



## *Title I Funds—Who’s Gaining and Who’s Losing: School Year 2007-08 Update*

### **Key Findings and Recommendations**

The Center on Education Policy (CEP) has identified two serious problems with federal funding that states and school districts will use to carry out the No Child Left Behind Act (NCLB) in the upcoming school year.

- For school year 2007-08, funds for school improvement under NCLB will be distributed erratically among the states. Almost all these funds come from a 4% set-aside of each state's total allocation for Title I, Part A (referred to here as Title I-A), but with the condition that no school district may lose funds compared with the previous year as a result of this state set-aside. This condition will mean that three states will not be able to reserve *any* funds for school improvement under the 4% set-aside, and 29 states in total will be unable to reserve the full 4%. The Congress, for school year 2007-08, provided a first-time appropriation of \$125 million for school improvement activities, which will help somewhat because this funding stream is separate from the 4% set aside.

*RECOMMENDATION: CEP recommends that the Congress continue to appropriate separately for school improvement and increase that appropriation substantially.*

- The amounts of Title I-A general funding that some states and school districts receive have fluctuated from year to year due to annual updating of Census estimates of the number of children in poverty. Formulas used to distribute Title I-A funds are based on each state’s relative share of low-income children. Nationally, the number of low-income children has remained static, and the level of NCLB funding has changed very little since last year. But because states’ relative shares of the total number of low-income children have shifted, some states will receive double-digit increases in Title I funding for the new school year, while other states will lose substantial funds. These shifts in turn affect the amounts that school districts within a state receive.



*RECOMMENDATION: CEP urges the Congress to require the U.S. Department of Education (ED) and the U.S. Census Bureau to thoroughly review the accuracy of these estimates. In addition, we suggest that consideration be given to other options, such as using the average of the two most recent Census estimates to calculate LEA grants.*

## **Introduction**

This report by the Center on Education Policy analyzes the distribution of funds in the largest federal program of aid to elementary and secondary education, Title I of the Elementary and Secondary Education Act of 1965. The well-known No Child Left Behind Act of 2001 amended the Elementary and Secondary Education Act. Title I funds are significant because they are the main federal dollars used to implement NCLB.

This report describes gains and losses in the Title I-A allocations made available to states and school districts for use during the 2007-08 school year. (These funds were actually appropriated in the fiscal year 2007 continuing resolution.) Our findings are based on the final 2007-08 Title I-A allocations to school districts issued by the U.S. Department of Education. When we refer to state allocations, we mean the total amount of funds allocated to all the districts within a state.

Four earlier reports from CEP on Title I funding are summarized at the end of this report. More detailed information on the policy issues discussed in this report can be found in the full version of these earlier reports, available on the CEP Web site at [www.cep-dc.org](http://www.cep-dc.org).

## **General Information**

For school year 2007-08, the total appropriation for Title I-A grants to school districts was \$12.8 billion—an increase of less than 1%, or \$124 million, over the previous year’s funding. Because funding for the program has stayed much the same, changes in allocations to states and school districts have been driven by factors in the formulas used to distribute Title I funding rather than by changes in overall appropriations. These factors include changes in poverty rates, changes in the estimated numbers of school-age children from low-income families in each of the nation’s school districts, and, to some extent, changes in average state per pupil expenditures.<sup>1</sup>

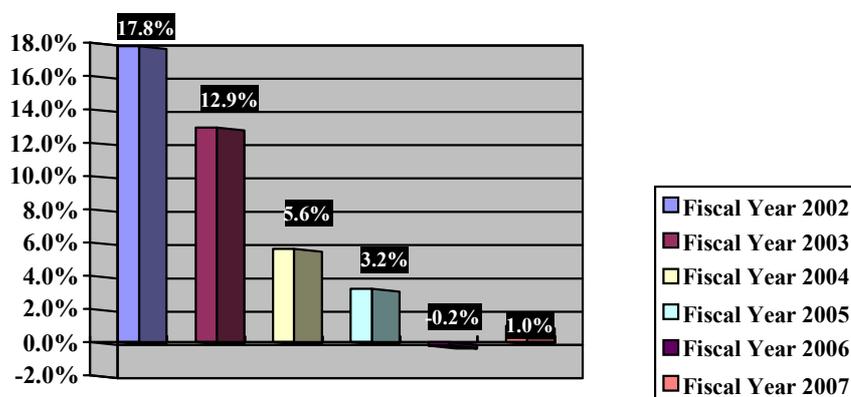
---

<sup>1</sup> The primary factor in the distribution of Title I funds to school districts is the number of low-income children residing in the districts. However, the four sections of the Title I formula have differing requirements for eligibility. The basic section of the formula distributes funds to almost all districts in the country, whereas the other three sections limit distribution to districts with somewhat higher concentrations or numbers of low-income children. The amount each district receives is the sum it is allocated under each



