center on reinventing public education

Strengthening Title I To Help High-Poverty Schools

How Title I Funds Fit Into District Allocation Patterns

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Title I funds are supposed to boost spending for high-poverty students, not fill in the holes created by district allocation practices.

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Introduction

In theory, federal Title I funds are supposed to help poor children in high-poverty schools overcome the disadvantages they bring from being raised in poverty. At its inception 40 years ago, as part of President Lyndon B. Johnson's "War on Poverty," Title I was justified as a relentless assault on the school-quality side of the educational achievement challenge.[1] Title I required school officials to distribute new federal funds to localities and schools with a lot of low-income students. Local officials were required to use the funds in their school districts to target schools with the highest concentration of students from low-income families. On paper, it all made great sense.

Unfortunately, what looks so reasonable in theory often encounters problems when put into practice. Even today, while the $13 billion dollar program unquestionably brings *districts* more funds, it is not clear how these additional funds are being integrated with state and local funds to provide increased spending on the highest poverty *schools*. On the ground, Title I never really worked the way its framers intended, no matter how frequently or devotedly they returned to tinker with the legislation. The reality is that, when it came to accounting for how funds under Title I had been used, the federal grantors did not know what the district grantees were doing. That continues to be the case today.

Initially, funds were sometimes used as general school aid. Amendments tightened up the program to require it to focus on disadvantaged students. As schools became more segregated by income, Title I amendments permitted "whole school" reform in schools in which the great majority of students were disadvantaged. [2]

Despite the fact that funding for Title I continues to grow, and the program is now the major funding arm of *No Child Left Behind*, the research reported here indicates that funds are not always spent in a way likely to accomplish the purposes of the legislation. In most urban districts a systematic bias is built into the district allocation patterns, a bias that supports disproportionate funding for schools in the more affluent

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1. Johnson's Great Society, or "war on poverty" incorporated several elements. In addition to Title I of the Elementary and Secondary Education Act, he established the Job Corps in the Department of Labor, Medicare and Medicaid, a new federal Department of Housing and Urban Development, and the Office of Economic Opportunity.

2. For an excellent discussion of the history of Title I see: John F. Jennings, "Title I: Its Legislative History and Its Promise," in *Title I: Compensatory Education at the Crossroads,* ed. Geoffrey D. Borman, Samuel C. Stringfield, and Robert E. Slavin (Mahwah, New Jersey: Lawrence Erlbaum Associates, 2001)

neighborhoods. Title I funds, intended to augment spending for poor children, are used instead to bring spending in poverty neighborhood schools up to parity with other district schools. Moreover, a portion of Title funds, intended for students in schools with the highest poverty levels, are diverted to schools in the wealthiest district neighborhoods.

District officials often do not know about these spending patterns, and generally do not intend them. On the contrary, when asked if schools with high concentrations of low-income students are treated fairly in terms of funds allocation, most school leaders are convinced that "poor" schools receive disproportionately more funds than schools in wealthier neighborhoods. They take this position on the assumption that general or "non-categorical" school funding is equitably distributed and that much of the categorical funds (such as those for second-language learners) are disproportionately targeted to schools in low-income neighborhoods.

In fact, most school officials so sincerely believe that schools in low-income communities disproportionately benefit in this system that they have difficulty accepting evidence to the contrary.

The problem is not deceit, lack of commitment to the needs of disadvantaged students, or refusal to follow the law. The problem is two-fold: First, district funds-allocation practices are so murky and complex that it is difficult to determine how much money is spent at any individual school. The assumption that non-categorical funds are spent equitably is incorrect. Second, the spirit of the law—that these federal funds are used only to augment services for disadvantaged students—is easily broken. This is true even when school administrators are committed to the intent of the law and make every effort to follow it to the letter.

How Title I Funding is Supposed to Work

At its inception in 1965, policymakers were optimistic that infusing federal funds into poor schools would help break the cycle of poverty.[3] Only four years into the implementation of the Elementary and Secondary Education Act, however, a report from the National Association for the Advancement of Colored People created a major controversy.[4] It recounted scandalous misuse of Title I funds. After reviewing federal audits of states and school districts, the NAACP report charged that "Title I funds purchase services, equipment, and supplies that are made available to all schools in a district...even though many children reached are ineligible for assistance." In some cases, the report noted, "Title I funds are not going to eligible children at all."[5]

The report documented use of federal funds to purchase equipment and facilities for general use, acquisitions not contemplated in the statute. Even more troubling, Title I funds were occasionally used to buy band and sports uniforms or build swimming pools, sometimes in segregated schools that denied access to low-income, minority children.

This dramatic report urged the Department of Health, Education, and Welfare (then responsible for federal aid to education) to enforce Title I's existing requirements for equalization of state and local resources between Title I and non-Title I schools and to "insure the proper use of Title I funds." The immediate (and enduring) impact of these recommendations focused Title I legislation and regulations quite sharply. Two provisions, "comparability" and "supplement, not supplant" were added as the foundation of Title I funds allocation. To this day, these provisions remain the basis of Title I funds distribution under *No Child Left Behind*.

