CRS Report for Congress

Elementary and Secondary Education Act:
An Analytical Review of the Allocation Formulas

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Summary

The Elementary and Secondary Education Act (ESEA) contains 45 separately authorized programs, plus approximately 20 specified sub-programs. The largest of these programs distribute funds by formulas that prescribe how funds are to be allocated among state educational agencies (SEAs) or local educational agencies (LEAs) nationwide. They take the form of mathematical equations through which the U.S. Department of Education (ED), and in many cases also SEAs, calculate grant amounts for each potential grantee meeting statutory eligibility criteria. They almost always include one or more population factors and may also include state or LEA minimum grant provisions, eligibility thresholds, expenditure factors, fiscal accountability provisions, and reservations of funds for a variety of purposes.

The recipients of a majority of the funds under almost all ESEA formula grant programs are LEAs. Under most of these programs, grants are provided to LEAs via SEAs: that is, they are "state-administered formula grant" programs. Funds are allocated by ED directly to LEAs only under a limited number of ESEA programs. The most influential ESEA allocation formulas are those under the Title I-A program, both because this is the largest ESEA program and because there are five ESEA programs under which grants are made, in part or in full, in proportion to grants calculated under Title I, Part A. As a result, a majority of ESEA funds are allocated under formulas in which the primary population factor is school-age children in poor families, and state expenditure factors are applied.

The share of all public K-12 education revenues that is provided under ESEA programs varies substantially among the states, although ESEA funding constitutes only approximately one-tenth or less of total public K-12 education revenues in all cases except Puerto Rico. The average ESEA program grant per school-age child (poor and non-poor) increases as the state average poverty rate rises, with the third of states having the highest poverty rates receiving 1.4 times as much as low poverty states. At the same time, an opposite trend is found in average ESEA grants per school-age child in a poor family, with low poverty states receiving 1.3 times as much as states with the highest poverty rates.

Most ESEA allocation formulas include state or LEA minimum grant provisions. As a result, states with the smallest school-age population receive approximately 1.7 times as much as the remaining states per school-age child, and approximately 2.2 times as much per school-age child from a poor family.

This report will be updated if substantial changes are made in one or more ESEA program allocation formulas.

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Introduction

The primary source of federal aid to K-12 education is the Elementary and Secondary Education Act (ESEA), particularly its Title I, Part A program of Education for the Disadvantaged.[1] The ESEA was initially enacted in 1965 (P.L. 89-10) and was most recently amended and reauthorized by the No Child Left Behind Act of 2001 (NCLB, P.L. 107-110). ESEA programs are explicitly authorized through FY2007, although they were automatically extended for one additional year, through FY2008, when Congress did not act upon reauthorization legislation by December 31, 2005.[2] The 110th Congress has considered proposals to amend and extend the ESEA, although it appears likely that ESEA reauthorization will again be on the agenda of the 111th Congress.

The NCLB initiated a major expansion of federal influence on several aspects of public K-12 education, primarily with the aim of increasing the accountability of public school systems and individual public schools for improving achievement outcomes of all pupils, especially the disadvantaged. States that receive grants under ESEA Title I-A must implement in all public schools and school districts a variety of standards-based assessments in reading, math and science; make annual adequate yearly progress (AYP) determinations for each public school and local educational agency (LEA); and require virtually all public school teachers and aides to meet a variety of qualification requirements. State AYP policies must incorporate an ultimate goal of all public school pupils reaching a proficient or higher level of achievement in reading and mathematics by the end of the 2013-2014 school year. Further, states participating in ESEA Title I-A must enforce a series of increasingly substantial consequences for most of their schools and almost all school districts that fail to meet the AYP standards for two consecutive years or more.

Major ESEA programs other than Title I-A provide grants to support the education of migrant students; recruitment of and professional development for

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[1] Richard N. Apling, a retired Specialist in Education Policy, also contributed to this report.

[2] The General Education Provisions Act (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 USC 1226a)

teachers; language instruction for limited English proficient (LEP) students; school safety and drug abuse prevention programs; after-school instruction and care; expansion of charter schools and other forms of public school choice; education services for Indian, Native Hawaiian, and Alaska Native students; Impact Aid to compensate LEAs for taxes foregone due to certain federal activities; and a wide variety of innovative educational approaches or instruction to meet particular student needs.

The ESEA contains 45 separately authorized programs, plus approximately 20 specified sub-programs. The methods by which federal funds are provided to grantees under these programs fall into five general categories:

- programs under which federal funds are allocated by the U.S. Department of Education (ED) to states, as well as to all or most LEAs via one or more formulas specified in the ESEA (example: ESEA Title I, Part A, Education for the Disadvantaged);

- programs under which federal funds are allocated by ED to states via a statutory formula, while state educational agencies (SEAs) suballocate these funds either on a competitive or discretionary basis, or via a state-developed allocation formula consistent with general statutory guidance (example: ESEA Title IV, Part B, 21st Century Community Learning Centers);

- programs under which federal funds are allocated by ED directly to LEAs via formulas specified in the ESEA (example: ESEA Title VIII, Impact Aid);

- programs under which federal funds are allocated by ED to state and/or local grantees on a competitive or discretionary basis (example: ESEA Title V, Part D, Subpart 6, Gifted and Talented Students); and

- programs under which federal funds are allocated by ED to a single eligible grantee specified in the ESEA (example: ESEA Title II, Part C, Subpart 2, National Writing Project).

ESEA allocation formulas are mechanisms established through statute or other official policy documents that define how appropriated funds are to be allocated among SEAs or LEAs nationwide. They take the form of mathematical equations through which ED, and possibly also SEAs, calculate specific grant amounts for each potential grantee meeting statutory eligibility criteria. They almost always include one or more population factors, but typically include a number of additional factors.

This report discusses and analyzes the current allocation formulas for ESEA programs in the first three categories listed above. It provides the following:

(1) a description of general categories of factors used in the ESEA's allocation formulas;

(2) descriptions of each program's formula(s); and

(3) analyses of general patterns and issues related to these formulas.

Other CRS reports provide more detailed discussions and analyses of the allocation formulas of major individual ESEA programs.[3]

This report will be updated infrequently, when major changes occur in ESEA program allocation formulas.

General ESEA Formula Grant Characteristics

It is important to understand the vocabulary commonly applied to federal K-12 education allocation formulas. Therefore, an explanation of key terms precedes the discussion of the ESEA formulas.

- **Level of Recipient Entity and Level at Which Grants Are Calculated by ED.** Under most ESEA formula grant programs, grants are made to LEAs via the SEAs. If LEAs are the ultimate grantees in a state formula grant program, the ESEA program may provide for substate distribution of grants by SEA-administered competition, through a statutory substate allocation formula directing SEAs how to determine LEA grants or, less frequently, through a statutory LEA-level formula with grants calculated by ED itself but distributed to LEAs by SEAs (with limited options for SEAs to adjust the LEA grants as calculated by ED). Under a few ESEA formula grant programs, LEA grants are calculated *and* directly allocated by ED (e.g., Impact Aid).

- **Formula Factors.** Allocation formulas have one or more factors that target funds to SEAs, LEAs, or other entities to accomplish or facilitate some policy outcome. For example, a program aiming to serve children from poor families would have a formula based on estimated numbers of school-age (5-17 years) children in poor families. In a simple formula, each state would be allocated funds in proportion to the estimated number of such children living in that state: that is, a state's proportion is obtained by dividing its number of school-age children in poor families by the total number of such

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[3] See the following reports for more detailed descriptions of selected ESEA program allocation formulas: CRS Report RL33731, *Education for the Disadvantaged: Reauthorization Issues for ESEA Title I-A Under the No Child Left Behind Act*, by Wayne C. Riddle; CRS Report RL34119, *Impact Aid for Public K-12 Education: Reauthorization Under the Elementary and Secondary Education Act*, by Rebecca R. Skinner; CRS Report RL33804, *Rural Education and the Rural Education Achievement Program (REAP): Overview and Policy Issues*, by Jeffrey J. Kuenzi; and CRS Report RL34066, *English Language Acquisition Grants Under the No Child Left Behind Act: Analysis of State Grant Formula and Data Options*, by Rebecca R. Skinner.

children nationwide. For example, if 14% of all school-age children in poor families live in California, this simple formula would allocate 14% of all state grant funds to California. A formula can include more than one population factor, and it can weight the factors differently. For example, a formula could distribute 50% of funds based on total school-age population and 50% based on school-age children in poor families.

- **Population Factor.** The most common allocation formula factor is a population factor. Almost all federal K-12 education program allocation formulas include such a factor. The most common population factors are school-age children in poor families and total school-age children. In addition, several ESEA programs allocate funds on the basis of a population factor that is specifically related to the program's purpose, such as Indian pupils, migratory children, or children whose parents live or work on federal property. Usually, a population factor is direct, but sometimes it is indirect. For example, if a program allocates grants in proportion to grants made under ESEA Title I-A, this provision indirectly incorporates the Title I-A formulas' population factors (primarily school-age children in poor families).

- **Title I-A Grant Factor.** Many ESEA programs allocate some or all of their funds in proportion to grants made under the largest ESEA program — aid for the Education of the Disadvantaged under Title I, Part A. For example, grants under ESEA Title II, Part D, Education Technology, are made in proportion to Title I-A grants (subject to a higher state minimum grant provision than under Title I-A). Thus, grants calculated under Title I-A become an allocation factor for several other programs.

- **Eligibility Threshold.** Many ESEA programs require LEAs to meet population factor thresholds in order to be eligible to receive grants. For example, under the Title I-A Concentration Grant allocation formula, LEAs must meet either of two population factor eligibility thresholds: (1) 6,500 population factor children (mostly school-age children in poor families) or (2) a population factor child percentage (population factor children divided by total school-age population) of 15%, in order to receive grants.

- **Expenditure Factor.** Several ESEA program allocation formulas include an expenditure factor. These are based on state or (less frequently) LEA average per pupil expenditure for public K-12 education. Expenditure factors are intended to adjust for state or local differences in the costs of providing public K-12 education, although they are often criticized as reflecting differences in ability to pay for educational services as well. In most cases, floors and ceilings, based on percentages of the national average, are applied to this factor (e.g., a floor of 80% and a ceiling of 120% of the national average per pupil expenditure). Usually, an expenditure factor is

direct, but sometimes it is indirect. For example, if a program allocates grants in proportion to grants made under ESEA Title I-A (see above), this provision indirectly incorporates the Title I-A formulas' expenditure factors.

- **Hold Harmless.** Some formulas establish a minimum state or LEA grant equal to a specified percentage of the amount received in a previous year. Usually, this is the immediately preceding year, although sometimes it is a "base year" that may be several years in the past. The minimum percentage may be the full amount received in the previous year (i.e., 100%) or, more often, some lesser percentage (e.g., 85%). Raising a state or LEA to its hold harmless level almost always reduces grants to other states or LEAs that do not benefit from the hold harmless. Hold harmless amounts are only guaranteed if funds are sufficient to pay for them. If not, hold harmless amounts are ratably reduced (see below) to meet the level of the appropriation. Further, in almost all cases, hold harmless provisions only apply to grantees meeting program eligibility criteria for the current year, not necessarily every grantee that received a grant in the preceding year.[4]

- **Foundation Grant.** Under some ESEA programs, each state or LEA first receives a "foundation grant" amount, then additional appropriations, if any, are allocated on the basis of a population and possibly other formula factors. If funds are insufficient to pay the full foundation grant amount, then each grantee receives an equal proportion of its foundation grant. The foundation grant may be an equal amount per grantee (e.g., $3 million per state) or, more often, it is the amount received in a base year under one or more antecedent programs. The latter usually occurs when two or more programs are consolidated into one new program in a reauthorization of the ESEA.

- **Minimum State Grant.** In addition to hold harmless amounts (see above), which are always expressed in terms of a percentage of a previous year grant, several programs have a state minimum grant expressed primarily in terms of a percentage of all allocations to states or as a fixed dollar amount per state. Such minimum grant provisions are aimed at providing what advocates argue is a minimum 'viable' grant to all states. State minimums are set at a percentage of total state grants (typically 0.25%, 0.35%, or 0.5%). Occasionally, they are fixed dollar amounts (e.g., $500,000) or the

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[4] For example, the ESEA Title I-A Targeted Grant allocation formula has eligibility thresholds of 10 children counted in the Title I-A population factor (primarily school-age children in poor families) and a 5% population factor child rate. If an LEA should meet these criteria and receive a Targeted Grant in year 1 but fall below one of the thresholds in year 2, it would receive no funds in year 2, even though the Targeted Grant formula includes a LEA hold harmless of at least 85% of preceding year grants.

greater (or lesser) of a fixed amount or a percentage of the total. In some cases, one or more "caps" may be placed on these minimums (e.g., a state minimum might be 0.25% of total state grants, subject to a cap of 150% of the national average grant per population factor child multiplied by the state total number of such children). When applying the minimum, the money to increase grants to relatively low population states that would otherwise receive less than the minimum amount comes from all other states, which would see their initial grants ratably reduced.

- **Ratable Reduction or Ratable Increase.** This is the process of either reducing or increasing grants as initially calculated in order to adjust for the level of available appropriations or application of certain formula factors, such as a state minimum or LEA hold harmless. These reductions or increases are applied in proportion to initial grants (i.e., they are "ratable"). For example, raising certain states to minimum grant amounts requires that funds be redistributed from states with initial grants above the minimums. Ratable reduction reduces funds in proportion to their initial grants for states above minimum levels and redistributes these funds to states with initial grants below minimum levels. When ratable reduction occurs, all states (or LEAs) above the minimum have their initial grants reduced by the same percentage, resulting in different dollar amount changes. Similar processes of ratable reduction occur in the application of hold harmless provisions.

- **Fiscal Accountability Requirements.** Most ESEA programs include one or more of three types of fiscal accountability requirements. These are intended to assure that federal funds provide a net increase over state and local funds devoted to K-12 education. The two most common ESEA fiscal accountability requirements are (1) *maintenance of effort:* recipients must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is equal to at least some specified percentage (usually 90%) of the level in the second preceding year;[5] and (2) funds must be used so as to *supplement, and not supplant*, state and local funds that would otherwise be available for the same purpose as under the ESEA program in question. A third type of fiscal accountability requirement, *comparability,* applies only to Title I, Parts A, C, and D: services provided with state and local funds in schools participating in Title I-A must be comparable to those in non-Title I-A schools of the same LEA.

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[5] If a state fails to expend the requisite level of funds, the ESEA program is reduced according to the proportion by which the required level (90% of the preceding year) is missed.

- **Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs[6].** ESEA programs usually distribute funds by formula only to the 50 states, the District of Columbia, and Puerto Rico (the latter two entities are defined as 'states' for the purposes of program formulas). Other entities usually receive funds from amounts that are reserved from the total appropriation. These set-asides can include funds for the Outlying Areas (American Samoa, Guam, Commonwealth of the Northern Marianas, and the U.S. Virgin Islands), and funds provided to the Bureau of Indian Affairs (BIA) for services to certain Indian students. Typically, a total of 1% of program appropriations is reserved for these entities.

- **Other Reservations from Appropriations.** Under many programs, before remaining funds are allocated to states, a portion of appropriations is also reserved for such national activities as competitive grants, program evaluation, research, or technical assistance related to the overall program.[7]

- **Further Adjustments by SEAs of LEA Grants as Calculated by ED.** Many state grant formulas permit states to reserve a proportion of their total grant for state level activities. These activities include state administration of the program together with statewide services, such as technical assistance and program evaluation, aimed at assisting and improving the implementation of the program. Under Title I-A, states are required to reserve 4% of state grants (subject to certain limitations described later in this report) for school improvement activities. A typical total state set-aside might be 5% of the state grant, with no more than 1% of the grant (i.e., 20% of the set-aside)[8] for administration and 4% for other state activities.

The following **Tables 1-9** summarize the provisions of ESEA allocation formulas with respect to many of the formula factors or provisions discussed above.

As illustrated in **Table 1**, the recipients of a majority of the funds under almost all ESEA formula grant programs are LEAs. Under most of these programs, grants are provided to LEAs via SEAs: that is, they are "state-administered formula grant" programs. Funds are allocated by ED directly to LEAs only under a limited number of ESEA programs.

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[6] The ESEA statute refers to the Bureau of Indian Affairs (BIA). However, in practice, the BIA has been superseded by the Bureau of Indian Education (BIE).

[7] The ESEA includes, in Section 9601, a general authorization for the U.S. Secretary of Education to reserve up to 0.5% of appropriations under any ESEA programs, except those under Titles I and III, for program evaluations (if such a reservation is not separately and explicitly authorized). This authority is exercised on occasion.

[8] Some authorizing statutes specify that the administrative set-aside may be the larger of a dollar amount or a percentage of the grant. Such provisions aim to ensure that administrative funds for smaller states are "sufficient" to administer the program.

Within states, either (a) funds are allocated to LEAs under formulas that are specified in the ESEA, but are actually calculated by SEAs, or (b) funds are distributed on a competitive or discretionary basis within states. Title I-A is the only ESEA program under which funds are allocated via SEAs, but grants are calculated by ED at the LEA level. Even under Title I-A, SEAs make a number of authorized adjustments to initial LEA grants as calculated by ED.

Table 1. Level of Grantee and Level at Which Grants Are Calculated by ED Under ESEA Formula Grant Programs

Program	Primary Recipient of Grants			Level at Which Grants Are Calculated by ED	
	SEA	LEA via SEA	LEA Directly	SEA	LEA
Title I-A: Education for the Disadvantaged (all formulas)		X			X
Title I-A: School Improvement Grants		X		X	
Title I-B-1: Reading First		X		X	
Title I-B-3: Even Start		X		X	
Title I-C: Migrant Education		X		X	
Title I-D: Neglected or Delinquent		X		X	
Title II-A: Improving Teacher Quality		X		X	
Title II-B: Mathematics and Science Partnerships		X		X	
Title II-D: Education Technology		X		X	
Title III-A: English Language Acquisition		X		X	
Title IV-A: Safe and Drug-Free Schools and Communities		X		X	
Title IV-B: 21st Century Community Learning Centers		X		X	
Title V-A: Innovative Programs		X		X	
Title VI-A-1: State Assessment Grants	X			X	
Title VI-B-1: Small, Rural School Achievement			X		X

Program	Primary Recipient of Grants			Level at Which Grants Are Calculated by ED	
	SEA	LEA via SEA	LEA Directly	SEA	LEA
Title VI-B-2: Rural and Low-Income School Program		X		X	
Title VII-A-1: Indian Education			X		X
Title VIII: Impact Aid Basic Support Payments			X		X
Title VIII: Impact Aid Payments for Children With Disabilities			X		X
Title VIII: Impact Aid Construction			X		X

As indicated in **Table 2**, in terms of numbers of programs in each category (without regard to program size), ESEA formula grant programs fall relatively evenly into three groups: (a) programs where the primary population factor is school-age children in poor families (either directly or indirectly), (b) programs under which the primary population factor is a measure of total school-age population; and (c) programs with a primary population factor that is specifically related to the program's purpose (e.g., Indian children and youth for the Title VII-A-1 Indian Education program). The programs where school-age children in poor families are the indirect primary formula factor are those where all or part of funds are allocated in proportion to grants under ESEA Title I-A. Two programs, Improving Teacher Quality (Title II-A) and Safe and Drug-Free Schools and Communities (Title IV-A), have both (a) and (b) as primary population factors. In terms of funding, given the relative size of Title I-A, as well as the number of other programs with allocations linked to those under Title I-A, a majority of ESEA funds are allocated under programs where school-age children in poor families are the primary population factor.

Note that all ESEA formula grant programs are included in **Tables 1 and 2**, above. The remaining tables in this section include only the ESEA formula grant programs that are relevant to the specific topic of the table.

Table 2. Primary Population Factors

Program	Primary Population Factor			
	School-Age Children in Poor Families: Directly	School-Age Children in Poor Families: Indirectly	Total School-Age Population, Enrollment, or Attendance	Program Specific Population Group
Title I-A: Education for the Disadvantaged (all formulas)	X			
Title I-A: School Improvement Grants		X		
Title I-B-1: Reading First	X			
Title I-B-3: Even Start		X		
Title I-C: Migrant Education				X
Title I-D: Neglected or Delinquent				X
Title II-A: Improving Teacher Quality		X	X	
Title II-B: Mathematics and Science Partnerships	X			
Title II-D: Education Technology		X		
Title III-A: English Language Acquisition				X
Title IV-A: Safe and Drug-Free Schools and Communities		X	X	
Title IV-B: 21st Century Community Learning Centers		X		
Title V-A: Innovative Programs			X	
Title VI-A-1: State Assessment Grants			X	
Title VI-B-1: Small, Rural School Achievement			X	
Title VI-B-2: Rural and Low-Income School Program			X	
Title VII-A-1: Indian Education				X
Title VIII: Impact Aid Basic Support Payments				X
Title VIII: Impact Aid Payments for Children With Disabilities				X

Program	Primary Population Factor			
	School-Age Children in Poor Families: Directly	School-Age Children in Poor Families: Indirectly	Total School-Age Population, Enrollment, or Attendance	Program Specific Population Group
Title VIII: Impact Aid Construction				X

As listed in **Table 3**, there are five ESEA programs under which grants are made, in part or in full, on the basis of LEA grants calculated under Title I, Part A. Four of these programs base allocations on total Title I-A grants, whereas the fifth uses Title I-A Concentration Grants only. In calculating grants under such programs outside of Title I-A, the Title I-A LEA hold harmless provision is not to be applied to the Title I-A grants upon which allocations are based.

Table 3. Non-Title I, Part A Programs Under the ESEA Where Grants Are Made, At Least in Part, on the Basis of Title I-A Grants to LEAs

Program	Linkage to Title I-A Grants	
	Total Title I-A Grants	Title I-A Concentration Grants Only
Title I-A: School Improvement Grants	X[a]	
Title I-B-3: Even Start	X	
Title II-D: Education Technology	X	
Title IV-A: Safe and Drug-Free Schools and Communities		X
Title IV-B: 21st Century Community Learning Centers	X	

a. Title I-A School Improvement Grants are made to states in proportion to the total of grants under Title I, Parts A, C and D.

Only the ESEA formula grant programs listed below in **Table 4** include an expenditure factor, either directly or indirectly (i.e., as a result of allocating funds in proportion to grants under Title I-A). Under the Title I-A formulas (and by extension, the other formulas based on Title I-A grants), Title I-C, Title I-D, and the Title VII-A-1 Indian Education program, the expenditure factor is based on state average per pupil expenditure for public K-12 education, after applying a floor and ceiling (in the case of Indian Education, a floor only) on the basis of the national average per pupil expenditure. The Title VIII Impact Aid programs employ an expenditure factor (local contribution rate) that in most cases is either one-half of the

state average per pupil expenditure or one-half of the national average per pupil expenditure.

Table 4. ESEA Formulas With Expenditure Factors, Either Direct or Indirect

Program	Formulas With Expenditure Factors	
	Direct	Indirect
Title I-A: Education for the Disadvantaged (all formulas)	X	
Title I-A: School Improvement Grants		X
Title I-B-3: Even Start		X
Title I-C: Migrant Education	X	
Title I-D: Neglected or Delinquent	X	
Title II-D: Education Technology		X
Title IV-A: Safe and Drug-Free Schools and Communities		X
Title IV-B: 21st Century Community Learning Centers		X
Title VII-A-1: Indian Education	X	
Title VIII: Impact Aid Basic Support Payments	X	

ESEA formula grant programs that have minimum or hold harmless provisions at either the state or LEA level are listed in **Table 5**. State minimum grant provisions are applied to several programs; they range from up to 0.25% of total grants to states with respect to appropriations equal to or below the FY2001 funding level for Title I-A Basic and Concentration Grants, to 0.5% of the total amount available for state grants under several programs. In general, state minimum grant provisions (expressed as a percentage of total state grants) are more common than hold harmless provisions (expressed as a percentage of grants for a previous year) in the ESEA. Only the Title I-A formulas have LEA hold harmless provisions (minimum percentages of the previous year grant, if sufficient funds are available and eligibility thresholds are met where applicable), while only the Safe and Drug-Free Schools and Communities program has a state level hold harmless (which is not currently fully met).

