



**Congressional  
Research Service**

Informing the legislative debate since 1914

---

# Allocation of Funds Under Title I-A of the Elementary and Secondary Education Act: H.R. 5 and the State Option

-name redacted-

Specialist in Education Policy

March 6, 2015

Congressional Research Service

7-....

[www.crs.gov](http://www.crs.gov)

R43929

## Summary

The Elementary and Secondary Education Act (ESEA) was last amended by the No Child Left Behind Act of 2001 (NCLB; P.L. 107-110). During the 114<sup>th</sup> Congress, the House Education and the Workforce Committee considered and reported the Student Success Act (H.R. 5), a bill that would reauthorize the ESEA. H.R. 5 would make several changes to current law, but one issue that has attracted substantial congressional interest is a new option that would be available to states for distributing funds available under Title I-A of the ESEA to local educational agencies (LEAs) and schools. In H.R. 5, this option is referred to as “Title I Portability” and “Title I Funds Follow the Low-Income Child State Option.” Hereinafter, this option will be referred to as the “state option.”

Under current law, Title I-A grants to LEAs are calculated based on four formulas specified in statutory language. In order to receive funds under each grant, an LEA must meet certain eligibility requirements related to the number and percentage of children (primarily those living in families in poverty) in the LEA. That is, only LEAs meeting specific thresholds are eligible to receive Title I-A funds. Once the U.S. Department of Education (ED) calculates these grants, the grant information is shared with states, which subsequently make adjustments to these grant amounts based on provisions included in current law. After states make the grant adjustments, funds are provided to LEAs, which subsequently make grants primarily to schools with relatively high concentrations of poverty.

Under the state option, Title I-A LEA grants would be calculated at the LEA level by ED using the four formulas prescribed by current statute and the grant allocation information would be provided to the states. However, once the grants were calculated, each state would have the option to reallocate the total amount of Title I-A funds that were “earned” by the LEAs in the state using a new formula. States would be permitted to redistribute all of the Title I-A funds received to LEAs based on each LEA’s share of enrolled eligible children. An eligible child would be defined as a child from a family with an income below 100% of the poverty level based on the most recent data available from the Department of Commerce. LEAs would, in turn, distribute the funds received to individual public schools in the LEA based on each school’s share of enrolled eligible children. Under the state option, grants to LEAs and schools would not be targeted based on the number or percentage of eligible children, but rather any LEA or public school that enrolled at least one eligible child would receive a grant. The amount provided per child in poverty would be the same for every child in the state. This would result in millions of dollars moving among LEAs in a given state: LEAs with the highest numbers or percentages of eligible children would receive lower grants per child in poverty under the state option than under current law so that LEAs with lower numbers or percentages of children in poverty could receive the standard state amount per child in poverty, which would exceed their grant amount per child in poverty under current law.

## Contents

Introduction.....	1
Overview of the Determination of Title I-A Grants Under Current Law.....	1
LEA Grant Determinations.....	1
School Grant Determinations.....	3
State Option: Overview and Possible Issues.....	5
LEA Grant Determinations.....	5
School Grant Determinations.....	6
Analysis of the State Option.....	6
Methodology.....	7
Targeting of Assistance.....	8
Estimated LEA Grants Under the State Option for Selected States.....	9
Estimated LEA Grants Under the State Option for LEAs with High Numbers or Percentages of Formula Children.....	13
Additional Considerations.....	14

## Figures

Figure 1. Estimated Distribution of Title I-A Funds to LEAs Based on Formula Child Quintile Under Current Law and the State Option.....	8
Figure 2. Estimated Grant per Child in Poverty Under Current Law and the State Option for LEAs in Ohio.....	10
Figure 3. Estimated Grant per Child in Poverty Under Current Law and the State Option for LEAs in Washington.....	11
Figure 4. Estimated Grant Per Child in Poverty Under Current Law and the State Option for LEAs in New Jersey.....	12

## Tables

Table A-1. Estimated FY2015 Title I-A Grants to the Largest Local Educational Agencies Based on Number of Formula Children: Current Law and State Option.....	15
Table A-2. Estimated FY2015 Title I-A Grants to the Largest Local Educational Agencies Based on Percentage of Formula Children: Current Law and State Option.....	17

## Appendixes

Appendix. Estimated FY2015 Title I-A Grants to the Largest LEAs Based on the Number or Percentage of Formula Children.....	15
---	----

## **Contacts**

Author Contact Information.....	20
Acknowledgments .....	20

## Introduction

The Elementary and Secondary Education Act (ESEA) was last amended by the No Child Left Behind Act of 2001 (NCLB; P.L. 107-110). The authorization of appropriations for most programs authorized by the ESEA extended through FY2007.<sup>1</sup> As Congress has not reauthorized the ESEA, there is currently no explicit authorization of appropriations for ESEA programs. However, because the programs continue to receive annual appropriations, appropriations are considered implicitly authorized.

During the 114<sup>th</sup> Congress, the House Education and the Workforce Committee considered and on February 20, 2015, reported the Student Success Act (H.R. 5), a bill that would reauthorize the ESEA. H.R. 5 would make several changes to current law, but one issue that has attracted substantial congressional interest is a new option that would be available to states for distributing funds available under Title I-A of the ESEA to local educational agencies (LEAs) and schools. In H.R. 5, this option is referred to as “Title I Portability” and “Title I Funds Follow the Low-Income Child State Option.” Hereinafter, this option will be referred to as the “state option.”<sup>2</sup>

## Overview of the Determination of Title I-A Grants Under Current Law

Under current law, Title I, Part A, of the ESEA authorizes federal aid to LEAs for the education of disadvantaged children. Title I-A grants provide supplementary educational and related services to low-achieving and other students attending pre-kindergarten through grade 12 schools with relatively high concentrations of students from low-income families. Title I-A has also become a vehicle to which a number of requirements affecting broad aspects of public K-12 education for all students have been attached as a condition for receiving Title I-A grants. It is the largest program authorized under the ESEA, and is funded at \$14.4 billion for FY2015.

### LEA Grant Determinations

Annual Title I-A funds are allocated under four different formulas—Basic, Concentration, Targeted, and Education Finance Incentive Grants (EFIG). For each formula, a maximum grant is calculated by multiplying a “population factor,” consisting primarily of estimated numbers of school-age children in poor families, by an “expenditure factor” based on state average per pupil

---

<sup>1</sup> The General Education Provisions Act (GEPA) provided a one-year extension of ESEA program authorizations. GEPA provides that, “The authorization of appropriations for, or duration of, an applicable program shall be automatically extended for one additional fiscal year unless Congress, in the regular session that ends prior to the beginning of the terminal fiscal year of such authorization or duration, has passed legislation that becomes law and extends or repeals the authorization of such program” (20 U.S.C. 1226a). As Congress did not pass legislation to reauthorize the ESEA by the end of the 2005 calendar year, the program authorizations were automatically extended through FY2008.

<sup>2</sup> An ESEA reauthorization discussion draft released by Senator Alexander includes a similar state option (hereinafter referred to as the discussion draft). The only substantive difference between the state option under H.R. 5 and the discussion draft is that only the discussion draft specifies that equitable participation requirements that provide Title I-A services to private school students would continue to apply. A copy of the discussion draft is available online at <http://www.help.senate.gov/imo/media/AEG15033.pdf>.

expenditures (APPE) for public K-12 education. In some of the formulas, additional factors are multiplied by the population and expenditure factors. These maximum grants are subsequently reduced to equal the level of available appropriations for each formula, taking into account a variety of state and LEA minimum grant or “hold harmless” provisions. Only LEAs meeting minimum numbers and/or percentages of children counted in the population factor may receive grants.

