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ESEA Title I-A Formulas: In Brief

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March 7, 2016

Congressional Research Service

7-....

www.crs.gov

R44164

Summary

The Elementary and Secondary Education Act (ESEA) was comprehensively reauthorized by the Every Student Succeeds Act (ESSA; P.L. 114-95) on December 10, 2015. The Title I-A program is the largest grant program authorized under the ESEA and is funded at \$14.9 billion for FY2016. It is designed to provide supplementary educational and related services to low-achieving and other students attending pre-kindergarten through grade 12 schools with relatively high concentrations of students from low-income families. Under current law, the U.S. Department of Education (ED) determines Title I-A grants to local educational agencies (LEAs) based on four separate funding formulas: Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Grants (EFIG). Annual appropriations bills specify portions of each year's Title I-A appropriation to be allocated to LEAs and states under each of these formulas.

For each formula, a maximum grant is calculated by multiplying a “formula child count,” consisting primarily of estimated numbers of school-age children in poor families, by an “expenditure factor” based on state average per pupil expenditures for public K-12 education. In some formulas, additional factors are multiplied by the formula child count and expenditure factor. These maximum grants are then reduced to equal the level of available appropriations for each formula, taking into account a variety of state and LEA minimum grant and “hold harmless” provisions. In general, LEAs must have a minimum number of formula children and/or a minimum formula child rate to be eligible to receive a grant under a specific Title I-A formula. Some LEAs may qualify for a grant under only one formula, while other LEAs may be eligible to receive grants under multiple formulas. This report provides a general overview of the key components of each of the formulas.

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Introduction

Title I-A of the Elementary and Secondary Education Act (ESEA) authorizes the largest grant program in the ESEA, funded at \$14.9 billion in FY2016. It is designed to provide supplementary educational and related services to low-achieving and other students attending pre-kindergarten through grade 12 schools with relatively high concentrations of students from low-income families. The U.S. Department of Education (ED) determines Title I-A grants to local educational agencies (LEAs) based on four separate funding formulas: Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Grants (EFIG).¹ After calculating grants, ED provides each state with information on the grants calculated for LEAs in it. The state then makes specific adjustments to the grant amounts, including reserving funds for administration and school improvement and determining grants for charter schools that are their own LEAs. After making adjustments to the grant amounts calculated by ED, the state then provides funds to the LEAs. The LEAs, in turn, distribute funds to schools, often based on the percentage of children in each school eligible for free or reduced-price lunch.²

The ESEA was comprehensively reauthorized by the Every Student Succeeds Act (ESSA; P.L. 114-95) on December 10, 2015.³ The ESSA made few changes to the Title I-A formulas. Changes to the Title I-A formulas under the ESSA will take effect beginning in FY2017.⁴

This report provides a general overview of the key components of each of the four formulas used to allocate Title I-A funds and changes to these factors made by the ESSA.⁵ **Table 1** provides a summary of these components or “factors.”

Overview of Title I-A Formulas

Under Title I-A, funds are allocated to LEAs via state educational agencies (SEAs) using four different allocation formulas specified in statute: Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Grants (EFIG).⁶ Annual appropriations bills specify portions of each year’s Title I-A appropriation to be allocated to LEAs and states under each of these formulas. In FY2016, about 43% of Title I-A appropriations will be allocated through the Basic Grants formula, 9% through the Concentration Grants formula, and 24% through each of the Targeted Grants and EFIG formulas. Once funds reach LEAs, the amounts allocated under the four formulas are combined and used jointly.

¹For more information about how grants are determined under each of these formulas, see CRS Report RL34721, *Elementary and Secondary Education Act: An Analytical Review of the Allocation Formulas*, by (name redacted) .

² Children living in households where income is up to 130% of the federal poverty level (FPL) are eligible for free meals. Children living in households where income is over 130% but up to 185% of the FPL are eligible for reduced-price meals. For more information, see Department of Agriculture, “Child Nutrition Programs—Income Eligibility Guidelines,” 80 *Federal Register* 17026-17027, March 31, 2015, <http://www.gpo.gov/fdsys/pkg/FR-2015-03-31/pdf/2015-07358.pdf>.

