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MEMORANDUM

DATE: June 1, 2017

TO: Extended TechMIS Clients

FROM: Charles Blaschke and Dr. Suzanne Thouvenelle

SUBJ: USED Preliminary Title I District Allocations

Per our last conversation, I've enclosed the USED preliminary Title I allocations beginning July 1st for LEAs receiving relatively large absolute or percentage increases, with suggestions on when and how to approach similarly-situated districts for end-of-year spending/obligations and/or additional purchasing cycles over the next fifteen months. This report will be discussed, along with suggested strategies, any updated USED guidance, and new adjustments which SEAs will be making for final district allocations (expected in July). Sales staff should take this information into account when approaching districts.

As stated in our April 26th "Consultation Agreement for Selected Former TechMIS Clients" email (see attached for reference), the first one-day conference call for all Extended TechMIS Clients will be June 13th from 3-4 p.m. Eastern Daylight Time, or June 14th from 12-1 p.m. Eastern Daylight Time. Please let me know which one you prefer for your firms' participants by noon on Monday, June 5th. Additional information such as call-in numbers and "bulleted" agenda will be sent to you early next week for your distribution to your participants.

In the meantime, please give me a call if you have any questions of immediate concern or interest (703-362-4689).

Special Report:
Preliminary Title I Funds Allocations to Districts Receiving Significant Increases in School Year 2017-18 Beginning July 1st

A Technology Monitoring and Information Service (TechMIS)
Special Report

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June 1, 2017

On May 25th, USED notified states of the preliminary district allocations of Title I Part A funds totaling $15.5 billion. The allocations for school year 2017-18, of which $4.6 billion will become available July 1st and the remainder on October 1st. This includes a $100 million increase. Although the new ESSA was passed in December 2015, the funding will be allocated mostly based on the same four-part formula by which funds were allocated to states last year; however, district allocations to schools will be changed in many districts because more adjustments to the district preliminary allocations will likely be made at the SEA level this year after July as compared to last year. However, the preliminary USED district Title I allocations represent a good starting point for firms to use in deciding which districts to target, when, and with what types of products or services. Purchasing cycles of "similarly situated" districts in the attached Exhibit A and Exhibit B will vary for different reasons, as described below.

Based on information provided to us by USED in late May, Exhibit A identifies districts which would receive preliminary increases of $200,000 or more in Title I Part A funds (excluding Part C Migrant and Part D N and D programs) beginning in July. Exhibit B includes districts (with some duplication of districts included in Exhibit A), which would receive a 20% increase or more over last year, which is at least $100,000. Last year, using the same cutoffs, the total number of districts was 680 for Exhibit A and 463 in Exhibit B, again with some duplicates. To calculate the preliminary Part A 2017-18, increases for the districts, USED used the 2015 Census data for ages 5-17 poverty and population estimates based upon boundaries as they existed in school year 2014-15 and state per-pupil expenditures reported for school year 2014-15.

The districts in Exhibit A received increases due to the overall $100 million total increase and because these districts experienced increases in the number of poverty counts in the 2014-15 Census data.

Districts in Exhibit A in which the percentage increase also was relatively high likely withheld a certain percentage (10-15%) of their Title I funds this school year in reserve because of funding uncertainties on the Continuing Resolution and Trump-proposed cuts on it for this year. These districts are likely to spend or obligate most of these Title I withheld "reserves" before the end of

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the states' fiscal year (June 30 in more than 40 states or by September 30th in other states) because of their anticipated increases this coming school year; and therefore should be considered high priority prospects for end-of-year funding. And, some of these districts will likely be spending some of their increases (depending upon the perceived funding uncertainties for Title I over the next couple of years) between October and December with another purchasing cycle beginning in February through June 2018. Those districts in Exhibit A which have Priority/lowest-performing schools are likely to be receiving additional portions of the SEA 7% (up from 4%) set-aside for school improvement. These districts should also be considered a high priority.

Districts in Exhibit B would receive preliminary increases before SEA adjustments of 20% or more which are at least $100,000 beginning in July. Their large percentage increases could be attributed to a number of factors or combinations thereof, including:

- The percentage poverty enrollment was above 15% for the first time, in which case the district qualified for "concentration" funds (in addition to the Basic and possibly other two Incentive and Targeted funding components) of the Title I formula.
- In some cases, the increases in poverty two years ago when the Census was taken may have occurred due to a one-time event (e.g., a temporary increase in population due to "an oil boom") or other influx of poverty level families (e.g., immigration) which did not occur the following 2015-16 year.
- In some cases, the calculations of poverty counts were mistakes or "census errors," which could have been a major reason for the increase.

