



# REVIEW OF *FEDERAL SCHOOL FINANCE REFORM*

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*Reviewed By*

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## Summary of Review

This report argues that federal Title I funding needs to be reformed because, as currently structured, it does not address funding inequities between Title I and non-Title I schools, and because current regulations governing the program negate its effectiveness. The report proposes reforming Title I so that funding is portable, that is, it follows the child. That change would, among other things, facilitate school choice policies. To support its arguments, the report relies on two strategies: (1) it cites literature that supports its position while ignoring conflicting evidence, and (2) it uses rhetoric rather than evidence. The report ignores the complexity of Title I and of federal education funding generally. It also provides no analysis of the factors contributing to the alleged Title I problems. For these reasons and others, the report is little more than a polemic, using an eclectic assortment of disconnected facts and figures about Title I funding to promote choice and voucher policies. The report provides no evidence that its recommendations will improve academic outcomes and does not consider the adverse impact its recommended policies would have on improving educational opportunities, which is what Title I is designed to do.

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# REVIEW OF *FEDERAL SCHOOL FINANCE REFORM: MOVING TOWARD TITLE I FUNDING FOLLOWING THE CHILD*

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## I. Introduction

The Reason Foundation released a report in September 2014 titled *Federal School Finance Reform: Moving Toward Title I Funding Following the Child*.<sup>1</sup> Katie Furtick, formerly an education policy analyst with the Reason Foundation, and Lisa Snell, education and child welfare director for the foundation, authored the report. The Reason Foundation, located in Los Angeles, describes itself as a nonpartisan public policy research organization that promotes choice, competition, and a dynamic market economy.<sup>2</sup>

This report provides an overview of federal Title I funding system, examines selected problems with that funding, discusses two bills introduced in the 113<sup>th</sup> U. S. Congress promoting portability, and offers recommendations for reform. It recommends making Title I funding portable: that is, allocating Title I funding on a per-pupil basis and requiring that those funds follow the child. Portability is a policy idea developed and promoted by conservative think tanks and interest groups, gaining visibility in the 1990s when it was debated but not adopted by Congress.<sup>3</sup> The report repeats many of the arguments typically made to support portability, but brings no new insights to the debate. The irony of the report is that while it argues for greater equity in funding between Title I and non-Title I schools, its recommendation to make those funds portable would result in less, not more, funding equity.

## II. Findings and Conclusions of the Report

Title I of the Elementary and Secondary Education Act is the federal government's primary mechanism for improving education for disadvantaged children. Its aim is to ensure equal educational opportunity for all children, whether they are poor, minority, or learning English.

The report begins by describing how Federal appropriations for elementary and secondary education were distributed across programs between 1980 and 2012, and the process for allocating Title I funds to Local Education Agencies (LEAs) and schools. It then describes

three federal requirements that LEAs and schools must meet to receive federal Title I funding: supplement-not-supplant, comparability, and maintenance of effort requirements. Briefly, these requirements mean that federal Title I funds must be used to supplement, not supplant or replace state and local education funds. To meet the comparability requirement, states and districts must demonstrate that services in Title I schools are comparable to those provided in non-Title I schools, thus ensuring that Title I provides resources on top of those provided by states and districts. Finally, states and districts must demonstrate that state and local funds in a given year are at least 90 percent of the preceding year's allocation.

The report then asserts that there are four problems with the way Title I funding is allocated:

- The programmatic effectiveness of Title I is diminished because its regulations do not allow states to combine Title I funds with other state funding that targets low-income or disadvantaged students. The report argues that this regulation prevents using Title I funds to support educational options such as vouchers or tax-credits scholarships (p. 6).
- Perverse consequences sometimes occur because the formula for distributing Title I funds does not allow states to use other distribution frameworks. The report argues that allocating funds to schools based on a school's share of low-income students may leave funding inequities between schools because schools "with the largest share of low-income students receive funds first regardless of the absolute number of low-income students they serve" (p. 7).
- The supplement-not-supplant requirement results in a number of unintended consequences: (1) the impossibility of justifying expenditures without violating the supplement-not-supplant provision; (2) difficulties in implementing comprehensive programs because funds go to specific students; (3) difficulties implementing innovative programs because of the maintenance-of-effort requirement; and (4) increased administrative burdens (p. 8).
- The comparability requirement creates an unnecessary administrative burden and does not accomplish its goal of ensuring that Title I schools offer the same level of services and support as non-Title I schools (p. 9).

To address these issues, which the report argues are inherent in the current Title I funding system, the report recommends making Title I funds portable: that is, allocating funds on a per-pupil basis and requiring that funds follow students to the school of their choice.