Comparability. This requirement stipulates that school districts must equalize educational services purchased with state and local funds before Title I funds are brought into the mix. On its face, the comparability requirement is eminently sensible. Title I funds are to layer on top of an equitable distribution of services, such that the federal dollars serve to augment services for poor students, enabling them to overcome the disadvantages that result from poverty.

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3. See Jennings, "Title I: Its Legislative History and Its Promise."

4. Phyllis P. McClure and Ruby Martin, *Title I of ESEA: Is It Helping Poor Children? (*Washington D.C.:, Washington Research Project and NAACP Legal Defense Fund, 1969).

5. McClure and Martin, *Title I of ESEA: Is It Helping Poor Children?* p. 5.

Supplement, Not Supplant. If the comparability requirements aimed to equalize services purchased with state and local funds before accepting federal funds, the "supplement, not supplant" requirement was aimed at ensuring that federal dollars were used appropriately. The point was that the federal funds should not take the place of any expenditures that, in the absence of federal funds, would have been made with state and local funds, i.e., that the federal money should supplement local spending, not supplant it.

This second foundation of Title I funds allocation had the effect of prohibiting districts from subtracting state and local funds from eligible schools as Title I funds were added. (It also had the effect of prohibiting districts from pulling other federal funds—e.g., Impact Aid funds designed to mitigate the local enrollment impact of non-tax-paying federal installations—out of eligible schools and replacing them with Title I dollars.) The whole point was to provide additional funds to schools with eligible children, not general aid to the district as a whole.

Intent of Comparability and Supplement Regulations. Taken together, these two key provisions were meant to assure that federal funds would make real spending higher (with more comprehensive services) in schools serving disadvantaged children than in neighboring schools in the same district. Thus, Title I-eligible children (and eligible schools) were to get something extra—better teachers, smaller classes, more instructional time, or supplementary programs that were not generally available in the district as a whole.

How Funds are Allocated in Practice

It is not easy to trace most dollars to schools. Policymakers have grown accustomed to thick board-approved budgets that detail spending by units (e.g., teacher FTEs or supplies) and by programs or departments (e.g., elementary education, professional development, student services, and bilingual education). But reams of such data reveal nothing about how much is spent at one school versus another.

The research reported here is based on analyses of school-level data in Denver and the four largest school districts in Texas, supplemented by public reports of average teacher salaries in other school systems, and a special simulation account of Title I expenditures

on teachers in four additional communities. A definitive study would need to include many more districts and look even more deeply into how money is spent and used. However, it is clear that most larger school districts use accounting practices similar to those reported here. The data we have suggest that:

- District budgeting practices systematically favor schools with the fewest educational challenges, to the detriment of those with the most.
- In some cases, arcane district funds-allocation practices can actually funnel Title I funds to schools in the wealthiest communities.

District Budget Practices Favor Some Schools over Others

Unlike private and parochial schools, which develop and manage their own budgets, individual public schools do not handle much money. District central offices hire staff and buy goods and services, which they then allocate to schools. Schools are "resourced"—given the things they need to operate—not truly funded. Even in districts that try to give schools some spending discretion, school budgets are developed at the central office, and decisions about what services will be received, whom to hire, what to pay individuals, and how to allocate teachers among schools are made at the district level.

"Resourcing" Instead of Budgeting Creates Inequities. In the vast majority of school districts, a staff-based resourcing formula is used to allocate teachers and administrators, based on increments of student enrollment. The formula might, for example, call for a teacher for every 25 students; it might add a vice principal to a school when enrollment exceeds 400. Additional staff are allocated on a school-by-school basis to meet special needs. A bilingual-education instructor might be authorized for a school with large numbers of non-English-speaking students, or a music teacher might be assigned to a specific magnet school. The district then totals up the number of full-time-equivalent staff positions and converts them into dollars using district-wide average salaries for each type of staff.

As a means of developing central budgets, "resourcing" schools makes some sense. As a method for financing individual schools, it has its shortcomings. The practice of "resourcing" a school through a formula of assigning teachers and using district-wide average salaries to estimate costs creates profound budgeting inequities among schools. In general, these inequities systematically favor schools in wealthier areas over those in poorer communities.

First, allocating resources in the form of staff creates some predictable inequities for schools with different enrollments. For instance, the principal, the librarian, and other "fixed" costs in a "resourcing" model create higher per-pupil spending for smaller schools where the costs of these staff are spread over fewer students. Perhaps more problematic are the non-formulaic staff allocations made on the basis of magnet schools, special programs, political pressure, historical precedence, or other factors. For the schools lucky enough to receive them, the costs of an extra technology specialist, music teacher, and art teacher add up. When these coveted extras more often go to the wealthier schools, and when wealthy schools are generally smaller, systematic spending differences between high- and low-poverty schools materialize.

