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MEMORANDUM

DATE: May 2, 2012

TO: TechMIS Subscribers

FROM: Charles Blaschke, Blair Curry and Suzanne Thouvenelle

SUBJ: Very Preliminary District Title I Allocations for Next Year

Enclosed is our annual report on preliminary district Title I allocations before adjustments which begin flowing in July. About 350 districts are receiving large absolute increases of $400,000 or more while over 820 districts are receiving increases of 30 percent or more which are at least $100,000. Many of these districts carried over large amounts of regular Title I funds from last year to this year and hence with increases anticipated this coming year are most likely to obligate all previously carried over funds and remaining unspent Title I funds from this year by September 30th. In addition to regular SEA adjustments for the 4% set-aside for school improvement and others, additional SEA adjustments could occur if and when the state waiver requests are approved by USED. Upon approval, we will attempt to identify such possible additional adjustments on a state-by-state basis.

If you have any questions, please contact Charles Blaschke directly.

Special Report:
<u>Very</u> Preliminary Title I Allocations to Districts Receiving Significant Increases Beginning in July

A Technology Monitoring and Information Service (TechMIS)
<u>Special Report</u>

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Our annual analysis of USED preliminary Title I Part A school year 2012-13 allocations for districts, before regular SEA and other adjustments, should be considered <u>even</u> <u>more</u> preliminary than last year because of the possible effects of the state waiver process. In some of the 11 states with approved waivers, and among many of the 26 most recent SEA applications, there are distinct possibilities that SEAs could affect final district allocations by earmarks, set-asides, or other means of leveraging the use and amount of district-allocated Title I funds.

With this caution in mind, enclosed as Exhibit A is a list of more than 350 districts which would receive an increase of $400,000 or more in Title I Part A funds beginning in July; and in Exhibit B is another list, somewhat overlapping, of about 820 districts which would receive a 30 percent increase, which is at least $100,000. We have also included as Exhibit C the FY 2012 state-by-state Title I allocations for FY 2012 with the percentage increases or decreases compared to last year's state allocation.

As we explained in our February 6, 2012 Special Report, even though Title I nationwide received only a small increase of $73 million for FY 2012, many states are receiving small to moderate percentage decreases, but some states are receiving large increases, including Utah (15.9%), Nebraska (10.6%), Nevada (10.0%), among others. States receiving increases of three to ten percent include Alabama, Alaska, Indiana, Maryland, New Mexico, North Dakota, Oklahoma, Oregon, Pennsylvania, Vermont, Washington, Wisconsin, and Wyoming. These increases can be attributed to the nature of the Title I formula and the use of the most recent Census data and other factors which have contributed to a high annual state-by-state "volatility" over the last six years. The state Title I allocations in Exhibit C should be reviewed in the context of the largest-ever carryover of Title I regular funds from last year to this year of approximately $2.5 to $3 billion, as detailed in our January 30, 2012 Special Report. Eighteen states carried over 20 percent to slightly over 50 percent of Title I funds to this school year which must be obligated by September 30, 2012. These states included Arkansas, Arizona, District of Columbia, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Hampshire, New York, New Jersey, Oklahoma, Puerto Rico, Rhode Island, South Carolina, Tennessee, Virginia, and

Washington. It should be emphasized that the amount carried over for each district could have been significantly more or less than the overall percentage total allocation from all districts in the state. As explained in the January 30th report, in September 2010, USED provided SEAs an opportunity to carry over Title I regular funds above the 15 percent annual limitation; all but one state received waiver approval to do so.

The volatility in district Title I allocations over the last six years has occurred once again. Some of the district Title I funding increases in Exhibits A and B can be attributed to higher enrollments of poverty students in districts when the Census was collected in 2010. Reductions in districts' allocations could be attributed to lower LEA Census counts or to larger Census poverty counts nationwide which occurred over the previous year, which in turn reduced the per-pupil Title I allocations to districts and hence reduced their overall allocation for FY 2012.

The current Title I formula, with increases occurring only in the "targeted" and "incentive" components, favors large urban districts. Indeed, some of the member districts of the Council of the Great City Schools did receive increases: Clark County, Nevada (13.4% increase to $85.8 million), Omaha (15.3% increase to $25.6 million), and Orange County, Florida (14.4% increase to $49.1 million). On the other hand, some other Council member districts received large reductions in preliminary district allocations, including San Francisco (14.7% down to $12.5 million), Hillsborough County, Florida (9.9% down to $54.4 million), and Pittsburgh (10% down to $19.8 million). Some of these districts will likely have some additional funds reallocated to them under the 4% SEA set-aside for school improvement; others are also likely to have Priority Schools which could receive additional SIG funding under the waiver process; and districts with 10% or more reductions could receive additional funds under the "hold harmless" provision.