Table 5. Minimum or Hold Harmless Grant Amounts for States and LEAs

Program	State Minimum and/or Hold Harmless	LEA Minimum and/or Hold Harmless
Title I-A: Education for the Disadvantaged: Basic and Concentration Grants	Up to[a] 0.25% of total grants equal to or below FY2001 level, up to 0.35% of grants above FY2001	85%, 90%, or 95% of previous year, depending on the LEA's formula child percentage
— Targeted and Education Finance Incentive Grants	Up to 0.35% of total grants	
Title I-A: School Improvement Grants	indirect	—
Title I-B-1: Reading First	0.25% of total grants	—
Title I-B-3: Even Start	Greater of $250,000 or 0.5% of total grants	—
Title II-A: Improving Teacher Quality	0.5% of total grants	—
Title II-B: Mathematics and Science Partnerships	0.5% of total grants	—
Title II-D: Education Technology	0.5% of total grants	—
Title III-A: English Language Acquisition	$500,000	—
Title IV-A: Safe and Drug-Free Schools and Communities	Greater of 0.5% or FY2001 amount	—
Title IV-B: 21st Century Community Learning Centers	0.5% of total grants	—
Title V-A: Innovative Programs	0.5% of total grants	—
Title VI-A-1: State Assessment Grants	[b]	—

a. In cases where the state minimum is "up to" some specified percentage of total state grants, the formula includes one or more "caps" (e.g., a ceiling of 150% of the national average grant per child counted in the allocation formula) that may prevent the smallest states from receiving the full minimum.
b. Although there is no state minimum, each state first receives a foundation grant of $3 million.

Several of the ESEA formula grant programs include provisions allowing SEAs to reserve a limited percentage of state total grants for administration, evaluation, and technical assistance. Maximum reservations for these specific activities range from approximately 1% for Title I-A to 5% under a number of other ESEA programs. As noted in **Table 6**, some programs have maximum reservation percentages above 5%, but these funds are to be used for a variety of activities in addition to administration, evaluation, and technical assistance, such as statewide competitive grant programs. Limits on the use of funds by LEAs for administration, evaluation, and technical assistance occur only with respect to four ESEA programs, with limits ranging from 2% to 5%.

Table 6. Maximum SEA and LEA Reservations for Administration, Evaluation, Technical Assistance

Program	Maximum Reservation for Administration, Evaluation, and Technical Assistance	
	SEA	LEA
Title I-A: Education for the Disadvantaged (all formulas)	1% or $400,000[a]	—
Title I-A: School Improvement Grants	5%	—
Title I-B-1: Reading First	20%[b]	3.5%
Title I-B-3: Even Start	6%[b]	—
Title I-C: Migrant Education	1% or $400,000[a]	—
Title I-D: Neglected or Delinquent	1% or $400,000[a]	—
Title II-A: Improving Teacher Quality	5%[b]	—
Title II-B: Mathematics and Science Partnerships	—	—
Title II-D: Education Technology	5%	5%
Title III-A: English Language Acquisition	5%	2%
Title IV-A: Safe and Drug-Free Schools and Communities	7%[c]	—
Title IV-B: 21st Century Community Learning Centers	5%	—
Title V-A: Innovative Programs	[d]	—
Title VI-B-2: Rural and Low-Income School Program	5%	—
Title VII-A-1: Indian Education	—	5%

a. For ESEA Title I, Parts A, C, and D, the maximum state administration reservation is up to 1% of total state allocations under these Parts, or $400,000 ($50,000 for Outlying Areas), whichever is greater, capped at the amount the state could reserve at a total funding level for these programs of $14 billion.

b. This is the maximum for all state-level activities.

c. Before this reservation, up to 20% of state total grants may be reserved by the governor for competitive grants. In addition, the 7% maximum applies to all SEA activities, and only 3% of state grants may be used for administration.

d. Of the total received by each state, at least 85% of the state's FY2002 grant, plus 100% of the excess over FY2002 (50% for states receiving the minimum grant), if any, must be allocated to LEAs. Remaining funds, if any, could be used for state-level activities, with a maximum of 15% of these used for administration.

As seen in **Table 7**, a large majority of ESEA formula grant programs provide for grants to be made to the Outlying Areas (American Samoa, Commonwealth of the Northern Mariana Islands, Guam, and the Virgin Islands). Some programs simply treat these areas the same as the 50 states, the District of Columbia, and Puerto Rico; others reserve a share of state grants (either 0.5% or 1%) for this purpose. A somewhat smaller majority of ESEA formula grant programs provide funds to the Bureau of Indian Affairs (BIA) for services to Indian pupils, either by treating the BIA the same as a state, or more often by reserving 0.5% or 1% of grants for this purpose.

Only a few ESEA formula grant programs *reserve* a share of formula grant funds for national programs or activities. National programs are much more often authorized under *separate* provisions of the statute (e.g., Safe and Drug-Free Schools and Communities national programs are authorized in ESEA Title IV, Part A, Subpart 2, whereas state formula grants are authorized under Subpart 1). Similarly, only a few programs authorize reservations from formula grant appropriations for evaluations and technical assistance. However, as with national programs, several ESEA formula grant programs contain separate authorizations for evaluations (e.g., evaluations for Title I-A are authorized in Title I-E). In addition, the ESEA contains a general authorization (in Title IX, Part F) for the Secretary of Education to reserve for program evaluation up to 0.5% of appropriations under any ESEA program, except those in Titles I and III (or any other ESEA program for which the reservation of funds by the Secretary for evaluation is explicitly provided).

Table 7. Reservations for Outlying Areas, Bureau of Indian Affairs, National Programs, and Evaluation and Technical Assistance

Program	Maximum National Reservations			
	Outlying Areas	Bureau of Indian Affairs	National Programs	Evaluation and Technical Assistance
Title I-A: Education for the Disadvantaged (all formulas)	1.0%[a]		—	—
Title I-A: School Improvement Grants	[b]	[b]	—	—
Title I-B-1: Reading First	0.5%	0.5%	Lesser of 2.5% or $25 million[c]	
Title I-B-3: Even Start	5% (if $200 million or less) or 6% (if above $200 million)			3%[d]
Title II-A: Improving Teacher Quality	0.5%	0.5%	—	—
Title II-B: Mathematics and Science Partnerships	[b]	—	—	0.5%
Title II-D: Education Technology	0.5%	0.75%	2%	

Program	Maximum National Reservations			
	Outlying Areas	Bureau of Indian Affairs	National Programs	Evaluation and Technical Assistance
Title III-A: English Language Acquisition	0.5%	[e]	6.5%	
Title IV-A: Safe and Drug-Free Schools and Communities	Greater of 1% or $4.75 million [b]	Greater of 1% or $4.75 million[f]	—	$2 million
Title IV-B: 21st Century Community Learning Centers		1%	1%	—
Title V-A: Innovative Programs	1%	—	—	—
Title VI-A-1: State Assessment Grants	0.5% [b]	0.5%	—	—
Title VI-B-1: Small, Rural School Achievement		—	—	—
Title VI-B-2: Rural and Low-Income School Program	0.5% [b]	0.5% [b]	—	—
Title VII-A-1: Indian Education	[b]	[b]	—	—

a. The statute authorizes the reservation of a *total* of 1% of Title I-A grants for the Outlying Areas plus the Bureau of Indian Affairs.
b. These entities are treated as states under this program.
c. In addition, if the appropriation exceeds the FY2003 amount, the lesser of $90 million or 10% of the increase over FY2003 is to be reserved for competitive awards.
d. In addition, the lesser of $2 million or 50% of the increase in appropriations over the previous year (if appropriations are higher than in the preceding year), and "only the amount necessary to continue multi-year [research] activities" otherwise, may be reserved for research. Further, if appropriations exceed those for the previous year, up to $1 million may be reserved for statewide literacy activities.
e. The greater of 0.5% or $5 million is to be reserved for grants to serve Native American and Alaska Native children, although not specifically through the BIA.
f. An additional 0.2% of Title IV-A funds is reserved for grants to serve Native Hawaiians.

As indicated in **Table 8**, most ESEA formula grant programs have both maintenance of effort and supplement, not supplant, provisions. A few programs have only one, but not both of these fiscal accountability provisions. Only Title I, Parts A, C, and D have comparability provisions (requirements that educational services funded from state and local sources be comparable in schools that do, and do not, participate in the program within the same LEA). **Table 8** depicts the types of fiscal accountability provisions that are in place; details about these provisions are included in the discussions of individual programs.

Table 8. Fiscal Accountability Requirements

Program	Fiscal Requirements		
	Maintenance of Effort	Supplement, Not Supplant	Comparability
Title I-A: Education for the Disadvantaged (all formulas)	X	X	X
Title I-A: School Improvement Grants	X	X	X
Title I-B-3: Even Start	X		
Title I-C: Migrant Education	X	X	X
Title I-D: Neglected or Delinquent	X	X	X
Title II-A: Improving Teacher Quality	X	X	
Title II-B: Mathematics and Science Partnerships		X	
Title II-D: Education Technology	**X**	**X**	
Title III-A: English Language Acquisition	**X**	**X**	
Title IV-A: Safe and Drug-Free Schools and Communities	X	X	
Title IV-B: 21st Century Community Learning Centers	X	X	
Title V-A: Innovative Programs	X	X	
Title VI-A-1: State Assessment Grants		X	
Title VI-B-1: Small, Rural School Achievement		X	
Title VI-B-2: Rural and Low-Income School Program	X	X	
Title VII-A-1: Indian Education	X		
Title VIII: Impact Aid Basic Support Payments	**X**		
Title VIII: Impact Aid Payments for Children With Disabilities	**X**		

As shown in **Table 9**, three current ESEA programs allocate grants on a competitive basis if annual appropriations are below a specified threshold level, then allocate funds to states by formula if appropriations meet or exceed this threshold. The threshold is $100 million for two of these programs and $250 million for the third. Only one of these programs, Mathematics and Science Partnerships, has met its threshold thus far.

Table 9. Funding Thresholds for Transition
From Competitive to Formula Grants

Program	Threshold for Transition From Competitive to Formula Grants	Has Threshold Been Met?
Title I-B-4: School Libraries	$100 million	no
Title I-H: Dropout Prevention	$250 million	no
Title II-B: Mathematics and Science Partnerships	$100 million	yes

Individual ESEA Program Formulas

Detailed descriptions of individual ESEA program allocation formulas are provided below. Programs are discussed in the order of their appearance in the ESEA.

Title I, Part A: Education for the Disadvantaged

Title I, Part A, of the ESEA authorizes aid to LEAs for the education of disadvantaged children. Title I-A 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 years, 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 a condition for receiving Title I-A grants. These include requirements for assessments of pupil achievement; adequate yearly progress (AYP) standards and determinations for schools, LEAs, and states; consequences for schools and LEAs that fail to make AYP for two consecutive years or more; plus teacher and paraprofessional qualifications.

Under Title I-A, funds are allocated to LEAs via SEAs. Annual appropriations bills specify portions of each year's appropriation to be allocated under four different formulas; once funds reach LEAs, the amounts allocated under the four formulas are combined and used jointly. 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, grants are first calculated for each state overall, with state totals subsequently suballocated by LEA using a different formula. A primary rationale for using four different formulas to allocate shares 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 LEAs or states (e.g., LEAs with high poverty rates or states with comparatively equal levels of spending per pupil among their LEAs). In addition,

some of the formulas contain elements that are deemed to have important incentive effects or to be significant symbolically, in addition to their impact on allocation patterns.

In the discussion below, each of the four ESEA Title I-A allocation formulas is discussed separately.[9]

Basic Grants. Basic Grants are the original Title I-A formula, authorized and implemented each year since FY1966. It is also the formula under which the largest proportion of funds is allocated (47% of FY2008 appropriations), and under which the largest proportion of LEAs participate (approximately 91% in FY2007), largely due to its low LEA eligibility threshold (see below). However, because all post-FY2001 increases in Title I-A appropriations have been provided for the Targeted and Education Finance Incentive Grant formulas (see below), the proportion of Title I-A funds allocated under the Basic Grant formula has been declining steadily since FY2001, when it was 86%.

Compared to some of the other Title I-A formulas, the Basic Grant formula is relatively straightforward. Grants are based on each LEA's share, compared to the national total, of a population factor multiplied by an expenditure factor, subject to available appropriations, an LEA minimum or "hold harmless," and a state minimum. These formula factors are described below, followed by a mathematical expression of the formula.

Population Factor. Children aged 5-17: (a) in poor families, according to the latest available estimates for LEAs from the Census Bureau's Small Area Income and Poverty Estimates (SAIPE) program (these constitute approximately 96% of all formula children for FY2007); (b) in institutions for neglected or delinquent children or in foster homes (approximately 3.9% of all formula children for FY2007);[10] and (c) in families receiving Temporary Assistance for Needy Families (TANF) payments above the poverty income level for a family of four (less than 0.1% of all formula children for FY2007). Each element of the population factor is updated annually.

Eligibility Threshold. In order for an LEA to be eligible for a Basic Grant, the number of children counted in the population factor must constitute at least 10 such children *and* at least 2% of the total school-age population.

Expenditure Factor. State average per pupil expenditure for public K-12 education, subject to a minimum of 80% and a maximum of 120% of the national average,

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[9] For additional discussion and analysis of the four Title I-A allocation formulas, see CRS Report RL33731, *Education for the Disadvantaged: Reauthorization Issues for ESEA Title I-A Under the No Child Left Behind Act*, by Wayne C. Riddle.

[10] The portion of funds allocated to states under the Basic Grant and the other three Title I-A allocation formulas that is based on delinquent youth in local programs is set aside and separately allocated to LEAs providing services to such youth. SEAs are to allocate these funds to LEAs with concentrations of youth in local correctional facilities. SEAs may allocate these funds through a state-developed formula or on a discretionary basis.

further multiplied by 0.40. The expenditure factor is the same for all LEAs in the same state.

LEA Minimum Grant or "Hold Harmless" Level. If sufficient funds are appropriated, each LEA is to receive a minimum of 85%, 90%, or 95% of its previous year grant, depending on the LEA's school-age child poverty rate, assuming that the LEA continues to meet the Basic Grant formula's eligibility thresholds.[11]

Minimum State Grant. Each state is to receive a minimum of up to 0.25% of total Basic Grant appropriations if total Basic Grant funding is equal to or less than the FY2001 level (as has been the case each year since FY2001 thus far), and up to 0.35% of total Basic Grant appropriations in excess of the FY2001 amount, if any. A state may not, as a result of the state minimum provision, receive more than the *average* of (1) 0.25% of the total FY2001 amount for state grants plus 0.35% of any amount above the FY2001 level, and (2) 150% of the national average grant per formula child, multiplied by the number of formula children in the state.

Ratable Reduction. After maximum grants are calculated, if appropriations are insufficient to pay the maximum amounts (as has been the case every year beginning with FY1967), these amounts are reduced by the same percentage for all LEAs, *subject to LEA hold harmless and state minimum provisions*, until they equal the aggregate level of appropriations.

Fiscal Requirements. There are three Title I-A fiscal accountability requirements, which are applicable to total LEA grants under all four formulas: (1) *maintenance of effort:* recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year; (2) Title I-A funds must be used so as to *supplement, and not supplant*, state and local funds that would otherwise be available for the education of disadvantaged pupils in Title I-A participating schools; (3) *comparability:* services provided with state and local funds in schools participating in Title I-A must be comparable to those in non-Title I-A schools of the same LEA.[12]

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. With one possible exception,[13] Puerto Rico is treated the same as a state under the Basic Grant formula. Grants to schools operated or supported by the Bureau of

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[11] The hold harmless rate is 85% of the previous year grant if the LEA's school-age child poverty rate (population factor divided by total school-age population) is less than 15%, 90% if the school-age child poverty rate is between 15% and 30%, and 95% if the school-age child poverty rate is greater than 30%.

[12] If all of an LEA's schools participate in Title I-A, then services funded from state and local revenues must be "substantially comparable" in each school of the LEA.

[13] Through FY2007, the minimum expenditure factor applicable to Puerto Rico was lower than that for any state. The NCLB provided for the elimination of this special provision in stages, although scheduled increases in the Puerto Rico expenditure factor are not to be implemented if doing so would result in a decrease in the grant to any state. The final step in this process was *not* implemented as scheduled in FY2007; however, it was implemented in FY2008.

Indian Affairs, the Outlying Areas of Guam, American Samoa, the Virgin Islands, and the Commonwealth of the Northern Mariana Islands, as well as a competitive grant to the Outlying Areas plus certain Freely Associated States[14] are provided via reservation of 1% of total Title I-A appropriations.

Further Adjustments by SEAs of LEA Grants as Calculated by ED. Among ESEA programs, a distinctive aspect of Title I-A is that after calculation of LEA grants by ED, applying the methods discussed herein, SEAs make a number of adjustments before determining the final amounts that LEAs actually receive. These adjustments are made to the total of Title I-A grants to LEAs under all four formulas combined. These adjustments include (1) reservation of 4% of state total allocations to be used for school improvement grants;[15] (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;[16] (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 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 persons).[17]

Basic Grant Allocation Formula

Step 1: Preliminary Grant 1 = PF * EF   or   L_HH, whichever is greater

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[14] The Freely Associated States include Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands. As of March 2008, only Palau is eligible for this grant competition.

[15] 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 previous year level. According to a recent survey by the Government Accountability Office, this limitation has prevented several states from being able to reserve the full 4% in recent years (see "No Child Left Behind Act: Education Actions Could Improve the Targeting of School Improvement Funds to Schools Most in Need of Assistance," GAO-08-380, February 2008). In addition, as is discussed later in this report, the school improvement reservation may be supplemented by additional funds separately appropriated for this purpose.

[16] If total appropriations for ESEA Title I, Parts A, C, and D exceed $14 billion, then state administration reservations are capped at the level that would pertain if the total appropriations for these programs were $14 billion. This limit will be applicable for the first time in FY2008.

[17] As of March 2008, this statutory authority is exercised by 7 states: Alaska, Iowa, Kansas, Maine, Nebraska, North Dakota, and Oklahoma.

In Step 1, the population factor is multiplied by the expenditure factor for each eligible LEA. If this is less than the LEA's hold harmless level, the latter amount is used.

Step 2: Preliminary Grant 2 = (Preliminary Grant 1 / $\sum$ Preliminary Grant 1) * APP   or   L_HH, whichever is greater

In Step 2, the amount for each LEA in Step 1 is divided by the total of these amounts for all eligible LEAs in the nation, then multiplied by the available appropriation. Again, if this is less than the LEA's hold harmless level, the latter amount is used.

Step 3: Preliminary Grant 3 = (Preliminary Grant 2 * S_MIN_ADJ * L_HH_ADJ)   or   L_HH, whichever is greater

In Step 3, the amount for each LEA in Step 2 is adjusted through application of the state minimum grant provision and by a factor to account for the aggregate costs of raising affected LEAs to their hold harmless level, given a fixed total appropriation level. The state minimum grant adjustment is upward in the smallest states, where total grants are increased through application of the minimum, and downward in all other states, where funds are reduced in order to pay the costs of applying the minimum. The LEA hold harmless adjustment is downward for all LEAs except those at their hold harmless level. Again at this stage, if this is less than the LEA's hold harmless level, the latter amount is the LEA's grant.

Step 4: Final Grant = Preliminary Grant 3 * SCH_IMP_ADJ * S_ADMIN_ADJ * AWD_ADJ * OTR_ADJ

In the final step of calculating LEA grants under all Title I-A allocation formulas, LEA grants as calculated in Step 3 are further adjusted for the school improvement and state administration reservations, possible state reservations for achievement awards, and other possible adjustments (such as for grants to charter schools) discussed above.

Where:

PF = Population factor
EF = Expenditure factor
L_HH = LEA minimum or "hold harmless" level
APP = Appropriation
S_MIN_ADJ = State minimum adjustment (proportional increase (in small states) or decrease (in other states) to apply the statewide minimum grant)
L_HH_ADJ = LEA minimum or "hold harmless" adjustment (proportional decrease, in LEAs not benefitting from the LEA "hold harmless," to apply the LEA minimum grant)
SCH_IMP_ADJ = Reservation by SEA for school improvement grants
S_ADMIN_ADJ = Reservation by SEA for state administration
AWD_ADJ = Possible reservation by SEA for achievement awards
OTR_ADJ = Other possible adjustments by the SEA
$\sum$ = Sum (for all eligible LEAs in the nation)

Concentration Grants. The Concentration Grant formula is essentially the same as that for Basic Grants, with one major exception — it has a much higher LEA eligibility threshold. There are also differences regarding the LEA hold harmless and state minimum grant provisions. Although the Title I-A statute has included Concentration Grant formulas (with varying provisions and sometimes under different names) since 1970, the current version dates from 1988 (P.L. 100-297). A relatively small (10% of FY2008 appropriations) and declining (from 14% in FY2001) proportion of Title I-A appropriations is allocated under the Concentration Grant formula. Approximately 48% of LEAs receive Concentration Grants (FY2007).

As with Basic Grants, Concentration Grants are based on each eligible LEA's share, compared to the national total, of a population factor multiplied by an expenditure factor, subject to available appropriations, an LEA minimum or "hold harmless," and a state minimum. These formula factors are described below, followed by a mathematical expression of the formula.

Population Factor. Same as Basic Grants (see above).

Eligibility Threshold. In order for an LEA to be eligible for a Concentration Grant, the number of children counted in the population factor must constitute either 6,500 such children *or* at least 15% of the total school-age population.

Expenditure Factor. Same as Basic Grants (see above).

LEA Minimum Grant or "Hold Harmless" Level. The hold harmless rates for Concentration Grants are the same as those for Basic Grants. Unlike Basic Grants and all of the other Title I-A formulas, the hold harmless applies to *all* LEAs that received grants for the previous year, even if they do not currently meet one of the Concentration Grant formula's eligibility thresholds, unless they fail to meet one of the thresholds for 4 consecutive years. That is, an LEA that is eligible to receive a Concentration Grant in one year can continue to receive a Concentration Grant for three succeeding years, even if it does not meet either of the eligibility thresholds in those succeeding years.[18]

Minimum State Grant. The Concentration Grant state minimum is a modified version of the Basic Grant minimum. Each state is to receive a minimum of up to 0.25% of total Concentration Grant appropriations if total Concentration Grant funding is equal to or less than the FY2001 level (as has been the case each year since FY2001 thus far), and up to 0.35% of total Concentration Grant appropriations in excess of the FY2001 amount, if any. A state may not, as a result of the state minimum provision, receive more than the *average* of (1) 0.25% of the total FY2001 amount for state grants plus 0.35% of the amount above this, and (2) the greater of (i) 150% of the national average grant per formula child, multiplied by the number of formula children in the state, or (ii) $340,000.

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[18] In this scenario, the Concentration Grant for each year would be equal to 85% of the previous year grant.

Ratable Reduction. Same as Basic Grants (see above).

Fiscal Requirements. Same as Basic Grants (see above).

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Same as Basic Grants (see above).

Further Adjustments by SEAs of LEA Grants as Calculated by ED. With one exception, these are the same as for Basic Grants. The exception is that in states where the state total number of children counted in the population factor constituted less than 0.25% of the national total of such children as of the date of enactment of the NCLB,[19] SEAs may allocate Concentration Grants among all LEAs with a number *or* percentage of children counted in the population factor that is greater than the state average for that year (not just LEAs meeting the 6,500 or 15% thresholds).

Concentration Grant Allocation Formula. The mathematical expression of the Concentration Grant formula is the same as that for Basic Grants (above), with one exception. As discussed immediately above, in states where the number of children counted in the population factor constituted less than 0.25% of the national total of such children as of the date of enactment of the NCLB, the state total is to be allocated on the basis of the population factor among the LEAs that are to receive grants. These LEAs may include, at state discretion, either those LEAs in the state meeting the Concentration Grant eligibility criteria described above, or all LEAs in the state with a number or percentage of children counted in the population factor that is greater than the state average. In either case, *for states where the number of children counted in the population factor constituted less than 0.25% of the national total of such children as of the date of enactment of the NCLB only* (after state totals have been determined):

$$\text{LEA Grant} = \text{PF} / \sum \text{PF} * \text{ALL} \ \text{ or } \ \text{L\_HH, whichever is greater}$$

Where:

PF = Population factor
ALL = State total allocation
L_HH = LEA minimum or "hold harmless" level
$\sum$ = Sum (for all eligible LEAs in the state)

Targeted Grants. Targeted Grants were initially authorized in 1994,[20] but no funds were appropriated for them until FY2002, after the formula was slightly modified by the NCLB. Beginning in FY2002, all increases in Title I-A appropriations have been allocated as either Targeted or Education Finance Incentive Grants (below). Thus, Targeted Grants constitute a substantial (21% of FY2008 appropriations) and growing portion of total Title I-A grants. They are allocated among a large majority of LEAs (83% in FY2007).

