

SCHOOL FUNDING SERVICES

GUIDE TO SCHOOL GRANTS

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Introduction to School Funding Services

This Guide to Grants is a publication of School Funding Services (SFS), an interactive on-line tool that helps schools, districts, and education organizations identify and access information on federal money available for school improvement programs. This guide introduces basic information about the school funding process to people new to the topic, or hoping to refresh their memory.

Please feel free to share this guide with your colleagues and friends. If you have any questions about the information presented in this document or about School Funding Services, please contact us at schoolfundingservices@nasdc.org or 703.647.1600.

Basic Funding for Public Schools

Three levels of government sources contribute revenue to public schools: federal, state and local. Private foundations, corporations and individuals also make contributions to schools.

The great majority of funds used to operate public schools come from a combination of state and local funding. Nationwide, an average of 48 percent of funding for public schools is contributed by the state, while 42 percent comes from local sources, mostly from property tax revenues.¹ Local revenues pay for the basics of operating a school: classroom teacher salaries, books, furniture, and office supplies.

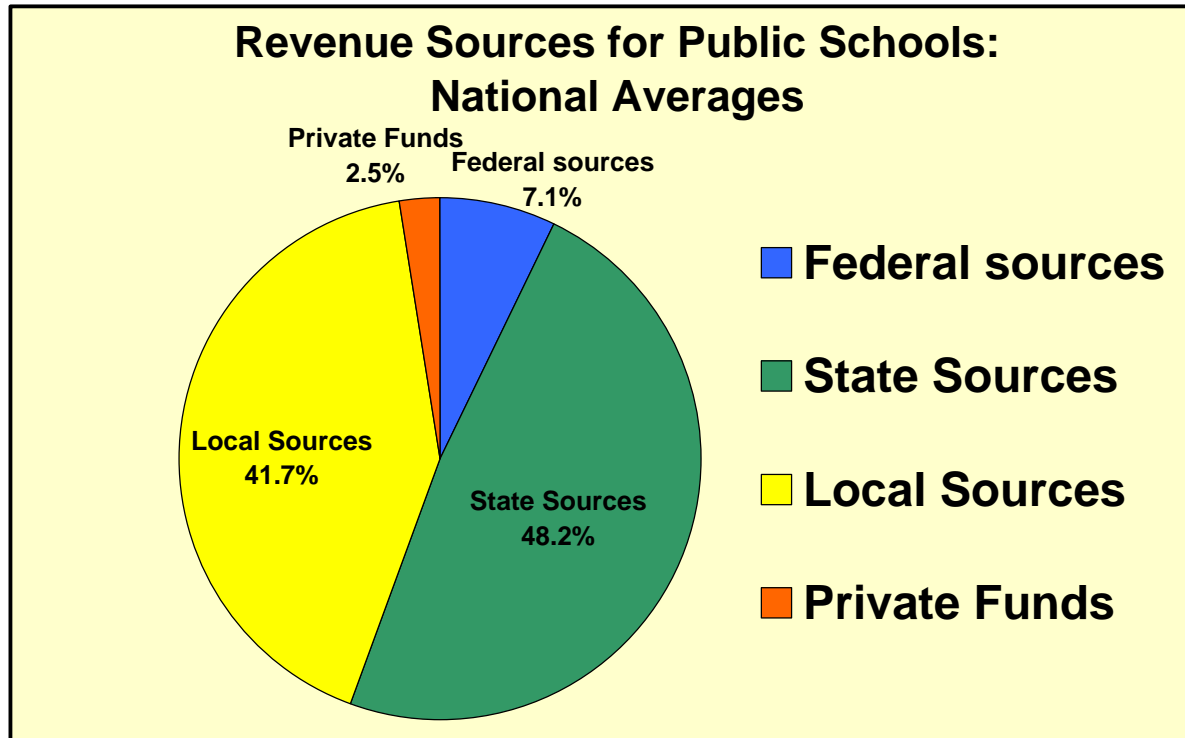
The ratio of state to local contributions varies widely between the states. While Vermont's state aid accounts for nearly 75 percent of its schools' budgets, Connecticut's state revenue supplies less than 39 percent of its education dollars. The majority of funds contributed by the states to their public schools are in the form of general, or basic, aid calculated on a per-pupil basis. Funding formulas for distributing basic aid are often complex and combine a per pupil dollar award with a calculation of a district's educational needs and ability to pay for services. Many state aid formulas try to equalize fiscal resources between districts. The average state contribution is \$3,500 per student, but varies between \$2,246 in Arizona and \$6,973 in Vermont.²