The second problem arises when staff FTEs are translated to real dollars. It has long been acknowledged that teacher preferences dictate the assignment of teachers across schools within a district. Teacher preferences are usually honored according to seniority, frequently backed up by labor contracts. The most senior and experienced (and highest paid) teachers very often receive their preference to be assigned to schools with the fewest teaching challenges. The greenest teachers (and those with the lowest pay) are generally assigned to schools that are struggling. The amounts of money involved are far from inconsequential. For example, the base salary for a first-year teacher with a bachelor's degree in Seattle is $30,056, according to the district's official salary schedule. A 10-year veteran with 45 hours beyond the bachelor's degree is paid $40,569. A 15-year veteran with a doctorate is entitled to $58,579 under the basic scale.

In "resourcing" schools, district allocation practice makes no distinction between the $30,056 paid to the novice teacher in Seattle and the $58,579 paid to the veteran. And since teacher experience and education are not distributed evenly across schools, the effect is that teacher costs vary from school to school. In Baltimore, research shows that teachers at one school in a high-poverty neighborhood were paid an average of $37,618.

At another school in the same district, the average teacher's salary was $57,000.[6] These effects are not random.

There is almost no dispute about the reality of teacher assignment as described above, and little argument about the general effect on school staffing. In one CRPE study completed for the Wallace Foundation, a former school superintendent lamented that inability to influence the staffing mix at individual schools creates situations in which schools in low-income areas experience chronic teacher turnover from year to year. "Inner-city schools are revolving doors in some cities," she noted. "To succeed, a school needs a core group that understands what it's doing. If everyone's inexperienced, nobody knows what they're doing."[7]

Non-Categorical Spending Favors "Affluent" Schools. The reality is that the state of affairs described above systematically disadvantages schools with the greatest educational needs. Table 1 examines real district spending in five cities—Denver, Colorado, and Austin, Dallas, Fort Worth, and Houston in Texas. In each of the districts, we were able to build actual budgets for individual schools with actual salaries paid on site. Then, to make sure apples were compared with apples, we stripped out all categorical expenditures at each of these schools (i.e., those driven by some identified student need such as English as a Second Language, disability status, poverty, or programs for the gifted and talented). Finally, we placed every school in these districts into quartiles depending on the concentrations of students enrolled from low-income families. "Affluent" schools are defined as those in the top quartile in terms of the poverty of students attending (i.e., schools with the smallest proportion of low-income students). "Poor" schools are those in the bottom quartile (i.e., schools with the most low-income students). We were then able to make comparisons of non-categorical spending—that is, basic state and local school spending for regular education—in "poor" and more "affluent" schools within each of the districts.[8]

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6. Marguerite Roza and Paul Hill, "How Within District Spending Inequities Help Some Schools to Fail," in *Brookings Papers on Education Policy: 2004*, ed. Dianne Ravitch (Washington D.C.: Brookings Press, 2004).

7. Howard Fuller, Christine Campbell, Mary Beth Celio, James Harvey, John Immerwahr, and Abigail Winger, *An Impossible Job? The View from the Urban Superintendent's Chair* (Seattle, WA: Center on Reinventing Public Education, 2003).

8. In each district, schools were defined as "poor" if they ranked in the highest quartile in terms of the poverty status of student enrollment. They were defined as "affluent" if they ranked in the bottom quartile. The terms "poor" and "affluent" are not entirely desirable, but they appear to be less confusing than more acceptable statistical descriptors such as "lowest poverty quartile" and "highest poverty quartile."

Table 1:
Non-Categorical, Per-Pupil Spending by School*

	Affluent Schools	Poor Schools
Austin	$3,004 (108% of district average)	$2,682 (85%)
Dallas	$2,762 (92%)	$3,424 (114%)
Fort Worth	$2,909 (102%)	$2,613 (92%)
Houston	$3,152 (109%)	$2,680 (93%)
Denver	$3,764 (105%)	$3,399 (95%)

** "Affluent" schools are those enrolling the fewest low-income students (i.e, they are in the lowest poverty quartile"; "poor" schools enroll the most (they are in the highest poverty quartile).*

The results are quite striking. In four of the five districts, schools with the greatest need (i.e, those with the highest concentrations of students from low-income families) receive considerably less money from the school district's non-categorical or basic resources. The amounts of money involved are not insignificant. They range from $296 less per student in Fort Worth to $472 less per student in Houston. In Austin, the schools with the greatest need (as defined by enrollment of low-income students) receive just 85% of the district average, while those with the smallest need receive 108%. Austin represents the greatest percentage swing among the five districts.

In this general picture, Dallas stands out as an exception. According to state audit officials, the district operates under a series of court orders dictating the allocation of funds within the system.[9] The distribution of Dallas's non-categorical funds clearly favors schools with the greatest need (as defined by the income of students enrolled). "Affluent" schools in Dallas receive just 92% of the school district average, while "poor" schools receive 115%. The difference amounts to fully $662 per student, the largest dollar differential among the five cities.