In the initial years of the No Child Left Behind Act, Title I-A received substantial increases in funds. In subsequent years, the increases declined and have now nearly evaporated. **Figure 1** shows how much Title I-A funding has increased or decreased compared with the previous year for the past six fiscal years. Funds appropriated for the first year shown in the figure, fiscal year 2002, were provided to school districts for use in school year 2002-03.

**Figure 1. Percentage Increases or Decreases in Title I-A Funding, FYs 2002-2006**



The Elementary and Secondary Education Act, as amended by NCLB, requires estimates of the number of school-age children living in poverty to be updated annually for each school district in the nation, using information from the U.S. Census Bureau. The law further requires ED to use these estimates to make Title I allocations to school districts. Some concerns have been expressed about the accuracy of these estimates, especially for small jurisdictions, and states are allowed to make adjustments for small jurisdictions, using other data. The allocations from ED used for the analyses in this report do not reflect state adjustments.

---

of the four factors and is also influenced by the average state per pupil expenditure—districts in states with high per pupil expenditures receive higher per pupil allocations under Title I. Particular district allocations may be affected by several factors. For a full discussion of the factors affecting allocations, see the report *Title I Funds: Who's Gaining, Who's Losing and Why*.



## Impact of the 4% Set-Aside for School Improvement

The set-aside for school improvement in each state is supposed to amount to 4% of the total dollars allocated by ED to districts in the state. For school year 2007-08, the national Title I-A appropriation is \$12.8 billion. Therefore, the 4% set-aside for school improvement should provide more than \$500 million for improvement activities. However, as was true for the past two years, the actual amount available to be reserved falls far short of \$500 million. This is because of a “hold harmless” provision associated with the set-aside that permits states to reserve funds only from districts that received increased allocations over the previous year’s amount. When Title I appropriations increase substantially from one year to the next, this set-aside can be made with moderate impact on the district allocations. However, with near-level funding for Title I, the set-aside requirement has a substantial impact on districts that were slated to gain funds. For more information on this requirement, see *A Shell Game: Federal Funds to Improve Schools*.

In the 29 states listed in **table 1**, the total amount available for the school improvement set-aside falls short of the required 4%. Of these states, the 22 states noted with an asterisk were unable to reserve the full 4% for the previous year as well (school year 2006-07).

**Table 1. States Unable to Set Aside the Full 4% for School Improvement**

Alabama*	Kentucky*	North Dakota*
Arizona	Louisiana*	Oklahoma*
Arkansas*	Maine*	Oregon
California*	Mississippi*	Tennessee*
Colorado	Montana*	Texas*
Delaware	Nebraska*	Vermont*
Florida	New Jersey*	Virginia*
Georgia*	New Mexico	West Virginia*
Hawaii*	New York*	Wyoming*
Idaho*	North Carolina	

\* Also had insufficient funds to meet the 4% set-aside requirement in 2006-07

In three states—Florida, Hawaii, and West Virginia—no district received increased allocations, so the states will not be able to reserve any funds for school improvement. (Hawaii is both a state and a single school district but does allocate funds to its subdistricts in much the same way as other states distribute funds to districts.) No districts in the other 26 states will receive the full increases they were otherwise slated to receive because parts of all increases will be reserved for school improvement activities.



Some of these states have relatively few dollars available for the set-aside. New Mexico has only \$7,000 available and Oregon only \$13,000. Some large states have also fallen far short of reserving the full 4%. California is \$52.4 million shy of the 4% requirement, while New York is short by \$31.5 million and Florida by \$23.6 million.

**Table 2** contains examples of districts that, according to the initial allocations made by ED, were slated to receive increases but will not receive an increase in Title I-A funding once the state reserves the 4% of funds.

