

Volatility in Census Poverty Estimates for ESEA Title I Grants Undermines Planning, Resource Allocation

The appropriations process creates uncertainty around funding levels for schools and school districts from year to year. Funding mechanisms, and their underlying factors, should not add to the uncertainty, but provide a countervailing weight of stability and predictability.

— NEA President Dennis Van Roekel

The ESEA Title I, Part A Grants to Local Educational Agencies (LEAs) program represents the largest federal investment in public schools, totaling \$12.84 billion in 2007 — more than one-third of all federal elementary and secondary education funding.¹ In addition, another \$6.2 billion was allocated in 2007 under other federal education programs based in whole or in part on the Title I-A program or its underlying formula factor — children, ages 5 to 17, in poverty.²

Funding for elementary and secondary public school systems comes from the federal, state, and local level, and federal revenue accounts for approximately 9 percent of the total. Among the 50 states and District of Columbia, Title I represents between 1.1 percent and 4.6 percent of total revenue for public schools.³ For more than 1,200 school districts, Title I provides 5 to 10 percent of total revenue.⁴

How do the funding allocations work?

Allocation of Title I, Part A funds is based on the number of children from low-income families.

According to the U.S. Department of Education, these funds are allocated through four separate formulas, with each formula beginning with the number of children

from low-income families in each LEA. Each formula also includes factors such as the LEA's poverty rate and state per-pupil expenditures for education. "In determining allocations under each of the four formulas, the statute requires the use of annually updated Census Bureau estimates of the number of children from low-income families in each local educational agency. There is roughly a 3-year lag between the income year used for LEA poverty estimates and the fiscal year in which those estimates are used to make Title I allocations. For example, the fiscal year 2007 allocations [for school year 2007-08] will be based on LEA poverty estimates for 2004."⁵

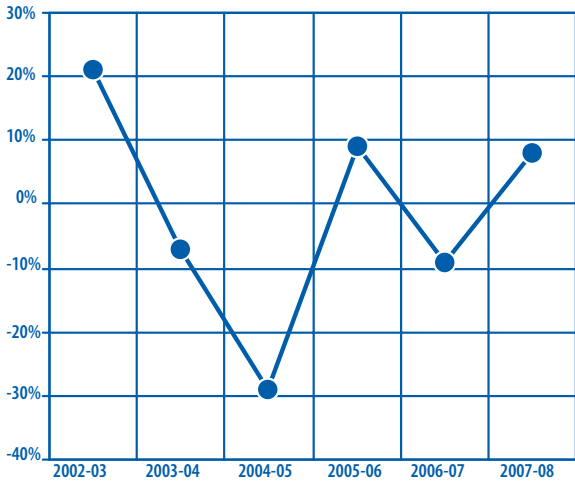
Volatility in Census poverty estimates impacts funding allocations. The table on the following page presents the annual percentage change in Census poverty estimates by state since the enactment of ESEA/No Child Left Behind (NCLB). For almost all states, the percentages fluctuate significantly from year to year, which leads to greater variability in funding allocations from year to year. For example, for the current school year, 2007-08, the Census Bureau's estimate of the number of children in poverty (ages 5 to 17) in Wisconsin increased by 32 percent, while in the prior year, the number declined by 1 percent. In Hawaii, the number of children in poverty tumbled by 28 percent in just 12 months after falling less than 2 percent the year before.⁶