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[19] This group of states will be very similar to, but not necessarily the same as, the group of states currently receiving state minimum Concentration Grants.

[20] The Improving America's Schools Act (IASA), P.L. 103-382.

The allocation formula for Targeted Grants is essentially the same as that for Basic Grants, except for significant differences related to how children in the population factor are counted. For Targeted Grants, 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, LEAs receive higher grants *per child counted in the formula*, the higher their poverty rate and/or number. There is also a somewhat higher LEA eligibility threshold for Targeted Grants than for Basic Grants. Aside from these two differences, Targeted Grants are, like Basic Grants, based on each eligible LEA's share, compared to the national total, of a population factor multiplied by an expenditure factor, subject to available appropriations, an LEA minimum or "hold harmless," and a state minimum. These formula factors are described below, followed by a mathematical expression of the formula.

Population Factor. The children counted for calculating Targeted Grants are the same as for Basic Grants (see above). However, for Targeted Grants, LEA-specific weights are applied to these child counts to produce a weighted child count that is used in the formula. Children counted in the formula are assigned weights on the basis of each LEA's school-age child poverty rate and (separately) number of school-age children in poor families. As a result, an LEA would receive higher grants *per child counted in the formula*, the higher its poverty rate *or* number. 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 four, and those in LEAs with the highest *numbers* of such children have a weight of up to three, compared to a weight of one for formula children in LEAs with the lowest poverty rate and number of such children (see **Table 10**, below). The higher of its two weighted child counts (on the basis of numbers and percentages) is actually used in the formula for calculating grants for each LEA.

Table 10. Weights Applied to Counts of Population Factor Children in the Calculation of ESEA Title I-A Targeted Grants

A. Weights Based on LEA *Numbers* of Children in the Population Factor	
Population Factor Count Range	**Weight Applied to Population Factor Children in This Range**
0-691	1.0
692-2,262	1.5
2,263-7,851	2.0
7,852-35,514	2.5
35,515 or more	3.0
B. Weights Based on LEA Population Factor Children as a *Percentage* of Total School-Age Population	
Population Factor Percentage Range	**Weight Applied to Population Factor Children in This Range**
0-15.58%	1.0
15.58-22.11%	1.75
22.11-30.16%	2.5
30.16-38.24%	3.25
Above 38.24%	4.0

There are five ranges associated with each of the number and percentage weighting scales. These steps, or quintiles, were based on the actual distribution of Title I-A population factor children among the nation's LEAs, according to the latest available data in 2001 (at the time that the NCLB was being considered). Based upon those data, one-fifth of the national total of population factor children were in LEAs in each of the five numbers ranges and, separately, each of the five percentage ranges.

The Targeted Grant population factor weights are applied in a stepwise manner, rather than the highest relevant weight being applied to all population factor children in the LEA, and the greater of the two weighted child counts for each LEA is the number actually used to calculate the Targeted Grant. For example, assume an LEA has 2,000 population factor children, the total school-age population is 10,000, and therefore the population factor percentage is 20%. The population factor figure used to calculate Targeted Grants would be determined as follows:

Numbers Scale:

Step 1: 691 * 1.0 = 691

The first 691 population factor children are weighted at 1.0.

Step 2: (2,000 - 691) = 1,309 * 1.5 = 1,963.5

For an LEA with a total number of population factor children falling within the second step of the numbers scale, the number of population factor children above 691 (the maximum for the first step) is weighted at 1.5.

Total (Numbers Scale) = 2,654.5

The weighted population factor counts from Steps 1 and 2 are combined.

Percentage Scale:

Step 1: 15.58% * 10,000 = 1,558 * 1.0 = 1,558

A number of population factor children constituting up to 15.58% of the LEA's total school-age population is weighted at 1.0.

Step 2: (20% - 15.58%) = 4.42% * 10,000 = 442 * 1.75 = 773.5

For an LEA with a population factor percentage falling within the second step of the percentage scale, the number of population factor children above 15.58% of the LEA's total school-age population (the maximum for the first step) is weighted at 1.75.

Total (Percentage Scale) = 2,331.5

The weighted population factor counts from Steps 1 and 2 are combined.

Since the numbers scale weighted count of 2,654.5 exceeds the percentage scale weighted count of 2,331.5, the numbers scale count would be used as the population factor for this LEA in the calculation of Targeted Grants.

Eligibility Threshold. In order for an LEA to be eligible for a Targeted Grant, the number of children counted in the population factor (with no weights applied) must constitute at least 10 such children *and* at least 5% of the total school-age population.

Expenditure Factor. Same as Basic Grants (see above).

LEA Minimum Grant or "Hold Harmless" Level. Same as Basic Grants (see above).

Minimum State Grant. Each state is to receive a minimum of up to 0.35% of all Targeted Grant appropriations. A state may not, as a result of the state minimum provision, receive more than the average of: (1) 0.35% of total state grants, and (2) 150% of the national average grant per formula child, multiplied by the number of formula children in the state. (In the latter calculation, population factor child counts are not weighted.)

Ratable Reduction. Same as Basic Grants (see above).

Fiscal Requirements. Same as Basic Grants (see above).

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Same as Basic Grants (see above), with the additional provision that for Puerto Rico (only), a cap of 1.82 is placed on the aggregate weight applied to the population factor under the Targeted Grant formula.[21]

Further Adjustments by SEAs of LEA Grants as Calculated by ED. Same as Basic Grants (see above).

Targeted Grant Allocation Formula. Same as Basic Grants (see above), except that the population factor (PF) would be the weighted child count, as described above.

Education Finance Incentive Grants (EFIG).

The EFIG formula is in several ways significantly different from the other Title I-A allocation formulas. As with Targeted Grants, EFIG Grants were initially authorized in 1994,[22] but no funds were appropriated for them until FY2002, after the formula was (in the case of EFIG) considerably modified by the NCLB. Beginning in FY2002, all increases in Title I-A appropriations have been allocated as either EFIG or Targeted Grants. Thus, as with Targeted Grants, EFIG Grants constitute a substantial (21% of FY2008 appropriations) and growing portion of total Title I-A grants. They are allocated among a large majority of LEAs (83% in FY2007).

The distinctive elements of the EFIG formula begin with the fact that the first stage in the process of calculating grants is based on data for states as a whole, not LEAs. LEA grants are determined in a separate, later stage of the allocation process.

A second major difference is that the EFIG formula includes not only a population factor and an expenditure factor, but also two unique factors. These are 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 expenditure among the LEAs in each state.

A third distinctive feature of the EFIG formula is that while population factor child counts are *not* weighted when calculating state total grants, they are weighted in the separate process of suballocating state total grants among LEAs. This intra-state allocation process is based on the same number and percentage scales as used for Targeted Grants, although the weights attached to each point on those scales varies among states, based on the state's equity factor. A final difference between

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[21] This cap applies to both the numbers and percentages weighting scales, and was intended to provide that the share of Targeted Grants allocated to Puerto Rico would be approximately equal to its share of grants under the Basic and Concentration Grant formulas for FY2001. This cap reduces grants below the level that would obtain if there were no cap at all (i.e., if Puerto Rico were treated in the same manner as the 50 states and the District of Columbia), since Puerto Rico's high number and percentage of school-age children in poor families would translate into a significantly higher aggregate weighting factor if not capped.

[22] The Improving America's Schools Act (IASA), P.L. 103-382.

the EFIG Grant and other Title I-A formulas is that the expenditure factor is modified through application of slightly more narrow floor and ceiling constraints for EFIG Grants.

Thus, state total EFIG Grants are based on each state's share, compared to the national total, of a population factor multiplied by an expenditure factor, an effort factor, and an equity factor, adjusted by a state minimum. Then, each LEA's share of the state total EFIG Grant is based on a weighted population factor count for the LEA, compared to the total for all LEAs in the state, adjusted by an LEA hold harmless provision. These formula factors are described below, followed by a mathematical expression of the formula.

Population Factor. In the first-stage calculation of state total EFIG Grants, this factor is the same as for Basic Grants — the estimated number of 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 TANF payments above the poverty income level for a family of four. In the second-stage suballocation of state total grants among LEAs, as under all stages of the allocation process for Targeted Grants, weights are applied to these child counts before they are actually used in the formula. This process is the same as for Targeted Grants with respect to the number and percentage scales used, and use of the greater of the two weighted child counts to calculate LEA grants. However, for EFIG Grants only, the weights attached to each point on the number and percentage scales differs, depending on the state's equity factor (described below). This variation is illustrated in **Table 11**, below.

As indicated in **Table 11**, the weights rise more rapidly as the numbers and percentages of population factor children increase in states with higher equity factors. For states with an equity factor below 0.10, the weights are the same as for Targeted Grants. For states with equity factors between 0.10 and 0.20, or above 0.20, the maximum weights are 50% higher, and twice as high, respectively, as for Targeted Grants. As is discussed below, states with higher equity factors have relatively high degrees of variation in average per pupil expenditure among the state's LEAs.

Table 11. Weights Applied to Counts of Population Factor Children in the Calculation of LEA Grants Under the ESEA Title I-A Education Finance Incentive Grant Formula

A. Weights Based on LEA *Numbers* of Children in the Population Factor			
Population Factor Count Range	**Weight Applied to Population Factor Children in This Range**		
	State Equity Factor Below 0.10	State Equity Factor of 0.10 - 0.20	State Equity Factor of 0.20 or Above
0-691	1.0	1.0	1.0
692-2,262	1.5	1.5	2.0
2,263-7,851	2.0	2.25	3.0
7,852-35,514	2.5	3.375	4.5
35,515 or more	3.0	4.5	6.0
B. Weights Based on LEA Population Factor Children as a *Percentage* of Total School-Age Population			
Population Factor Percentage Range	**Weight Applied to Population Factor Children in This Range**		
	State Equity Factor Below 0.10	State Equity Factor of 0.10 - 0.20	State Equity Factor of 0.20 or Above
0-15.58%	1.0	1.0	1.0
15.58-22.11%	1.75	1.5	2.0
22.11-30.16%	2.5	3.0	4.0
30.16-38.24%	3.25	4.5	6.0
Above 38.24%	4.0	6.0	8.0

Factors Not Found in Other ESEA Program Formulas. As noted above, the EFIG formula has two additional factors not found in any other ESEA program allocation formula.

Effort Factor. The effort factor is based on a comparison of state average per pupil expenditure (APPE) for public elementary and secondary education with state personal income per capita (PCI). More specifically, it is the ratio of APPE to PCI for each state divided by the ratio of APPE to PCI for the nation. The resulting index number is greater than 1.0 for states where the ratio of expenditures per pupil for public elementary and secondary education to personal income per capita is greater than average for the nation as a whole, and below 1.0 for states where the ratio is less than average for the nation as a whole. Narrow bounds of 0.95 and 1.05 are placed on the resulting multiplier, so that its influence on state grants is rather limited and its importance is largely symbolic.

Equity Factor. The equity factor is based upon a measure of the average disparity in average per pupil expenditure among the LEAs of a state called the *coefficient of variation* (CV). The CV is expressed as a decimal proportion of the state average per pupil expenditure. In the CV calculations for this formula, an extra weight (1.4 vs. 1.0) is applied to estimated counts of children from poor families. The effect is that grants would be maximized for a state where expenditures per pupil

from a poor family are 40% higher than expenditures per pupil from a non-poor family.[23] Typical state equity factors range from 0.0 (for the single-LEA jurisdictions of Hawaii, Puerto Rico, and the District of Columbia, where by definition there is no variation among LEAs), to approximately 0.25 for a state with high levels of variation in expenditures per pupil among its LEAs; the equity factors for most states fall into the 0.10 - 0.20 range.[24] In calculating grants, the equity factor is subtracted from 1.30 to determine a multiplier to be used in calculating state grants. As a result, the lower a state's expenditure disparities among its LEAs, the lower is its CV and equity factor, the higher is its multiplier and its grant under the EFIG formula. Conversely, the greater a state's expenditure disparities among its LEAs, the higher is its CV and equity factor, and the lower is its multiplier and its grant under the EFIG formula.

Eligibility Threshold. Same as Targeted Grants (see above).

Expenditure Factor. State average per pupil expenditure for public K-12 education, subject to a minimum of *85%* (not 80%, as in the other Title I-A formulas) and a maximum of *115%* (not 120%, as in the other Title I-A formulas) of the national average, further multiplied by 0.40. The expenditure factor is the same for all LEAs in each state.

LEA Minimum Grant or "Hold Harmless" Level. Same as Basic Grants (see above), with one exception. The hold harmless is not taken into consideration in the initial calculation of state total grants. Therefore, it is possible (and has occurred in a small number of instances) that state total grants are insufficient to fully pay hold harmless amounts to all LEAs in the state. In that case, each LEA gets a proportional share of its hold harmless amount.

Minimum State Grant. Same as Target Grants (see above).

Ratable Reduction. Same as Basic Grants (see above).

Fiscal Requirements. Same as Basic Grants (see above).

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Same as Basic Grants (see above).

Further Adjustments by SEAs of LEA Grants as Calculated by ED. Same as Basic Grants (see above).

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[23] Limited purpose LEAs, such as those providing only vocational education, are excluded from the calculations, as are small LEAs with enrollment below 200 pupils.

[24] There is a special provision for states meeting the expenditure disparity standard established in regulations for the Impact Aid program (ESEA Title VIII), for which the equity factor is capped at a maximum of 0.10. For an explanation of the Impact Aid equalization provision, see CRS Report RL34119, *Impact Aid for Public K-12 Education: Reauthorization Under the Elementary and Secondary Education Act*, by Rebecca R. Skinner and Richard N. Apling, pages 17-18.

Education Finance Incentive Grant Allocation Formula.

Stage 1: Calculation of State Total EFIG Allocations

Step 1: Preliminary State Grant = PF * EF * EFF * (1.30 - EQ)

In Step 1, the population factor is multiplied by the expenditure factor, the effort factor, and 1.30 minus the equity factor for each state.

Step 2: Final State Grant = (Preliminary State Grant / $\sum$ Preliminary State Grant) * APP * S_MIN_ADJ or S_MIN, if greater

In Step 2, the amount for each state in Step 1 is divided by the total of these amounts for all eligible states in the nation, then multiplied by the available appropriation, adjusted through application of the state minimum grant provision. The state minimum grant adjustment is upward in the smallest states, where total grants are increased through application of the minimum, and downward in all other states, where funds are reduced in order to pay the costs of applying the minimum.

Stage 2: Calculation of LEA EFIG Allocations

Step 1: Preliminary LEA Grant 1 = (PF / $\sum$ PF) * S_ALL, or L_HH, whichever is greater

In Step 1, the population factor for each eligible LEA is divided by the total population factor for all eligible LEAs *in the state*. If this is less than the LEA's hold harmless level, the latter amount is used.

Step 2: Preliminary LEA Grant 2 = Preliminary LEA Grant 1 * L_HH_ADJ or L_HH, whichever is greater

In Step 2, the amount for each LEA in Step 1 is adjusted through application of a factor to account for the aggregate costs of raising affected LEAs *in the state* to their hold harmless level, given a fixed total state allocation level. The LEA hold harmless adjustment is downward for all LEAs except those at the hold harmless level.

Step 3: Final LEA Grant = Preliminary LEA Grant 2 * SCH_IMP_ADJ * S_ADMIN_ADJ * AWD_ADJ * OTR_ADJ

In the final step of calculating LEA grants under all Title I-A allocation formulas, LEA grants as calculated in Step 2 are further adjusted for the school improvement and state administration reservations, possible state reservations for achievement awards, and other possible adjustments (such as for grants to charter schools) discussed above.
Where:

PF = Population factor
EF = Expenditure factor
EFF = Effort factor
EQ = Equity factor

APP = Appropriation

S_MIN_ADJ = State minimum adjustment (proportional increase (in small states) or decrease (in other states) to apply the statewide minimum grant)

S_MIN = State minimum

S_ALL = State total allocation

L_HH = LEA minimum or "hold harmless" level

L_HH_ADJ = LEA minimum or "hold harmless" adjustment (proportional decrease, in LEAs not benefitting from the LEA "hold harmless," to apply the LEA minimum grant)

SCH_IMP_ADJ = Reservation by SEA for school improvement grants

S_ADMIN_ADJ = Reservation by SEA for state administration

AWD_ADJ = Possible reservation by SEA for achievement awards

OTR_ADJ = Other possible adjustments by the SEA

$\sum$ = Sum (for all states in the nation in Stage 1, and for all eligible LEAs in the state in Stage 2)

ESEA Title I-A School Improvement Grants. Under ESEA Title I-A, two different mechanisms are authorized for the generation of funds for School Improvement activities. Whatever the source, these funds are to be targeted on schools that are identified as being in need of improvement, corrective action, or restructuring because they have failed to make AYP for two consecutive years or more.[25] First, states are to reserve 4% of their total Title I-A LEA grants, under the four formulas described above, for School Improvement activities.[26]

Second, the ESEA authorizes a separate appropriation for state School Improvement Grants. These funds are allocated to states in proportion to state total grants under ESEA Title I, Parts A, C (State Agency Migrant Program; see below), and D (State Agency Neglected, Delinquent, or At-Risk Program; see below). At least 95% of each state's funds from either source (the reservation or the separate appropriation) is to be allocated to LEAs for schools identified as being in need of improvement, corrective action, or restructuring. The funds are allocated at state discretion: there is no statutory intrastate allocation formula for School Improvement funds, beyond the general direction that they are to be directed to LEAs with schools identified as being in need of improvement, corrective action, or restructuring.

Title I Grant Factor: Funds are allocated to states in proportion to total grants under Title I, Parts A, C, and D.

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[25] See CRS Report RL33731, *Education for the Disadvantaged: Reauthorization Issues for ESEA Title I-A Under the No Child Left Behind Act*, by Wayne C. Riddle for details.

[26] In reserving these funds, SEAs may not reduce any LEA's grant below its previous year level. As a result, in some years, a number of states may be unable to reserve the full 4% of state total LEA grants for this purpose. For details, see Government Accountability Office, "No Child Left Behind Act: Education Actions Could Improve the Targeting of School Improvement Funds to Schools Most in Need of Assistance," GAO-08-380, February 2008.

School Improvement Grant Allocation Formula

$$\text{State Grant} = [\,(\,\text{T1A} + \text{T1C} + \text{T1D}\,) / \sum (\,\text{T1A} + \text{T1C} + \text{T1D}\,)\,] * \text{APP}$$

Each state (including Outlying Areas and the Bureau of Indian Affairs) receives a School Improvement Grant equal to its proportional share of total grants under ESEA Title I, Parts A, C, and D.

Where:

T1A = State total grant under ESEA Title I, Part A
T1C = State total grant under ESEA Title I, Part C
T1D = State total grant under ESEA Title I, Part D
APP = Appropriation (separate) for School Improvement Grants
$\sum$ = Sum (for all states)

Title I, Part B, Subpart 1: Reading First

Subpart 1 of Title I-B authorizes the Reading First program. Under Reading First, grants are allocated among participating states on the basis of a population factor, subject to a state minimum. SEAs then make competitive subgrants to LEAs, with priority given to LEAs in which the estimated number of children aged 5-17 in poor families is at least 6,500 or the poverty rate for 5-17 year-olds is at least 15%. Each participating LEA is to receive a share of the state's Reading First grant that is at least proportional to its share of state total grants under Title I-A. LEAs are to use these funds to improve reading programs for pupils in grades K-3 in schools that either have percentages of pupils from low-income families that are among the highest in the LEA or have been identified for improvement, corrective action, or restructuring under Title I-A. The supported reading instruction must be grounded in scientifically based reading research. Subpart 1 also authorizes discretionary targeted assistance performance awards to states that have demonstrated improvements in pupil reading performance.

Population Factor. Children aged 5-17 in poor families, according to the latest available estimates for LEAs from the Census Bureau's SAIPE program. These estimates are updated annually.

Minimum State Grant. Each state is to receive a minimum of 0.25% of total state grants.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico is treated as a state, although its grants are capped; its share of state grants may not exceed the share of funds it receives for Title I-A grants. Bureau of Indian Affairs schools receive 0.5% of total appropriations, and an additional 0.5% is allocated to the Outlying Areas of Guam, American Samoa, the Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

Other Reservations from Appropriations. At the *national* level, the Secretary of Education may reserve up to $25 million, or 2.5% of total appropriations, whichever

is less, for program evaluation and national activities, and $5 million for dissemination of information. And in any fiscal year when the total appropriation for this program exceeds the appropriation for FY2003, the Secretary is to reserve $90 million, or 10% of the increase over the FY2003 appropriation, whichever is less, for Targeted Assistance grants to states. Targeted Assistance grants were made with funds appropriated for each of FY2004-2006. The latter would be competitive awards, although available funds are to be distributed among eligible states in proportion to the population factor for Title I-A Basic Grants. At the *state* level, up to 20% of grants may be used for a variety of state activities (no more than 10% of this reservation may be used for state administration). At the *local* level, up to 3.5% of funds may be used for planning and administration.

Reading First Allocation Formula.

$$\text{State Grant} = [\,(\,PF\,/\,\textstyle\sum PF\,)\,*\,APP\,]\,*\,S\_MIN\_ADJ,\ \text{or}\ S\_MIN\ \text{if greater}$$

Each state receives a Reading First Grant equal to its proportional share of the population factor for all states, adjusted downward to provide funds to raise the smallest states to the state minimum level.

Where:

PF = Population factor
APP = Appropriation
S_MIN_ADJ = State minimum adjustment (proportional decrease to apply the statewide minimum grant)
S_MIN = State minimum grant
$\sum$ = Sum (for all states)

Title I, Part B, Subpart 3: William F. Goodling Even Start Family Literacy Programs

Subpart 3 of Title I-B authorizes the William F. Goodling Even Start Family Literacy Programs. Under Even Start, funds are allocated to states in proportion to grants under Title I-A, with a state minimum. Within states, funds are competitively awarded to partnerships of LEAs and other entities to provide a combination of services to parents and their children aged birth to seven years, including early childhood education, adult basic education, and parenting skills training to parents lacking a high school diploma.

Under this program, as well as any other ESEA program outside Title I-A where grants are made in proportion to ESEA Title I-A grants, grants are made in proportion to Title I-A grants *as if* no LEA hold harmless were applied. Thus, in practice, Even Start grants are made in proportion to what Title I-A grants *would be* if Title I-A had no LEA hold harmless provision, not actual Title I-A grants.

Title I-A Grant Factor. Grants to states are made in proportion to Title I-A grants, calculated as if no LEA hold harmless were applied.

Minimum State Grant. Each state is to receive a minimum of the greater of $250,000 or 0.5% of total funding for state grants.

Fiscal Requirements. Even Start is one of many "covered programs" to which a general ESEA maintenance of effort requirement applies. Recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico is treated as a state. A total of 5% of appropriations (if $200 million or less) or 6% (if above $200 million) is to be reserved to serve Indian tribes and tribal organizations, the Outlying Areas, and children of migratory workers.

Other Reservations from Appropriations. At the *national* level, the Secretary may reserve up to 3% of total appropriations for program evaluation and technical assistance activities. The Secretary may also reserve funds for research.[27] If appropriations are greater than in the previous year, up to $1 million may be reserved for competitive grants to states for statewide family literacy initiatives. At the *state* level, up to 6% of state grants may be reserved for administration, technical assistance, program improvement, and other activities (no more than 50% of this reservation may be used for administration).

Even Start Allocation Formula

State Grant = [(T1A / $\sum$ T1A) * APP] * S_MIN_ADJ, or S_MIN, if greater

Each state receives an Even Start grant equal to its proportional share of total grants under ESEA Title I, Part A, adjusted downward to provide funds to raise the smallest states to the state minimum level.