**Table 2. Examples of School Districts Slated to Receive Title I-A Funding Increases and Amount of Increase Lost Due to 4% Set-Aside**

District	Estimated Potential Increase Lost Due to Set-Aside
Phoenix Union, AZ	\$ 400,000
Oakland, CA	\$2,200,000
Atlanta, GA	\$4,200,000
East Baton Rouge, LA	\$ 700,000
Jackson, MS	\$1,300,000
Yonkers, NY	\$1,000,000
Memphis, TN	\$1,900,000
Houston, TX	\$7,600,000
Virginia Beach, VA	\$ 900,000
New York, NY	\$9,800,000

Since states will award the set-aside funds to districts with schools identified for improvement under the NCLB accountability provisions, these districts may receive some of the lost funds back in that form. However, these funds may be used only to improve identified schools and not as general Title I funds.

Districts in states not listed in table 1 are also likely to see their potential funding increases substantially reduced by the 4% set-aside. How much a district may lose depends in large part on how much of an increase it was scheduled to receive. In states like Wisconsin and Indiana, where some districts are slated to receive substantial Title I-A funding increases, the 4% set-aside can be met with little impact on districts. For example, districts in Wisconsin received increases totaling \$47.5 million, and Wisconsin's 4% set-aside equals about \$8.1 million. Gaining Wisconsin districts will see their increases reduced by about one-sixth. Districts in other states, however, will not fare as well. **Table 3** shows the percentage of additional funding that must be reserved for school improvement activities in states with sufficient increases to meet the set-aside requirement.



**Table 3. Impact of 4% Set-Aside in States with Sufficient Funds to Reserve Full Amount**

State	Estimated Amount Needed to Meet 4% Set-Aside	Estimated Amount Available from Districts Gaining Title I-A Funds	Percentage of Amount Available from Gaining Districts Used to Meet Set-Aside
Alaska	\$ 1,360,000	\$ 1,420,000	96%
Connecticut	\$ 4,480,000	\$12,500,000	35%
Illinois	\$23,730,000	\$55,930,000	42%
Indiana	\$ 9,200,000	\$45,880,000	20%
Iowa	\$ 2,770,000	\$ 5,310,000	52%
Kansas	\$ 3,520,000	\$ 7,740,000	46%
Maryland	\$ 7,520,000	\$16,480,000	46%
Massachusetts	\$ 8,460,000	\$11,450,000	74%
Michigan	\$18,410,000	\$36,570,000	50%
Minnesota	\$ 4,580,000	\$ 8,370,000	55%
Missouri	\$ 8,060,000	\$15,220,000	53%
Nevada	\$ 3,210,000	\$ 3,970,000	81%
New Hampshire	\$ 1,380,000	\$ 4,020,000	34%
Ohio	\$17,980,000	\$40,370,000	20%
Pennsylvania	\$20,660,000	\$35,540,000	58%
Rhode Island	\$ 2,020,000	\$ 3,280,000	62%
South Carolina	\$ 7,520,000	\$10,790,000	70%
South Dakota	\$ 1,500,000	\$ 2,210,000	67%
Utah	\$ 2,330,000	\$ 4,350,000	54%
Washington	\$ 7,310,000	\$ 8,860,000	82%
Wisconsin	\$ 8,060,000	\$47,480,000	17%

Because 29 states did not have enough funds to fully meet the 4% set-aside, there is an overall shortfall of about \$192 million out of the roughly \$500 million that would have been reserved had the hold-harmless requirement not limited the reservation. Unlike previous years, however, when no other funds were available for school improvement, this year Congress provided a separate appropriation of \$125 million for school improvement. The funds under the separate authority will be distributed to all states, somewhat easing the shortfall of school improvement funds. For instance, Florida will receive \$5.7 million from the separate appropriation, which comes to roughly one-fourth of the total that the 4% set-aside would have provided.



## Volatility in Funding to States and Districts

### TITLE I FUNDS TO STATES

As noted above, the national Title I-A appropriation for use in school year 2007-08 represents an increase of less than 1% over funding for the previous year. But although the total appropriation has changed relatively little and the national counts of children in poverty have stayed about the same, significant changes have occurred in the amounts states receive. **Table 4** lists the top 10 states that gained Title I-A funds, ranked by the percentage of their increase over the previous year. The increases are noteworthy, especially for Wisconsin and Indiana.

