(703) 536-2310
Fax (703) 536-3225

Education TURNKEY Electronic Distribution, Inc.

256 North Washington Street
Falls Church, Virginia 22046-4549

M E M O R A N D U M

DATE: April 7, 2008

TO: TechMIS Subscribers

FROM: Charles Blaschke

SUBJ: Districts Receiving Increased Title I Allocations for School Year 2008-09

Enclosed is our report which identifies districts receiving a $400,000 or more increase in preliminary Title I allocations and those districts receiving 40 percent or greater increase for school year 2008-09. Some of these districts are likely to have unspent Title I funds which they will obligate for June 30th. Other districts will receive large, unexpected percentage increases in October which will likely be used to purchase products rather than hire teachers and aides. All of these districts will receive all of their increases after October 1st, creating a purchasing cycle for the end of this year and early next year, depending on the types of adjustments SEAs will make. In the narrative, we reference the February 19th, 2008 Special Report which included the state Title I allocations for next school year. If you do not have access to this report, please let us know so we can send it to you.

Given the complexity of the Title I formula and funding allocation process, if you have any questions, please call me directly.

Preliminary Title I Allocations to Districts Receiving Significant Increases

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

April 7, 2008

Enclosed are lists of preliminary Title I Part A allocations (for school year 2008-2009) to districts which, before SEA and other adjustments, would receive: (a) an increase of $400,000 or more and (b) an increase of 40 percent which is at least $100,000. The total 2008-09 increase of over a billion dollars is focused in the "targeted" and incentive" components of Title I. For a host of reasons described later, these allocations should be considered very preliminary because of numerous adjustments which SEAs and others will have to make over the next four-five months. We also identify the states that are most likely to make certain types of adjustments which will reduce the amount of the increases the districts included in Exhibit A and Exhibit B will end up receiving next school year. (See February 19th, 2008 TechMIS Special Report on state allocations.)

Exhibit A shows districts receiving preliminary increases in Title I allocations of $400,000 or more. Districts receiving some of the largest preliminary allocations include: Los Angeles ($13 million); Boston ($11 million); Detroit ($22 million); Bronx County ($18 million); and Philadelphia ($38 million). Last year, Los Angeles received a cut in Title I funds by $10 million. Also last year, Chicago received a $32 million increase; it will now receive a reduction of almost $15 million, largely because of a $30,000 decrease in the number of Title I eligible students from the new census data set. Most of the funding increases can be attributed to increases in the enrollment of poverty students based on the new census data. Some of the cuts can be attributed to lower census counts, particularly non-reporting/unavailability of undocumented workers and their families. While there was a slight reduction in the basic grant component of Title I for FY 2008, there was an increase of $630 million for each of the targeted and incentive grant components, the major beneficiaries of which are large urban districts with 30 percent or more poverty.

The districts listed in Exhibit B are those which would receive preliminary increases in Title I allocations of 40 percent or more (before adjustments) which are at least $100,000. For the most part, these districts received increases due to large increases in poverty counts using the most recent census data and/or because the percent of poverty

enrollment in the district reached five percent or more for the first time which qualifies that district for a portion of the incentive and targeted grants. Three years ago, for this reason, Fairfax County, Virginia received a 75 percent increase in Title I funding because the percent of poverty enrollment went above the five percent threshold for the first time.

At the conclusion of this report, we suggest the types of opportunities which may exist in these two groups of districts and their most likely purchasing cycles. Before that, however, we need to highlight some of the major adjustments which will result in significant erosions of certain districts' preliminary increases.

Thirty-three states will receive increases in Title I funding statewide of ten percent or more. In these states (see Exhibit C from the February 19th TechMIS Special Report), two major adjustments in district preliminary allocations will occur. The first will be state reallocations from districts with increases to districts experiencing budget reductions of 10-15 percent or more beyond the "hold harmless" threshold. The second adjustment will be to take from each district's allocation four percent for the state set-aside for school improvement. However, some of the four percent funds will then have to be returned to districts still receiving more than a 10-15 percent cut. According to the Center on Education Policy, last school year, in New Mexico, Ohio, and Oregon, the final amount set aside for school improvement was less than one percent. Other states which ended up setting aside only one percent to two percent included Connecticut, New York, and Massachusetts. A recent Government Accountability Office (GAO) found that six states: Florida, Kansas, Kentucky, Maine, Massachusetts and Michigan have been unable to set aside the full amount of four percent for three or more years between 2002 and 2007. It also found that in 2006, 12 states were unable to set aside the full four percent of Title I funds for school improvement due to the hold harmless provision. The Center on Education Policy also identified the states that set aside the full four percent for school improvement in 2006-07 by taking away virtually all of the district-level increases; these were California, Delaware, Kansas, New Jersey, and Wisconsin. More SEAs are likely to set aside more funds for school improvement because of the $1.2 billion increase in Title I Part A grants and because Congress appropriated an additional $490 million (up from $125 million this year) for school improvement grants. The latter pot of money will go to the states that are likely to use some of the funds for capacity-building and then reallocate the remaining school improvement grant funds to districts that have the largest number of schools in "restructuring" or "corrective action."