In Exhibit B, we list those districts that would receive preliminary increases in Title I allocations of 30 percent or more before adjustment which are at least $100,000 or more. In some districts, the percentage increases, particularly those with small district Title I allocations last year, exceed 500 percent. Some of the districts with large percentage increases are also large absolute amounts and are due to large Census data increases in poverty counts. Harrisburg, Pennsylvania, for example, which we included in some early estimates in our February 6th list of districts, received a large increase in poverty count. Other increases could have occurred due to the nature of the Title I formula as the district poverty count may have exceeded, for the first time, the five percent threshold, in which case a district qualified for the first time for "concentration" funds in addition to the "basic" grant. In many other districts receiving large percentage increases, inaccurate Census counts or "miscalculations" could have occurred.

The purchasing patterns and cycles for districts which offer the best marketing prospects depends on the general situation facing the district and, of course, the types of adjustments -- discussed below -- which might occur. Many of the districts in Exhibit B are likely to consider the large percentage increase in Title I funds for this coming year to be a "windfall" due to inaccuracies in the poverty count and/or quirks in the Title I formula and will not use such increases to hire staff. Many will consider funding increases as an opportunity to "invest wisely" in human capital (e.g., professional development), instructional programs and/or infrastructure which have low reoccurring costs. Because of their large percentage increases, many of these districts are less likely to be anxious about the potential Title I budget rescission of seven to nine percent built into the "sequestration" provision in the Budget Control Act which is supposed to take effect in January 2013 unless Congress acts during a lame duck session. They will also be less concerned about regular SEA set-asides and potential reallocations of 4% for school improvement and 1% for SEA administration. The districts with large absolute preliminary increases in their allocations will likely be more concerned about potential sequestration Title I budget rescissions in 2013. Districts in Exhibit A that have a large number of Priority Schools, and perhaps Focus Schools, under USED-approved waivers for the state are likely to be good prospects because they have a high probability of having freed-up Title I set-aside funds for interventions for Priority and Focus Schools and are likely to receive some of the reallocated SEA 4% set-aside for school improvement, depending on the amount generated by the state.

Districts in Exhibit A and B located in states in which a large percentage of last year's Title I regular funds were carried over to this year appear to be extremely good prospects. For example, if a district carried over a large amount of Title I regular funds from last year to this year and is receiving large increases next year, then there is no logical reason why the district would want to carry over any of this year's regular Title I allocation and will be obligating virtually all of the carried-over Title I funds from last year by September 30th. Indeed in last year's TechMIS Special Report (May 20, 2011) on Preliminary District Allocations, we stated, "….districts which carry over more than 15 percent of this year's Title I regular funds to next year will have large amounts of regular Title I funds to be obligated by September 30, 2012….a major purchasing cycle in most districts can be expected beginning in late November-December, peaking in April-May of next year." Indeed, reports from TechMIS clients over the last several weeks indicated a ten-fold or greater increase in the number of RFPs "hitting the street," particularly for new or expanded afterschool programs, this April with the most likely source of funding being Title I funds carried over from last year.

In addition to the regular Title I adjustments made by the SEA for the 4% set-aside for school improvement, a number of other regular adjustments are made each year by SEAs which affect final district Title I allocations.

Each SEA must make adjustments for the number of Title I-eligible students in a district "attendance area" who go to local charter schools because Title I funding is supposed to "follow the child" to the charter schools for their own Title I programs. In a state like Arizona, where a large number of districts have received increases in preliminary allocations, some of those increases must be reallocated to the 500+ charter schools operating within the state for Title I-eligible students enrolled in charter schools in the districts' attendance areas. Other states with fifty or more charter schools -- which will have to make similar adjustments -- include Colorado, Wisconsin, Minnesota, New Jersey, Massachusetts, Georgia, Indiana, Ohio, Tennessee, North Carolina, New York, Pennsylvania, Texas, California, Florida, Michigan, and Nevada.

In some states, the SEA will also make adjustments for entities other than LEAs that support or provide assistance to LEA Title I programs, such as county units in California. Other adjustments may have to be made in districts for which school attendance area boundary lines have changed since the Census was taken.

And one of the last types of regular Title I adjustments -- which can't be made until June-July --

is based on changes in final state per-pupil expenditures, which is currently taken into account in the Title I "incentive" formula. This determination is usually made by states at the end of the regular school year.

Over the last several days, we have discussed the possibility of additional SEA adjustments to district allocations which could be made as a result of states' waiver requests being approved. Association lobbyists and several USED officials indicated that the "issue" has not been addressed in detail; however, one very knowledgeable USED official suggested that many of the large percentage increase district allocations would indeed be reduced because of SEA adjustments. Several district Title I directors expressed moderate to serious concern about language in their state's waiver applications which would allow SEAs to "leverage" Title I funds for a number of possibilities including:

- Reallocating district allocations to districts with relatively large numbers of Priority Schools, especially when SEA did not request approval for eliminating SES set-asides.
- Allowing SEA to withhold a certain portion of the district's allocations, with the districts' permission, to be reallocated to intermediate units or BOCES to provide professional development or related services in a more cost-effective manner.
- SEA creation of volume purchasing entities or mechanisms from a selected number of vendors which could reduce purchasing options to individual districts who participate.

As waivers are approved and information becomes available, we will identify such state-by-state additional adjustments or if USED guidance is forthcoming, such an analysis will be provided to TechMIS subscribers.