DOCUMENT RESUME

ED 313 589 CE 053 915

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TITLE Vocational Education: The Basic State Grant Formula of the Carl D. Perkins Vocational Education Act. CRS Report for Congress.
INSTITUTION Library of Congress, Washington, D.C. Congressional Research Service.
REPORT NO CRS-89-515-EPW
PUB DATE 14 Sep 89
NOTE 48p.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *Educational Equity (Finance); *Educational Legislation; Educational Policy; *Equalization Aid; Government School Relationship; Grants; *Resource Allocation; *State Federal Aid; *Vocational Education
IDENTIFIERS *Carl D Perkins Vocational Education Act 1984

ABSTRACT

The current basic grant formula of the Carl D. Perkins Vocational Education Act has the following components: distribution of funds is based primarily on state population, but allocations are adjusted to compensate those states with younger populations, to compensate states with fewer resources, and to ensure that no state receives less than a minimum grant. Analyses of federal appropriations showed that the influence of these individual adjustments is relatively small for most states but can be substantial for a few states. For example, the minimum grant provisions sometimes markedly increase the grants of a few sparsely populated states while slightly decreasing grants for all other states. The Applied Technology Education Amendments of 1989, passed by the House of Representatives as House Resolution 7, has a basic grant formula that is similar to the Perkins Act's except that it contains additional provisions for minimum and maximum payments to states and specifies that no state would receive less than its FY 1989 grant. Under the Perkins Act, states have considerable flexibility in their distribution of basic grants. Partly because of findings by the General Accounting Office that some state distributions may favor wealthier communities over poorer ones, House Resolution 7 requires that 70 percent of funds for school districts and postsecondary institutions be distributed based on poverty, 20 percent be based on number of handicapped students, and 10 percent be based on enrollment. The data needed to estimate the effects of these proposed formulas are not available at the federal level. (CML)

CRS Report for Congress

Vocational Education: The Basic State Grant Formula of The Carl D. Perkins Vocational Education Act

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August 24, 1989
Revised September 14, 1989

CRS

VOCATIONAL EDUCATION: THE BASIC STATE GRANT FORMULA OF THE CARL D. PERKINS VOCATIONAL EDUCATION ACT

SUMMARY

Federal funding for the Carl D. Perkins Vocational Education Act (P.L. 98-524), the major Federal statute supporting vocational education, is authorized through FY 1989. The 101st Congress is considering the reauthorization of the Perkins Act. In May the House passed the Applied Technology Education Amendments of 1989 (H.R. 7). The Senate held hearings on its reauthorization bill (S. 1109, which is a simple extension of the authorization of appropriations) during the summer of 1989. Among proposed changes, H.R. 7 alters the Perkins basic State grant formula and contains formulas for distributing basic grant funds within States. This report discusses provisions in the Act for the basic grant formula and within State distributions of funds and examines the changes proposed in H.R. 7.

The current basic grant formula has the following components: distribution of funds is based primarily on State population, but allocations are adjusted to compensate those States with younger populations, to compensate States with fewer resources, and to ensure that no State receives less than a minimum grant. Our analyses show that the influence of these individual adjustments is relatively small for most States but can be substantial for a few States. For example, the minimum grant provisions increase (sometimes markedly) the grants of a few (mostly sparsely populated) States while slightly decreasing grants for all other States.

The basic grant formula in H.R. 7 is similar to current law except that it contains additional provisions for minimum and maximum payments to States and specifies that no State would receive less than its FY 1989 grant. Because of this FY 1989 "hold harmless," the H.R. 7 formula would not change the amount a State receives unless Perkins Act appropriations increase. Proposed changes would allocate most increases above the FY 1989 appropriation to States that are not affected by current minimum grant provisions.

Currently, States have considerable flexibility in their distribution of basic grants. In part because of findings by the General Accounting Office that some State distributions may favor "wealthier communities over poorer ones," H.R. 7 specifies how States must distribute their Perkins basic grants. H.R. 7 requires that 70 percent of funds for school districts and postsecondary institutions be distributed based on poverty, 20 percent be based on number of handicapped students, and 10 percent be based on enrollment. The data needed to estimate the effects of these proposed formulas are not available at the Federal level. All that can be said with any confidence is that local grants would be no less than the H.R. 7 local hold harmless levels (assuming no decrease in State funding).

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INTRODUCTION AND OVERVIEW

Federal funding for the Carl D. Perkins Vocational Education Act (P.L. 98-524), the major Federal statute supporting vocational education, is authorized through FY 1989,[1] and the 101st Congress is considering the reauthorization of the Act. In May the House passed the Applied Technology Education Amendments of 1989 (H.R. 7). The Senate held hearings on its reauthorization bill (S. 1109)[2] in June and July of 1989.