Although the allocation formulas have several distinctive elements, the primary factors used in all four formulas are the population factor (i.e., an eligible child count) and expenditure factor. The population factor, commonly referred to as the number of “formula children,” includes children ages 5-17 (1) in poor families, (2) in institutions for neglected or delinquent children or in foster homes, and (3) in families above the poverty level receiving Temporary Assistance for Needy Families payments. Each element of the population factor is updated annually. Children in poor families account for about 97% of the total formula child count. The estimated number of children ages 5-17 living in families with an income below the poverty level (i.e., children in poor families) is determined using data from the Small Area Income and Poverty Estimates (SAIPE) data set maintained and updated annually by the U.S. Census Bureau.

To receive funding under Basic Grants, an LEA must have at least 10 formula children, and these children must account for more than 2% of those ages 5-17 in the LEA. For Concentration Grants, an LEA must be eligible for a Basic Grant and must have more than 6,500 formula children or formula children must account for more than 15% of those ages 5-17 in the LEA. For both Targeted Grants and EFIG, an LEA must have at least 10 formula children, and these children must account for at least 5% of those ages 5-17 in the LEA. The percentage of formula children in a given LEA is determined by dividing the number of formula children by the total number of children ages 5 to 17 living in the LEA based on SAIPE program estimates.

The expenditure factor for the Basic, Concentration, and Targeted formulas is the state APPE for public K-12 education (subject to a minimum of 80% and maximum of 120% of the national APPE for public K-12 education, further multiplied by 0.40), and is the same for all LEAs in that state. For the EFIG formula, the state APPE is subject to more narrow bounds (a minimum of 85% and maximum of 115%). The expenditure factor is included in the Title I-A formulas, in part, to compensate for the cost of education in different parts of the nation and to incentivize states to spend more on public K-12 education, as states that have higher expenditure factors get more Title I-A funding.

Both the Targeted and EFIG formulas include weighting schemes to increase aid to LEAs with the highest numbers or concentrations of eligible children. Under both formulas, the poor and other children counted in the formula are assigned weights on the basis of each LEA’s school-age child poverty rate and number of school-age children in poor families. As a result, the LEAs with the highest poverty rates and/or number of children in poor families receive the highest grants per child counted in the formula. The EFIG formula also includes an effort factor, based on average per pupil expenditure for public K-12 education compared to personal income per capita for each state compared to the nation as a whole, and an equity factor, based on variations in average per pupil expenditures among the LEAs in each state.

Each formula has a hold-harmless provision—no LEA may receive less than 85%-95% of its previous-year grant, depending on the LEA’s poverty level and whether the LEA continues to meet the formula’s eligibility threshold. All four formulas have state minimum grant provisions.

After ED calculates LEA grants, it provides each state education agency (SEA) with information on the calculated grant amount for each LEA. SEAs then make a number of adjustments before determining the final amount that each LEA will actually receive. These adjustments are made to the total amount of Title I-A grants to LEAs under all four formulas combined. The adjustments include (1) reservation of 4% of state total allocations to be used for school improvement grants;<sup>3</sup> (2) reservation of 1% of state total allocations under all formulas for ESEA Title I, Part A, plus Title I, Parts C and D (discussed below), or \$400,000, whichever is greater, for state administration;<sup>4</sup> (3) optional reservation of up to 5% of any statewide increase in total Part A grants over the previous year for academic achievement awards to participating schools that significantly reduce achievement gaps between disadvantaged and other pupil groups and/or exceed adequate yearly progress standards for two consecutive years or more; (4) adjustment of LEA grants to provide funds to eligible charter schools or to account for recent LEA boundary changes; and (5) optional use by states of alternative methods to reallocate all of the grants as calculated by ED among the state's small LEAs (defined as those serving an area with a total population of 20,000 or fewer).

## School Grant Determinations

Unlike other federal elementary and secondary education program funds, most Title I-A funds are allocated to individual schools, although LEAs retain substantial discretion to control the use of a significant share of Title I-A grants at a central district level.<sup>5</sup> While there are several rules related to school selection, LEAs must generally rank public schools by their percentage of students from low-income families, and serve them in rank order. All participating schools must generally have a percentage or number of children from low-income families that is higher than the LEA's average, or a minimum of 35%, whichever of these two figures is lower,<sup>6</sup> although LEAs have the option of setting school eligibility thresholds higher than the minimum in order to concentrate available funds on a smaller number of schools.<sup>7</sup>

Once schools are selected, Title I-A funds are allocated among them (and reserved for services to private school students) in proportion to their number of students from low-income families. In a large majority of cases, the data used to determine which students are from low-income families for the distribution of funds to schools are not the same as those used to identify school-age children in poor families for purposes of calculating allocations to states and LEAs. As previously discussed, this is because data are not typically available on the number of school-age children enrolled in a school, or living in a residential school attendance zone, with income below the standard federal poverty threshold. Such "population in poverty" estimates, as used in the

---

<sup>3</sup> In the process of making this deduction, SEAs may not reduce any LEA's net grant (i.e., its final grant, after making deductions for school improvement and state administration, plus any other adjustments) below its prior-year level.

<sup>4</sup> If total appropriations for ESEA Title I, Parts A, C (Migrant Education), and D (Neglected and Delinquent) exceed \$14 billion, then state administration reservations were capped at the level that would apply if the total appropriations for these programs were \$14 billion. This limit was applicable for the first time in FY2008.

<sup>5</sup> Detailed guidance regarding the selection of schools to receive Title I-A grants and the allocation of funds among them may be found in the ED policy guidance document *Local Educational Agency Identification and Selection of School Attendance Areas and Schools and Allocation of Title I Funds to Those Areas and Schools*, 2003.

<sup>6</sup> This minimum percentage is reduced from 35% to 25% for schools participating in certain desegregation plans.

<sup>7</sup> There is an exemption from all of the Title I-A school selection requirements for small LEAs—defined in this case as those with enrollments of 1,000 or fewer pupils. Such small LEAs do not have to meet any of the school ranking requirements discussed in this report.

standard formulas for allocation of funds to states and LEAs (discussed above), are usually available only for LEAs, counties, and states.

Thus, LEAs must use available proxies for low-income status. The Title I-A statute allows LEAs to use the following low-income measures: (1) eligibility for free and reduced-price school lunches; (2) eligibility for Temporary Assistance to Needy Families (TANF); or (3) eligibility for Medicaid.<sup>8</sup> At the level of individual schools, the most commonly used criterion for determining whether students are from low-income families is eligibility for free and reduced-price school lunches. LEAs receiving Title I-A funds use free/reduced-price school lunch data—sometimes alone, sometimes in combination with other authorized criteria—to select Title I-A schools and allocate funds among them.<sup>9</sup> The income eligibility thresholds for free and reduced-price lunches are higher than the poverty levels used in the allocation formulas to states and LEAs: 130% of poverty for free lunches, 185% for reduced-price lunches.<sup>10</sup>

After data have been compiled on the percentage or number of students from low-income families who are either enrolled in an LEA's public schools or residing in the attendance areas served by such schools, available Title I-A funds are allocated among these schools in rank order, beginning with the highest-poverty schools, until no further funds are available. LEAs may choose to consider only schools of selected grade levels (e.g., only elementary schools) in determining eligibility for grants, as long as *all* schools with 75% or more of students from low-income families receive grants.