Where:

T1A = State total grant under ESEA Title I, Part A, but calculated as these grants would be if no LEA hold harmless were applied
APP = Appropriation
S_MIN_ADJ = State minimum adjustment (proportional decrease to apply the statewide minimum grant)
S_MIN = State minimum grant
$\sum$ = Sum (for all states)

Improving Literacy Through School Libraries

Subpart 4 of ESEA Title I-B authorizes grants to LEAs to improve the services provided by school libraries. If annual appropriations are less than $100 million (as

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[27] The amount that may be reserved is the lesser of $2 million or 50% of the increase in appropriations over the previous year if appropriations are higher than in the preceding year, and "only the amount necessary to continue multi-year [research] activities" otherwise.

has been the case each year thus far), competitive grants to LEAs are made directly by ED. If appropriations were $100 million or above, grants would be made by formula to SEAs, in proportion to Title I-A grants, and SEAs would make competitive grants to LEAs.

Title I, Part C: Migrant Education Program

The Migrant Education Program (MEP) provides grants to SEAs to develop or improve education programs for migrant children.[28] Most migrant programs are administered by LEAs and operate during the regular school year, as well as during the summer months. In the allocation of funds, each state first receives a base grant amount equal to its FY2002 grant amount, adjusted for updated migrant children counts (discussed below). States are held harmless at this amount to mitigate a substantial redistribution of funds under the new provisions. Appropriations in excess of the FY2002 level are provided to states based on their proportional share of the sum of (1) the number of identified eligible migrant children, ages 3 through 21, residing in the state during the previous year, plus (2) the number of identified eligible migrant children, ages 3 through 21, who received services under the MEP in summer or intersession programs provided by the state during the previous year. The sum of these two groups of migrant children is multiplied by 40% of the average per-pupil expenditure (APPE) in the state, except that the state's APPE may not be less than 32% or more than 48% of the national APPE.

Appropriations for MEP have not exceeded the FY2002 appropriations level of $396 million. Thus, since FY2002, the amount of a state's grant allocation has been based on the level of its FY2002 base-year state grant, which is largely dependent on the state's 2000-2001 count of eligible migrant children[29] residing in the state relative to other states, although these numbers have been adjusted in recent years for inaccurate or incomplete data submitted by states for the calculation of their FY2002 MEP grants.[30] That is, for each state, ED calculates a defect rate that is then applied to the 2000-2001 counts of eligible migrant children that were used to make FY2002 awards. These counts are then multiplied by 40% of the average per-pupil

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[28] A migratory child is defined as a child who is, or whose parent or spouse, is a migratory agricultural worker or a migratory fisher, and who, in the preceding 36 months, in order to obtain, or accompany such parent or spouse in order to obtain, temporary or seasonal work in agriculture or fishing: (1) moved from one school district to another, (2) moved from one administrative area to another in a state comprised of a single school district, or (3) resides in a school district larger than 15,000 square miles and migrates a distance of 20 miles or more to a temporary residence to engage in fishing work.

[29] Two migrant child estimates were used to determine these counts: (1) the 12-month estimated number of migrant children ages 3 to 21 years old, and (2) the summer and intersession estimated number of migrant children ages 3 to 21 years old. (U.S. Department of Education, 2006, *Migrant Education Program Annual Report: Eligibility, Participation, Services (2001-02), and Achievement (2002-03)*, available at [http://www.ed.gov/rschstat/eval/disadv/migrant/annualreport/report.pdf]; and U.S. Department of Education, 2004, *Title I Migrant Education Program Trends Summary Report: 1998-2001*, at [http://www.ed.gov/rschstat/eval/disadv/migrant/report01.pdf]).

[30] *Federal Register*, May 4, 2007, p. 25229.

expenditure (APPE) in the state used to calculate the FY2002 grants, except that the state's APPE may not be less than 32% or more than 48% or the national APPE. States receive a proportional share of available appropriations based on the results of this calculation. Thus, the base grant amount received by states is actually an "adjusted" FY2002 grant.

States receiving funds under MEP are required to develop a comprehensive state plan for addressing the needs of migrant children. They have substantial flexibility in determining which services and activities to offer. Uses of funds may include, for example, providing instruction (remedial, compensatory, bilingual, multicultural, and vocational), health services, counseling and testing, career education, preschool services, and transportation to migrant students. Priority for services, however, must be given to migrant children who are failing or most at risk of failing to meet state academic content standards and achievement standards and whose education has been interrupted during the regular school year.

Population Factor. The 12-month count is based on the number of eligible students from 3 to 21 years of age, who within three years of making a qualified move, resided in the state for one or more days from September 1 to August 31 of the reporting year. The summer and intersession count is based on the unduplicated number of eligible migrant children that were served in either a traditional summer or year-round school intersession program at least once during the reporting year.

Expenditure Factor. The state's migrant education student count is multiplied by 40% of the state's average per pupil expenditure. The state's APPE may not be less than 32% of the national APPE or greater than 48% of the national APPE

Hold Harmless. Each state receives its "adjusted" FY2002 grant amount provided appropriations are sufficient to make these awards.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Grants to Puerto Rico are determined by multiplying the number of children calculated using the population factors by the product of (1) the percentage which Puerto Rico's APPE is of the lowest APPE of any of the 50 states[31] and (2) 32% of the national APPE. No funds are provided to the Outlying Areas or the Bureau of Indian Affairs under this program.

Other Reservations from Appropriations. The Secretary of Education may reserve up to $10 million of total appropriations to make grants or enter into contracts for the coordination of migrant education activities. Up to $3 million of the $10 million may be used to award competitive grants to SEAs that propose a consortium arrangement with another state that will improve the delivery of services to migrant children whose education is interrupted.

Fiscal Accountability Requirements. The MEP is one of many "covered programs" to which a general ESEA *maintenance of effort* requirement applies. Recipient LEAs

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[31] This percentage may not be less than 77.5% for FY2002, 80.0% for FY2003, 82.5% for FY2004, and 85.0% for FY2005 and all succeeding fiscal years.

must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year. In addition, Title I-C funds must be used so as to *supplement, and not supplant*, state and local funds that would otherwise be available for the education of migrant pupils, and the Title I-A *comparability* requirement also applies to Title I-C.

Migrant Education Program Allocation Formula

If appropriations are *equal to or less than* the FY2002 level of $396 million[32]

$$\text{Step 1: ADJ\_COUNT} = 00\_01\text{CNT} * \text{DR}$$

In Step 1, a state's adjusted student count is calculated by multiplying its 2000-2001 student count, the count used to make FY2002 grants, by a defect rate. The defect rate adjusts the 2000-2001 migrant child count for inaccurate or incomplete data submitted by states for the calculation of their FY2002 awards.

$$\text{Step 2: GCNT} = \text{ADJ\_COUNT} * \text{EF}$$

In Step 2, the adjusted count from Step 1 is multiplied by an expenditure factor to produce the count used to make state grant determinations. In making this calculation, the adjusted count is multiplied by 40% of the average per-pupil expenditure in the state used for calculating FY2002 grants, except that the state's APPE may not be less than 32% or more than 48% or the national APPE.

$$\text{Step 3: State Grant} = (\text{GCNT} / \sum \text{GCNT}) * \text{APP}$$

In Step 3, a state receives a proportional share of funds based on the grant count calculated in Step 2. This proportion is equal to the state's grant count divided by the national grant count, multiplied by the appropriated amount.

If appropriations *exceed* the FY2002 level

$$\text{Step 1: MSC} = \text{NMC} + \text{MCSI}$$

If appropriations exceed the FY2002 appropriations level, any additional funds over this level are allocated based on the sum of the prior year counts of the number of identified eligible migratory children, aged 3 through 21, residing in the state and the number of identified eligible migratory children, aged 3 through 21, who received services through summer or intersession programs provided by the state.

$$\text{Step 2: State Grant 1} = 02\_\text{GRANT} + [(\text{MSC} * \text{EF}) / \sum (\text{MSC} * \text{EF})] * (\text{EXCESS})$$

In Step 2, the state's migrant education student count is multiplied by and expenditure factor (40% of the state's average per pupil expenditure). The state's

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[32] Information on how the MEP formula currently works in practice was provided by the U.S. Department of Education, Budget Service.

APPE may not be less than 32% of the national APPE or greater than 48% of the national APPE. After calculating the state's proportional share of migrant children adjusted for the state's expenditure factor, the amount is multiplied by the appropriations amount in excess of the FY2002 appropriations amount. This total is added to the state's adjusted FY2002 grant amount to determine the state's initial grant. (See previous set of calculations for determination of the FY2002 adjusted grant amount.)

$$\text{Step 3: Final State Grant} = \text{State Grant 1} * (APP / \sum \text{State Grant 1})$$

In Step 3, if funds are not sufficient to provide the amount calculated in Step 2 to each state, all states have their grant amounts ratably reduced by multiplying the state's initial grant amount by the result of dividing the total appropriation by the total amount generated under Step 2.

Where:

ADJ_ COUNT = Adjusted 2000-2001 eligible migrant child count
00_01CNT = 2000-2001 eligible migrant child count used to make FY2002 state grants
DR = Defect rate
GCNT = Grant count used for calculation of state awards
EF = Expenditure factor
APP = Annual appropriation
MSC = Total number of migrant children
NMC = Number of migrant children living in the state during the prior year
MCSI = Number of migrant children who received services during summer or intercession programs during the prior year
02_GRANT = State's FY2002 grant amount based on its adjusted student count
EXCESS = Appropriations in excess of the FY2002 appropriations level
$\sum$ = Sum (for all states)

Title I, Part D: State Agency Neglected, Delinquent, or At-Risk Program

Title I-D authorizes a pair of programs intended to improve education for pupils who are neglected, delinquent, or at risk of dropping out of school. *Subpart 1* authorizes grants for the education of children and youth in *state* institutions for the neglected or delinquent, including community day programs and adult correctional institutions. Funds are allocated to states on the basis of a population factor multiplied by an expenditure factor. A portion of each state's grant is to be used for transition services for children and youth transferring to regular public schools.

Subpart 2 provides aid for programs operated by LEAs in collaboration with *locally operated* correctional facilities, and in coordination with the Title I-A program. These funds are allocated to states as part of the Title I-A allocation process (described above). Once Title I-A grants reach SEAs, the portion of state total grants that is based on delinquent youth in local programs is set aside and

separately allocated to LEAs providing services to such youth. SEAs are to allocate these funds to LEAs with concentrations of youth in local correctional facilities. SEAs may allocate these funds through a state-developed formula or on a discretionary basis. *Therefore, the remainder of this discussion is based on the Subpart 1 state agency program only.*

Population Factor. Neglected or delinquent children and youth receiving public education services in institutions operated by state agencies, including those in community day programs and adult correctional institutions. Such children and youth must receive at least 15 hours per week of educational services in adult correctional institutions, and at least 20 hours per week in other eligible institutions.

Expenditure Factor. Same as for Title I-A Basic Grants (see above).

Ratable Reduction. After maximum grants are calculated, if appropriations are insufficient to pay the maximum amounts (as has been the case for every year from FY1981 to the present), these amounts are reduced by the same percentage for all states until they equal the aggregate level of appropriations.

Fiscal Requirements. The State Agency Neglected and Delinquent program is one of many "covered programs" to which a general ESEA *maintenance of effort* requirement applies. Recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year. In addition, Title I-D funds must be used so as to *supplement, and not supplant*, state and local funds that would otherwise be available for the education of neglected and delinquent pupils, and the Title I-A *comparability* requirement also applies to Title I-D.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Grants are available only for the 50 states, the District of Columbia, and Puerto Rico. With one possible exception,[33] Puerto Rico is treated the same as a state.

State Agency Neglected and Delinquent Allocation Formula

$$\text{Step 1: Grant 1} = \text{PF} * \text{EF}$$

In Step 1, the population factor is multiplied by the expenditure factor for each state.

$$\text{Step 2: Grant 2} = (\text{Grant 1} / \sum \text{Grant 1}) * \text{APP}$$

In Step 2, the amount for each state in Step 1 is divided by the total of these amounts for all states, then multiplied by the available appropriation.

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[33] Through FY2007, the minimum expenditure factor applicable to Puerto Rico was lower than that for any state. The NCLB provided for the elimination of this special provision in stages, although scheduled increases in the Puerto Rico expenditure factor are not to be implemented if doing so would result in a decrease in the grant to any state. The final step in this process was *not* implemented as scheduled in FY2007; however, it was implemented in FY2008.

Where:

PF = Population factor
EF = Expenditure factor
APP = Appropriation (separate) for Neglected and Delinquent state grants
$\sum$ = Sum (for all states)

Title I, Part F: Comprehensive School Reform

Title I-F authorizes grants via SEAs to LEAs to implement comprehensive reform strategies in schools participating in Title I-A. With the exception of an information and technical assistance clearinghouse, this program is not currently funded. If state grants were funded, appropriations would be allocated to states in proportion to Title I-A Basic Grants (calculated as if no LEA hold harmless were applied).

Title I, Part G: Advanced Placement Programs

Title I-G authorizes grants to SEAs to pay advanced placement test fees on behalf of low-income individuals, as well as competitive grants to SEAs, LEAs, or non-profit educational entities with relevant expertise, to support activities intended to expand access to advanced placement programs for low-income individuals. While the test fee grant program (Section 1704) does not have an explicit allocation formula, the statute does provide that in the allocation of available funds among the states, the Secretary of Education "shall consider" each state's number of children counted in the Title I-A population factor.

Title I, Part H: School Dropout Prevention

At annual appropriations levels of $75 million or less (as has been the case each year thus far), Title I-H authorizes competitive grants to SEAs or LEAs for dropout prevention and reentry programs in high schools with dropout rates above the state average and for middle schools whose graduates attend these high schools. At annual appropriations levels above $75 million but less than $250 million, competitive grants would be made to SEAs for dropout prevention and reentry services to be provided via competitive subgrants to LEAs. If annual appropriations were $250 million or above, grants would be made by formula to SEAs, in proportion to Title I-A grants, with competitive subgrants to LEAs. At all funding levels, the Secretary of Education is authorized to carry out a variety of activities as part of a "coordinated national strategy" for dropout prevention and reentry.

Title II, Part A: Teacher and Principal Training and Recruiting Fund

Title II, Part A authorizes a program of state grants that may be used for a variety of purposes related to recruitment, retention, and professional development of K-12 teachers and principals. In the allocation of funds, each state first receives an amount equal to its FY2001 grant under two antecedent programs. Remaining funds, if any, are allocated as follows: 35% on the basis of total population aged 5-

17, and 65% on the basis of population aged 5-17 in poor families, with a state minimum grant amount of 0.5% of funds available for state grants. SEAs may reserve up to 5% of funds for administration and statewide services, such as teacher or principal support programs, or certification reform, and must suballocate at least 95% of grants to LEAs.

In making grants to LEAs, each LEA first receives an amount equal to its FY2001 grant under the two antecedent programs. Remaining funds, if any, are allocated as follows: 20% on the basis of total population aged 5-17, and 80% on the basis of population aged 5-17 in poor families. LEAs may use these grants for purposes that include recruiting and retaining highly qualified teachers, and professional development activities for teachers and principals, consistent with a locally developed needs assessment.

Foundation Grant. In the allocation of grants to states, if sufficient funds are available, each state first receives an amount equal to the total of the grants it received for FY2001 under two antecedent programs: the Eisenhower Professional Development Program authorized under Title II, Part B, of the ESEA as in effect immediately preceding enactment of the NCLB, and the Class Size Reduction Program authorized under Section 306 of the Department of Education Appropriations Act, 2001 (P.L. 106-554).

In the suballocation of state grants to LEAs, if sufficient funds are available, each LEA first receives an amount equal to the total of the grants it received for FY2001 under the same two antecedent programs. If an LEA did not receive a grant under one or both of the antecedent programs in FY2001, its foundation grant is to be equal to the amount it would have received if it had participated in each program that year.

The antecedent programs and their allocation formulas continue to substantially influence the distribution of current grants under Title II-A, as the FY2001 appropriation for state grants under these programs ($2,062,620,000) constitutes approximately 71% of the FY2008 appropriation for state grants under Title II-A ($2,920,572,000). The formulas for the *two antecedent programs* may be briefly described as follows:

Eisenhower Professional Development Program: In the allocation of grants to states, 50% of funds were allocated on the basis of grants under Title I-A, and 50% on the basis of population aged 5-17, with a 0.5% state minimum. For substate allocations to LEAs, 50% of funds were allocated on the basis of total public and private school enrollment, and 50% on the basis of Title I-A grants.

Class Size Reduction Program: Allocations of the amounts available for state grants were initially calculated using: (1) the Eisenhower Professional Development Program formula (above), and (2) the ESEA Title I-A formula. The greater of these two amounts was selected for each state, then these amounts were ratably reduced to the available state grant funding level, while applying a 0.5% state minimum. For substate allocation to LEAs, 20% of funds was allocated on the basis of total public and private school enrollment, and 80% on the basis of school-age children in poor families.

Thus, the foundation grants incorporate a mixture of factors related to poverty or Title I-A grants, plus total school-age population or enrollment. In particular, the substate allocation formula for Title II-A is very similar to the substate formula for the Class Size Reduction Program. Overall, while proportions differ, formulas for the antecedent programs are similar to the factors used to allocate the remaining Title II-A funds, although less current population and other data are involved since the foundation grants are based on FY2001 population and other factors.

Population Factor. In the allocation of funds to states, 35% of funds *above the amount necessary to provide foundation grants* is allocated on the basis of total school-age population (ages 5-17) and 65% on the basis of school-age population in poor families. In the suballocation of state total grants to LEAs, 20% of funds above the amount necessary to provide foundation grants is allocated on the basis of total school-age population and 80% on the basis of school-age population in poor families.

LEA Minimum Grant or "Hold Harmless" Level. There is no direct LEA "hold harmless" provision, but see the foundation grant entry above.

Minimum State Grant. Each state is to receive a minimum of 0.5% of total grants (i.e., both the foundation grant formulas and the formula for allocation of funds above the foundation grant level incorporate a 0.5% state minimum).

Ratable Reduction. If funds are insufficient to provide full foundation grants to each state, grants are reduced by the same percentage for all states until they equal the aggregate level of appropriations.

Fiscal Requirements. Title II-A is one of may "covered programs" to which a general ESEA *maintenance of effort* requirement applies. Recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year. In addition, Title II-A funds must be used so as to *supplement, and not supplant*, state and local funds that would otherwise be available for activities authorized under this program.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico is treated as a state under the Title II-A formula. One-half of one percent of total Title II-A state grants is reserved for grants to the Bureau of Indian Affairs and the same amount is reserved for the Outlying Areas.

Other Reservations from Appropriations. At the *state* level, up to 5% of grants may be reserved for administration and other state activities. Of this amount, the lesser of: (i) 2.5% of each state's grant, or (ii) an annually specified lower percentage that would result in a national total of $125 million, may be reserved for grants to local partnerships consisting of an institution of higher education, a college-level school of arts and sciences, and a high need LEA (with either 10,000 or more children from poor families or a school-age poverty rate of at least 20%, and a high percentage of teachers who are not highly qualified).

Teacher and Principal Training and Recruiting Fund Allocation Formula

Stage 1: Calculation of State Total Teacher and Principal Training and Recruiting Fund Allocations

If appropriations are *equal to or less than* the FY2001 level

Step 1: Final State Grant = (S_EIS_01 + S_CSR_01) * (APP / APP_01)

In Step 1, if appropriations are equal to or less than the FY2001 level, each state receives an equal proportion of its FY2001 grants under the two antecedent programs. This proportion is equal to the total amount available for state grants in the current year (after all national reservations) divided by the comparable amount for FY2001.

If appropriations *exceed* the FY2001 level

Step 1: Preliminary State Grant = S_EIS_01 + S_CSR_01 + (EXCESS * 0.35) * (POP / $\sum$ POP) + (EXCESS * 0.65) * (POV / $\sum$ POV)

In Step 1, if total appropriations exceed those for the two antecedent programs in FY2001, each state first receives its FY2001 grant under those programs. Of the remaining funds available for state grants, 35% is allocated in proportion to state share of total population aged 5-17, and 65% is allocated in proportion to population aged 5-17 in poor families.

Step 2: Final State Grant = Preliminary State Grant * S_MIN_ADJ, or S_MIN if greater

In Step 2, if total state grant appropriations exceed the FY2001 level, each state's final grant is equal to the greater of: (i) the amount calculated in Step 1 multiplied by a (downward) adjustment to pay for increased grants to states where the initial (Step 1) grant was less than the minimum, or (ii) the state minimum.

Stage 2: Calculation of Teacher and Principal Training and Recruiting Fund LEA Allocations

If appropriations are *equal to or less than* the FY2001 level

Final LEA Grant = (L_EIS_01 + L_CSR_01) * (S_ALL / S_ALL_01)

If appropriations are equal to or less than the FY2001 level, each LEA receives an equal proportion of its FY2001 grants under the two antecedent programs. This proportion is equal to the total amount available for state grants in the current year (after all national reservations) divided by the comparable amount for FY2001.

If appropriations *exceed* the FY2001 level

Final LEA Grant = L_EIS_01 + L_CSR_01 + (POP / $\sum$ POP) * (S_EXCESS * 0.2) + (POV / $\sum$ POV) * (S_EXCESS * 0.8)

Of the state total allocation, after LEAs receive their foundation grants (FY2001 amounts under the two antecedent programs), 20% of the excess state allocation is allocated on the basis of each LEA's share of the state total of the total population aged 5-17, and 80% on the basis of population aged 5-17 from poor families.

Where:

S_EIS_01 = State total Eisenhower Professional Development Program grant, FY2001

S_CSR_01 = State total Class Size Reduction Program grant, FY2001

APP = Appropriation (for the current year)

APP_01 = Total appropriation for FY2001 state grants under the Eisenhower Professional Development and Class Size Reduction Programs ($2,062,620,000)

EXCESS = Appropriation in excess of total Eisenhower Professional Development Program and Class Size Reduction Program grants, FY2001

POP = Total population aged 5-17

POV = Population aged 5-17 in poor families

S_MIN == State minimum allocation

S_MIN_ADJ = State minimum adjustment (proportional increase (in small states) or decrease (in other states) to apply the statewide minimum grant)

L_EIS_01 = LEA Eisenhower Professional Development Program grant, FY2001

L_CSR_01 = LEA Class Size Reduction Program grant, FY2001

S_ALL = State total allocation for grants to LEAs, current year

S_ALL_01 = State total allocation for grants to LEAs under the antecedent programs, FY2001

S_EXCESS = State allocation for grants to LEAs, current year, in excess of the FY2001 level

$\sum$ = Sum (for all states in the nation in Stage 1, and for all LEAs in the state in Stage 2)

Title II, Part B: Mathematics and Science Partnerships

Part B authorizes grants to eligible partnerships — that include an SEA, an engineering, mathematics, or science department of an institution of higher education (IHE), and a high-need LEA — for activities that include professional development, summer workshops or institutes, and recruitment of mathematics and science teachers, as well as development of rigorous curricula in these fields. Title II-B funds are allocated to states by formula if appropriations are equal to or greater than $100 million, as has been the case in recent years.

Population Factor. Children aged 5-17 in poor families, according to the latest available estimates for LEAs from the Census Bureau.

Minimum State Grant. Each state is to receive a minimum of 0.5% of total funds available for grants to states.

Fiscal Requirements. Title II-B funds must be used so as to *supplement, and not supplant*, state and local funds that would otherwise be available for the activities authorized under this program.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs.
Puerto Rico and the Outlying Areas are treated fully as states.

Other Reservations from Appropriations. Of the total amount appropriated for Title II-B, 0.5% of total appropriations is reserved for a national evaluation. There is no specific authority for this reservation in Title II-B itself, rather it appears to be an exercise of general authority — in ESEA Title IX, Part F — for the Secretary to reserve up to 0.5% of appropriations for any ESEA programs, except those under Titles I and III, for evaluation activities.

Mathematics and Science Partnerships Allocation Formula

State Grant = [(PF / $\sum$ PF) * APP] * S_MIN_ADJ, or S_MIN if greater

Each state receives a Mathematics and Science Partnerships grant equal to the greater of (1) its proportional share of the population factor for all states, adjusted downward to provide funds to raise the smallest states to the state minimum level, or (2) the state minimum grant.

