center on reinventing public education

policy BRIEF

August 18, 2005

How The Federal Government Can Strengthen Title I To Help High-Poverty Schools:

New research uncovers loopholes that allow Title I funds to be spent in ways that do not accomplish the purposes of the legislation

Marguerite Roza
with Larry Miller & Paul Hill

Introduction

Title I began as a program to help poor children in high-poverty schools overcome the disadvantages they bring from being raised in poverty. The federal funds are available to districts if local officials use the funds to augment spending in schools with the highest concentration of students from low-income families. At forty years old, Title I is now the major funding arm of No Child Left Behind.

While the $13 billion program unquestionably brings districts more funds, it is not clear how these additional funds are being integrated with state and local funds to provide increased spending on the highest poverty schools. The research reported here shows how typical district accounting practices mask spending patterns that may violate the intent of two main provisions of the legislation: *comparability and non-supplant.*

The problem is two-fold. First, districts are supposed to distribute state and local funds equitably across schools before accepting the federal dollars. The reality is that district allocation practices are so murky and complex that it is difficult to determine how much money is spent at any individual school. Second, the spirit of the law—that these federal funds are used only to augment services for disadvantaged students—is easily broken with accounting practices that do not rely on real costs.

Key Title I Provisions: Comparability; Supplement, not supplant

Following early reports that some Title I funds were spent on affluent students, two key amendments were added to tighten up the program's focus on disadvantaged students:

Comparability: This requirement stipulates that school districts must equalize educational services purchased with state and local funds before Title I funds are brought into the mix. Title I funds must layer on top of an equitable distribution of services, such that the federal dollars serve to augment services for poor students, enabling them to overcome the disadvantages that result from poverty.

Supplement, not supplant: If the comparability requirement aims to equalize services purchased with state and local funds before accepting federal funds, the "supplement, not supplant" requirement aims to ensure that districts use federal dollars appropriately. Federal funds should not take the place of any expenditures that would have been made with state and local funds, i.e., the federal money should supplement local spending, not supplant it.

policy BRIEF

August 2005

Title I funds are supposed to boost spending for high poverty students, not fill in the holes created by district allocation practices.

High-poverty Schools Receive A Smaller Share Of Districts' State And Local Funds

Our findings on school-level funding patterns are from research in Denver, Colorado, and the four largest school districts in Texas. Public reports of teacher salary gaps in other school systems supplement this work. While the findings are not definitive, we believe that they are representative of many other school districts in the United States. Here's how it works:

- **"Resourcing" instead of budgeting creates inequities:** In most districts, individual schools are "resourced" instead of financed—meaning that resources, particularly human resources, are allocated on the basis of anticipated enrollment. Funding inequities surface when staff FTE's are translated into real dollars. Focusing on non-categorical expenditures only, we found that in four of the five districts these inequities systematically favored schools in wealthier areas over those in poorer communities. Table 1 documents the size of the gaps using the district average per-pupil expenditure as a benchmark. For example, in Austin the poorest quartile of schools receive 85% of the district average and the most affluent receive 108%, resulting in a $322 gap per student.

Table 1:
Non-Categorical, Per-Pupil Spending by School*

	Affluent Schools	Poor Schools
Austin	$3,004 (108% of district average)	$2,682 (85%)
Dallas	$2,762 (92%)	$3,424 (114%)
Fort Worth	$2,909 (102%)	$2,613 (92%)
Houston	$3,152 (109%)	$2,680 (93%)
Denver	$3,764 (105%)	$3,399 (95%)

** "Affluent" schools are those enrolling the fewest low-income student (i.e, they are in the lowest poverty quartile; "poor" schools enroll the most (they are in the highest poverty quartile).*

- **Categorical allocations do not solve these inequities:** Districts also allocate resources to schools based on student needs. For example, schools receive "categorical" funds and services based on the number or percentage of low-income or English language learners they enroll. District officials often believe that categorical funds disproportionately benefit students with identified needs in high-poverty schools, at the expense of those in wealthier communities, and thus serve to counteract the inequities created by non-categorical allocations. However, when we analyzed the categorical spending we found that the relative share of funds enjoyed by schools in more affluent communities is not greatly affected when categorical funds enter the picture. In some cities, schools in less affluent communities clearly benefit from categorical funding—but not enough to bring them up to the district averages for each student type. Categorical funds tend to shrink funding gaps, but they do not correct them.