The conclusion is inescapable. In four of the five districts, the central assumption underlying Title I funds allocation is false. That is to say, the expectation that funds will be equitably distributed between schools *before* federal monies are added is

9. This information was provided by Texas Title I state audit officials in April, 2005.

demonstrably not being met. In four of these large cities, schools are unequally funded with state and local resources, to the detriment of the schools and student populations most in need of assistance.

Categorical Allocations Do Not Solve the Problem. One reason districts don't readily compare spending across schools is that the needs of students differ so dramatically from one school to the next, creating inherent distortions in per-pupil costs. Where a high-needs school with a complex student population spends, say, $200 more per pupil than an affluent school with low needs, analysts quickly qualify the comparison by noting that much more than the $200 comes from categorical grants that fund services for disabled or non-English-speaking students. There are cases, of course, where the more affluent schools also have some high-needs students that require special services. New analysis tools allow us to compare each school's total categorical and non-categorical spending, taking into account the differing mix of student needs at each school.[10] The method assumes that each school's spending be compared to the district average expended for each pupil of each type of need.[11] When the actual expenditures are, say, 10% higher than what would be predicted using the district average expenditure for that particular mix of students, the results indicate that the school spends 110% of the district's "weighted average". (When the actual expenditures are 10% less than predicted by the averages, we say the school receives less than its share given its mix of students with spending at 90%.)

In order to determine whether the categorical allocations change the relative spending picture across high- and low-poverty schools, we compared total spending (less Title I funds), weighting for student need. Do categorical funds disproportionately benefit students with identified needs in high-poverty schools, at the expense of those in wealthier communities, and thus serve to counteract the inequities created by non-categorical allocations? The answer is displayed in Figures 1 and 2.

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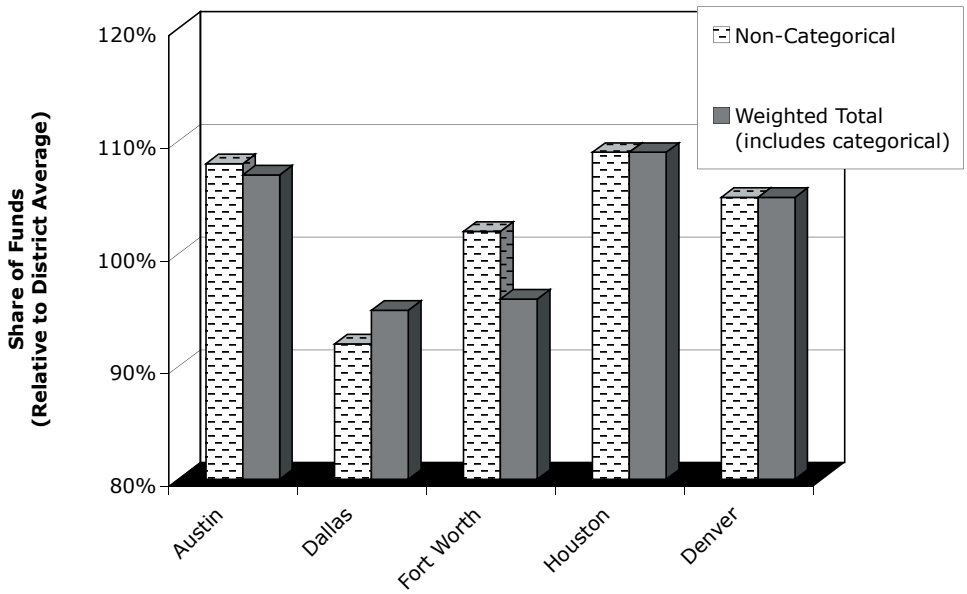
10. This method is described in: Annenberg Task Force on School Communities That Work, *Assessing Inequities in School Funding within Districts: A Tool to Prepare for Student-Based Budgeting* (2002).

11. Weighted per-pupil analysis requires isolating all categorical spending in the district dedicated to each particular need (e.g., limited English proficiency) and dividing it across the district's total number of students with that particular need to get the district's average incremental expenditure made on behalf of a student with the identified need. With these district-specific averages in hand, one school's actual expenditures can be compared with the district average expenditure for its mix of students.

Figure 1:
"Affluent" School Funding: Non-Categorical v. Weighted Total Allocation

