

# **Issues in the Allocation of ESEA Title I Funds to Charter Schools**

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## Glossary

**LEA** – Local educational agency, often referred to as a school district, although that is only one of several varieties of LEAs

**Charter School LEA** – A charter school that is treated as a separate LEA under state law

**Traditional LEA** – A non-charter, geographically-based LEA (for example, the Los Angeles Unified School District)

**Special LEA** – A term used in the ESEA statute and regulations to refer to charter school LEAs and certain other non-traditional LEAs, such as those providing vocational/technical education to students residing in traditional LEAs.

**SEA** – State educational agency

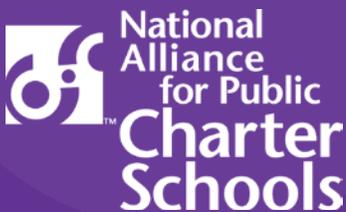
**ESEA** – Elementary and Secondary Education Act

**No Child Left Behind Act** – The most recent legislation authorizing and amending the ESEA

**Title I Formula Children** – The children counted for allocation of ESEA Title I, Part A, grants to states and LEAs. Almost all of these are children aged 5-17 in poor families, as estimated by the Bureau of the Census.

**Formula Child Percentage** – Title I formula children as a percentage of the total 5-17 year old population. Since almost all of the formula children consist of children in poor families, this is often referred to as the school-age child poverty rate.

**FRPL Children** – Children eligible to receive free or reduced-price school meals under the child nutrition programs of the U.S. Department of Agriculture.



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## Introduction

Title I, Part A, of the Elementary and Secondary Education Act (ESEA)<sup>1</sup> authorizes federal aid to school districts – referred to as local educational agencies (LEAs) under the ESEA – for the education of disadvantaged children. (See the glossary of selected terms on the following page.) Title I grants provide supplementary educational and related services to low-achieving and other pupils attending pre-kindergarten through grade 12 schools with relatively high concentrations of pupils from low-income families. In recent decades, it has also become a vehicle to which a number of requirements affecting broad aspects of public K-12 education for all pupils have been attached as conditions for receiving Title I grants. These include the numerous requirements for assessments and school accountability determinations, plus teacher quality standards, as provided under the No Child Left Behind Act (NCLB), as well as alternatives to these policies in states granted NCLB waivers by the U.S. Secretary of Education.<sup>2</sup>

Title I is the largest federal elementary and secondary education assistance program, with services provided to: (1) more than 90% of all LEAs; (2) approximately 54% of all public schools; and (3) approximately 46% of all public school pupils.<sup>3</sup> Almost three-fourths of all pupils served under Title I are in pre-kindergarten through grade 6, while only 9% of pupils served are in grades 10-12.<sup>4</sup>

The ESEA was initially adopted in 1965, and was most recently reauthorized and amended by the NCLB in 2001. The ESEA has been overdue for reauthorization since late 2008, but Congress has not yet been able to agree on legislation to extend and amend it. Although the authorization for ESEA Title I has technically expired, program funding continues to be provided, and the program continues to be implemented under the policies established by the most recent authorization statute, as modified through waivers granted by the current Secretary of Education, Arne Duncan.

The focus of this paper is on the formulas used to allocate Title I funds to charter schools that are treated under state law as separate LEAs. We begin with a brief overview of the formulas used to allocate Title I funds to states and to traditional, geographically-based LEAs (hereafter referred to simply as “traditional LEAs”). This is followed by a discussion of the current policies for adjusting those LEA allocations to provide funds for eligible charter schools treated as separate LEAs under state laws, or “charter school LEAs.” The paper concludes with a discussion of

a possible alternative policy for allocating Title I funds to charter school LEAs and a discussion of potential effects.

## Overview of the Formulas for Allocating ESEA Title I Funds to States and Traditional LEAs

For the allocation of funds to states and LEAs, ESEA Title I has four separate formulas: the Basic, Concentration, Targeted, and Education Finance Incentive Grant (EFIG) formulas. Once these funds reach LEAs, they are no longer treated separately; they are combined and used without distinction for the same program purposes.

A primary rationale for using four different formulas to allocate a share of the funds for a single program is that the formulas have distinct allocation patterns, providing varying shares of allocated funds to different types of localities (e.g., LEAs with high poverty rates, or states with comparatively equitable levels of spending per pupil among their LEAs). Some of the formulas contain elements—such as the equity and effort factors in the EFIG formula—that are deemed to have important incentive effects or to be significant symbolically in addition to their impact on allocation patterns.

Perhaps the primary explanation for why there are 4 different Title I allocation formulas is historical and political: the Targeted and EFIG formulas, in particular, were initially proposed as replacements for the Basic plus Concentration Grant formulas, not as add-ons. In other words, each of the Targeted and EFIG formulas was originally intended to be the Title I formula. But in subsequent legislative deliberations, both of these formulas were authorized to supplement, but not replace, the Basic and Concentration Grant formulas.

The discussion below describes the primary characteristics of the Title I allocation formulas. First, the general characteristics of all four formulas are introduced in very brief, narrative form. Second, selected characteristics of the four formulas are summarized in **Table 1**.

# General Characteristics of the Title I State and LEA Allocation Formulas

Under Title I, funds are allocated to LEAs via state educational agencies (SEAs). Annual appropriations legislation specifies portions of each year's appropriation to be allocated under each of four different formulas. Once funds reach LEAs, the amounts allocated under the four formulas are combined and used jointly. In fiscal year (FY)2014, 44.9% of Title I LEA grants were designated to be allocated as Basic Grants, 9.5% as Concentration Grants, 22.8% percent as Targeted Grants, and 22.8% as EFIG Grants. Over the last several years, the shares of funds allocated as Basic and Concentration Grants have declined, while the shares allocated as Targeted and EFIG Grants has increased (with equal amounts allocated under each of the latter two formulas).

Under three of the formulas—Basic, Concentration, and Targeted Grants—funds are calculated initially at the LEA level, and state total grants are the total of allocations for LEAs in the state, adjusted to apply state minimum grant provisions. Under the fourth formula, Education Finance Incentive Grants, allocations are first calculated for each state overall, with state totals subsequently suballocated by LEA using a different formula.

While there are numerous complications and special features associated with the Title I allocation formulas, there are several elements common to the four formulas:

1. Each of them has a population factor, which is the same in each of the four formulas. This factor comprises children aged 5-17:
  - (a) in poor families, as estimated annually by the Census Bureau's Small Area Income and Population Estimates (SAIPE) program, and based on the Census Bureau's standard poverty income thresholds (these constitute 97.3% of all formula children for FY2014);
  - (b) in certain institutions for neglected or delinquent children and youth or in certain foster homes (these constitute 2.7% of all formula children for FY2014); and
  - (c) in families receiving Temporary Assistance for Needy Families (TANF) payments above the poverty income level for a family of four (these constitute less than 0.1% of all formula children for FY2014).

2. Under each of these formulas, this population factor is multiplied by an expenditure factor, which is based on state average expenditures per pupil (AEPP) for public K-12 education, subject to minimum and maximum levels. For all except the EFIG formula, the minimum is 80% and the maximum is 120% of the national average. For the EFIG formula, the minimum and maximum are 85% and 115% of the national average. These amounts are further multiplied by a "federal share" of 40% to determine maximum authorized grants per formula child.
3. Each of the formulas has a hold-harmless provision—a minimum annual grant level for LEAs that is calculated as a percentage (85-95%, depending on the LEA's poverty rate ) of the previous year's grant under each formula.
4. The four Title I formulas include a state minimum grant level as well: in general, no state is to receive less than approximately 0.25% of allocated funds up to the FY2001 appropriation level (currently applies to Basic and Concentration Grants), and approximately 0.35% of funds above that level (applies to Targeted and Education Finance Incentive Grants).
5. Finally, each formula has a minimum eligibility threshold, which is a minimum number of poor and other formula children, and/or a minimum school-age child poverty rate, that an LEA must meet in order to be eligible for grants (even hold-harmless amounts) in most cases. The LEA minimum eligibility threshold varies by formula: it is 10 formula children and a school-age child poverty rate of 2% for Basic Grants, or 5% for the Targeted and EFIG formulas. For Concentration Grants, the LEA eligibility threshold is 6,500 formula children or a 15% school-age child poverty rate. With the partial exception of Concentration Grants, if a LEA does not meet the eligibility threshold, the hold-harmless provision does not apply.

