

## *Title I Funds—Who’s Gaining and Who’s Losing School Year 2008-09 Update*

### **Key Findings**

- For school year 2008-09, roughly \$1 billion will be available to assist schools identified for improvement under the No Child Left Behind Act (NCLB), which is more than double the approximately \$434 million available for school improvement for school year 2007-08. This increase in school improvement funds is the result of two factors: 1) growth in overall appropriations for the federal Title I program, which has enabled states to reserve more funds for the 4% state set-aside for school improvement, and 2) an increase in a special appropriation for school improvement.
- Title I funding to states and districts has continued to fluctuate substantially as a result of annual census estimates of the numbers of low-income children in each school district.<sup>1</sup> Seventeen states showed yearly increases of more than 10% in their estimates of low-income children. One state that had an increase of more than 30% in its child poverty estimates last year had a 9% decrease this year.
- Federal assistance to school districts affected by Hurricane Katrina had the unintended consequence of reducing Title I funds to Louisiana and, to a lesser degree, Mississippi. This is a result of the increased funds received by districts affected by Katrina, increasing the disparities in per pupil amounts available among various districts in the state.
- Changes made in the Title I formula in 2002 that were intended to target significantly more funds to the highest-poverty districts have, provided only somewhat more funds to these districts. The amount of increase is limited because approximately 50% of the funds are still distributed under the Basic and Concentration Grant formulas.

### **Background on Title I**

This is the sixth report since 2004 by the Center on Education Policy (CEP) that analyzes changes in annual allocations to states and school districts under Title I of the Elementary and Secondary Education Act. The largest federal program aiding K-12 schools, Title I aims to improve education for low-achieving children in low-income areas. Title I was substantially

---

<sup>1</sup>For more information about the impact of census estimates on Title I funding, see CEP’s 2007 report, *Title I Funds— Who’s Gaining and Who’s Losing: School Year 2007-08 Update*.

amended in 2002 by the No Child Left Behind Act (NCLB). A major goal of these amendments was to identify schools in need of improvement and lay out a series of steps for improving these schools.

Most of the funds appropriated for Title I are allocated to school districts through the funding formula in Part A of the law (called Title I-A in this report). The Title I-A formula actually consists of four distinct components, each with different eligibility requirements. The Basic Grants component distributes funds to almost all districts in the country, whereas the other three components (Concentration, Targeted Assistance, and Education Finance Incentive Grants, or EFIGs) distribute funds only to districts with somewhat higher concentrations or numbers of low-income children. The amount a district receives is the sum of its allocations under each of the four components. The primary factor used in all of the formula components is the number of low-income children residing in each school district.<sup>2</sup> Another important factor is the average state per pupil expenditure, which has the effect of channeling more dollars per low-income child to districts in states with high average per pupil expenditure and fewer dollars to districts in states with low average per pupil expenditures.

To ensure that Title I allocations are based on the most recent poverty data available, NCLB requires the use of updates in the estimates of the number of children from families in poverty if the Bureau of Census provides them, which the Bureau does. The use of annual census updates has produced fluctuations in annual Title I allocations, as discussed later in this report.

States receive an amount from ED equal to the total allocations for all the districts in the state, but before distributing these funds to districts, states make further adjustments. Most notably, states reserve 4% of these funds, where possible, for the state set-aside for school improvement described later in this report, and reserve roughly 1% for a set-aside for state administration. States may also make adjustments to account for recent changes in district boundaries, charter schools, and other purposes. The allocation numbers used in this report are taken from the district allocations released by the U.S. Department of Education (ED) in June 2008 and do not reflect these state adjustments.

