

Increasing Targeting, Flexibility, and Transparency in Title I of the Elementary and Secondary Education Act to Help Disadvantaged Students

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MARCH 2016

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BROOKINGS

Abstract

Public discussion leading up to the reauthorization of the Elementary and Secondary Education Act (ESEA) of 1965 as the Every Student Succeeds Act (ESSA) in December 2015 focused on the controversial testing, standards, and teacher evaluation provisions of the previous reauthorization, the No Child Left Behind Act of 2001 (NCLB; 2002), and its waiver process. These issues were so fraught that little attention was paid to the Title I program, long the bread and butter of ESEA. In this policy proposal I suggest (1) reforms to ensure that the Title I formula gets enough resources to the neediest areas, and (2) improvements in federal guidance and fiscal compliance outreach efforts so that local districts understand the flexibility they have to spend effectively. These are first-order issues for improving high-poverty schools, but so deeply mired in technical and bureaucratic detail that they have received little public attention in the reauthorization process.

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Chapter 1. Introduction

Title I of the Elementary and Secondary Education Act (ESEA) of 1965 marked the first widespread distribution of federal aid for elementary and secondary education, and remains the U.S. Department of Education’s (ED’s) largest elementary and secondary program, distributing more than \$14 billion in FY 2015. Title I, Part A funds (referred to as Title I hereafter for simplicity) flow to school districts—not schools—via their state education agencies (SEAs), based largely on child poverty counts; districts are instructed to use those funds for “compensatory” education programs to help the most academically challenged students.¹ Nearly all districts receive Title I funds, with allocations ranging from under \$100 to over \$1,000 per pupil; the median district receives about \$225 per pupil, and just over \$1,000 per eligible (essentially, poor) child. The law sets limits on how school districts may allocate funds to specific schools, and how schools may use funds—either targeted to specific students based on academic need in “targeted assistance” schools (and in early decades, in all Title I schools) or in “schoolwide” programs—but a great deal of discretion remains at the state and local levels.²

It is impossible to precisely estimate the return on this longstanding federal investment, but evidence suggests program design and implementation issues—how states and districts perceive fiscal compliance rules, and the formulas governing how funds are distributed—significantly limit its effectiveness. It is hard to estimate the effect of Title I because there is no clear comparison group: funds flow to districts and schools based on poverty, and, historically, each school directed Title I services to its most educationally disadvantaged students. More fundamentally, the entire question of whether Title I “works” is conceptually problematic, as Title I is a revenue stream, not a well-defined program (Cohen and Moffitt 2009; Jennings 2015). The extent to which this revenue increases overall school spending varies across states and districts (Cascio, Gordon, and Reber 2014). How to spend Title I funds is a local decision, and there is no meaningful centralized reporting of how Title I funds are spent. Despite the challenges to evaluating Title I, over the past decades observers have reached an anecdotal consensus view that the program spreads the federal revenue too thinly, and that the program is typically used to fund low-return activities in local schools (Dynarski and Kainz 2015).

This policy proposal lays out a series of reforms to Title I. Unlike nearly all discussion surrounding the most recent reauthorization of ESEA as the Every Student Succeeds Act (ESSA), these changes *do not* relate to controversial accountability requirements or other policy “strings” for the receipt of funds. Instead, it proposes ways to promote local spending decisions that are both efficient and true to the original antipoverty intent of the program, and changes to the multiple complex and opaque funding formulas to improve transparency and progressivity, depoliticizing the distribution of funds. States and districts need access to up-to-date, clear, interpretable information on fiscal compliance: I propose efforts to assemble and disseminate improved federal and state guidance delineating fiscal compliance through the supplemental funds test, fiscal consolidation, and direct cost allocation plans. Implementing these alternatives poses challenges to the capacity of many districts; technical assistance around implementation is therefore critical. I also propose continuing to use a slightly modified Basic Grants formula for no more than half of all Title I, Part A funds, and allocating the rest of appropriate funds via a modified version of the current Targeted Grants formula that defines the eligibility count weights solely by *rates* of poverty. I propose eliminating two of the four funding streams for Title I: the Education Finance Incentive Grants and the Concentration Grants. Overall, these changes make Title I more transparent and redistributive, and less complex and arbitrary, without requiring any additional federal funds.

Efficient spending decisions are those with the greatest “bang for the buck”; local districts get to define how they measure the “bang” within the limits of the law. Only Congress can change the formula, but ED, the Office of Management and Budget (OMB), SEAs, and other groups can build on changes in ESSA to improve guidance, provide technical assistance on fiscal compliance issues, and promote more-effective local spending of Title I funds now.

Chapter 2. Background, Challenges, and Evidence

ESEA 1965 and its Title I came from the political context of President Johnson’s War on Poverty. The text of the law motivated Title I as a response to “the special educational needs of children of low-income families and the impact that concentrations of low-income families have on the ability of local educational agencies to support adequate educational programs” (§ 201). As to what districts could do with Title I funds, the language was loose. It declared the policy to be providing (Title I) funds “to local educational agencies serving areas with concentrations of children from low-income families to expand and improve their educational programs by various means (including preschool programs) which contribute particularly to meeting the special educational needs of educationally deprived children” (§ 201).

For decades, many have viewed closing gaps—in student outcomes, school quality, and school spending—as a primary goal of Title I.³ Though reducing inequality in school spending is an active area for state policy, in order to close resource gaps nationally we need federal action. Following decades of legal efforts to equalize spending across districts *within* states, there is still considerable variation across local school districts in spending per pupil. Sean Corcoran and William Evans (2015) document that over three-quarters of this variation in 2011 was generated *across* states, rather than within them. State-level current expenditures per pupil in 2011 ranged from \$6,650 in Utah to just over \$20,000 in New York and the District of Columbia. Of course, needs vary considerably across states as well: 29 and 30 percent of children in Mississippi and New Mexico, respectively, live in poverty, down to 13 percent in Maryland, Utah, and Wyoming.

TARGETING WITHIN DISTRICTS

When Title I funds were first allocated as part of ESEA 1965, they provided a major influx of close to unrestricted revenue into school districts; ESEA’s political viability likely required this significant local control. The Washington Research Project and NAACP Legal Defense and Educational Fund reported widespread abuses of this discretion in the program’s early years in a high-profile exposé (Martin and McClure 1969). In response, Congress moved a “supplement, not supplant” requirement into the law in 1970 (ESEA Amendments 1970, at

§109). OMB defined three presumptions of supplanting. These presumptions involved buying things with Title I funds that were (1) bought for other schools with other funds, (2) bought in previous years with other funds, or (3) mandated by state or local law. Supplemental expenditures were defined as those that did not violate any of the presumptions of supplanting, so necessarily varied with local context.

The traditional federal requirements for school districts to use Title I funds as supplemental would make sense if school districts had one big pot of discretionary money, spread that money across schools based on student needs, and then used separate Title I funds for high-quality interventions that integrated well with any existing programming. In reality, however, districts are dealing with multiple distinct pots of money, from both federal and state categorical programs. Reporting and compliance regimes require them to document how each of these pots is spent on its respective target population or program. Further complicating matters, few districts allocate funds to schools in dollar terms; the norm is for the district to allocate full-time equivalent staff to schools, assigning individual staff members to distinct revenue sources. The best instructional strategy, however, is likely far less tidy. Ideally, schools provide cohesive supports to students who should benefit from more than one categorical program, such as Title I, special education, and/or programs for English learners, rather than specifying non-overlapping staff or materials for each box the student checks.

