The Student Equity Funding Formula allotments are based on six factors:

Factor 1: Annual FTEs  
Factor 2: High Need Students  
Factor 3: Educational Attainment of Residential Zip Code  
Factor 4: Participation Rate  
Factor 5: Poverty Rate  
Factor 6: Unemployment Rate

The factors and their component parts are presented in more detail in a companion document: “Funding Allocation Methodology.”

For Factors One through Three funding is allocated proportionally. Each district receives funding proportional to its percentage in the overall total. For example, a district with 10 percent of the total FTEs receives ten percent of the funding allocated to Factor One. Similarly, districts with 10 percent of total high need students or ten percent of students with zip codes in the lowest two quintiles of educational attainment receive ten percent of the funding allocated for each of these two factors.

For Factors Four, Five, and Six funding allocations are based on a method enacted in Section 1125 of the H.R. 6 Improving America’s Schools Act of 1994, Title I—Helping Disadvantaged Children Meet High Standards (see Appendix). This method allocates funding to a Local Education Agency (LEA) based on the percent of children living in poverty. The range of percentages of children living in poverty is divided in five categories. Weights are then applied to students in an LEA based on the percentage of children living in poverty within its boundaries. LEAs with higher concentrations of children living in poverty receive more funding.

Application to the Student Equity Funding Formula.

Allocations were distributed in Factors Four through Six with an adaption of the U.S. Department of Education method cited above. The Participation Rate, Poverty Rate, and Unemployment Rate values were each divided into ten categories based on percentile rankings: 10, 20, 30, 40, 50, 60, 70, 80, and 90. These percentile cutoff points were derived empirically and placed the 72 districts into ten categories for each of the three factors.

Weights were then assigned to each of the ten categories: 1.0, 1.5, 2.0, 2.5, 3.0, 3.5, 4.0, 4.5, 5.0, and 5.5. The weights for the categories were decided upon by the Student Equity Funding Formula Advisory Group based on the allocation patterns they produced.

The student population of each district is multiplied by its weight to obtain a weighted student population. Each district is then assigned its proportion of the total weighted student population. Finally, each district is allotted funding based on that proportion of the weighted student population.

Table One provides an example of the weighted funding allotment method. In the example, $1,000,000 is divided among five fictitious districts based on the poverty rate within their district boundaries.

Column Two displays the Poverty Rate for each district. Column Three contains the category assigned to the districts based on its Poverty Rate; and Column Four lists the weights assigned to the districts resulting from their category assignment. Column Five shows each districts’ student population.
The process multiplies the weight (Column 4) by the Student Population (Column Five) to produce a Weighted Student Population (Column 6). In the example of District A, a student population figure of 24,940 is multiplied by a weight of 5.5 to produce a weighted student count of 137,170. The proportion of each district’s weighted student population is then calculated; this step involves dividing the district Weighted Student Population by the sum of all the districts’ weighted student populations. To follow our example, District A has 16.6% (137,170/825,697) of the total Weighted Student Population.

For the final step, the weighted Proportion Weighted Student Population is multiplied by the total amount to be funded to define each district’s allocation. For District A, multiplying $1,000,000 by 0.166 produces the allocation figure of $166,126.

Table 1. Weighted Funding Allocation Example

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
<th>Column 6</th>
<th>Column 7</th>
<th>Column 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>District</td>
<td>Poverty</td>
<td>Category</td>
<td>Weight</td>
<td>Student</td>
<td>Weighted</td>
<td>Proportion</td>
<td>Allocation</td>
</tr>
<tr>
<td></td>
<td>Rate</td>
<td></td>
<td></td>
<td>Population</td>
<td>Student</td>
<td>Weighted</td>
<td></td>
</tr>
<tr>
<td>District A</td>
<td>41.2</td>
<td>10</td>
<td>5.5</td>
<td>24,940</td>
<td>137,170</td>
<td>16.6%</td>
<td>$166,126</td>
</tr>
<tr>
<td>District B</td>
<td>20.4</td>
<td>1</td>
<td>1</td>
<td>11,153</td>
<td>11,153</td>
<td>1.4%</td>
<td>$13,507</td>
</tr>
<tr>
<td>District C</td>
<td>34.1</td>
<td>7</td>
<td>4</td>
<td>50,339</td>
<td>201,356</td>
<td>24.4%</td>
<td>$243,862</td>
</tr>
<tr>
<td>District D</td>
<td>29.0</td>
<td>5</td>
<td>3</td>
<td>154,078</td>
<td>462,234</td>
<td>56.0%</td>
<td>$559,811</td>
</tr>
<tr>
<td>District E</td>
<td>23.2</td>
<td>3</td>
<td>2</td>
<td>6,892</td>
<td>13,784</td>
<td>1.7%</td>
<td>$16,694</td>
</tr>
<tr>
<td>Total</td>
<td>825,697</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100.0%</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

The weighting scheme works similarly for Factors Four through Six, with one important distinction (Table Two). The weights for the “Community Participation Rate” are reversed in comparison to weights for the “Poverty Rate” and “Unemployment Rate” factors. With the “Community Participation Rate” factor, additional funding is directed to districts with lower participation rates to assist them in increasing participation. Conversely, the “Poverty Rate” and “Unemployment Rate” factors are weighted such that districts with higher percentages are allotted more funding.