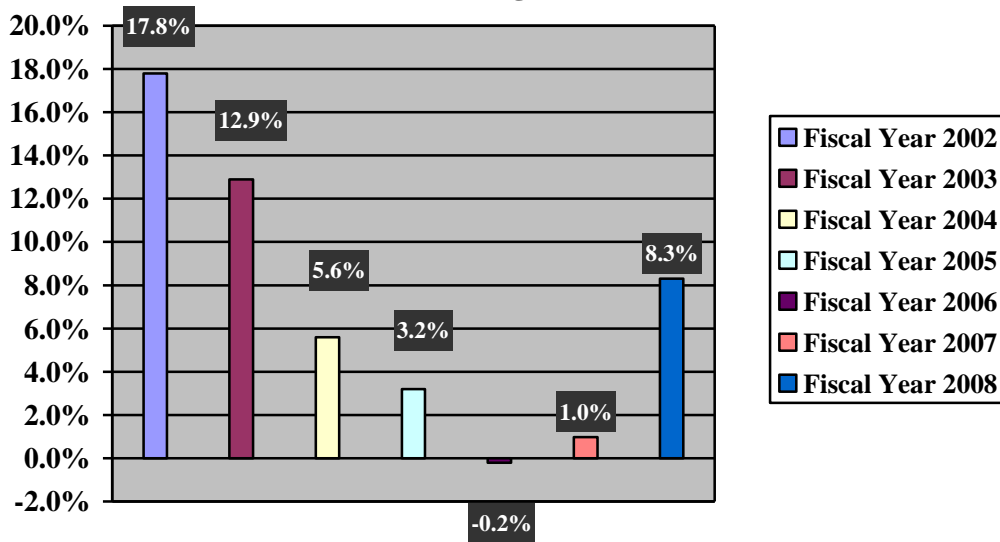
## Increased Appropriations for School Year 2008-09

The fiscal year 2008 appropriation for Title I-A amounted to \$13.8 billion, an increase of about \$1.05 billion, or 8.3%, over the previous year. (These funds are distributed to school districts for use in school year 2008-09.) The fiscal year 2008 bump in funding is much greater than the 1% increase provided for fiscal year 2007. **Figure 1** shows the percentage increases or decreases compared with the previous year in Title I-A funding for the past seven fiscal years.

---

<sup>2</sup>For a fuller discussion of these and other factors affecting allocations, see CEP's 2004 report, *Title I Funds: Who's Gaining, Who's Losing and Why*.

**Figure 1. Percentage Increases or Decreases in Title I-A Funding, FYs 2002-2008**



The estimated number of low-income children used to calculate Title I-A allocations for 2008-09 also increased by about 3.9% over the number for the previous year. This marks a change from 2007-08, when the national child poverty count was about the same as in the previous year.

## Funds for School Improvement

Schools are identified for improvement under NCLB if they have failed to make adequate yearly progress toward student achievement targets for at least two consecutive years. Funds specifically aimed at improving these low-performing schools come from two sources: a 4% set-aside in section 1003(a) of Title I and a separate authorization in section 1003(g). These funds are essential in helping schools to meet the NCLB goal of 100% of students performing at the proficient level on state reading and mathematics tests by 2014.

Under the set-aside requirement, each state is supposed to reserve an amount for school improvement activities every year equal to 4% of the total allocations to all of its school districts. This amount is limited, however, by a “hold harmless” provision in the law that prevents any school district from losing funds compared with the previous year due to the set-aside. Thus, funds for this set-aside can come only from districts that otherwise would have received increases in their Title I allocations. As discussed in previous CEP reports on Title I funding, many states were unable to reserve the full 4% in recent years due to the hold harmless provision and the relatively level appropriations for Title I-A in fiscal years 2006 and 2007. And in some cases, most or all of the Title I increases that districts otherwise would have received were used up by the set-aside.

With an overall Title I-A appropriation of \$13.8 billion for school year 2008-09, the 4% set-aside should provide approximately \$552 million for school improvement. The actual amount available for the set-aside falls short of this figure, however, because Nevada, New York and Wisconsin, as well as the District of Columbia, will be unable to reserve the full 4% due to the hold harmless. The estimated shortfall in these jurisdictions is \$5.4 million, far less than the estimated shortfall of \$196 million for school year 2007-08 in all the states that could not reserve the full 4% that year. Minus the shortfall, about \$547 million should be available for school improvement under the set-aside for school year 2008-09.

