Education TURNKEY Electronic Distribution, Inc.

256 North Washington Street
Falls Church, Virginia 22046-4549
(703) 536-2310
Fax (703) 536-3225

MEMORANDUM

DATE: May 22, 2013

TO: TechMIS Subscribers

FROM: Charles Blaschke, Blair Curry and Suzanne Thouvenelle

SUBJ: Title I Preliminary District and State Allocations

Following receipt of raw data from USED, these two TechMIS Special Reports include our analysis of preliminary Title I district and state allocations which should be useful to subscribers in targeting districts for end-of-year Title I expenditures, as well as spending prospects for next school year. In Exhibit A, we include about 340 districts (before SEA adjustments) which would receive an increase of $100,000 or more in Title I Part A funds beginning in July. Exhibit B includes another list (with some overlap) of about 270 districts which should receive a 20 percent increase which is at least $50,000. These districts are among the best prospects for not carrying over unspent Title I funds to next year; rather they will be spending/obligating most if not all of such unspent Title I funds (which have been withheld in district reserve due to sequestration uncertainties) by June 30th in most states, and by September 30th in the remaining states. In addition, most of the districts in Exhibit B will consider the relatively large percentage increases in Title I funds this year as "windfalls" and are not likely to use such increases to hire salaried staff this summer and next year. Rather, during school year 2013-14, they most likely will spend such funds on investments such as professional development or purchasing/licensing products with low operating costs in the future.

If anyone has questions about the reasons (described in the enclosed reports) why Title I funding can increase in certain districts in the context of an overall nationwide 5.1 percent sequestration cut or has questions about marketing/sales strategies, please call Charles directly (703-362-4689).

Special Report:
Preliminary Allocations
to Districts Receiving Moderate-Significant Increases
Beginning in School Year 2013-14

A Technology Monitoring and Information Service (TechMIS)
Special Report

Prepared by:
Education TURNKEY Systems, Inc.
256 North Washington Street
Falls Church, Virginia 22046-4549
(703) 536-2310 / (703) 536-3225 FAX

May 22, 2013

The enclosed analyses of USED preliminary Title I, Part A allocations for the 2013-14 school year to districts, before SEAs make regular and discretionary adjustments (some for the first time), should be considered very preliminary for a number of reasons:

a) The five percent plus Title I national sequestration brings into play the widespread use of a number of provisions in the Title I formula which have not been applied many times in the past, because Title I nationally, has almost always received level-funding or increases (e.g., the hold harmless provision for large urban districts with high poverty rates);
b) For the first time, uncertainty over how SEAs will use their discretion within the constraints of new waiver guidance over what districts will receive how much, if any of the 4% SEA set-aside for school improvement; and
c) More than normal use by SEAs of their remaining discretion over when Title I funds are allocated to districts with what, if any, conditions.

In addition, a number of states will likely be taking advantage of the 15 percent carryover limit waiver recently provided by USED (see April 15 TechMIS Special Report) which could affect the amount of carryover funds by districts from this year to next year. Moreover, some states may request and receive, without much public fanfare, other waivers on the use of Title I set-asides, such as SES, professional development, or other provisions under the "new move" by USED to provide increased flexibility at the state and district level. This is already occurring in some areas, as we noted in our April 15th Special Report. Given these uncertainties, the preliminary USED district Title I allocations is a good starting point for firms to use in targeting districts.

Based on information provided to us by USED in mid-May, Exhibit A lists more than 340 districts which would receive an increase of $100,000 or more in Title I Part A funds beginning in July. In Exhibit B, another list is provided (with some duplication of the former) of about 270 districts which should receive a 20 percent increase which is at least $50,000. In a separate report, we also provided USED final state Title I allocations. Although USED lists these state allocations as being final, there is a long-shot possibility that, if there is a continuing resolution (CR) for FY 2014 or if a budget for FY 2014 is passed with final state allocations (most likely in August-September) which removes/grandfathers the sequestration cuts, the numbers could change.