Where:

PF = Population factor
APP = Appropriation for Mathematics and Science Partnerships grants to states
S_MIN_ADJ = State minimum adjustment (proportional decrease to apply the statewide minimum grant)
S_MIN = State minimum grant
$\sum$ = Sum (for all states)

Title II, Part D: Education Technology State Grants

Part D authorizes the Education Technology State Grants (EdTech) program, which is intended to help elementary and secondary schools improve student academic achievement by utilizing technology. Formula grants are made to states based on the proportion of Title I-A funds received by each state relative to the total amount of funding provided through Title I-A. States subsequently award 50% of the grants in the form of formula subgrants to all eligible LEAs[34] that submit an application for authorized activities. Each LEA receives the same proportion of funding from the 50% that it received under Title I, Part A for the same year. The remaining EdTech funds are awarded competitively to high-need districts or local partnerships[35] through a state- determined, competitive process.[36] All local formula

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[34] An "eligible" LEA is a "high-need" LEA, defined as an LEA that (i) is a current recipient of funds under Title I, Part A of the ESEA, (ii) is among the LEAs in the state with the highest numbers or percentages of children from low-income families, and (iii) either has one or more schools identified for improvement under ESEA Title I-A or has a substantial need for assistance in acquiring or using technology.

[35] A local partnership includes at least one high-need LEA, and at least one of the following: an LEA that can demonstrate that teachers in schools served by the LEA are effectively

(continued...)

and competitive grant recipients must use at least 25% of the funds received for continual and effective professional development. Other funds may be used for relevant technology-related purposes, such as the development or expansion of the Internet and other technology efforts to connect schools and teachers with parents and students. The discussion below relates only to the portion of Title II-D funds that is allocated by formula.

Title I-A Grant Factor. Grants are allocated to states in proportion to total Title I-A grants (calculated as if no LEA hold harmless were applied).

Minimum State Grant. Each state is to receive at least 0.5% of total state grants.

Maximum SEA and Eligible Entity Reservations for Administration, Evaluation, and Technical Assistance. No recipient of funds may use more than 5% of the funds received for administrative costs or technical assistance, of which not more than 60% may be used by the recipient for administrative costs.

Fiscal Requirements. Title II-D is one of may "covered programs" to which a general ESEA *maintenance of effort* requirement applies. Recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year. Title II-D funds must also be used to *supplement, not supplant*, state and local funds that would otherwise be available for the activities authorized under this program.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico is treated as a state. Grants to the Outlying Areas are provided through a reservation of 0.5% of Title II-D appropriations specifically available for state and local technology grants. Grants to the Bureau of Indian Affairs are provided through a reservation of 0.75% of Title II-D appropriations specifically available for state and local technology grants.

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[35] (...continued)
integrating technology and proven teaching practices into classroom instruction; an institution of higher education that is not identified by the state as low-performing and that is in compliance with the reporting requirements for its teacher education program as mandated by Section 207(f) of the Higher Education Act of 1965; a for-profit business or organization that develops, designs, or manufactures technology products or services, or that has substantial expertise in the application of technology in instruction; or a public or private non-profit organization with demonstrated experience in the application of technology in instruction.

[36] Prior to distributing competitive grants, the SEA must establish the minimum amount of each grant to ensure that the grant amount will be effective to administer the proposed technology plan. Second, the SEA must determine which LEAs would have received a formula grant that was not of sufficient size to be effective, and give them priority in the competition. Finally, the SEA must ensure an equitable distribution of the competitive subgrants between rural and urban areas according to the need demonstrated by the schools within the LEA.

Other Reservations from Appropriations. Not more than 2% of the total Title II-D appropriation may be reserved for studies and other national technology activities.

Education Technology State Grants Allocation Formula

Stage 1: Calculation of State Total Education Technology Grant

State Grant = [(T1A / $\sum$ T1A) * APP] * S_MIN_ADJ, or S_MIN, if greater

Each state receives an EdTech grant equal to its proportional share of total grants under ESEA Title I, Part A, adjusted downward to provide funds to raise the smallest states to the state minimum level. If funds are sufficient, no state receives less than its minimum grant amount.

Stage 2: Calculation of LEA Formula Grant

LEA Grant = (L_T1A / $\sum$ L_T1A) * ST_APP]

Each LEA receives an EdTech grant equal to its proportional share of total grants provided to LEAs in the state under ESEA Title I, Part A.

Where:

T1A = State total grant under ESEA Title I, Part A, but calculated as these grants would be if no LEA hold harmless were applied
APP = Appropriation
S_MIN_ADJ = State minimum adjustment (proportional decrease to apply the statewide minimum grant)
S_MIN = State minimum grant
L_T1A = LEA total grant under ESEA Title I, Part A
ST_APP = Amount of state total grant used to made formula grants to LEAs
$\sum$ = Sum (for all states or LEAs)

Title III-A, English Language Acquisition State Grants

Title III-A[37] authorizes formula grants to states to ensure that limited English proficient (LEP) students and immigrant children develop English proficiency.[38] Grants to the 50 states, the District of Columbia, and Puerto Rico are determined based on the state's proportional share of LEP students and immigrant students relative to the U.S. population of LEP students and immigrant students. For the purposes of this report section, the term "state" includes the District of Columbia and the Commonwealth of Puerto Rico.

States are required to distribute funds to eligible local entities[39] based on the number of LEP students in schools served by the entity relative to the total population of LEP students served by all eligible entities in the state. If this calculation would result in an eligible entity receiving a grant of less than $10,000, the SEA may not provide the subgrant. While 95% of the state allocation must be distributed to the local level, the SEA must reserve up to 15% of its allotment to award subgrants to eligible entities that have experienced a "significant increase" in the percentage or number of immigrant students who have enrolled during the prior fiscal year in public and non-public elementary and secondary schools in the geographic area served by the eligible entity. These subgrants, however, do not have to be awarded by a formula.

Population Factors. Grants are determined based on the state's proportional share of LEP students and immigrant students relative to the U.S. population of LEP students and immigrant students. These shares are then weighted with a higher

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[37] If appropriations are less than $650 million, Title III-A is no longer applicable and Improving Language Instruction Programs (Title III-B) would be implemented. Title II-B would provide competitive, rather than formula, grants to eligible entities. Since the enactment of NCLB, appropriations have not fallen below the $650 million threshhold. Therefore, Title III-B is not discussed in this report.

[38] Statutory language defines a limited English proficient student to be (1) a student ages 3 to 21, (2) who is enrolled or is preparing to enroll in an elementary or secondary school, (3) who was not born in the United States or whose native language is a language other than English, who is a Native American or Alaska Native, who is a native of the outlying areas, who comes from an environment where a language other than English has had an impact on the student's level of English language proficiency, or is a migratory student whose native language is not English and who comes from an environment where English is not the dominant language, and (4) whose difficulties in speaking, reading, writing, or understanding English may prevent a student from reaching the proficient level on state assessments required under Title I-A, succeeding in classrooms where English is the language of instruction, or participating fully in society (Section 9101). Statutory language defines an immigrant student as an individual ages 3 to 21 who was not born in any state, and has not been attending a school in the United States for more than three full academic years (Section 3301). These latter students are referred to as immigrant or recent immigrant students throughout this report.

[39] An eligible entity is defined as (1) one or more LEAs, or (2) one or more LEAs working in collaboration with an institution of higher education, community-based organization, or SEA (Section 3141).

weight (0.8) being assigned to the state's population of LEP students and a lower weight (0.2) being assigned to the state's population of recent immigrant students.

In determining the number of LEP and immigrant students in an individual state and in the United States, statutory language directs ED to use "the more accurate" of (1) data available from the American Community Survey (ACS), or (2) the number of children being assessed for English proficiency as required under Title I-A of the ESEA.[40] In practice, ED has been using the ACS data to make state allocations since FY2005. Title III grants for a specific fiscal year have been based on ACS data from two years prior. For example, FY2008 grants are based on the 2006 ACS data.

Minimum State Grant. No state can receive a grant of less than $500,000.

Maximum SEA and LEA reservations for Administration, Evaluation, and Technical Assistance. Each SEA may not reserve more than 5% of its allotment to carry out professional development activities, planning, evaluation, administration, technical assistance, or recognition of subgrantees that have exceeded their annual measurable achievement objectives. Each eligible entity receiving funds may not use more than 2% of such funds for administration.

Fiscal Requirements. Title III-A is one of may "covered programs" to which a general ESEA *maintenance of effort* requirement applies. Recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year. In addition, Title III funds must be used so as to *supplement* the level of federal, state, and local funds that, in the absence of Title III funds, would have been expended to support programs for LEP and immigrant children and youth. Further, Title III funds shall not be used to supplant such federal, state, and local funds; that is, Title III funds may not be used to pay for services that, in the absence of Title III funds, would be required to be provided by other federal, state, or local funds.[41]

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico is treated as a state, but its grant may not exceed 0.5% of the total available for state grants. Grants to the Outlying Areas are provided through a reservation of 0.5% of the total Title III-A appropriations. There is no specific reservation for the Bureau of Indian Affairs, but funds are available to support students in BIA schools (see below).

Other Reservations from Appropriations. The Secretary of Education is required to reserve the greater of 0.5% or $5 million of the total Title III-A appropriation for

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[40] More specifically, Section 1111(b)(7) requires states to assess the English language skills of students with limited English proficiency on an annual basis.

[41] More specifically, states, LEAs, and schools are required by law to provide a free public education to all students and are required to provide core language instruction educational programs and services for LEP students based on Title VI of the Civil Rights Act of 1964. Thus, Title III funds must be used to supplement instruction and services required by other provisions of law. For more information, see [http://preview.ed.gov/programs/sfgp/legislation.html].

grants to eligible entities that operate elementary, secondary, and postsecondary schools predominantly for Native American and Alaska Native children. Eligible entities include, for example, an Indian tribe or an elementary or secondary school that is operated or funded by the BIA. The Secretary is also required to reserve 6.5% of the total Title III-A appropriation for national activities. Of the reserved funds, not more than 0.5% of total Title III-A appropriations may be used for evaluation activities, and not more than $2 million may be reserved for the National Clearinghouse for English Language Acquisition and Language Instruction Educational Programs (NCELA).

English Language Acquisition State Grants Allocation Formula

Stage 1: Calculation of State English Language Acquisition Grant

$$\text{State Grant} = [\,((\,LEP\,/\,\textstyle\sum LEP\,)*0.8) + ((RIM\,/\,\textstyle\sum RIM\,)*0.2)*APP\,]*$$
$$\text{S\_MIN\_ADJ, or S\_MIN, if greater}$$

Each state receives an English Language Acquisition grant equal to its proportional share of LEP children and recent immigrant children weighted by 0.8 and 0.2, respectively, adjusted downward to provide funds to raise the smallest states to the state minimum level.

Stage 2: Calculation of English Language Acquisition Grant for an Eligible Entity

$$\text{Eligible Entity Grant} = (EE\_LEP\,/\,\textstyle\sum EE\_LEP)*ST\_APP$$

Each eligible entity receives an English Language Acquisition grant equal to its proportional share of LEP students in schools served by the eligible entity. If this calculated amount is less than $10,000, the eligible entity may not receive a grant.

Where:
LEP = Number of limited English proficient students in a state
RIM = Number of recent immigrant children and youth in a state
APP = Appropriation
S_MIN_ADJ = State minimum adjustment (proportional decrease to apply the statewide minimum grant)
S_MIN = State minimum grant
EE_LEP = Number of limited English proficient students in schools served by the eligible entity
ST_APP = Amount of state total grant used to made formula grants to eligible entities
$\sum$ = Sum (for all states or eligible entities)

Title IV, Part A: Safe and Drug-Free Schools and Communities

Title IV-A is the federal government's major initiative to prevent drug abuse and violence in and around schools. One-half of state grant funds is allocated on the basis of total population aged 5-17, and one-half is allocated in proportion to Title I-A Concentration Grants, with a minimum grant amount of the greater of 0.5% of total funding for state grants or each state's grant for FY2001. SEAs subsequently make formula grants to LEAs based on each LEA's share of total Title I-A funding (60%) and share of enrollment in public and private non-profit elementary and secondary schools (40%). Title IV-A also provides funds to state governors to create programs to deter youth from using drugs and committing violent acts in schools, and for national programs supporting a variety of national leadership projects designed to prevent drug abuse and violence in elementary and secondary schools (e.g., the Safe Schools/Healthy Students initiative).

Population Factor. In the allocation of funds *to states*, 50% of the appropriations available for grants to states is allocated in proportion to total school-age (ages 5-17) population.

In the allocation of state total grants *to LEAs*, 40% of state total funds is distributed on the basis of total K-12 enrollment in public and private, non-profit schools.

Title I-A Grant Factor. In the allocation of funds *to states*, 50% of the appropriations available for grants to states is allocated in proportion to Title I-A Concentration Grants (calculated as if no LEA hold harmless were applied).

In the allocation of state total grants *to LEAs*, 60% of state total funds is distributed in proportion to total Title I-A grants.

Minimum State Grant. If sufficient funds are appropriated, each state is to receive *the greater* of two minimum amounts: (a) 0.5% of total allocations to states; or (b) a hold harmless amount equal to the state's FY2001 allocation under this program. If appropriations are insufficient to provide the full FY2001 minimum to all states, as has been the case in some recent years, each state receives an equal proportion of its FY2001 grant. (Since the 0.5% minimum was applied to FY2001 grants as well, this also provides each state with at least 0.5% of current state grants.)

Fiscal Requirements. Title IV-A is one of many "covered programs" to which a general ESEA *maintenance of effort* requirement applies. Recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year. Also, Title IV-A funds must be used so as to *supplement, and not supplant*, state and local funds that would otherwise be available for the activities authorized under this program.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico is treated as a state. Grants to the Outlying Areas are provided through

reservation of the greater of 1% of state grant appropriations, or $4,750,000, whichever is greater, to be allocated among the Outlying Areas at the discretion of the Secretary. An additional 1% of state grants or $4,750,000 (whichever is greater) is reserved for the Bureau of Indian Affairs, and 0.2% of state grants is reserved for programs serving Native Hawaiians.

Other Reservations from Appropriations. At the *national level*, of the total amount appropriated for state grants under Title IV-A, up to $2 million may be reserved for a national evaluation. At the *state level*, the chief state executive officer may reserve up to 20% of state total grants for competitive grants. Of the remaining state funds, up to 3% may be reserved by the SEA for state administration costs, and up to 5% for statewide activities; regardless of these separate limits, at least 93% (i.e., not 92%) of state grants remaining after the state's chief executive officer's reservation is to be allocated to LEAs.

Safe and Drug Free Schools and Communities Allocation Formula

Stage 1: Calculation of State Total Safe and Drug-Free Schools and Communities Allocations

Step 1: Preliminary State Grant = (APP * 0.5) * (T1A_CON / $\sum$ T1A_CON) + (APP * 0.5) * (PF / $\sum$ PF)

In Step 1, one-half of the appropriations available for state grants is multiplied by the state share of the national total of Title I-A Concentration Grants, and one-half is multiplied by the state share of the population factor.

Step 2: S_MIN = Greater of (APP * 0.005) or FY2001 Grant

In Step 2, the state minimum is calculated as the greater of 0.5% of total state grants or each state's Safe and Drug-Free Schools and Communities grant for FY2001.

Step 3a: If appropriations *exceed* the FY2001 level

Final State Grant = Preliminary State Grant * S_MIN_ADJ, or S_MIN if greater

In Step 3a, if total state grant appropriations exceed the FY2001 level ($439,250,000), each state's final grant is equal to the amount calculated in Step 1 multiplied by a (downward) adjustment to pay for increased grants to states receiving the minimum grant amount, or the state minimum, which is greater.

Step 3b: If appropriations are *equal to or less than* the FY2001 level

Final State Grant = S_MIN * (APP / APP_01)

In Step 3b, if appropriations are equal to or less than the FY2001 level, each state receives an equal proportion of its FY2001 grant. This proportion is equal to the total amount available for state grants in the current year (after all national reservations) divided by the comparable amount for FY2001.

Stage 2: Calculation of LEA Safe and Drug-Free Schools and Communities Allocations

$$\text{Final LEA Grant} = (\text{PF} / \sum \text{PF}) * (\text{S\_ALL} * 0.4) + (\text{T1A} / \sum \text{T1A}) * (\text{S\_ALL} * 0.6)$$

Of the state total allocation, 40% is allocated on the basis of each LEA's share of the state total of the population factor, and 60% on the basis of total Title I-A grants.

Where:

APP = Appropriation (for the current year)
T1A_CON = Title I-A Concentration Grants (calculated as if no LEA hold harmless were applied)
PF = Population factor
S_MIN = State minimum allocation
S_MIN_ADJ = State minimum adjustment (proportional increase (in small states) or decrease (in other states) to apply the statewide minimum grant)
APP_01 = Appropriation for FY2001 ($439,250,000)
S_ALL = State total allocation (less funds reserved by the SEA and the chief state executive officer)
T1A = Total Title I-A Grants
$\sum$ = Sum (for all states in the nation in Stage 1, and for all eligible LEAs in the state in Stage 2)

Title IV, Part B: 21st Century Community Learning Centers

Title IV-B supports activities provided during non-school hours that offer learning opportunities for school-aged children. Formula grants are made to states based on state shares of Title I-A grants. States subsequently award grants to local entities (e.g., LEAs, community-based organizations) on a competitive basis for a period of three to five years. SEAs are required, to the extent possible, to distribute funds equitably among the various geographic areas within the state, including urban and rural communities. Eligible entities are to serve primarily students who attend schools eligible for schoolwide programs under Title I-A[42] and the families of these students. Eligible entities may use funds for before- and after-school activities that advance student academic achievement. The program's focus, however, is currently on providing after-school activities for children and youth, and literacy-related activities for their families.

Title I-A Grant Factor. Grants are allocated to states in proportion to total Title I-A grants (calculated as if no LEA hold harmless were applied).

Minimum State Grant. Each state is to receive at least 0.5% of total state grants.

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[42] In general, 40% or more of the pupils in a school must be from low-income families in order for the school to qualify for a schoolwide program under ESEA Title I-A.

Fiscal Requirements. Title IV-B is one of many "covered programs" to which a general ESEA *maintenance of effort* requirement applies. Recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year. Also, Title IV-B funds must be used so as to *supplement, and not supplant*, state and local funds that would otherwise be available for the activities authorized under this program.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico is treated as a state. Grants to the Outlying Areas and the Bureau of Indian Affairs are provided through reservation of up to 1% of total Title IV-B appropriations.

Other Reservations from Appropriations. At the *national* level, of the total amount appropriated for Title IV-B, up to 1% may be reserved by the Secretary for national activities. At the *state* level, up to 2% of grants may be reserved for administration and up to 3% for evaluation and technical assistance.

21st Century Community Learning Centers Allocation Formula

State Grant = [(T1A / $\sum$ T1A) * APP] * S_MIN_ADJ, or S_MIN, if greater

Each state receives a 21st Century Community Learning Center grant equal to its proportional share of total grants under ESEA Title I, Part A, multiplied by a (downward) adjustment to pay for increased grants to states receiving the minimum grant amount, or the state minimum, which is greater.

Where:

T1A = State total grant under ESEA Title I, Part A, but calculated as these grants would be if no LEA hold harmless were applied
APP = Appropriation for state grants
S_MIN_ADJ = State minimum adjustment (proportional decrease to apply the statewide minimum grant)
S_MIN = State minimum grant
$\sum$ = Sum (for all states)

Title V, Part A: Innovative Programs

Title V, Part A authorizes the Innovative Programs block grant, under which aid may be provided to SEAs and LEAs that could be used for an especially wide range of educational services and activities. Part A grants are allocated to states on the basis of total population aged 5-17, with a state minimum grant amount of 0.5% of total funding for state grants. At least 85% of Title V-A funds must be allocated by SEAs to LEAs on the basis of state-developed formulas that take into consideration each LEA's enrollment of pupils in public and private schools, with adjustments to provide increased grants per pupil to LEAs with the greatest numbers or percentages of "high cost" pupils, including those from economically disadvantaged families and those living in sparsely populated areas or areas of concentrated poverty. *Because the formulas for suballocation of state total grants to LEAs are developed by the*

states, the discussion below will focus on the national formula for allocation to states only.

Of the Part A funds that may be retained by states (i.e., up to 15% of state total grants), no more than 15% of these amounts may be used for administrative costs; remaining funds reserved by states are to be used for one or more of seven specified types of programs and services, including the broad categories of statewide education reform, school improvement programs and technical assistance activities. LEAs may use their Part A funds for any of 27 different types of "innovative assistance programs." Whereas several of these are relatively specific (e.g., programs to provide same gender schools and classrooms), others are more general (e.g., promising education reform projects). Although this program and its direct predecessors were funded for each of FY1982-2007, no appropriation was provided for this program for FY2008.

Population Factor. In the allocation of funds to states, the population factor is total school-age (5-17 years) children. While substate allocation formulas are ultimately determined by the states, for the suballocation of state grants to LEAs, the population factor is each LEA's enrollment of pupils in public and private schools, with state-determined adjustments to provide increased grants per pupil to LEAs with the greatest numbers or percentages of "high cost" pupils, including those from economically disadvantaged families and those living in sparsely populated areas or areas of concentrated poverty.

State Minimum. Each state is to receive at least 0.5% of total state grants.

Fiscal Requirements. Under a separate (but substantively identical to others in the ESEA) *maintenance of effort* requirement, recipient states must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year. In addition, funds must be used so as to *supplement, and not supplant*, any other state, local or federal funds.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico is treated as a state. One percent of total appropriations is reserved for grants to the Outlying Areas. The Bureau of Indian Affairs receives no funds under this program.

Other Reservations from Appropriations. Of the total received by each state, an amount equal to at least 85% of the state's *FY2002* grant, plus 100% of the excess over FY2002 (50% for states receiving the minimum grant), must be allocated to LEAs. Remaining funds, if any, could be used for state level activities, with a maximum of 15% of these used for administration.

Innovative Programs Allocation Formula

$$\text{State Grant} = (\text{PF} / \sum \text{PF}) * \text{APP} * \text{S\_MIN\_ADJ, or S\_MIN if greater}$$

State grants are equal to the state share of the population factor, multiplied by the appropriation, multiplied by a (downward) adjustment to pay for increased grants to

states receiving the minimum grant amount, or the state minimum, whichever is greater.

Where:

PF = Population factor
APP= Appropriation
S_MIN_ADJ = State minimum adjustment (proportional increase (in small states) or decrease (in other states) to apply the statewide minimum grant)
S_MIN = State minimum
$\sum$ = Sum (for all states)

Title VI, Part A, Subpart 1: State Assessment Grants

Subpart 1 of Title VI-A authorizes grants to states for the development and enhancement of assessments meeting the requirements of Title I-A. In the allocation of funds, each state first receives $3 million per year, and remaining funds, if any, are allocated in proportion to population aged 5-17. Of the amount appropriated for this program each year, a minimum or "trigger" amount is to be allocated as state formula grants.[43] Funds appropriated each year for state assessment grants that are in excess of "trigger" amounts are to be used for enhanced assessment grants, that are allocated through competition, not a formula. For FY2008, the "trigger" amount is $400 million; therefore, $400 million is allocated by formula, and the remainder of the FY2008 appropriation for Title VI-A ($8,732,000) is allocated competitively.

Foundation Grant. Each state initially receives $3 million per year.

Population Factor. After the payment of foundation grants to each state, remaining funds, if any, are allocated to states in proportion to total population aged 5-17.

Fiscal Requirements. Title VI-A-1 funds must be used so as to *supplement, and not supplant*, state and local funds that would otherwise be available for the activities authorized under this program.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico is treated as a state. Of the total appropriated for Title VI-A-1, 0.5% is reserved for grants to the Outlying Areas and 0.5% for the Bureau of Indian Affairs.

State Assessment Grants Allocation Formula

State Grant = $3,000,000 + ((PF / $\sum$ PF) * (APP - $156,000,000))

Each state receives $3 million plus a share of remaining funds that is proportional to its share of total school-age (5-17) population in all of the states.

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[43] States may delay, by one year, the implementation of certain Title I-A assessment provisions if an amount less than the minimum is appropriated for state assessment (formula) grants.