Funds are allocated among schools in proportion to their number of students from low-income families, although grants to eligible schools per student from a low-income family need not be equal for all schools. LEAs may choose to provide higher grants per child from a low-income family to schools with higher percentages of such students (e.g., higher grants per child to a school where 70% of students are from low-income families than to a school where 40% of students are from low-income families). If an LEA provides Title I-A funds to schools with low-income student percentages below 35%, then it must provide a minimum amount of funds per child from a low-income family—equal to at least 125% of the LEA's Title I-A grant per child from a low-income family—to each participating school.

At the school level, there are two basic types of Title I-A programs. Schoolwide programs are authorized if the percentage of low-income students served by a school is 40% or higher.<sup>11</sup> In

---

<sup>8</sup> LEAs may also develop and use a composite of two or more of these measures—for example, school-age children in families receiving TANF or Medicaid benefits.

<sup>9</sup> U.S. Department of Education, *Study of Education Resources and Federal Funding: Final Report*, 2000, p. 33

<sup>10</sup> School lunch program estimates may be impacted by the Community Eligibility Provision (CEP), made available nationwide for school year 2014-2015. CEP allows schools and school districts in which 40% or greater of the enrolled children can be identified as categorically (or automatically) eligible for free meals to offer free meals to all enrolled students. Schools operating CEP programs do not need to collect applications from students and, therefore, may not have an accurate count of the number of students eligible for free and reduced price lunches. For more information on CEP, see CRS Report R43783, *School Meals Programs and Other USDA Child Nutrition Programs: A Primer*, by (name redacted). For ED guidance on this issue, see U.S. Department of Agriculture, *Community Eligibility Provision: Department of Education Title I Guidance*, January 31, 2014, available online at <http://www.fns.usda.gov/sites/default/files/SP19-2014os.pdf>. For more information on the implications of community eligibility for disadvantaged students and the calculation of Title I-A grants, see Wayne Riddle, *Implications of Community Eligibility for the Education of Disadvantaged Students Under Title I*, Center on Budget and Policy Priorities, June 26, 2014, available online at <http://www.cbpp.org/files/6-26-14fa.pdf>.

<sup>11</sup> A school with less than 40% low-income students may request a waiver from the Secretary of Education to operate a (continued...)



schoolwide programs, Title I-A funds may be used to improve the performance of all students in a school. For example, funds might be used to provide professional development services to all of a school's teachers, upgrade instructional technology, or implement new curricula. The other major type of Title I-A school service model is the targeted assistance program (TAP). This was the original type of Title I-A program, under which Title I-A-funded services are generally limited to the lowest-achieving students in the school. For example, students may receive such instruction in an after-school program or funds may be used to hire a teacher's aide who provides additional assistance to low-achieving students in their regular classroom.

## **State Option: Overview and Possible Issues**

Under the state option, Title I-A LEA grants would be calculated by ED using the four formulas prescribed by current statute.<sup>12</sup> However, once the grants were calculated, each state would have the option to reallocate the total amount of Title I-A funds that were "earned" by the LEAs in the state using a new formula. States would be permitted to redistribute all of the Title I-A funds received to LEAs based on each LEA's share of enrolled eligible children.<sup>13</sup> An eligible child would be defined as a child from a family with an income below 100% of the poverty level based on the most recent data available from the Department of Commerce. LEAs would, in turn, distribute the funds received to individual public schools in the LEA based on each school's share of enrolled eligible children.

Thus, under the state option Title I-A funding would follow a low-income child to any public school he or she attended. However, the state option's reliance on only a child poverty count to distribute grants to LEAs/schools eliminates a variety of factors used under current law to determine LEA grants. Particularly, it eliminates provisions focused on targeting funds to LEAs where there are concentrations of formula children and hold harmless provisions that cap the amount of funds an LEA can lose from one year to the next, assuming the LEA remains eligible to receive a grant.

## **LEA Grant Determinations**

The data needed to estimate the number of eligible children to calculate LEA grants under the state option are not readily available. The SAIPE estimates used to determine LEA grants under current law do not provide school-level estimates of poverty. As previously discussed, most LEAs use eligibility for free and reduced-price school lunches to allocate funds to schools within LEAs, which has thresholds above 100% of the federal poverty level. Collecting the data needed to implement the state option as described in H.R. 5 may create additional administrative burdens on SEAs, LEAs, and schools to count eligible children.

---

(...continued)

schoolwide program.

<sup>12</sup> H.R. 5 would make changes to the Targeted and EFIG formulas. These changes are not considered in this report.

<sup>13</sup> The specific methodology for this process is not explicitly stated in H.R. 5 but it is assumed that an LEA's grant amount would equal the number of poor children in the LEA multiplied by the state grant per poor child. The state grant per poor child would be determined by dividing the state grant amount by the total number of poor children in a state.

It should be noted that under the state option equitable participation requirements for serving private school students with Title I-A funds would not appear to apply (i.e., it does not appear that private school students would continue to benefit from Title I-A funds as they have since the original enactment of the ESEA).<sup>14</sup>

## **School Grant Determinations**

Under the state option, LEAs would no longer make decisions about which schools would receive Title I-A funds or whether to provide a higher grant per child from a low-income family to schools with higher percentages of low-income families. In addition, there would no longer be any criteria for a school to receive Title I-A funds beyond enrolling a single child from a low-income family. That is, all of the current law requirements for providing funds to schools with relatively high concentrations of poverty would no longer apply.

Under current law, once Title I-A funds reach the school level schools have the option of running a schoolwide program or targeted assistance program depending on the percentage of children from low-income families served by the school. Under H.R. 5, all schools would be eligible to operate a schoolwide program. While Title I-A funds would be provided to schools based on a measure of poverty, similar to current law, schools would not be required to use the funds specifically to serve the students who “earned” them. For example, a school would receive Title I-A funds if it enrolled a student from a low-income family. This student may not have the greatest academic need, however, so the funds may be used to serve other students. Also, if a student from a low-income family who currently receives Title I-A services changes schools, the student may or may not continue to receive Title I-A services at his or her new school, even though Title I-A funds would now follow the child to any school. It would depend on how the new school chooses to use the funds and the academic need within the school.

Under the state option, schools that do not currently receive Title I-A funds could begin to receive grants, as they would no longer have to meet the eligibility requirements under current law to qualify for aid. Some of these schools may have little or no experience with operating a Title I-A program at the school level and may be subject to new requirements. There is currently no explicit option under the state option for a school with relatively few children or a relatively low percentage of low-income children to opt out of participating in the Title I-A program. As the state option is drafted, all schools with even one student from a low-income family would receive Title I-A funds.

## **Analysis of the State Option**

This section of the report examines estimated grants under the state option. It begins with a discussion of the methodology used to conduct this analysis. This is followed by an examination of how grants would be concentrated by poverty under the state option compared with current law. Next, estimated grant amounts per child in poverty under current law and the state option are examined for selected states. The section concludes with an examination of estimated LEA grants

---

<sup>14</sup> For more information about equitable participation requirements, see CRS Report R41445, *Selected Church-State Issues in Elementary and Secondary Education*, by (name redacted) and (name redacted).

for LEAs with either a high number or percentage of formula children under both current law and the state option.