Although the federal contribution to public education has been growing steadily over the last six years, both in real dollars and as a percentage of school revenue, the federal government still contributes less than eight percent of funding for public schools. Intended exclusively as a supplement to local and state funds, most federal funding is provided to the neediest schools and communities.

See chart on following page.

¹ SOURCE: U.S. Department of Education, National Center for Education Statistics, *Statistics of State School Systems; Revenues and Expenditures for Public Elementary and Secondary Education*; and Common Core of Data surveys as published in *Digest of Education Statistics 2001, 2002*, table 158.

²SOURCE: *The Funding Gap: Low-Income and Minority Students Receive Fewer Dollars*, The Education Trust , 2002, table 4: "State Revenue Only- by Districts serving highest and lowest numbers of Minority Students: Some States Exacerbate the Funding Gap: 1999-2000."



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Federal Grants

Although federal funds account for a relatively small share of total funding for public education, federal funding is important for two reasons. First, federal funds target low-income students and communities, and contribute as much as 20 percent of resources in the poorest schools. Second, federal education funding can spur special projects and reforms. Since it is intended exclusively to supplement local and state funds, federal money can support innovative projects, rather than the basic costs of operation.

No Child Left Behind

The federal government substantially increased its commitment to funding the nation’s public schools in 2001 when Congress passed the No Child Left Behind (NCLB) Act to reauthorize the Elementary and Secondary Education Act (ESEA). Congress votes to re-authorize the ESEA every six years and lawmakers can make additions and changes at that time. In the 2001 re-authorization cycle, Congress created new initiatives, strengthened the assessment and accountability provisions of the law, and granted school districts more flexibility in using federal funds. Congress and the President also promised to provide more federal resources for education in exchange for more accountability for results and the use of proven educational methods. The

³ Private funds include all non-governmental private sources of funding, including grants from foundations and companies, gifts from individuals, and revenues from tuition and transportation fees. Due to rounding, total does not equal 100.

SOURCE: U.S. Department of Education, National Center for Education Statistics, *Statistics of State School Systems; Revenues and Expenditures for Public Elementary and Secondary Education*; and Common Core of Data surveys as published in *Digest of Education Statistics 2001, 2002*, table 157.

federal budget for elementary and secondary education for fiscal year 2003 is \$35.8 billion, an increase of 9 percent 2002, and 28 percent more than the appropriation for comparable programs in 2001, the last year before NCLB.⁴

How School Funding Services can help:

SFS released a series of reports describing all the funded programs in NCLB and the law's flexibility provisions for states and school districts. Our report "State and Local Flexibility Options in ESEA" is available free on our Web site. Our "ESEA Reference Guide: Program Descriptions and Funding Levels," including funding levels by program and state, is available by request.

Authorize → Appropriate → Allocate

Funding levels for federal programs vary from year to year because the federal budget, unlike the education law, is created annually. During the re-authorization process for ESEA, lawmakers also authorized a limit to the amount of money that can be budgeted each year for a specific program. Each year Congress must pass an appropriations bill that provides the budget for the US Department of Education's (US DOE) programs.⁵ The US DOE then distributes funds to the states for each program based on the allocations formula written in the law.

Formula Grants

One type of federal grant is a non-competitive formula grant, also known as a categorical grant, or an entitlement. Schools receive these funds based on the size and characteristics of their student enrollment and the population of the area in which they operate. In order to receive formula grants, schools must submit population data and assurances that the funds will be used in accordance with the law. Nearly all federal formula grants are distributed from the US DOE to state education agencies (SEAs)⁶ that then distribute funds to their local education agencies (LEAs).⁷ The LEAs, in turn, distribute funds to individual schools. Formula grant allocations are calculated annually and can vary from year to year as a result of changes in the school or community populations, and the amount of funding appropriated by Congress in the annual budget.