Among proposed changes, H.R. 7 makes some alterations in the Perkins basic State grant formula and specifies how States should distribute these basic grant funds to local school districts and postsecondary institutions.[3] This report discusses the current formula and within State distributions of funds and examines the changes proposed in H.R. 7.

State population between the ages of 15 and 65 is a major component of the basic grant formula. The formula also adjusts grants to increase funds to States with relatively low per capita income (PCI) and to ensure that no

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[1]The General Education Provisions Act (GEPA) automatically extends the Perkins Act authorization for at least an additional year (through FY 1990).

[2]S. 1109 currently is a simple extension of the authorization for appropriations.

[3]The Perkins Act defines postsecondary institutions as "legally authorized to provide postsecondary education within a State, or any postsecondary educational institution operated by or on behalf of any Indian tribe which is eligible to contract with the Secretary of the Interior for the administration of programs under the Indian Self-Determination Act or under the Act of April 16, 1934." The Act also defines vocational education as educational programs providing "other than a baccalaureate or advanced degree." Thus, 4-year postsecondary institutions (unless they provide associate degrees, certificates, or other nonbaccalaureate degrees) are not eligible for Perkins funds. In addition, private institutions--such as for profit schools--have limited eligibility for Perkins funds. To receive funds such schools must "make a significant contribution to obtaining the objectives of the State plan and can provide substantially equivalent training at a lesser cost, or can provide equipment or services not available in public institutions."

State receives less than a minimum amount or a maximum percentage increase. Following an overview of the Perkins Act, the report examines the influence of these components of the formula (population, PCI, and minimum and maximum grants) on the distribution of Perkins basic grants. Next the report analyzes H.R. 7 changes to the basic grant formula, which contains additional provisions for minimum and maximum grants. The report concludes with a discussion of H.R. 7 proposals for the distribution of basic grant funds within States.

THE CARL D. PERKINS VOCATIONAL EDUCATION ACT

On October 19, 1984, the Carl D. Perkins Vocational Education Act was signed into law (P.L. 98-524).[4] The Act, which is named for the late chairman of the House Education and Labor Committee, repealed and replaced the Vocational Education Act of 1963 (P.L. 88-210). The purposes of the Perkins Act include improving access to quality vocational education for groups such as the disadvantaged and the handicapped and assisting States to expand, improve, and modernize vocational education programs. The Federal Government provides funding under the Perkins Act for these and other purposes; however, Perkins funds represent less than 10 percent of all public expenditures for vocational education. State and local funds provide the preponderance of resources for vocational education.

The authorization of appropriations under the Perkins Act was $950 million for FY 1985 and "such sums as may be necessary" for FY 1986 through FY 1989. Figure 1 shows the total appropriations for the Perkins Act and appropriations adjusted for inflation for FY 1985[5] to FY 1989. Except for the post-sequestration amount in FY 1986,[6] total annual

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[4]For further information on the Perkins Act, see U.S. Library of Congress. Congressional Research Service. *Federal Vocational Education Legislation: Recurring Issues During the Last Quarter Century*. CRS Report for Congress No. 88-704 EPW, by Richard N. Apling and Paul M. Irwin. Washington, 1988, and U.S. Library of Congress. Congressional Research Service. *Carl D. Perkins Vocational Education Act: Issues for Reauthorization*. Issue Brief No. IB89069, by Richard N. Apling and Paul M. Irwin. Aug. 11, 1989 (updated regularly). Washington, 1989.

[5]FY 1985 was the first year for which funds were provided under the Perkins Act.

[6]As a result of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177), most programs in the U.S. Department of Education were subject to a uniform percentage reduction (sequestration) of 4.3 percent in FY 1986. For further information, see U.S. Library of Congress. Congressional Research Service. *Gramm-Rudman-Hollings and Department* (continued...)

appropriations have increased for each year of the Perkins Act. However, annual appropriation levels have actually decreased by 7.2 percent during this period when adjusted for inflation.

