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A Closer Look at Title I: Making Education for the Disadvantaged More Student-Centered

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Introduction

Since its inception in 1965, the Elementary and Secondary Education Act, now known as No Child Left Behind (NCLB), has directed billions of federal dollars toward low-income students. Title I, Part A of NCLB is designed to equalize educational opportunities and resources for disadvantaged children.

This analysis examines whether the current mechanisms for providing federal education funding to disadvantaged children are effective and whether the system works as originally intended. The evidence yields the following major findings.

- **Formulas have become increasingly complex and obscure.**

  The funding formulas used to determine each school district's total Title I, Part A allocation are prohibitively complex, with provisions that render the final results substantially incongruent with the original legislative intention. Additionally, as grants have been added to the program, the complexity of the funding system has increased exponentially. Consequently, it is likely that no more than a handful of experts in the country clearly understand the process from beginning to end or could project a particular district's allocation based on information about its low-income students. The result is a funding system that is opaque and unaccountable.

- **Distribution of funds is characterized by seemingly unintended variability**.

  While it may be advantageous to give states flexibility in distributing funds, there should be a defensible underlying logic to their method. Currently, states operate according to guidelines that are very complex and often based on disparate measures. Complicated, disregarded guidelines result in wide variation in the way that funds are distributed and often result in little or no relationship between a district's demographics and the amount of money received.

- **Amounts reserved for administration greatly dilute what reaches the classroom.**

  Funds reserved for administration or for specific programs, such as parent involvement, drain a substantial portion of the total amount appropriated for Title I, Part A at the school level. In fiscal year (FY) 2004, the U.S. Census Bureau estimated that there were approximately 8,400,000 children eligible for Title I, Part A. As the total allocation for that year was nearly $13 billion, the average amount per eligible child would have been $1,500. However, in Florida, for example, the average amount of Title I, Part A funds allocated to the school level was $554 per student.

- **Title I's recent Education Finance Incentive Grant encourages states to equalize spending across school districts, despite the fact that this is an unproven education reform strategy.**

  The Concentration and Targeted Grants were designed to direct funds to districts with higher percentages of low-income students. However, the Education Finance Incentive Grant rewards states that have equalized funding across their districts. This goal of equalizing spending across districts—rather than a student-centered approach that attempts to equate spending levels with student need—has been questioned as an effective approach to distributing education funding.[1]

- **Rather than delivering effectively on good intentions for helping poor children, congressional action over eight reauthorizations has led to a convoluted, bureaucratic system that is less student-centered, less transparent, and therefore less accountable to the public.**

  Title I should be reformed to achieve greater transparency and a more student-centered approach.

1. Margaret Hadderman, "Equity and Adequacy in Education Finance," *ERIC Digest*, 2002, at *www.ericdigests.org/2002-1/equity.html* (December 15, 2006).

A History of the ESEA and Title I

As part of the "War on Poverty," the Elementary and Secondary Education (ESEA) Act of 1965 was designed to direct federal education dollars to the most disadvantaged children living in poverty. Consequently, this landmark legislation was undertaken specifically to authorize the federal government to equalize the educational opportunities of all children.[2] In addition to creating a federal role in directing public education dollars to policy goals, such as eliminating poverty, the ESEA was designed to transfer funding through state governments, thereby resulting in substantial increases in education bureaucracy at the state level.[3]

Since 1965, the ESEA has been reauthorized eight times. Among these reauthorizations have been the Improving America's School Act (IASA) of 1994 and, most recently, the No Child Left Behind (NCLB) Act of 2002. With each transition, the funding mechanisms have become more complicated, and the bureaucracy needed to implement the program has grown.

The U.S. Department of Education and numerous other researchers have sought continually to assess the effectiveness of the federal role in education in terms of its impact on the academic achievement of the targeted populations, but much less attention has been given to the effectiveness of the funding approach. In other words, how well does the current system of federal compensatory education achieve its original purpose? Moreover, have the funding formula changes that have been made over the past four decades helped or hindered the effectiveness of Title I?

Title I, Part A of NCLB specifically addresses federal compensatory education for disadvantaged children by determining which students are eligible and, in theory, how much they are eligible to receive. This analysis examines the current format of Title I of NCLB with a focus on its increasing complexity and the implications of that complexity.

It is important to understand how funds appropriated by Congress under NCLB actually flow to the targeted students, since significant discretion at both the state and local levels results in variations in amounts per student between the Local Education Associations (LEAs) and schools that have similar demographics. In addition, the effectiveness of Title I, Part A in reaching its targeted population is a critical point to be considered. With a cost of nearly $13 billion in federal funds, is this program achieving its intended purpose, or might there be a better way to direct resources to those students who are the intended beneficiaries?

Compensatory Education Funding: Increasingly Complex and Obscure

In general, public education funding in the U.S. over the past century has evolved from a fairly straightforward system of local residents contributing a portion of their income (usually based on the amount of property that they own) to the education of the community's children into a complex system of state and federal funding formulas. In 1920, over 80 percent of the revenue for public elementary and secondary schools was generated at the local level.[4] By the 2001–2002 school year, that number had dropped to less than 43 percent.[5]

More important, the funding mechanisms have become so complex at the state level that only a handful of people in each state can claim to understand them. As a result, it is nearly impossible to determine how a school's total funding changes as children enter or leave their public school systems.

Similarly, the federal government's funding for compensatory education programs has grown from a single grant program that assigned a roughly similar supplementary amount to every eligible child to a set of four major grant programs and a growing list of categorical programs.[6] Each additional formula grant, moreover, has been more complex than the previous one.

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2. Elementary and Secondary Education Act, Public Law 89–10, April 11, 1965, Section 201.
3. Jennifer Marshall, "What Parents Need to Know About the No Child Left Behind Act," *Family Policy*, Vol. No. 15, Issue No. 2 (March/April 2002), at *www.frc.org/get.cfm?i=WA03J61* (December 15, 2006).
4. Austin D. Swanson and Richard A. King, *School Finance: Its Economics and Politics,* Second Edition (New York: Longman Publishers USA, 1997), p. 11.
5. U.S. Department of Education, National Center for Education Statistics, "Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2001–2002," June 2004, *http://165.224.221.98/pubs2004/rev_exp_02/table_02.asp* (December 15, 2006).

Thus, although a child living below poverty in the United States is clearly eligible under Title I to receive some amount of federal compensatory funding for his or her education, determining the particular amount that child actually receives is nearly impossible. While funding increases lead to more money in the system, they flow into a confusing distribution maze, and it is difficult to tell what additional benefit, if any, they provide to individual students. This calls into question the efficacy of further funding increases.

How Title I Works: Four Major Grant Programs

As noted, Part A of Title I currently contains four separate grants for disadvantaged students. The main program, begun at the inception of ESEA in 1965, is the Basic Grant. In FY 2005, the total Basic Grant appropriation was $6.9 billion, or 57 percent of the total Title I, Part A appropriation.[7] Shifting priorities since that time have resulted in the Basic Grant appropriation's remaining steady at approximately $7 billion, while the other three grants—Concentration, Targeted, and Education Finance Incentive Grants—now comprise 46 percent of the over $12.7 billion appropriated to Title I, Part A in FY 2006.