Title I is the largest education program in the Federal government. Congress appropriated \$11.68 billion for Title I, Part A funds for the 2003-2004 school year (an increase of 13 percent from the previous year). Title I, Part A funds are allocated to states and districts based on the number of children in poverty, which is determined primarily by Census poverty estimates adjusted for the cost of education in each state. Title I grants supplement state and local education funding for low-achieving children in schools with high numbers or percentages of children from low-income

⁴ SOURCE: *Budget History Table: FY 1980-Present* as published by U.S. Department Education. On-line: <http://www.ed.gov/offices/OUS/BudgetHistory/index.html>.

⁵ Appropriations for a specific program can vary yearly from \$0 to the limit authorized in legislation. Congress can effectively cut a program, which is written into the law, by choosing not to appropriate any funds for it in the budget. The NCLB Act contains a grant to assist Title I schools in need of improvement, which was authorized at \$500 million but not funded at all in the FY 2002 budget. Certain provisions of the law are only in effect if Congress appropriates a specified minimum amount of funding. The states, for example, may suspend the administration of the Title I testing requirements of the ESEA if Congress fails to appropriate a minimum of \$390 million for FY 2004 to develop assessment systems.

⁶ Some competitive grants are administered by agencies other than the State Education Agency. This is most often true of programs involving community services such the Even Start Family Literacy program. Under NCLB, the Governor's office may retain 20 percent of Safe and Drug Free Schools funding to distribute competitively.

⁷ Local Education Agencies are generally school districts, but most charter schools are also considered their own LEAs. Washington, DC, Hawaii, and Puerto Rico all serve as both the SEA and LEA.

families to help these students meet state proficiency standards. Title I funds pay for additional teacher services, materials, and equipment, which must be used primarily by disadvantaged students.

Aside from Title I, Part A funds, other federal programs that are distributed by formula include: **Improving Teacher Quality** (Title II, Part A) fifty percent of **Enhancing Education through Technology “Ed Tech”** (Title II, Part D funds), **Safe and Drug Free Schools** (Title IV), and **Innovative Programs** (Title V).

How School Funding Services Can Help:

The School Funding Services database includes detailed information on all the grants listed in this Guide, including descriptions of the purposes, funds uses, targeted populations, and local district allocations. We have FY 2003 Title I, Part A Allocations for every district in the country.

Competitive Grants

In addition to formula grants, the federal government also distributes competitive grants through SEAs.⁸ Competitive grants, also known as discretionary grants, are distributed for a specific purpose, such as to establish reading programs or after school programs. States distribute Request for Applications (RFAs) or Request for Proposals (RFPs) to schools and districts inviting them to submit a proposal in line with the specifications of the program.

Competitive grants are frequently limited to certain populations or types of schools, such as schools serving low-income students or designated as low performing. States can choose to restrict competitions beyond the requirements outlined in federal law, or give special priority in funding to some schools. For example, the state can choose to make some funds available only to elementary schools, rather than middle or high schools. Examples of federal competitive funds include Comprehensive School Reform (CSR), Reading First, and Even Start.

Unlike formula grants to schools, which are calculated annually, competitive grants are often awarded for a period of several years.⁹ SEAs take different approaches to administering multi-year grants. States may commit all of their annual allocation to a single cohort of grantees and anticipate using all of the next year’s allocation to fund continuation grants. In this case, the state would not hold a new competition until all current grantees’ contracts were over, or it received a substantially larger federal allocation. Alternatively, some states may not award their entire allocation in a single year, instead reserving a portion to fund new applicants the following year.

US DOE also administers some competitions directly, rather than through the states; LEAs apply directly to the DOE for these grants. Generally, these are one-time programs to develop resources or pilots to develop model programs that may be replicated later. Examples of grants distributed directly by the DOE include **Early Reading First**, the **Improving Literacy through School Libraries** program, and the **Parental Information and Resource Centers (PIRC) Program**.

⁸ In addition to the US DOE, the Department of Agriculture, the Department of Health and Human Services, and the National Endowment for the Arts, also make grants for education programs.

⁹ Schools are required to file reports and assurances that they have used the funds for the intended purposes in order to receive their annual installments.