In the jurisdictions with the shortfalls, the set-aside will take up all of the increases that school districts would have received otherwise. New York City, for example, will lose all of the \$17.1 million it stood to gain without the set-aside. Districts that lose funds to the set-aside, including New York City, might receive some back in the form of grants for school improvement, but these grant funds may be used only to assist schools identified for improvement, not for the regular Title I program.

With the significant increase in Title I-A funds for 2008-09, most states—aside from the three aforementioned states and D.C.—will be able to meet the set-aside requirement and provide additional funds to districts with more children in poverty. A notable exception is Illinois, where 365 districts will have their increases reduced by approximately 80%. As noted above, however, some of these Illinois districts may receive some funds back for school improvement grants.

For the past two years, Congress has also appropriated funds for school improvement through the section 1003(g) authority. In previous funding reports, CEP urged Congress to use this source to provide funds for school improvement because it does not reduce allocations to school districts. The appropriation for school year 2008-09 for section 1003(g) was \$491 million, which means an increase for all states.

Together the 4% set-aside and the separate authorization should provide over \$1 billion for school improvement in 2008-09, more than double the roughly \$434 million available for this purpose the previous year.

**Table 1** illustrates amounts for school improvement in five states—one large, two medium, and two small states in terms of population. In these and other states, the dollars available from section 1003(g) are almost as much as the amounts from the state set-aside.

**Table 1. Amount of Funds Available for School Improvement in Selected States**

State	4% State Set-Aside for School Improvement	Section 1003(g) Funding for School Improvement	Total Funds for School Improvement
Texas	\$ 50,756,000	\$ 46,768,000	\$ 97,524,000
North Carolina	\$ 14,003,000	\$ 12,929,000	\$ 26,932,000
Missouri	\$ 8,807,000	\$ 7,958,000	\$ 16,765,000
Iowa	\$ 2,844,000	\$ 2,568,000	\$ 5,412,000
Maine	\$ 2,014,000	\$ 1,856,000	\$ 3,870,000

Even in Nevada and Wisconsin, the 1003(g) allocation added to the amount from the state set-aside provides substantial funds for school improvement, as shown in **table 2**.

**Table 2. Amounts Available for School Improvement in States Unable to Fully Meet the 4% Set-Aside Requirement**

State/Jurisdiction	4% State Set-Aside for School Improvement	Section 1003(g) Funding for School Improvement	Total Funds for School Improvement
District of Columbia	\$ 1,272,000	\$ 1,654,000	\$ 2,926,000
Nevada	\$ 927,000	\$ 2,885,000	\$ 3,712,000
New York	\$48,603,000	\$41,336,000	\$89,939,000
Wisconsin	\$ 5,956,000	\$ 6,527,000	\$ 12,483,000

## Overall State and District Allocations for Title I-A

For school year 2008-09, all states except Wisconsin received increases above the previous year in their overall funding for Title I-A. In most cases, these increases were substantial. **Table 3** lists the top 10 states in terms of percentage gains. **Table 4** lists the top 10 states in terms of dollar gains.

**Table 3. Top 10 States by Percentage Gain in Title I-A Funds for School Year 2008-09**

State	Percentage Gain
Vermont	20.8%
North Carolina	19.1%
Nebraska	18.9%
Arkansas	18.2%
Maine	17.5%
Tennessee	16.3%
Oklahoma	15.8%
Oregon	15.2%
Michigan	14.5%
Alaska	14.2%

**Table 4. Top 10 States by Dollar Gains in Title I-A Funds for School Year 2008-09**

State	Dollar Gain
Texas	\$129,788,000
Florida	\$ 67,006,000
Michigan	\$ 66,784,000
Ohio	\$ 62,397,000
North Carolina	\$ 57,425,000
California	\$ 54,917,000
Pennsylvania	\$ 49,018,000
Georgia	\$ 36,084,000
New Jersey	\$ 34,497,000
Tennessee	\$ 33,512,000
<i>In addition to these states, Puerto Rico also gained \$55,298,000</i>	

These gains are attributable to both the national rise in Title I-A appropriations and increases in the estimates of the numbers of low-income children in these states.