Basic Grants

The Basic Grant is the least complex of the four types. The total amount of a Basic Grant allocated to a state,[8] referred to in the legislation as a State Education Agency, or SEA, is determined by multiplying the total number of eligible children in each of the state's Local Education Associations by a dollar amount that is 40 percent of the state per-pupil expenditure (SPPE), provided that this amount falls between 32 percent and 48 percent of the national average SPPE.[9]

The SPPE was included in the formula to capture differences in the cost of education between states. However, it has come under considerable criticism both for being a uniform number for an entire state, regardless of urban, rural, or other potential cost of living differences, and for representing a state's willingness to fund education rather than simply a cost difference.

Eligible children are defined as those between the ages of five and 17 living below the federal poverty threshold in each LEA, regardless of whether they attend public schools. The count also includes children in foster homes, children living above poverty but receiving Temporary Assistance to Needy Families (TANF), and children in institutions for neglected and delinquent children. Until recently, the U.S. Census Bureau released the eligible children count every 10 years, but it is now based on an annually updated number, the Small Area Income and Poverty Estimates (SAIPE).[10] This number, however, is usually several years out of date.

To participate in the Basic Grant program, an LEA must have at least 10 eligible children who represent more than 2 percent of the school-age population in the LEA. For the 2003–2004 school year, approximately 150 of the over 14,000 LEAs in the U.S. (only 0.01 percent) did not meet these criteria. It does not follow from this statistic, however, that over 99 percent of LEAs received Title I funding, as will be explained in greater detail later.

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6. In addition to the Basic, Concentration, Targeted, and EFI grants, states may receive grants for Even Start Family Literacy, Education of Migratory Children, Neglected and Delinquent Children, and Capital Expenses for Private School Children.
7. U.S. Department of Education, "Department of Education Fiscal Year 2006 Congressional Action," *www.ed.gov/about/overview/budget/tables.html?src=rt* (December 15, 2006).
8. Elementary and Secondary Education Act of 1965, as amended, Title 1, Part A; 20 U.S.C. 6301–6339, 6571–6578, Subpart 2 Allocations, Section 1124.
9. The SPPE is current expenditures only, exclusive of capital and debt expenditures, and does not include federal grant money. As an example, the national average SPPE in 2002–2003 was $8,187, so each state's SPPE was restricted to between $2,620 and $3,930.
10. U.S. Department of Commerce, U.S. Census Bureau, *Small Area Income and Poverty Estimates, Model Based Estimates for States, Counties, & School Districts*, February 27, 2006, at *www.census.gov/hhes/www/saipe/* (December 15, 2006).

The result of the formula (SPPE times the number of eligible children) should determine an LEA's Basic Grant allotment; in reality, all it initially represents is the relative proportion of that LEA's needs compared to the total funds allotted for all LEAs. The authorized levels are higher than appropriations to date. As a result, each LEA's allotment is ratably reduced by multiplying its proportion of the total allotment by Congress's total appropriation.[11] Once this initial allocation has been determined, however, further calculations must be made to determine state and local grants.

Some of the most frequently criticized provisions of the federal grant program are its hold-harmless provisions. For example, districts with particular percentages of poverty rates are guaranteed certain funding the next year, despite any decrease in poverty that they might experience. Districts with up to a 15 percent poverty rate are guaranteed to receive at least 85 percent of their prior year's funding; districts with 15 percent to 30 percent poverty are guaranteed at least 90 percent; and districts with more than 35 percent are guaranteed at least 95 percent of the prior year's grant.

Once the hold-harmless amounts are compared to current-year allocations, funds are ratably shifted from districts that are not affected by hold-harmless to districts that are affected. As a result, by retaining rates of guaranteed funding, districts with declining poverty can siphon funds from districts with growing poverty. Of course, this process may need to be performed multiple times if the ratable reduction causes an initially unaffected district to become affected.

Finally, the total Basic Grant allocation for any state cannot be less than either 0.25 percent of the total U.S. allocation or the number of eligible children times 150 percent of the national average per-pupil payment. This means that small states, such as Vermont, New Hampshire, Wyoming, or Alaska, receive a much larger amount per child than larger states, regardless of socioeconomic status. After the small-state allocation of funds, the ratable reductions must be repeated.

Utah: An Example of How a Basic Grant Is Awarded. Using the state of Utah as an example, the grant process can be demonstrated up to the point of hold harmless, as seen in Table 1.[12] To determine the 2003–2004 Basic Grant allocation, Utah's state per pupil expenditure of $5,008 is used. Forty percent of Utah's SPPE is $2,003, and because this amount is less than 32 percent of the U.S. SPPE average ($2,620), the federal government would use the minimum U.S. SPPE to determine the initial Basic Grant funding.

According to the U.S. Census Bureau, there are 49,493 eligible children in Utah. Multiplying the number of eligible children by the minimum SPPE yields an initial amount for Utah of $129.7 million. However, because the federal government allotted only $6.8 billion for the 2003–2004 school year, the initial amounts appropriated to each of Utah's 40 LEAs are compared to the other 14,250 districts in the nation in order to ratably reduce the state's allocation to $33.7 million. At this point, the hold-harmless comparisons would be made. Beyond that, Utah appears to have 0.5 percent of the total spent on Title I throughout the nation, making it unnecessary to apply the small-state provision. However, the amount calculated for each of Utah's 40 districts could be reduced once the small-state provision is applied to qualifying states.

Similar processes would then be carried out for the other three Title I, Part A grants—Concentration Grants, Targeted Grants, and Education Finance Incentive Grants. The total Title I, Part A funds granted to Utah in 2003–2004 was $50.8 million. Because Utah has only 40 LEAs, computations are not as extensive as they are for other states. For example, California has nearly 1,000 school districts, which require much more calculation. Regardless of the complexity of other states' districting, Table 1 demonstrates that all LEAs in a given state use the same SPPE amount, whether they are urban, suburban, rural, high-poverty, or low-poverty.

11. For example, the total entitlement for 2003–2004 would have been $26 billion, but only $7 billion was appropriated.
12. Extensive searches did not yield district-level data on Basic Grant allocations. All states report the total Title1, Part A, but not the separate grant amounts. In addition, neither the NCES nor the U.S. Department of Education made these data available. Without prior-year Basic Grant data, it is impossible to determine the hold-harmless adjustments.