## **Methodology**

For the purposes of analyzing the possible effects of implementing the state option, estimated LEA grants were determined using SAIPE data.<sup>15</sup> As previously discussed, SAIPE data are produced on an annual basis by the U.S. Census Bureau and provide an estimate of the number of children ages 5-17 living in families with an income below the poverty line. The analysis examining the effects of the state option presented here is based on the SAIPE data for calendar year 2013 that will be used to determine FY2015 Title I-A grants. Thus, these data are not as current as data may be if they are obtained directly from LEAs, as required under the state option. For Part D-2 LEAs, data on the number of delinquent students in the LEA provided by ED used to determine LEA Title I-A grants under the four funding formulas under current law were used in the analysis of the state option as a proxy for a poverty number for these LEAs.<sup>16</sup> It is unclear how these LEAs would actually be treated under the state option, but they have been included in this analysis.

The use of SAIPE data to estimate LEA grants under the state option is similar to the formula child count used to make LEA grants under current law. However, the state option's reliance on only a child poverty count to provide grants to LEAs eliminates a variety of factors used under current law to determine LEA grants, particularly provisions focused on targeting funds to LEAs where there are concentrations of formula children and hold harmless provisions that cap the amount of funds an LEA can lose from one year to the next, assuming the LEA remains eligible to receive a grant. As previously discussed, LEAs must meet specific eligibility requirements with respect to their number and percentage of formula children to receive funding under the various Title I-A formulas. Under the state option, an LEA with even one student that meets the definition of an eligible child would receive Title I-A funding.

The estimated FY2015 Title I-A grant amounts under current law were calculated by ED and all other estimated grant amounts were calculated by CRS using the most current data available. In instances where data needed to calculate FY2015 Title I-A grants were not available yet, data used to calculate FY2014 Title I-A grant amounts were used instead.<sup>17</sup>

This analysis assumes that all states would choose to implement the state option; if a state did not, grants to LEAs would be made based on the provisions of current law. No analysis of Title I-A state grants is provided, as the state option would not alter the amount of funds provided to states. Rather, the state option would change how funds received by a given state based on the provisions of current law were subsequently allocated to LEAs and schools in that state.

---

<sup>15</sup> Estimated grant amounts are only calculated at the LEA level, as data needed to determine grants at the school level are not available.

<sup>16</sup> When ED calculates grants for LEAs under Title I-A, it also calculates a grant for a statewide LEA in accordance with the requirements of local agency grants under the Neglected and Delinquent program authorized by Title I-D of the ESEA. The local agency grants are authorized under Title I-D-2. Thus, these LEA grants are referred to as grants to Part D-2 LEAs.

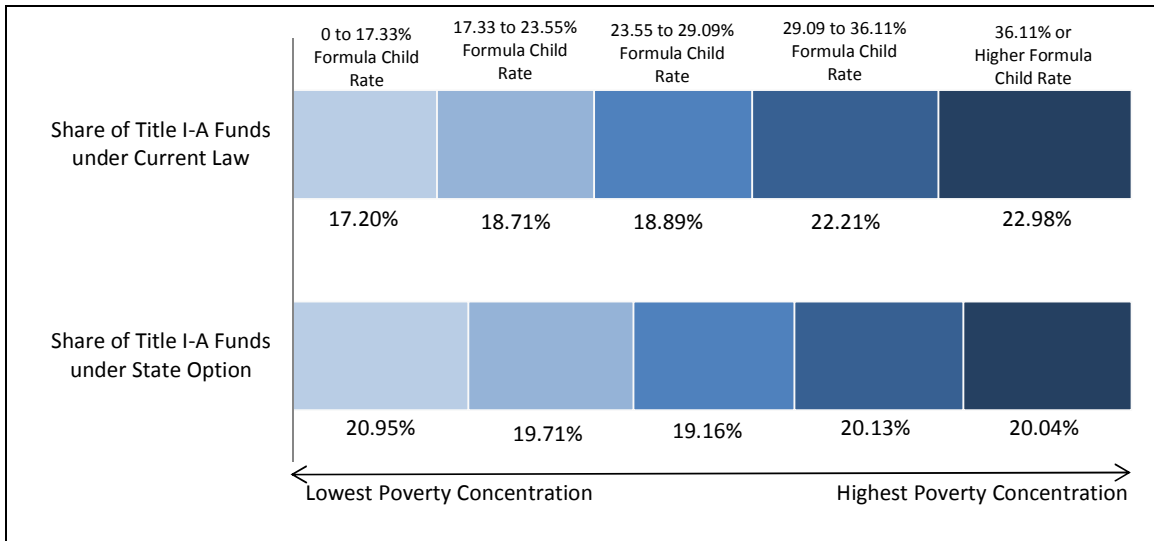
<sup>17</sup> For example, final state average per pupil expenditure (APPE) data needed to calculate FY2015 grants will not be available until later this year.

## Targeting of Assistance

As previously discussed, the state option essentially nullifies provisions in current law designed to help target Title I-A funds to LEAs where there are concentrations of formula children. **Figure 1** shows five quintiles, each containing roughly 20% of the national total of formula children based on the most recent data available to estimate FY2015 grants. As shown in the figure, a higher percentage of Title I-A funds would be provided to LEAs with relatively higher concentrations of formula children (i.e., those in the top two quintiles with concentrations of formula children of 29.09% and higher) under current law (45.19%) than under the state option (40.17%). The state option has the effect of increasing the percentage of funds that would be provided to LEAs with lower concentrations of formula children.

One reason for the difference in the targeting of funds between current law and the state option is that both the Targeted and EFIG formulas are designed to provide a higher level of funding per formula child to LEAs with higher numbers or higher percentages of formula children relative to the total number of children ages 5-17 in the LEA. Under the state option, funds “earned” by LEAs under the Targeted and EFIG formulas would continue to be awarded to the state in which the LEA was located; the individual LEAs that “earned” the funds would no longer benefit from a targeting of funds. Rather, the state would award the total amount of Title I-A funding it received proportionally to LEAs based on their number of eligible children without regard to whether an LEA had a relatively high concentration of eligible children. The amount of funding provided would be the same for every eligible child in the state under the state option.

**Figure 1. Estimated Distribution of Title I-A Funds to LEAs Based on Formula Child Quintile Under Current Law and the State Option**



**Source:** Chart prepared by CRS, February 20, 2015, based on unpublished data available from the U.S. Department of Education (ED), Budget Service

**Notes:** Each quintile includes 20% of the national total of formula children included in the determination of estimated FY2015 Title I-A grants under current law. The formula child rate is the percentage of an LEA’s children who are formula children. These are not the quintiles established under the No Child Left Behind Act (NCLB: P.L. 107-110) that are used for making grant determinations under the Targeted Grant and Education Finance Incentive Grant (EFIG) formulas. Rather, these are newly created quintiles based on the most recent formula child count data available.