For school year 2008-09, more than 8,100 school districts were allocated increases in Title I-A by ED. Because the difference between the ED allocation and the final amount a district actually receives can be significant due to the state adjustments mentioned above, we have omitted a table of district gains from this report to avoid confusion. Still, many districts can expect large increases. The ED allocation for the Philadelphia school district, for instance, represents a gain of \$37.6 million before state adjustments. We estimate Philadelphia will receive approximately

60% to 65% of that amount. The allocation for New York City represents an increase of \$17.1 million, but virtually all of these funds will be lost to the required state set-aside for school improvement.

Even with the national increase in appropriations, about 5,100 districts are scheduled to receive lower Title I-A allocations for school year 2008-09 than they did for the previous year. **Table 5** shows the districts with the greatest losses in terms of dollar reductions.

**Table 5. Top 10 Districts by Dollar Losses in Title I-A Allocations**

District	Loss in Dollars
Chicago, IL	\$14,500,000
Dallas, TX	\$ 6,800,000
Montgomery County, MD	\$ 3,600,000
Indianapolis, IN	\$ 3,400,000
Oakland, CA	\$ 3,000,000
Gwinnett County, GA	\$ 2,700,000
Hartford, CT	\$ 2,300,000
Santa Ana Unified, CA	\$ 2,200,000
Jefferson County, KY	\$ 2,100,000
Baltimore County, MD	\$ 2,100,000

Other districts with losses of at least \$1 million include Kansas City, Missouri; Minneapolis Minnesota; Seattle, Washington; Akron, Ohio; Bridgeport, Connecticut; Tucson, Arizona; and Sacramento, California. These districts may receive some of the lost funds back as grants to assist schools identified as in need of improvement.

## Volatility in Funding to States and Districts

In our 2007 report on Title I funding, we described the sometimes dramatic yearly changes that had occurred in some states in their estimated counts of low-income children and, consequently, in their Title I allocations. These changes occurred even though the national child poverty estimate and national Title I appropriations for school year 2007-08 had changed relatively little. For instance, Wisconsin and New Hampshire showed one-year increases of more than 30% in their numbers of low-income children, and four other states showed gains exceeding 10%. We expressed concern in last year's report about the accuracy of the annual poverty updates and that concern continues.

For school year 2008-09, both the national child poverty estimated count and the Title I-A appropriation went up, as noted above. Therefore, changes in states' Title I allocations could be a result of changes in their estimated counts of low-income children, increases in the Title I

appropriation, the national rise in the estimated child poverty count, or a combination of these factors. Nevertheless, the growing numbers of low-income children in several states raise continued concern about the accuracy of the annual estimates.

Allocations for school year 2008-09 were based on estimated counts of low-income children for calendar year 2005, the latest year for which estimates are available, while allocations for 2007-08 were based on calendar year 2004 estimates. Between the two years, the overall national child poverty count increased by about 3.9%. In 17 states, however, child poverty counts rose by more than 10%. **Table 6** lists the percentage gains in low-income children in these states.

**Table 6. States with More Than 10% Growth Between 2004 and 2005 in the Estimated Number of Low-Income Children**

State	Percentage Gain
Vermont	27.7%
Hawaii	24.1%
Maine	21.4%
Nebraska	17.6%
Idaho	16.8%
Oklahoma	16.8%
Montana	16.4%
West Virginia	15.8%
North Carolina	14.1%
Tennessee	13.8%
Alaska	13.5%
Arkansas	13.0%
Oregon	12.0%
Ohio	12.0%
Michigan	11.6%
New Jersey	11.3%
North Dakota	10.8%

On the other hand, Wisconsin, which showed a 31.5% gain in low-income children between the 2003 and 2004 estimates, experienced a 9.3% drop between the 2004 and 2005 estimates. Such a wide swing in two years does not seem plausible.

Five of the states with the largest gains in children in poverty between 2004 and 2005 experienced substantial losses between 2003 and 2004. **Table 7** displays the percentage change in these states over a three-year period.