The bottom line is that districts receiving increases in preliminary allocations in states which have also received larger statewide increases are less likely to have significant amounts of their district increases reallocated to other districts. This is particularly true for those districts with large numbers of schools identified for improvement and/or restructuring which are supposed to receive 95 percent of the four percent set-aside for school improvement. Districts included in Exhibit A or B located in Alaska, Alabama, Arkansas, Delaware, Texas, Maine, Michigan, New Jersey, Oklahoma, Oregon, Tennessee, Vermont, West Virginia, Virginia, Ohio, Pennsylvania, North Carolina, South Carolina, Nevada, Missouri, Louisiana, Indiana, Connecticut, Illinois, Maryland, Minnesota, New Hampshire, Rhode Island, Utah, Wisconsin, Wyoming, Washington, and

Colorado would appear to be "safer" for targeting now.

The SEA must also make adjustments for the number of Title I-eligible students in a district attendance area who go to a charter school 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 several districts have received increases in preliminary allocations, some of those increases must be reallocated to the 450 plus charter schools operating within the state for Title I-eligible students. Other states with fifty or more charter schools, which will have to make similar adjustments include Colorado, Wisconsin, Minnesota, New Jersey, Massachusetts, Georgia, Ohio, Tennessee, North Carolina, New York, Pennsylvania, Texas, California, Florida, Michigan, South Carolina, 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 adjustments -- which can't be made until July-August -- is based upon changes in final state per-pupil expenditures, which is currently taken into account in the "incentive" Title I formula. This determination is usually made by states at the end of the regular school year.

Among the districts in Exhibit A and B, there are some "pockets" of opportunity which are likely to emerge. Some districts, which will receive moderate to large increases in preliminary Title I allocations next year and which also received sizable increases for 2007-08 (noted with an asterisk in Exhibit A), may decide to spend leftover previous set asides for SES and transportation choice on professional development and products of an "investment" nature by June 30, 2008. Some of these districts, particularly those which received this year's final allocation late in February through March (such as those in Texas), will likely carryover a portion of this year's funds to next year. Most of the larger districts in Exhibit A will also have another purchasing cycle in November through February after USED releases the remainder of the funding, including all of the increased amounts, to the state and, in turn, to districts after final adjustments. This amount will be approximately 50-60 percent of the district's total allocation and includes all of the district's new increase. States in which districts are the same as counties (e.g., Florida, Maryland, Virginia, and some other Southeastern states) will likely allocate the final portion to districts earlier than those states in which several districts are located in each county (e.g., Texas) for which more adjustments will be required.

Another opportunity will be districts which received greater than 40 percent increases (see Exhibit B) which consider such increases as one-time windfalls that are not likely to occur the following year. Of the more than 500 districts on this list, fewer than 30 were on the similar list for last year (See March 31, 2007 Special Report). Many of the districts in Exhibit B are likely to invest much of their Title I increases for professional development and/or products which do not have reoccurring costs. As in the past, many of these districts will not have been told by the state of their preliminary allocation

increases and, once they receive the unexpected increases in October-November, will likely be purchasing products rather than adding teacher or other staff.

Another possible opportunity may be districts receiving the same funding or even slight cuts in their Title I allocations for this coming year -- if the district decides to transfer up to 50 percent of its funds from other titles -- such as Title II (Teacher Quality) or Title IV (Safe and Drug Free Schools) -- into Title I. These "similarly situated" districts would be those which: (a) have a large number of schools entering improvement for the first time, with the intent of turning around these schools so they make AYP for the next two years and thereby get off the improvement list; and (b) are located in states which have the necessary SEA/district reporting and data systems to facilitate the transfer of funds from one title into another. In 2004-05, only a few states such as Tennessee, Illinois, and Missouri -- had such data systems in place. According to preliminary USED data included in the March 22, 2007 Education Daily, about a third of the districts in Illinois and about half of Missouri districts used this flexibility. One great irony of USED's Non-Regulatory Guidance on the 50 percent transferability rule is that no funds from other titles can be transferred into a school in a district which has been identified for restructuring, which are the very districts that are likely to benefit most from such additional resources. However, some states have provided districts with "waivers" to do so.

Yet another possible opportunity may exist in slightly more than 400 districts in the Gulf Coast region whose "hold harmless" for Title I allocations for this coming year (as well as last year) will be 100 percent. This means that, regardless of the number of students enrolled in Title I for the coming year, these districts will receive at least the same amount of Title I funds allocated in 2007-08. In districts located in Louisiana, from which many Title I students have moved, the Title I allocation per Title I eligible student next year may be two-three times greater than three years ago, including the amount districts are supposed to provide for SES for students participating in SES programs.

These allocations are preliminary. They are subject to revisions due to regulations at the Federal level and, of course, to SEA adjustments at the state level.

****

Over the next several weeks, we plan to interview numerous Title I and Federal program officials in a number of districts in order to identify other patterns and trends in purchasing behaviors and timeframes. These will be included in subsequent TechMIS reports. Please call if you have any questions.