Where:

PF = Population factor
APP = Appropriation for State Assessment Grants formula grants to states (i.e., "trigger" amount)
∑ = Sum (for all states)

Title VI, Part B, Subpart 1: Small, Rural School Achievement Program

Subpart 1 of Title VI-B authorizes the Small, Rural School Achievement Program (SRSA), that provides flexibility in the use of funds under several ESEA programs to rural LEAs with fewer than 600 pupils (or meeting certain other criteria). Eligible LEAs may also receive additional grants, although these are offset by amounts received by these LEAs under certain ESEA programs. Among ESEA formula grant programs, the SRSA is unique in that an initial grant, ranging from $20,000 to $60,000, is first calculated for each eligible LEA. Then, the amounts received by each LEA under certain ESEA programs (see below) is subtracted from the initial grant, and the final grant to each LEA is the remainder (if any) after this deduction. The rationale for this procedure is that the SRSA is intended to supplement funds provided under certain other ESEA programs. SRSA funds may be used for any purpose authorized under ESEA Title I, Part A (Education for the Disadvantaged), Title II, Part A (Teacher and Principal Training and Recruiting Fund), Title II, Part D (Enhancing Education Through Technology), Title III (English Language Acquisition), Title IV, Part A (Safe and Drug-Free Schools and Communities), Title IV, Part B (21st Century Community Learning Centers), or Title V, Part A (Innovative Programs).

Grants are calculated on the basis of LEAs. State total grants are simply the total of final grants calculated on behalf of the state's eligible LEAs.

Population Factor (initial grant calculation). The number of students in average daily attendance (ADA) at the public schools operated by eligible LEAs.

Eligibility Criteria. Only small, rural LEAs are eligible for grants. These are defined as LEAs in which all of the schools have a rural locale code,[44] and either the total enrollment of the LEA is 600 or less, or the total population density of the county in which the LEA is located is less than 10 persons per square mile. LEAs receiving grants under this program are *not* eligible to receive a grant under Title VI, Part B, Subpart 2 (below).

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[44] For the SRSA program, the locale codes referred to in the ESEA are "metro-centric" codes of 7 or 8. For an explanation of these and alternative systems of locale codes, see CRS Report RL33804, *Rural Education and the Rural Education Achievement Program (REAP): Overview and Policy Issues*, by Richard N. Apling and Jeffrey J. Kuenzi. The locale code requirement may be waived by the Secretary if a state agency determines that the LEA is located in a rural area.

Expenditure Factor. The initial grant for each eligible LEA is equal to $20,000 plus $100 multiplied by the number of students in the population factor *in excess of* 50 students. The initial amount may not exceed $60,000.

Deduction from Initial Grant. Initial grants are reduced by the total of grants to the LEA under the following programs: (1) the Teacher and Principal Training and Recruiting Fund (ESEA Title II, Part A, Subpart 2); (2) Enhancing Education Through Technology (ESEA Title II, Part D); (3) Safe and Drug-Free Schools and Communities (Title IV, Part A); and (4) Innovative Programs (ESEA Title V, Part A). If the total deduction is equal to or greater than the initial grant, the LEA receives no funds under the SRSA program.

Ratable Reduction. After net initial grants are calculated, if appropriations are insufficient to pay the total of these amounts, grants are reduced by the same percentage for all LEAs until they equal the aggregate level of appropriations. If, on the other hand, sufficient funds are available to give all eligible LEAs an amount in excess of their initial grant, the initial grants are ratably increased, although the $60,000 maximum grant is maintained.

Fiscal Requirements. SRSA funds must be used so as to *supplement, and not supplant*, any other federal, state or local funds.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico and the Outlying Areas are treated as states. There is no provision for grants to the Bureau of Indian Affairs.

Small Rural Schools Achievement Program Allocation Formula

$$\text{Step 1: Initial Grant 1} = \$20{,}000 + ((\text{ADA} - 50) * \$100)$$

In Step 1, each LEA receives an initial grant of $20,000 plus $100 for each student in average daily attendance in excess of 50 students.

$$\text{Step 2: Initial Grant 2} = \text{Initial Grant 1 or } \$60{,}000, \text{ whichever is less}$$

In Step 2, a maximum of $60,000 is applied to the initial grant.

$$\text{Step 3: Initial Grant 3} = \text{Initial Grant 2} - (\text{T2A} + \text{T2D} + \text{T4A} + \text{T5A}) \text{ or } \$0,$$
$$\text{whichever is greater}$$

In Step 3, the LEA total of grants received under ESEA Title II, Part A; Title II, Part D; Title IV, Part A; and Title V, Part A is subtracted from the amount calculated in Step 2. If this amount is equal to zero or less, the LEA receives no SRSA grant.

$$\text{Step 4: Final Grant} = (\text{Initial Grant 3} / \sum \text{Initial Grant 3}) * \text{APP}$$

In Step 4, each eligible LEA receives a share of available appropriations that is proportional to its grant amount calculated in Step 3.

Where:

ADA = LEA students in average daily attendance
T2A = LEA grant under ESEA Title II, Part A
T2D = LEA grant under ESEA Title II, Part D
T4A = LEA grant under ESEA Title IV, Part A
T5A = LEA grant under ESEA Title V, Part A
APP = Appropriation
$\sum$ = Sum (for all eligible LEAs)

Title VI, Part B, Subpart 2: Rural and Low-Income School Program

Subpart 2 of Title VI-B authorizes the Rural and Low-Income School Program (RLIS), under which grants are made to rural LEAs, defined somewhat differently than under the SRSA program, that do not receive grants under the SRSA program and that have a school-age child poverty rate of 20% or more. The RLIS grants may be used for a variety of ESEA-related purposes, including (1) teacher recruitment, retention, and professional development; (2) parental involvement activities; and (3) activities authorized under ESEA Title I-A (Education for the Disadvantaged), Title II-D (Education Technology), Title IV-A (Safe and Drug-Free Schools and Communities), or Title III (English Language Acquisition).

Under the RLIS program, funds are generally allocated initially to SEAs, based on the state total number of population factor students in eligible LEAs relative to the national total of such students. However, if a SEA did not apply for RLIS grants, eligible LEAs might apply directly to ED for RLIS funds, based on the LEA's number of population factor students relative to the national total of such students. As of FY2007, all RLIS funds have been allocated via SEAs.

When RLIS grants are made via SEAs, states may suballocate funds among eligible LEAs in one of 3 ways: (1) on a competitive basis; (2) on the basis of the population factor used to allocate RLIS funds to states; or (3) on the basis of a state-developed alternative formula, approved by the Secretary of Education, that increases the share of funds going to LEAs with a concentration of children in poor families.

Population Factor. The RLIS population factor is the number of students in average daily attendance (ADA) at the schools operated by eligible LEAs (see immediately below).

Eligibility Criteria. Only rural LEAs with relatively high school-age child poverty rates are eligible for grants. These are defined as LEAs in which all of the schools have a rural locale code,[45] and the percentage of school-age children from poor

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[45] For the RLIS program, the locale codes referred to in the ESEA are "metro-centric" codes of 6, 7 or 8. For an explanation of these and alternative systems of locale codes, see CRS Report RL33804, *Rural Education and the Rural Education Achievement Program (REAP): Overview and Policy Issues*, by Richard N. Apling and Jeffrey J. Kuenzi.

families is at least 20%.[46] LEAs receiving grants under the SRSA program (above) are not eligible to receive a grant under the RLIS program.

Fiscal Requirements. RLIS is one of many "covered programs" to which a general ESEA *maintenance of effort* requirement applies. Recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year. In addition, RLIS funds must be used so as to *supplement, and not supplant*, any other federal, state or local funds.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico is treated as a state. One-half of one percent of total RLIS grants is reserved for grants to the Bureau of Indian Affairs and the same amount is reserved for the Outlying Areas.

Other Reservations from Appropriations. At the state level, up to 5% of grants may be used for administration and technical assistance.

Rural and Low-Income Schools Allocation Formula

$$\text{State Grant} = (\text{ADA} / \sum \text{ADA}) * \text{APP}$$

The grant is equal to the state total number of students in average daily attendance in schools operated by eligible LEAs compared to the national total number of such students (where grants are made via SEAs, as is the case for all funds currently).

Where:

ADA = Students in average daily attendance in eligible LEAs
APP = Appropriation
$\sum$ = Sum (for all eligible LEAs)

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[46] The poverty data used for this program are the same as those used for the ESEA Title I-A program: Census Bureau estimates from the Small Area Income and Poverty Estimates (SAIPE) program.

Title VII, Part A, Subpart 1: Indian Education Formula Grants to Local Educational Agencies

Subpart 1 of Title VII-A authorizes grants to LEAs and to schools operated or funded by the Bureau of Indian Affairs (BIA).[47] Eligible LEAs must generally meet Indian pupil enrollment thresholds of at least 10 pupils or 25% of total enrollment. Formula grants are allocated on the basis of the number of Indian pupils and the greater of the average per pupil expenditure for the state or 80% of the national average. The formula grants may be consolidated with grants under other federal education programs serving Indian pupils (under a demonstration project authority); and may be used for comprehensive programs of educational services for Indian pupils, such as culturally related activities and curriculum content, substance abuse prevention, and family literacy programs.[48] The state total for this program is the sum of grants awarded to eligible LEAs in the state.

Population Factor. Indian children and youth enrolled in educational programs provided by an LEA.

Eligibility Threshold. In most cases, LEAs are eligible for grants if they enroll at least 10 Indian pupils or Indian pupils constitute at least 25% of total enrollment. These thresholds do not apply to LEAs located in Alaska, California, or Oklahoma, or on or near an Indian reservation. Eligible LEAs must establish a committee, a majority of whose members are parents of Indian children, to develop a program for the use of funds received under this Subpart. If the LEA fails to meet this requirement, an Indian tribe representing at least one-half of the Indian children served by the LEA may apply for the grant.

Expenditure Factor. The expenditure factor is the state average per pupil expenditure in average daily attendance, or 80% of the national average, whichever is greater.

Ratable Reduction. After maximum grants (population factor multiplied by the expenditure factor) are calculated, if appropriations are insufficient to pay the maximum amounts, these amounts are reduced by the same percentage for all LEAs until they equal the aggregate level of appropriations, subject to the LEA minimum grant provision (below).

LEA Minimum Grant. If sufficient funds are available, each eligible LEA is to receive a minimum of $3,000. This minimum may be raised to $4,000 "if the Secretary determines such increase is necessary to ensure the quality of the programs provided" (Sec. 7113(b)(3)).

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[47] The ESEA statute refers to the BIA. However, in practice, the BIA has been superceded by the Bureau of Indian Education (BIE).

[48] For additional information on ESEA Title VII-A-1, see CRS Report RL34205, *Federal Indian Elementary- Secondary Education Programs: Background and Issues*, by Roger Walke.

Fiscal Requirements. Recipient LEAs must provide, from state and local sources, a level of funding (either aggregate or per pupil) in the preceding year that is at least 90% as high as in the second preceding year.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. Puerto Rico and the outlying areas are treated as states. The Bureau of Indian Affairs (Education) receives a grant under the same formula as used for grants to LEAs, based on the total number of Indian students enrolled in schools funded by the Bureau.

Other Reservations from Appropriations. At the *LEA* level, up to 5% of grants may be reserved for administration.

Indian Education Allocation Formula

$$\text{Step 1: Preliminary LEA Grant} = PF * EF$$

In Step 1, maximum grants, equal to the population factor multiplied by the expenditure factor, are calculated for each LEA meeting the Indian student enrollment eligibility threshold (where applicable).

$$\text{Step 2: LEA Grant 2} = (\text{Preliminary LEA Grant} / \sum \text{Preliminary LEA Grant}) *$$
$$APP * L\_MIN\_ADJ,$$
$$\text{or } L\_MIN \text{ if greater}$$

In Step 2, maximum grants, as calculated in Step 1, are adjusted through application of the LEA minimum grant provision.

Where:

PF = Population factor
EF = Expenditure factor
APP = Appropriation
L_MIN_ADJ = LEA minimum grant adjustment (proportional decrease, in LEAs not benefitting from the minimum LEA grant provision, to apply the LEA minimum grant)
L_MIN = LEA minimum grant
$\sum$ = Sum (for all eligible LEAs)

Title VIII (Section 8003(b)): Impact Aid, Payments for Federally Connected Children: Basic Support Payments

The Impact Aid program compensates LEAs for "substantial and continuing burden" resulting from federal activities. These activities include federal ownership of certain federal lands, as well as the enrollments in LEAs of children of parents who work or live on federal land. The federal government provides compensation because these activities deprive LEAs of the ability to collect property or other taxes from these individuals even though LEAs are obligated to provide free public education to their children. Section 8003(b) authorizes payments directly to LEAs

to compensate them for the cost of serving certain groups of federally connected children.[49] The presence of these children can increase the number of children the LEA must serve without providing a commensurate increase in taxes that support public education. To be eligible for 8003(b) payments, an LEA must have at least 400 federally connected children, or such children must represent at least 3% of an LEA's average daily attendance (ADA).[50]

Population Factors. Each federally connected child is assigned to a category that has a specific weight associated with it. These weights are used to produce a weighted student count for each LEA that is used to determine grant amounts. The weights assigned to each category are shown in **Table 12**. Federally connected children receiving the highest weights (i.e., 1.0 or above) have historically been referred to as "a" children, while students with lower weights have been referred to as "b" children.[51]

Table 12. Weights Applied to Specific Categories of Federally Connected Children (Section 8003(a)(1))

Children Attending School in the LEA Who...	Weight	Shorthand Designation
reside on federal property with a parent employed on federal property situated in whole or in part within the boundaries of the LEA; (A)(i)	1.0	"a" children
reside on federal property with a parent who is an official of, and accredited by, a foreign government and is a foreign military officer; (A)(ii)	1.0	"a" children
reside on federal property and have a parent on active duty in the uniformed services; (B)	1.0	"a" children
reside on Indian lands; (C)	1.25	"a" children
have a parent on active duty in the uniformed services but do not reside on federal property; (D)(i)	0.2	"b" children

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[49] Federally connected children are children who reside with a parent who is a member of the Armed Forces living on or off federal property; reside with a parent who is an accredited foreign military officer living on federal property; reside on Indian lands; reside in low-rent public housing; or reside with a parent who is a civilian working or living on federal land.

[50] In addition, to receive payments for children of parents employed, but not residing, on federal property or certain children residing on federal property, an LEA must serve 1,000 or more of such children or such children must represent at least 10% of the LEA's total ADA.

[51] These references are derived from a subsection of the previous Impact Aid statute (P.L. 81-874). Although no longer relevant to the current law, these shorthand designations are still widely used.

Children Attending School in the LEA Who...	Weight	Shorthand Designation
have a parent who is an official of, and has been accredited by, a foreign government and is a foreign military officer but do not reside on federal property; (D)(ii)	0.2	"b" children
reside in low-rent public housing; (E)	0.1	"b" children
reside on federal property and are not described in Subparagraph (A) or (B); (F)	0.05	"b" children
reside with a parent who works on federal property situated — in whole or in part in the county in which such LEA is located, or in whole or in part in such LEA if such LEA is located in more than one county; (G)(i); or — if not in such county, in whole or in part in the same State as such LEA; (G)(ii)	0.05	"b" children

Note: "Uniformed services" is defined in 37 U.S.C. 101 to include the Army, Navy, Air Force, and Marines, as well as the Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service.

Expenditure Factor. Grants are calculated in part based on a local contribution rate (LCR). For most LEAs, the LCR used in this calculation is either one-half of the state APPE or one-half of the national APPE.[52]

Fiscal Requirements. An LEA is eligible for a basic support payment for any fiscal year only if the state SEA finds that either the combined fiscal effort per student or the aggregate expenditures of that LEA and the state with respect to the provision of free public education by that agency for the preceding fiscal year was not less than 90% of such combined fiscal effort or aggregate expenditure for the second preceding fiscal year.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. LEAs in Puerto Rico and the Virgin Islands serving federally connected children are eligible to receive grants. Grants are not made to Outlying Areas or the BIA.

Impact Aid Basic Support Payments Allocation Formula

$$\text{Step 1: WSC} = \sum (\text{FCC} * \text{WGT})$$

In Step 1, a weighted student count is calculated by multiplying each federally connected child by the appropriate weight and summing the total of these calculations.

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[52] Two other LCRs are used less frequently: (1) the previously determined LCR for comparable districts with unusual circumstances, such as those serving a particularly large number of disabled children, or (2) the state APPE times the local contribution percentage (i.e., the percentage of educational revenues that comes from the local level).

Step 2: MBSP = WSC * LCR

In Step 2, the weighted student count calculated in Step 1 is multiplied by a local contribution rate to determine the LEA's maximum basic support payment.

Step 3: LOT = ADA% + EXP%

In Step 3, an LEA's Learning Opportunity Threshold (LOT) percentage is calculated. An LEA's LOT percentage is based on (1) the percentage of an LEA's average daily attendance that is composed of federally connected children plus (2) the percentage of an LEA's total current expenditures that is composed of Section 8003 payments. The LOT percentage cannot exceed 100%.

Step 4: LOT_P = MBSP * LOT

In Step 4, an LEA's maximum basic support payment is multiplied by its LOT percentage. This payment is known as an LEA's LOT payment. If appropriations are not sufficient to make 100% of LOT payments, LOT payments are (ratably) reduced. If appropriations exceed the amount needed to make LOT payments, but are not enough to provide maximum basic support payments, the percentage of LOT paid is increased.[53]

Where:

WSC = Weighted student count
FCC = Federally connected children
WGT = Weights for categories of federally connected children
MBSP = Maximum basic support payment
LCR = Local contribution rate
ADA% = Percentage of an LEA's average daily attendance that is composed of federally connected children
EXP% = Percentage of an LEA's total current expenditure that is composed of Section 8003 payments
LOT = Learning Opportunity Threshold percentage
LOT_P = LOT payment
∑ = Sum (for weighted student count)

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[53] For example, if there was only enough funding to provide 100% of LOT, then an LEA with a LOT percentage of 60% and a maximum basic support payment of $2 million would receive $1.2 million. However, if there was enough to pay 125% of LOT, the LEA would receive $1.5 million.

Title VIII (Section 8003(d)): Impact Aid, Payments for Federally Connected Children: Payments for Children with Disabilities

Section 8003(d) authorizes payments directly to LEAs based on the number of certain federally connected children with disabilities who are eligible to receive services under the Individuals with Disabilities Education Act (IDEA).[54] More specifically, payments are limited to certain IDEA-eligible children, most notably those whose parents are members of the Armed Forces (residing on or off military bases) and those residing on Indian lands.[55]

Population Factors. Weighted child counts are calculated for eligible federally connected children who are also eligible for IDEA by multiplying eligible "a" children by a factor of 1.0 and eligible "b" children by a factor of 0.5.[56] An LEA's payment is its percentage share of the total weighted child count multiplied by the funds appropriated for Section 8003(d).

Fiscal Requirements. An LEA is eligible for a basic support payment for any fiscal year only if the state SEA finds that either the combined fiscal effort per student or the aggregate expenditures of that LEA and the state with respect to the provision of free public education by that agency for the preceding fiscal year was not less than 90% of such combined fiscal effort or aggregate expenditure for the second preceding fiscal year.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs. LEAs in Puerto Rico and the Virgin Islands serving federally connected children are eligible to receive grants. Grants are not made to Outlying Areas or the BIA.

Impact Aid Payments for Children with Disabilities Allocation Formula

$$\text{Step 1: WSC} = [(\text{HWC} * 1.0) + (\text{LWC} * 0.5)]$$

In Step 1, a weighted student count is calculated by multiplying each federally connected child eligible for IDEA by the appropriate weight.

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[54] For more information about IDEA, see CRS Report RS22590, *The Individuals with Disabilities Education Act (IDEA): Overview and Selected Issues*, by Richard N. Apling and Nancy Lee Jones.

[55] LEAs may only receive payments under Section 8003(d) for federally connected children with disabilities who reside on or off federal property with a parent on active duty in the uniformed services, reside on or off federal property with a parent who is an official of a foreign government and is a foreign military officer, or reside on Indian lands.

[56] Federally connected children eligible for the highest weight (1.0) include children who reside on federal property with a parent on active duty in the uniformed services, reside on federal property with a parent who is an official of a foreign government and is a foreign military officer, or reside on Indian lands. Children living off federal property with a parent on active duty in the uniformed services or reside off federal property with a parent who is an official of a foreign government and is a foreign military officer receive the lower weight.

$$\text{Step 2: LEA grant} = (\text{WSC} / \textstyle\sum \text{WSC}) * \text{APP}$$

In Step 2, an LEA's weighted student count is divided by the total weighted student count and multiplied by the appropriation for Section 8003(d) to provide each LEA with a proportional share of available funds.

Where:

WSC = Weighted student count
HWC = Federally connected children with high weights
LWC = Federally connected children with low weights
APP = Appropriation
$\sum$ = Sum (of weighted student count for eligible LEAs)

Title VIII (Section 8007): Impact Aid, Construction Payments

Section 8007 provides funds for construction and facilities upgrading to certain LEAs with high percentages of children living on Indian lands or children of military parents. Of these funds, 40% are used to make formula grants, and 60% are used to make competitive grants.[57] This discussion focuses on funds awarded by *formula*. Formula grants are available to LEAs receiving Section 8003 payments and in which either (1) students living on Indian land constitute at least 50% of the LEA's total student enrollment, or (2) military students living on or off base constitute at least 50% of the LEA's total student enrollment. The funds available for formula grant construction payments are divided equally between these two groups of LEAs (i.e., 20% of total Section 8007 appropriation for each group). Grants for LEAs impacted by military dependent students are determined by dividing the total amount of available funding by the total number of weighted student units of military children living on or off base across all eligible LEAs, and multiplying this result by the total number of weighted student units of these children enrolled in an LEA. The same calculation is made for LEAs impacted by children living on Indian lands.

Population Factors. At least 50% of an LEA's total student enrollment must be composed of either (1) military children living on or off base, or (2) children living on Indian lands. These student counts are then multiplied by their relevant weights to produce a weighted student count. (See discussion of Section 8003(b) for additional information about these categories of students and the applicable weights.)

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[57] Although statutory language mandates that 40% of the appropriations for Section 8007 be distributed through formula grants and 60% through competitive grants, in recent years, the Labor, Health and Human Services, and Education Appropriations Acts have specified that the funds be distributed solely through formula or competition. For example, for FY2008, Section 8007 funds are being distributed only through competition in accordance with the FY2008 Consolidated Appropriations Act (P.L. 110-161, Division G, Title III). In FY2007, funds were distributed only by formula based in accordance with Section 104 of P.L. 110-5, Revised Continuing Appropriations Resolution, 2007.

Treatment of Puerto Rico, Outlying Areas, and the Bureau of Indian Affairs.
LEAs in Puerto Rico and the Virgin Islands serving federally connected children are eligible to receive grants. Grants are not made to Outlying Areas or the BIA.

Impact Aid Payments for Construction Allocation Formula (for formula grants only)

Step 1: $WSC = [(MB * 1.0) + (MOB * 0.02)]$ or $WSC = (CIL * 1.25)$

In Step 1, a weighted student count is calculated by (1) multiplying the number of military children living on or off base by the appropriate weight and adding the results, or (2) multiplying the number of children living on Indian lands by the appropriate weight.

Step 2: $LEA \ grant = [(APP * 0.2) / (\sum WSC)] * WSC$

In Step 2, the funds available for formula grants are divided equally between LEAs in which military students living on or off base constitute at least 50% of the LEA's total student enrollment and LEAs in which students living on Indian lands constitute at least 50% of the LEA's total student enrollment (20% of the total Section 8007 appropriation going to each group). For example, grants for LEAs impacted by military dependent students are determined by dividing the total amount of available funding (20% of the Section 8007 appropriation) by the total number of weighted student units of military children living on or off base across all eligible LEAs to produce an amount per weighted child. This amount is then multiplied by the total number of weighted student units of these children enrolled in the LEA. The same calculation is made for LEAs impacted by children living on Indian lands.