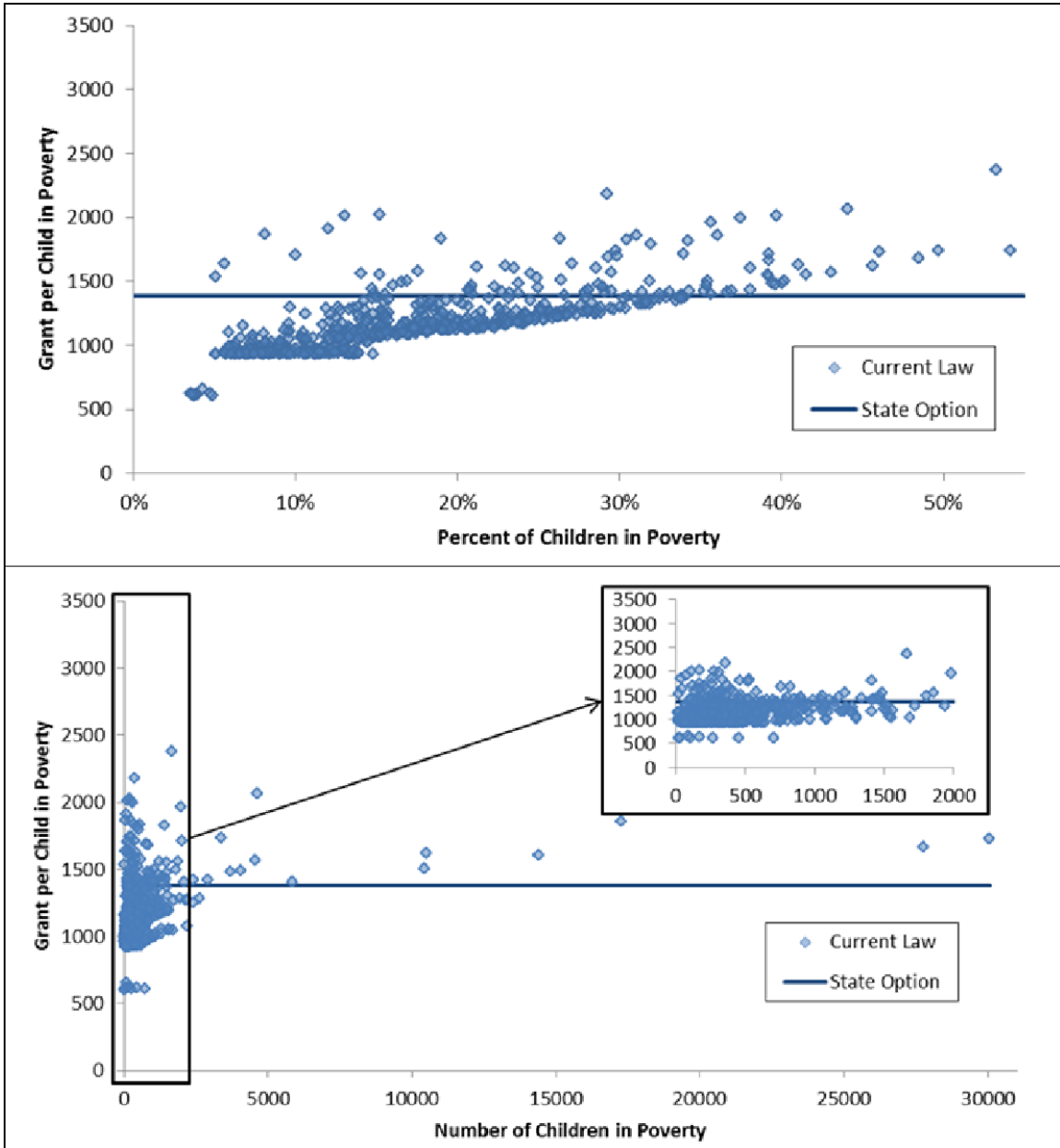
The estimates in this table assume that state-level funding will not change. The substitute to the Student Success Act (H.R. 5), referred to the House from the Education and the Workforce Committee, includes a proposed change to the four formulas—Basic, Concentration, Targeted, and Education Finance Incentive Grants (EFIG)—that will change state-level funding. As a result, the estimated distribution of Title I-A funds to LEAs based on the formula child quintile may be different from the estimate shown above.

## **Estimated LEA Grants Under the State Option for Selected States**

**Figure 2, Figure 3, and Figure 4** show estimated FY2015 grants per child in poverty for LEAs under current law and the state option in Ohio, Washington, and New Jersey, respectively. Unlike previous comparisons in this report, these comparisons are based on the number and percentage of children in poverty in each LEA based on SAIPE data under both options. As previously discussed, under current law the formula child count used to determine grants to LEAs includes more than just children living in families in poverty, but these children account for about 97% of all formula children. In each graph, each diamond represents an LEA's estimated grant per child in poverty under current law. The solid line represents the estimated grant per child in poverty that an LEA would receive under the state option—all LEAs would receive the same grant amount per child in poverty. Thus, LEAs that are above the line based on current law would receive smaller grant amounts per child in poverty under the state option and vice versa.

In each figure, the top graph shows the estimated grants per child based on the percentage of children in poverty. There is a general trend in these graphs showing that the higher the LEA's level of poverty, the higher the grant per child in poverty it would receive under current law. This is due to the targeting included in the formulas under current law. The bottom graph shows estimated grants per child in poverty based on the number of children in poverty in each LEA.

**Figure 2. Estimated Grant per Child in Poverty Under Current Law and the State Option for LEAs in Ohio**

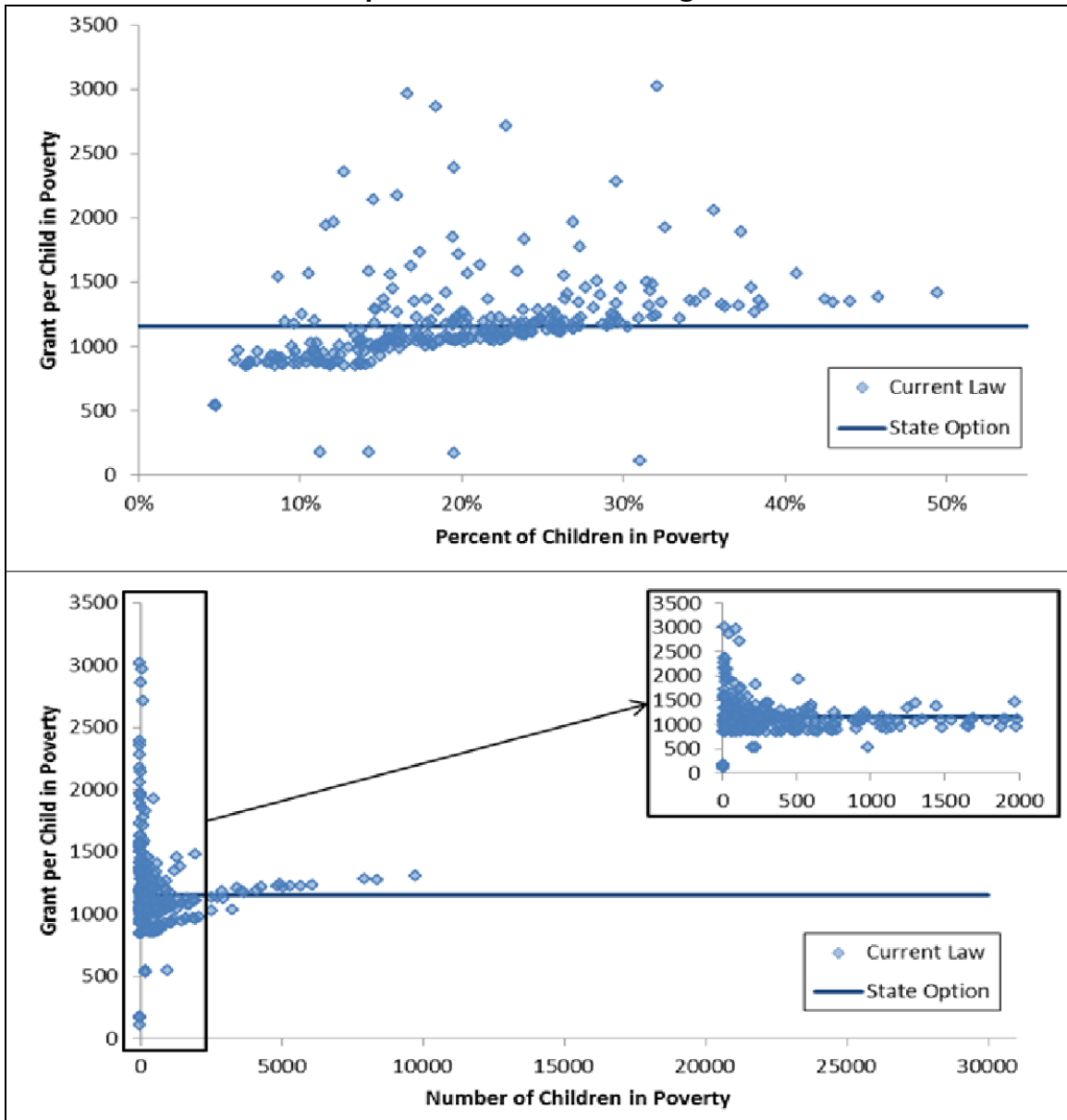


**Source:** Figure prepared by CRS, February 19, 2015, based on unpublished data available from the U.S. Department of Education (ED), Budget Service. FY2015 estimated grants under current law were calculated by ED. All other estimated grants were calculated by CRS. Small Area Income and Poverty Estimates (SAIPE) data are available from the U.S. Census Bureau.