In large districts, categorical programs are administered at the school district level by central office staff associated with the relevant revenue source, rather than with the function of the expenditure. For example, a district will use Title I funds to support a Title I director (and perhaps a larger staff) rather than to support the work of the teaching and learning, or the curriculum and instruction office. These administrators view an important part of their job as protecting their funds for their target population, and view any seepage of funds into more-general programming as supplanting. This structure facilitates demonstrating compliance with supplement not supplant, but not integrating funds into coherent educational programming.

Multiple observers (e.g., Junge and Krvaric 2012; Kirst 1988; Smith 1986; Turnbull 1981) have noted the perverse incentives under supplement not supplant for school districts to generate a clean compliance trail at the cost of allocating funds where they are most effective. A much-cited example is the widespread use of “pull-out” programs that remove students from regular classroom instruction to work with paraprofessionals; these programs are often criticized for their questionable efficacy and potentially stigmatizing effects. Congress has attempted to counter these incentives with more-flexible allocation models via schoolwide programs and fiscal consolidation, allowing districts to combine pots of money either across federal programs, or across federal, state, and local funds. But in 2004 only six percent of districts operating schoolwide programs supported those programs by consolidating their Title I funds with other revenue streams; district officials cited “state or district accounting rules and fear of potential audit exceptions . . . as barriers to consolidation of funding” (Chambers et al. 2009, xxvi).

Because local districts apply to their states for funding, there is no standard comprehensive national accounting of how districts spend Title I funds. The existing research base tends to broadly categorize spending for large samples (Chambers et al. 2009; Dynarski and Kainz 2015) or relies on qualitative case studies or budgets for samples of districts (Gordon and Reber 2015; U.S. Government Accountability Office [GAO] 2011). In interviews, Title I administrators tend to use the word “supplemental” to describe instructional aspects of their purchases, essentially interpreting “supplemental” as the opposite of “core.” For example, they might use funds for a supplemental reading curriculum but not for the school’s main core curriculum, or for math interventions but not for core math instruction (Gordon and Reber 2015). Depending on how well these supplemental uses of funds cohere with the school’s core instruction, they could enhance or undermine it. Mark Dynarski and Kristin Kainz (2015) examine data on select districts from a GAO study (2011) and the Early Childhood Longitudinal Program, Kindergarten 2010-11 Cohort. They note principals commonly report professional development, class-size reduction, and summer and after-school programs as Title I-funded programs. Such programming lends itself well to showing no violations of the presumptions of supplanting. It also is expensive: current levels of Title I funding can support only low levels of implementation (e.g., lowering class size marginally in one grade) for which there is no evidence base to support the use of funds.

In a little-noted but major change, ESSA eliminates the need for the three presumptions of supplanting, replacing “cost-by-cost” tests of specific Title I-funded *spending* with a *revenue*-based supplemental funds test. This test requires districts to document how state and local resources are consistently distributed to schools in a locally defined way that is neutral with regard to Title I funds (ESSA 2015). The easiest way for the district to show the revenue is supplemental is to allocate school budgets in either dollars or staff positions with a (potentially weighted student) formula; in many districts, this would yield improvements in intradistrict equity (Roza 2010). In exchange for this higher equity bar in ESSA—the transparent allocation process holds districts more directly accountable to parents and other observers—districts will gain access to uses of funds previously ruled out by the three presumptions of supplanting.

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FUNDING FORMULAS

Title I funds are appropriated by Congress annually and are now allocated using four different formulas (see table 1), untouched by ESSA. The amount of funds a district receives per eligible child is a complex function of the number and/or share of poor children in the district, average spending per pupil in the state, the size of the state, historical Title I allocations at the state and district levels, the ratio of education spending to per-capita income in a state, and within-state variance in local school spending. Because the total appropriation is a fixed pot and some rules (hold harmless and the small state minimum) ensure minimum grant levels, any one district’s allocation is also an opaque function of every other district’s allocation.

All four formulas use some form of the small state minimum and hold harmless. The simplest formula is for the Basic Grant. Funding it according to the formula would require about \$50 billion for FY2015, when about \$6.5 billion was appropriated

TABLE 1.

An Overview of the Four Title I, Part A Formulas under NCLB

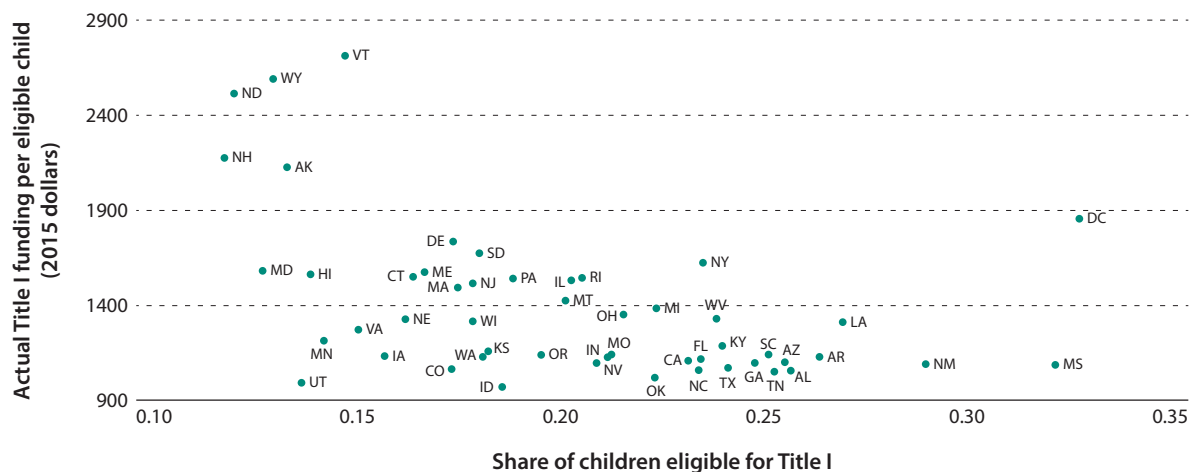
Grant type	LEA eligibility	Share of 2015 appropriation	How eligible individuals are weighted
Basic	At least 10 (count) and at least 2% of school-aged population eligible.	45%	Not weighted
Concentration	Over 6,500 (count) or at least 15% of school-aged population eligible.	9%	Not weighted
Targeted	At least 10 (count) and at least 5% of school-aged population eligible.	23%	Eligible individuals get additional weights based on poverty brackets. These weights are calculated using brackets of eligible counts or rates, whichever yields the greatest allocation to the specific district. (“Number weighting” permitted.)
Education Finance Incentive	At least 10 (count) and at least 5% of school-aged population eligible.	23%	State-level allocations weight eligible individuals in the state based on state-level measures of effort. Different sets of weights apply for distributing the state allocations to LEAs. (Like targeted grants, these weights use counts or rates.)

by Congress for Basic Grants. A “ratable reduction” process is used to bring the sum of the allocated grants down to the amount appropriated by Congress. To enforce the small state minimum and hold harmless requirements—which are applied separately to each of the four formulas—the rate at which allocations are reduced varies greatly across districts, with a different rate for each of the four formulas for any given district. The result of these formulas is that the amount of Title I funds per poor child varies greatly even across districts and states (figure 1) with similar poverty rates.

The law includes a maintenance-of-effort requirement, so that continued Title I funding requires combined state and local revenue to be maintained at some share (this now ranges from 85 to 100 percent) of the previous year’s level. Maintenance-of-effort requirements are common in other policy areas as well, and are a well-intentioned response to the potential for state and local governments to use Title I funds as a way of reducing their own tax revenue raised, using federal education funds to subsidize private consumption by taxpayers rather than school spending. Research on using federal grants as a substitute for state and local education dollars finds varying

FIGURE 1.

Share of Children Eligible for Title I vs. Title I Grant per Eligible Child, State Level, 2015 projected



Source: Department of Education (2015).

Note: State level; 2015 projected.

BOX 1.