Where:

WSC = Weighted student count
MB = Federally connected children with parent in the military and living on a military establishment
MOB = Federally connected children with parent in the military and living off of a military establishment
CIL = Children living on Indian lands
APP = Appropriation
$\sum$ = Sum (of weighted student count for eligible LEAs)

Analyses

This report concludes with a series of analyses of selected aspects of the ESEA allocation formulas. Given space limitations, as well as the limited availability of current grant data at the LEA level, all of these analyses are conducted at the state (not LEA) level.

ESEA Allocations, and Total Federal Funds, Compared to Total Revenues From All Sources for Public K-12 Education

Table 13, below, provides two different "federal share" calculations for each state. The first of these compares total ESEA formula grant allocations for FY2006 to total revenues for public K-12 education for the 2005-2006 school year. The table is sorted on the basis of this calculation, from lowest to highest. The second calculation compares federal grants under *all* K-12 education programs administered by ED, including not only the ESEA but also the Individuals with Disabilities Education Act (IDEA) and other federal programs, to total public K-12 revenues for 2005-2006 (i.e., the same denominator as in the first comparison). **Figure 1** further illustrates this ESEA share for the states; states are again sorted according to the ESEA share of total public K-12 revenues, from lowest to highest.

As seen in Table 13, the share of public K-12 education revenues that is provided under ESEA programs varies substantially among the states, although ESEA funding constitutes only approximately one-tenth or less of total public K-12 education revenues in all cases except Puerto Rico. The ESEA share of revenues is lowest, 2.5% or less, for the states of Iowa, Massachusetts, Minnesota, Connecticut, and New Jersey. These states have relatively low rates of poverty, so their grants under Title I-A and other programs with formulas based on Title I-A grants are relatively low. Also, three of these states (Connecticut, Massachusetts, and New Jersey) have especially high levels of state and local source funding for public K-12 education, so federal grants are low in comparison.

At the other end of the scale, Puerto Rico is a special case, with an ESEA share (21.3% of total revenues) that is at least twice as high as that of any state. Among the states, the ESEA share is highest, at 8.4% to 10.7%, for the states of New Mexico, Montana, North Dakota, South Dakota, and Alaska. These states receive relatively high grants under the ESEA Impact Aid and Indian Education programs, among others. In addition, Alaska, Montana, North Dakota, and (to a lesser extent) South Dakota benefit substantially from the state minimum grant provisions in several of the ESEA program formulas.

The total federal share of revenues is in most cases slightly more than twice the ESEA share. For example, the national average for ESEA grants as a share of total public K-12 education revenues is 4.1%, while the national average for total ED funds as a share of public K-12 education revenues is 9.1%, a ratio of 2.2. States where this ratio is much lower, 1.6 or below, include South Dakota, Montana, Alaska, Wyoming, and North Dakota, plus Puerto Rico — all jurisdictions where the ESEA share is relatively high. In contrast, states where the ratio of the total federal share to the ESEA share is especially high, at 2.8 to 3.4, include Maine, Minnesota,

Louisiana, Utah, Mississippi, and Iowa. Most of these states have especially low ESEA shares, but Louisiana and Mississippi have both relatively high ESEA shares and high ratios of total federal share to ESEA share, indicating a comparatively high level of support from both ESEA and other federal programs, as well as lower than average non-federal revenues per pupil.

Table 13. ESEA Allocations, and Total Federal Source Revenues, as a Percentage of Total Revenues From All Sources for Public Elementary and Secondary Education, 2005-2006

State	ESEA Allocations, FY2006 as a Percentage of Total Revenues, 2005-2006	Total Federal Revenues as a Percentage of All Public K-12 Education Revenues, 2005-2006
National Average	**4.1**	**9.1**
New Jersey	1.9	4.4
Connecticut	1.9	4.8
Minnesota	2.3	6.5
Massachusetts	2.4	5.6
Iowa	2.5	8.6
Maryland	2.6	6.2
Indiana	2.7	6.9
New Hampshire	2.7	5.5
Wisconsin	2.8	6.0
Virginia	2.8	6.7
Ohio	3.0	7.6
Utah	3.2	9.6
Pennsylvania	3.2	8.1
Colorado	3.3	7.3
Kansas	3.4	9.0
Nevada	3.5	7.1
Michigan	3.5	8.2
Maine	3.5	9.9
Missouri	3.7	8.9
Washington	3.7	9.0
Illinois	3.8	8.4
New York	3.8	7.2
Nebraska	3.9	10.0
Georgia	4.0	9.2
Rhode Island	4.0	7.7
Oregon	4.1	9.8
South Carolina	4.1	10.2
Florida	4.2	10.1
Delaware	4.3	8.3
North Carolina	4.3	10.8
Vermont	4.4	7.6
Tennessee	4.5	11.2
California	4.5	10.8
Hawaii	4.6	8.3
Idaho	4.7	10.8
Arkansas	4.8	11.3

State	ESEA Allocations, FY2006 as a Percentage of Total Revenues, 2005-2006	Total Federal Revenues as a Percentage of All Public K-12 Education Revenues, 2005-2006
Texas	5.0	12.0
Alabama	5.0	12.0
Kentucky	5.0	11.7
West Virginia	5.3	12.0
Oklahoma	6.0	13.4
Wyoming	6.3	10.1
Louisiana	6.6	18.5
Arizona	6.6	11.8
Mississippi	6.6	20.7
District of Columbia	6.7	12.2
New Mexico	8.4	14.5
Montana	8.9	14.0
North Dakota	9.6	15.8
South Dakota	10.5	16.5
Alaska	10.7	17.0
Puerto Rico	21.3	32.0

Sources: Total ESEA allocations data: U.S. Department of Education, Budget Service
Federal source and total public K-12 education revenues data: U.S. Department of Education, National Center for Education Statistics. Table prepared by CRS.

Figure 1. ESEA and Total Federal Share of Public K-12 Education Revenues

Federal Share of Revenues: ESEA and Total

☐ ESEA Share   ■ Total Federal Share
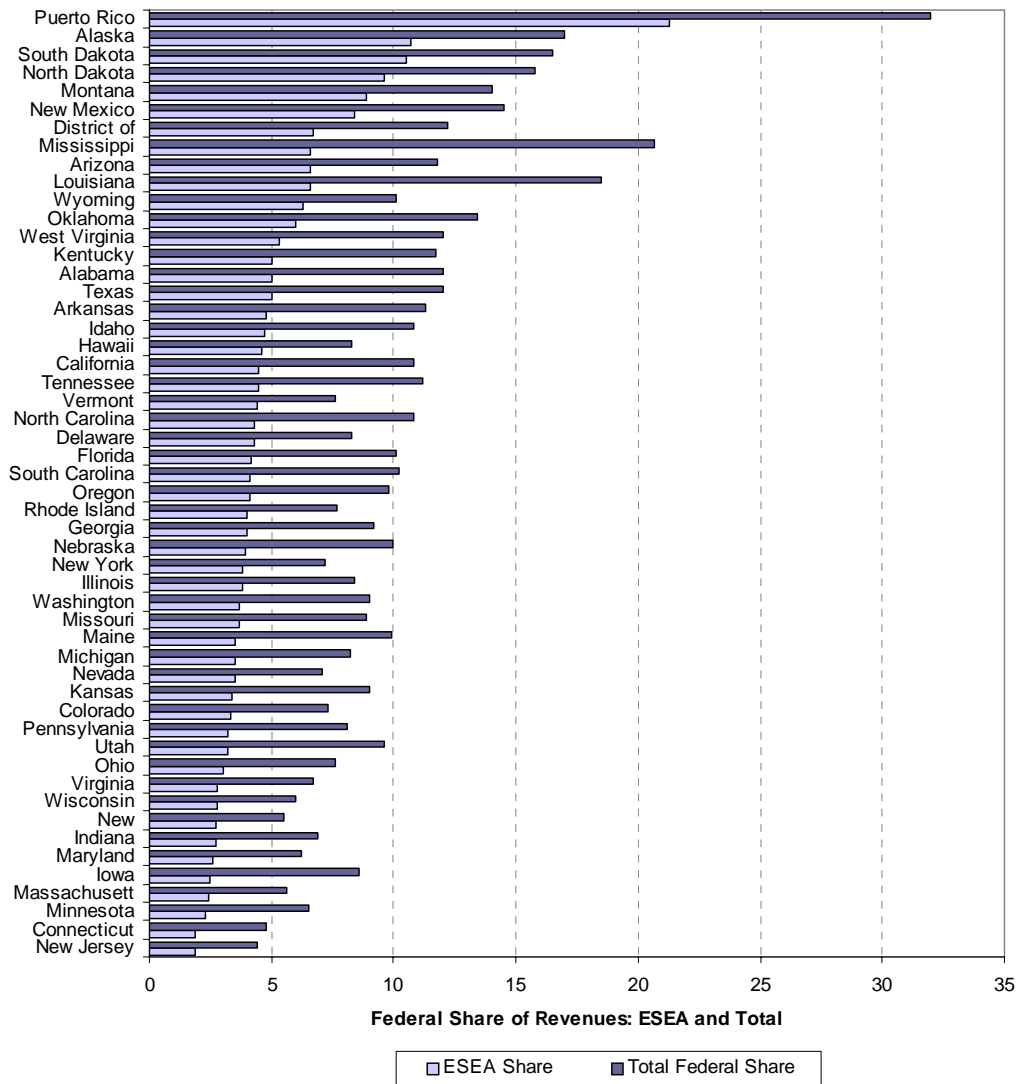
State Expenditure and Effort Factors and Equity Multiplier

Tables 14, 15, and 16, along with **Figures 2, 3, and 4**, provide the state expenditure, effort, and equity factors that are used in one or more of the ESEA Title I-A allocation formulas.

Expenditure Factor. The expenditure factor is the most broadly influential of these factors, as — in one form or the other — it applies to all Title I-A grants. Further, all Title I-A formula factors apply indirectly to several other ESEA formulas. As was discussed earlier, expenditure factors are intended to adjust for state or local differences in the costs of providing public K-12 education, although they are often criticized as reflecting differences in ability to pay for educational services as well.

One version of the Title I-A expenditure factor applies to all Title I-A formulas except Education Finance Incentive Grants (EFIG), while the other version is used

in the calculation of EFIG Grants. These versions differ only with respect to the constraints, expressed as a percentage of the national average per pupil expenditure, applied to the state average per pupil expenditure (80%/120% of the national average for three formulas, 85%/115% for EFIG Grants). In **Table 14** and **Figure 2**, states are sorted on the basis of the three-formula version of the expenditure factor, from lowest to highest.

Ten states, those at the floor or the ceiling, are grouped at each end of the expenditure factor scale for the three-formula version of the expenditure factor; within each of the groups, states are listed in alphabetical order. For the EFIG Grant version, even more states are grouped at the floor (15 states) or the ceiling (13 states), since the bounds associated with this version of the expenditure factor are more narrow. The remaining states are distributed throughout the range between these bounds. While the state variation in expenditure values is not large in absolute terms, the factor does have substantial influence on the size of Title I-A grants. Holding all else constant, the expenditure factor provides grants that are 50% higher in states at the maximum factor than in states at the minimum factor under the three-formula version of the factor, and that are 35% higher in the EFIG Grant version.

Table 14. ESEA Title I-A Expenditure Factors, FY2007

State	Title I-A Expenditure Factor, FY2007 (3 formulas; $)	Title I-A Expenditure Factor, FY2007 (EFIG formula; $)
Alabama	2,810.56	2,986.22
Arizona	2,810.56	2,986.22
Idaho	2,810.56	2,986.22
Mississippi	2,810.56	2,986.22
Nevada	2,810.56	2,986.22
North Carolina	2,810.56	2,986.22
Oklahoma	2,810.56	2,986.22
Puerto Rico	2,810.56	2,986.22
Tennessee	2,810.56	2,986.22
Utah	2,810.56	2,986.22
Florida	2,866.80	2,986.22
Texas	2,924.80	2,986.22
South Dakota	2,948.00	2,986.22
North Dakota	2,967.20	2,986.22
New Mexico	2,969.20	2,986.22
California	3,022.00	3,022.00
Arkansas	3,051.60	3,051.60
South Carolina	3,077.20	3,077.20
Louisiana	3,098.40	3,098.40
Missouri	3,107.60	3,107.60
Washington	3,138.80	3,138.80
Kentucky	3,159.60	3,159.60
Iowa	3,163.60	3,163.60
Colorado	3,178.40	3,178.40
Georgia	3,203.20	3,203.20
Oregon	3,291.20	3,291.20
Montana	3,340.00	3,340.00
Kansas	3,415.20	3,415.20
Minnesota	3,506.80	3,506.80
West Virginia	3,537.20	3,537.20
Nebraska	3,573.60	3,573.60
Virginia	3,614.00	3,614.00
Indiana	3,662.00	3,662.00
Hawaii	3,720.80	3,720.80
Ohio	3,728.80	3,728.80
Illinois	3,794.40	3,794.40
Wisconsin	3,859.60	3,859.60
New Hampshire	3,864.40	3,864.40
Michigan	3,949.60	3,949.60
Maryland	4,089.20	4,040.18
Pennsylvania	4,194.40	4,040.18
Wyoming	4,203.60	4,040.18
Alaska	4,215.84	4,040.18
Connecticut	4,215.84	4,040.18
Delaware	4,215.84	4,040.18
District of Columbia	4,215.84	4,040.18
Maine	4,215.84	4,040.18

State	Title I-A Expenditure Factor, FY2007 (3 formulas; $)	Title I-A Expenditure Factor, FY2007 (EFIG formula; $)
Massachusetts	4,215.84	4,040.18
New Jersey	4,215.84	4,040.18
New York	4,215.84	4,040.18
Rhode Island	4,215.84	4,040.18
Vermont	4,215.84	4,040.18

Source: Expenditure factors are calculated by CRS on the basis of average expenditure per pupil data from the U.S. Department of Education, National Center for Education Statistics. Table prepared by CRS.

Figure 2. State Expenditure Factor for ESEA Title I-A (3 Formulas)
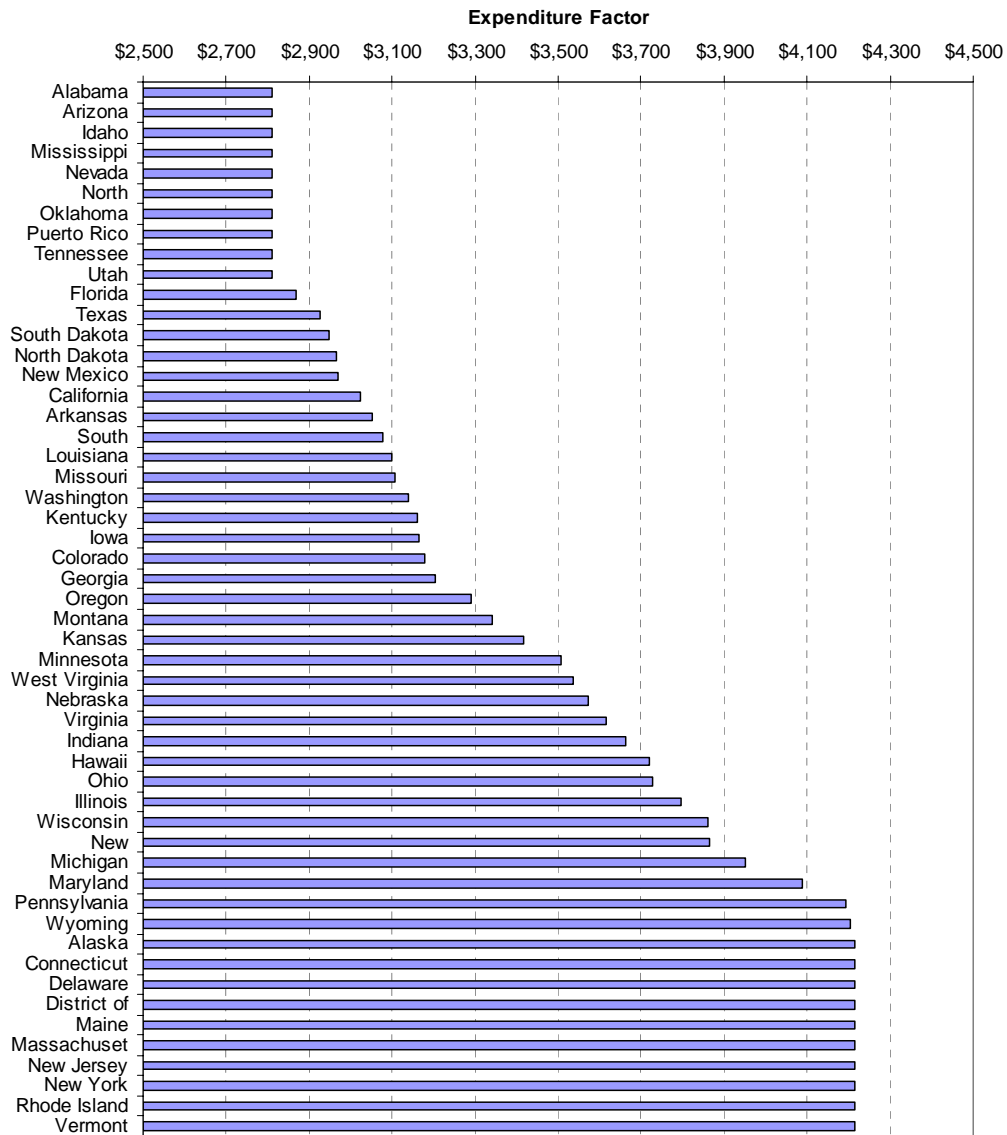
Effort Factor. The effort factor used in the Title I-A EFIG Grant formula is illustrated in **Table 15** and **Figure 3**, below. As discussed above, this factor is intended to reward states with relatively high levels of expenditures per pupil for public K-12 education compared to their level of personal income per capita. This factor is equal to the average per pupil expenditure (APPE) for public elementary and secondary education divided by state personal income per capita (PCI) for each state, divided by the national average of this ratio. In other words, it is the ratio of APPE to PCI for each state divided by the ratio of APPE to PCI for the nation. The effort factor is greater than 1.0 for states where the ratio of expenditures per pupil for public elementary and secondary education to personal income per capita is greater than average for the nation as a whole, and below 1.0 for states where the ratio is less than average for the nation as a whole. However, the range of the effort factor is limited to 0.95 to 1.05. The limited range, and therefore the limited impact on grant levels, of this factor is evident. Only 14 states fall within the narrow range between the minimum of 0.95 and the maximum of 1.05, while 18 states are at the minimum of 0.95 and the remaining 20 states are at the maximum of 1.05. If all other relevant factors are held constant, a state with a maximum effort factor (1.05) would receive an EFIG grant of 11% more than if its effort factor were at the minimum (0.95). As a result, the factor has a limited impact on actual grants.

Table 15. ESEA Title I-A Effort Factor, FY2007

State	Title I-A Effort Factor, FY2007
Alabama	0.95
Arizona	0.95
California	0.95
Colorado	0.95
Florida	0.95
Idaho	0.95
Minnesota	0.95
Nevada	0.95
North Carolina	0.95
North Dakota	0.95
Oklahoma	0.95
Puerto Rico	0.95
South Dakota	0.95
Tennessee	0.95
Texas	0.95
Utah	0.95
Virginia	0.95
Washington	0.95
Maryland	0.9557
Mississippi	0.9714
Iowa	0.9776
New Hampshire	0.978
Missouri	0.9805
Connecticut	0.9936
Illinois	1.0258
Oregon	1.0295
Kansas	1.0306

State	Title I-A Effort Factor, FY2007
Georgia	1.0382
District of Columbia	1.0387
Massachusetts	1.0394
Nebraska	1.0403
New Mexico	1.0474
Alaska	1.05
Arkansas	1.05
Delaware	1.05
Hawaii	1.05
Indiana	1.05
Kentucky	1.05
Louisiana	1.05
Maine	1.05
Michigan	1.05
Montana	1.05
New Jersey	1.05
New York	1.05
Ohio	1.05
Pennsylvania	1.05
Rhode Island	1.05
South Carolina	1.05
Vermont	1.05
West Virginia	1.05
Wisconsin	1.05
Wyoming	1.05

Source: Data from U.S. Department of Education, National Center for Education Statistics. Table prepared by CRS.

Figure 3. Effort Factors for the Title I-A EFIG Formula, FY2007
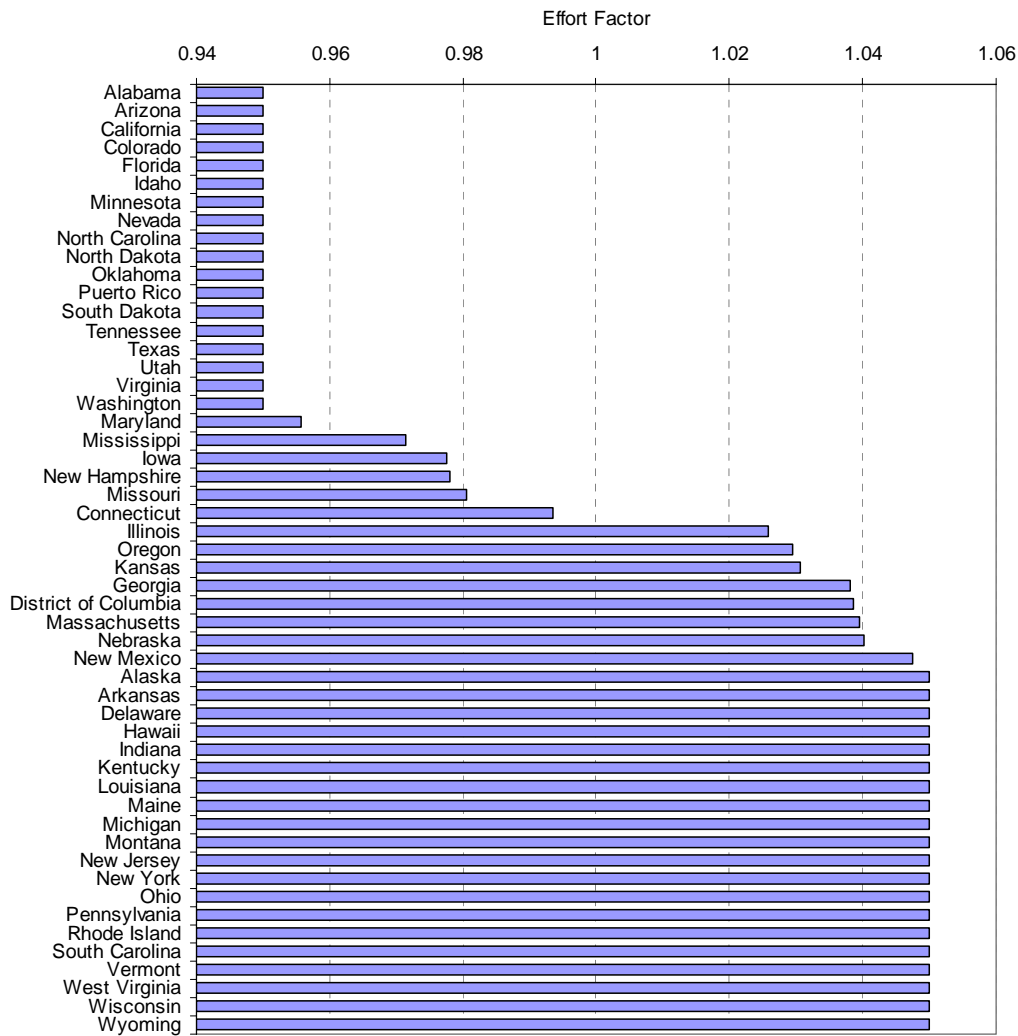
Equity Factor and Multiplier. Finally, the EFIG equity multiplier is displayed in **Table 16** and **Figure 4**. As discussed above, this factor is intended to reward states with relatively equal levels of expenditures per pupil among their LEAs. The equity multiplier is equal to 1.3 minus the state's equity factor. The equity factor is the coefficient of variation for average per pupil expenditure among the state's LEAs. In the CV calculations for this formula, an extra weight (1.4 vs. 1.0) is applied to estimated counts of children from poor families. As a result, the lower a state's expenditure disparities among its LEAs, the lower is its CV and equity factor, and the higher is its multiplier. Conversely, the greater a state's expenditure disparities among its LEAs, the higher is its CV and equity factor, and the lower is its multiplier.