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Title I, Part A, Basic Grant Calculations for Utah Local Education Agencies

Name	2003 Estimated Population, Ages 5–17			State Per-Pupil Expenditure (SPPE)						Allotment	Percent of Total Appro-priation	LEA Title I Allocation After Ratable Reduction
	Total	Number in Poverty	Percent in Poverty	2002–2003	40% of SPPE	U.S. Average, 2002–2003	32% of U.S. Average	48% of U.S. Average	Usable SPPE 2002–2003			
Alpine	50,876	4,322	8.5%	$5,008	$2,003	$8,187	$2,620	$3,930	$2,620	$11,323,599	0.0432%	$2,940,273
Beaver	1,382	146	10.6%	5,008	2,003	8,187	2,620	3,930	2,620	382,519	0.0015%	99,324
Box Elder	10,732	865	8.1%	5,008	2,003	8,187	2,620	3,930	2,620	2,266,292	0.0086%	588,463
Cache	13,390	948	7.1%	5,008	2,003	8,187	2,620	3,930	2,620	2,483,751	0.0095%	644,928
Carbon	3,770	525	13.9%	5,008	2,003	8,187	2,620	3,930	2,620	1,375,495	0.0052%	357,160
Daggett	135	8	5.9%	5,008	2,003	8,187	2,620	3,930	2,620	20,960	0.0001%	5,442
Davis	60,441	4,010	6.6%	5,008	2,003	8,187	2,620	3,930	2,620	10,506,162	0.0401%	2,728,018
Duchesne	3,619	525	14.5%	5,008	2,003	8,187	2,620	3,930	2,620	1,375,495	0.0052%	357,160
Emery	2,514	300	11.9%	5,008	2,003	8,187	2,620	3,930	2,620	785,997	0.0030%	204,091
Garfield	974	100	10.3%	5,008	2,003	8,187	2,620	3,930	2,620	261,999	0.0010%	68,030
Grand	1,590	270	17.0%	5,008	2,003	8,187	2,620	3,930	2,620	707,397	0.0027%	183,682
Granite	73,242	7,618	10.4%	5,008	2,003	8,187	2,620	3,930	2,620	19,959,088	0.0761%	5,182,555
Iron	7,242	1,130	15.6%	5,008	2,003	8,187	2,620	3,930	2,620	2,960,589	0.0113%	768,743
Jordan	80,668	4,229	5.2%	5,008	2,003	8,187	2,620	3,930	2,620	11,079,940	0.0423%	2,877,005
Juab	2,026	184	9.1%	5,008	2,003	8,187	2,620	3,930	2,620	482,078	0.0018%	125,176
Kane	1,200	122	10.2%	5,008	2,003	8,187	2,620	3,930	2,620	319,639	0.0012%	82,997
Logan	5,867	917	15.6%	5,008	2,003	8,187	2,620	3,930	2,620	2,402,531	0.0092%	623,839
Millard	3,076	354	11.5%	5,008	2,003	8,187	2,620	3,930	2,620	927,477	0.0035%	240,828
Morgan	1,824	75	4.1%	5,008	2,003	8,187	2,620	3,930	2,620	196,499	0.0007%	51,023
Murray	8,210	561	6.8%	5,008	2,003	8,187	2,620	3,930	2,620	1,469,815	0.0056%	381,650
Nebo	22,719	2,147	9.5%	5,008	2,003	8,187	2,620	3,930	2,620	5,625,120	0.0215%	1,460,612
North Sanpete	2,449	306	12.5%	5,008	2,003	8,187	2,620	3,930	2,620	801,717	0.0031%	208,173
North Summit	1,052	98	9.3%	5,008	2,003	8,187	2,620	3,930	2,620	256,759	0.0010%	66,670
Ogden	14,657	2,576	17.6%	5,008	2,003	8,187	2,620	3,930	2,620	6,749,096	0.0257%	1,752,463
Park City	4,342	210	4.8%	5,008	2,003	8,187	2,620	3,930	2,620	550,198	0.0021%	142,864
Piute	264	47	17.8%	5,008	2,003	8,187	2,620	3,930	2,620	123,140	0.0005%	31,974
Provo	15,082	2,445	16.2%	5,008	2,003	8,187	2,620	3,930	2,620	6,405,877	0.0244%	1,663,343
Rich	465	34	7.3%	5,008	2,003	8,187	2,620	3,930	2,620	89,080	0.0003%	23,130
Salt Lake City	28,005	5,961	21.3%	5,008	2,003	8,187	2,620	3,930	2,620	15,617,764	0.0596%	4,055,291
San Juan	3,716	824	22.2%	5,008	2,003	8,187	2,620	3,930	2,620	2,158,872	0.0082%	560,570
Sevier	4,494	538	12.0%	5,008	2,003	8,187	2,620	3,930	2,620	1,409,555	0.0054%	366,003
South Sanpete	2,663	340	12.8%	5,008	2,003	8,187	2,620	3,930	2,620	890,797	0.0034%	231,303
South Summit	1,277	71	5.6%	5,008	2,003	8,187	2,620	3,930	2,620	186,019	0.0007%	48,302
Tintic	282	41	14.5%	5,008	2,003	8,187	2,620	3,930	2,620	107,420	0.0004%	27,892
Tooele	11,679	901	7.7%	5,008	2,003	8,187	2,620	3,930	2,620	2,360,612	0.0090%	612,954
Uintah	5,946	751	12.6%	5,008	2,003	8,187	2,620	3,930	2,620	1,967,613	0.0075%	510,908
Wasatch	4,052	272	6.7%	5,008	2,003	8,187	2,620	3,930	2,620	712,637	0.0027%	185,043
Washington	22,203	2,798	12.6%	5,008	2,003	8,187	2,620	3,930	2,620	7,330,734	0.0280%	1,903,490
Wayne	544	76	14.0%	5,008	2,003	8,187	2,620	3,930	2,620	199,119	0.0008%	51,703
Weber	28,652	1,848	6.4%	5,008	2,003	8,187	2,620	3,930	2,620	4,841,743	0.0185%	1,257,202
Total	**507,321**	**49,493**	**11.2%**	**$5,008**	**$2,003**	**$8,187**	**$2,620**	**$3,930**	**$2,620**	**$129,671,194**	**0.4945%**	**$33,670,279**

Sources: Author's calculations using data from U.S. Department of Commerce, U.S. Census Bureau, *Small Area Income and Poverty Estimates: Model-Based Estimates for States, Counties, & School Districts*, February 27, 2006, at *www.census.gov/hhes/www/saipe* (December 15, 2006), and U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics,* "Department of Education Fiscal Year 2006 Congressional Action," at *www.ed.gov/about/overview/budget/budget06/06action.pdf* (June 25, 2007).

Concentration Grants

To supplement the Basic Grant, the Concentration Grant was added in 1978 as part of an effort to focus funds on districts with higher numbers of low-income students. It is calculated in same manner as the Basic Grant, with two exceptions.

First, to be eligible to receive this grant, an LEA must have at least 6,500 eligible students, or else 15 percent of the total number of students must be eligible.

Second, the hold-harmless provision for the Concentration Grant guarantees prior-year funding for four years instead of one, even if the LEA is no longer deemed eligible for the grant.