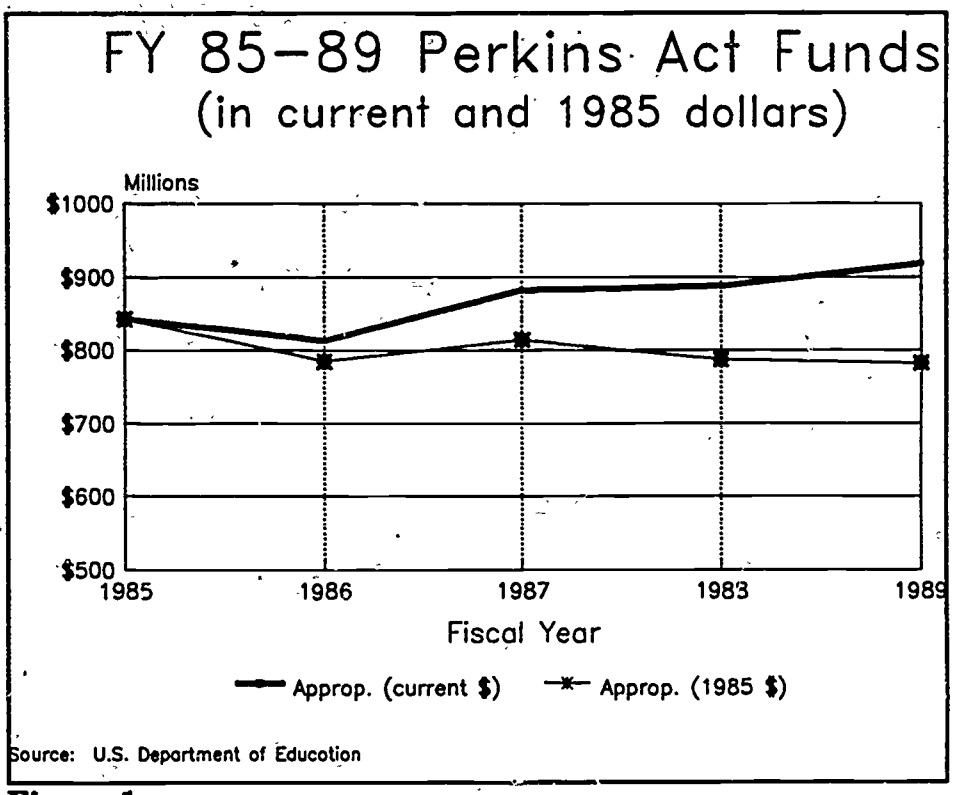

Figure 1

Most of the funding for the Act is authorized under basic State grants and national programs. Of the amount authorized for these purposes, 2 percent is reserved for national programs, 1.25 percent for Indian programs, and 0.25 percent for native Hawaiian programs. Funding for basic State grants comprises about 90 percent of the appropriations for the Perkins Act. Besides basic State grants and national programs, the Perkins Act authorizes several other vocational education programs (only those that are starred (*) have ever been funded):

- *Community-Based Organizations
- *Consumer and Homemaker Education
- Adult Training, Retraining, and Employment Development

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[6](...continued)
of Education Programs. CRS Report No. 86-544 EPW, by Angela M. Evans. Washington, 1986.

- Career Guidance and Counseling
- Industry-Education Partnership for Training in High Technology Occupations
- *State Councils on Vocational Education
- *Bilingual Vocational Training

Figure 2 shows the distribution of FY 1989 funds for basic grants and for other programs and activities authorized by the Perkins Act. (See the table in appendix A for further details on appropriation amounts.)