How the Small State Minimum Affects All States through the Ratable Reduction Process

Even if Congress fully funded Title I, key complexities in the formula—most notably, the hold harmless and small state minimum requirements—would yield inequities in funding per eligible. But because Congress does not appropriate funds equal to the sum of formula-driven allocations to local education agencies (LEAs)—for example, Congress most recently allocated \$6.5 billion toward Basic Grants, which would require \$50 billion to fund fully—the law specifies that each LEA’s grant shall be *ratably reduced* until the sum of the allocations is equal to the total appropriation. But the zero sum nature means that when (ratably reduced) allocations violate the small state minimum and/or hold harmless requirements, increasing those allocations to permissible levels requires decreasing other LEAs’ allocations still more. Allocating funds is thus an iterative process, making it difficult to project district-level allocations under even simple unweighted formulas. Because the impact of the politically entrenched small state minimum and hold harmless requirements is mediated by the ratable reduction process, these seemingly innocuous measures obscure how the formula works and the effects of changes within the existing framework. (In one unusually technical effort, Bruce Baker and collaborators [2013] document how allocations resulting from the entire package of formulas relate to cost-of-living differences.)

The small state minimum hurts the majority of states, though its impact is spread thinly across them. Individual agency appropriations are “held harmless” (at varying—but generally high—levels), preventing states and districts with populations of eligible children that are increasing *relative to the national average* from receiving timely commensurate increases in funding.

results. At the start of Title I, in the late 1960s, it “stuck” more to local budgets in places where federal grants were a larger share of total revenue. And even when it displaced some state or local revenue, the net increase in spending still improved high school graduation rates sufficiently to pass a cost-benefit analysis (Cascio, Gordon, and Reber 2014).

CHALLENGES

The two policy goals of changing how districts allocate funds internally, and how funds are spread across districts, pose two distinct types of challenges. The former goal requires state and local administrators to learn rules—some old and some new—and to make significant changes to agency culture. The latter goal requires some members of Congress to vote for a law that will benefit our nation’s disadvantaged children on net, while reducing allocations to their own constituents.

The siloed structure of SEAs and LEAs, with individual administrative staff positions affiliated with specific categorical programs, poses a major challenge to changing how Title I funds are used. Key parts of the Title I director’s job are garnering state-level approval of the district’s application for consolidated federal funding and preparing for the single audit of federal programs. Title I directors care deeply about helping disadvantaged students. But if their budgets are not approved, they fail to complete federal reporting requirements, or their audits yield troubling findings, the consequences are more direct and immediate than if they had allocated funds in a less-than-optimal way. LEAs apply to their states, not to ED, for funds annually, and consequently rely on their states for information about permissible uses of Title I funds.

Despite ED’s numerous incremental efforts to improve nonregulatory policy guidance (see appendix 1), it remains difficult to parse the multiple relevant federal documents defining permissible use of funds. In some states SEAs actively help districts in this process, translating federal rules (and any additional rules the state layers on) in formats including Webinars, conference calls, and regional meetings. In states with more-limited capacity, SEAs can present another barrier to districts’ effective use of funds. Perhaps the biggest challenge to federal reform efforts filtering down to practice in this area comes from the fact that however quickly new federal guidance is produced, LEA and SEA staff are either working from out-of-date institutional memory rather than from current federal law and guidance, or they are constrained by conflicting state or local requirements. For example, though the supplemental funds test has been a more-flexible option for schoolwide programs since 2001, it remains little used in practice today.

Local Title I directors have reason to worry about their compliance status. If their applications for federal funds are turned down, they may not receive funds in time for planned expenditures. If they run into trouble during the audit process, they face the unlikely but frightening prospect of being forced to return the funds they already (mis)spent to the federal government (Gordon and Reber 2015).

And even if district and state administrators have good information about what’s legal, they are in trouble if the accountants auditing them do not. A recent “audit of audits” reveals a disturbingly pervasive problem with public audit quality, reaching beyond education alone. The “Report on National Single Audit Sampling Project” (President’s Council on Integrity and Efficiency [PCIE] and Executive Council on

Integrity and Efficiency [ECIE] 2007) found that a third of audits of large agencies (federal grants exceeding \$50 million per year) were deemed unacceptable, as were half of audits of smaller agencies (with \$500,000 to \$50 million of federal grants per year). So even if a district Title I director is presented with a promising innovative use of funds that seems legal to her, changing direction yields additional risk because expenses that have previously passed an audit are nearly sure to pass again, increasing the desirability of business as usual in funds allocation decisions.

Reforming any funding formula is inherently challenging politically, and reforms to Title I are even more challenging due to how difficult the formulas are to comprehend. ESSA acknowledges the opacity of the formulas, noting, “Minimal effort has been made by the Federal Government to determine if the four formulas are adequately delivering funds to local educational agencies with the highest districtwide poverty averages” (§ 9211) and mandating ED’s Institute of Education Sciences to deliver a study of the distributional implications of the formulas within eighteen months of ESSA’s passage. Members of Congress, naturally concerned with how their constituents will fare, request “winners and losers” analyses from the Congressional Research Service for any proposed formula change. If, however, the goal—as I propose—is to increase targeting from a status quo that distributes funds widely and thinly, there will be a significant number of “losers”—and in some cases, big losers—with any progressivity-enhancing formula change. This likely explains why the formulas have evolved so slowly over time, and why new formulas are added to old ones, rather than replacing them. I therefore recommend that Congress appoint a commission to recommend a new formula, and vote on its recommendation without the option to amend it.

EVIDENCE

Growing evidence suggests not only that high-poverty schools face significant challenges, but also, reassuringly, that there exist effective ways—albeit often expensive ways—of overcoming them. Greg Duncan and Richard Murnane (2014) review the evidence and summarize the multiple ways high poverty matters at the school level: it leads to peer groups with lower achievement levels and more behavioral problems; it correlates with higher student mobility and higher shares of English learners in the classroom; and it corresponds to greater rates of teacher turnover and to more novice teachers in the classroom.

The most useful ways to counter these negative effects of poverty will vary with local context. The local control inherent in Title I is therefore not simply a matter of political necessity, but also the key to effective use of federal funds. While refined data on what school districts do with money—not just Title I, but any money—are hard to come by, we do have evidence that districts can spend discretionary revenue effectively. C. Kirabo Jackson, Rucker Johnson, and Claudia Persico (2016) show that increases

to district-level spending coming from state-level school finance equalization programs (note these increases include general revenue from states to school districts, rather than just more money in the categorical pots associated with complex compliance regimes) are associated with improvements in educational attainment and adult wages, and declines in adult poverty; these impacts are, notably, stronger for poor students. Duncan and Murnane (2014) emphasize the lack of a “silver bullet” for countering poverty, but highlight cases where high-poverty schools are beating the odds. They describe how public pre-kindergarten, comprehensive school reform, and networks of small high schools of choice—when implemented well, with consistent and strong supports—can improve outcomes for students in high-poverty schools.

These types of efforts are larger scale than the types of expenditures principals support with Title I funds now, and cost more than Title I would provide. But there is demand from both districts and states for the type of legal and accounting expertise needed to pool Title I funds with other revenue sources for this more-ambitious programming. For example, LRP Publications offers a host of Title I products, including a \$250 CD with a 90-minute audio presentation, “Title I Compliance: Strategies to Boost Internal Controls and Minimize Audit Risk.” Other products include a Title I Dictionary, Handbook, and the *Title I Monitor* newsletter that turns “federal guidance into what you need to know.” ED sends program determination letters to individual SEAs or LEAs, summarizing the resolution of specific cases in which the single-audit findings prompted more investigation, and does not share the letters with other agencies. LRP Publications’ TitleAdmin.com service obtains the program determination letters via Freedom of Information Act (1967) requests and makes them available to its customers via paid subscriptions. Groups have purchased guidance to share across agencies as well: the Council of Chief State School Officers (CCSSO) commissioned education attorneys and federal compliance specialists Melissa Junge and Sheara Krvaric (2013) to write “Maximizing Federal Education Funds for Student Achievement: A Toolkit for States Seeking to Enhance Flexibility and Reduce Burden.”