**Notes:** Estimated grants could not be calculated as specified by the state option due to a lack of available data on the actual number of children enrolled in each LEA living in families with income below 100% of the poverty level. Rather, SAIPE data were used.

**Notice:** These are estimated grants only. These estimates are provided solely to assist in comparisons of the relative impact of alternative formulas and funding levels in the legislative process. They are not intended to predict specific amounts LEAs will receive. In addition to other limitations, data needed to calculate final grants may not yet be available.

**Figure 3. Estimated Grant per Child in Poverty Under Current Law and the State Option for LEAs in Washington**

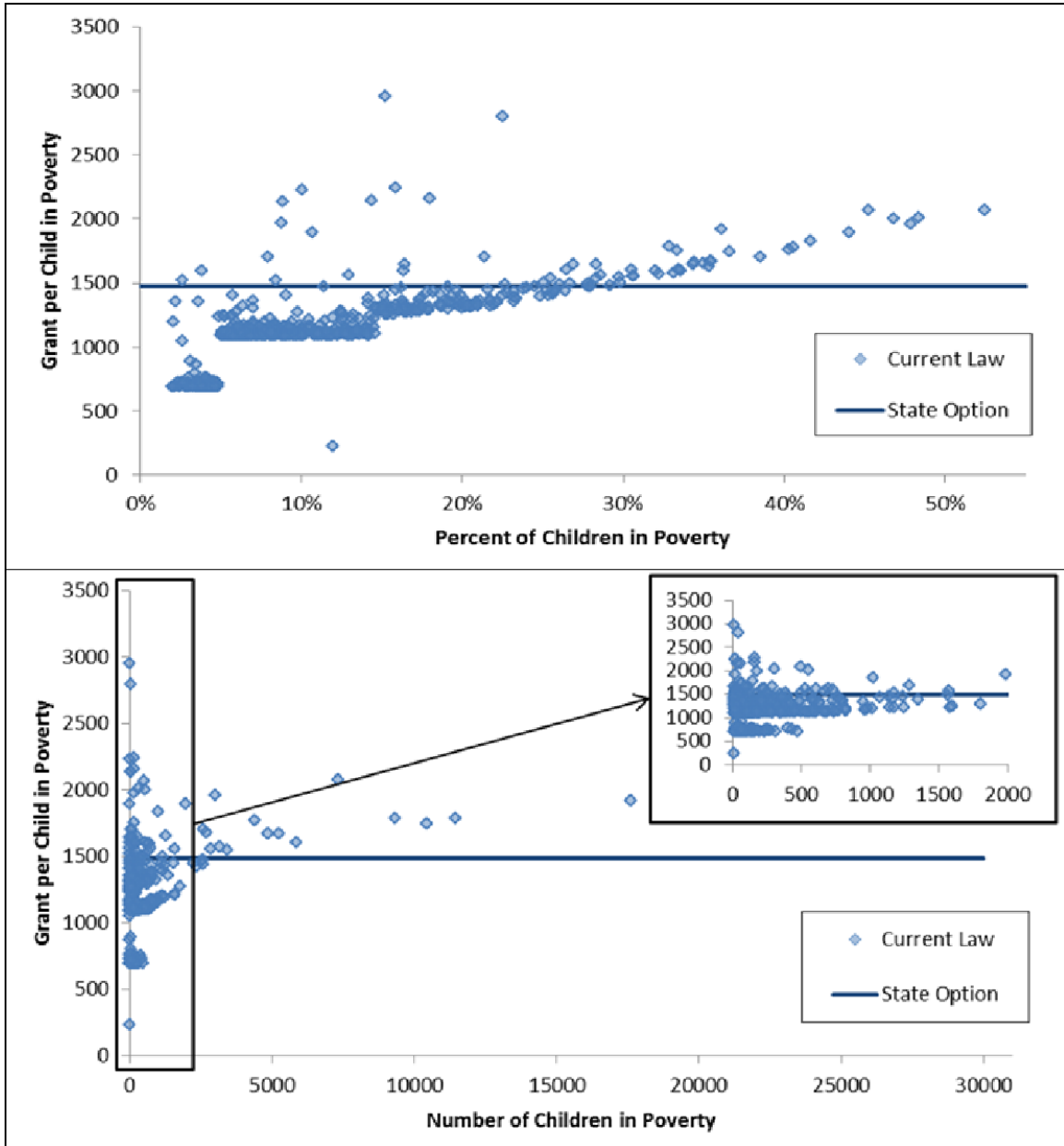


**Source:** Figure prepared by CRS, February 19, 2015, based on unpublished data available from the U.S. Department of Education (ED), Budget Service. FY2015 estimated grants under current law were calculated by ED. All other estimated grants were calculated by CRS. Small Area Income and Poverty Estimates (SAIPE) data are available from the U.S. Census Bureau.

**Notes:** Estimated grants could not be calculated as specified by the state option due to a lack of available data on the actual number of children enrolled in each LEA living in families with income below 100% of the poverty level. Rather, SAIPE data were used.

**Notice:** These are estimated grants only. These estimates are provided solely to assist in comparisons of the relative impact of alternative formulas and funding levels in the legislative process. They are not intended to predict specific amounts LEAs will receive. In addition to other limitations, data needed to calculate final grants may not yet be available.

**Figure 4. Estimated Grant Per Child in Poverty Under Current Law and the State Option for LEAs in New Jersey**



**Source:** Figure prepared by CRS, February 19, 2015, based on unpublished data available from the U.S. Department of Education (ED), Budget Service. FY2015 estimated grants under current law were calculated by ED. All other estimated grants were calculated by CRS. Small Area Income and Poverty Estimates (SAIPE) data are available from the U.S. Census Bureau.

**Notes:** Estimated grants could not be calculated as specified by the state option due to a lack of available data on the actual number of children enrolled in each LEA living in families with income below 100% of the poverty level. Rather, SAIPE data were used.

**Notice:** These are estimated grants only. These estimates are provided solely to assist in comparisons of the relative impact of alternative formulas and funding levels in the legislative process. They are not intended to predict specific amounts LEAs will receive. In addition to other limitations, data needed to calculate final grants may not yet be available.



## Estimated LEA Grants Under the State Option for LEAs with High Numbers or Percentages of Formula Children

**Table A-1** and **Table A-2** detail the estimated LEA grants under the state option compared with current law for the 25 LEAs with the highest number and highest percentage of formula children, respectively. Each LEA included in these tables is estimated to lose funding under the state option relative to its estimated FY2015 grant under current law.

