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MEMORANDUM

DATE: March 10, 2016
TO: TechMIS Subscribers
FROM: Charles Blaschke and Dr. Suzanne Thouvenelle
SUBJ: USED Preliminary Title I Funds Allocations to Districts Receiving Significant Increases for School Year 2016-17 Beginning July 1st

The annual TURNKEY list compiled from USED's database sent to SEAs on preliminary Title I funds allocations to districts receiving significant increases in school year 2016-17 before adjustments is enclosed.

TechMIS subscribers should become familiar with the narrative in this report regarding the types of adjustments which SEAs can make before districts are notified of their final allocations beginning in June. With some exceptions, the SEAs have not notified districts of the preliminary USED allocations to them at this time because of possible mistakes regarding certain districts or significant adjustments the SEA will be making. However, the districts listed on Exhibit A and Exhibit B represent a good starting point for firms to use in deciding what districts to target, when, and with what types of products and services.

Several suggestions are made regarding priority considerations which should be taken into account in targeting similarly-situated districts which sales staff should be familiar when approaching district Title I offices.

If anyone has any questions, contact me directly at 703-362-4689.

Special Report:
Preliminary Title I Funds Allocations to Districts Receiving Significant Increases in School Year 2016-17 Beginning July 1st

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

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USED notified states of the preliminary district allocations of Title I Part A funds totaling $14.9 billion after sending out an earlier version, which had to be corrected. The allocations for school year 2016-17, of which $4 billion will become available July 1st and the remainder on October 1st, includes a $500 million increase over last year. Although the new ESSA was passed in December 2015, with minor exceptions the funding will be allocated based on the same formula by which funds were allocated to states last year; however, district allocations to schools will be changed in many districts under USED Transition guidance (see February TechMIS report). Even though more adjustments to the district <u>preliminary</u> allocations will likely be made at the SEA level this year as compared to last year 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 and 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 February, in Exhibit A we have identified 680 districts, which would receive a preliminary increase 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 another 463 districts (with some duplication of districts included in the former list), 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 497 for Exhibit A and 428 in Exhibit B, again with some duplicates. To calculate the preliminary Part A 2016-17, increases for the districts, USED used the <u>2014 Census data</u> for ages 5-17 poverty and population estimates based upon boundaries as they existed in school year 2013-14 <u>and</u> state per-pupil expenditures reported for <u>school year 2013-14</u>.

The districts in Exhibit A received increases largely due to the overall $500 million total increase with no sequestration cuts or caps for this coming year; and increases were also most likely because many of these districts experienced increases in the number of poverty counts in the 2013-14 Census data.

Districts in Exhibit A in which the percentage increase were relatively high, if not meeting the 20% cutoff for Exhibit B, likely withheld a certain percentage (10-15%) of their Title I funds this school year in anticipation of sequester cuts for this coming school year and possibly other reasons; however, these sequester caps were lifted. These districts are likely to spend or obligate these Title I withheld "reserves" before the end of the states' fiscal year (June 30 in more than 40 states) because of their anticipated increase this coming school year; and therefore should be considered high priority prospects for end-of-year funding. And, most of these districts will likely be spending much of their increases (depending upon the perceived funding uncertainties for Title I over the next couple of years) between October and November with another purchasing cycle beginning in February through June 2017. Those districts in Exhibit A which have Priority schools are likely to be receiving additional SIG funding beginning shortly and early next year along with portions of the SEA 4% set-aside for school improvement, most likely in October-November. These districts should be considered the highest priority.

Districts in Exhibit B would receive preliminary increases 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 district poverty counts may have increased and for some districts, for the first time.
- 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 2014-15 year.
- In some cases, the calculations of poverty counts were mistakes 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." Districts in Exhibit B most likely have held some of this year's Title I funding in "reserve" in anticipation in a sequester, which did not occur. They 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 B, 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 June-July, which should be taken into account by sales persons in approaching district Title I offices. One new adjustment is that USED will use "October 2015 non-Census data to calculate FY 2016 allocations later this year which will result in the final FY 2016 allocations differing from the preliminary FY 2016 allocations," which is stated in USED's cover letter to Chief State School Officers dated February 18, 2016. Moreover, the first notification sent to SEAs in January had to be corrected, as noted earlier, which further creates SEA suspicions.

A second adjustment which SEAs must make will take into account the creation of new LEAs since 2014, existence of charter schools that have no geographic boundaries, and other factors to ensure that district allocations match the SEA current list of LEAs. A third adjustment may be required if an SEA reports its school year 2013-14 student per-pupil expenditure data late. Changes could be made in the final state allocation before October 1, 2016.