OVERVIEW OF PROPOSED REFORMS

When I asked Title I administrators (prior to ESSA) across a range of districts how the law affected their ability to use Title I funds, only some initially mentioned the fiscal compliance regime. Others first reported feeling limited because, as they said, “It’s just not that much money.” These two limitations interact: if you perceive you can only spend your money on stand-alone purchases, it’s all the worse if it’s not much money. The proposal that follows therefore has two goals in mind: (1) conducting outreach so school districts understand the flexibility they already have to spend those funds effectively, and (2) refocusing federal outlays on our neediest students through formula reform.

Chapter 3. Proposal: Encouraging More-Effective Use of Funds

For decades, Congress, ED’s Office of the General Counsel, and OMB have worked to promote local flexibility in spending Title I dollars while ensuring that funds remain targeted to the neediest schools and students. In practice, however, districts often do not take up the full flexibility the law affords them. For example, to implement the supplemental funds test, districts must first understand it, then have a set method of distributing funds consistently and without regard to Title I, and then be able to demonstrate that school-level resources reflect this method. Straightforward as these criteria sound, many districts currently are not in a position to meet them. Often there is no such underlying formula. If districts are able to mobilize politically to get a formula, they may still lack the data infrastructure to use that formula to allocate resources and document compliance. Fiscal consolidation and direct cost allocation methods face similar challenges. Specifically, calculating school-level spending poses a critical data challenge for many districts and states. Prior to ESSA, this calculation was necessary for the adoption of several alternative fiscal compliance methods. Under ESSA, however, the three presumptions of supplanting which have significantly shaped state and local resource allocation over the decades are now irrelevant. States and districts *must* calculate school-level spending in order to meet two of ESSA’s new requirements: (1) the new supplemental funds test for supplement, not supplant (ESSA 2015, at § 1118(b)(2)); and (2) reporting school-level spending to the public and the federal government (ESSA 2015, at § 1111(h)(C)(x)). Many states face a long road toward meeting these new requirements, but as they are able to do so, their districts will be better positioned to adopt more-flexible accounting methods—if they know how. In this section I describe a set of reforms to help overcome informational and technical barriers so districts can direct Title I funds to the educational programs they think will be most helpful to disadvantaged kids.

A. REFORMS TO IMPROVE AND DISSEMINATE INFORMATION TO DISTRICTS, STATES, AND AUDITORS

District-level Title I administrators report getting their information about what’s permissible through a variety of often informal communications with their SEAs. State-level Title I directors in turn rely on federal information, in statute and nonregulatory policy guidance, as do auditors, who historically have relied on the OMB A-133 circular (now replaced by the Uniform Grant Guidance). Appendix 1 lists the multiple documents over which the guidance is spread. A 2003 U.S. Government Accountability Office (GAO) study found, “Despite the availability of this guidance, many of the auditors and program officials we spoke with expressed confusion regarding the application of these provisions to their particular circumstances, such as schoolwide programs” (p. 1). Despite recent federal efforts to clarify the law with presentations and newer guidance, the continued presence of a robust private market for guidance suggests this confusion remains today. School districts can adopt more-flexible fiscal compliance regimes—one of which ESSA now mandates—only if they know about them, so I begin with a set of informational efforts.

A1. ED should create one federal guidance document that is current, concise, comprehensive, and comprehensible.

Unlike existing guidance documents that build on and reference one another, this one-stop document would replace all existing guidance. Now is a prime opportunity, since LEAs and SEAs will be seeking guidance on changes from ESSA (e.g., the new supplemental funds test and new school-level fiscal reporting requirements). This nonregulatory policy guidance document would go through the standard review process. It would also be subject to extensive editing to conform to Federal Plain Language Guidelines. Most critically, SEA and LEA personnel from a diverse set of agencies would offer feedback throughout its development. As new points needing clarification inevitably emerge over time, they would be incorporated (with appropriate review) into revisions of this document, rather than spurring additional new guidance documents. In this document, ED would set out the rules concisely rather than following a Frequently Asked Questions (FAQ) format; if ED wishes to expand on these rules in applied

examples, it could link to examples (e.g., the sample methods of documenting compliance via the supplemental funds test in ED’s July 2015 schoolwide program guidance letter). The document would be prominently hosted on ED’s Web site in easily searchable formats (i.e., HTML, exploiting hyperlinks for ease of navigation, and high-quality PDF, rather than scans of time-stamped hard copies).

A2. ED should roll out the new clean guidance with a major campaign enlisting constituencies and advocates at national, state, and local levels.

Once ED releases the guidance described in A1 above, groups with close ties to state chiefs and local superintendents should take active roles in spreading awareness of the new guidance. These efforts must target not only Title I and finance administrators, but also a full range of school building and central office personnel. This broader audience is critical for disseminating the key message that Title I spending options are far broader than previously believed, and those who need funds for effective ways—not only supplemental or interventionist ways, but even “core” ways—of improving schooling for academically disadvantaged students should look to Title I as a potential source of support. Groups promoting awareness of the new guidance could use the increased discretion that districts would have over their budgets to motivate local interest in innovative fiscal compliance.

A3. ED should enforce the requirement that states specify any additional reporting requirements they choose to impose on LEAs beyond those federally mandated.

Section 1903(a)(1)(D) of NCLB (2002) (which has moved to ESSA 2015, at § 1603) specifies that states must flag any requirements for districts that they have added to the federal requirements. In practice, given the informal ways states tend to communicate with their districts, ED has not enforced this provision. The clear delineation of federal reporting requirements as outlined in A1 above, however, provides an easy way for states to understand if they are layering on additional rules (which they may have believed to be federal law) and transparently describe them to their LEAs in a consistent manner. Each state would therefore have its own version of the federal “one-stop guidance,” with state-specific requirements highlighted. These documents, like the federal guidance, would be prominently hosted on SEA Web sites in searchable formats. As with the federal guidance, if states choose to link to additional materials such as Webinars, PowerPoint presentations, or FAQs, they could easily do so—but these materials should supplement the one core plain language document. School districts must learn to push back if their SEAs tell them that *federal* law prohibits certain uses of funds. ED must enforce the existing requirement for states to delineate their own rules, to help districts know when they are justified in pushing back against their SEAs.

A4. The Office of Elementary and Secondary Education should create a public, online, searchable database of all official correspondence from ED to SEAs and LEAs on compliance issues.

Currently, LEAs and SEAs frequently draw inference on the basis of how ED handled related issues with other agencies in the past by drawing on correspondence between ED and another SEA or LEA. Such correspondence is part of the public record and can be obtained via Freedom of Information Act requests, informally via networks, or via a paid private subscription service. Unequal access to this information is undesirable, but a bigger problem is that ED’s stance drips out document by document. Policy can change over time, and can even change depending on the staff member involved.

Other offices within ED offer potential templates here: ED’s Office for Civil Rights’ online “Reading Room” posts letters of resolution, and ED’s Office of Special Education Programs is mandated under the Individuals with Disabilities Education Act of 1990 (IDEA; 1990) to publish and widely disseminate correspondence from ED to individuals interpreting IDEA or regulations that have been implemented pursuant to it. Ideally, demand for such resources would decrease with clearer explanations of compliance requirements; if particular areas prompt more requests, the federal response will be documented and the need to revise the “one-stop” document will clearly emerge. This requirement would exclude informal e-mail correspondence directing readers to the main guidance document so as not to discourage interaction between ED and the SEAs and LEAs.