How School Funding Services Can Help:

The best way to increase the chances of receiving a competitive grant are to know exactly what the grantmaker is looking for in application, follow all the instructions given with the grant, and take plenty of time to prepare the grant proposal.

The School Funding Services database includes detailed, up-to-date information on how states administer federal competitive grants, including descriptions of the application process, application release dates, deadlines, and preferences- before they are released publicly. School Funding Services makes it quicker and easier to find grants, so you can spend your time writing winning grant proposals!

State Grants

The majority of funds contributed by the states to their public schools are in the form of basic state formula aid. In addition to basic state aid, most states also fund programs, which resemble the federal formula grants targeted toward specific populations of students and mandated educational programs. Some states also fund competitive grant competitions. However, while larger states often have several state-funded competitions, smaller states may have none. New York, California and Indiana, each fund competitive programs for purposes such as educating homeless children, bilingual education, and even comprehensive school reform. Other states, like New Jersey, have no state-funded grants for discretionary spending. Please refer to individual state Web sites for information on state-funded grants.

Foundation and Corporation Grants

Non-governmental entities, such as foundations and corporations, also make grants to public schools. Given the hundreds of billions of dollars spent on public schools each year, non-governmental funds account for only a small fraction (1 percent), but in dollar terms, the grants are still quite substantial and can have a notable impact on public education systems and schools that receive them. In fact, in 2000 the top 50 foundations alone donated over \$862 million to elementary and secondary education programs.¹⁰ Like federal funding, foundation and corporate dollars can spur innovative reforms and developments in schools, and are an additional way for the schools to receive funds without raising local or state taxes.

Foundations

A foundation is an entity that is established as a nonprofit corporation or a charitable trust, with the principal purpose of making grants to unrelated organizations, institutions, or individuals for charitable purposes. This definition applies to both private and public foundations. The most common distinguishing characteristic of a private foundation is that most of its funds come from one source, whether it be an individual, a family, or a corporation. A public foundation, in contrast,

¹⁰ SOURCE: Foundation Center Statistical Services, *Top 50 US Foundations Awarding Grants for Elementary & Secondary Education, circa 2000*. Online:

http://fdncenter.org/fc_stats/pdf/04_fund_sub/1999/50_found_sub/sub_b2_00.pdf.

normally receives its assets from multiple sources, which may include private foundations, individuals, and government agencies.

While there are some well-recognized private and public foundations which are active in communities across the nation, the majority of foundations limit their giving to geographic areas: regions, states, counties, or specific cities where they are based.

Community Foundations

Many metropolitan areas have Community Foundations that make grants for charitable purposes, including education, in their specific community or region.¹¹ Community Foundations pool the contributions of many individuals and families into an endowment that is independently administered. Income earned by the endowment is then used to make grants, as advised by a board of trustees.

Corporate Funders

Corporations are also active donors to schools. They fall into one of two categories. *Company-sponsored foundations* are private foundations that are sponsored by a profit-making company. These foundations are legally recognized as separate entities and maintain small endowments, but rely on consistent contributions from the sponsoring company.¹² Thus; their giving is generally aligned with company interests. *Corporate giving programs* are not separate from their sponsor and do not have an endowment. Grants made by these programs are drawn directly from corporate bankrolls. Some companies make grants through both a *company-sponsored foundation* and a *corporate giving program*.

Unlike foundations, charitable giving is a small side project for most companies and involves a combination of philanthropy and self-interest. Companies give to support employee services, guarantee well-trained potential employees, build both local and national community relations, enhance their image, and secure tax deductions. Often corporations focus their philanthropy on specific education interests related to their area of work. Many companies, whether giving through a foundation or directly, restrict their giving to the areas in which they work or sell their products.

Many corporations also make non-cash or “in-kind” donations to schools. In-kind donations include the company’s products, or unused equipment and supplies. In-kind donations can go so far as to include the time and talent of employees. Companies may also support volunteerism among their employees to foster better community relations. Some corporations also offer matching contributions to charitable causes given to by an employee. Matching programs can exist in place of, or in addition to, other corporate giving strategies.