The characteristics of the Title I allocation formulas are summarized in **Table 1**, on the following page.

**Table 1. Outline of Major Title I Allocation Formula Characteristics**

Formula Characteristic	Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants
Population factor (also referred to as “formula children”)	Children aged 5-17: (a) in poor families; (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	Same as Basic Grants	Same as Basic Grants	Same as Basic Grants
Population factor eligibility threshold for LEAs	10 or more formula children and a school-age child poverty rate of 2% or more	6,500 or more formula children or a 15% or higher school-age child poverty rate	10 or more formula children and a school-age child poverty rate of 5% or more	10 or more formula children and a school-age child poverty rate of 5% or more
Weighting of population factor	None	None	At all stages of the allocation process, 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 poor school-age children. The larger of these two weighted formula child counts is used to calculate grants for each LEA.	For allocation of funds within states only, 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 poor school-age children. The larger of these two weighted formula child counts is used to calculate grants for each LEA.
Expenditure factor	State average expenditures per pupil for public K-12 education, subject to a minimum of 80% and maximum of 120% of the national average, further multiplied by .40	Same as Basic Grants	Same as Basic Grants	Same as Basic Grants, except that the minimum is 85% and the maximum is 115% of the national average
Minimum state grant	Up to 0.25% of total state grants, subject to a series of caps	Same as Basic Grants	Up to 0.35% of total state grants, subject to a series of caps	Same as Targeted Grants
LEA hold harmless	85%-95% of the previous year grant, depending on the LEA’s school-age child poverty rate, applicable only to LEAs meeting the formula’s eligibility thresholds	Same as Basic Grants except that LEAs are eligible for the hold harmless for up to four years after they no longer meet the eligibility threshold	Same as Basic Grants	Same as Basic Grants
Stages in the grant calculation process	Grants are calculated at the LEA level, subject to state minimum provisions	Same as Basic Grants	Same as Basic Grants	Grants are first calculated for states overall, then state total grants are allocated to LEAs in a separate process
Additional formula factors	None	None	None	State effort and equity factors are applied in the calculation of state total grants

## LEAs Included in The Title I National Allocation Calculations

The Title I allocation calculations discussed above, that are conducted by the U.S. Department of Education (ED), do not include all entities that are considered to be LEAs under the laws of many states. The primary formula factor -- children aged 5-17 in poor families -- is estimated by the Census Bureau solely on the basis of places of residence. All of the estimated number of school-aged children residing within a geographic area are attributed to a single LEA, whether or not such children attend a public or private school, or no school at all, and whether or not the public school they attend is operated by a traditional, geographically-based LEA, a regional LEA providing certain types of education (e.g., vocational-technical education) to students in multiple traditional LEAs, or a charter school that is treated as a separate LEA under state law and enrolls students who reside within the boundaries of one or more traditional LEAs. *Thus, only traditional, geographically-based LEAs are included in the Census Bureau estimates of school-aged children in poor families.* As will be discussed further below, SEAs must adjust allocations calculated by ED on the basis of traditional LEAs to shift shares of those grants to eligible LEAs that are not included in ED's allocation procedures, including charter school LEAs.

## Targeting of Title I Grants on High-Poverty LEAs Under the Title I Allocation Formulas

In ED's calculation of grants for traditional, geographically-based LEAs, a primary issue regarding the Title I allocation formulas has been the extent to which funds are targeted on high-poverty LEAs. Over 90% of the nation's LEAs receive grants under ESEA Title I, largely because the eligibility thresholds for three of the four allocation formulas, as described above, are relatively low (2-5% of total school-age population). In general, virtually all LEAs receive Title I grants except those that have exceptionally low school-age poverty rates or have extremely few pupils. A few LEAs (including certain charter schools that are treated as separate LEAs under state law) may be eligible for relatively small Title I grants, but choose not to participate in the program, at least in part because the responsibilities accompanying participation are perceived to exceed the value of the prospective grants.

Under the two older Title I allocation formulas, Basic and Concentration Grants, among LEAs in the same state (thus controlling for the state expenditure factor and state minimum grant provisions), grants per child counted in the national allocation formulas are approximately the same<sup>6</sup> for all LEAs meeting minimum eligibility criteria (10 formula children *and* a 2% formula child percentage for Basic Grants, 6,500 formula children *or* a 15% formula child percentage for Concentration Grants). Thus, under these two formulas, within the same state, grants per formula child would be approximately the same for an LEA with a 15% formula child percentage or an LEA with a 75% formula child percentage.

In contrast, a key characteristic of the Targeted and EFIG Grant formulas, and the primary rationale for allocating all "new" Title I funds under these formulas beginning in FY2002, is that they provide continuously increasing grants *per formula child* as either the number or percentage of such children increases in a LEA. This pattern occurs because of the way that formula children are counted under the Targeted and EFIG Grant formulas. For Targeted Grants, at each stage of the allocation process, 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. This also occurs under EFIG Grants, but only when state total grants are allocated to LEAs within each state. **As a result, under both Targeted and EFIG Grants, the traditional LEAs that are included in the national allocation calculations receive continuously higher grants per child counted in the formula, the higher their poverty rate and/or number.**

For Targeted Grants, the weighting factors are applied in the same manner nationwide; formula children in LEAs with the highest *poverty rates* have a weight of up to 4.0, and those in LEAs with the highest numbers of such children have a weight of up to 3.0, compared to a weight of 1.0 for formula children in LEAs with the lowest poverty rates and numbers of such children. For *EFIG Grants*, the weights attached to each range on the number and percentage scales differ in different states, depending on the state's school finance *equity factor*, as used to determine state total EFIG Grants (the less equitable a state's school finance system, according to the measure in the Title I statute, the greater the degree of required targeting on high-poverty LEAs in allocating EFIG Grants within the state). Under both formulas, the higher of its two weighted child counts (the count determined on the basis of numbers versus the count determined based on

percentages) is used in the formula for calculating grants for each LEA.

There is a five-stage scale of sequential application of weights to the formula child counts, with the percentage-based weights rising faster and topping out at a higher level (maximum weight of 4.0 for Targeted Grants) than the numbers scale weights (maximum weight of 3.0). Superficially, these child weighting schemes would appear to favor LEAs with high poverty rates over those with high numbers of children from poor families, because the weights applied in ranges 2 through 5 of the percentage-based scales are generally higher than those of the equivalent number-based scales. Nevertheless, while these formulas do favor both LEAs with large numbers of formula children and high percentages of such children, they especially favor two types of large LEAs – those that are among the very largest central city LEAs in the nation (e.g., New York, Chicago, Los Angeles) and large urban or suburban LEAs with large numbers of formula children but relatively low poverty rates. The major reasons for this effect are:

*(a) a very large LEA will have a much larger proportion of its formula children weighted at the highest points in the numbers scale than will an LEA with a very high school-age child poverty rate on the percentage scale, and*

*(b) LEAs with moderately large numbers of formula children are treated at least as favorably as, and often much better than, LEAs with lower numbers of formula children but much higher school-age child poverty rates.*

These allocation patterns can best be illustrated by comparing the level of Targeted plus EFIG Grants per formula child for different types of LEAs in the same state (so that we can eliminate the effects of statewide differences in expenditure factors and state minimum grant provisions). First, we compare the FY 2014 Targeted plus EFIG Grants per formula child for some of the nation's largest central city LEAs with those for smaller LEAs having poverty rates that are among the highest in those states -- see **Table 2**.