B. HELP STATES AND DISTRICTS USE EXISTING FLEXIBILITY FOR FISCAL COMPLIANCE

Congress and OMB have opened the door for flexible ways of compliance: the new “supplement not supplant” test, pilot programs in the Uniform Grant Guidance offering relief from time and effort for districts using a cost-allocation plan, and opportunities for fiscal consolidation. However, the LEA and SEA Title I administrators who serve as gatekeepers on innovation may discourage or prohibit districts from using the law’s flexibility because of how new uses of funds might prove difficult to report in existing frameworks. To encourage districts to evaluate potential uses of Title I funds from an educational rather than accounting perspective, we must ensure that we are asking only for critical information, and then make it easy for districts to provide that information. In many cases, this will require extensive technical assistance.

B1. ED should start fresh in determining content and format of federal reporting requirements.

States and districts face enormous federal reporting burdens, reporting hundreds of data elements in multiple formats to different divisions of ED to meet the requirements of different laws. More insidious than the cost of staff time spent reporting is the potential for reporting requirements to distort grant allocation decisions. States may deny particular uses of Title I—not because such uses are illegal, but because the states do not know how to fit them into the reporting framework. ED should rethink all reporting requirements—not just those related to Title I, but also the requirements for all its elementary and secondary programs, limiting required fields to those critical for active policy decisions and research and improving the technical design of federal reporting systems to work more seamlessly with state infrastructure. The CCSSO's Education Information Management Advisory Consortium could serve as a useful resource to ED in these efforts.

B2. ED should offer competitive pilot grants for technical assistance to SEAs and LEAs to convert to simpler and more-flexible forms of fiscal compliance, emphasizing the supplemental funds test, fiscal consolidation, and direct cost allocation.

Fewer than five SEAs and several LEAs within each participating state would participate in the first round of grants. Awardee SEAs should have strong demonstrated capacity for innovative educational practice and good relations with their LEAs. SEA- and LEA-specific existing data infrastructure, and existing LEA resource allocation methods, would determine the needs of each grantee, with the magnitude and nature of each grant set accordingly. The goal would be to set up integrated data systems for internal LEA needs—for example, personnel, budget, and student information systems—that seamlessly automate federal and state monitoring and compliance documentation into internal record-keeping processes. Each state will need individualized assistance because of each state's unique state-level school finance and education policy environment, including varying categorical grants to LEAs and existing IT infrastructure. The technical assistance package will include help from policy, legal, accounting, and/or IT consultants deeply familiar with federal education programs. These consultants will design individual approaches based on state-specific programs

and goals, district-specific intradistrict resource allocation methods, and the corresponding record-keeping needs for SEAs and LEAs. Much of their work will involve getting funds allocated from the district reported at the school level.

During the pilot period, a few LEAs (chosen to represent a range of those in the state) per participating state will help to develop and test the new systems; they will need to use both the status quo system (like the rest of the LEAs in the state) and the new system during this time. Agency staff would want to invest the likely considerable energy required for these improvements not only to reduce their compliance burden in the future, but also to generate data useful to them in tracking progress toward their own goals. After assessing initial experiences, grants could be expanded to more districts in participating states and to additional states. Feedback from the pilot period could also help ED determine any useful steps it might take, such as changing reporting requirements or establishing new numbers for reporting in the Catalog of Federal Domestic Assistance to facilitate consolidating funds.

The cost of this technical assistance would vary greatly based on state circumstances; an initial pool of \$10 million would provide a substantial start, with the number of awardees determined as a function of how extensive the proposals are. LEA grants could be federally administered and funded through the Development Grant mechanism of the Investing in Innovation Fund (i3) program, with outside matching. SEAs are eligible for i3; private foundations could take on SEA and/or LEA assistance.

C. FOCUS ON SINGLE-AUDIT QUALITY

The PCIE and ECIE produced the 2007 “Report on National Single Audit Sampling Project.” The dismal results, with only about half of single audits deemed acceptable in quality, prompted congressional concern and GAO study. The GAO report came out in 2009, and at that time efforts were under way to address the concerns raised. As auditors transition the A-133 to the new OMB Uniform Grant Guidance, it is worth revisiting these single audit quality issues. I propose that the PCIE or another group undertake an implementation study of the 2007 recommendations, as well as a new sampling project to measure single audit quality several years into the Uniform Grant Guidance transition.

Chapter 4. Proposal: Fixing the Title I Formula

Current law delivers (and ESSA would continue to deliver) Title I, Part A via the four formulas described in table 1, and is often criticized as lacking in transparency and progressivity (e.g., Miller 2009). I propose that we greatly simplify two of these formulas (Basic Grants and Targeted Grants) and eliminate the remaining two (Concentration Grants and Education Finance Incentive Grants). The resulting allocation of funds would better target funds to districts with greater shares of children in poverty. It would have the additional benefit of providing a more transparent framework for forecasting future allocations, and exposing the distributional effects of any proposed formula changes in subsequent reauthorizations. Specifically, formula reform should have the following components.

- 1. Retain Basic Grants.** Introduce language to ensure that Basic Grants consume no more than half the total appropriation for Title I, Part A (they currently allocate 45 percent). Change eligibility requirements so only school districts with at least 5 percent of children in poverty are eligible, as opposed to the current formula that permits districts with at least 2 percent of children in poverty *or* ten poor children to collect funds. The national child poverty rate in 2014 was 22 percent, and the median school district had 19 percent of children eligible for Title I, so this change is quite modest.
- 2. Eliminate Concentration Grants.** The existing Concentration Grants formula is exactly the same as the formula for Basic Grants, with just one difference: the eligibility requirements. Concentration Grants are awarded to all districts with at least 6,500 eligible children *or* at least 15 percent children eligible; two-thirds of all districts are eligible for these grants. I propose eliminating this formula from the law and directing the 9 percent of Title I, Part A funds to LEAs allocated via Concentration Grants in 2015 to the modified Targeted Grants formula below.
- 3. Eliminate Education Finance Incentive Grants.** Education Finance Incentive Grants have the most complicated formula of the four Title I grants. These grants are a well-intentioned attempt to reward states for having a greater ratio of per-pupil spending to per-capita income (effort), and lower variance in per-pupil spending across districts (equity), but they have several critical flaws. First, even if Congress could get states to spend more and try to equalize fully, this could inadvertently penalize efficient spending, or encourage school finance regimes that result in a “race to the bottom.” Second, effort and equity are functions of budget decisions at the state and local levels; as difficult as it would be to incentivize state legislatures with this opaque formula, motivating the local school boards or voters who must approve tax changes is unrealistic. Finally, though political decisions affect equity and effort, so do other factors that cannot be readily manipulated by education policy (e.g., longstanding patterns of economic residential segregation within a state), so the formula bestows some rewards arbitrarily. Similar to my proposal for Concentration Grants, I propose to remove the Education Finance Incentive Grants funding mechanism from the law and redirect its budget share (nearly a quarter of Title I, Part A funds to LEAs in 2015) to Targeted Grants.
- 4. Use freed-up funds to expand Targeted Grants, using poverty rates, rather than counts, to allocate those funds.** The current law calculates weights per eligible student based on poverty rates, then again using poverty counts, and chooses whichever calculation is most beneficial to each district. This procedure is referred to as “number weighting.” In practice, with a fixed appropriation to distribute, this directs funds toward districts with a large number, but not share, of poor kids and away from smaller, high poverty-share districts. In July 2011 Representative Glenn Thompson (R-PA) sought to address this with his All Children are Equal (ACE) Act. ESSA flags number weighting in particular for study by the Institute of Education Sciences. I propose to eliminate number weighting in Targeted Grants and apply weights to all districts based on poverty rates. (Basic Grants do not use weights so they would be unaffected.)
- 5. Remove state-level spending per pupil from all remaining formulas.** Language in Section 1303 of ESSA specifies that eligible children are to be multiplied by “40 percent of the average per-pupil expenditure in the State, except that the amount determined under this subparagraph shall not be less than 32 percent, or more than 48 percent, of the average per-pupil expenditure in the United States.” The defense for this method is that teachers cost more in states with higher costs of living, and that the spending per pupil is a proxy

