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Bitter Pill, Better Formula

Toward a Single, Fair, and Equitable Formula for ESEA Title I, Part A

Raegen T. Miller and Cynthia G. Brown February 2010



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Foreword

The United States funds its schools unfairly. Schools with the highest concentrations of low-income students usually receive the least funds. Unlike other advanced countries, students with the greatest needs are not supported with the greatest amount of funding. The neediest students attend the most dilapidated and disorganized schools, often staffed with the least experienced and least effective teachers.

Not surprisingly, there are yawning achievement gaps between low-income students and their more advantaged peers. Money well spent can result in high-performing high-poverty schools, but there are extra costs associated with educating low-income students to high levels, and it is “fundamentally unfair to hold educators accountable for reaching uniform high standards when the monetary tools they are given are so unequal.”¹

One reason for our current situation is that the United States has the most decentralized system of public schooling of any industrialized country. The federal government decided to work to level the playing field with the passage of the Elementary and Secondary Education Act of 1965. Federal funds account for only about 9 percent of the national average of \$9,683 per pupil in current spending on public education, but this federal investment is significant.

The Center for American Progress proposes in the paper that follows a new funding formula for ESEA Title I, Part A, also known as Title I-A, the largest elementary and secondary program operated by the Department of Education. The program provides school districts serving concentrations of low-income students with funding with the aim of enhancing these students’ educational experience. The formula needs revision because there is much confusion about the four distinct formulas in current use. These formulas—the product of 40-plus years of political compromise—are poorly aligned with the clear purpose of Title I-A funds: “... to provide financial assistance to local education agencies serving areas with concentrations of children from low-income families to expand and improve their educational programs by various means ...”²

Educators, state elected officials, members of Congress, and advocates for disadvantaged students are increasingly raising concerns about the fairness of Title I-A funding. We found many misconceptions and conflicting views while talking to various advocates and experts

about how the Title I-A formulas work. Some officials and advocates are totally unaware of the adverse financial consequences for the school districts in their jurisdictions, and others completely wrong about perceived unfairness.

We decided the first step would be to explain how the Title I-A formulas actually operate to allocate federal tax dollars. Perhaps naively, we originally thought we could describe this in “plain English,” and have done our best in “Secret Recipes Revealed: Demystifying the Title I, Part A Funding Formulas,” which was released in August 2009. But as readers will immediately observe, the formulas are so complex that plain English barely suffices to pull back the curtain on systematic inequity across and within states.

The United States needs a new, single formula for Title I-A—one that is simpler, more transparent, and fairer. We describe our proposed formula and the rationale behind it in this paper. We examine percent changes between fiscal year 2009 allocations and projected allocations based on fiscal year 2010 level appropriations—by state and district—to understand the effects that our proposed formula would have. These percent changes translate directly to winners and losers under the proposed funding scheme. As we make clear in the paper, winning states are found throughout the country, but within those states, the very largest districts often stand to lose. Small districts—especially low-income ones—often stand to win in states whose aggregated allocation would fall under the proposed formula.

Several core propositions lie beneath the politics of winners and losers. We recognize that funding tied to poverty rates creates a disincentive for states to implement policies that reduce poverty and ameliorate its effects. Yet we think that compensatory funding meant to supplement state and local funding, like Title I-A, is necessary nonetheless. The reason is that the whole nation stands to lose if children born into poverty fail to get a quality education. Furthermore, it is necessary to have strong legislative and regulatory safeguards to ensure that federal funds do not supplant local and state investments in education and put in place a robust accountability system to stimulate strategic uses of Title I-A funds. These aspects of the Elementary and Secondary Education Act can and should be strengthened, but the job of this paper is to inform the debate about a simpler, fairer funding approach.

Decisions about the distribution of federal tax revenues are among the hardest that members of Congress must make. We respect and honor the political debate and compromises that go into formula decision making. We realize that our proposed formula will be subject to much scrutiny and many proposed adjustments. But we believe it is essential that what we hope will be a very public debate begins with a simple, transparent, and fair proposal—and one that is relatively easy to comprehend. We stand ready to help decision makers and advocates better understand the elements of our proposed formula and the framework for fair funding in which it is grounded.

— *Cynthia G. Brown and Raegen T. Miller*

Executive summary

Federal policymakers and education officials, aware of the potential ferocity of a “formula fight,” tread with care when it comes to revising the way Title I, Part A of the Elementary and Secondary Schools Act distributes funds. But the formulas driving Title I-A grants require a major overhaul because, in short, they favor wealthy states and enormous school districts. Many schools serving high concentrations of poor students are being shortchanged.

Previous efforts to improve the targeting of Title I-A funds to school districts serving children in concentrated poverty,³ the program’s intent, have quadrupled the number of formulas involved,⁴ yielding only marginal improvements.⁵ There are formidable political barriers to reform, but the sheer complexity of the formulas poses an additional barrier. It is easy for policymakers to overlook inequity when it is shrouded in the fog of four funding formulas.

A recent paper, “Secret Recipes Revealed,” demystified the formulas driving Title I-A grants,⁶ setting the stage for the three goals of this paper:

- To elaborate a framework shedding light on questions of fairness
- To propose a new, single formula to replace the current hodgepodge of Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Fund Grants
- To highlight major political obstacles to funding Title I-A more fairly

The framework for the proposed formula has three dimensions, each conceptually grounded in current policy but operationalized here in a refined way:

- The framework accounts for the cost of schooling by using the Comparable Wage Index, developed and maintained by the National Center for Education Statistics. This represents an improvement over the current use of state average per-pupil expenditures, which is biased in favor of wealthy states.
- Fiscal effort, the extent to which a state leverages its own resources to finance public education, is recognized by the current Title I-A funding scheme, albeit in an incomplete and slightly skewed way.⁷ A refined measure of fiscal effort in the proposed formula eliminates current bias against states with large households.

- The framework focuses on concentrations of children from low-income families, not on raw numbers of children in poverty, the source of inflated allocations to extremely large districts.

The proposed formula adopts the eligibility criteria of the most modern of the four Title I-A formulas. Eligible districts under these criteria must serve at least 10 poor children also representing at least 5 percent of all children served in the district. An authorized amount for each district equals the product of four factors:

- \$2,250, a somewhat arbitrary amount that puts the product in dollar terms and determines an authorized total
- A weighted count of qualifying children employing the concentration-based weighting scheme embraced by the current Targeted Grant formula
- A rescaled weighted cost factor based on state and local values on the Comparable Wage Index
- A fiscal effort factor using a refinement of the measure used by the current Education Finance Incentive Grant formula

Ratable reduction procedures, conceptually the same as halving a recipe, rescale authorized amounts based on actual appropriations, and inherited hold-harmless procedures are implemented to protect districts from precipitous drops in funding for reasons beyond their control. Similarly, a growth ceiling prevents districts' allocations from increasing at imprudently fast rates.

Substantial funding increases would moderate discomfort created by a switch to the proposed formula. The 2010 fiscal year appropriations for Title I-A provide no such increase. Under level funding with the proposed formula, sparsely populated states would see substantial drops in funding rates, and most western and southern states would see increases. Yet the largest districts within states would tend to lose more or gain less than their smaller counterparts. The proposed formula could be made more palatable to those standing to lose in a number of ways, but the proposed formula should serve to stimulate a lively debate and responsible exploration of a way to fund Title I-A more fairly.

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