³ For more information on the ESSA see CRS Report R44297, *Reauthorization of the Elementary and Secondary Education Act: Highlights of the Every Student Succeeds Act*, by (name redacted) and (name redacted) .

⁴ While the ESSA included provisions for changes to the Title I-A formula grant allocation process to take effect on July 1, 2016, the Consolidated Appropriations Act of 2016 (P.L. 114-113) changed the effective date of these provisions to July 1, 2017.

⁵ For more detailed information about the Title I-A formulas, see CRS Report R40672, *Education for the Disadvantaged: Analysis of Issues for the ESEA Title I-A Allocation Formulas*, by (name redacted) .

⁶ SEAs make a number of adjustments before determining the final amounts that LEAs actually receive, such as reservations for school improvement and administration.

For each formula, a maximum grant is calculated by multiplying a “formula child count,” consisting primarily of estimated numbers of school-age children in poor families, by an “expenditure factor” based on state average per pupil expenditures for public K-12 education.⁷ In some formulas, additional factors are multiplied by the formula child count and expenditure factor. These maximum grants are then reduced to equal the level of available appropriations for each formula, taking into account a variety of state and LEA minimum grant and “hold harmless” provisions. In general, LEAs must have a minimum number of formula children and/or a minimum formula child rate to be eligible to receive a grant under a specific Title I-A formula. Some LEAs may qualify for a grant under only one formula, while other LEAs may be eligible to receive grants under multiple formulas.

Stages in the Grant Calculation Process

As discussed previously, under Title I-A funds are allocated to LEAs via SEAs under four different formulas. Under the Basic, Concentration, and Targeted Grant formulas, funds are initially calculated 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 EFIG formula, allocations are first calculated for each state overall, with state totals subsequently suballocated to LEAs using a different formula. That is, under EFIG a state grant amount is affected by the formula child count within the state relative to the formula child count in other states. Subsequently, LEAs within each state compete with each other for grants, and these grants are determined, in part, based on how an LEA’s formula child count compares to that of other LEAs in the same state. Under the other three Title I-A formulas, grants are initially determined at the LEA level, so each LEA competes for funding against all other LEAs nationwide.

Formula Child Count and Rate

Although the allocation formulas have several distinctive elements, the primary factors used in all four are a formula child count and an expenditure factor. The formula child population used to determine Title I-A grants for the 50 states, the District of Columbia, and Puerto Rico consists of children ages 5 to 17 (1) in poor families, according to estimates for LEAs from the Census Bureau’s Small Area Income and Poverty Estimates (SAIPE) program; (2) in institutions for neglected or delinquent children or in foster homes; and (3) in families receiving Temporary Assistance for Needy Families (TANF) payments above the poverty income level for a family of four (hereinafter referred to as TANF children). Children in poor families account for about 97% of the total formula child count. Each element of the formula child count is updated annually.

The formula child rate is the percentage of children ages 5 to 17 residing in a given LEA who are formula children. It is calculated by dividing the number of formula children in an LEA by the number of children ages 5 to 17 who reside in the LEA. The latter child count is determined based on SAIPE data.

⁷ While the Title I-A program is focused on improving student academic achievement, the factors used to determine grant amounts do not include a specific academic achievement factor. Rather, one of the primary factors in determining grant amounts at the LEA level is the number of children residing in the LEA that are from families with income below the federal poverty level. Grants from LEAs to schools, as discussed in a subsequent section, are often based on a schools’ percentage of students eligible to receive free or reduced-price lunch. Research has demonstrated that there is a correlation between students’ socioeconomic status and academic achievement with students from lower income families tending to have lower academic achievement. For more information, see, for example, Selcuk R. Sirin, “Socioeconomic Status and Academic Achievement: A Meta-Analytic Review of Research,” *Review of Educational Research*, vol. 75 (Fall 2005), pp. 417-453.