for aggregate state-level differences in teacher salaries. In practice, states with greater spending per pupil (and therefore higher Title I allocations, all else equal) have less poverty; the correlation between state spending per pupil and the share of children eligible in the state is -0.19. I propose to replace the language above with language to multiply weighted eligible children by “6 percent of the national average per-pupil current expenditure in the United States.” Though 6 percent may seem a major cut from the 40 percent (of state spending) in current law, note that Congress now funds Basic Grants at about 14 percent of what full funding would require. At current levels, using approximately this factor would fully

fund the proposed program (using all proposed reforms), entailing no ratable reductions for at least for one year.

6. **Eliminate the small state minimum.** This is the most politically visible aspect of the formula changes and would generate major reductions in allocations for Alaska, Hawaii, Montana, North Dakota, Vermont, and Wyoming, bringing their allocations per eligible child in line with the rest of the country (see figures 1 and 2).
7. **Phase in the changes above over a four-year period using hold harmless, then eliminate hold harmless going forward.** Hold districts harmless at 80 percent (regardless of

BOX 2.

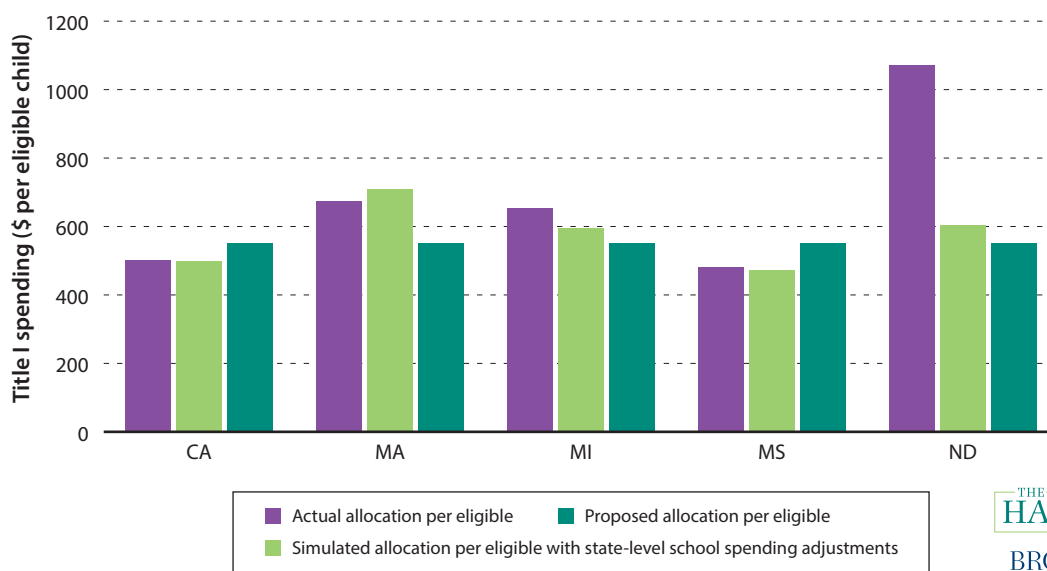
Examples of the Proposed Formula Change

Box figure 1 shows the state-level allocation of Basic Grants, the most straightforward of the four formulas. The purple bar on the left for each state shows the actual allocation of Basic Grants per eligible, and the blue bar on the right shows the proposed allocation under the full set of proposal recommendations. The green middle bar shows a simulated grant amount if allocations continue to be adjusted for state-level school spending as under current law, but without hold harmless or the small state minimum.

The influence of hold harmless, the small state minimum, and state per-pupil spending adjustments on net changes in state-level funding varies across the states. The vast majority of the decrease in Basic Grant allocation per eligible for North Dakota comes from eliminating the small state minimum and hold harmless, whereas in Michigan the elimination of the state per-pupil spending adjustment and those policy changes contribute about the same to the net decrease. All of the decline in Title I in Massachusetts—a high-spending state—would come from the elimination of state-level spending from the formula, rather than the elimination of the small state minimum or hold harmless. Low-spending states like California and Mississippi would experience little effects from eliminating the small state minimum and hold harmless, but would benefit from no longer adjusting allocations based on state spending.

BOX FIGURE 1.

Average State-Level Title I Allocation per Eligible Child, Selected States

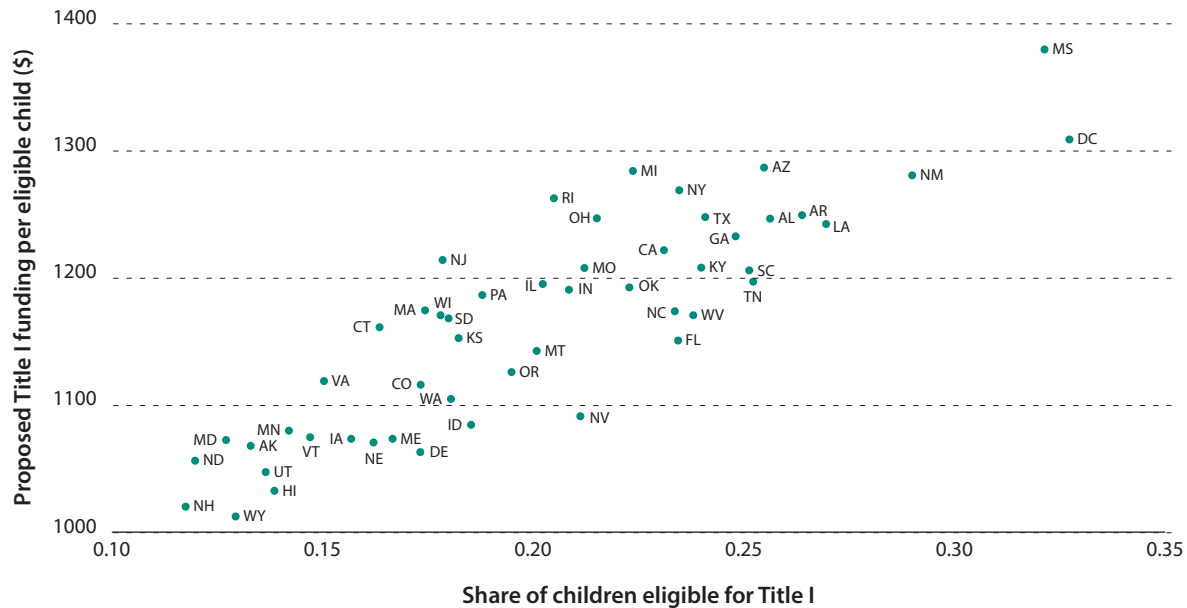


Source: Department of Education (2015); author's calculations.



FIGURE 2.

Share of Children Eligible for Title I vs. Proposed Title I Funding per Eligible Child



Source: Department of Education (2015); author's calculations.



counts or rates of eligible children in the district) of FY2015 allocation levels in year one, at 50 percent in year two, and at 20 percent in year three. By year four, district allocations will be calculated using the formula, with no role for previous funding levels. (One option here would be to allow federal or state waivers for districts who present evidence of short-term demographic shocks and who expect enrollments to return.) During the transition, hold district- but not state-level funding harmless.