**Table 2. Large Central City LEAs vs. Small, High-Poverty LEAs in the Same State**

LEA	State	Number of Poor and Other Formula Children, FY 2014	Poverty Rate, FY2014	Targeted + EFIG Grant Per Formula Child, FY 2014
Los Angeles	CA	254,834	33.8%	\$760
Sunnyside Union Elementary	CA	231	54.7%	\$663
Chicago	IL	140,379	32.9%	\$1,113
East St. Louis	IL	4,333	57.5%	\$964
Philadelphia	PA	90,475	37.5%	\$1,136
Clairton City	PA	425	47.0%	\$902

The comparisons in **Table 2** illustrate a general pattern in which the Targeted and EFIG Grant formulas favor very large cities over smaller LEAs having much higher school-age child poverty rates.

Next we compare county-wide LEAs with relatively large numbers of formula children but relatively low poverty rates with smaller LEAs in the same states having much higher poverty rates -- see **Table 3**.

**Table 3. Large County-Wide LEAs vs. Small, High-Poverty LEAs in the Same State**

LEA	State	Number of Poor and Other Formula Children, FY 2014	Poverty Rate, FY2014	Targeted + EFIG Grant Per Formula Child, FY 2014
Broward County	FL	45,127	15.4%	\$688
Gadsden County	FL	2,718	35.6%	\$494
Montgomery County	MD	12,167	7.3%	\$872
Somerset County	MD	927	27.6%	\$625
Fairfax County	VA	11,126	6.1%	\$818
Martinsville City	VA	774	33.2%	\$671

As seen in this table, the Targeted and EFIG Grant formulas provide higher amounts per formula child to relatively large LEAs, whatever their poverty rate (so long as the LEA meets the minimum eligibility percentage of a 5 percent poverty rate), than to smaller LEAs with poverty rates that may be many times as high.

## Suballocation of LEA Grants to Schools in Traditional LEAs

Unlike other federal elementary and secondary education programs, most Title I funds are allocated to individual schools, although LEAs retain substantial discretion to control the use of a significant share of Title I grants at a central district level. While there are several rules related to school selection, LEAs must generally rank their public schools by their percentage of pupils from low-income families, and serve them in rank order. LEAs may choose to consider only schools serving selected grade levels (e.g., only elementary schools) in determining eligibility for grants, so long as all public schools with 75% or more of pupils from low-income families receive grants. 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 35%, whichever of these two figures is *lower*.<sup>7</sup> 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, and this is the practice especially in many large, central city LEAs.<sup>8</sup>

Funds are allocated among participating schools in proportion to their number of pupils from low-income families, although grants to eligible schools per pupil 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 pupils (e.g., higher grants per child to a school where 75% of pupils are from low-income families than to a school where 45% of pupils are from low-income families).

In a large majority of cases, the data used to determine which pupils 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. 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. Thus, LEAs must use available proxies for low-income status. The Title I statute allows LEAs to use the following low-income measures: (a) eligibility for free and reduced-price school lunches; (b) eligibility for Temporary Assistance to Needy Families (TANF); (c) eligibility for Medicaid; or (d) Census poverty estimates (in the rare instances where relevant estimates are available).<sup>9</sup> According to the most recent relevant data, approximately 90% of LEAs receiving Title I funds use free/reduced-price school lunch (FRPL) data — sometimes alone, sometimes in combination with other authorized criteria — to select Title I schools and allocate funds among them.<sup>10</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.

### **Current Developments Regarding School Meals Data<sup>11</sup>**

As noted above, a large majority of traditional LEAs use data on the number of students eligible for free and/or reduced-price lunch (FRPL) as the sole or primary factor in suballocating Title I grants to individual schools. As will be explained below, SEAs also generally use FRPL data as the basis for estimating Title I formula child counts, and determining Title I grants, for charter school LEAs. Presently, we are in a period when major changes are occurring in the federal school meals programs that impact the nature and availability of these FRPL data that have played a major role in the administration of ESEA Title I.

The Healthy, Hunger-Free Kids Act of 2010 created a new option, known as the Community Eligibility Provision (CEP), for how schools can operate the National School Lunch and School Breakfast Programs of the U.S. Department of Agriculture. Under CEP, free meals are provided to *all* students at participating schools. Community eligibility was available in ten states plus the District of Columbia during the 2013-14 school year, and is available in all states beginning with the 2014-2015 school year.

A school, group of schools, or an entire LEA or school district may offer community eligibility if the number of children enrolled for free school meals without a paper application, referred to as “Identified Students,” is at least 40% of the total enrollment. Identified Students include those whose families participate in other federal programs such as the Supplemental Nutrition Assistance Program (SNAP), where their incomes have already been evaluated, and those who are identified by specified programs for homeless and migrant children. CEP is designed to provide access to school meals by students from low-income families and simplify administration of the school meal programs by eliminating the use of applications to collect family income information and the need to track children by eligibility category in the lunchroom.

*When LEAs and schools implement CEP, FRPL data are no longer collected, and LEAs must use (for Title I allocations and similar purposes) alternative methods for assessing the income level of students served by a school. In January 2014, ED published policy guidance on the intersections between*

CEP and Title I programs that provides a wide range of options for states and LEAs to implement CEP in eligible schools with minimal interference with Title I.<sup>12</sup> Options allowed under the ED guidance for determining the number of students from low-income families in schools participating in the CEP include using counts of Identified Students (either alone, or multiplied by 1.6 to approximate the number of children who would be approved for free and reduced-price lunches), counts of students from low-income families based on state or local income surveys, and Medicaid, TANF, Census (where available), or composite data authorized under the ESEA statute.<sup>13</sup>

### **Current Policy for Allocating Title I Grants to Charter School LEAs**

As noted above, the allocation calculations by ED do not, and at least currently cannot, take into account charter school LEAs, as well as LEAs that provide specialized services (such as vocational-technical education) to multiple traditional LEAs.<sup>14</sup> Thus, the grants as calculated by ED must be adjusted to provide funds to eligible LEAs in these categories, all of which are referred to as “special LEAs” in the policy guidance. Note that these adjustments apply only to charter schools that are treated under state law as separate LEAs. Charter schools that are not treated as separate LEAs under state law receive Title I grants in the same manner as other public schools within a traditional LEA.

#### **ESEA Statute and Regulations**

In the current ESEA statute, (P.L. 89-10, as amended by P.L. 107-110), the process for determining Title I grants specifically for charter schools is addressed in Title V, Part B, Section 5206. This section requires ED and SEAs to provide Title I (and other federal formula) grants in a timely manner to charter schools that are either new or expanding their enrollment. This applies both to charter schools that are, or are not, treated as separate LEAs under state law. These statutory provisions do not address the specific procedures by which Title I grants are to be determined for charter school LEAs.<sup>15</sup>

Within ESEA Title I itself, the only statutory language that addresses, albeit indirectly, the determination of grants for charter school LEAs is Section 1126, Special Allocation Procedures. This section provides for the allocation of Title I grants to LEAs in several special situations, including

those where two or more LEAs serve a geographic area, or where one LEA serves children who reside in another LEA. These situations include those of charter schools that are treated as LEAs under state law, although charter schools are not explicitly referred to in this section. Section 1126 simply provides that in these cases, SEAs may allocate Title I funds among the affected LEAs. Section 1126 does not specify the precise manner in which SEAs are to accomplish such reallocation.