In the latter two cases, these districts are likely to consider the large percentage increase a "windfall." Some districts in Exhibit B most likely have held some of this year's Title I funding in reserve and will likely be expending much of such reserve funds before the end of the current fiscal year. However, most likely differing from some of the districts in Exhibit A, these districts are likely to be looking for ways to invest these unexpected or "windfall" funding increases in professional development and/or products with low-operating costs rather than using such funds for salaries for newly-hired teachers which they might have to release the following year.

As noted above, some districts may be on Exhibit A and B, in which case spending and purchasing cycles could be a hybrid of the other two scenarios. In any event, the sales approach taken by TechMIS subscribers should take into account both the similarities and differences in these situations affecting districts in the two Exhibits. We are willing to discuss any unique situations with subscribers (call Charles directly 703-362-4689).

In addition, the SEAs will likely make more adjustments to the district allocations this year than occurred last year for a variety of reasons. Generally, most SEAs are not likely to notify districts immediately on USED preliminary allocations, but will wait until July or later, when "final" allocations will be sent to SEAs by USED. This should be taken into account by sales persons in approaching district Title I offices.

During the June 13 or 14 conference calls for Extended TechMIS clients who are receiving this report, we'll be discussing in detail some of the major new adjustments that SEAs are required to make as a result of the new ESSA which for some districts could result in a more significant

reduction this year than in the past. Some of the types of traditional SEA adjustments to final LEA Title I allocations which were included in our March 10, 2016 report on last year's district Title I allocation will also be discussed during the conference call.

Major adjustments as stated in the May 25th USED memorandum to SEAs relate to "specific language requiring an SEA to calculate a hold harmless amount for each formula that reflects the increased enrollment for a newly-opened or significantly expanded charter school LEA and contains new and revised state-level reservations that affect the final Title I Part A LEA allocations calculated by an SEA." Previous NCLB guidance "encouraged" SEAs to ensure charter schools in a district's attendance area received equitable amounts of Title I eligible students being served in the charter school. The new ESSA creates an SEA "ombudsman office," which is designed to enforce such equitable distributions, which can be expected to increase the total amount of many districts' allocations going to charter schools to increase. Hence, districts in states with increased enrollments of Title I eligible students in charter schools are likely to be impacted as will be districts with growing and expanded charter schools in their district attendance areas.

In addition, even through the "hold harmless" provisions, which have been in effect for many years and which will continue to be in effect for most of the FY 2017 district allocations, a new ESSA provision deleting the "hold harmless" would affect districts that lost Title I money in FY 2016 and were provided little or no funds for state set-asides will feel the impact of the new 3% increase from 4% to 7% for the new SEA set-aside for school improvement. This resulted from the zero funding for the previous School Improvement Grants program funded at about $450-500 million, which has not been included in the FY 2017 budget. Determination of the districts being impacted will be made by the SEA after July. Our April 18th Special Report on estimated district allocations based on poverty data determined by the Council of Great City Schools, describes how this new "hold harmless" provision could impact certain districts more than others. This hold harmless provision related to the transition from the separate SIG program to the SEA 7% school improvement set-aside is only for this school year.

A major new SEA adjustment will be the increase from 4% to 7% for the SEA set-aside for school improvement to be allocated to lowest-performing schools which is required in September 2017 by the new ESSA. However, in discussions with knowledgeable observers, many states will not have identified the "lowest-performing schools for comprehensive interventions" until 2018 in which case SEAs will have to determine what schools (e.g., possibly Priority schools funded for additional years under the old SIG program) which will be eligible for their allocations (most likely in October-December) to the districts with such schools in SY 2017-18.

An optional 3% additional SEA set-aside is for Direct Student Services (DSS), which may be withheld from district Title I allocations (i.e., to 10% SEA set-aside) and then be allocated to districts possibly for competitive grants to provide tutoring, voucher-type or "course" choice programs, etc. Thus far, of the 16 states that have submitted state accountability plans to USED by April, only two have evidently have included the additional optional 3% for Direct Student Services set-aside, but have not provided much detailed information on what types of interventions will be involved for which interested LEAs can seek funding.

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During the June conference call, we will also offer suggestions on different approaches that Extended TechMIS Clients may wish to use in approaching districts in Exhibit A and/or Exhibit B. The June conference call or later will discuss any additional guidance which might be provided by USED, which affects directly the types of and levels of evidence-based interventions which can be used for lowest-performing schools. During a recent SIIA two-day Washington D.C. forum, knowledgeable association officials indicated that USED may be willing to "look the other way" in allowing states to extend the lowest-performing school identification and intervention schedules by one year to 2019-20 and still approve their state plans, which are supposed to be submitted by September.

If you have any questions, please contact Charles Blaschke directly (703-362-4689).