Most LEAs with a formula child total of 36% or higher would lose funding under the state option. The exception to this tends to be LEAs that previously had not received Title I-A grants because they did not meet the current law eligibility requirement under any of the four formulas of having at least 10 formula children.<sup>18</sup>

A gradually increasing number of LEAs with formula children totals below 36% receive higher grants under the state option as the percentage of formula children decreases. There are still LEAs, however, with relatively low percentages of formula children that would lose funds under the state option.

With respect to changes in grant amounts based on the number of formula children, the results are more mixed, but there would still be many LEAs with relatively high numbers of formula children losing funds. The pattern may not be as clear as funds under the state option were allocated based on SAIPE data, so LEAs with a higher number of children living in families in poverty would get a higher grant than an LEA with a lower number of such children in the same state. Depending on the particular LEA, though, this may or may not result in a grant amount that is higher than what would have been provided under current law.

Under the state option, an LEA's final grant would be calculated without the hold harmless provisions included in each of the four Title I-A formulas. The hold harmless provisions have the effect of preventing a given LEA from losing more than a certain percentage of funding each year. But at the same time, they limit the amount of funding that can shift from LEA to LEA, even if a given LEA has experienced a large increase in the number of children living in poverty. It should be noted that under the state option, a given state would not receive fewer overall Title I-A dollars, as the hold harmless provisions would only be eliminated for the final distribution of funds to LEAs. For example, the Los Angeles Unified School District<sup>19</sup> (CA) would lose an estimated \$79 million, a 22.91% decrease from their grant under current law, but these funds would be redistributed to other LEAs in California.

In addition, LEAs that would otherwise fail to meet the threshold eligibility requirements under various Title I-A formulas (e.g., 10 or more formula children<sup>20</sup> and formula children must account

<sup>18</sup> An LEA that is eligible to receive a Concentration Grant in one year but does not meet the requirement in a subsequent year may continue to receive a Concentration Grant for four additional years past the last year for which the LEA met the eligibility criteria to receive a grant.

<sup>19</sup> Los Angeles Unified School District has about 242,378 formula children and these children account for 33.28% of the children ages 5-17 in the LEA.

<sup>20</sup> The formula population used to determine Title I-A grants for the 50 states, District of Columbia and Puerto Rico consists of children ages 5 to 17 (a) in poor families, according to estimates for a recent income year for local educational agencies (LEAs) from the Census Bureau's Small Area Income and Poverty Estimates (SAIPE) program; (b) in institutions for neglected or delinquent children or in foster homes; and (c) in families receiving Temporary Assistance for Needy Families (TANF) payments above the poverty income level for a family of four. Children in poor (continued...)

for 5% or more of children ages 5-17 in the LEA) could benefit from funds that were intended for other LEAs based on statutory language in effect under current law. For example, Loudon County Public Schools (VA) has about 2,812 formula children, and these children account for 3.68% of those ages 5-17 in the LEA. Thus, under current law, Loudon County Public Schools would only meet the eligibility requirements to receive a Basic Grant. However, the school district would gain about \$2 million due, in part, to the elimination of the threshold eligibility requirements under the state option.<sup>21</sup>

## **Additional Considerations**

If a state chose to implement the state option, there would be substantial changes in grant amounts at the LEA level for the reasons previously discussed. However, if the state continued to use the state option in subsequent years, the changes in LEA grant amounts would probably not be as substantial across-the-board. There could still be more fluctuations than are currently possible, as the hold harmless provisions under current law prevent an LEA from losing more than 15% of its prior-year grant amount, assuming the LEA remains eligible to receive Title I-A funds under a given formula.

However, if a state implemented the state option one year and then decided not to use it in a subsequent year, there could be substantial changes in LEA grant amounts as a result of changing back to the current law provisions. This could be disruptive to the budgeting processes used by LEAs, especially if a state goes back and forth between current law and the state option multiple times.

Unlike current law, as long as an LEA or school continued to enroll at least one eligible child, the LEA or school would continue to receive Title I-A funds under the state option. Under current law, it is possible for an LEA to meet the eligibility requirements for a specific Title I-A grant one year and then not meet the requirements the next year, creating some uncertainty from year-to-year. Schools may also meet the requirements for receiving Title I-A funding one year but not the next. In this instance, an LEA has the discretion to provide Title I-A funding to the school for one additional fiscal year.

As there are no provisions to indicate that ED should do differently, presumably it would continue to calculate grants as it does under current law and not take into account the actual grant amounts received by LEAs. Under current law, ED uses the prior-year grant amount it calculated to determine the current-year grants without taking into account adjustments to the grant amount made by the states.

---

(...continued)

families, however, account for about 97% of the total formula child count.

<sup>21</sup> This is an approximately 111.14% increase from their grant under current law.

## Appendix. Estimated FY2015 Title I-A Grants to the Largest LEAs Based on the Number or Percentage of Formula Children

**Table A-1. Estimated FY2015 Title I-A Grants to the Largest Local Educational Agencies Based on Number of Formula Children: Current Law and State Option**

In thousands of dollars

State	LEA Code	LEA Name	Formula Children Ages 5-17	Percentage of Formula Children Ages 5-17	Estimated FY2015 Title I-A Grants Under Current Law	Estimated FY2015 Title I-A Grants Under State Option	Difference Between State Option and Current Law	Percentage Difference
CA	622710	Los Angeles Unified School District	242,378	33.28%	\$343,621	\$264,887	-\$78,734	-22.91%
IL	1709930	Chicago Public School District 299	139,950	33.32%	\$279,744	\$214,241	-\$65,503	-23.42%
NY	3682047	Kings County	139,114	33.77%	\$263,006	\$224,592	-\$38,415	-14.61%
NY	3682024	Bronx County	109,593	42.68%	\$207,460	\$175,569	-\$31,891	-15.37%
FL	1200390	Dade County School District	102,630	26.28%	\$126,336	\$115,409	-\$10,927	-8.65%
PA	4218990	Philadelphia City School District	81,277	34.49%	\$169,568	\$123,520	-\$46,048	-27.16%
TX	4823640	Houston Independent School District	80,876	34.11%	\$105,485	\$87,568	-\$17,918	-16.99%
NV	3200060	Clark County School District	78,786	22.12%	\$93,059	\$90,002	-\$3,057	-3.29%
NY	3682081	Queens County	73,276	22.43%	\$133,381	\$117,367	-\$16,015	-12.01%
TX	4816230	Dallas Independent School District	71,649	37.78%	\$92,471	\$77,664	-\$14,807	-16.01%
MI	2612000	Detroit City School District	66,460	51.70%	\$139,667	\$92,517	-\$47,150	-33.76%
TN	4700148	Shelby County School District	56,233	32.54%	\$69,531	\$59,658	-\$9,873	-14.20%

