

**Testimony  
Of  
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**Information Policy, Census, and National Archives Subcommittee**

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**“Census Data and Its Use in Federal Formula Funding”**

Good morning Chairman Clay, Ranking Member McHenry, and distinguished members of the subcommittee. Thank you for the opportunity to appear before you today to discuss the topic of United States Census Bureau (Census Bureau) data and the use of those data in the allocation of federal formula funding of the U.S. Department of Education’s (Department) programs.

Since the mid-1960s, the National Center for Education Statistics (NCES) has computed (or provided data to other entities within the Department to compute) federal funding allocations for various Department formulae grant programs. At the time, the Department determined that NCES was the most appropriate agency to obtain the required data according to statutory definitions and prepare the allocation tabulations in a statistically accurate and apolitical manner. The Center is located within the Department’s Institute of Education Sciences (IES). As our mission statement reminds us, we are “the primary federal entity for collecting, analyzing, and reporting data related to education in the United States.”

From the beginning of NCES’ allocation work, data from the Census Bureau have been integral to the allocation process. In particular, Census Bureau data are critical for determining most allocations for the Department’s elementary and secondary education programs. The majority of postsecondary education allocations are not driven by Census Bureau data. Most of our elementary and secondary education allocation formulas are based on the latest data for some relevant subset of the population, such as children ages 5-through 17. At times during the past 30 years, as much as 90 percent of formula grant funding at the elementary and secondary education level has been based in whole or in part on counts of the 5-through 17-year-old age

group. In 2009, of the more than \$50 billion that the Department of Education is spending on elementary and secondary education, approximately 80 percent is being allocated either directly based on Census Bureau calculations of population subgroups or on shares of allocations under Title I of the Elementary and Secondary Education Act (ESEA), which, in turn, are based on Census Bureau data.

To illustrate the nature of the Census Bureau population subgroups that we use, I will discuss several key examples, including allocations for:

- Grants to Local Educational Agencies (LEAs) under Title I, Part A of the ESEA,
- Career and Technical Education (CTE), State Grants,
- Adult Education State Grants, and
- The Individuals with Disabilities Education Act, State Grants.

These examples highlight the different age groups and demographics required for the formula allocations, as well as the specific Census Bureau datasets used by NCES.

### **Title I Allocations**

Authorized by Title I, Part A of the ESEA of 1965, Title I Grants to LEAs is the single largest federal elementary and secondary education program. For fiscal year 2009, Congress provided \$24.5 billion for this program--\$14.5 billion through the regular FY 2009 appropriation and \$10 billion through the American Recovery and Reinvestment Act (ARRA). From its inception, Title I's formula has been based primarily on the number of children ages 5-through 17 in families with incomes below the poverty level. Title I allocations were originally calculated at the State level, but the Commissioner of the Office of Education (in the former Department of Health, Education, and Welfare) determined in 1972 that Title I should be based on a county-level formula. The county-level algorithm was used from 1972 through 1998. States then sub-allocated the county allocations determined by the Department to LEAs within counties using best available poverty data. Since 1999, the Department has calculated school-district level Title I allocations; in each case, the number of children ages 5-through 17 from low-income families has been determined by the Census Bureau.

From 1966 to 1996, actual Decennial Census tabulations were used to produce annual estimates at the State or county level. Beginning in 1997, the Census Bureau created updated county estimates of the number of children ages 5-through 17 from low-income families and the total population of children for the same range through special modeling of variables. The Census Bureau began using these modeling techniques only after they were endorsed in 1997 by a panel convened by the National Academy of Sciences. The Census Bureau further refined its model to produce school-district level poverty and population estimates every two years beginning in 1999. Since 2005, the Census Bureau has produced district-level poverty and population estimates annually.

In the spring of each year, NCES renews its interagency agreement with the Small Area Income and Poverty Estimates program (SAIPE) of the Census Bureau, to develop and deliver to the Department school district-level Title I poverty and population estimates. The SAIPE program estimates are produced using a combination of the latest American Community Survey (ACS), administrative records, and updated population estimates. These estimates cover most of the Nation's public school districts, or LEAs. However, the estimates can only be developed for LEAs that have specific geographic boundaries and they therefore generally do not include special-purpose LEAs such as special education and charter school LEAs. These special-purpose LEAs are not excluded from Title I participation and may receive money after adjustments in the Department's allocations are made by State Educational Agencies (SEAs), depending on eligibility. During December, SAIPE delivers the poverty estimates to NCES and publishes them on the Census Bureau Website. State, county, and school district officials have an opportunity to review the estimates and challenge them. This so-called "challenge period" provides the opportunity to present information regarding boundary changes that may need to be updated in the Census Bureau's geographic database. Each year, a small number of challenges arise through this process and estimates are sometimes adjusted by the Census Bureau. The adjusted estimates are also published on the Census Bureau Website. After the challenge process is complete, these annual estimates are considered final.

