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MEMORANDUM

DATE: April 25, 2014

TO: TechMIS Subscribers

FROM: Charles Blaschke, Blair Curry and Suzanne Thouvenelle

SUBJ: Title I Preliminary District Allocations

This TechMIS Special Report include our analysis of preliminary Title I district 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 870 districts which would receive an increase of $200,000 or more in Title I Part A funds (before SEA adjustments) beginning in July. Exhibit B includes another list (with some overlap) of about 660 districts which should receive a 20 percent increase which is at least $100,000 (before SEA adjustments). 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 by June 30th in most states, and by September 30th in the remaining states.

Before the passage, in February, of the FY 2014 budget, which restored about 83 percent of last year's Title I sequestration and removed any sequestration concerns for FY 2015 and FY 2016, about $2 billion in Title I unspent funds were in district reserves and are now being obligated/spent before September 30th. In addition, many of the districts in Exhibit B will likely consider the 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 2014-15, they are likely to spend such funds on investments such as professional development or purchasing/licensing products with low operating costs in the future.

And last, most district Title I coordinators/directors have not received from their SEA Title I official USED preliminary funding notices. Keep that in mind when making contact.

If anyone has questions about the reasons (described in the enclosed reports) why Title I funding will increase in certain districts or has questions about marketing/sales strategies, please call Charles directly (703-362-4689).

The next TechMIS report will be sent the week after next and will include our analysis of FCC district notifications of refunds districts will be receiving after completion of the BEAR form. Many of these districts will have been notified that their previous E-Rate appeals going back several years have been found to be meritorious, and if the district so requests through the BEAR process a refund will be provided for the discounted amount on the items for which they previously paid full price. These funds can be used by E-Rate coordinators/districts to purchase, among other things, non-eligible E-Rate products and services such as professional development, instructional materials, and software tools, etc. We hope to include our analyses and district amounts in the next TechMIS issue if the FCC first quarter report becomes available in time; if not, another Special Report will be sent shortly after the FCC report becomes available.

Just as a reminder, TechMIS subscribers should send to us a signed agreement for the subscription renewal beginning May 1st or send in their appropriate TechMIS fee. If anyone has any questions or problems, contact Charles Blaschke directly (703-362-4689).

Special Report:
Preliminary Allocations
to Districts Receiving Significant Increases
Beginning in School Year 2014-15

A Technology Monitoring and Information Service (TechMIS)
Special Report

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The enclosed analyses of USED preliminary Title I, Part A allocations for the 2014-15 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) Uncertainty over how SEAs will use their discretion within the constraints of ESEA Flexibility State waiver guidance over how much districts will receive, if any, of the 4% SEA set-aside for school improvement;
b) More than normal use by SEAs of their remaining discretion over when Title I funds are allocated to districts with what, if any, conditions; and
c) New allocations for charter schools which are "new" or have "expectedly large increases" in Title I enrollees.

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 USED provisions under the "new move" by USED to provide increased flexibility at the state and district level. This is occurring in some areas/states. Given these uncertainties, however, these preliminary USED district Title I allocations represent a good starting point for firms to use in targeting districts.

Based on information provided to us by USED in mid-April, Exhibit A lists more than 870 districts which would receive an increase of $200,000 or more in Title I Part A funds beginning in July (about 30 percent will be allocated to SEAs in July with the remaining beginning October 1, 2014). In Exhibit B, another list is provided (with some duplication of the former) of about 660 districts which should receive a 20 percent increase which is at least $100,000.

Preliminary Title I allocations in these districts have increased over SY 2013-14 due to increases in census counts and/or restorations of last year's sequestration cut, 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 2012 Census (i.e., the latest survey) was collected and the updated poverty numbers were included in the Title I formula. Even though Census increases were reported in certain districts, overall reductions in some of these districts' allocations could be attributed to higher Census counts of poverty nationwide which has occurred over the previous Census year (2011). This, in turn, has reduced the per-pupil Title I allocations to districts and hence lowered their overall allocation for 2014-15.

The Title I Part A funding in the FY 2014 budget (for SY 2014-15) passed in February had an increase of about $620 million which restored 83 percent of Title I funds that were reduced in FY 2013 last year as a result of the overall sequestration. Last year, Title I reductions due to sequestration had its major impact on districts receiving only "basic" and "concentration" grants. Larger urban districts, which received increases under the "targeted" and "incentive" components, felt relatively smaller cuts, which were also due to "hold harmless" provisions.

One of the states with a large number of districts receiving increases in Exhibit A, was Florida, with more than half of the county districts receiving increases of $200,000 or more for SY 2014-15. During the Council of Great City Schools Annual Legislative Conference in March, a high-level official from the Hillsborough County School District (Tampa),which received an increase of almost $13 million (which is 26 percent higher than last year's allocation), attributed the increase to increased counts of poverty students based on the most recent Census data. On the other hand, in Texas, slightly more than 60 districts received increases of $200,000 or more of the total 1,200+ districts in the State. About 160 of California's 1,100 districts received increases of $200,000 or more, but only Los Angeles received an increase greater than $4 million. In New York state, about 20 districts received increases of $200,000 or more with Queens County (a part of New York City) receiving the largest absolute increase of $21 million. Ten of the California districts receiving increases of $200,000 or more this year also received increases of $100,000 or more last year; only four of the Florida county districts received similar large increases for both of the last two years, with about the same number of New York districts receiving similar increases. And, of the 54 LEAs in Texas receiving $200,000 or more increases this coming year, only two received $100,000 or more increases last year.