State	LEA Code	LEA Name	Formula Children Ages 5-17	Percentage of Formula Children Ages 5-17	Estimated FY2015 Title I-A Grants Under Current Law	Estimated FY2015 Title I-A Grants Under State Option	Difference Between State Option and Current Law	Percentage Difference
FL	1200180	Broward County School District	52,711	18.00%	\$62,206	\$58,825	-\$3,382	-5.44%
FL	1201440	Orange County School District	50,107	24.70%	\$58,861	\$56,542	-\$2,319	-3.94%
FL	1200870	Hillsborough County School District	49,851	22.86%	\$58,532	\$55,590	-\$2,942	-5.03%
WI	5509600	Milwaukee School District	45,464	40.84%	\$75,073	\$59,020	-\$16,052	-21.38%
NY	3682061	New York County	44,419	28.78%	\$76,734	\$71,421	-\$5,313	-6.92%
FL	1201500	Palm Beach County School District	42,704	21.39%	\$49,350	\$47,976	-\$1,374	-2.78%
CA	614550	Fresno Unified School District	40,390	50.91%	\$50,574	\$45,211	-\$5,364	-10.61%
NC	3702970	Charlotte-Mecklenburg Schools	34,621	19.79%	\$40,680	\$37,006	-\$3,674	-9.03%
CA	634320	San Diego City Unified School District	32,803	23.54%	\$39,989	\$36,365	-\$3,624	-9.06%
GA	1302550	Gwinnett County School District	32,783	18.38%	\$39,090	\$36,423	-\$2,667	-6.82%
FL	1200480	Duval County School District	32,120	22.41%	\$36,157	\$36,045	-\$113	-0.31%
GA	1301740	DeKalb County School District	31,809	28.93%	\$38,216	\$35,161	-\$3,055	-7.99%
OH	3904378	Cleveland Municipal School District	30,624	46.93%	\$51,960	\$41,568	-\$10,392	-20.00%

**Source:** Table prepared by CRS, February 4, 2015, based on unpublished data available from the U.S. Department of Education (ED), Budget Service. FY2015 estimated grants under current law were calculated by ED. All other estimated grants were calculated by CRS. Small Area Income and Poverty Estimates (SAIPE) data are available from the U.S. Census Bureau.

**Notes:** Estimated grants could not be calculated as specified by the state option due to a lack of available data on the actual number of children enrolled in each LEA living in families with income below 100% of the poverty level. Rather, SAIPE data were used. Details may not add to totals due to rounding.

**Notice: These are estimated grants only. These estimates are provided solely to assist in comparisons of the relative impact of alternative formulas and funding levels in the legislative process. They are not intended to predict specific amounts LEAs will receive. In addition to other limitations, data needed to calculate final grants may not yet be available.**

**Table A-2. Estimated FY2015 Title I-A Grants to the Largest Local Educational Agencies Based on Percentage of Formula Children: Current Law and State Option**

In thousands of dollars

State	LEA Code	LEA Name	Formula Children Ages 5-17	Percentage of Formula Children Ages 5-17	Estimated FY2015 Title I-A Grants Under Current Law	Estimated FY2015 Title I-A Grants Under State Option	Difference Between State Option and Current Law	Percentage Difference
NM	3502730	Wagon Mound Public Schools	59	81.94%	\$106	\$64	-\$41	-38.92%
MT	3002820	Basin Elementary School District	18	78.26%	\$42	\$23	-\$19	-44.08%
TX	4842390	Terlingua Common School District	99	77.34%	\$135	\$107	-\$28	-20.44%
NY	3604758	Kiryas Joel Village Union Free School District	5,255	70.58%	\$9,854	\$8,658	-\$1,196	-12.14%
MS	2800780	Shaw School District	366	63.43%	\$534	\$404	-\$130	-24.34%
MT	3011340	Fortine Elementary School District	39	62.90%	\$85	\$56	-\$29	-34.23%
MS	2802040	Humphreys County School District	1,105	62.89%	\$1,506	\$1,209	-\$298	-19.76%
MS	2801360	Durant Public School District	316	62.45%	\$401	\$349	-\$52	-13.05%
CA	611760	Earlimart Elementary School District	1,314	62.42%	\$2,011	\$1,471	-\$540	-26.86%
TX	4844910	Wellman-Union Consolidated Independent School District	76	62.30%	\$99	\$81	-\$18	-18.42%
MT	3015360	Judith Gap Elementary School District	18	62.07%	\$49	\$26	-\$23	-46.54%

State	LEA Code	LEA Name	Formula Children Ages 5-17	Percentage of Formula Children Ages 5-17	Estimated FY2015 Title I-A Grants Under Current Law	Estimated FY2015 Title I-A Grants Under State Option	Difference Between State Option and Current Law	Percentage Difference
MI	2617520	Hamtramck Public Schools	2,806	61.97%	\$4,808	\$3,920	-\$888	-18.47%
IL	1708070	Cairo Community Unit School District I	340	61.82%	\$677	\$523	-\$154	-22.79%
AZ	401050	Balsz Elementary District	2,263	61.38%	\$2,908	\$2,467	-\$441	-15.17%
MS	2800720	North Bolivar School District	437	61.29%	\$723	\$483	-\$241	-33.30%
AL	101200	Demopolis City School District	767	60.92%	\$1,027	\$822	-\$205	-19.96%
MI	2607470	Burt Township School District	20	60.61%	\$31	\$28	-\$3	-10.42%
MS	2800690	Benoit School District	167	60.29%	\$252	\$184	-\$68	-27.13%
NE	3119560	Umonhon Nation Public Schools	258	60.14%	\$489	\$328	-\$160	-32.77%
AZ	400870	Ash Creek Elementary District	30	60.00%	\$42	\$33	-\$10	-22.78%
TX	4826850	Lasara Independent School District	186	60.00%	\$246	\$204	-\$42	-17.14%
MS	2801980	Holmes County School District	1,844	59.89%	\$2,753	\$2,033	-\$720	-26.16%
IL	1723640	Brooklyn Community Unit School District 188	85	59.86%	\$198	\$129	-\$70	-35.08%
AZ	406300	Phoenix Elementary District	4,147	59.84%	\$8,068	\$4,500	-\$3,568	-44.23%
CA	643170	Woodville Elementary School District	308	59.81%	\$415	\$346	-\$69	-16.59%

**Source:** Table prepared by CRS, February 4, 2015, based on unpublished data available from the U.S. Department of Education (ED), Budget Service. FY2015 estimated grants under current law were calculated by ED. All other estimated grants were calculated by CRS. Small Area Income and Poverty Estimates (SAIPE) data are available from the U.S. Census Bureau.

**Notes:** Estimated grants could not be calculated as specified by the state option due to a lack of available data on the actual number of children enrolled in each LEA living in families with income below 100% of the poverty level. Rather, SAIPE data were used. Details may not add to totals due to rounding.

**Notice: These are estimated grants only. These estimates are provided solely to assist in comparisons of the relative impact of alternative formulas and funding levels in the legislative process. They are not intended to predict specific amounts LEAs will receive. In addition to other limitations, data needed to calculate final grants may not yet be available.**

## **Author Contact Information**

(name redacted)  
Specialist in Education Policy  
/redacted/@crs.loc.gov, 7-....

## **Acknowledgments**

(name redacted) and Liz Crowe, Research Assistants at CRS, also contributed to this report.



# EveryCRSReport.com

The Congressional Research Service (CRS) is a federal legislative branch agency, housed inside the Library of Congress, charged with providing the United States Congress non-partisan advice on issues that may come before Congress.

EveryCRSReport.com republishes CRS reports that are available to all Congressional staff. The reports are not classified, and Members of Congress routinely make individual reports available to the public.

Prior to our republication, we redacted names, phone numbers and email addresses of analysts who produced the reports. We also added this page to the report. We have not intentionally made any other changes to any report published on EveryCRSReport.com.

CRS reports, as a work of the United States government, are not subject to copyright protection in the United States. Any CRS report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS report may include copyrighted images or material from a third party, you may need to obtain permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

Information in a CRS report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to members of Congress in connection with CRS' institutional role.

EveryCRSReport.com is not a government website and is not affiliated with CRS. We do not claim copyright on any CRS report we have republished.