Please note: Title I allocations are based on counts of children in poverty by geographic residence, not enrollment. Thus, children need not attend school in the LEA where they reside to be counted and included in the estimates that provide the basis for formula calculations. Since we do not distribute funds on the basis of enrollment, which is an LEA variable collected by NCES, we must depend on SAIPE program estimates for our formula allocation. Also, it is possible for children to live in multiple regular LEAs if, for example, their State has separate LEAs for elementary education and secondary education. In such cases, the Census Bureau determines the age limits on the count of children as appropriate for the grade limits of a specific LEA (for example, the count of children in poverty for an elementary LEA might be limited to 5-through 13-year-olds).

As the major component of the Title I funding formula, the Census Bureau poverty estimates account for 96 percent of the children included in the formula. In addition, the Title I funding formula includes counts of children in locally operated institutions for neglected and delinquent children, foster homes, and families above poverty that receive assistance under the Temporary Assistance for Needy Families program children, which States provide to the Department either directly or through the Department of Health and Human Services. In order to qualify for an allocation under the Title I Basic Grant formula an LEA must: (1) have at least 10 children counted under the formula, and (2) the number of such children must constitute more than 2 percent of the LEA's total 5-through 17-year-old population. In addition, if the number of children counted under the formula is at least 10 and equals or exceeds 5 percent of an LEA's 5-through 17-year-old population, the LEA is also eligible for funds under the Targeted Grant and Education Finance Incentive Grant formulas. If an LEA has more than 6,500 formula children,

or if the number of formula children exceeds 15 percent of its 5-through 17-year-old population, then the LEA also qualifies for funds under the Concentration Grant formula.

The counts of eligible children included in the formula are multiplied by the State's expenditures per pupil, and the resulting products are adjusted to the amount of the appropriation. The amount for each LEA after completing this step is adjusted to ensure that each LEA receives a statutory percentage of the previous year's allocation, under the so-called "hold-harmless" provisions. While there are additional factors involved in the use of Census Bureau data to generate Title I allocations, these are the essential processes.

Title I formula grants computed at the LEA level are very sensitive to the precision of the estimates. One important point to bear in mind with respect to the Title I and some other allocations is that a percentage change in the number of eligible children will not necessarily result in a proportionate change in the allocation. Because of the statutory thresholds of eligibility for certain components of the allocations and because of the hold-harmless provisions, a relatively small change in the eligible population may result in a large change in the allocation. For example, an LEA would cross the threshold for receipt of Concentration Grants if its childcount increased from 13 percent to 15 percent of its population, but not if it increased from 5 percent to 13 percent.

### **Career and Technical Education Allocations**

NCES has also provided assistance for calculation of career and technical education allocations under the Perkins Act since the mid-1970s. Although the specific allocation formula has changed over time, the population groups used in the formula has remained consistent throughout the years. Each year, NCES obtains the most recent State counts for three age groups: 15 through 19; 20 through 24; and 25 through 65 from the Census annual state population estimates. These counts generally become available in May or June of each year for the preceding year. Currently, the transmission of these data is simplified by the posting of the information on the Census Bureau Website. In the past, we obtained these data via a special tabulation purchased from the Census Bureau each spring.

States' allocations are based on their shares of the count for each of the three age groups multiplied by a factor based on per capita income, which we currently obtain from the Commerce Department's Bureau of Economic Analysis. These amounts are then adjusted to ensure that each State receives at least the share of the total it received in 1998 and also to provide each State with the minimum amount provided by the law. The product is adjusted to appropriated amounts, guaranteeing each State its statutory minimum allocation. The Department does not allocate career and technical education funds directly to LEAs. Rather, we grant them to States, which in turn distribute these funds to LEAs and postsecondary institutions under rules provided in the statute.

### **Adult Education Allocations**

As with both Title I and career and technical allocations, adult education State Grant allocations have been calculated by NCES for decades. Since 1990, the eligible group for adult education has traditionally consisted of those who are age 16 and over, do not have a high school diploma or its equivalent, and are not currently enrolled in school. From the 1970s through 2006, these data were available only from the Census Bureau through the collection of Decennial Census long form data. Beginning in 2010, the Census Bureau's long form data will no longer be available. Instead, the American Community Survey (ACS), an ongoing survey that produces key demographic, social, economic and housing characteristics annually, will be used. The ACS covers the same type of information that had been collected every 10 years from the decennial census long form. For the smallest geographic areas (small towns, most school districts, and census tracts), the Census Bureau will combine 5 years of data to release estimates; these estimates will then be updated annually rather than once every 10 years. The Department will use ACS data to calculate adult education allocations beginning this year. Prior to the ACS, no inter-decennial sample was large enough to deliver reliable State-level estimates of the demographic group of adults without high school diplomas.

The Adult Education statute mandates the use of State data on the cut-off age for compulsory school attendance to determine the appropriate age group for adult education allocations. The 1998 reauthorization revised the definition of eligible adults so as not to count adults still required to be in school under State law. NCES will apply the compulsory attendance age for each State in our annual updates of ACS-based tabulations of those individuals over age 16, over age 17, or over age 18 who do not have a high school diploma and are not currently enrolled in school.