Targeted and Education Finance Incentive Grants

In 1994, when the ESEA became the Improving America's School Act (IASA), two more grant categories were added: the Targeted Grant and the Education Finance Incentive Grant (EFIG). The purpose of these two grants was, like the purpose of the Concentration Grant, to direct funds to those districts with the greatest percentage of children living in poverty. LEAs are eligible for both the Targeted Grant and the EFIG if they have more than 10 eligible students and this number is greater than 5 percent of the total number of children in the LEA. These thresholds are slightly different from those for either Basic or Concentration Grants.

For the Targeted Grant, eligible children are weighted by factors ranging from 1.0 to 4.0, based on any of the four thresholds: the percent or number of qualifying children in each LEA or county. There are five weighting categories for each of the four types of thresholds, and there are different weights for the percent calculations versus the number-of-children calculations. The lowest weightings are for LEAs with less than 15.58 percent poverty, or 691 children, and for counties with less than 15 percent poverty, or 2,311 children. The highest categories are for LEAs with more than 38.24 percent poverty, or 35,514 children, and for counties with more than 29.2 percent poverty, or 93,811 children. After the different categories are summed for each qualifying LEA or county, the higher number is used.

The rationale behind the particular thresholds is not entirely clear in the legislation. However, it would seem to suggest a level of precision in the Census data that may not be practical.

While the amount of information required for Targeted Grants is substantially more than is required for either Basic or Concentration Grants, it pales in comparison to the data required for Education Finance Incentive Grants. First, it should be noted, the SPPE used for the EFIG is restricted to between 34 percent and 46 percent of the national average rather than the 32 percent to 48 percent range of the other three grants. Again, these limitations simply affect the proportional amount ascribed to each LEA prior to ratable-reduction, hold-harmless, and small-state provisions. Nonetheless, using different amounts for different grants adds to the program's complexity and red tape.

Similar to the Targeted Grant, the EFIG requires a weighted student count. However, for the EFIG, the count is multiplied by an "effort factor," which represents the ratio of the three-year average SPPE for a given state multiplied by the three-year average per capita income in the United States to the three-year average per capita income in each state multiplied by the three-year average SPPE for the U.S. In other words, each state's "effort" is how much of its per-capita income it devotes to public education as compared to the national average.

In addition, an "equity factor" is calculated for each state, based on a weighted coefficient of variation. This number represents a measure of variation in per-pupil expenditures across a state. The EFIG implicitly assumes that equal total per-pupil spending across districts and states is the ideal, though the effectiveness of funding equalization has been debated.[13] States are then divided into those with an equity factor of less than 0.10, those between 0.10 and 0.20, and those with an equity factor of greater than 0.20. Each of these groups then has unique

13. Caroline M. Hoxby, "All School Finance Equalizations Are Not Created Equal," *The Quarterly Journal of Economics*, November 2001, p. 1189.

student weighting rules similar to those of the Targeted Grant—five categories of weights for percentages and number of children for both LEAs and counties. In other words, there are 60 weighting categories for the EFIG rather than the merely 20 used for the Targeted Grant.

Clearly, determining the amount of federal aid generated by a particular student living below poverty is extremely complex. Nonetheless, once the four grant categories have been calculated, adjusted, and recalculated for each LEA or county, they are summed for each of the 50 states. This amount is that state's Title I, Part A allocation. As a result of this complicated process, the underlying calculations are not well understood, either by those administering the program or by the public in general.

After the federal government appropriates the funds to states, the focus then shifts to distributing the total state allocations, both to the eligible LEAs and then to the schools within each LEA, ideally resulting in some measurable classroom impact on the students living below poverty. There are two important factors in this process, however: first, the complexity of the guidelines for the SEA and the LEAs in distributing funds and, second, the monetary amounts that can be retained at each level, either for administration or for particular programs.

Distributing Federal Compensatory Funds: Dilution and Discretion

Each state's total Title I, Part A allocations are calculated by adding together the four grant categories for every LEA in the state. Although the U.S. Department of Education informs the LEAs that they are to receive funds, it is the state that distributes the funds based on a separate set of guidelines.

Before distributing funds, the state reserves a portion of the total for various tasks. In terms of set-asides, states may reserve up to 1 percent or $400,000 for administrative duties. In addition, states must reserve 4 percent of the amount received for school improvement. Of this amount, at least 95 percent must be directed at schools identified as in need of improvement. The funds may be used for school support and for the state to recognize academic achievement gains made by LEAs.

Technically, a district's Title I, Part A allocation should be approximately 95 percent of the amount calculated by the National Center for Education Statistics (NCES) for the four formula grant programs. However, this is often not the case, as states have to redistribute funds to account for new districts or charter schools that are not contained in the NCES database. States can also use alternative poverty data, such as the number of children that qualify for free or reduced-price lunch, to distribute funds.

District size affects Title I distribution even further. Any districts with fewer than 20,000 total residents are considered "small LEAs" and are not subject to the NCES grant calculations. States can redistribute the total amount calculated for small LEAs based on "population data that the State educational agency determines best reflects the current distribution of children in poor families."[14]

This small LEA designation applies to nearly 80 percent of public school districts.[15] For this reason, tying the data on total Title I, Part A allocations as distributed by the U.S. Department of Education to data reported by states or districts is usually problematic.

Finally, before distributing the remaining Title I funds to schools, districts must also set aside funds for specific programs. Under NCLB:

14. Elementary and Secondary Education Act of 1965, as amended, Title 1, Part A; 20 U.S.C. 6301–6339, 6571–6578, Subpart 2 Allocations, Section 1124(a)(2)(B)(iv).
15. U.S. General Accounting Office, *Title I Funding: Poor Children Benefit Though Funding per Poor Child Differs*, GAO–02–242, January 2002, p. 9, at *http://eric.ed.gov/ERICWebPortal/contentdelivery/servlet/ERICServlet?accno=ED462503* (December 15, 2006).

- LEAs are required to use up to 20 percent of their Title I funds to offer public school choice to students in schools that fail to make adequate yearly progress (AYP) after two years and supplemental educational services through after-school tutoring after three years of missing AYP;[16]

Table 2 SR 15

Hypothetical Allocation to Eligible Schools in an LEA Using 35% Eligibility Provisions

Per-Pupil Calculation (125% not required)	
LEA-determined allocation per poor child	$700
Total Title I Allocation for LEA	$7,169,132
Reservations	
Neglected	$38,000
Homeless	$20,000
20% choice-related transportation and supplemental services	$1,433,826
10% professional development for LEAs needing improvement	$716,913
5% professional development for teachers not highly qualified	$358,457
1% parent involvement	$71,691
Administration	$616,545
Remainder to Be Distributed to Schools	$3,913,700