Once again, preliminary Title I allocations have increased in some districts in spite of sequestration cuts, with some districts receiving moderate to large absolute and percentage increases, as noted in Exhibits A and B. One reason for preliminary Title I district increases can be attributed to higher enrollment of poverty students in districts when the 2011 Census was collected and the updated poverty numbers were included in the Title I formula. Even though some Census increases were reported in certain districts, overall reductions in districts' allocations could be attributed to higher Census counts of poverty nationwide which has occurred over the previous Census year (2010). This, in turn, has reduced the per-pupil Title I allocations in districts and hence reduced their overall allocation for 2013.

The Title I formula sequester cuts which were applied favor those districts receiving the "targeted" and "incentive" components which benefits larger districts. As we reported in our March 21 TechMIS issue, during the Council of the Great City Schools conference in March, the Council had applied the actual Title I formula based on the most recent Census data and hold harmless provisions and found that Anchorage, Alaska, Des Moines, Iowa, and Dade County, Florida were getting increases of 13 percent, 21 percent, and one percent, respectively. These closely match the current USED allocations. USED estimates in February indicated that all three districts were getting cuts of approximately five percent.

Current LEA allocations indicate that there are three districts receiving increases of $1 million or more in Georgia, and eight districts in Idaho are receiving increases of more than $100,000. However, as Idaho's State Superintendent Luna recently stated, as of March, most of the districts were only beginning to spend their FY 2012 Title I allocations, and only a few had begun spending the FY 2013 allocations, which means that districts receiving increases in Idaho are almost certain to be spending and not carrying over unused FY 2013 funding from this year to next year. In addition to Des Moines, five other Iowa districts are receiving increases of $100,000 or more, while in New York State, three districts are receiving more than $1 million increases. In South Carolina, four districts are receiving more than $300,000 increases. Out of the 14 districts in Washington State receiving increases of $100,000 or more, nine are receiving more than $300,000. It should be noted that some of the large urban districts which are scheduled to receive large cuts for school year 2013-14 could receive some increased funding in September-October under the SEA 4% set-aside for school improvement, especially those districts with Priority and Focus Schools if any money is available at the SEA level for the 4% SEA set-aside district re-allocation to them (see State Allocations Special Report).

Exhibit B lists the districts which would receive preliminary increases in Title I allocations of 20 percent or more which are at least $50,000. In Arizona, a moderate number of districts are receiving large increases of more than $100,000. As noted earlier, in some of these districts, funds will be reallocated to charter schools under "follow the child" provisions, thus reducing Title I expenditures by the districts. Illinois has a relatively large number of LEAs receiving large percentage increases with some districts having smaller percentage increases, but with absolute amounts more than $200,000. In addition to Des Moines, which is receiving a 20 percent increase (and a $1.9 million absolute increase), several other Iowa districts receiving large percentage increases are also receiving large absolute increases. A large number of small districts in New York will be receiving large percentage increases. It is likely that some of these smaller districts may be relying on volume discount purchasing through BOCES. Districts in Oregon receiving 20 percent or greater increases are also receiving large absolute increases. In Washington State, the majority of the districts receiving 20 percent or larger increases are also receiving relatively large absolute increases of $300,000 or more.

In some of these districts, particularly those with small Title I allocations last year, the new expected allocation is more than double last year. Some of these increases could have occurred due to the nature of the Title I formula as district poverty counts may have exceeded for the first time the five percent threshold, in which case the district qualified for the first time for "concentration" grants in addition to the "basic" grant. However, in many districts receiving large percentage increases, inaccurate Census counts or "miscalculations" could have been a major reason for the increase.

The best marketing prospects for purchasing depends on the situation facing the district and the types of adjustments (which are discussed below) that could be made by SEAs. As we reported last year, many districts will consider the large percentage increase for this coming year to be a "windfall" due to inaccuracies in poverty counts or quirks in the Title I formula and will not use such increases to hire staff salaries next year, due to concerns that they may have to release new salaried employees the following year and pay unemployment insurance. Many will consider funding increases as an opportunity to invest wisely in human capital, professional development, instructional programs which have low reoccurring costs. Also, because these districts are receiving large percentage increases, they are less likely to carry over any unspent Title I funds from this year to next year and will obligate such funds between now and June 30th or September 30th.