Similarly, the ESEA Title I regulations, in 34 CFR 200.72, outline “Procedures for Adjusting Allocations Determined by the Secretary to Account for Eligible LEAs Not on the Census List.” Again, this would include charter school LEAs, although the regulation refers explicitly and specifically only to “new” LEAs. Regarding how grants to these LEAs are to be determined, the regulation is slightly more specific than the statute, providing that “[A]n SEA must determine the number of formula children and the number of children ages 5 to 17, inclusive, in that LEA...” and “must adjust the LEA allocations for eligible new LEAs based on the number of formula children...” While even this language is relatively unambiguous, there is enough of a logical linkage between this regulation and the policy guidance discussed below to argue that the policy guidance represents a logical interpretation of the regulation.

There is no other statutory or regulatory language that directly addresses how ED and the SEAs should determine Title I grants to charter school LEAs. Thus, the current ED policy guidance discussed below was developed through administrative and regulatory procedures, and is not directly or explicitly based on detailed text in the ESEA statute.

### **Policy Guidance**

ED’s policy guidance for the allocation adjustments may be found in the publication, “State Educational Agency Procedures For Adjusting Basic, Concentration, Targeted, And Education Finance Incentive Grant Allocations Determined By The U.S. Department Of Education.”<sup>16</sup> This publication describes **two different methods** for determining Title I grants to charter school and other special LEAs, one for states that are able to determine the sending LEAs in which charter school and other special LEA students reside, and a second policy to be used by states that do not have this information. Each of these policies will be discussed in turn.

### **A. Current Policy for States That Are Able to Determine the Sending LEAs in Which Charter School Students Reside**

Under both of the current methods for determining Title I grants to charter school LEAs, SEAs must estimate the number of Census poverty children who enroll in a charter school LEA or other special LEA. As with the process of suballocating grants to schools within traditional LEAs, this is done on the basis of free and reduced-price school lunch (FRPL) counts or other measures of low income authorized for school-level allocations (discussed above). The difference between the two methods for determining charter school LEA grants is that the first method is to be used when the SEA can identify the traditional, geographically-based LEA of residence for each such charter school student, while the second method is to be used when the state cannot determine charter school students’ LEA of residence.

Under the first method, each charter school or other special LEA is to report to the SEA its total enrollment as well as its enrollment of students from low-income families (using FRPL or other authorized measures of low income for school-level allocations), *and* identifies the traditional LEA in which each of these students resides. SEAs use the ratio of FRPL (or other authorized measure of low income) students to Census poverty children *in the specific LEA in which each charter school student from a low-income family resides* to estimate the number of Census poverty children for each charter school or other special LEA. For example, if there are 50 FRPL students enrolled in a charter school LEA who reside in a specific traditional LEA, and in that traditional LEA the ratio of FRPL to Census poverty children is 2.0-to-1.0, then it is calculated that 25 Census poverty children are enrolled in the charter school LEA, and the Census poverty count for the traditional LEA is reduced by that amount.

SEAs add to this Census poverty count for the charter school LEA the number of other children included in the national allocation formulas<sup>17</sup> to derive a total formula child count for each charter school LEA. For each such formula child, the charter school LEA receives an amount equal to the Title I grant per formula child associated with each sending LEA in which the child’s family resides, deducting an equivalent amount from the grant for the sending LEA. Another way of putting this is that each charter school LEA receives a share of the Title I grant from each sending LEA that is equal to the percentage that estimated Census poverty and other formula children enrolled in the charter school LEA represent of the total

number of such formula children residing in the sending LEA.

For example, assume that a traditional LEA of residence receives \$1,100 per child counted in the national allocation formulas for Title I, and that the ratio of FRPL students residing in that LEA to the number of children aged 5-17 in poor families estimated by the Census Bureau to reside within the LEA's geographic boundaries is 2.0-to-1.0. In this case, the SEA would transfer \$1,100 of the grant calculated for the sending LEA to a charter school LEA for each formula child (or \$550 for each FRPL student) who resides in the sending LEA and enrolls in the charter school LEA. The SEA would also transfer to the charter school LEA \$1,100 for each of any other children counted in the Title I formulas (foster, neglected, etc.) who reside in the sending LEA but are enrolled in the charter school LEA.

Under this first policy, charter LEA grants per formula child are not calculated through direct application of these formulas to them, but rather are *derivative from the grants per child calculated for specific "sending" LEAs*. Thus, charter school LEAs will receive varying amounts per formula child depending on the mix of traditional LEAs sending students to the charter school LEA. In a large metropolitan area with multiple charter school LEAs and traditional LEAs, the average Title I grant per formula child may vary

widely, depending on the proportions of students from low-income families from different sending LEAs. These variations in grants per child may also be influenced by hold-harmless effects in some of the sending LEAs, as well as some of the charter school LEAs.

A specific example might help to clarify this process. Assume the existence of a simplified, hypothetical metropolitan area with 3 traditional, geographically-based LEAs and 3 charter schools treated as separate LEAs under state law. Assume further that all of the K-12 students who reside within this metro area and attend public school are enrolled in one of these 6 LEAs. Assume that the 3 traditional LEAs in the Fairview and Fredonia LEAs have the same formula child percentage (20%), but Fairview has much larger numbers of formula and total children. Springfield has a much higher formula child percentage, but is much smaller than the other two LEAs. This metro area have the demographic characteristics shown in **Table 4**.

The Fairview and Fredonia LEAs have the same formula child percentage (20%), but Fairview has much larger numbers of formula and total children. Springfield has a much higher formula child percentage, but is much smaller than the other two LEAs.

**Table 4. Demographic Characteristics of Traditional LEAs in a Hypothetical Metro Area**

LEA Name	Total Children Aged 5-17 Residing Within the LEA	LEA Number of Children Aged 5-17 Counted in the Title I National Formulas	Title I Formula Child Percentage
Fairview	150,000	30,000	20%
Fredonia	50,000	10,000	20%
Springfield	10,000	4,000	40%

Assume further that for the 3 charter school LEAs, the percentages of students from low-income families (i.e., FRPL students) coming from each of the 3 traditional LEAs are as shown in **Table 5**, and that this information is available to the SEA.

**Table 5. Percentage Shares of FRPL Students Enrolled in Charter School LEAs Who Reside in Each of the Traditional LEAs in a Hypothetical Metro Area**

Charter School LEA	Fairview	Fredonia	Springfield	Total
Fine Arts	45%	45%	10%	100%
Prep Academy	80%	15%	5%	100%
Science Focus	5%	30%	65%	100%

**Table 6. Demographic Characteristics of Charter School LEAs in a Hypothetical Metro Area**

LEA	Total Enrollment	Number of Students Receiving Free or Reduced Price Meals	Low-Income Student Percentage	Total
Fine Arts	1,200	400	33%	100%
Prep Academy	600	300	50%	100%
Science Focus	300	200	67%	100%

Applying method A under current policy, the resulting Title I grants per child for the 3 charter school LEAs would be as shown in **Table 7**.