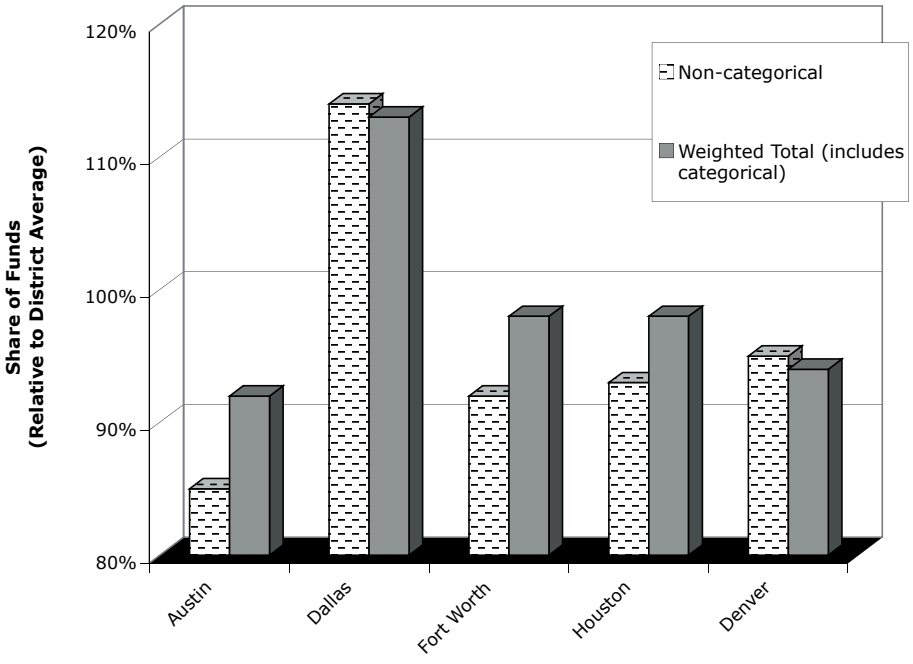


Take Figure 1 first. For each of the five cities, it compares non-categorical spending for "affluent" schools with relative spending after categorical funds are added (weighted by each school's particular mix of students). The comparison in each case is against the district average expenditure of 100%. The results are very mixed. In neither Denver nor Houston does the addition of categorical funds change the relative share enjoyed by most affluent schools. They received a larger share of the non-categorical funds, and they continue to receive the same relative share after categorical dollars are brought into the picture. The addition of categorical funds in Austin and Fort Worth, on the other hand, diminishes the funding advantage enjoyed by schools in more affluent areas. The difference in Austin is barely noticeable—a reduction of just 1%. But the difference in Forth Worth is substantial—affluent schools, which had been receiving slightly more than the district average under the non-categorical allocation, are receiving a much smaller relative share of the categorical funds such that their total expenditures amount to only 96% of the district average.

Dallas, again, is *sui generis*. Schools in the more affluent areas of Dallas were receiving just 92% of the non-categorical funds, but these same schools receive a relatively larger share of the categorical allocations, such that their total expenditures rise up to 95% of the district weighted average.

What about the "poor" schools, those with the highest concentrations of low-income students? Figure 2 displays the results.

Figure 2:
"Poor" School Funding: Non-Categorical v. Weighted Total Allocation



The addition of categorical funds does mitigate disparities in three of the five communities—Austin, Fort Worth, and Houston. In Dallas, high-poverty schools receive a greater relative spending share when categorical funds are included, but not to the extent reported by considering only non-categorical funds. Although the addition of categorical programs creates very positive results for "poor" schools in Austin, Fort Worth, and Houston, it is significant that in each of these communities, schools with the greatest needs still remain well below the district average. In Denver, low-income schools start out well behind the more affluent schools under the basic non-categorical allocations, and they wind up even further behind when the relative contribution of categorical funds are considered.

The answer to the question of whether categorical funds reverse the trends is "it depends." The relative share enjoyed by schools in more affluent communities is not greatly affected when categorical funds enter the picture. In some cities, schools in

less affluent communities clearly benefit from categorical funding—but frequently not enough to bring them up to the weighted district averages. Perhaps the best that can be said is that categorical funds tend to ameliorate the situation. They do not correct it.

Teacher Salaries Track to High- and Low-Poverty Schools. The practice of allocating staff positions instead of real labor costs is responsible for a substantial portion of the spending advantage for schools that employ more costly teachers. Even more troublesome, the often used practice of salary averaging—accounting for labor costs by using the average district salary for each school staff position rather than the actual salary paid—either inflates or deflates real expenditures at a given school beyond what is reported. Two schools with the same per-pupil budget on paper can easily, in reality, be drawing down widely different amounts of money from the district accounts.

The underlying question: Is teacher experience a proxy for teacher quality? It is of course true that teacher experience is far from a perfect indicator of teacher quality. While researchers generally agree that teacher effectiveness increases during the first five to seven years of teaching,[12] for any individual teacher, it is certainly true that we cannot accurately judge his or her effectiveness by his or her salary.

However, when aggregating salaries to the school level, there is good reason to believe that schools with higher average salaries have more capable teachers. We know that some schools have many more applicants per vacancy than others, and thus have the luxury of larger applicant pools. On average, assuming that any school would hire the best talent available to it, schools with more applicants get more talent. And our research shows that schools with the most applicants actually employ higher-salaried teachers.[13] Those with much smaller applicant pools have fewer hiring choices and do end up with lower-salaried teachers. In sum, the average salary for all teachers at a given school reflects the school's ability to hire talent and thus can be related to teacher quality. Furthermore, researchers have long known that schools with very high teacher turnover become schools with predominantly novice teachers, who often do not serve their students well.