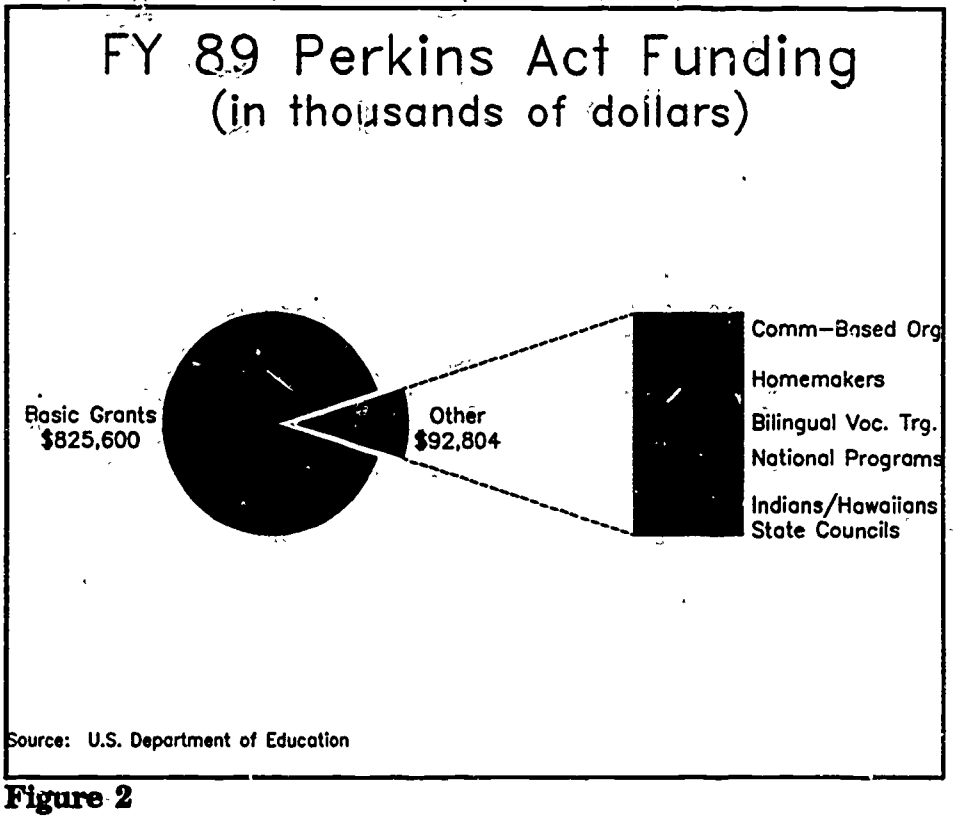

Figure 2

From its basic State grant, each State may reserve up to 7 percent for administrative expenses. Of the remaining amount, each State must spend 43 percent for vocational education program improvement, innovation, and expansion. The other 57 percent must be spent for vocational education

programs for special populations and activities.[7] Figure 3 shows the distribution of basic State grants between resources for program improvement and for special populations. Each State must distribute at least 80 percent of its basic State grant to local educational agencies and postsecondary institutions. However, 100 percent of funds reserved for the disadvantaged and handicapped must be distributed by formulas specified in the Act.

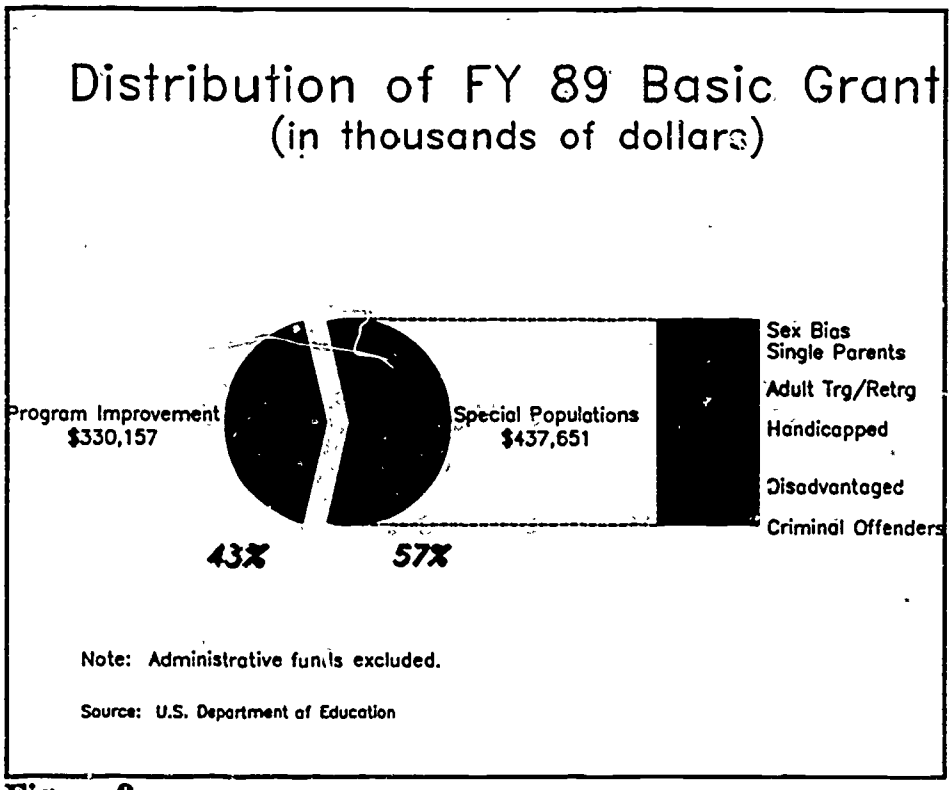

Figure 3

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[7]The Perkins Act requires States to distribute 57 percent of their basic grants as follows:

Handicapped Individuals	10.0
Disadvantaged Individuals	22.0
Adults in Need of Training and Retraining	12.0
Single Parents and Homemakers	8.5
Elimination of Sex Bias and Stereotyping	3.5
Criminal Offenders	1.0
Total	57.0

Congress has amended the Perkins Act several times since passing the Act in 1984. For the most part, these have been technical amendments and have not significantly changed the Act. For example, the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments (P.L. 100-297) amended the Perkins Act to make funds available for single pregnant women that were otherwise available for single parents and homemakers under the basic State grants program. The Omnibus Trade and Competitiveness Act of 1988 (P.L. 100-418) made the most recent amendments to the Act, adding new provisions for job training in high growth and high technology occupations.[8]

CURRENT FORMULA FOR STATE BASIC GRANTS

This part of the report discusses the current State basic grant formula. As noted earlier, basic grant allocations are made to States according to population groups, with adjustments to provide relatively larger grants to States with younger populations and lower income per capita and to ensure minimum and maximum grants. The first section summarizes the components of the formula. Each successive section analyzes the influences of individual components of the formula on the distribution of basic grants to States.