And last, as in the past, in some states adjustments could be made to take into account "hold harmless" provisions and perhaps more critically the amount of Title I funding which will be withheld by the SEA under the 4% set-aside for school improvement (which increases to 7% under the new ESSA in the FY 2017 budget). This could affect the amount of funding to districts with Priority and other low-performing schools, usually made by the SEA in October. Another important adjustment in states with both county and city districts which an SEA can make if approved by USED is to use alternative poverty data to determine eligibility and redistribute preliminary Title I allocations for LEAs with less than 20,000 residents. Some states such as California have received USED approval in the past to use alternative poverty data to determine eligibility in final redistribution of district allocations.

As noted earlier, some of the major changes in Title I allocations will occur at the district level to schools. These funds are allocated and can be used at both the district and school levels. Most are created by USED Transition guidance from waivers as states move to NCLB (on August 1, 2016) and then to ESSA for implementation in September 2017. These include:

- Districts (in both waiver and non-waiver states) which are "identified for improvement" under NCLB are not required to set aside 20% of their Title I allocation for supplemental educational services (SES) or parent/school choice, but may do so if they wish (i.e., the NCLB SES required provision is not included in the new ESSA).
- Priority and Focus schools which receive SIG funding (e.g., for FY 2015 and FY 2016) must continue providing interventions for existing schools or if some schools "exit," new replacements must be justified and provided one of the seven allowed interventions (including the three newest "state-determined," "whole school reform," and "preschool development") interventions; unlimited other "Title I" funds can be transferred into Priority schools.
- Priority schools can be designated as schoolwide programs (SWP) with all of the attendant new SWP flexibilities, and can receive additional Title I funding, as district allocations no longer have to be based on "rank ordering" but can be based on what schools have the "greatest need."

As the districts in both Exhibit A and B are targeted, several general suggestions are offered. In light of the volatility of district Title I allocations from year to year, as sales staff approach many Title I offices, be aware that many coordinators/directors might not believe, or at least question, such preliminary increases; most will correctly argue that the SEA has not notified them of any allocations, which is very likely this year because of all of the uncertainties and new types of SEA adjustments, which can be made. Sales staff should make them aware of the potential adjustments USED has said that SEAs can make which could pique the interest of Title I coordinators on certain adjustments, about which they may wish to contact the SEA re clarification (e.g., whether the SEA will be able to reallocate back to their district any of the 4% set-aside for school improvement after hold harmless provisions are applied?).

Title I coordinators must be reminded that the sequester caps for school year 2016-17 have been once again removed, taking the opportunity to ask whether the "cushion" of Title I funds withheld in reserve will now be obligated and/or spent before the June 30th deadline.

In order to refine their strategy, sales staff should inquire about the types of adjustments which in the recent past that SEAs have made had the greatest positive (e.g., an increased SEA 4% set-aside for school improvement) or negative impacts (e.g., increased enrollment in charter schools where Title I dollars "follow the child").

The best prospects for opportunities, based only on funding considerations, which should be taken seriously would appear to be the following:

a) Targeting districts with increases as displayed in Exhibit A (particularly those whose $200,000+ increases which also have relatively high percentages and those in Exhibit B in which the 20% or more increase is also a relatively large absolute increases above $100,000. In these districts, purchasing cycles will begin shortly, if not already, and likely increase through the end of the states' fiscal year (June 30th or September 30th); and increase once again in February through June 30, 2017. A particular focus should be on existing district clients or recent prospects for which there currently exists "personal" relationship and possible contracts which can easily be amended for additional purchases.
b) Targeting districts with large percentage increases in Exhibit B (i.e., especially those districts which consider the increase as "windfalls" (due to Census or other mistakes, one-time increase in poverty enrolments, among other reasons) for end-of-year spending. Products which have low operating costs and/or professional development services which can be considered as "wise capital investments" over the next 12-18 months should be in high demand.
c) Priority and/or Focus schools in districts, especially in Exhibit A, as these schools are likely to receive additional FY 2015 funding which have yet to be allocated and the FY 2016 budget over the next 6-10 months and increased funding under Title I, since they have "the greatest need"; in most states these Priority schools are likely to receive a portion of the SEA 4% set-aside for school improvement in October-November.
d) Those districts which are "identified for improvement" under the transition from NCLB to ESSA, which take advantage of 2009 NCLB flexibility regulations to use Title I funds to train non-Title I teachers and serve students in non-Title I schools with Title I-purchased tutoring and/or related materials without violating supplement-not-supplant provisions, especially schoolwide programs.

These opportunities are described in more detail in the February TechMIS Special Report on Transition guidance. Key decision makers' (e.g., Title I directors/coordinators, Federal Program

Directors, Principals, among others) names and contact information are available once again at preferred rates for TechMIS subscribers – contact: Larry Buchweitz, Director of Sales at MCH Strategic Data (larryb@mchdata.com or 877-870-3768).