**Table 7. Percentage Change in Numbers of Low-Income Children Over Three Years**

State	Percentage Change Between 2002 and 2003	Percentage Change Between 2003 and 2004	Percentage Change Between 2004 and 2005
Hawaii	-1.2%	-28.4%	+24.1%
Vermont	-4.8%	-12.9%	+27.7%
West Virginia	+2.1%	-12.6%	+15.8%
Oklahoma	+4.9%	-11.7%	+16.7%
Montana	-1.5%	-11.6%	+16.4%

We realize the difficulty of making these estimates, especially in small jurisdictions. We also acknowledge that even with the annual fluctuations in the numbers, the use of updates is still preferable to the use of decennial census counts alone, which become outdated very quickly. We suggest, however, that consideration be given to other possible means of making updates, such as use of a two-year average of poverty counts.

### **An Unintended Consequence of Katrina Funds**

In March 2008, the U.S. Department of Education published preliminary Title I-A allocations for all states and districts for 2008-09. In June, ED published the final allocations used in this paper. While there are normally some variations between the preliminary and final allocations, these are usually minor. This year, however, the final allocation for Louisiana was \$14 million lower than the preliminary figure, due to a change in the amount allocated to the state under the Education Finance Incentive Grant component of the Title I formula. Unlike the other three formula components, EFIG allocates funds first to states, and then sub-allocates those funds to districts within the states. The amount each state receives under EFIG is based partly on the extent of variation in per pupil expenditures among districts in a state, which is determined by looking at the difference between the highest- and lowest-spending districts in terms of dollars per pupil. The smaller the spread between those districts, the greater amount the state receives.

In the case of Louisiana, the preliminary allocation was based on the spread before districts received special non-construction federal funds to help them respond to the impact of Hurricane Katrina, while the final allocation took those funds into account. Because Katrina funds went to districts that were heavily affected by the hurricane and had experienced temporary losses of students, the dollars available per pupil in those districts spiked, greatly increasing the spread between the highest- and lowest-spending districts. Hence, the amount of EFIG funds allocated to Louisiana fell, an unintended consequence of Katrina funding. Mississippi was also affected, but to a much smaller degree. Clearly, Congress did not intend Katrina funds to penalize states in terms of their Title I allocations, but the interplay of the Katrina funds with the EFIG formula requirements was overlooked.

## Targeting of Funds to Districts with the Highest Poverty

The No Child Left Behind Act sought to target more Title I dollars on the highest-poverty districts. To accomplish this, the Act requires that, at a minimum, all Title I dollars in excess of the amount appropriated for fiscal year 2001 to be allocated to districts under the Targeted Assistance and EFIG components of the Title I formula. Both of these components, unlike the Basic and Concentration Grant components, use a weighted system to allocate funds—low-income children in districts with greater poverty are weighted more heavily than low-income children in districts with less poverty. For instance, under Targeted Assistance Grants, low-income children in districts with enrollments of at least 38.24% are assigned a weight of 4 and districts with at least 35,514 such children are assigned a weight of 3, while low-income children in districts with enrollments of less than 15.59% or 692 such children are assigned a weight of 1. There are interim weights for children in other poverty ranges.

In the *National Assessment of Title I: Final Report* published in 2007, the U. S. Department of Education compared Title I allocations to high-poverty districts in two different years—one before the enactment of NCLB (school year 1997-98) and one after (2004-05). The analysis found that the effort to target more dollars on the highest-poverty districts had a minimal impact; the percentage of dollars going to districts in the highest quartile of poverty had risen only slightly, from 50% to 52% during this period.

We used a different method to determine the effects of targeting that compared allocations for school year 2007-08 school year with the amounts districts would have received that year if only Basic and Concentration Grants had been made (which is how funds were distributed before NCLB was enacted). We found that under the current formula, the highest-poverty districts received 53.4% of all Title I-A dollars, whereas under the less targeted, pre-NCLB formula, the highest-poverty districts would have received 48.9% of the total dollars.