Annual Percentage Change in Census Poverty Estimates, 2002-03 to 2007-08

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
United States	0.0	-12.0	-8.0	6.2	4.9	0.4
Alabama	-7.2	-7.4	-8.8	6.3	5.8	-2.9
Alaska	43.0	-35.1	-4.5	6.2	-0.1	3.6
Arizona	5.3	-18.7	11.6	10.0	8.0	0.8
Arkansas	-7.3	-15.0	-0.5	7.5	4.6	-9.2
California	9.1	-14.3	-8.0	5.3	4.3	-4.9
Colorado	14.9	-14.4	-0.8	7.0	5.6	-2.2
Connecticut	11.5	-26.9	-6.7	3.2	-3.8	15.3
Delaware	8.3	-2.0	-16.3	7.1	0.7	-1.0
District of Columbia	-10.6	-0.5	-8.0	3.3	-0.3	-10.0
Florida	-2.3	-12.4	-4.4	7.9	11.1	-12.7
Georgia	0.9	-15.8	-3.7	6.0	9.4	1.5
Hawaii	18.2	-12.7	-3.6	4.5	-1.5	-28.4
Idaho	13.0	-0.9	-10.7	0.6	6.3	-6.8
Illinois	1.1	-14.8	-3.3	5.2	4.8	10.8
Indiana	2.8	-22.8	1.1	6.6	8.1	19.7
Iowa	3.3	-27.7	-1.4	3.7	4.7	7.8
Kansas	8.4	-9.6	-22.2	4.1	5.7	7.2
Kentucky	-8.0	-15.3	-8.9	12.7	3.4	-2.0
Louisiana	-16.2	2.8	-12.0	3.8	3.0	-2.8
Maine	-9.8	3.7	-25.3	16.3	-4.9	-5.0
Maryland	17.8	-25.5	-3.4	5.3	5.3	5.9
Massachusetts	21.2	-7.2	-28.8	9.0	-8.6	7.6
Michigan	-2.9	-24.6	-8.3	9.6	4.2	10.0
Minnesota	13.1	-21.1	-22.2	13.1	2.3	7.6
Mississippi	-20.0	12.7	-10.3	7.3	3.4	1.9
Missouri	-7.3	-3.8	-19.3	10.4	2.6	8.4
Montana	-1.3	-8.9	-16.7	2.8	0.5	-11.6
Nebraska	0.0	6.4	-14.2	8.8	-3.5	1.4
Nevada	26.2	5.3	3.1	6.9	13.2	2.6
New Hampshire	25.7	-11.1	-27.9	20.1	-6.6	32.1
New Jersey	15.4	-20.1	-13.0	6.0	2.2	-4.3
New Mexico	-11.9	-1.6	-7.2	-4.0	3.7	-11.5
New York	0.2	-11.8	-10.3	0.6	4.9	-0.1
North Carolina	0.7	-1.2	-8.3	10.3	7.2	1.6
North Dakota	1.5	-15.5	-25.2	10.4	-12.6	-4.7
Ohio	-7.5	-5.5	-15.7	-0.6	8.6	11.4
Oklahoma	-6.8	-20.5	-1.3	1.3	5.1	-11.7
Oregon	9.3	-2.9	1.6	1.8	12.0	-4.6
Pennsylvania	-5.5	-12.5	-14.8	14.4	2.2	5.6
Rhode Island	4.4	-0.2	-9.5	6.8	2.1	6.0
South Carolina	-2.3	-15.9	-9.5	12.5	6.0	3.5
South Dakota	-7.8	-17.7	-9.3	5.2	-1.0	4.6
Tennessee	-12.5	4.2	-7.1	4.4	5.9	-0.8
Texas	-8.6	-5.9	-4.4	6.5	6.7	0.8
Utah	37.0	-17.2	1.4	10.2	2.1	6.6
Vermont	-11.8	-1.6	-15.2	4.9	-4.8	-12.9
Virginia	8.2	-25.1	-4.1	11.3	-1.3	-3.9
Washington	10.4	-14.4	-2.9	7.6	4.7	4.5
West Virginia	-17.7	-4.8	-11.8	8.2	2.1	-12.6
Wisconsin	-1.8	-24.3	-1.5	4.3	-0.5	31.5
Wyoming	-4.7	-2.5	-17.2	2.2	-2.4	-11.2

Source: U.S. Census Bureau, Data Integration Division, Small Area Estimates Branch.

Figure A: Annual Percentage Change in Census Poverty Estimates, 2002-03 to 2007-08, Commonwealth of Massachusetts



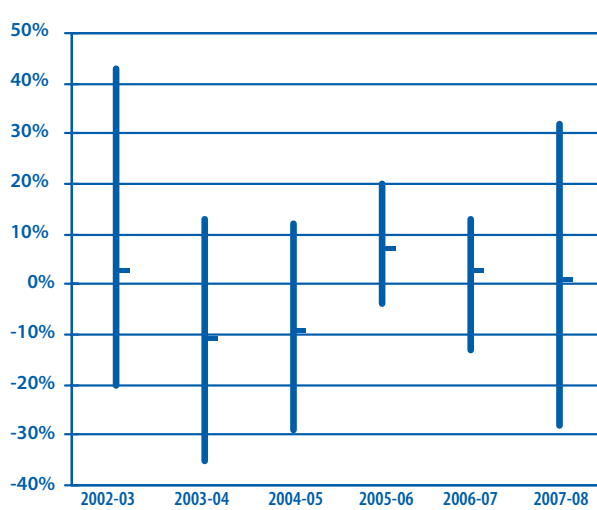
Source: U.S. Census Bureau, Data Integration Division, Small Area Estimates Branch.