Among the states, equity multipliers for FY2007 ranged from 1.0653 (Illinois) to 1.3 for the single-LEA entities of the District of Columbia, Hawaii, and Puerto Rico. Thus, all other relevant factors held constant, a state with a maximum multiplier would receive an EFIG Grant of approximately 22% more than if it had the lowest equity multiplier. States with the lowest equity multipliers (1.13 or

below), in addition to Illinois, include Montana, Virginia, Massachusetts, Missouri, Wyoming, Vermont, and New York. States with the highest equity multipliers (1.21 or above), in addition to the 3 jurisdictions noted above, include West Virginia, Florida, Iowa, Washington, Delaware, and North Carolina.

Table 16. ESEA Title I-A Equity Multiplier, FY2007

State	Title I-A Equity Multiplier, FY2007
Illinois	1.0653
Montana	1.0998
Virginia	1.1095
Massachusetts	1.1175
Missouri	1.1207
Wyoming	1.1213
Vermont	1.1239
New York	1.1272
Pennsylvania	1.1302
Idaho	1.1307
New Jersey	1.1451
Ohio	1.1465
New Hampshire	1.1493
Arizona	1.1527
Michigan	1.1577
Utah	1.1620
Minnesota	1.1650
South Dakota	1.1669
Indiana	1.1755
Tennessee	1.1776
North Dakota	1.1793
Maine	1.1803
Nevada	1.1807
Oklahoma	1.1812
Connecticut	1.1829
Arkansas	1.1840
Kentucky	1.1847
Mississippi	1.1870
Maryland	1.1895
Nebraska	1.1908
South Carolina	1.1911
Georgia	1.1916
California	1.1957
Oregon	1.1990
Rhode Island	1.1999
Alaska	1.2000
Kansas	1.2000
New Mexico	1.2000
Colorado	1.2011
Alabama	1.2064
Texas	1.2067
Louisiana	1.2068

State	Title I-A Equity Multiplier, FY2007
Wisconsin	1.2083
North Carolina	1.2131
Delaware	1.2157
Washington	1.2174
Iowa	1.2190
Florida	1.2369
West Virginia	1.2467
District of Columbia	1.3000
Hawaii	1.3000
Puerto Rico	1.3000

Source: Data from U.S. Department of Education, National Center for Education Statistics. Table prepared by CRS.

Figure 4. State Equity Multipliers for the Title I-A EFIG Formula, FY2007
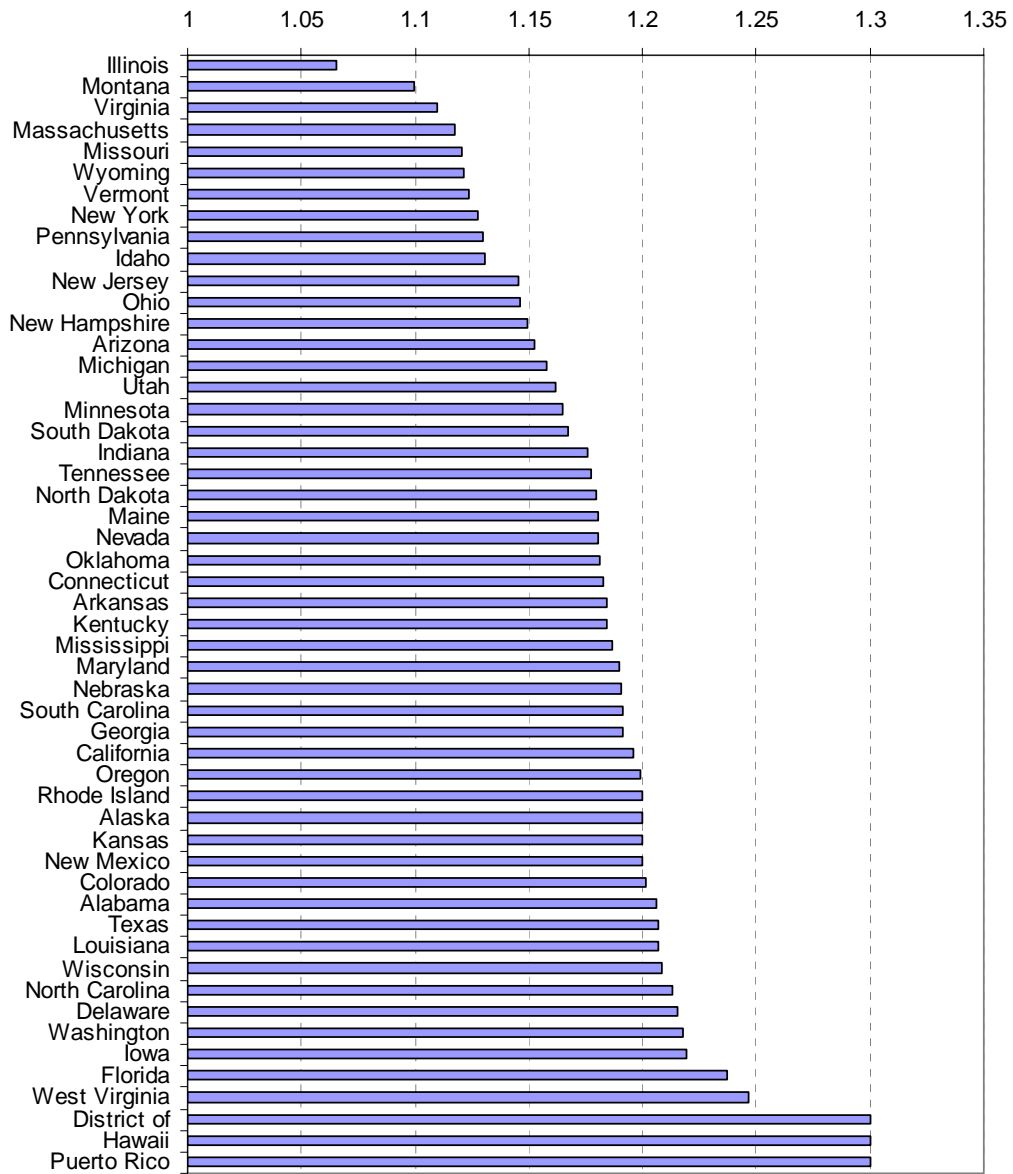
State Population Size

Table 17 and **Figure 5**, below, provide state total ESEA formula grants per child for FY2007 calculated on the basis of total school-age children and school-age children in poor families. The states are sorted only on the basis of their total number of school-age children, from largest (California) to smallest (District of Columbia).

As shown below, there is substantial variation in average grants per school-age child as well as grants per school-age child in a poor family among states in all population size ranges. For example, among the 5 smallest jurisdictions (Wyoming, Vermont, North Dakota, Alaska, and the District of Columbia), the average grant per school-age child ranges from $592 to $1,407, while the average grant per school-age child from a poor family varies from $3,957 to $10,935. This variation results largely from 3 factors: the varying impact of "caps" placed on state minimums under the Title I-A allocation formulas; variations in school-age child poverty rates (a higher poverty rate is associated with higher grants per school-age child but, at least in the smallest states, lower grants per school-age child from a poor family); and the eligibility of Alaska for substantial funds under Titles VII and VIII. Smaller, but still substantial, variation also may be seen among states in other size ranges.

Nevertheless, overall the average grants per child are generally much higher for the smallest states than for the remaining states. The average for the 12 smallest jurisdictions (New Hampshire and smaller) is $644 per school-age child and $4,879 per school-age child from a poor family. Similarly, these jurisdictions received 5.18% of ESEA formula grants for FY2007, but have only 3.14% of the Nation's school-age children and 2.46% of the school-age children from poor families. In contrast, the average for all of the other states plus Puerto Rico is $386 per school-age child and $2,254 per school-age child from a poor family. Thus, the smallest states receive approximately 1.7 times as much as the remaining states per school-age child, and approximately 2.2 times as much per school-age child from a poor family. This results primarily from the state minimum grant provisions in many of the ESEA allocation formulas.

Although the differences in average grants per child between the smallest and other states are quite substantial, the small states receive a relatively modest share of total ESEA funds. The total share of funds received by the 12 smallest jurisdictions (11 smallest states plus the District of Columbia) for FY2007 was 5.2%. Even if these small states were to receive the same amount of ESEA funds per child as other states, the net increase in funds reallocated to the larger states would be relatively marginal. For example, if the share of funds going to the smallest states were reduced by half, the average increase for the remaining states would be approximately 2.7%.
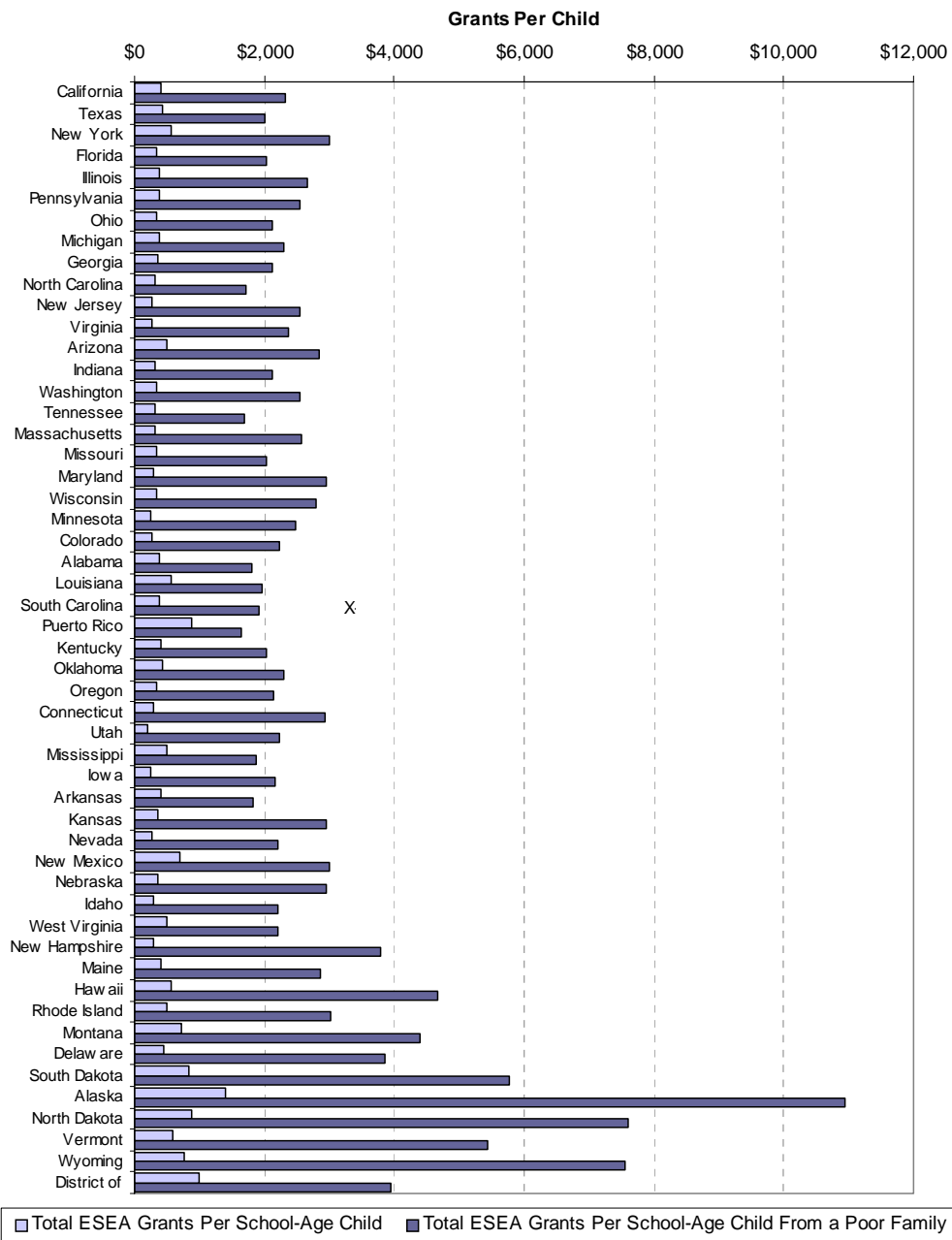
Table 17. Total ESEA Grants Per Child for FY2007, States Ranked by Their Total Number of School-Age Children

State	% Share of Total ESEA Formula Grants, FY2007	%Share of Total School-Age Population	% Share of School-Age Population in Poor Families	Total ESEA Grants ($) Per School-Age Child	Total ESEA Grants Per School-Age Child From a Poor Family
National Average	—	—	—	**404**	**2,375**
California	12.74	12.47	13.06	413	2,316
Texas	9.05	8.59	10.73	425	2,004
New York	8.18	5.96	6.48	554	2,997
Florida	4.41	5.37	5.17	332	2,025
Illinois	4.17	4.28	3.73	394	2,658
Pennsylvania	3.56	3.81	3.33	377	2,538
Ohio	3.15	3.74	3.52	340	2,124
Michigan	3.27	3.36	3.37	392	2,304
Georgia	2.97	3.33	3.32	361	2,129
North Carolina	2.26	2.93	3.14	312	1,713
New Jersey	1.94	2.79	1.80	280	2,560
Virginia	1.67	2.42	1.67	278	2,370
Arizona	2.69	2.17	2.24	500	2,851
Indiana	1.61	2.13	1.81	306	2,112
Washington	1.70	2.06	1.59	333	2,550
Tennessee	1.50	1.97	2.12	308	1,684
Massachusetts	1.53	1.96	1.41	315	2,578
Missouri	1.58	1.91	1.86	335	2,025
Maryland	1.34	1.82	1.07	297	2,966
Wisconsin	1.48	1.79	1.25	334	2,807
Minnesota	1.00	1.68	0.96	240	2,484
Colorado	1.05	1.56	1.11	271	2,243
Alabama	1.44	1.51	1.88	383	1,815
Louisiana	1.99	1.45	2.41	555	1,966
South Carolina	1.33	1.42	1.64	378	1,914
Puerto Rico	3.04	1.40	4.41	874	1,637

State	% Share of Total ESEA Formula Grants, FY2007	%Share of Total School-Age Population	% Share of School-Age Population in Poor Families	Total ESEA Grants ($) Per School-Age Child	Total ESEA Grants Per School-Age Child From a Poor Family
Kentucky	1.37	1.35	1.60	410	2,033
Oklahoma	1.27	1.18	1.32	434	2,294
Oregon	0.97	1.16	1.08	339	2,135
Connecticut	0.83	1.13	0.68	298	2,928
Utah	0.53	1.04	0.56	206	2,241
Mississippi	1.27	1.02	1.62	504	1,863
Iowa	0.57	0.96	0.63	241	2,162
Arkansas	0.91	0.93	1.18	397	1,837
Kansas	0.81	0.93	0.66	355	2,946
Nevada	0.60	0.86	0.64	279	2,214
New Mexico	1.13	0.66	0.90	695	2,989
Nebraska	0.53	0.59	0.42	362	2,965
Idaho	0.40	0.54	0.43	300	2,220
West Virginia	0.65	0.52	0.70	501	2,208
New Hampshire	0.31	0.41	0.19	304	3,796
Maine	0.38	0.39	0.31	395	2,857
Hawaii	0.51	0.37	0.26	557	4,675
Rhode Island	0.39	0.32	0.31	499	3,030
Montana	0.54	0.30	0.29	730	4,404
Delaware	0.30	0.27	0.19	451	3,858
South Dakota	0.54	0.26	0.22	840	5,770
Alaska	0.85	0.24	0.18	1,407	10,935
North Dakota	0.41	0.19	0.13	877	7,591
Vermont	0.27	0.18	0.12	592	5,447
Wyoming	0.32	0.17	0.10	772	7,564
District of Columbia	0.36	0.14	0.21	1,002	3,957

Sources: Total ESEA allocations data: U.S. Department of Education, Budget Service. Population data — U.S. Department of Commerce, Bureau of the Census, Small Area Income and Poverty Estimates Program. Table prepared by CRS.

Figure 5. ESEA Grants Per Child to States Sorted by Population Size

Grants Per Child

Legend: ☐ Total ESEA Grants Per School-Age Child ▨ Total ESEA Grants Per School-Age Child From a Poor Family

ESEA Formula Grants and State Average School-Age Child Poverty Rates

Table 18 and **Figure 6** provide state total ESEA formula grants for FY2007 per child (both total school-age population and school-age population in poor families) with states sorted by their school-age child poverty rate, from lowest (New Hampshire) to highest (Puerto Rico). The states are divided into three groups based on their relative poverty rates.

Table 18. ESEA Formula Grants Per Child, FY2007, for States Sorted by Their School-Age Child Poverty Rate

State	School-Age Child Poverty Rate, 2006 (in %; based on income in 2005)	Total ESEA Grants Per School-Age Child ($)	Total ESEA Grants Per School-Age Child From a Poor Family ($)
States with Relatively Low School-Age Child Poverty Rates			
New Hampshire	8.0	304	3,796
Utah	9.5	206	2,241
Minnesota	9.6	240	2,484
Maryland	9.9	297	2,966
Connecticut	10.1	298	2,928
Wyoming	10.3	772	7,564
Vermont	10.7	592	5,447
New Jersey	10.8	280	2,560
Iowa	11.1	241	2,162
Hawaii	11.3	557	4,675
North Dakota	11.3	877	7,591
Delaware	11.7	451	3,858
Virginia	11.8	278	2,370
Wisconsin	11.9	334	2,807
Kansas	12.0	355	2,946
Nebraska	12.2	362	2,965
Massachusetts	12.2	315	2,578
Average for Low Poverty Rate States	*10.9*	*309*	*2,820*
States with Medium School-Age Child Poverty Rates			
Colorado	12.3	271	2,243
Alaska	12.8	1,407	10,935
Washington	13.0	333	2,550
Nevada	13.0	279	2,214
Maine	13.7	395	2,857
Idaho	13.9	300	2,220
Indiana	14.5	306	2,112
South Dakota	14.6	840	5,770
Illinois	14.7	394	2,658
Pennsylvania	14.7	377	2,538
Ohio	15.9	340	2,124
Oregon	15.9	339	2,135
Rhode Island	16.1	499	3,030
Florida	16.4	332	2,025
Missouri	16.5	335	2,025
Montana	16.6	730	4,404
Michigan	16.8	392	2,304
Average for Medium Poverty Rate States	*15.2*	*363*	*2,393*

State	School-Age Child Poverty Rate, 2006 (in %; based on income in 2005)	Total ESEA Grants Per School-Age Child ($)	Total ESEA Grants Per School-Age Child From a Poor Family ($)
States with Relatively High School-Age Child Poverty Rates			
Georgia	17.4	361	2,129
California	17.5	413	2,316
Arizona	17.9	500	2,851
New York	18.0	554	2,997
Tennessee	18.6	308	1,684
North Carolina	18.6	312	1,713
Oklahoma	18.9	434	2,294
South Carolina	19.9	378	1,914
Kentucky	20.2	410	2,033
Alabama	21.1	383	1,815
Texas	21.5	425	2,004
Arkansas	21.7	397	1,837
New Mexico	22.5	695	2,989
West Virginia	22.6	501	2,208
District of Columbia	24.6	1,002	3,957
Mississippi	27.0	504	1,863
Louisiana	28.0	555	1,966
Puerto Rico	52.7	874	1,637
Average for High Poverty Rate States	*20.4*	*445*	*2,182*
National Average	**17.0**	**404**	**2,375**

Sources: Total ESEA allocations data: U.S. Department of Education, Budget Service. Population data: U.S. Department of Commerce, Bureau of the Census, Small Area Income and Poverty Estimates Program. Table prepared by CRS.

Figure 6. ESEA Grants Per Child by State Poverty Rate
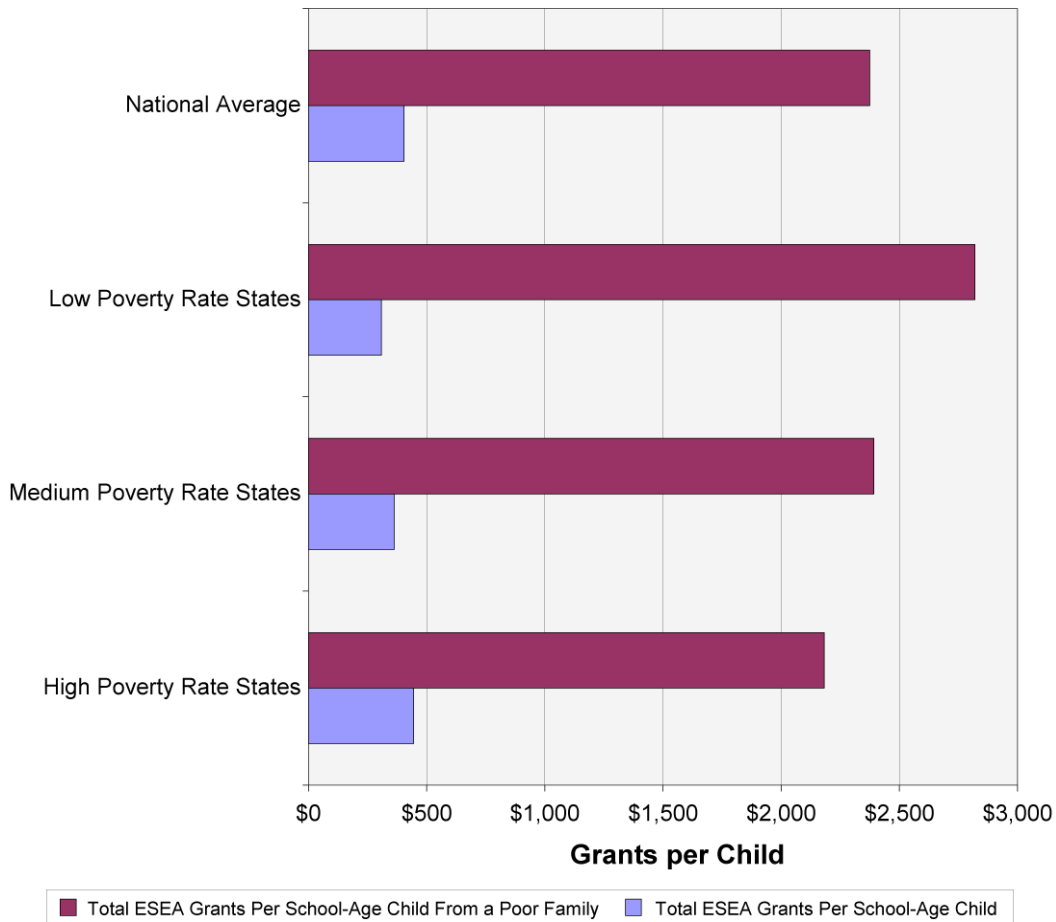
Differences among states are less obvious or large than in the state population size analysis above. However, especially if one focuses on groups of states according to their school-age child poverty rate, as in Figure 6, two significant patterns appear. First, the average grant per school-age child increases as the state average poverty rate rises, from $309 per child for low poverty states to $363 for states in the middle range to $445 for high poverty states, 1.44 times as much as for low poverty states. This reflects the fact that most ESEA funds are allocated under, or in proportion to, the Title I-A allocation formulas, and estimated school-age children in poor families is the primary formula factor in those.

At the same time, an opposite trend is found in average grants per school-age child in a poor family. This figure declines from $2,820 for low poverty states to $2,393 for states in the middle range and $2,182 for states with the highest poverty rates. This is a reflection of at least 3 factors. First, many of the states with the lowest poverty rates are small, and receive high grants per child as a result of state minimum provisions (e.g., New Hampshire, Wyoming, Vermont, North Dakota, and Delaware). Second, a large proportion of the low poverty rate states have high expenditure factors (e.g., Connecticut, New Jersey, Massachusetts, and others) while a large proportion of the highest poverty rate states have low expenditure factors (e.g., California, Arizona, Tennessee, North Carolina, Alabama, Arkansas, Mississippi, and others). And third, the targeting on high poverty areas under the

Title I-A Concentration, Targeted, and Education Finance Incentive Grant formulas is carried out at the LEA, not the state, level. As was noted above, these formulas tend to favor LEAs with especially large numbers of school-age children in poor families. In many cases, LEAs with such high concentrations of poverty are found in states with low poverty rates overall (e.g., Baltimore City, Maryland or Boston, Massachusetts), while in several states with high poverty rates, poverty tends to be widely dispersed (e.g., West Virginia or Mississippi).