of states in which this approach is being followed.

How Are Districts Using Their Funds?

Most districts are using some or all of their Chapter 2 dollars for instructional materials, including substantial amounts for computers. The AASA survey found that 88% of the districts use their funds in this way. In addition, 30% use some funds for the "improvement of local educational practices," and 15% use some funds for guidance and testing. Fewer than 10% of the districts use the money for any other activity.

These findings are not surprising. Because overall and per-pupil levels of funding are low and because the future of Chapter 2 is uncertain, there is a strong tendency to spend Chapter 2 funds on one-time costs, such as materials, rather than on staff.

The AASA survey also suggests that districts, like states, are spending very little Chapter 2 money on desegregation. Only 5.7% of all districts are spending any Chapter 2 dollars in this area. Since desegregation money constitutes more than one-third of all the funds that were consolidated into Chapter 2, the low level of district spending in this area represents a significant shift away from desegregation.

What Is The Future Of Chapter 2 Implementation?

Some evidence suggests that states will not make major changes for next year in distribution formulas or in their use of state funds. If this is true, dollars will be allocated mostly by enrollment; little money will be

involved; state activities will focus on education improvement; districts will use most of their money on instructional materials; and desegregation will not be a high priority. Any changes to be made must be accomplished soon, since this spring is the time for state departments of education and state advisory committees to make final decisions on allocations and spending priorities for the 1983-84 school year.

What to Read.

Burnes, Donald W. "State Implementation of Chapter 2: The Distribution of Dollars." Denver, Colo.: Education Governance Center, Education Commission of the States, 1982.

American Association of School Administrators. Education Consolidation and Improvement: Chapter 2 Survey Update. Fall 1982.

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