OVERVIEW OF THE CURRENT FORMULA

Although Congress has changed some aspects of the State allocation formula (such as the minimum payment a State could receive), the current formula is similar to the formula used over the last 25 years. The current State allocation formula distributes funds based on population in three groups (15-19, 20-24, and 25-65 years old) and PCI. The formula counts population in each age group differently. In effect, 55 percent of this part of the formula depends on the population in the 15 to 19 age group, 25 percent depends on the 20 to 24 group, and 20 percent depends on the 25 to 65 group.[9] To compensate States with lower PCIs, the formula uses an allotment ratio based on a 3-year moving average of PCI to adjust States' allocations. The PCI adjustment raises allotments for lower income States and reduces allotments

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[8]For a summary of amendments to the Perkins Act, see U.S. Library of Congress. Congressional Research Service. *Federal Vocational Education Legislation: Recurring Issues During the Last Quarter Century.* CRS Report for Congress No. 88-704 EPW, by Richard N. Apling and Paul M. Irwin. Washington, 1988. Appendix A.

[9]More specifically, the formula multiplies a State's population between the ages of 15-19 by a factor or weight of .55, the 20-24 age group by .25, and the 25-65 group by .20.

for higher income States.[10] The allotment ratio is multiplied by each population group and the results are totaled for each group. Allocations are then based on the each State's proportions of these totals.

The formula makes several adjustments so that no State receives less than a minimum amount, which is the greater of:

- the State's Perkins grant in FY 1985, and
- 0.5 percent of the total allocation for basic grants.

The minimum allotment under the Perkins Act for each of the Outlying Areas[11] is $200,000.[12] The Act also provides that no State (as a result of the minimum grant provision) is to receive an increase that is more than 50 percent greater than its grant for the preceding fiscal year.

STATE POPULATION AS A COMPONENT OF THE FORMULA

This section discusses the influence of State population on Perkins grant allocations. State population between the ages of 15 and 65 is the primary

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[10]The formula is 1.0 -(0.5 x (State average PCI/National average PCI)). The Act places a maximum of 0.6 and a minimum of 0.4 on the ratio. For example, the calculated ratio for Alabama (using data from FY 1985-87) is 0.614, which is reduced to the maximum of 0.6, and the calculated ratio for Alaska is 0.371, which is increased to the minimum of 0.4. The Act provides that the ratio for Puerto Rico and the Outlying Areas is 0.6.

[11]For the purposes of this report, the Outlying Areas of the United States are American Samoa, Guam, the Northern Mariana Islands, the Virgin Islands, and Palau. Palau is the only remaining part of the Trust Territories of the Pacific Islands (TTPI). Under the Compact of Free Association Act of 1985 (P.L. 99-239), two of the areas formerly in the TTPI--the Republic of the Marshall Islands and the Federated States of Micronesia--adopted Compacts of Free Association by local referendum, are no longer part of the United States, and are no longer eligible for Federal grants. Voters of Palau have not yet adopted their Compact of Free Association. Thus, Palau is still part of the United States and eligible for Federal grants. P.L. 99-239 provides that Palau will continue to be eligible to receive a proportional share--i.e., proportional to Palau's share of the relevant population in the entire former TTPI--of Federal education and other grant programs until it adopts a Compact of Free Association with the United States.

[12]The proportion of the $200,000 minimum for Outlying Areas that the U.S. Department of Education reserves for the basic grants program is $191,167. Palau's proportionate share of the minimum grant that would have gone to the TTPI is $65,242.

factor in the current allocation of Federal vocational education funds to States. In general, the more populous a State the more Perkins funds it receives. The General Accounting Office (GAO), in its catalog of Federal grant formulas, notes that population in a grant formula serves as a proxy for the cost of program services.[13] One reason for distributing funds based on population is that all people between the ages of 15 and 65 are eligible for vocational education services. If other relevant factors are equal, the more eligible participants, the greater the total cost of the program. One reason for counting age groups differently is that those between the ages of 15 to 19 are most likely to participate in public vocational education.[14]

Table 1 presents the allocation of Perkins funds if the formula were based only on State population between the ages of 15 and 65 and shows what happens when different adjustments are made for populations in the three age groups (i.e., 15-19, 20-24, and 25-65).[15] This and other tables use percentage change to show the influence of formula components. In addition, because States receive very different amounts of funds, many tables also present grants per capita (i.e., the State's grant divided by the State's 15-65 population) to show the influence of formula components.