Large corporations or company-sponsored foundations can use all or any combination of these giving strategies. For example, the **Verizon Foundation’s** grantmaking program is divided into four areas. E-Solutions is a program that focuses on training, education, and understanding of new and innovative communications software. The Good Citizen's program encourages past and present employees to put their skills to use in the community and lend a hand to issues facing today's

¹¹ Most community foundations are classified as public charities, rather than private foundations, and are thus eligible for the maximum in tax-deductible contributions from the general public.

¹² While a company-sponsored foundation may maintain close ties with its parent company, it is an independent organization with its own endowment and as such is subject to the same rules and regulations as other private foundations.

nonprofits. The in-kind gift program provides donated computers and other office equipment to qualifying organizations. Finally, the Grant program makes monetary grants to innovative and original organization or programs that hold a strong interest in literacy, mathematics and science.

Applying to Foundations

Private and public foundations may accept applications for funding, give only to pre-selected charities, or say that they do not accept unsolicited applications. In the last case, a potential applicant should make an initial phone call or write a proposal letter to determine if her project is aligned with the foundation's giving priorities. Some foundations only make contributions to certified nonprofits; school districts may establish their own nonprofit entities in order to apply to these funders.¹³ Finally, some foundations accept "common applications." The Associated Grantmakers (AGM) of Massachusetts, New Hampshire and Rhode Island and the New York Regional Association of Grantmakers (NYRAG) offer common applications that many givers based in those states accept.

Occasionally foundations will seek to support a specific activity and issue a Request for Applications (RFP) for projects based on their guidelines, such as arts education programs or innovative uses of technology. The recently completed Annenberg Challenge projects expressly supported both of those activities.

Applications for grants from foundations of corporations have advantages and disadvantages relative to government funding. Applications for non-government funding are generally much less rigorous and bureaucratic than applications for public, especially federal, funds. Private funds can support new and innovative project ideas or serve students not targeted for government assistance. However, schools may have to compete with other interests such as medical research and the arts for a share of private funding, rather than access the funds reserved especially for education from public sources. Competition for funding from private grantors who give nationally is especially fierce as compared to most government funding which is distributed within states. Additionally, some foundations are reluctant to commit to multi-year funding engagements, while many federal and state grants are designed to continue over a period of several years necessary to implement and sustain school improvement activities.

How School Funding Services Can Help:

SFS distinguishes non-government funders by their giving practices and priorities. The funding streams and grantors featured in SFS are broken down into two basic categories: "Foundation" and "Corporate." The School Funding Services database contains information on grants offered by both national and regional givers.

¹³ Robert J. Miller and Associates, an affiliate of School Funding Services, offers consultations to schools about how to create a nonprofit. For more information, please contact us at schoolfundingservices@nasdc.org or 703.647.1600.

Next Steps

We hope that you have found this document helpful and we encourage you to contact us with any questions or comments. As you have read, the school funding landscape is vast and complex. School Funding Services wants to be your guide through this funding maze. We offer an interactive on-line tool that helps schools, districts, and education organizations identify and access information on federal, state, and private money available for school improvement programs.

Our Web site contains a comprehensive database of grant opportunities that you can search based on different criteria such as geography, grade level, fund use, and application deadlines. SFS has a team of researchers who identify the key information you need to know and present it in an easy to read format. We also publish analytical reports on implementation of the No Child Left Behind Act, and provide information on trends and opportunities in school grants.

You can receive a tour of School Funding Services and a free demonstration password by contacting us at schoolfundingservices@nasdc.org or 703.647.1600.

About School Funding Services

School Funding Services (SFS) is a service of New American Schools (NAS), a leading provider of professional services and investment in K-12 education whose mission is to help all students succeed by shaping, supporting, and sustaining system-wide innovation and improvement in learning. As a business-led, nonprofit, nonpartisan organization, NAS and its strategic partners provide support to state departments of education, school districts, charter authorizers, and networks of schools. Our goal is to offer key stakeholders the tools and external assistance needed to facilitate and sustain both student and adult learning. Through New American Schools' work over the past 10 years, we have identified inadequate funding as one of the major obstacles to implementing high-quality school improvement activities. School Funding Services was designed to be the answer to that funding block.

For more information on New American Schools, visit our Web site at www.newamericanschools.org.