It should be noted that some of the large urban districts 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 enough money is available at the SEA level for the 4% SEA set-aside district re-allocation to them.

Exhibit B lists the districts which would receive preliminary increases in Title I allocations of 20 percent or more which are at least $100,000. In Arizona, a moderate number of districts are receiving increases of more than 20 percent. As noted last year, in some of these districts, funds will be reallocated to charter schools under "follow the child" provisions, thus reducing Title I funding left for the districts. Illinois has a relatively large number of LEAs receiving 20 percent or more increases, with many districts having smaller percentage increases, but with absolute increase amounts more than $200,000. 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. Some of these increases could have occurred due to the nature of the Title I formula as district poverty counts might 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.

In its memorandum to Title I State Coordinators, USED notes that the preliminary district allocations used per-pupil expenditure data from school year 2011-12 and that preliminary allocations could change with the use of updated non-Census data (i.e., latest per-pupil state funding) most likely mid-summer. Discussions with some district Title I officials also suggest that some of the 2012 Census data could be modified at the last moment which could affect some of the final district allocations (e.g., districts at the minimum percent poverty level to qualify for concentration grants).

Year-to-year volatility in district Title I allocations and late SEA notifications create uncertainty and make budget planning difficult, which sales staff should take into account when approaching Title I directors/coordinators.

The best marketing prospects for purchases 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 salaried staff 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, and instructional programs which have low reoccurring costs. Also, because these districts are receiving large percentage increases, they are less likely to carry over unspent Title I funds from this year to next year and will obligate such funds between now and September 30th.

Districts in Exhibit A that have large numbers of Priority and Focus Schools are best prospects for receiving some of the SEA 4% set-aside (if adequate SEA funds will be available) for school improvement. Because of new flexibilities announced, but still not formalized (see April 15, 2013 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. Most districts in Exhibit A will obligate this year’s Title I allocation, and not carry over the funds to next year. However, about five Florida district Title I directors are likely to request waivers for such carry-over beyond the 15% limit, as most did last year under USED blanket waivers.

In addition to the discretionary adjustments made by SEAs for reallocated Title I amounts in SY 2014-15 for the “4% set-aside” for school improvement, a number of other adjustments are made each year by SEAs which affect many final district Title I allocations, if appropriate.

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. In Arizona, some of the LEA increases must be reallocated to one or more of the 500+ charter schools in the state for eligible students enrolled in charter schools from 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.

Beginning last September, an additional adjustment in district allocations occurred in December-January for newly "opening" and "significantly expanding" charter schools to ensure these charter schools received "equitable amounts" of Title I funds required under Section 5206. Some SEAs and/or districts began reallocating funds to these charter schools in December 2013-February 2014. Although it is not clear where such new funding for these charter schools came from, most knowledgeable observers feel that at least a large portion of such funding came from the SEA 4% set-aside for school improvement which, in some cases, occurred at the expense of Priority and Focus schools, especially in ESEA Flexibility waiver states.

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. 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, as noted previously, 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 "incentive" component of the Title I formula. This determination is usually made by each state at the end of the regular school year.

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). Several district Title I directors expressed moderate to serious concern about language in their state's waiver applications/plans which would allow SEAs to "leverage" Title I funds for a number of possibilities including:

- reallocating Title I funding to districts with large numbers of schools which continue SES set-asides;
- allowing SEAs 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 and consortia which could reduce sales options for small vendors who cannot serve all members of a consortium.

Opportunities TechMIS subscribers should seriously consider include:

a) Targeting LEAs with increases as displayed in Exhibit A and B, especially those which will have purchasing cycles beginning now through November-December and increasing once again in February through June 30^{th} or September 30, 2015, with a particular focus on existing clients for expanded sales.
b) Targeting LEAs with large percentage increases in Exhibit B for end-of-year spending before June 30 or September 30 or IEU/BOCES for product/professional development services;

c) Priority/Focus/SIG schools in LEAs with moderate/large increases shown in Exhibit A, especially in states that are able and willing to reallocate all of their SEA 4% set-aside for school improvement.
d) In non-NCLB waiver flexibility states, target LEAs which are "identified for improvement" (e.g., California 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 15, 2013 TechMIS Special Report).

Given the volatility of district Title I allocation from year to year and lack of perceived patterns, many Title I coordinators/directors (especially in Exhibit B districts) might disbelieve, or at the least question, such preliminary increases. Sales staff should be made aware that most SEA Title I offices have not sent preliminary USED funding allocations to their districts' Title I directors/coordinators and they should act accordingly.

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