The first numerical column in table 1 shows the distribution of State basic grant funds for FY 1989 based solely on State population ages 15-65. The second column shows changes in grants when the adjustments for age groups are applied. The third numerical column contains percentage difference between the two grant amounts. The third and fourth columns present the per capita amounts for the grants. The last column contains the percentage of each State's population in the 15 to 19 age group, since this is the group given most weight in the formula.

As expected, funds allocated only on population would result in the same per capita grant for everyone (i.e., $4.99--the FY 1989 per capita grant for the United States as a whole). Giving most weight to people in the 15-19 age

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[13]U.S. General Accounting Office. *Grant Formulas: A Catalog of Federal Aid to States and Localities*. Report GAO/HRD-87-28, Mar. 23, 1987. Washington, 1987.

[14]The National Assessment of Vocational Education reports that 97 percent of all high school students take at least some vocational education.

[15]Estimates in this and other tables were calculated using population and income data from the U.S. Department of Education. Estimates are rounded to the nearest $1,000. Unless otherwise noted, estimates are based on the FY 1989 appropriation level for basic grants of $825.6 million. Estimated grants for the Outlying Areas may differ from those calculated by the U.S. Department of Education. Also, entitlements and allocations for the "Trust Territory of the Pacific Islands" for FY 1989 are not comparable to those for FY 1985, because the composition and status of that area have changed.

bracket would increase grants to States with younger populations and reduce grants to those with older populations. A comparison between the allocations for Mississippi and Florida illustrates the influence of this component of the formula. Approximately 13 percent of Mississippi's adult population is between the ages of 15 and 19. Florida has about 10 percent in that age range. The population adjustment in the allocation formula would raise Mississippi's allocation by nearly 13 percent and reduce Florida's by about 7 percent. The changes resulting from the population group adjustments range from a loss of -10.0 percent to a gain of 14.4 percent. Per capita grants range from $4.49 to $5.71. Twenty-five States would receive additional funds because of these adjustment.

TABLE 1. Comparison of Basic State Formula Grants Based on Population Ages 15-65 and on Adjusted Population

State	Grant based on population (15-65) (1)	Grant based on adjusted population (2)	Percent difference columns 1 and 2 (3)	Grant per capita (15-65) (4)	Grant per capita (15-65) (adjusted) (5)	Percent ages 15-19 (6)
Alabama	$13,486,000	$14,199,000	5.29%	$4.99	$5.25	12.32
Alaska	1,801,000	1,802,000	0.06	4.99	4.99	11.08
Arizona	11,066,000	11,032,000	-0.31	4.99	4.97	11.27
Arkansas	7,643,000	8,049,000	5.31	4.99	5.25	12.34
California	93,835,000	88,592,000	-5.59	4.99	4.71	10.36
Colorado	11,400,000	10,878,000	-4.58	4.99	4.76	10.59
Connecticut	10,986,000	10,681,000	-2.78	4.99	4.85	10.94
Delaware	2,210,000	2,195,000	-0.68	4.99	4.95	11.06
Florida	38,955,000	36,253,000	-6.94	4.99	4.64	10.26
Georgia	21,079,000	22,132,000	5.00	4.99	5.24	12.19
Hawaii	3,707,000	3,620,000	-2.35	4.99	4.87	10.63
Idaho	3,163,000	3,341,000	5.63	4.99	5.27	12.62
Illinois	38,795,000	38,483,000	-0.80	4.99	4.95	11.25
Indiana	18,510,000	19,033,000	2.83	4.99	5.13	11.89
Iowa	9,160,000	9,238,000	0.85	4.99	5.03	11.55
Kansas	8,067,000	7,885,000	-2.26	4.99	4.88	10.95
Kentucky	12,418,000	12,951,000	4.29	4.99	5.20	12.05
Louisiana	14,543,000	15,401,000	5.90	4.99	5.28	12.21
Maine	3,956,000	4,065,000	2.76	4.99	5.13	11.85
Maryland	15,816,000	15,533,000	-1.79	4.99	4.90	10.95
Mass.	20,096,000	19,668,000	-2.13	4.99	4.88	10.82
Michigan	31,052,000	32,283,000	3.96	4.99	5.19	12.11
Minnesota	14,094,000	13,971,000	-0.87	4.99	4.95	11.19
Mississippi	8,367,000	9,451,000	12.96	4.99	5.64	13.54
Missouri	16,808,000	16,677,000	-0.78	4.99	4.95	11.28
Montana	2,629,000	2,605,000	-0.91	4.99	4.94	11.39
Nebraska	5,159,000	5,156,000	-0.06	4.99	4.99	11.32
Nevada	3,487,000	3,138,000	-10.01	4.99	4.49	9.59
New Hampshire	3,627,000	3,616,000	-0.30	4.99	4.97	11.28
New Jersey	26,313,000	25,589,000	-2.75	4.99	4.85	11.00
New Mexico	4,929,000	5,127,000	4.02	4.99	5.19	12.04
New York	60,473,000	59,054,000	-2.35	4.99	4.87	10.96
N. Carolina	21,957,000	22,444,000	2.22	4.99	5.10	11.72
North Dakota	2,140,000	2,170,000	1.40	4.99	5.06	11.42