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12. See for example, Fetler, M, "High School Staff Characteristics and Mathematics Test Results," *Education Policy Analysis Archives* (7)9 (1999); and R. J. Murnane and B. R. Phillips, "Learning by Doing, Vintage and Selection: Three Pieces of the Puzzle Relating Teaching Experience and Teaching Performance," *Economics of Education Review* (1)4 (1981): 453-465.

13. Marguerite Roza, "Policy Inadvertently Robs Poor Schools to Benefit the Rich," *Seattle Post-Intelligencer,* September 24, 2000.

The financial consequences of ignoring real salary differences are rarely examined. Still, there can be no doubt that one of the easiest ways to identify high- and low-poverty schools in most districts is to compare average school salaries. The salary gap between the two kinds of schools is a near-perfect match to the gap between expected and actual student achievement that is the focus of much of the attention on *No Child Left Behind*.

Table 2 displays the average gap in teachers' salaries between "affluent" and "poor" schools (again defined as those in the lowest and highest poverty quartiles) in the same five cities. The gap in average salaries ranges from $1,880 in Houston to $3,837 in Austin. In each city, the gap favors "affluent" schools. Take a typical school with a faculty of 40. In Houston, the "affluent" school would be receiving resources in the form of teacher salaries amounting to $75,200 more than the "poor" school. The figure jumps to $155,480 in favor of the "affluent" school in Austin.

Table 2:
Gap Between Average Teacher Salaries in Top and Bottom Poverty Quartiles, by School District

District	Salary Gap
Austin	$3,837
Dallas	$2,494
Fort Worth	$2,222
Houston	$1,880
Denver	$3,633

SOURCE: CRPE Analysis

The salary gap is not restricted to these five cities. Although comprehensive data are not available, preliminary searches indicate that similar gaps can be defined and readily measured in communities across the United States, from the East Coast to the West.[14] As one report shows, in 40 out of the 50 largest California districts, the salary gap between schools in the highest and lowest poverty quartiles favors the more affluent schools. In some districts, the building-wide advantage for "affluent" schools exceeds $5,000 per teacher.

By isolating the impact of salaries, we can explore the extent to which salary differentials explain the expenditure differences across schools.[15] Table 3 estimates the proportion of the spending differential between "affluent" and "poor" schools attributable to uneven salaries. As the figures indicate, for every $100 of gap in spending, in Austin, eliminating salary differentials would reduce the gap by 43% (or $43) to a gap of $57.

14. See for example, Roza & Hill, "How Within District Spending Inequities Help Some Schools to Fail," (2004); and Education Trust - West, *California's Hidden Teacher Spending Gap: How State and District Spending Practices Shortchange Poor and Minority Students and Their Schools* (2005).

15. As described earlier, schools in more affluent neighborhoods can (and sometimes do) benefit from additional staff, extra supplies, and better and more-up-to-date textbooks.

What Table 3 indicates is that the effect of leveling salaries across "affluent" and "poor" schools would eliminate a substantial portion of the per-pupil spending gap in four of the five districts. In other words, if more highly paid teachers did not congregate in more affluent schools the spending gap would diminish considerably. In Houston, about one-quarter of the spending gap would disappear (eliminating $26 of every $100 spending gap). In Austin and Fort Worth, just under half the gap would disappear. In Denver, teachers' salaries account for more than four-fifths of the gap and eliminating the salary differentials would reduce every $100 of spending gap by $82, down to $18. In Dallas, where high-poverty schools receive a larger share of the basic education spending, but teachers are still paid less than the average, the effect of leveling salaries would be to further increase the spending advantage for low-income neighborhoods. In other words, even in Dallas, real teacher salaries work against the high-poverty schools.

Table 3:
Proportion of Spending Gap in "Affluent" and "Poor" Schools Attributable to Salary Differentials

District	Proportion
Austin	43%
Dallas	-27%
Fort Worth	47%
Houston	26%
Denver	82%

SOURCE: CRPE Analysis

Salary Averaging Might Funnel Title I Money to Schools in Wealthier Neighborhoods

So far, this analysis has concentrated on five specific cities and how they allocate their state and local funds. What about the funds from Title I? While districts do keep detailed reports on Title I expenditures, in some districts, these reports use salary averages in place of the real salaries for the teachers and paraprofessionals paid for with Title I funds. This opens up the possibility that districts using salary averaging might not be spending all their Title I money on the schools designated to receive those funds. If, for example, Title I-paid teachers had lower than average salaries, but districts charged Title I for district-wide average salaries, the difference would be sent elsewhere —perhaps to the general district budget or to schools with higher than average salaries. We set out to explore this possibility.

In each of the five districts analyzed earlier (Denver and the four Texas districts) administrative practice requires real-dollar accounting, not averaging, for Title I salaries. Thus the diversion of funds suggested here would not happen in those districts. However, we were able to gain access to data from four districts that use salary averaging to account for Title I expenditures.