**Table 7. Title I Grants Per Child for the Charter School LEAs in a Hypothetical Metro Area**

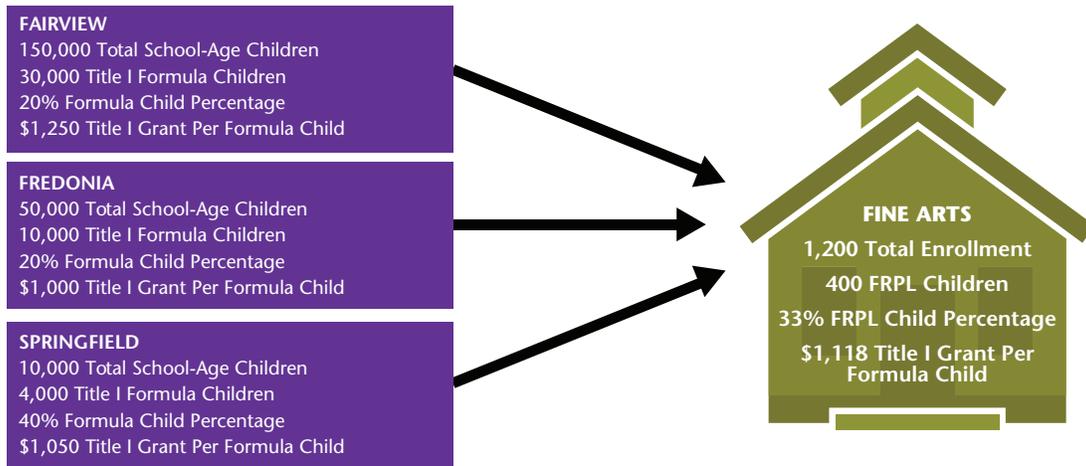
LEA	Title I Grant Per Child Counted in the National Allocation Formulas	Title I Per Child Receiving Free or Reduced-Price Meals
Fine Arts	\$1,118	\$559
Prep Academy	\$1,203	\$601
Science Focus	\$1,045	\$523

These allocation procedures and patterns are summarized in the following 3 figures, one for each of the 3 charter school LEAs. These figures focus on the flow of students, and related Title I grants per formula child, from the 3 traditional LEAs to each of the charter school LEAs. In these figures, the 3 traditional LEAs are shown on the left, along with their demographic characteristics and their Title I grants per formula child. On the right of each figure are the demographic characteristics and Title I grant per formula child for each of the charter school LEAs. The middle of each figure shows the percentage of students from low-income families in the charter school LEA who come from (i.e., reside in) the indicated charter school LEA.

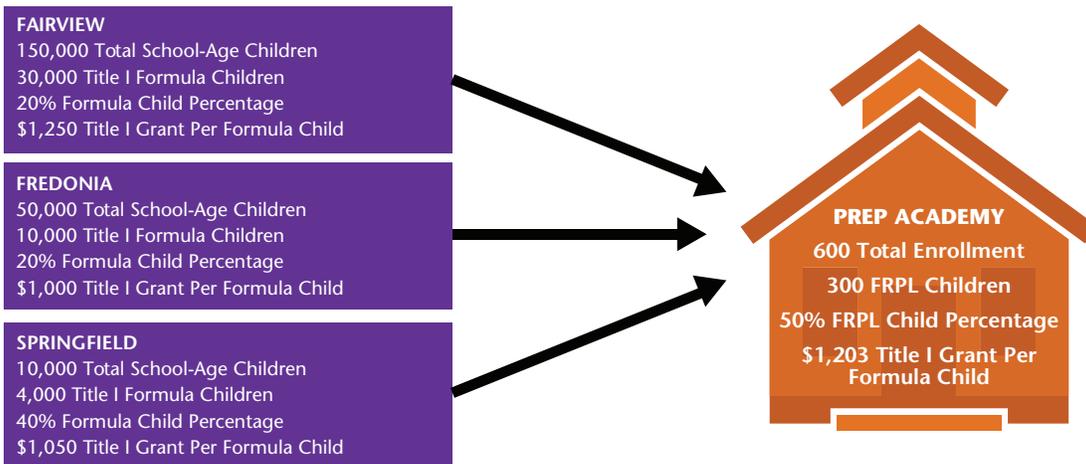
As outlined in the tables and figures above, the 3 charter school LEAs, as well as the 3 traditional LEAs, vary substantially in size and in their percentage of children from poor/low-income families. Among the traditional LEAs, Fairview is the largest, serving a geographic area with an estimated 150,000 children aged 5-17. Fairview's estimated number of children aged 5-17 in poor families is 30,000, or 20% of the total school-aged population. The Fredonia traditional LEA also has a school-aged child poverty rate of 20%, but is only one-third as large as Fairview. Finally, the Springfield traditional LEA is the smallest, with 10,000 school-aged children, but has the highest school-aged child poverty rate, at 40%.

All of the 3 charter school LEAs are much smaller than the traditional LEAs, yet they vary substantially in size and percentage of students from low-income families. The Fine Arts charter LEA has an enrollment of 1,200 students and has 400 FRPL students, for a low-income student percentage of 33%. The Prep Academy charter LEA is one-half as large, at 600 enrolled students, but has 300 FRPL students, for a low-income student percentage of 50%. And the Science Focus charter LEA has the smallest

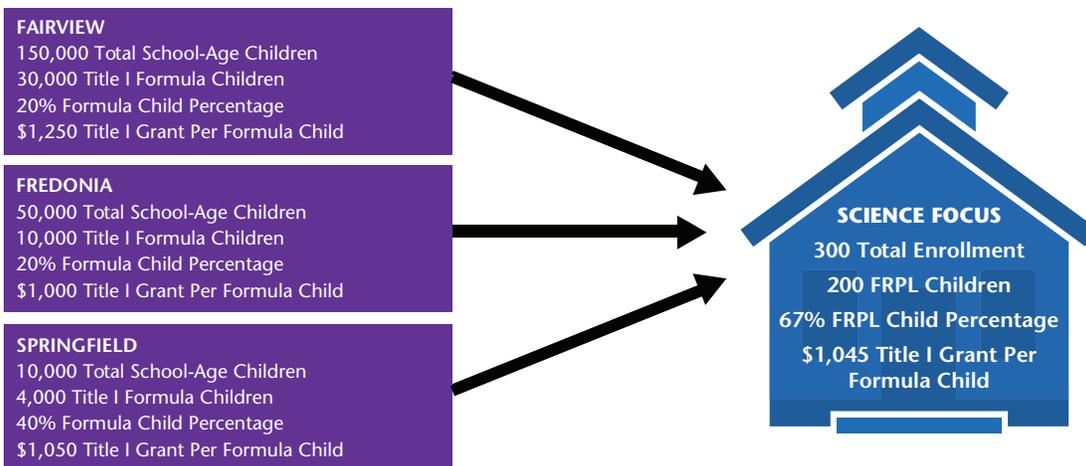
**Figure 1. Determination of the Title I Grant Per Formula Child for the Fine Arts Charter School LEA**



**Figure 2. Determination of the Title I Grant Per Formula Child for the Prep Academy Charter School LEA**



**Figure 3. Determination of the Title I Grant Per Formula Child for the Science Focus Charter School LEA**



enrollment, but the highest percentage of students from low-income families at 67% (300 students).

The Title I grants per formula child for traditional LEAs in our hypothetical example follow common current patterns. The highest grants per formula child (\$1,250) go to the Fairview LEA, as a result of its comparatively large number of formula children, even though its child poverty rate is one-half as high as that of Springfield. For the 2 smaller traditional LEAs, grants vary to a smaller degree, with \$1,050 for Springfield and \$1,000 for Fredonia. While this differential favors the LEA with the highest poverty rate (40% for Springfield versus 20% for Fredonia), it does so only to a relatively marginal degree, primarily because of Fredonia's larger number of formula children (10,000 versus 4,000).

If charter school LEAs were treated similarly to traditional LEAs in the Title I allocation process, similar patterns in grants per (estimated) formula child would occur for the 3 charter school LEAs, with higher grants per formula child going to LEAs with higher percentages and (especially) higher numbers of formula children. However, since charter LEA grants per formula child are not the result of direct application of the Title I allocation formulas (especially the Targeted and FIG Grant formulas), such patterns do not occur. Rather charter school LEA grants per formula child are reflective only of the mix of traditional, sending LEAs in which the charter school students reside. The SEA determines these grants on the basis of the number of FRPL students enrolled in the charter school LEAs, converting these to Title I formula students using the 2.0-to-1.0 ratio assumed in this example.