Expenditure Factor

The expenditure factor for all four Title I-A formulas is equal to state average per pupil expenditure (APPE) for public K-12 education, subject to a minimum and a maximum percentage of the national average, further multiplied by 0.40. State APPE is subject to a minimum of 80% and a maximum of 120% of the national APPE for Basic, Concentration, and Targeted Grants. That is, if a state's APPE is less than 80% of the national APPE, the state's APPE is automatically raised to 80% of the national APPE. If a state's APPE is more than 120% of the national APPE, the state's APPE is automatically reduced to 120% of the national APPE. For EFIG, the minimum and maximum thresholds for state APPE relative to national APPE are 85% and 115%, respectively. After adjustments, should they be needed, a state's APPE is multiplied by 0.40 as specified in statute.

Weighted LEA Formula Child Counts for the Targeted Grant and EFIG Formulas

Both the Targeted Grant and EFIG formulas include weighting schemes to increase aid to LEAs with the highest concentrations of formula children. In general, children counted in the formulas are assigned weights on the basis of (1) each LEA's formula child rate (commonly referred to as percentage weighting) and (2) each LEA's number of formula children (commonly referred to as number weighting). Under both percentage weighting and number weighting, a weighted formula child count is produced and the higher of the two weighted counts is used to determine LEA grant amounts. As a result, the higher an LEA's formula child count or formula child rate is, the higher its grants per child counted in the formula will be.

LEA Hold Harmless and State Minimum Grant Provisions

All four formulas contain hold harmless provisions to prevent large decreases in LEA grant amounts from year to year, assuming appropriations are sufficient to provide hold harmless amounts. Assuming appropriations are sufficient, a Title I-A hold harmless amount is the minimum percentage of an LEA's prior-year grant that the LEA will receive in the current year. Under all four formulas, LEAs with a relatively high percentage of formula children receive a higher hold harmless level. More specifically, the hold harmless rate under each formula is 85% of the previous-year grant if the LEA's percentage of formula children is less than 15%, 90% if the LEA's percentage of formula children is at or above 15% and less than 30%, and 95% if the LEA's percentage of formula children is at or above 30%. In order to benefit from the hold harmless provisions under each formula, an LEA must meet the eligibility requirements for the specific formula. The exception to this requirement is that LEAs that met the eligibility requirements to receive a Concentration Grant but fail to meet the requirements in a subsequent year will continue to receive a grant based on the hold harmless provisions for four additional years.

All four formulas have state minimum grant provisions. Minimum grant amounts for each formula are calculated in part or wholly based on a percentage of the level of appropriations provided to each formula. This percentage is higher under the Targeted Grant and EFIG formulas than it is under the Basic and Concentration Grant formulas.⁸

⁸ Under Basic and Concentration Grants, a state must receive a minimum of 0.25% of the total allocation amount for the specific formula, subject to a series of caps. Under Targeted Grants and EFIG, a state must receive a minimum of (continued...)

Factors Included Only in the EFIG Formula

The EFIG formula includes two factors used to determine state level grants that are not included in any of the other three formulas—the effort factor and the equity factor. The effort factor for each state is based on APPE for public K-12 education compared to personal income per capita (PCI) for each state compared to the nation as a whole.⁹ In general, the effort factor benefits states that have a relatively high level of spending on education relative to their PCI in their state. Similar to the expenditure factor, the effort factor is also bounded but with more narrow bounds of 0.95 and 1.05. These relatively narrow bounds minimize the influence of the effort factor in the determination of state grants. The effort factor is the same for all LEAs in a given state.

The equity factor for each state is determined based on variations in APPE among the LEAs in the state. The application of the equity factor results in higher grants to states with less variation in APPE among their LEAs and lower grants to states with greater variation in APPE among their LEAs. That is, the equity factor favors states with more equitable APPE among their LEAs.