Districts in Exhibit A that have large numbers of Priority and Focus Schools are best prospects for receiving any of the SEA 4% set-aside if adequate funds will be available for school improvement. Because of new flexibilities announced but not formalized yet (see April 15th TechMIS Special Report), these districts will have greater discretion in allocating more Title I funds to schools with the "greatest needs," which usually are Priority, Focus, or SIG schools and most districts in Exhibit A will obligate and not carry over this year's unspent Title I funds to next year.

In addition to the discretionary adjustments made by SEAs for reallocated Title I amounts in SY 2013-14 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 or distant "cyber" charter schools because Title I funding is supposed to "follow the child" to the charter schools. 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 to account for Title I-eligible students enrolled in charter schools in individual 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 other entities that support or provide assistance to Title I programs, such as county units in California or "innovation" or "takeover" districts such as in Detroit, Michigan. Other adjustments may have to be made in districts for which school attendance area boundary lines have changed since the prior Census was taken.

And one of the last types of regular Title I adjustments -- which can't be made until July-August -- 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 with LEAs in states with increases in state funds benefiting most.

We have discussed with Title I state and district directors the possibility of additional SEA adjustments to district allocations which could be made as a result of states' NCLB waiver requests having been approved or non-NCLB waiver states requesting and receiving other waivers (e.g., eliminating the SES set-aside). Association lobbyists and several USED officials indicated that the "issue" has not been addressed in detail; however, one very knowledgeable USED official suggested that some of the large percentage increase in 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 large numbers of Priority Schools, especially when the SEA did not eliminate SES set-asides (e.g., Florida);
- 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 (e.g., some Western states); and
- SEA creation of volume purchasing entities or mechanisms only from a selected number of vendors which could reduce purchasing options of individual districts who participate in group buys (e.g., Maine).

Some opportunities TechMIS subscribers should consider this year include:

a) Targeting LEAs with percentage increases for end-of-year spending before June 30 or September 30 or IEU/BOCES that serve LEAs in Exhibit B for product/professional development services sales;
b) Priority/Focus/SIG schools in LEAs with moderate/large increases shown in Exhibit A, especially in states that are able to reallocate all 4% of their SEA set-aside for school improvement.
c) In non-NCLB waiver flexibility states, target LEAs which are "identified for improvement" (e.g., California, Texas, and Pennsylvania) which have existing flexibility to use Title I funding to serve non-Title I teachers and students (e.g., professional development and tutoring) without violating "supplement not supplant" provisions,

especially schoolwide programs (see April 15th TechMIS Special Report).

Please call Charles if you have any questions (703-362-4689).

Special Report:
State Title I Allocations for FY 2013 (SY 2013-14) Show Some Winners Despite the Sequesters, Which Should Not Surprise Most TechMIS Subscribers

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

Prepared by:
Education TURNKEY Systems, Inc.
256 North Washington Street
Falls Church, Virginia 22046-4549
(703) 536-2310 / (703) 536-3225 FAX

May 22, 2013

USED's State Title I Allocation Tables (attached) include some surprises and has some implications which should be taken into consideration by many TechMIS subscribers. To the surprise of many casual observers/marketeers, despite the sequesters this coming school year, small to moderate increases in some states will occur. The following states are receiving increases for this coming school year, beginning July 1st:

- Alaska (1.2%)
- Connecticut (2.6%)
- Hawaii (4.0%)
- Iowa (1.8%)
- New Hampshire (1.6%)

The bottom line is that there are likely to be more districts in these states spending withheld Title I reserve funds now before June 30th in most states and by September 30th in the remaining states.

As we, and groups such as the Committee on Education Policy (CEP), have reported, several factors contribute to volatile annual changes in state allocations, including: a) the changes each year in the numbers of students from below poverty line families in the states as reported by the U.S. Census; and b) changes in the amounts of funding for each of the four Title I grant (e.g., basic, concentration, incentive, and target). It is clear that the economic situation confronting states two years ago, with its negative impact on unemployment and poverty-related numbers, had an effect on determining Title I state allocations this year. Under the FY 2013 Continuing Resolution (CR) appropriations level, the amount of funds under the "basic" and "concentration" grant components of the Title I formula were reduced by more than the 5.1% average sequester cut, while the "targeted" and "incentive" components were cut much less. As a result of specific sequesters of certain components, the states least hurt were those with large urban district schools, while the losers were those states with small to medium-sized districts and rural districts.