Thus, grants per formula child are highest (\$1,203) for the charter school LEA with a middling number and percentage of children from low-income families (Prep Academy), because it enrolls a large majority of its students (80%) from Fairview, the traditional LEA with the highest level of Title I grants per formula child. The lowest level of grants per formula child (\$1,045) goes to Science Focus, the charter school LEA with the highest percentage of students from low-income families (although also the lowest number of such students), primarily because 95% of its students come from the traditional LEAs with lower Title I grants per formula child (Fredonia and Springfield). Finally, a middling level of grants per formula child (\$1,118) goes to the Fine Arts charter school LEA, with its balanced mix of enrollment (45% from each) from higher (Fairview) and lower (Fredonia) grant traditional LEAs.<sup>18</sup>

Again, under the primary current policy for determining Title I grants to charter school LEAs, average grants per formula child are a function of the percentage and number of formula children in the traditional, sending LEAs, not of the charter school LEAs themselves.

## **B. Current Policy for States That Are Not Able to Determine the Sending LEAs in Which Charter School Students Reside**

ED's policy guidance provides for a somewhat different procedure for determining charter school LEA grants under Title I for states that do not have sufficient data to determine the LEA of residence for students in charter school LEAs. According to the policy guidance, this alternative method is only to be used "[I]f an SEA does not have the necessary information to track children transferring from sending LEAs to special LEAs..." (page 19).<sup>19</sup>

This policy also begins with charter school and other special LEAs reporting to the SEA their total enrollment and number of low-income students, using FRPL or other authorized data sources. These data are again used to estimate the number of formula children for each special LEA, but in this case using the *statewide average ratio* of Census poverty and other formula children to FRPL (or other low-income measure) students.

These formula child counts for each special LEA are summed to determine the share of all formula children in the state who attend charter school and other special LEAs. But in this case, the grants to *all* traditional LEAs in the state are reduced by this percentage, not just the specific LEAs in which charter school students reside, and each special LEA receives a grant based on the statewide average Title I grant per formula child.

Again under this second policy, charter school LEA grants per formula child are not calculated through direct application of the four national Title I formulas to them, but in this case they are *derivative from the grants per child calculated for the state as a whole*. Under this policy, grants per formula child do not generally vary among charter school or other special LEAs within the same state.<sup>20</sup>

As an example of how Method B of current policy would work in practice, consider the same metro area discussed above with respect to Method A. However, in this case, assume that the SEA cannot identify the traditional LEAs of residence for the 3 charter school LEAs. Assume that for the state as a whole, the ratio of FRPL to Title I formula

children is again 2.0-to-1.0, and that the statewide Title I grant per formula child is \$1,100. In this case, the Title I grants per child for the 3 charter school LEAs would be as shown in **Table 8**.

**Table 8. Title I Grants Per Child for the Charter School LEAs in a Hypothetical Metro Area**

LEA	Title I Grant Per Child Counted in the National Allocation Formulas	Title I Per Child Receiving Free or Reduced-Price Meals
Fine Arts	\$1,100	\$550
Prep Academy	\$1,100	\$550
Science Focus	\$1,100	\$550

As under the primary current policy for determining Title I grants to charter school LEAs, discussed above, the grants to the charter school LEAs do not reflect differences in the number or percentage of students from low-income families in those LEAs. However, in this case, they do not reflect the demographic characteristics of the specific traditional, sending LEAs either. Rather, each charter school LEA receives the same grant per formula child, based on the state average.

Under *either* of the current methods for determining Title I grants for charter schools treated under state law as separate LEAs, charter school grants per formula student may vary widely (under the first method) or not all (under the second method), but any variation will not display a direct or consistent relationship between grants per formula child and the number or percentage of such children enrolled in the charter school, as does occur through application of the Targeted and EFIG Grant formulas to traditional, geographically-based LEAs. The current process for determining Title I grants to charter school LEAs is derivative, based on the (estimated) formula children transferring from sending (traditional, geographically-based) LEAs to charter school LEAs, and the Title I grants per formula child calculated by ED for those sending LEAs.

Thus, the current general policy for Title I allocations overall, that Title I grants per formula child should steadily increase as the number or percentage of such children rises in an LEA, is not directly or consistently applied to

charter school LEAs. Charter school LEAs participate in this policy only in an indirect, inconsistent, derivative manner, through the varying levels of grants per formula child for sending LEAs in states applying the first policy for determining Title I grants for charter school LEAs. Further, in cases where all students enrolled in a group of charter school LEAs reside in the geographic area of the same (single) LEA, as occurs in some large cities, all of those charter school LEAs will receive the same Title I grant per formula child, regardless of the percentage or number of formula children attending those charter schools. At the same time, whether the “large LEA bias” of the Targeted and EFIG Grant formulas has a negative or positive impact on a particular charter school LEA is dependent on whether that LEA receives students primarily from large or small traditional LEAs. It is not automatically a negative factor for charter school LEAs, that are generally small compared to traditional LEAs, because the Targeted and EFIG Grant formulas are not being directly applied to them.

The appropriateness and fairness of the current policies for determining Title I grants to charter school LEAs may be subject to debate. The current policies are consistent with the (very limited) statutory and regulatory provisions on this topic, and they are relatively straightforward and place comparatively little administrative burden on the states. While they often result in substantial variations in average Title I grants per formula child among charter school LEAs, those variations are based on concentrations of poverty in the geographic areas in which charter school students reside. And while variations in charter school LEA grants per formula child reflect the “large LEA bias” of the Targeted and EFIG Grant formulas, whether the effect is negative or positive for charter school LEAs depends on the mix of traditional LEAs where their students reside. So, if the fairness of grant allocation is defined as: “grants are proportional to the number of formula children, and grants per formula child increase as the percentage or number of formula children residing in a geographic area increase,” then the current policies would appear to meet that standard.

The most clear negative characteristic of the current policies for allocating Title I funds to charter school LEAs is the lack of a direct or consistent relationship between charter school LEA numbers or percentages of formula children enrolled in the school and their average grants per formula child. Thus, if the fairness of grant allocation is defined alternatively as: “grants are proportional to the number of formula children, and grants per formula

child increase as the percentage or number of formula children enrolled in a charter school increase,” then the current policies would not appear to meet that standard. An alternative policy that would meet the latter standard is discussed in the next section of this memorandum/report/paper.

## A Possible Alternative Policy for Allocating Title I Funds to Charter School LEAs

An alternative approach to the current policy for determining Title I grants to charter school LEAs would be based on the current policy under which states may reallocate all of their grants, as calculated by ED, on behalf of the state’s LEAs serving geographic areas with fewer than 20,000 persons.<sup>21</sup> This option is available to all states, and is currently exercised by 7 states -- Alaska, Iowa, Kansas, Maine, Nebraska, North Dakota, and Oklahoma.<sup>22</sup>

The underlying rationale for this option is that Census estimates of school-age children in poor families are inherently less reliable or accurate for localities with small populations than for areas with large populations. Therefore, for as long as Title I grants have been allocated on the basis of LEAs,<sup>23</sup> SEAs have been offered the option of using alternative data on school-aged children in low-income families to reallocate the aggregate amounts calculated for small LEAs in the state by ED. The 20,000 person threshold for distinguishing between “large” and “small” LEAs was an arbitrary selection. In order to exercise this option, the alternatives to Census poverty estimates to be used by states must be approved by ED. The participating states have selected a variety of alternative population measures, including counts of children receiving free or reduced-price school meals, children in families receiving public assistance, or state revenue system data on children in poor families. Many states use a combination of Census poverty estimates and alternative data -- e.g., Census poverty estimates \* 0.5 plus children receiving free school meals \* 0.5.