Taking a closer look at Massachusetts and other states

Starting with school year 2002-03, the first year under NCLB, here are the percentage changes from year to year in Census poverty estimates for the Commonwealth of Massachusetts: +21 percent, -7 percent, -29 percent, +9 percent, -9 percent, and +8 percent (see Figure A). Massachusetts is not atypical. There are many states that have been whipsawed by annual changes in Census poverty estimates.

States such as Arkansas, Colorado, Indiana, Minnesota, Nebraska, Oregon, and Tennessee, among others, exhibit similar undulating patterns or sharp double-digit shifts. The Census Bureau’s poverty estimate for Mississippi plunged 20 percent in the first year under NCLB, jumped almost 13 percent the following year, fell again 10 percent the third year, increased 7 percent the next year; and, finally, leveled out with increases of 3 percent and 2 percent the last two years. The percentage changes the last two years for Mississippi are more representative of the type of modest shifts that can help make planning and budgeting more

Figure B: Volatility in Census Poverty Estimates by Year, 2002-03 to 2007-08



Source: U.S. Census Bureau, Data Integration Division, Small Area Estimates Branch.

manageable for the state and the school districts within the state.

Figure B depicts the percentage change spread among states for each year under ESEA/NCLB. From 2002-03 to 2005-06, the range in percentage changes among states narrowed each year, but since then have begun to grow wider again. For example, in 2002-03, the percentage point spread between the state with the largest percentage increase (+43 percent) and the state with the largest percentage decrease (-20 percent) was 63. In 2005-06, the percentage point spread narrowed to 24. In 2007-08, the percentage point spread widened to 60.

Excessive volatility in Census poverty estimates affects districts as well as states

From 2002-03 to 2007-08, 93 percent of the school districts in Massachusetts experienced a spread of at least 50 percentage points between its highest percentage increase and decrease over that time period; and no district had a spread of less than 33 percentage points. For example, a large school district like Boston had an increase of 22 percent in 2002-03 followed by

a decline of 25 percent two years later (2004-05), or a spread of 47 percentage points. The annual percentage change in Census poverty estimates for each year from 2002-03 to 2007-08 for Boston was as follows: +22 percent, -18 percent, -25 percent, +12 percent, -19 percent, and +6 percent. *The fluctuations can be even greater for smaller school districts.*

NEA recommends finding a sound way to smooth out wild fluctuations

For the upcoming reauthorization of ESEA/NCLB, Congress should ask the Census Bureau to consider a statistically sound method by which the year-to-year fluctuations can be smoothed to ensure more stable funding levels for states and school districts from year to year. Hold harmless provisions of the current law ameliorate, to some extent, the large vagaries in funding as a result of the poverty estimates, but they are insufficient.⁷

References:

¹ U.S. Department of Education Budget Service. 2007. *FY 2008 Congressional Action*, www.ed.gov/about/overview/budget/tables.html?src=rt.

² The federal education programs are: School Improvement Grants, Reading First State Grants, Early Reading First, Striving

Readers, Even Start, Literacy Through School Libraries, Comprehensive School Reform, Improving Teacher Quality State Grants, Mathematics and Science Partnerships, Educational Technology State Grants, 21st Century Community Learning Centers, Education for Homeless Children and Youths, Comprehensive Centers, Advanced Placement, and Safe and Drug-Free Schools and Communities State Grants.

³ U.S. Census Bureau. 2007. *Public Education Finances 2005, Table 5. Percent Distribution of Elementary-Secondary Public School System Revenue by Source and State: 2004-05*, www.census.gov/govs/www/school05.html.

⁴ Liu, Goodwin. 2007. *Improving Title I Funding Equity Across States, Districts, and Schools*, www.schoolfinanceredesign.org/pub/pdf/wp7_liu.pdf.

⁵ U.S. Department of Education. 2007. *FY 2008 Justifications of Appropriation Estimates to the Congress, Volume 1, Education for the Disadvantaged*, www.ed.gov/about/overview/budget/budget08/justifications/index.html.

⁶ U.S. Census Bureau. 2007. *Small Area Income and Poverty Estimates*, www.census.gov/hhes/www/saipe/saipe.html.

⁷ Center on Education Policy. 2007. *Title I Funds — Who’s Gaining and Who’s Losing: School Year 2007-08 Update*, www.cep-dc.org.

Resources:

For information on how current federal budget action affects funding for major federal education programs (including ESEA Title I, Part A) at the national, state, and congressional district level, go to NEA’s Legislative Action Center — Education Funding. www.nea.org/lac/funding/index.html