Attendance Area	Total Enrollment	Children from Low-Income Families				Eligible Schools	Attendance Area Allocation[1]	Allocation Generated by Public School Poor Children	Allocation Generated by Private School Poor Children[2]
		Public	Private	Total	Percent				
Violet Hill	870	850	20	870	100.00%	Yes	$609,000	$595,000	$14,000
Oakdale	276	202	8	210	76.09%	Yes	$147,000	$141,400	$5,600
Elemwood	951	591	24	615	64.67%	Yes	$430,500	$413,700	$16,800
Valley View	696	444	0	444	63.79%	Yes	$310,800	$310,800	$0
Hobson	601	367	10	377	62.73%	Yes	$263,900	$256,900	$7,000
Berlieth	933	550	5	555	59.49%	Yes	$388,500	$385,000	$3,500
Daivs	1,134	646	8	654	57.67%	Yes	$457,800	$452,200	$5,600
Indian Rock	1,695	815	0	815	48.08%	Yes	$570,500	$570,500	$0
Roosevelt	203	95	0	95	46.80%	Yes	$66,500	$66,500	$0
Takoma	1,080	487	6	493	45.65%	Yes	$345,100	$340,900	$4,200
Camp Springs	1,026	449	14	463	45.13%	Yes	$324,100	$314,300	$9,800
White Hill	857	293	3	296	34.54%	No			
Bannaker	874	299	2	301	34.44%	No			
Eastern	490	142	0	142	28.98%	No			
Taft	2,073	509	0	509	24.55%	No			
Wilson	300	28	0	28	9.33%	No			
LEA Total	**14,059**	**6,767**	**100**	**6,867**	**48.84%**	**11 Yes, 5 No**	**$3,913,700**	**$3,847,200**	**$66,500**

[1] The number of poor students times $700.

[2] The LEA must reserve the amount of funds generated by private-school children and, in consultation with appropriate private-school officials, may either combine those amounts to create a pool of funds from which the LEA provides equitable services to eligible private-school children in greatest need of those services or provide equitable services to eligible children in each private school with the funds generated by children from low-income families who attend that private school.

Source: U.S. Department of Education, Office of Elementary and Secondary Education, "Non-Regulatory Guidance: Local Educational Agency Identification and Selection of School Attendance Areas and Schools and Allocation of Title I Funds to Those Areas and Schools," August 2003, p. 18, at *www.ed.gov/programs/titleiparta/wdag.doc* (December 15, 2006).

16. Wayne Riddle, "K–12 Education: Highlights of the No Child Left Behind Act of 2001 (P.L. 107–110)," Congressional Research Service, January 15, 2003.

- An LEA must use between 5 percent and 10 percent of its funding for professional development activities;
- Schools that have failed to meet AYP for two or more years are required to use at least 10 percent of their Title I, Part A allocation for professional development;[17] and
- An LEA must set aside 1 percent for parental involvement.[18]

This means that in some cases, only 64 percent of an LEA's remaining Title I allocation is available to be distributed to schools for general use. If these set-asides were not mandated, states and LEAs would have the ability to use their Title I funds in ways they believe to be most effective.

Once the funds have been distributed to the LEAs, they must then be directed to the eligible schools.[19] Federal guidelines require that LEAs first serve those schools with more than 75 percent of their students living in poverty. Most schools rely on free and reduced-priced lunch data to determine eligibility.

Then, after all schools meeting this threshold have been served, districts rank order their schools according to the percentage of low-income students. This can be done with the Census data, the free and reduced-price lunch data, TANF data, Medicaid data, or a composite of all of these.[20] Districts serve the schools in order of decreasing rates, down to those that have at least 35 percent eligible students. To help LEAs determine how to allocate funds, the U.S. Department of Education has published a Non-Regulatory Guidance.[21] The guidelines are very specific and somewhat complicated.

Table 2, taken from the Non-Regulatory Guidance, demonstrates how LEAs can follow department guidance by serving schools down to the level of 35 percent poverty; it also demonstrates the complexity of distribution. This table is one of several examples that LEAs can use for guidance. Ultimately, however, the school board and superintendent are responsible for determining the strategy for the allocation of funds. It is also their responsibility to ensure compliance with the associated federal guidelines.

Florida: An Example of Title I Distributions. According to the U.S. Department of Education, 67 Florida districts were to receive a total of $639.2 million during the 2005–2006 school year. Of this amount, the Florida Department of Education distributed $573.1 million to its LEAs, with over $67 million, or 10.5 percent, retained by the state. Over one-third of the $573.1 million was then set aside for the categorical programs designated in the legislation. As Table 2 demonstrates, Florida's state-level discretion allowed approximately $367 million, or 57 percent of the total federal allocation, to be distributed to the schools.

Once the LEAs are granted authority to distribute funds, it appears that Florida districts use variable criteria to determine school-level allocations. Some districts, such as Hillsborough, distribute a flat amount of $500 for each child who is eligible to receive free and reduced-price lunch, regardless of total school poverty or grade level. Other districts, such as Palm Beach, appear to distribute $259 per student for schools with 50 percent to 60 percent eligibility, $324 for schools that are between 61 percent and 75 percent eligible, $389 for schools that are between 75 percent and 90 percent eligible, and $486 for schools with more than 90 percent of their students eligible for free and reduced-price lunch.

17. Wayne Riddle, "Education for the Disadvantaged: Overview of ESEA Title I-A Amendments Under the No Child Left Behind Act," Congressional Research Service, April 6, 2004.
18. U.S. Department of Education, "Parental Involvement: Title I, Part A, Non-Regulatory Guidance," April 23, 2004.
19. It should be noted that LEAs have the discretion to reserve funds for programs such as preschool or summer school and that, technically, they can reserve 100 percent of their allocation if they choose to do so.
20. U.S. Department of Education, Office of Elementary and Secondary Education, "Non-Regulatory Guidance: Local Educational Agency Identification and Selection of School Attendance Areas and Schools and Allocation of Title I Funds to Those Areas and Schools," August 2003, p. 4, at *www.ed.gov/programs/titleiparta/wdag.doc* (December 15, 2006).
21. *Ibid.*