This alternative policy is explicitly authorized in the ESEA statute, at Section 1124(a)(2)(B) with respect to Title I Basic Grants, Section 1124A(a)(4) with respect to Concentration Grants, and Section 1125(d) with respect to Targeted Grants.<sup>24</sup> There is no explicit statutory reference to this authority in Section 1125A with respect to Education Finance Incentive Grants, but current ED policy guidance

allows use of this option for that Title I formula as well, based on regulations found in 34 CFR 200.74.

The statutory language provides that states exercising this authority are to use “[A]n alternative method ... based on population data that the State educational agency determines best reflect the current distribution of children in poor families among the State’s small local educational agencies....” (ESEA Section 1124(a)(2)(B)(iv)) The regulations in 34 CFR 200.74, as well as the current policy guidance,<sup>25</sup> provide more specifically that in states exercising this option, SEAs must first determine each LEA’s number of formula children using approved alternative methods, and then must recalculate Basic, Concentration, Targeted, And EFIG Grants using the national allocation formulas in the Title I statute.

Thus, under this option, states do not simply calculate amounts to be transferred from some LEAs to other LEAs based on adjusted formula population data, as is the current policy for calculating grants to charter school and other special LEAs. Rather, states determine the alternative formula population counts for all affected LEAs, then re-run the 4 Title I formulas, “from scratch” for all of the “small” LEAs in the state.<sup>26</sup>

This method burdens SEAs with the responsibility of running the 4 Title I allocation formulas themselves, which is not a simple or easy task, although the participating states have volunteered to do this -- they are not required to do so.

Because the 4 Title I formulas are applied directly to all of each participating state’s “small” LEAs, the resulting grants reflect the full range of features of those formulas, particularly the provision of higher grants per formula child to LEAs with large percentages or (especially) large numbers of such children.

If this policy were to be applied to the allocation of Title I funds to charter school and other special LEAs, states could be required to first determine the shifts in formula populations among sending LEAs and charter LEAs statewide, then reallocate Title I grants among all of the sending and receiving LEAs in the state by directly recalculating grants using the 4 Title I formulas. As is now the case with states exercising the “small” LEA option, this would add a degree of administrative complication and burden. And in this case, affected states would be required to do this, rather than simply being offered the option to do so as is the case with the current “small” LEA reallocation provision. While this concern could be

ameliorated by also making the alternative policy for allocating Title I grants to charter school and other special LEAs an option as well, it is unclear how many states would choose to exercise such an option, and whether that would be appropriate. It could be argued that a policy requiring reallocation among each state's charter school and sending LEAs should be mandatory in order to apply the general Title I policy of increasing grants to LEAs with higher percentages or numbers of formula children to charter school LEAs, while the "small" LEA reallocation provision should remain optional because states appear to have made differing judgments as to the equity of the national allocation formulas for "small" LEAs.

At the same time, this approach would have the advantage of treating each charter school LEA truly as if it were the equivalent of a traditional LEA, fully taking into account the number and percentage of formula children in the charter school LEA, and allocating funds to them as provided under the 4 formulas. As a result, there would be a much more consistent relationship between Title I grants per formula child and the number and percentage of formula children in each charter school LEA (i.e., steadily increasing grants per formula child as the number and percentage of formula children increase in the charter LEA).

This approach would presumably increase Title I funding for many charter schools serving substantial numbers or percentages of students from low-income families, although it would very likely reduce grants to at least some charter school LEAs that enroll substantial percentages of students from traditional LEAs that are favored under the current Targeted and EFIG Grant formula provisions. A second advantage is that it should result in a more direct and consistent relationship between the Title I grants per formula child in charter school LEAs and the number and percentage of formula children enrolled in those LEAs.

However, under the current statutory provisions, there would be a significant disadvantage for charter school LEAs in general. As long as the current formulas for Targeted and EFIG Grants are unchanged, this alternative process would increase Title I grants to some of the highest-poverty charter school LEAs, but would almost undoubtedly reduce total Title I funds going to charter school LEAs, as they would generally be disadvantaged by the "large LEA bias" in the current Targeted and EFIG Grant formulas. Thus, for charter school LEAs as a whole, this alternative to current policy would be most advantageous only if accompanied by changes to the

Targeted and EFIG Grant formulas to reduce or even eliminate their current bias in favor of large LEAs.<sup>27</sup> Some possible amendments to reduce or eliminate the "large LEA bias" of the Targeted and EFIG Grant formulas are discussed in the final section of this paper, below.

## Options for Reauthorization Legislation

While a definitive legal analysis would be beyond the scope of this paper, given the very limited detail on this topic in the authorizing legislation, it is at least possible that the U.S. Department of Education would have sufficient authority under current law to change the policy for allocating Title I grants to charter school LEAs from the current one to one based on the policy for reallocating grants among the "small" LEAs in states that have been approved to exercise that option.<sup>28</sup> ED might be able to effect this change through changes in regulations and policy guidance, without the need to modify Title I's authorizing legislation. Another option might be to include the alternative allocation policy in annual appropriations legislation for ED, although that would take effect only on a year-by-year basis.

Nevertheless, ED would be most definitively motivated to adopt such a change in policy, if desired, through explicit and specific changes in the Title I statute. While this represents a high hurdle, given the inability of Congress to effectively consider ESEA reauthorization legislation since 2007, it is perhaps less of a concern than it might be because this policy change would be fully advantageous for charter school LEAs as a whole only if coupled with revisions to the Targeted and EFIG Grant allocation formulas, which could be accomplished only through amendments to the ESEA statute.

### **Possible ways to amend the Targeted and EFIG Grant formulas to reduce or eliminate their "large LEA bias" include the following:**

- 1. Completely eliminate the weighting factors based on numbers of formula children in both of these formulas.** This would be the simplest and most comprehensive approach, and the most beneficial to charter school LEAs overall, and very likely the most advantageous to a majority (but not all) individual charter school LEAs. Overall, the main disadvantage is that grants would be substantially reduced to a number of (non-charter school) LEAs with large numbers of formula children but child poverty rates that do not substantially

exceed the national average.<sup>29</sup> While the overall poverty rates of such LEAs are not especially high, they generally contain neighborhoods and other areas with high concentrations of poverty.

**2. Modify the specific weights associated with formula children at different levels of poverty concentration in the Targeted and EFIG Grant formulas so as to reduce (but not eliminate) the influence of formula child numbers, and increase the influence of formula child percentages, on the net weighted formula child counts used to calculate grants.** One example would be to reduce the weights applied to formula children at all steps of the numbers-based weighting scale by one-third or even one-half, while leaving the percentage-based weighting scale unchanged.<sup>30</sup> This more moderate change (compared to option 1) would reduce, but not eliminate, the effects of LEA size on average grants per formula child.

**3. Establish minimum formula child percentage(s) before numbers-based weights could be applied.** For example, it could be provided that the numbers-based formula child weighting scale could be applied only to LEAs where the formula child percentage was at least

15.0% or 20.0% (the current national average for LEAs is 21.6% for FY2014). The impact of this revision would be more marginal, mostly resulting in reductions for a limited number of large LEAs with lower-than-average formula child percentages, many of which are suburbs in large metropolitan areas, although a few large, central city LEAs might also be affected (see footnote 28).

Any of these changes would be beneficial to charter school LEAs under the alternative reallocation policy discussed above. In the aggregate, the gains for charter school LEAs would most likely be greatest under option 1, less under option 2, and least under option 3. If, on the other hand, current policies for allocating Title I grants to charter school LEAs were to be continued, then the adoption of changes to the Targeted and EFIG Grant formulas such as options 1-3 above would have mixed effects on charter school LEAs, depending on the characteristics of the specific traditional LEAs in which each charter school's students reside.