- **Differences in salaries make up a large portion of the inequities:** In many districts, the most senior and experienced (and highly paid) teachers serve in the districts' low-poverty schools. Likewise, teachers with less experience and lower salaries tend to work in schools with high-needs students, creating real differences in school-level spending between high- and low-poverty schools in the same district. Table 2 shows the percentage of the total gap that results from salary differences. Much of the reason districts spend less on poor schools is because the teachers in those schools are paid at the lower end of the salary scale. Even in Dallas, where the district actually spends more on the poorest schools, factoring in the real salaries diminishes the advantage enjoyed by the high-poverty schools.

Implications For Title I

We find that Title I funds do not have the intended effect of boosting spending on the highest-poverty schools above what is spent on more affluent schools in the same district. Because of district allocation and accounting practices:

- **Title I fills gaps in state and local expenditures:** In most urban districts a systematic bias is built into the district allocation patterns, a bias that supports disproportionate funding for schools in the districts' more affluent communities. Title I funds, intended to augment spending for poor children, are used instead to compensate for these patterns.

- **Salary averaging might funnel Title I money to schools in wealthier neighborhoods:** While districts keep detailed reports on Title I expenditures, in some districts these reports use salary averages in place of the real salaries of teachers paid for with Title I funds. For districts that use this practice to account for teacher costs, there is the possibility that some Title I funds intended for high-poverty schools are instead diverted elsewhere (e.g., to support the higher salaries of teachers in wealthier schools). In other words, the problem arises when the real salaries of teachers paid for with Title I funds are lower than the district average, but districts charge Title I budgets for district-wide average salaries. In turn, a portion of the district's Title I funds actually cover the costs for more experienced teachers in wealthier schools. In our simulation of four districts that use salary averaging, we found that up to 3% of a district's Title I budget (amounting to as much as $600,000 in federal funds per district) may be diverted away from high-poverty schools as a result of salary averaging.

Table 2:
Proportion of Spending Gap in "Affluent" and "Poor" Schools Attributable to Salary Differentials

District	Proportion
Austin	43%
Dallas	-27%
Fort Worth	47%
Houston	26%
Denver	82%

** SOURCE: CRPE Analysis*

Recommendations: How To Close Loopholes

Our research leads us to two clear recommendations on how to strengthen Title I to better serve low-income schools:

- **Require districts to consider impact of salaries:** As the legislation is worded today, Title I clearly permits districts to use salary averaging when accounting for how both Title I funds and state and local funds are spent. The "Determinations" subsection of Section 1120A states that "staff salary differentials for years of employment shall not be included in such determinations." Congress could modify this section to require that salary differentials based on years of employment be included in determinations of comparable per-pupil expenditures by school. This modification alone would go a long way toward fixing what is wrong with resource allocation in the current system, and force districts to use real-dollar accounting for Title I funds.

- **Require equitable distribution of dollar resources before adding Title I:** The legislation should also insist that districts provide equitable resources (as computed in terms of real dollars) to each school before Title I funds are brought to bear. To accomplish this, districts could find ways to more equitably distribute teachers across schools. Or, for schools with the lowest-salaried teachers, districts would have to provide additional funds, in real discretionary dollars, to permit them to purchase supplements and support services of various kinds—special curricula, software, books, professional development, and/or student tutors.

Daniel J. Evans School of Public Affairs
University of Washington, Box 353055
Seattle, WA 98195-3055

center on reinventing public education

August 2005

How The Federal Government Can Strengthen Title I To Help High-Poverty Schools

New Research Uncovers Loopholes That Allow Title I Funds To Be Spent In Ways That Do Not Accomplish The Purposes Of The Legislation

To download this full report, please go to our website at: http://www.crpe.org.

For more information on Title I statutes see:
http://www.ed.gov/policy/elsec/leg/esea02/pg2.html#sec1120A

Funds for this analysis were geneoursly provided by grants from the Atlantic Philanthropies, the Annie E. Casey Foundation, and others.

Marguerite Roza, **PhD**, serves as a Senior Research Fellow at the University of Washington's Center on Reinventing Public Education (CRPE). She has studied spending patterns within several districts throughout the country. Her work is documented in publications available through the Center (www.crpe.org). **Larry Miller** is a research analyst focusing on school finance issues. **Paul Hill,** Director of CRPE, is also a research professor at the Daniel J. Evans School of Public Affairs.

The University of Washington's Center on Reinventing Public Education studies major issues in education reform and governance to improve policy and decision making in K-12 education.