TABLE 1. Comparison of Basic State Formula Grants Based on Population Ages 15-65 and on Adjusted Population--Continued

State	Grant based on population (15-65) (1)	Grant based on adjusted population (2)	Percent difference columns 1 and 2 (3)	Grant per capita (15-65) (4)	Grant per capita (15-65) (adjusted) (5)	Percent ages 15-19 (6)
Ohio	36,026,000	36,432,000	1.13	4.99	5.05	11.70
Oklahoma	10,677,000	10,799,000	1.14	4.99	5.05	11.59
Oregon	9,025,000	8,559,000	-5.16	4.99	4.73	10.72
Pennsylvania	39,858,000	39,115,000	-1.86	4.99	4.90	11.14
Rhode Island	3,323,000	3,273,000	-1.50	4 99	4.91	10.96
S. Carolina	11,565,000	12,209,000	5.57	4.99	5.27	12.17
South Dakota	2,250,000	2,286,000	1.60	4.99	5.07	11.53
Tennessee	16,364,000	16,531,000	1.02	4.99	5.04	11.62
Texas	55,449,000	57,147,000	3.06	4.99	5.14	11.93
Utah	5,025,000	5,754,000	14.42	4.99	5.71	13.69
Vermont	1,861,000	1,914,000	2.85	4.99	5.13	11.80
Virginia	20,650,000	20,485,000	-0.80	4.99	4.95	11.02
Washington	15,337,000	14,736,000	-3.92	4.99	4.79	10.83
W. Virginia	6,266,000	6,486,000	3.51	4.99	5.16	12.18
Wisconsin	15,806,000	16,091,000	1.80	4.99	5.08	11.62
Wyoming	1,616,000	1,593,000	-1.42	4.99	4.92	11.11
Dist. of Col.	2,185,000	1,900,000	-13.04	4.99	4.34	8.90
Puerto Rico	9,759,000	12,875,000	31.93	4.99	6.58	17.23
Amer. Samoa	90,000	145,000	61.11	4.99	8.05	22.22
Guam	329,000	441,000	34.04	4.99	6.68	16.67
N. Marianas	50,000	78,000	56.00	4.99	7.78	20.00
Trust Terr. a/	--	--	--	--	--	--
Virgin Is.	280,000	373,000	29.07%	4.99	6.43	17.24
U.S. Totals	$825,600,000	$825,600,000	0.00%	$4.99	$4.99	11.38%

a/ Current population figures by age groups are not available for the Trust Territory. See footnote 11 for a discussion of the status of the Trust Territory.

NOTE: Grant estimates are rounded to the nearest $1,000.

Source: Congressional Research Service calculations based on data from the U.S. Department of Education

THE PER CAPITA INCOME ADJUSTMENT

In addition to adjustments for the age of a State's population, another component of the Perkins basic grant formula is the adjustment for a State's average PCI. This section examines the influence of the PCI adjustment on allocations to States. Per capita income is a measure of fiscal capacity, that is, a State's ability to pay for vocational education or other programs.[16] The current formula adjusts for a State's fiscal capacity by increasing payments to States with relatively low PCIs and reducing payments to wealthier States. One argument behind this approach is that relatively poor States (as indicated by lower personal income per capita) have less fiscal capacity to raise revenues for vocational education and thus require more Federal assistance.

Table 2 shows changes in allocations resulting from adjusting the formula for States' PCI. Column 1 contains State grants based on weighted population ages 15 to 65. (These grants are identical to those in column 2 in table 1.) Column 2 shows State grants adjusted for States' average PCI and for population, and column 3 shows the percentage differences resulting from this adjustment. Columns 4 and 5 contain the per capita grants based on the two formulas. The last column of table 2 contains each State's PCI averaged over 1985, 1986, and 1987 (as used in the Perkins basic grant formula).