The net impact of this set of formula reforms yields major distributional improvements: first, per-eligible-pupil Title I funds will increase more rapidly with poverty rates than they do under the current regime (see figure 2). Second, the variance in per-eligible-pupil allocations conditional on poverty rates would be much reduced—that is, similar places would be treated equally under the law. And finally, the allocation of funds will be more transparent and predictable. Though most individual school districts not affected by the small state minimum would experience relatively limited changes in their allocation per eligible individual, the changes should be phased in via the hold harmless schedule outlined above over the four-year period of ESSA to allow districts time to plan and fulfill short-run contractual obligations. That is, the new formulas would go into use immediately, but hold harmless would slow their implementation. Figure 3 shows the state-level allocation of funds under the proposed formula. (These

simulated allocations assume constant demographics and appropriations, and are based on no hold harmless; this would summarize allocations four years from implementation of the proposal, once changes were fully phased in.)

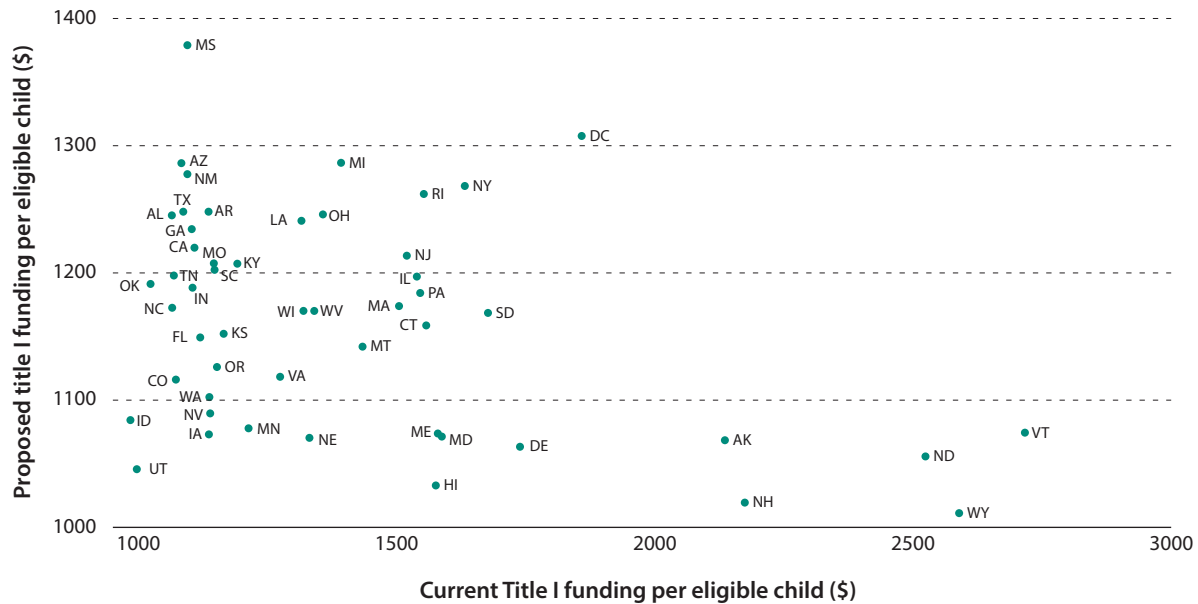
NET CHANGES IN ALLOCATIONS FROM THE COMBINED SET OF FORMULA CHANGES

Politically, it is natural to measure the impact of the changes on allocations at the level of a state or congressional district. These proposals assume no change in the total amount appropriated, so any increases in some agencies' allocations come from reductions in the allocations of others. Thirty-six states would gain Title I funds per eligible child. The median “winner” state would gain about \$300 per eligible, a 29 percent increase in funds. Mississippi would have the greatest increase, with a 64 percent increase of about \$700 per eligible.

Fourteen states and the District of Columbia would lose funds per eligible child; these states contain 12 percent of the Title I eligible population nationally. Figure 3 shows that Alaska, New Hampshire, North Dakota, Wyoming, and Vermont would suffer the greatest reduction in grants per eligible child. In Wyoming and Vermont this reduction cuts funding in half, lowering grants per eligible by more than \$1,300. But figure 1 shows that these states are outliers under the current system, receiving disproportionately large allocations per eligible

FIGURE 3.

Current vs. Proposed Title I Funding per Eligible Child, State Level



Source: Department of Education (2015); author's calculations.



given their poverty rates—a direct function of the small state minimum. The losses would be far smaller for the other ten states losing funds, with a median reduction of 10 percent or \$184 per eligible. Delaware would lose about a quarter of its allocation, and no other state would lose more than 20 percent. Though these small states have vastly more funds per eligible than other states, the fact that they are small means that Congress could establish another funding mechanism to support capacity building in small states, or for rural districts—addressing the substantive concerns prompting the small state minimum in the first place—at relatively low cost. Having those small state bonuses in the Title I formula is costlier than the funds alone suggest, given their high cost to formula transparency.

The geographically concentrated nature of winners and losers to Title I reform makes it an excellent candidate for putting the formula at arm's length from the political process. I propose establishing a commission to recommend a comprehensive new formula, on which Congress votes up or down without any opportunity to tinker.

Chapter 5. Questions and Concerns

1. Won't these fiscal compliance changes allow rich schools to co-opt resources meant for poor schools?

The biggest changes in fiscal compliance comes from ESSA, and not from this proposal: the new push for school-level reporting and interpretation of what it means to be supplemental. While it is impossible for any regime to completely eliminate “leakage” of funds to richer schools within a district, the new test seems likely to *reduce* leakage over the current regime by requiring districts to explain how they allocate resources. The systematic nature of the test is an improvement over existing tests for comparability, which only look at the actual distribution of staff over schools without asking how it emerged. Given that this new test is the law, it's only responsible to help districts use it.

Encouraging direct cost allocation and fiscal consolidation may strike the same fears of leakage. The historic emphasis on preventing leakage at all costs has served in practice to rule out effective uses of funds; rather than ensuring that no Title I dollars reach any student who is not disadvantaged, we should focus on using Title I funds to best meet the needs of the disadvantaged.

Additionally, ESSA retains elements of the law that require schoolwide programs (the dominant form of Title I) to focus their efforts on struggling students.

2. Don't states with high costs of living need the state-level per-pupil spending to enter into the Title I formula to help them pay higher teacher salaries?

Current policy does help address varying state needs based on cost of living, but too imperfectly and at too high a cost in progressivity and transparency. Not all variation in per pupil spending comes from cost of living. Some comes from lack of state and local effort. Penalizing these states directs federal funds away from the very students lacking state and local support for education. Furthermore, state per-pupil spending is negatively correlated with poverty. Finally, we have no reason to believe that these aspects of the formula have motivated greater state and local spending over ESEA's lifespan.

3. How will districts plan without hold harmless?

Without hold harmless, districts will be subject to greater changes in their Title I funds over time (once formula changes are phased in). This is actually a good thing, as a fixed federal pot means districts experiencing increases in poverty can't get more Title I funds when districts losing poor students are held harmless. But aspects of ESSA can soften the blow: Districts will be better positioned to adapt to these changes if they are consolidating funds, and can substitute in other revenue streams to support spending they may have traditionally viewed as belonging to Title I. They also will not need to worry that supporting “Title I” spending with state or local revenue at one point in time will rule out using federal funds for it in the future, as the three presumptions of supplanting are no longer relevant under ESSA.

4. Lots of the flexible fiscal compliance approaches (e.g., cost-based accounting and fiscal consolidation at the school level) require school-level budgets in dollars. The technical capacity to view school-level budgets in dollars (rather than full-time equivalent staff) doesn't exist in many districts.