Several factors have served to minimize the targeting effects of the NCLB requirements:

- Because the NCLB targeting provisions affect only appropriations above the 2001 amount, nearly half of Title I funds nationally are still distributed under the Basic and Concentration Grant components. Concentration Grants provide approximately the same percentage of dollars to the highest-poverty districts as do the Targeted Assistance and EFIG components. The percentage of dollars distributed under the Concentration Grant component has decreased as the overall appropriation has increased. Therefore, some of the gains made through the Targeted Assistance and EFIG components have been offset by relatively fewer dollars being available for Concentration grants.
- As noted above, the EFIG component of the formula allocates funds first to states, and then sub-allocates those funds to districts within the states. While the sub-allocations to

districts are weighted based on concentrations of child poverty, the initial allocation to the state is not weighted. Therefore, the concentration of these dollars only occurs within states, not among them, limiting the ability of this component to concentrate funds on a national basis, though it still delivers the highest percentage of its dollars to the highest poverty districts.

- To concentrate funds in the highest-poverty districts, proportion of the total allocation to lower-poverty districts must be reduced. Since lower-poverty districts already receive significantly fewer dollars than other districts, there are limits to how much money can be shifted from these districts. According to the National Assessment analysis, the districts in the lowest-poverty quartile saw their share of the total Title I-A appropriation fall from 8% in 1997-98 to 6% in 2004-05, a 25% loss. (The percentage of Title I dollars going to the middle two quartiles was unchanged). Districts in the highest-poverty quartile, which enroll 25% of school-age children in the country, received 50% of the Title I dollars before NCLB. Increasing that percentage significantly would have substantial impact on other districts at a time when the achievement requirements in Title I apply to all schools, regardless of poverty concentration.
- The amounts that can be distributed are limited by the actual appropriation levels. As Title I appropriations rise higher and higher above the baseline fiscal year 2001 amount, a greater percentage of these funds is allocated to districts under the Targeted Assistance and EFIG components. Since these two components do provide a greater concentration of dollars to high-poverty districts, the percentage of Title I dollars allocated to the highest-poverty districts will change if total appropriations continue to go up. For instance, for school year 2007-08, 53.4% of Title I dollars went to the districts in the two highest Targeted Assistance categories of poverty. For school year 2008-09, with the increased appropriation, that percentage increased to 54.4%

The National Assessment also noted that the use of average state per pupil expenditures in the Title I formula may be another factor that limits the impact of the NCLB targeting provisions. Since many high-poverty districts are in low-spending states, such as Mississippi and Alabama, the per pupil expenditure factor could blunt the impact of the targeting provisions. We tested the impact of this factor by calculating what the allocations would be if state per pupil expenditures were eliminated them from the formula, and then comparing the percentage of Title I dollars that high-poverty districts would receive in this hypothetical situation with their actual allocations. There was essentially no difference in the total percentage allocated to high-poverty districts, although within the high-poverty category of districts, funds would move from districts in high-spending states to districts in low-spending states.

## **Conclusion**

Title I funds are crucial because they help school districts meet the requirements of the No Child Left Behind Act. Congress is to be commended for increasing the Title I appropriation and for targeting significant funds toward improving low-performing schools. As test score targets rise during the coming years to meet the NCLB goal of 100% proficiency, it is likely that even more schools will be identified for improvement. Therefore, Congress should consider further increases in both the overall Title I appropriation and funding for school improvement. Congress should also consider steps, such as two-year averaging, to address the yearly fluctuations in districts' allocations resulting from the annual census estimates, and ways to rectify the unintended loss of Title I dollars to Louisiana and Mississippi due to Katrina funds.

This report was written by Thomas W. Fagan, consultant to the Center on Education Policy, with assistance from Jack Jennings, CEP's president and Diane Stark Rentner, CEP's director of national programs. Nancy Kober, CEP consultant, edited the report.

We are grateful to The George Gund Foundation, the John D. and Catherine T. MacArthur Foundation, and the Phi Delta Kappa International Foundation for their support of our work. The statements made and the views expressed are solely the responsibility of the Center.

Based in Washington, D.C. and founded by Jack Jennings in January 1995, the Center on Education Policy is a national, independent advocate for public education and for more effective public schools. The Center works to help Americans better understand the role of public education in a democracy and the need to improve the academic quality of public schools. The Center does not represent any special interests. Instead the Center helps citizens make sense of the conflicting opinions and perceptions about public education and create conditions that will lead to better public schools.

© Center on Education Policy September 2008