Because of "hold harmless" provisions for large urban districts, it is conceivable that certain states will have their SEA 4% set-aside for school improvement reduced significantly (perhaps to zero) which will reduce the resulting amount of SEA set-aside funding available to be reallocated to districts "identified for improvement" or Priority and Focus Schools. This would also reduce the amount of Federal funding available to SIG Part (g) schools which are in their second and third year which will then have to rely, for the most part, only on their SIG, Part g funding allocation.

One of the idiosyncratic features of the Title I formula is that it is based on the assumption that Title I funding will be the same or increase each year. The SEA 4% state set-aside for school improvement, which has been stable at about $500 million annually will suffer big changes for SY 2013-14. Typically, once district allocations are known, then the SEA withholds approximately 4% of each district's allocation and then reallocates such funds to those districts which are "identified for improvement" under NCLB or are classified as "low-performing districts" under state waivers. However, the Title I formula has "hold-harmless" provisions which guarantee that certain districts with the highest percentage of poverty students (i.e., large urban cities) can have their budget cut no more than five percent. In most situations, the Title I formula provides a hedge for large districts which are protected on one hand by the "hold harmless" provision, but on the other hand are not likely to receive any additional funding under the available SEA 4% set-aside which usually go to large urban districts which have the largest number of SIG and Priority and Focus Schools (see related TechMIS Special Report).

There are a number of other districts in certain states that are likely candidates for expending, rather than carrying over, Title I funds in the future. Some are in states which received large increases in Title I funding when the 2010 Census survey data were used for the first time last year. Some of these districts might have felt that the increases they received based on the 2010 Census data were inaccurate and were hesitant to spend a lot of the increases last year. Once their district allocations this year are made, they would be good candidates for spending would-be carryover funds this year. Some of these districts will be in states that received moderate to large increases last year, including Alabama, Alaska, Indiana, Maryland, New Mexico, North Dakota, Oklahoma, Oregon, Pennsylvania, Vermont, Washington, Wisconsin, and Wyoming.

Please call Charles if you have any questions (703-362-4689).

DEPARTMENT OF EDUCATION
College- and Career-Ready Students (Title I, Grants to LEAs)
(Basic, Concentration, Targeted, and Education Finance Incentive Grants)