In addition to determining state grant amounts, the equity factor is also used in the determination of LEA weighted student counts. Depending on a state's equity factor, one of three sets of weights is used in determining an LEA's weight formula child count.¹⁰ While the use of the equity factor in determining state grants rewards states where APPE among LEAs is more equitable, at the LEA level, higher weights are used in determining weighted student counts for LEAs in states where APPE among LEAs is less equitable. Within a state with more variation in APPE among its LEAs, this results in higher grants for LEAs with a relatively high number of formula children or a relatively high formula child rate relative to what would be provided if only a single set of weights was used. Conversely, the lower the variation in APPE among LEAs in a given state, the lower the weights used to determine weighted formula child counts. Thus, in a state with less variation in APPE among its LEAs, the use of the weights produces smaller differences in the weighted formula child counts of LEAs with a relatively high number of formula children or a relatively high formula child rate as compared with other LEAs in the state; thereby, lessening the differences in grant per formula child to each LEA in that state relative to grants that are provided to states in which APPE among LEAs is less equitable.

Allocations at the School Level

Unlike other federal elementary and secondary education programs, most Title I-A funds are subsequently allocated to individual schools by formula, although LEAs retain substantial discretion to control the use of a significant share of Title I-A grants at a central district level.¹¹

(...continued)

0.35% of the total allocation amount for the specific formula, subject to a series of caps.

⁹ More specifically, the effort factor is a ratio of the three-year average APPE for public elementary and secondary education to the three-year average state PCI divided by the ratio of the three-year average national APPE to the three-year average national PCI.

¹⁰ LEAs in states with an equity factor of less than 0.10 (meaning that there is less variation in APPE among the LEAs in the state) receive the lowest set of weights. LEAs in states with an equity factor of 0.10 to less than 0.20 receive weights that are higher than those used for the aforementioned set of LEAs. LEAs in states with an equity factor of 0.20 or higher (meaning that there is greater variation in APPE among LEAs in the state) receive the highest set of weights. For example, some of the weights accorded to LEAs in the latter group are twice as high as those accorded to LEAs in the first group.

¹¹ Detailed guidance regarding the selection of schools to receive Title I-A grants and the allocation of funds among them may be found in the ED policy guidance document *Local Educational Agency Identification and Selection of School Attendance Areas and Schools and Allocation of Title I Funds to Those Areas and Schools*, 2003.

While there are several rules related to school selection, LEAs must generally rank their public schools by their percentages of students from low-income families, and serve them in rank order. All participating schools must generally have a percentage of children from low-income families that is higher than the LEA's average, or 35%, whichever of these two figures is lower,¹² although LEAs have the option of setting school eligibility thresholds higher than the minimum in order to concentrate available funds on a smaller number of schools.¹³

Changes Under the ESSA

The ESSA includes a requirement that all Title I-A appropriations not provided for the Basic Grants and Concentration Grant formulas be equally divided between the Targeted Grants and EFIG formulas. Appropriators have provided funding for the Title I-A formulas in this manner for the past several years at their discretion.

Beginning in FY2017, the ESSA will increase the set asides made by ED for the Bureau of Indian Education (BIE) and the Outlying Areas and state set asides for school improvement. Before Title I-A grants are allocated to states and LEAs, ED sets aside funds for grants to the BIE and Outlying Areas. In FY2017, this set-aside will increase from 1.0% to 1.1% provided this does not reduce the total amount of funds available for state grants below the level of funding available in FY2016. As with the current allocation process ED will then allocate grants to states and provide each state with information on the grants calculated for LEAs in it. The state will then make specific adjustments to the grant amounts, including reserving funds for school improvement.

Currently, there are two sources of ESEA funds for school improvement: (1) a reservation of 4% of the funds received by the state under Title I-A,¹⁴ and (2) the School Improvement Grants (SIG) program. While funded in FY2016, the ESSA eliminated the authorization for the SIG program. Beginning in FY2017, under the Title I-A program states will be required to reserve the greater of (1) 7% of their Title I-A funds or (2) the amount the state reserved under Title I-A for school improvement in FY2016 plus the amount the state received under the SIG program for school improvement.¹⁵

The ESSA also altered the grant allocation process for schools. As previously discussed, LEAs must generally rank their public schools by their percentages of students from low-income families, and serve them in rank order. This must be done without regard to grade span under current law for any eligible school attendance area¹⁶ in which the concentration of children from low-income families exceeds 75%. Below this point, an LEA can choose to serve schools in rank order at specific grade levels (e.g., only serve elementary schools in order of their percentages of children from low-income families). Beginning in FY2017, LEAs will have the option to serve elementary and middle schools with more than 75% of their children from low-income families

¹² This minimum percentage is reduced from 35% to 25% for schools participating in certain desegregation plans.