Florida Distribution of Title I, Part A, Funds to LEAs in FY 2006

School District	U.S. DOE Title I Allocation	Florida DOE Title I Allocation	Difference	Set Asides					Available for School Allocation
				20% Choice with Transportation and SES	5% Highly Qualified Teachers and Paraprofessionals	1% Parental Involvement	10% Professional Development	Total Set Asides	
Alachua	$6,662,010	$5,978,598	$683,412	$1,195,720	$298,930	$59,786	$597,860	$2,152,295	$3,826,303
Baker	886,501	770,217	116,284	154,043	38,511	7,702	77,022	277,278	492,939
Bay	5,717,779	5,370,027	347,752	1,074,005	268,501	53,700	537,003	1,933,210	3,436,817
Bradford	907,242	879,736	27,506	175,947	43,987	8,797	87,974	316,705	563,031
Brevard	12,844,851	11,659,456	1,185,395	2,331,891	582,973	116,595	1,165,946	4,197,404	7,462,052
Broward	66,245,964	55,509,313	10,736,651	11,101,863	2,775,466	555,093	5,550,931	19,983,353	35,525,960
Calhoun	523,219	513,635	9,584	102,727	25,682	5,136	51,363	184,908	328,726
Charlotte	2,736,108	2,625,722	110,386	525,144	131,286	26,257	262,572	945,260	1,680,462
Citrus	3,616,834	3,471,163	145,671	694,233	173,558	34,712	347,116	1,249,619	2,221,544
Clay	2,742,646	2,471,672	270,974	494,334	123,584	24,717	247,167	889,802	1,581,870
Collier	6,652,952	6,226,664	426,288	1,245,333	311,333	62,267	622,666	2,241,599	3,985,065
Columbia	2,646,341	2,551,281	95,060	506,024	126,506	25,301	253,012	910,843	1,619,277
Dade	141,906,990	130,185,095	11,721,895	26,037,019	6,509,255	1,301,851	13,018,510	46,866,634	83,318,461
Desoto	1,639,323	1,684,880	-45,557	336,976	84,244	16,849	168,488	606,557	1,078,323
Dixie	664,872	670,177	-5,305	131,222	32,806	6,561	65,611	236,200	419,910
Duval	33,186,255	28,280,164	4,906,091	5,656,033	1,414,008	282,802	2,828,016	10,180,859	18,099,305
Escambia	12,575,445	12,406,356	169,089	2,481,271	620,318	124,064	1,240,636	4,466,288	7,940,068
Flagler	1,221,008	1,177,214	43,794	235,443	58,861	11,772	117,721	423,797	753,417
Franklin	371,170	374,797	-3,627	73,492	18,373	3,675	36,746	132,285	235,173
Gadsden	2,390,259	2,448,877	-58,618	489,775	122,444	24,489	244,888	881,596	1,567,281
Gilchrist	615,380	609,762	5,618	121,952	30,488	6,098	60,976	219,514	390,248
Glades	355,996	391,596	-35,600	78,319	19,580	3,916	39,160	140,974	250,621
Gulf	467,280	454,700	12,580	90,940	22,735	4,547	45,470	163,692	291,008
Hamilton	675,758	693,380	-17,622	138,676	34,669	6,934	69,338	249,617	443,763
Hardee	1,662,899	1,699,823	-36,924	339,965	84,991	16,998	169,982	611,936	1,087,887
Hendry	2,111,700	2,153,273	-41,573	430,655	107,664	21,533	215,327	775,178	1,378,095
Hernando	4,513,317	4,069,344	443,973	813,869	203,467	40,693	406,934	1,464,964	2,604,380
Highlands	3,226,488	3,015,051	211,437	603,010	150,753	30,151	301,505	1,085,418	1,929,632
Hillsborough	48,016,907	41,804,956	6,211,951	8,360,991	2,090,248	418,050	4,180,496	15,049,784	26,755,172
Holmes	904,353	887,344	17,009	177,469	44,367	8,873	88,734	319,444	567,900
Indian	2,573,448	2,397,387	176,061	479,477	119,869	23,974	239,739	863,059	1,534,328
Jackson	1,659,478	1,610,623	48,855	322,125	80,531	16,106	161,062	579,824	1,030,798
Jefferson	531,443	548,203	-16,760	109,641	27,410	5,482	54,820	197,353	350,850
Lafayette	301,477	282,149	19,328	56,430	14,107	2,821	28,215	101,574	180,575
Lake	7,002,220	6,557,969	444,251	1,311,594	327,898	65,580	655,797	2,360,869	4,197,100
Lee	13,313,607	12,096,633	1,216,974	2,419,327	604,832	120,966	1,209,663	4,354,788	7,741,845
Leon	6,716,921	5,371,485	1,345,436	1,074,297	268,574	53,715	537,149	1,933,735	3,437,750
Levy	1,663,514	1,580,546	82,968	316,109	79,027	15,805	158,055	568,997	1,011,550
Liberty	258,783	269,893	-11,110	53,979	13,495	2,699	26,989	97,162	172,732
Madison	859,040	838,351	20,689	167,670	41,918	8,384	83,835	301,806	536,545
Manatee	8,032,399	6,957,335	1,075,064	1,391,467	347,867	69,573	695,733	2,504,641	4,452,694
Marion	11,717,233	11,056,915	660,318	2,211,383	552,846	110,569	1,105,691	3,980,489	7,076,425
Martin	2,468,203	2,231,422	236,781	446,284	111,571	22,314	223,142	803,312	1,428,110
Monroe	1,518,384	1,347,139	171,245	269,428	67,357	13,471	134,714	484,970	862,169
Nassau	1,188,945	1,047,320	141,625	209,464	52,366	10,473	104,732	377,035	670,285
Okaloosa	4,471,284	4,030,081	441,203	806,016	201,504	40,301	403,008	1,450,829	2,579,252
Okeechobee	1,514,537	1,630,945	-116,408	326,189	81,547	16,309	163,094	587,140	1,043,804
Orange	39,448,053	36,177,993	3,270,060	7,235,599	1,808,900	361,780	3,617,799	13,024,077	23,153,915
Osceola	9,383,870	8,253,867	1,130,003	1,650,773	412,693	82,539	825,387	2,971,392	5,282,475
Palm	36,142,022	31,453,097	4,688,925	6,290,619	1,572,655	314,531	3,145,310	11,323,115	20,129,982
Pasco	12,850,060	11,364,427	1,485,633	2,272,885	568,221	113,644	1,136,443	4,091,194	7,273,233
Pinellas	28,420,570	24,385,772	4,034,798	4,877,154	1,219,289	243,858	2,438,577	8,778,878	15,606,894
Polk	22,783,779	20,213,691	2,570,088	4,042,738	1,010,685	202,137	2,021,369	7,276,929	12,936,763
Putnam	4,028,667	3,772,156	256,511	754,431	188,608	37,722	377,216	1,357,976	2,414,180
Santa	3,495,202	3,327,588	167,614	665,518	166,379	33,276	332,759	1,197,932	2,129,657
Sarasota	5,219,734	4,600,658	619,076	920,132	230,033	46,007	460,066	1,656,237	2,944,421
Seminole	9,460,694	7,791,571	1,669,123	1,558,314	389,579	77,916	779,157	2,804,965	4,986,605
St. Johns	2,332,408	1,889,979	442,429	375,981	93,995	18,799	187,991	676,766	1,203,139
St. Lucie	8,049,111	7,042,100	1,007,011	1,408,420	352,105	70,421	704,210	2,535,156	4,506,944
Sumter	1,733,281	1,681,454	51,827	336,291	84,073	16,815	168,145	605,323	1,076,131
Suwannee	1,585,985	1,487,654	98,331	297,531	74,383	14,877	148,765	535,555	952,099
Taylor	799,205	816,325	-17,120	163,265	40,816	8,163	81,632	293,877	522,448
Union	406,470	382,265	24,205	76,453	19,113	3,823	38,226	137,615	244,649
Volusia	15,234,205	13,590,572	1,643,633	2,718,114	679,529	135,906	1,359,057	4,892,606	8,697,966
Wakulla	656,841	661,440	-4,599	132,288	33,072	6,614	66,144	238,118	423,322
Walton	1,787,716	1,710,103	77,613	342,021	85,505	17,101	171,010	615,637	1,094,466
Washington	913,300	925,501	-12,201	182,574	45,643	9,129	91,287	328,633	584,236
Total	**$639,209,932**	**$573,113,828**	**$66,793,050**	**$114,609,711**	**$28,652,428**	**$5,730,486**	**$57,304,856**	**$206,297,481**	**$366,751,077**

Source: Florida Department of Education, Bureau of Student Assistance, Office of Title I Programs and Academic Intervention Services, "2005–2006 Title I Part A Allocation."