True—and that's why the proposal includes technical assistance for states and districts that could be used to get those school-level budgets. Though a major investment, this transparency is critical for making education policy, including at the state and local levels. And now under ESSA, it's also the federal law.

5. Why not block grant the whole thing?

ESSA offers increased flexibility on what goods and services districts may buy, but they still must buy them to help the neediest students in their poorest schools. It actually requires more-stringent proof of equitable allocations of state and local revenue within districts than NCLB required. Title I of the 1960s functioned more like a block grant in practice, and was seriously compromised in its antipoverty mission as a result. If Congress wants to change resource levels in poor schools rather than simply redistribute income across state lines, block grants are not the way to do it.

6. Do the new funding formulas continue to fund school districts or is funding shifted to schools?

They continue to fund school districts. It is not practicable to allocate funding to the school level given the current school finance data infrastructure (or lack thereof) in the vast majority of school districts. And politically, as ESSA moves away from federal control in nearly all dimensions, it is difficult to envision Congress supporting the concept of moving discretion over local funds from the district to the federal level.

7. How do these reforms to Title I fiscal compliance interact with other sources of funding for helping disadvantaged students?

The impact of these reforms depends on which methods districts choose for demonstrating fiscal compliance, and on whether other state or federal programs follow suit by streamlining their own compliance regimes.

If a district consolidates *all* its revenue sources (this approach is emphasized through the pilot option for fifty districts in ESSA, but other districts could choose to consolidate as well

under current law), it will not simply free up Title I funds, but will also expand its capacity to spend its entire budget based on its educational priorities, rather than on the defensive inertia that characterizes spending under current compliance regimes for a variety of federal and state categorical programs.

If districts adopt direct cost allocation methods for Title I, but not other revenue streams, their flexibility over spending Title I revenue will only increase. However, if learning about direct cost allocation methods for Title I prompts districts to adopt those methods for other revenue streams, the net impact will be more powerful, as with fiscal consolidation.

Ideally these reforms will spur ED and OMB to reconsider the set of compliance requirements on other formula-based federal programs, such as IDEA (special education), Title II ESEA (teacher quality), and Title III ESEA (English language acquisition). Similarly, states should reconsider their own requirements on various categorical programs. The key to effective changes in compliance requirements for other programs, as with Title I, will be clear communication at the local level.

Chapter 6. Conclusion

For years, federal education policy has been in a holding pattern with NCLB being administered through waivers instead of being reauthorized by Congress. ESSA ushers in a new era. Both supporters and opponents of its high-profile devolution of the federal role in accountability and teacher evaluation should recognize the unique opportunity it presents in promoting more-efficient use of Title I funds at the local level. In order for these changes to affect local practice, however, we need better guidance from both the federal government and the states, and technical assistance to agencies interested in updating their systems to use newer modes of fiscal compliance. And when reauthorization comes due in four years, with the highly controversial issues addressed by ESSA at least temporarily resolved, Congress should direct its energy to revamping the Title I funding formula.

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Acknowledgments

I am grateful to the staff of the Hamilton Project, especially Diane Schanzenbach and Megan Mumford, and to those who shared their insights and suggestions so generously at the authors' conference. Chinmaya Holla provided outstanding research assistance. I thank Melissa Junge, Sheara Krvaric, and Sarah Reber for invaluable discussions throughout the project.

Endnotes

1. In the most recent reauthorization of ESEA, Title I funds state assessments (Part B) and programs for children who are migratory (Part C) or neglected, delinquent, or at-risk (Part D). Title I Part A, Improving Basic Programs Operated by Local Educational Agencies, is the main “compensatory” education funding stream in the law.
2. For example, when districts fund one school, they must also fund all higher-poverty schools serving the same grade span.
3. Over the years and reauthorizations, Congress’s stated purpose for ESEA has changed. The No Child Left Behind Act (NCLB) of 2001 delineated twelve possible ways to ensure children have access to quality education, including closing achievement gaps. ESSA is far less specific, instead aiming “to enable States and local communities to improve and support our Nation’s public schools and ensure that every child has an opportunity to achieve” (§ 4).

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Appendix 1. Body of Title I Guidance from the U.S. Department of Education Relevant in 2015

“Title I, Part A Policy Guidance: Improving Basic Programs Operated by Local Educational Agencies.” (1996, 355 pages; references excerpts of statute and Federal Register)

This document explicitly notes that it “replaces all previous nonregulatory guidance.” Department documents after this date do not specifically note that they supersede all previous guidance; this document therefore should be viewed as the beginning of today’s guidance trail. The guidance acknowledges state discretion in regulating use of funds: “The examples provided in this document should not be viewed as the ‘only’ or even the ‘best’ way to address particular statutory or regulatory requirements.”

“Designing Schoolwide Programs.” (2006, 54 pages)

The focus of the document is the development of the schoolwide plan itself, not its fiscal monitoring; nowhere in the document does the word “supplant” appear.

“Title I Fiscal Issues.” (2008, 70 pages)

This document clearly explains the supplemental funds test (applicable to schoolwide programs with NCLB and all Title I schools with ESSA), but in a section under “General Fiscal Issues” rather than in its distinct sections for “Supplement not Supplant” or “Schoolwide Programs.”

“Guidance: Funds under Title I, Part A of the Elementary and Secondary Education Act of 1965 Made Available under the American Recovery and Reinvestment Act of 2009.” (2010, 43 pages)

Despite the explicit mention of American Recovery and Reinvestment Act funds in the title of the document, it actually applies to all Title I funds administered from 2009 forward. It references the 2006 and 2008 guidance above so cannot be used as a “one-stop shopping” destination for guidance; it makes no claim about replacing existing guidance documents. It is the most comprehensive single guidance document produced by ED since NCLB.

Letter to State Chiefs on “Supporting School Reform by Leveraging Federal Funds in a Schoolwide Program” (July 2015, 13 pages)

This letter acknowledges “there appear to be some schoolwide program flexibilities that are not being used to their full extent” and provides clarification to be used *in conjunction with* existing guidance. The letter provides concrete examples of how districts could show compliance via the supplemental funds test and clarifies that it renders cost-by-cost defense of expenditures unnecessary. It also states, “Each SEA must encourage schools to consolidate funds in a schoolwide program and must eliminate State fiscal and accounting barriers so that these funds can be more easily consolidated.” It does not specify what such barriers are, to whom states may turn for technical assistance specific to this highly technical point, or any consequences of failing to remove said barriers.



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Highlights

Nora Gordon of Georgetown University proposes a series of reforms to the Title I program to promote more-effective local spending decisions, ensure that Title I funds are targeted to low-income children, and make the allocation process more transparent. The proposal includes reforms in guidance and reporting requirements from the U.S. Department of Education and an overhaul of the Title I formula by Congress.

The Proposal

Encourage More-Effective Use of Title I Funds. The U.S. Department of Education would implement reforms to improve and disseminate information and help states and districts use existing flexibility for fiscal compliance. The President's Council on Integrity and Efficiency would evaluate the quality of audits of federal funds.

Fix the Title I Formula. Congress would simplify the Title I formula by eliminating some of the current formula components including Concentration Grants, Education Finance Incentive Grants, state-level spending per pupil considerations, the small state minimum, and the hold harmless provision. Congress would retain Basic Grants and expand Targeted Grants using poverty rates for allocation.

Benefits

Enactment of this proposal would improve the transparency of Title I funding, allow school districts more flexibility in using Title I funds, and target Title I funds to more-concentrated and more-effective uses. The proposal seeks to build off the momentum from the 2015 reauthorization of the Elementary and Secondary Education Act to make Title I more transparent, progressive, and consistent without requiring any additional Title I allocations.



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