¹³ There is an exemption from all of the Title I-A school selection requirements for small LEAs—defined in this case as those with enrollments of 1,000 or fewer students.

¹⁴ The ESEA prohibits any LEA from receiving less Title I-A funding than it did the previous year as a result of the state reservation of funds for school improvement.

¹⁵ The ESEA, as amended by the ESSA, prohibits any LEA from receiving less Title I-A funding than it did the previous year as a result of the state reservation of funds for school improvement beginning in FY2018. The provision does not apply to FY2017.

¹⁶ A “school attendance area” means, in relation to a particular school, the geographic area in which the children who are normally served by that school reside. An “eligible school attendance area” means a school attendance area in which the percentage of children from low-income families is at least as high as the percentage of low-income families served by the LEA as a whole.

and high schools with more than 50% of their children from low-income families before choosing to serve schools in rank order by specific grade levels.

Table I. Overview of ESEA Title I-A Allocation Formula Characteristics

Formula Characteristic	Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants (EFIG)
Formula child count	Children aged 5-17 (1) in poor families; (2) in institutions for neglected or delinquent children or in foster homes; and (3) in families receiving Temporary Assistance for Needy Families (TANF) payments above the poverty income level for a family of four	Same as Basic Grants	Same as Basic Grants	Same as Basic Grants
Formula child eligibility threshold for LEAs ^a	10 or more formula children AND a formula child rate of more than 2%	More than 6,500 formula children OR a formula child rate of more than 15% AND must meet the eligibility requirements for Basic Grants	10 or more formula children AND a formula child rate of 5% or more	10 or more formula children AND a formula child rate of 5% or more
Weighting of formula child count	None	None	At all stages of the allocation process, formula children are assigned weights on the basis of each LEA's number of formula children and formula child rate	For allocation of funds within states only, formula children are assigned weights on the basis of each LEA's number of formula children and formula child rate
Expenditure factor	State average expenditures per pupil for public K-12 education, subject to a minimum of 80% and maximum of 120% of the national average per pupil expenditure, further multiplied by 0.40	Same as Basic Grants	Same as Basic Grants	Same as Basic Grants, except that the minimum is 85% and the maximum is 115% of the national average per pupil expenditure
Minimum state grant	Up to 0.25% of total state grants, subject to a series of caps	Same as Basic Grants	Up to 0.35% of total state grants, subject to a series of caps	Same as Targeted Grants

Formula Characteristic	Basic Grants	Concentration Grants	Targeted Grants	Education Finance Incentive Grants (EFIG)
LEA hold harmless	85%-95% of the previous-year grant, depending on the LEA's formula child rate, applicable only to LEAs meeting the formula's eligibility thresholds	Same as Basic Grants, except that LEAs are eligible for the hold harmless for up to four years after they no longer meet the eligibility threshold	Same as Basic Grants	Same as Basic Grants
Stages in the grant calculation process	Grants are calculated at the LEA level, subject to state minimum provisions	Same as Basic Grants	Same as Basic Grants	Grants are first calculated for states overall, then state total grants are allocated to LEAs in a separate process
Additional formula factors	None	None	None	State effort and equity factors are applied in the calculation of state total grants ^b

Source: Table prepared by CRS.

- a. The formula child rate is the percentage of children ages 5-17 residing in a given LEA who are formula children. It is calculated by dividing the number of formula children in an LEA by the number children ages 5-17 who reside in the LEA.
- b. The effort factor is calculated based on average per pupil expenditures for public K-12 education compared to personal income per capita for each state compared to the nation as a whole. The equity factor is determined based on variations in average per pupil expenditures among the LEAs in each state.

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Acknowledgments

(name redacted), CRS research assistant, and Elizabeth Crowe, former CRS research assistant, also contributed to this report.

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