State or Other Area	2012 Actual	2013 Estimate	Amount Change FY 2012 and 2013	Percent Change FY 2012 and 2013	2014 Estimate
Alabama	231,031,000	215,102,204	(15,928,796)	-6.9%	226,734,169
Alaska	37,233,375	37,689,227	455,852	1.2%	39,165,546
Arizona	316,464,022	309,371,089	(7,092,933)	-2.2%	329,267,309
Arkansas	155,888,079	146,981,290	(8,906,789)	-5.7%	151,771,943
California	1,653,831,915	1,544,138,467	(109,693,448)	-6.6%	1,634,251,567
Colorado	147,719,510	139,089,135	(8,630,375)	-5.8%	147,181,006
Connecticut	105,099,355	107,811,532	2,712,177	2.6%	118,385,006
Delaware	43,431,878	42,610,962	(820,916)	-1.9%	44,009,100
District of Columbia	46,617,803	44,058,210	(2,559,593)	-5.5%	43,422,230
Florida	735,661,512	700,251,035	(35,410,477)	-4.8%	769,465,111
Georgia	504,099,798	481,120,688	(22,979,110)	-4.6%	507,181,408
Hawaii	45,748,116	47,577,734	1,829,618	4.0%	53,166,878
Idaho	55,350,651	53,844,735	(1,505,916)	-2.7%	58,253,257
Illinois	649,219,212	630,033,521	(19,185,691)	-3.0%	675,338,870
Indiana	264,026,255	247,863,386	(16,162,869)	-6.1%	260,798,832
Iowa	84,247,031	85,778,758	1,531,727	1.8%	94,174,834
Kansas	106,196,719	97,424,480	(8,772,239)	-8.3%	102,972,636
Kentucky	221,011,661	211,308,965	(9,702,696)	-4.4%	224,623,009
Louisiana	288,745,786	280,245,461	(8,500,325)	-2.9%	297,713,761
Maine	51,752,615	48,759,916	(2,992,699)	-5.8%	51,390,699
Maryland	189,936,586	181,754,877	(8,181,709)	-4.3%	200,235,486
Massachusetts	210,655,557	203,690,442	(6,965,115)	-3.3%	219,794,619
Michigan	538,112,003	510,010,757	(28,101,246)	-5.2%	526,590,464
Minnesota	157,516,976	145,110,248	(12,406,728)	-7.9%	151,455,161
Mississippi	188,747,443	176,630,319	(12,117,124)	-6.4%	179,481,890
Missouri	233,377,527	224,451,328	(8,926,199)	-3.8%	235,488,669
Montana	45,165,766	42,982,334	(2,183,432)	-4.8%	44,693,288
Nebraska	70,015,284	65,116,410	(4,898,874)	-7.0%	69,560,335
Nevada	106,494,798	101,566,521	(4,928,277)	-4.6%	113,181,458
New Hampshire	39,231,568	39,866,103	634,535	1.6%	40,987,110
New Jersey	302,805,798	278,617,451	(24,188,347)	-8.0%	291,220,816
New Mexico	119,524,313	112,032,150	(7,492,163)	-6.3%	116,959,978
New York	1,132,021,952	1,078,825,438	(53,196,514)	-4.7%	1,108,054,867
North Carolina	399,659,502	378,330,599	(21,328,903)	-5.3%	409,260,735
North Dakota	35,555,892	32,419,609	(3,136,283)	-8.8%	33,559,125
Ohio	588,308,607	555,319,556	(32,989,051)	-5.6%	584,319,081
Oklahoma	161,486,676	147,302,003	(14,184,673)	-8.8%	150,493,958
Oregon	146,694,363	144,886,276	(1,808,087)	-1.2%	156,675,935
Pennsylvania	574,504,440	531,557,604	(42,946,836)	-7.5%	559,513,382
Rhode Island	49,140,891	47,192,744	(1,948,147)	-4.0%	49,532,309
South Carolina	214,969,145	206,152,202	(8,816,943)	-4.1%	220,289,584
South Dakota	43,594,806	41,468,594	(2,126,212)	-4.9%	42,676,498
Tennessee	280,705,831	263,609,552	(17,096,279)	-6.1%	280,428,984
Texas	1,386,573,624	1,309,309,507	(77,264,117)	-5.6%	1,382,044,046
Utah	93,205,414	85,281,432	(7,923,982)	-8.5%	92,943,670
Vermont	34,501,030	31,936,473	(2,564,557)	-7.4%	33,111,908
Virginia	230,018,390	220,317,487	(9,700,903)	-4.2%	234,301,616
Washington	213,059,921	203,754,455	(9,305,466)	-4.4%	218,168,591
West Virginia	94,600,893	90,318,081	(4,282,812)	-4.5%	97,180,217
Wisconsin	228,652,645	211,983,747	(16,668,898)	-7.3%	221,645,557
Wyoming	33,627,552	32,432,415	(1,195,137)	-3.6%	33,635,818
American Samoa	11,140,130	10,583,124	(557,006)	-5.0%	10,951,471
Guam	11,759,431	11,171,459	(587,972)	-5.0%	13,963,846
Northern Mariana Islands	4,046,550	4,038,624	(7,926)	-0.2%	7,597,770
Puerto Rico	481,384,851	453,590,116	(27,794,735)	-5.8%	440,580,104
Virgin Islands	14,969,520	13,472,568	(1,496,952)	-10.0%	12,125,311
Freely Associated States	0	0	-	-	0
Indian set-aside	98,209,100	93,298,645	(4,910,455)	-5.0%	95,486,172
Undistributed (non-State allocations)	9,106,498	8,776,885	(329,613)	-3.6%	9,000,000
Total	**14,516,457,566**	**13,760,218,930**	**(756,238,636)**	**-5.2%**	**14,516,457,000**

NOTES: State allocations for fiscal years 2013 and 2014 programs are preliminary estimates based on currently available data. Allocations based on new data may result in significant changes from these preliminary estimates.

Compiled for posting on the WEB by the Budget Service on April 30, 2013.