Isolating the financial impact of salary averaging for Title I expenditures requires access not only to real salary data, but also detailed Title I expenditure data that identify the actual teachers (and other staff) employed with Title I funds. Even in the districts for which we already had access to salary differences, the data were difficult to pin down. We do not know for sure whether Title I-paid teachers were more or less senior than other teachers in the schools where they worked.[16] We are, therefore, not able to report actual expenditures, but we can estimate how Title I funds might be spent, given some sensible assumptions. Because the results are only estimates, we have withheld the names of the districts from which the data were taken.

Table 4 displays the results.

Table 4:
Potential for Supplanting in Selected Districts Due to Salary Averaging in Title I Expenditures: Simulated Impact in 4 Districts

	District #1	District #2	District #3	District #4
Supplanting Costs for Teachers				
Title I Teacher FTEs	**169**	**50**	**24.8**	**70.6**
Salary Gap	**$3,770**	**$2,097**	**$4,565**	**$1,086**
Salaries for Teachers Supplanted	**$637,157**	**$104,853**	**$113,212**	**$76,704**
Percent of Title I Budget	**2.9%**	**1.0%**	**0.6%**	**0.15%**

Source: *CRPE Analyses*

Key Assumptions: *Salary gap for teachers funded with Title I funds matches the salary gap in "affluent" and "poor" schools as defined by quartile.*

Note: *The amount "supplanted" is a simulated amount based on the assumption that the actual teachers paid for with Title I funds reflect the average salaries of the teachers in the schools in which they work.*

16. In schools where Title I funds are used for comprehensive or whole school reform, it is impossible to identify which teachers are funded with Title I funds.

Given the assumptions built into the model, the results are fairly straightforward. If districts use salary averaging and Title I-paid staff are as senior as other staff in the same schools, a substantial amount of money provided by Title I is spent elsewhere. District budgets reflect phantom federal expenditures in Title I schools. It's really that simple. Across our four district sample, the amount of Title I expenditures that go to the district general fund or to other schools ranges from less than one tenth of a percent to nearly 3%. Under our assumptions, the amount of money that would be transferred ranges from about $70,000 in one district to over $600,000 in another.

When Title I budgets are charged an inflated cost for teachers in low-income schools, what really happens is that a portion of these funds actually cover the costs for more experienced teachers in wealthier schools. And when the same practice is applied to costs for paraprofessionals, the figures might conceivably be even higher.

Without any intention of doing so (and unaware of the consequences of what seem to be fairly straightforward budgeting practices) district, state and federal officials have actually permitted obscure funds-allocation conventions to funnel some portion of Title I funds to schools in wealthier communities.

Actual Spending vs. Legislative Intent

The spending patterns reported above seem to violate the two main tenets of Title I: that federal funds are added to a school budget only after expenditures from regular state and local sources are equalized among all schools, and that districts do not divert federal funds to non-Title I uses.

Because the supplanting and comparability requirements are so central to the federal government's insistence that schools with the greatest needs get something extra, they are partially reproduced below in some detail. They are part of a general fiscal requirement, outlined in Section 1120A of the statute (Fiscal Requirements), demanding that districts maintain their fiscal effort. See http://www.ed.gov/policy/elsec/leg/esea02/pg2.html#sec1120A for the full text.

SEC. 1120A. FISCAL REQUIREMENTS.

(b) FEDERAL FUNDS TO SUPPLEMENT, NOT SUPPLANT, NON-FEDERAL FUNDS.—

(1) IN GENERAL.—A State educational agency or local educational agency shall use Federal funds received under this part only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds....

(c) COMPARABILITY OF SERVICES.—

(1) IN GENERAL.—

(A) COMPARABLE SERVICES.—Except as provided in paragraphs (4) and (5), a local educational agency may receive funds under this part only if State and local funds will be used in schools served under this part to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving funds under this part.[17]

(B) SUBSTANTIALLY COMPARABLE SERVICES.—If the local educational agency is serving all of such agency's schools under this part, such agency may receive funds under this part only if such agency will use State and local funds to provide services that, taken as a whole, are substantially comparable in each school.

But the devil, it is said, lies in the details. The statute almost immediately creates loopholes that undermine the whole point of the supplanting and comparability requirements. It is important to understand that this is statutory language, not a regulation drafted after the fact. Section 2 outlines in general terms how school districts can demonstrate they are in compliance with the comparability provisions:

(2) WRITTEN ASSURANCE.—

(A) EQUIVALENCE.—A local educational agency shall be considered to have met the requirements of paragraph (1) if such agency has filed with the State educational agency a written assurance that such agency has established and implemented—

(i) a local educational agency-wide salary schedule;

(ii) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and

(iii) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies.

(B) DETERMINATIONS.—For the purpose of this subsection, in the determination of expenditures per pupil from State and local funds, or instructional salaries per pupil from State and local funds, staff salary differentials for years of employment shall not be included in such determinations.