**Table 4. Top 10 Gaining States Ranked by Percentage Increase in Title I-A Funds**

State	Percentage Increase	Approximate Dollar Increase Between SY 06-07 and SY 07-08
Wisconsin	30.4%	\$47,000,000
Indiana	24.8%	\$45,700,000
Connecticut	11.5%	\$11,500,000
New Hampshire	10.5%	\$ 3,200,000
Illinois	9.9%	\$53,500,000
Ohio	9.5%	\$38,800,000
Maryland	9.3%	\$16,000,000
Michigan	7.9%	\$ 3,500,000
Kansas	7.9%	\$ 6,400,000
Utah	7.6%	\$ 4,100,000

The list of states that lost Title I-A funds, while not as dramatic as that of the gainers, also shows some significant changes. **Table 5** lists the 10 states that will receive fewer Title I-A funds, in terms of their percentage losses.



**Table 5. Top 10 Losing States Ranked by Percentage Decrease in Title I-A Funds**

State	Percentage Decrease	Approximate Dollar Decrease Between SY 06-07 and SY 07-08
Hawaii	-13.8%	-\$ 6,300,000
West Virginia	-10.0%	-\$10,000,000
Florida	-9.2%	-\$59,600,000
Oklahoma	-8.9%	-\$12,500,000
New Mexico	-7.6%	-\$ 8,600,000
Oregon	-7.0%	-\$ 9,200,000
Montana	-5.7%	-\$ 2,300,000
District of Columbia	-5.5%	-\$ 2,700,000
New Jersey	-4.9%	-\$13,000,000
California	-4.6%	-\$80,000,000

#### IMPACT OF THE CENSUS UPDATE ON VOLATILITY IN FUNDING

NCLB requires annual updating of the Census Bureau's estimates of the number of children from low-income families residing in school districts and states. This was meant to ensure that the most current available data can be used to distribute funds for Title I-A and for other federal education programs that partially rely on this information. To meet this requirement, the Census Bureau provides the U.S. Department of Education with estimates of the number of low-income children residing within the boundaries of each school district and state. There is some lag time in the estimates; for example, the allocation of funds for the 2007-08 school year is based on poverty estimates for calendar year 2004. However, the updates provide a much more current picture of where the nation's low-income children reside than the 2000 census counts alone would.

While providing more recent data, these annual updates have increased the volatility in Title I-A allocations to districts and states. In addition, this volatility appears to be mounting with the passage of time since the 2000 census base. A comparison of state totals of the estimated number of low-income children for years 2003 and 2004 highlights the problem. As noted above, the national total of low-income children has scarcely changed between these two years, so variations in state totals are the result of shifts in low-income counts among the states rather than of an overall national increase or decrease.

**Table 6** shows the six states with gains of 10% or greater in the number of low-income children between 2003 and 2004. The table also shows what had happened with the same



states' counts of low-income children in the preceding two-year period (between 2002 and 2003). As the table illustrates, patterns of gains and losses have fluctuated from year to year. Some of the states with the greatest gains in low-income children between 2003 and 2004 had declines in the poverty counts for the previous period, while others had gains.

**Table 6. States with Increases of More Than 10% in the Number of Low-Income Children Between 2003 and 2004**

State	Percentage Gain in Low-Income Children, 2003 to 2004	Percentage Change in Low-Income Children, 2002 to 2003
New Hampshire	32.1%	-6.8%
Wisconsin	31.5%	-0.4%
Indiana	19.7%	+7.8%
Connecticut	15.3%	-3.9%
Ohio	11.4%	+8.4%
Illinois	10.8%	+4.8%

Similarly, the states with the greatest declines in low-income children did not show a consistent pattern from year to year. **Table 7** lists the states with declines of more than 10% in the number of low-income children between 2003 and 2004. The table also shows what had happened to low-income counts in those states for the preceding two-year period.

**Table 7. States with Declines of More Than 10% in the Number of Low-Income Children Between 2003 and 2004**

State	Percentage Loss in Low-Income Children, 2003 to 2004	Percentage Change in Low-Income Children, 2002 to 2003
Hawaii	-28.4%	-1.2%
Vermont	-12.9%	-4.8%
Florida	-12.7%	+10.7%
West Virginia	-12.6%	+2.1%
Oklahoma	-11.7%	+4.9%
Montana	-11.6%	-1.5%
New Mexico	-11.5%	+3.8%
Wyoming	-11.2%	-2.3%



While variations in low-income counts might be expected for very small states due to difficulty in making accurate estimates for small populations, some of these changes have been quite large. Wisconsin showed a slight drop in 2003 and a huge increase of 31.5% for 2004. Florida gained 10.7% in 2003, then lost 12.7% in 2004. Half of the 14 states that had increases or decreases of more than 10% in 2004 had experienced shifts in the opposite direction the previous year.