### **Individuals with Disabilities Education Act Allocations**

The Individuals with Disabilities Education Act (IDEA) is the law authorizing funding for services to 6.5 million eligible infants, toddlers, children, and youth with disabilities throughout the nation. Under Part B, section 619, services must be provided to children with disabilities between the ages of 3 through 5. Under Part B section 611, services must be provided to children with disabilities between the ages of 6 through 21. Infants and toddlers with disabilities (birth-2) and their families receive early intervention services under IDEA Part C.

For nearly 25 years, NCES has provided assistance to the Department's Budget Service, the office responsible for calculating the formula allocations under IDEA (previously titled the Education for All Handicapped Children Act, or EHA). IDEA mandates three formula allocations using a single Census population count for children, infants, toddlers, and youth from birth through 21, by State. In the current fiscal year, Part B, section 611, provides \$11.5 billion (plus an additional \$11.3 billion available through Part B, section 611 under the ARRA). Part B, section 619 provides \$374 million (plus an additional \$400 million available through Part B, section 619 under the ARRA). Part C provides \$439 million to States (plus an additional \$500 million available through Part C under the ARRA).

For Part B, section 611, each State is allocated an amount equal to the amount that it received for fiscal year 1999. If the total program appropriation increases over the prior year, 85 percent of the remaining funds are allocated based on the number of children in the general population in the age range for which the States guarantee a Free Appropriate Public Education (FAPE) to children with disabilities. The remaining 15 percent of funds are allocated based on the number of such children living in poverty. The annual population and poverty data of 3-through 21-year olds come from the Census Bureau's annual population estimates and the ACS, respectively. For Part C, the Department uses the Census Bureau's annual State estimates dataset to tabulate each State's total population of children with disabilities who are age 2 or younger, and no State may receive less than 0.5 percent of the funds available to all States, or \$500,000, whichever is greater. For Part B, section 619, each State is first allocated an amount equal to its 1997 allocation. For any fiscal year in which the appropriation is greater than the prior year level, 85 percent of the funds above the fiscal year 1997 level are distributed based on each State's relative percentage of the total number of children aged 3 through 5 in the general population. The other 15 percent is distributed based on the relative percentage of children aged 3 through 5 in each State who are living in poverty.

Both Part B formulas also include several maximum and minimum allocation requirements when the amount available for distribution to States increases.

### **Other Significant Programs**

There are a number of other formula allocations that depend to some degree on Census Bureau data. I will provide a very brief overview of a few of them:

- *The English Language Acquisition (ESEA, Title III)* State allocation formula is based on the number of children who are limited English proficient and on the number of recent immigrants. The Department currently develops these two population counts from ACS data. As with estimates for adult education allocations, the process of developing accurate estimates of individuals from small demographic groups for Title III is facilitated by the use of the very large ACS sample. And the fact that the ACS sample is collected monthly allows for rapid adjustment to any possible changes in these population subgroups. While Title III (with allocations of about \$700 million) is not a large monetary program compared to Title I, it provides an example of an allocation formula requiring the kind of special population data that the ACS can provide.

For this tabulation, an alternative dataset exists. The law calls on the Department to use the more accurate of the ACS or the State-reported data on counts of children with limited English proficiency. Up to this point, the Department has used the ACS data to calculate the allocations. However, because the determination of which data source is the most accurate is methodologically difficult, we have contracted with the National Academy of Sciences (NAS) to provide advice on this matter.

- *A number of other smaller monetary programs* totaling \$4 to \$5 billion use Census State-level population tabulations, predominantly for ages 5-through 17.

- As mentioned before, *many programs distribute funds based on Title I shares*. Thus, while Census data do not directly drive these distributions, they indirectly influence them by providing the basis for Title I allocations.
- Finally, the *Rural Education Achievement Programs (REAP)* provides funding to schools in rural communities. While the basis of funding for these programs is not Census data, the Census Bureau does determine whether a community is in a rural area. The determination of rural status is complex and involves quantifying the relationship of a community to its closest urban area. Factors considered include geographic proximity and economic dependence. This calculation, which is vital to the success of REAP allocations, can only be made by the Geographic Division of the Census Bureau.

### **Data Adjustments**

By statute, the Department accepts Census Bureau data for use in formula funded programs and does not question the incidence of over or under counts or challenges. We understand that to the extent feasible the Census Bureau incorporates updated population estimates in its SAIPE and ACS programs. It is also our understanding that the annual SAIPE and ACS data used in our formula grant allocations take advantage of the Census Bureau's annual population estimates to best reflect the full U.S. population, and that these updates are informed by recent demographic changes that might affect the distribution of funds.

### **Summary**

The examples cited illustrate how the Department of Education uses an array of Census Bureau tabulations to distribute our formula grant funds. Major education programs such as Title I continue to demand sophisticated statistical and computational techniques by the Census Bureau to generate accurate counts of poor and other targeted children. And, with a history of more than 30 years of cooperation between the Census Bureau and NCES, we take pride in the successful part we have played.

Thank you for the opportunity to testify. I would be pleased to answer any questions you may have.

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