Table 2. Weighting

<table>
<thead>
<tr>
<th>Category</th>
<th>Community Participation Rate</th>
<th>Poverty Rate</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAT1</td>
<td>5.5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>CAT2</td>
<td>5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>CAT3</td>
<td>4.5</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>CAT4</td>
<td>4</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>CAT5</td>
<td>3.5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>CAT6</td>
<td>3</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>CAT7</td>
<td>2.5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>CAT8</td>
<td>2</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>CAT9</td>
<td>1.5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>CAT10</td>
<td>1</td>
<td>5.5</td>
<td>5.5</td>
</tr>
</tbody>
</table>
``SEC. 1125. TARGETED GRANTS TO LOCAL EDUCATIONAL AGENCIES.

(a) Eligibility of Local Educational Agencies.--A local educational agency in a State is eligible to receive a targeted grant under this section for any fiscal year if the number of children in the local educational agency counted under subsection 1124(c), before application of the weighting factor described in subsection (c), is at least 10, and if the number of children counted for grants under section 1124 is at least 5 percent of the total population aged 5 to 17 years, inclusive, in the local educational agency. Funds made available as a result of applying this subsection shall be reallocated by the State educational agency to other eligible local educational agencies in the State in proportion to the distribution of other funds under this section.

(b) Grants for Local Educational Agencies, the District of Columbia, and Puerto Rico.--

(1) In general.--The amount of the grant that a local educational agency in a State or that the District of Columbia is eligible to receive under this section for any fiscal year shall be the product of--

(A) the weighted child count determined under subsection (c); and

(B) the amount in the second sentence of subparagraph 1124(a)(1)(A).

(2) Puerto Rico.--For each fiscal year, the amount of the grant for which the Commonwealth of Puerto Rico is eligible under this section shall be equal to the number of children counted under subsection (c) for Puerto Rico, multiplied by the amount determined in subparagraph 1124(a)(3).

(c) Weighted Child Count.--

(1) Fiscal years 1966-09-1998.--

(A) In general.--The weighted child count used to determine a county's allocation under this section is the larger of the two amounts determined under clause (i) or (ii), as follows:

(i) By percentage of children.--This amount is determined by adding--

(I) the number of children determined under section 1124(c) for that county constituting up to 12.20 percent, inclusive, of the county's total population aged 5 to 17, inclusive, multiplied by 1.0;

(II) the number of such children constituting more than 12.20 percent, but not more than 17.70 percent, of such population, multiplied by 1.75;

(III) the number of such children constituting more than 17.70 percent, but not more than 22.80 percent, of such population, multiplied by 2.5;

(IV) the number of such children constituting more than 22.80 percent, but not more than 29.70 percent, of such population, multiplied by 3.25; and

(V) the number of such children constituting more than 29.70 percent of such population, multiplied by 4.0.

(ii) By number of children.--This amount is determined by adding--

(I) the number of children determined under section 1124(c) constituting up to 1,917, inclusive, of the county's total population aged 5 to 17, inclusive, multiplied by 1.0;

(II) the number of such children between 1,918 and 5,938, inclusive, in such population, multiplied by 1.5;

(III) the number of such children between 5,939 and 20,199, inclusive, in such population, multiplied by 2.0;

(IV) the number of such children between 20,200 and 77,999, inclusive, in such population, multiplied by 2.5; and

(V) the number of such children in excess of 77,999 in such population, multiplied by 3.0.

(B) Puerto Rico.--Notwithstanding subparagraph (A), the weighting factor for Puerto Rico under this paragraph shall not be greater than the total number of children counted under subsection 1124(c) multiplied by 1.72.

(2) Fiscal years after 1999.--
(A) In general.--For each fiscal year beginning with fiscal year 1999 for which the Secretary uses local educational agency data, the weighted child count used to determine a local educational agency's grant under this section is the larger of the two amounts determined under clauses (i) and (ii), as follows:

(i) By percentage of children.--This amount is determined by adding--

(I) the number of children determined under section 1124(c) for that local educational agency constituting up to 14.265 percent, inclusive, of the agency's total population aged 5 to 17, inclusive, multiplied by 1.0;

(II) the number of such children constituting more than 14.265 percent, but not more than 21.553 percent, of such population, multiplied by 1.75;

(III) the number of such children constituting more than 21.553 percent, but not more than 29.223 percent, of such population, multiplied by 2.5;

(IV) the number of such children constituting more than 29.223 percent, but not more than 36.538 percent, of such population, multiplied by 3.25; and

(V) the number of such children constituting more than 36.538 percent of such population, multiplied by 4.0.

(ii) By number of children.--This amount is determined by adding--

(I) the number of children determined under section 1124(c) constituting up to 575, inclusive, of the agency's total population aged 5 to 17, inclusive, multiplied by 1.0;

(II) the number of such children between 576 and 1,870, inclusive, in such population, multiplied by 1.5;

(III) the number of such children between 1,871 and 6,910, inclusive, in such population, multiplied by 2.0;

(IV) the number of such children between 6,911 and 42,000, inclusive, in such population, multiplied by 2.5; and

(V) the number of such children in excess of 42,000 in such population, multiplied by 3.0.