### **III. The Report's Rationale for Its Findings and Conclusions**

If the above summary of the report's "findings" feels like it lacks coherence and that one section is disconnected from another, that is because there are few if any logical connections between the report's sections. The report is a polemic, using an eclectic

assortment of discrete facts and figures on Title I funding to promote choice and voucher policies. Many of its arguments are unintelligible, such as its discussion of the unintended consequences of the supplement-not-supplant requirement or the perverse consequences that result because states cannot use other distribution frameworks. It uses one example to illustrate these perverse consequences and does not identify what these other distribution frameworks might be. It lacks any evidence that its recommendations will address the problems it identifies and fails to consider the impact its recommendations would have on improving educational opportunities, which is what Title I is designed to promote.

#### **IV. The Report's Use of Research Literature**

The report cites related work that supports its position, while ignoring research containing conflicting evidence. The most egregious example is when the report argues that “the best way to solve the problems inherent in the current system of Title I funding is to make Title I funds portable . . .” (p. 10), and cites just one reference—a report also done by the Reason Foundation—to support this claim.<sup>4</sup> In other instances the claims made in the report are only tenuously related to the research cited. For example, when arguing that programmatic effectiveness is diminished because existing regulations do not allow states to combine Title I funds with other state funding, the report cites several studies that found only a modest or small impact of Title I on academic outcomes. While there may be debate in the literature on Title I effectiveness, research does not support the report's claim that Title I benefits, or lack thereof, are linked solely to the Title I funding mechanism.

#### **V. Review of the Report's Methods**

The report has no methodology. It employs a few selected descriptive statistics, some commentary on aspects of Title I funding that it finds problematic, and reviews selected federal legislative proposals that advocate either Title I portability or tax credits. The report's main argument relies on the rhetorical device of positioning one set of facts or commentary against another, thereby suggesting a relationship where there is none.

#### **VI. Review of the Validity of the Findings and Conclusions**

Portability (letting the money follow the child) is a policy proposal developed and supported by conservative think tanks and interest groups critical of the track record of federal categorical programs; it dates to the 1990s.<sup>5</sup> This report repeats many of the arguments typically made by supporters of portability and of greater flexibility from federal requirements. These include the claim that federal programs lead to bloated bureaucracies that do not serve their intended beneficiaries and that portability will empower parents and create incentives for public schools to improve. Generally, however,

portability proposals, including those made in this report, do not explain how portability will improve instruction in Title I schools.

One of the ironies of this report is that while the aim of Title I is to improve funding inequities between Title I and non-Title I schools, the report's recommendation that the money follow the child is likely to exacerbate existing inequities between schools within the same district rather than improve them. This is because portability would permit federal Title I funds to flow out of the public system to private schools.

It is not clear from the report how portability would improve student performance, particularly that of students in Title I schools. This is significant since the report cites the poor performance of Title I schools as a reason for reforming Title I funding. The portability proposal is not tied to public school reform and does not address other inequities between schools, such as the inequities in the distribution of teachers between schools referred to in the report.

Finally, funding public schools, and Title I funding, are much more complex than the report suggests. For one, choices about how Title I funding is allocated to schools are local decisions, and Title I funding is just one element of how schools are funded.

*The report is a polemic, using an eclectic assortment of discrete facts and figures on Title I funding to promote choice and voucher policies.*

For example, the report argues that allowing districts to average salaries across the district when reporting school level expenditures does little to address funding inequities between schools. However, making Title I portable does not address this inequity, which arises from the way districts

develop their budgets much more than from Title I requirements. Some districts are beginning to adopt alternative budgeting policies that allow for more equitable and rational allocation of funds among students.<sup>6</sup> These include student-based budgeting and weighted student funding, where budgets for schools are based on its mix of students, rather than on the number of staff positions per student. These practices also give principals more flexibility in budgeting, one of the stated goals of this report.

Federal elementary and secondary education funding remains modest, accounting for about 9% of all education spending; therefore its ability to equalize education spending is limited. However, the report does not report the level of federal elementary and secondary funding, and instead reports how federal funds are distributed across programs. This shows that Title I accounts for about 39% of total federal elementary and secondary education expenditures. While correct, this can be misleading, since it ignores the Title I portion of total federal elementary and secondary education expenditures. While the supplement-not-supplant and the comparability requirements may affect how states and districts allocate Title I funds to schools, there is also evidence that funding gaps *among* states are larger than funding gaps *within* states, with wealthier, higher-spending states receiving a disproportionate share of Title I funds.<sup>7</sup>

## VII. Usefulness of the Report for Guidance of Policy and Practice

The report provides no foundation for its recommendations, which do not address the particular problems it identifies. It is a polemic designed to hang its preferred policy preferences onto recommendations for changing how Title I funds are allocated. It covers no new ground in the debate over choice policies, and is so poorly documented and presented that it has nothing useful to offer policymakers or practitioners.

## Notes and References

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- 1 Furtick, K. & Snell, L. (2014). *Federal school finance reform: Moving toward Title I funding following the child*. Los Angeles: Reason Foundation. Retrieved October 15, 2014, from <http://reason.org/studies/show/federal-school-finance-reform>.
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