In fact, there does not appear to be any discernible pattern in the amounts of school-level distributions in Florida. The smallest amount distributed per student was $142 in Putnam County, and the largest amount was $1,044 in St. John's County.

Title I, Part A Funds: Results vs. Intentions

Having shown how Title I, Part A funds are calculated for each state and how they are to be distributed to districts and schools, it is necessary to examine whether the current Title I system is the most appropriate way to provide compensatory education funding to assist disadvantaged students. The system's complexity and variability make it difficult for the public to determine how well the federal government is directing resources to the intended beneficiaries.

At a minimum, a state's Title I allocation should have some relationship to the number of students living below poverty in the state. To account for the differences in cost of living between states, the federal government uses the state per-pupil expenditure. To prevent great variability, the government then limits the SPPE differences between 32 percent and 48 percent of the U.S. average.

However, Chart 1 suggests that there is much disparity between the states without regard for need. Students in some of the less populated states, such as Vermont or Wyoming, receive, on average, over $3,000 per child. Quite a few of the more populated states, on the other hand, receive less than $1,200 per child. As a result of these inconsistencies, some states receive 250 percent of the amount per pupil that other states receive.

The greatest causes of this variability are the hold-harmless and small-state provisions. Consequently, some states with a higher number of disadvantaged students, such as Kentucky, Mississippi, or Missouri, actually receive substantially less per child than others receive.[22] In addition, when poverty shifts from one state to another, the funds take several years to follow.

For example, the Title I program apparently is intended to focus funds where the greatest concentrations of poverty levels are located. Thus, there should be higher funding per student in states with higher percentages of children living in poverty.

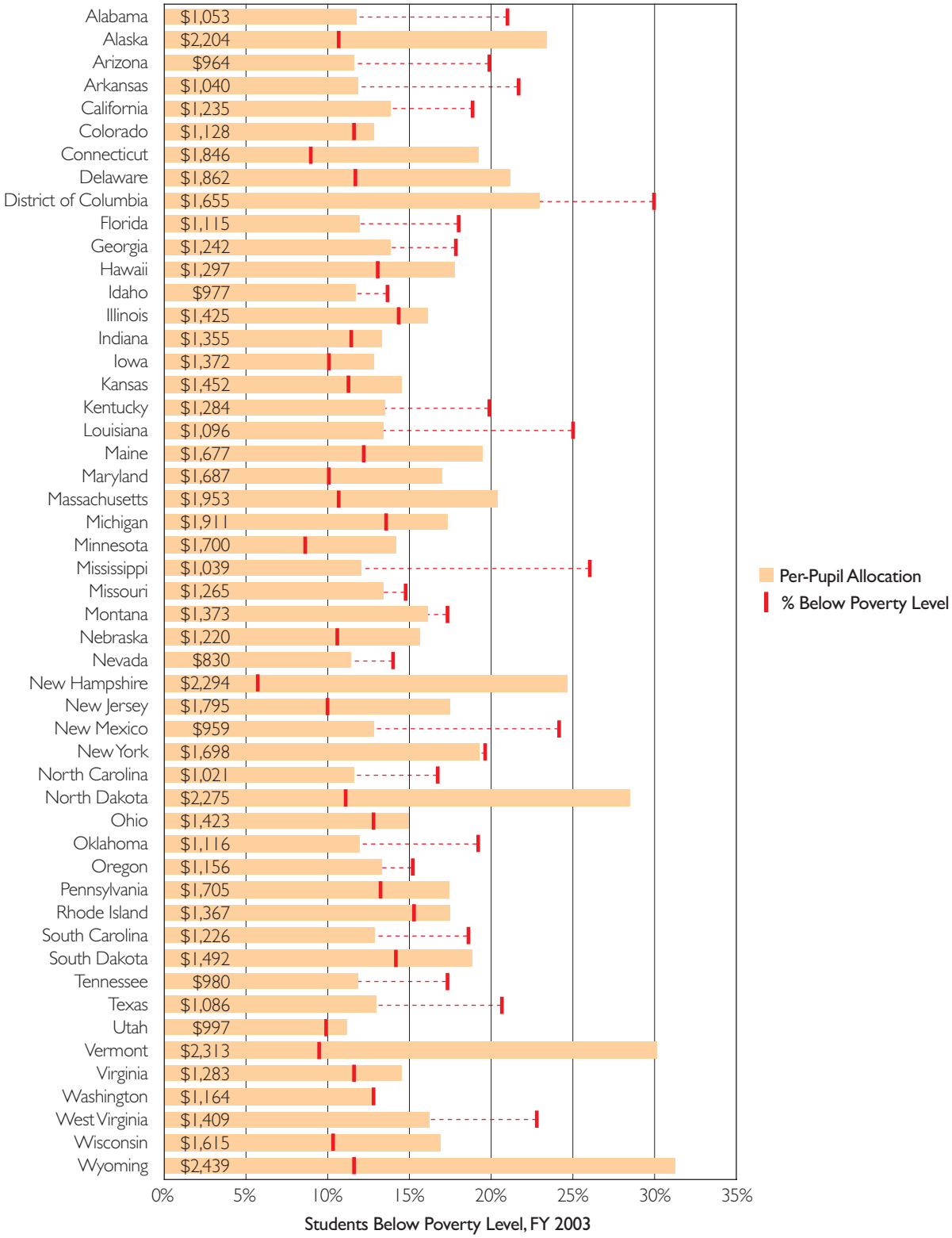
However, Chart 1 disputes this contention as well. New Hampshire has one of the lowest rates of poverty at 5.2 percent and one of the highest amounts of Title I funds per student: $2,294. Arkansas is just the opposite: Nearly 22 percent of its children are living in poverty, while the per-student amount is only $1,185. One can argue the merits of the concentration of poverty approach, but the law does not appear to be having the effect that the law intended, at least at the state level.

In addition to the great disparity at the federal and state levels, districts are given discretion over the distribution of their federal funds. The intention here is to allow districts the flexibility to use funds in the most effective way for their given set of circumstances. It would seem that more funds would be directed at schools with higher percentages of low-income students, or at least at schools with the lowest performance.