## About the Author

Wayne is an independent, non-partisan consultant on federal education policy. Between 1972 and 2009, Wayne served as an education policy analyst, specialist, and manager at the Congressional Research Service (CRS) of the Library of Congress. His areas of specialization include education for the disadvantaged, educational governance and intergovernmental relations, educational assessment and accountability, international and comparative education, and elementary and secondary education reform. His publications include a wide variety of CRS reports for the Congress, as well as articles, book chapters, etc., published by the American Education Finance Association, National Center for Education Statistics, and similar organizations. He was head of CRS' Education Section from 1979-1985 and of the Education and Labor Section from 2002-06. He began working on issues related to the Elementary and Secondary Education Act (ESEA) during consideration of the Education Amendments of 1974, and led CRS teams supporting reauthorization of the ESEA in 1977-78, 1981, 1987-88, 1993-94, 1999-2001, and 2007-09. Wayne has received a bachelor's degree in history from the University of Virginia, and a master's degree in economics from George Washington University

## Endnotes

<sup>1</sup> For simplicity, reference will be made to “Title I” rather than “Title I, Part A,” in the remainder of this paper.

<sup>2</sup> For information on NCLB waivers, see “Major Accountability Themes of Approved State Applications for NCLB Waivers,” by Wayne Riddle, Center for Education Policy, available at [www.cep-dc.org](http://www.cep-dc.org).

<sup>3</sup> U.S. Department of Education, “Justifications of Appropriations Estimates, FY2015,” p. B-35.

<sup>4</sup> U.S. Department of Education, “National Assessment of Title I,” 2007, Vol. I, p. 13.

<sup>5</sup> In this case, the poverty rate is the number of poor and other children counted in the Title I allocation formulas expressed as a percentage of the LEA’s total school-age population. The higher the poverty rate, the higher is the hold-harmless percentage

<sup>6</sup> The main source of variation here would be due to LEA hold harmless provisions, where applicable.

<sup>7</sup> This minimum percentage is reduced from 35% to 25% for schools participating in certain desegregation plans.

<sup>8</sup> There is an exemption from all of the Title I 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 here.

<sup>9</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>10</sup> U.S. Department of Education, “Study of Education Resources and Federal Funding: Final Report,” 2000, p. 33

<sup>11</sup> For more information on this topic, see “Implications of Community Eligibility for the Education of Disadvantaged Students Under Title I,” by Wayne Riddle, June 26, 2014, available at: <http://www.cbpp.org/cms/index.cfm?fa=view&id=4158>.

<sup>12</sup> See The Community Eligibility Provision and Selected Requirements Under Title I, Part A, of the Elementary and Secondary Education Act of 1965, as Amended, January 2014, <http://www2.ed.gov/programs/titleipart/legislation.html>.

<sup>13</sup> The ED guidance refers to Identified Students as “directly certified students.”

<sup>14</sup> SEAs must also adjust ED’s allocation figures for newly-created LEAs that are not yet in the Census database, or consolidations of LEAs. As discussed below, states may reallocate grants among their small (total population below 20,000 persons) LEAs. Finally, SEAs adjust ED’s allocation figures to deduct funds to be used for state administration of the Title I program, school improvement grants, and state academic achievement awards.

<sup>15</sup> Regulations related to this provision may be found at 34 CFR Part 76, Subpart H; and non-regulatory guidance related to these provisions may be found at: <http://www2.ed.gov/policy/elsec/guid/cschoools/cguidedec2000.pdf>.

<sup>16</sup> See [www2.ed.gov/programs/titleiparta/seaguidanceforadjustingallocations.doc](http://www2.ed.gov/programs/titleiparta/seaguidanceforadjustingallocations.doc), pages 3-24.

<sup>17</sup> Neglected, delinquent, and foster children, along with a small number of children in families receiving TANF payments in excess of the poverty income threshold for a family of 4.

<sup>18</sup> Given the assumption of a 2.0-to-1.0 FRPL-to-poor child ratio, grants per FRPL child in charter LEAs are exactly one-half of the grants per Title I formula child.

<sup>19</sup> Note: I have thus far been unable to determine which states apply this policy as opposed to the primary policy discussed earlier in this paper. My assumption is that few, if any, states are unable to determine the traditional LEAs in which students attending charter school LEAs reside, but I have been unable to obtain definitive information on this question.

<sup>20</sup> Under this policy, as well as the first one, Title I grants per formula child might vary among charter school LEAs due to the application of hold-harmless levels to the charter school LEAs.

<sup>21</sup> Other alternative policies for determining Title I allocations to charter school LEAs might be imagined, but would be highly impractical, as well as broadly disruptive of general allocation patterns. For example, it might be proposed that the primary formula population factor for Title I be changed from Census poverty to data on students from low-income families that are, or at least have been, almost universally available on the basis of school of enrollment rather than residential areas -- FRPL data. Theoretically, these data could be collected for all types of LEAs across the nation, and grants could be

calculated by ED on the basis of such data. However, in addition to issues such as data reliability and timeliness, FRPL data are rapidly becoming less universally available, as discussed earlier in this report. While broader implementation of the CEP program might eventually lead to an alternative to FRPL, that would be both comparable across the nation and very broadly available as a measure of the number of students from low-income families attending schools, no such alternative currently exists.

<sup>22</sup> See <http://www2.ed.gov/policy/elsec/guid/stateletters/index.html>

<sup>23</sup> Previous to FY1999, ED calculated Title I grants on the basis of population estimates for counties, and SEAs suballocated the county totals to LEAs, using formulas approved by ED.

<sup>24</sup> Both the Concentration Grant and Targeted Grant provisions refer back to Section 1124(a)(2).

<sup>25</sup> See [www2.ed.gov/programs/titleiparta/seaguidanceforadjustingallocations.doc](http://www2.ed.gov/programs/titleiparta/seaguidanceforadjustingallocations.doc), pages 25-31.

<sup>26</sup> There are certain simplifications in this process, compared to running these formulas for the nation as a whole. For example, formula factors that are the same for all LEAs in each state, such as the expenditure factors used in each of the 4 formulas, or the EFIG formula's equity and effort factors, do not have to be explicitly considered, since they would not vary among a single state's LEAs.

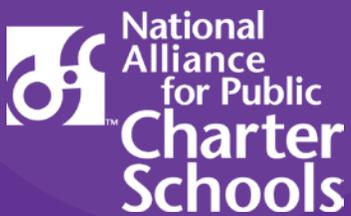
<sup>27</sup> Such formula revisions are promoted by the Formula Fairness Campaign of the Rural School and Community Trust (see [www.formulafairness.com](http://www.formulafairness.com)), the Children's Defense Fund (see "Title I Funding Revision Must Be a Priority for Real Education Reform" at [www.childrendefense.org](http://www.childrendefense.org)), and the Center for American Progress (see "Bitter Pill, Better Formula Toward a Single, Fair, and Equitable Formula for ESEA Title I, Part A" at [www.americanprogress.org](http://www.americanprogress.org)).

<sup>28</sup> Perhaps the biggest objection to this argument is that the policy for reallocating funds among the "small" LEAs of participating states is relatively clearly specified in the Title I statute, whereas there is no parallel statutory language with respect to charter school LEAs. Yeah, I think this would be the deal-killer.

<sup>29</sup> One central city example would be Seattle, Washington, that for FY2014 has 8,810 formula children and a formula child percentage of 14.8%, below the

national average for LEAs of 21.6%. Others would be large suburban LEAs such as Fairfax County, VA, or Montgomery County, MD.

<sup>30</sup> For example, the numbers-based formula child weights are now 1.0 for the first 691 formula children, 1.5 for numbers of formula children between 692 and 2,262, 2.0 for numbers of formula children between 2,263 and 7,851, 2.5 for numbers of formula children between 7,852 and 35,514, and 3.0 for numbers of formula children in excess of 35,514. If numbers-based weights were to be reduced by one-third, the resulting weights would be 0.67, 1.0, 1.33, 1.67, and 2.0, respectively.



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