In addition, the degree of change between 2002 and 2003 was significantly less than the degree of change between 2003 and 2004. In fact, as shown in **table 8**, only four states had gains or losses exceeding 10% between 2002 and 2003.

**Table 8. States with Increases or Decreases of More Than 10% in the Number of Low-Income Children Between 2002 and 2003**

State	Percentage Change
Nevada	+13.4
North Dakota	-12.3
Oregon	+12.1
Florida	+10.7

Between 2002 and 2003, no state had increases or decreases in the number of low-income children approaching those of Wisconsin and Indiana in 2004. This is the case even though the national poverty rate for children increased by 4.3% between 2002 and 2003, which would lead one to expect greater increases at the state level.

Because the Census Bureau estimates of low-income children are the major factor in the formula for allocating Title I-A dollars, annual changes in these estimates have a substantial impact on how much funding districts and states receive. Although the extent of fluctuation is somewhat mitigated by various “hold harmless” provisions in the law that restrict how much districts may lose, the changes are still serious. Note that tables 4 and 5, which depict the states with the greatest dollar gains and losses, fairly closely track the changes in poverty counts in tables 6 and 7. Wisconsin, Indiana and Connecticut are large gainers, whereas Hawaii, Florida, and other states with declines in numbers of low-income children had significant decreases in their allocations.

An additional concern is the apparent trend toward more volatility. In estimating the numbers of children in poverty, the Census Bureau revises counts from the 2000 census by factoring in more recent data, such as that from the Annual Social and Economic Supplement to the Census Bureau’s Current Population Survey and federal income tax returns. The further one moves past 2000, the more weight these added factors are given. Whether similar extreme changes in poverty estimates will occur in future Census updates remains to be seen.



In addition to affecting Title I-A, census estimates may be causing increased volatility in funds for other programs. Title III of ESEA provides funds to states to provide services to English language learners using census estimates of the number of English language learners to determine state allocations. Arkansas saw its funds for this program rise from \$1.8 million in 2005-06 to \$3.4 million for 2006-07, then drop to \$2.5 million for 2007-08.

## Other CEP Reports on Title I Funding

The Center on Education Policy has issued four reports on funding for the federal Title I program. All are posted on the CEP Web site at [www.cep-dc.org](http://www.cep-dc.org).

The first report, *Title I Funds: Who's Gaining, Who's Losing and Why*, issued in June 2004, discussed allocations for the 2004-05 school year. The report also contained detailed information on the formulas used to distribute Title I funds, which may be helpful in understanding this update.

The second report, *Title I Funds—Who's Gaining, Who's Losing, 2005-06 Update*, was issued in July 2005; it updated the 2004 report by discussing the gainers and losers for the 2005-06 school year.

In January 2006, CEP issued a report entitled *A Shell Game: Federal Funds to Improve Schools*. This report discussed the impact of the requirement that states reserve 4% of their allocations to provide additional help to schools identified for improvement under NCLB. Readers who would like to learn more about the 4% set-aside may find this report helpful.

In August 2006, CEP issued *Title I Funds: Who's Gaining and Who's Losing, School Year 2006-07 Update*, which estimated actual Title I gains and losses for districts and states after the mandatory 4% set-aside was applied for school improvement activities. The report found that 25 states and the District of Columbia saw their federal Title I funds reduced in school year 2006-07, compared to only 9 states in school year 2005-06.

## Sources, Credits and Acknowledgements

Information on allocations was provided by the U. S Department of Education. CEP is grateful for this assistance.

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.



The Joyce Foundation, The Ewing Marion Kauffman Foundation, and The Carnegie Corporation support the Center's work to monitor and report on the No Child Left Behind Act. We also draw on general resources from The George Gund Foundation, the John D. and Catherine T. MacArthur Foundation, and the Phi Delta Kappa International Foundation. 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 August 2007