However, Chart 2 suggests no clear pattern in Florida. From a concentration of poverty perspective, the highest per-pupil school allocation is for schools with between 70 percent and 80 percent of students qualifying for free or reduced-price lunch, not the highest levels of poverty. More interesting is that the pattern of per-pupil amounts by school performance is counterintuitive. Florida administers a yearly standardized test, the FCAT, and grades schools based on the results. Schools with the lowest grade, "F," had the lowest average per-pupil amount of federal funds, while the "B" schools had the highest.

22. U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics, Tables, and Figures: 2005*, Table 362, "Appropriations for Title I, No Child Left Behind Act of 2001, By Type of Appropriation and State or Jurisdiction: Fiscal Years 2004 and 2005," June 2006, at *http://nces.ed.gov/programs/digest/d05/tables/dt05_362.asp* (December 15, 2006).

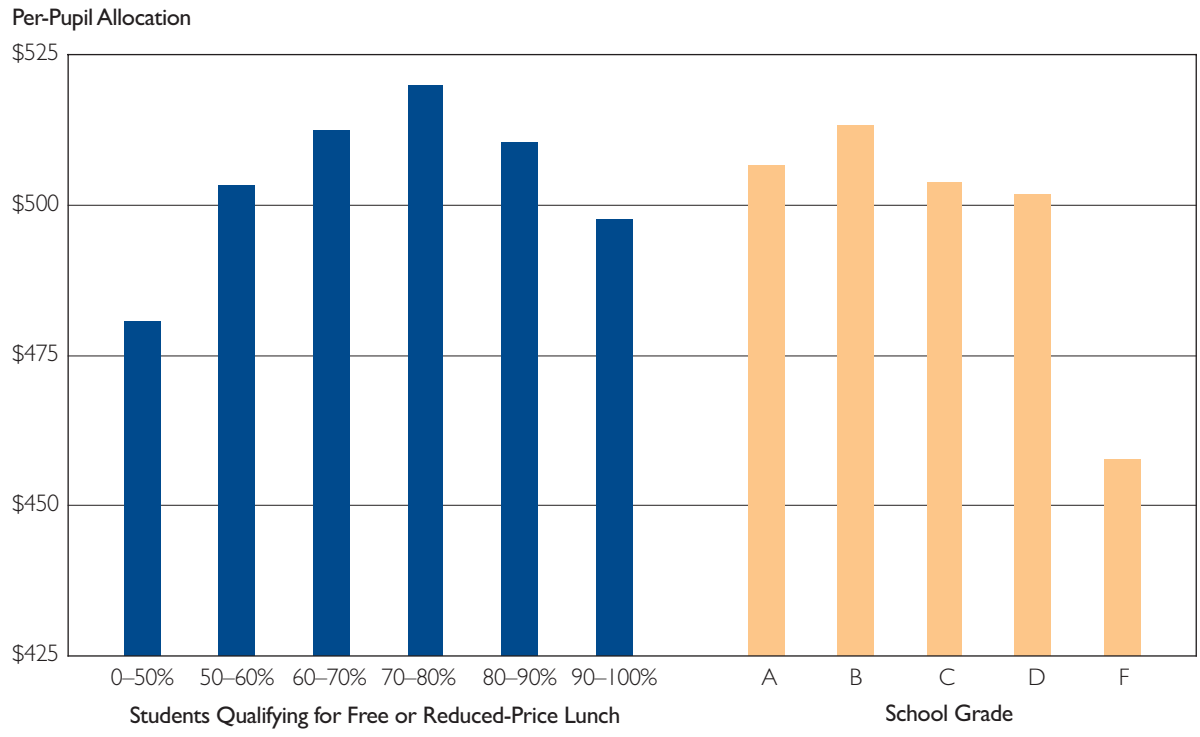
Per-Pupil Title I, Part A, Allocations by State, FY 2005



Note: These are preliminary estimates for fiscal year 2005.

Source: U.S. Department of Education, Budget Service, Elementary, Secondary, and Vocational Education Analysis Division, unpublished tabulations, July 2005.

Chart 2 SR 15



Source: Florida Department of Education, Bureau of Student Assistance, 2004–2005 Title I Schools List with 2005 AYP, School Grade and Identified in Need of Improvement Data.

What Congress Should Do

Because American taxpayers spend approximately $13 billion on the Title I program—and hundreds of billions of dollars on K–12 public education all told—it is important that education funding be spent in an appropriate manner and that policies are designed to minimize waste, fraud, and abuse. Excessive complexity only opens the door to error and makes mismanagement more easily hidden.

Yet Congress, over many decades, has continued to add layer upon layer to Title I so that it is implemented in a manner that is different from the original legislative intention. Moreover, the program's complexity increases the challenge of fiscal accountability and allows only a few people to understand the process.

For example, the current system of formula grants has become increasingly difficult to understand and implement, and this in turn has augmented the bureaucratic and administrative costs of implementation. The result has been that less funding reaches the program's intended beneficiaries: disadvantaged students and the schools they attend. Moreover, this complexity has led to great variance in the amount of funding that is provided to local communities across the country relative to their population of disadvantaged students, and the system's increasing bureaucratic complexity has clouded transparency and public understanding, thereby undermining accountability for the largest federal K–12 program.

Title I should therefore be reformed to achieve greater transparency and a more student-centered approach. Specifically, Congress should:

- **Simplify the Title I delivery system and return to the basic rationale of student-centered compensatory education.** The current system of Title I delivery should be streamlined and refocused on the original goal of compensatory education: providing additional funding to meet the needs of disadvantaged and low-income students. This can be done by transforming the four current Title I program grants into a single, simple formula that provides funds based on the number of low-income students in each state.
- **Use a clear, student-centered calculation to set a per-pupil allocation amount.** This would avoid the complexities of ratable reductions. The dollar amount per student could be a straightforward reflection of the total appropriation divided by the number of eligible students. This amount—approximately $1,000 per student, or 10 percent of the national average per-pupil expenditure—could then be weighted by cost of living differences across states or regions. Moreover, this streamlined approach would greatly improve policymakers' and the public's understanding of the program and allow for better future projections of funds.
- **Allow states the flexibility to fund the student, not the system.** Congress should allow states the flexibility to transform their current Title I delivery systems in a manner that would more directly fund the individual student, including allowing portability of the student's per-pupil allocation to the school of choice.

Conclusion

In the course of eight reauthorizations, Title I has accumulated great bureaucratic complexity. The program's funding formulas have become increasingly complex and obscure.

Today, the distribution of funds through the Title I program is characterized by unintended variability. There is little or no relationship between a district's demographics and the amount of money received for compensatory education aid assistance. Moreover, because the current funding formula reserves too much funding for administrative costs, less money is available for instructional expenses.

Congress should (1) reform the Title I program to return to the original student-centered goal of compensatory education; (2) streamline the funding formula to use a simple per-pupil allocation to improve transparency; and (3) allow states to implement simplified student-centered funding that provides aid more directly to students, thereby allowing greater portability and school choice.

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