17. Paragraphs (4) and (5) exempt from the comparability requirement (1) districts that have only one building for each grade span and (2) state and local funds spent on language instruction, the excess costs of providing services for students with disabilities, and state and local expenditures supporting special services for students with greatest needs. In short, the statutory requirement for comparability largely revolves around what this paper thinks of as district "foundation" funding.

Paragraphs (i), (ii), and (iii) above appear to set very reasonable thresholds. It is hard to believe any urban district in the United States cannot provide satisfactory written assurances on each of these points. Yet, as we have shown here, in practice, the presence of these requirements does not ensure equitable expenditures across schools. All the districts examined for this study easily satisfied these requirements. District allocation formulas can (and often do) favor wealthier schools. Perhaps even more problematic, allocation formulas only account for a portion of the resources distributed to schools. Many schools get staff and other resources assigned on top of the formula.[18]

But it is paragraph (B) above that creates the most glaring loophole. By exempting staff salary differentials based on years of employment, this paragraph essentially endorses the practices that permit the inherently unequal distribution of teachers that reform-minded superintendents find so infuriating.[19] The loophole is big enough to accommodate many district financial practices. Almost by itself it is capable of explaining why district non-categorical spending often favors more affluent schools and why the practice of assigning "phantom" dollars to Title I-eligible schools actually redirects some funds to more affluent communities.

Implications

There are at least two implications here. One is that districts are permitted, indeed encouraged, to gloss over real inequalities in school-level spending. Districts can report that they have a salary scale and a staff allocation formula, but can turn a blind eye to the big expenditure differences.

The second issue is more subtle. How much should we worry about teacher salary differences? With lots of research acknowledging the importance of the *teacher* in the learning equation, it makes sense to be concerned about how salary expenditures are divided up between high- and low-poverty schools. Perhaps even more importantly, it makes sense to examine the processes by which teachers are assigned to different buildings. As superintendents have acknowledged, a teacher-assignment process that enables high teacher turnover in the poorest schools, with a more stable and

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18. This study and others have demonstrated that staff resources can be delivered inequitably even when districts rely on a staff allocation formula.

19. The largest expense in every school system is salaries and benefits, particularly to pay for teachers. Expressed in terms of the typical education dollar, instructional expenditures accounted for approximately 61 cents of current expenditures in the 2002-2003 school year. See: http://nces.ed.gov/ccd/pubs/npefs03/findings.asp

experienced workforce in wealthier schools, is clearly problematic. In the case we have here, where the definition of comparability accommodates district teacher-assignment practices consigning the most junior teachers to high-poverty schools, Title I winds up reinforcing tradition to the detriment of many high-need students.

With so much attention focused on how high-poverty schools can improve student achievement, it is important to understand that the very program intended to boost services for low-income students permits the district funding practices that systematically hurt high-poverty schools. Nearly forty years after the NAACP complained that funds under President Johnson's program were being misused, it seems clear that the complaint holds up today.

In many ways, the issue is not how this was allowed to happen or who is to blame. The real question is: What can the federal government, Congress, and the Department of Education do about it?

Three things stand out as promising possibilities: First, modify the "Determinations" section of the comparability provision cited above to require that salary differentials based on years of employment be included in determinations of comparable expenditures-per-pupil by school. Currently, they are explicitly excluded. This modification alone would go a long way toward fixing what is wrong with resource allocation within the current system.

Second, insist that districts provide equitable resources (as computed in terms of real dollars) to each school within the LEA, before Title I funds are brought to bear. One option, of course, would be for districts to find ways to more equitably distribute teachers across schools. Or, for schools with the lowest-salaried teachers, districts would have to provide additional funds, in real discretionary dollars, to permit them to purchase supplements and support services of various kinds—special curricula, software, books, professional development, and/or student tutors. The point is that when legislation promises to target funds on "schools where needs are greatest," it should do so.

Finally, national legislation could follow the lead of Texas and prohibit districts from budgeting (and ultimately accounting for) Title I funds on the basis of average salaries. It seems clear that when districts are permitted to account for expenditures in this

way, some portion of Title I money is not spent on low-income schools, but in schools serving wealthier communities. Accounting for resources in this way creates "phantom" money that reappears elsewhere. The point is that when legislation promises to target funds on "schools where needs are greatest," it should not wind up taking funds out of those schools and turning them over to those with less need.

The truth is that Title I federal funding to the tune of over $13 billion annually is a relatively small drop in a much larger bucket of annual school expenditures of about $455 billion. Still, this straight dollar comparison is misleading. Since at least 1965, the federal government has insisted that it will provide additional funds for schools only after being satisfied that state and local funds are spent locally to equalize opportunity. Now all these years later, it is clear that state and local funds do not always meet that standard.

The great Greek, Archimedes, is thought to have said that with the right lever, "Give me a place to stand, and I will move the world." The two key provisions (comparability and supplanting) of Title I provide the right lever. The goal of targeting funds on "schools where needs are greatest," is the place to stand. Employing that lever, from that stance, federal law can move the world of school finance. Indeed, it can transform it.