Comparing columns 3 and 6 shows that States with an average PCI less than the national average of $14,660 would receive increased grants after the PCI adjustment is applied. The adjustment would reduce grants for those States with PCI's above the national average. Comparing Alabama and Alaska illustrates the influence of this adjustment. Alabama--one of the poorest States as measured by PCI--would have its grant increased by nearly 20 percent. Alaska--with the Nation's highest PCI--would experience a reduction of more than 20 percent resulting from the PCI adjustment. Changes resulting from this adjustment would range from -20.4 percent to 19.4 percent and per capita grants for States would vary from $3.86 to $6.81. Nineteen States would experience reduced funding (compared with grants based on population alone) and 31 would gain funds.[17]

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[16]Some have criticized the use of PCI as a measure of fiscal capacity because it includes only personal income, which may only approximate other aspects of the tax base such as residential and commercial property, general sales, and corporate income. For further discussion of this topic, see U.S. Department of the Treasury. Office of State and Local Finance. *Federal-State-Local Fiscal Relations*. Sept. 1985. Washington, 1985. p. 207-250.

[17]As one would expect, given that the Perkins Act sets the allotment ratio at the maximum (0.6) for the Outlying Areas, the PCI adjustment in the formula would substantially increase grants for these recipients.

TABLE 2. Comparison of Basic State Formula Grants Based on Adjusted Population Ages 15-65 and on Adjustments for Per Capita Income

State	Grant based on adjusted population (1)	Grant adjusted for per capita income (2)	Percent difference columns 1 and 2 (3)	Grant per capita (15-65) (Adjusted) (4)	Grant per capita adjusted for per capita income (5)	Average per capita income (1985-87) (6)
Alabama	$14,199,000	$16,945,000	19.34%	$5.25	$6.27	$11,312
Alaska	1,802,000	1,434,000	-20.42	4.99	3.97	18,444
Arizona	11,032,000	11,730,000	6.33	4.97	5.29	13,649
Arkansas	8,049,000	9,606,000	19.34	5.25	6.27	11,018
California	88,592,000	74,813,000	-15.55	4.71	3.98	16,876
Colorado	10,878,000	10,478,000	-3.68	4.76	4.59	15,125
Connecticut	10,681,000	8,500,000	-20.42	4.85	3.86	19,676
Delaware	2,195,000	2,044,000	-6.88	4.95	4.61	15,594
Florida	36,253,000	35,946,000	-0.85	4.64	4.60	14,709
Georgia	22,132,000	23,818,000	7.62	5.24	5.64	13,457
Hawaii	3,620,000	3,581,000	-1.08	4.87	4.82	14,743
Idaho	3,341,000	3,987,000	19.34	5.27	6.29	11,287
Illinois	38,483,000	35,936,000	-6.62	4.95	4.62	15,557
Indiana	19,033,000	20,872,000	9.66	5.13	5.63	13,157
Iowa	9,238,000	9,991,000	8.15	5.03	5.44	13,380
Kansas	7,885,000	7,938,000	0.67	4.88	4.91	14,485
Kentucky	12,951,000	15,457,000	19.35	5.20	6.21	11,367
Louisiana	15,401,000	18,381,000	19.35	5.28	6.31	11,332
Maine	4,065,000	4,530,000	11.44	5.13	5.71	12,892
Maryland	15,533,000	12,972,000	-16.49	4.90	4.09	17,012
Mass.	19,668,000	15,652,000	-20.42	4.88	3.89	17,694
Michigan	32,283,000	31,942,000	-1.06	5.19	5.13	14,736
Minnesota	13,971,000	13,553,000	-2.99	4.95	4.80	15,023
Mississippi	9,451,000	11,278,000	19.33	5.64	6.72	9,731
Missouri	16,677,000	17,378,000	4.20	4.95	5.16	13,963
Montana	2,605,000	3,109,000	19.35	4.94	5.90	11,698
Nebraska	5,156,000	5,490,000	6.48	4.99	5.31	13,627
Nevada	3,138,000	2,944,000	-6.18	4.49	4.21	15,496
New Hamp.	3,616,000	3,162,000	-12.56	4.97	4.35	16,432
New Jersey	25,589,000	20,363,000	-20.42	4.85	3.86	18,923
New Mexico	5,127,000	6,119,000	19.35	5.19	6.19	11,512
New York	59,054,000	49,888,000	-15.52	4.87	4.12	16,870
N. Carolina	22,444,000	25,663,000	14.34	5.10	5.83	12,467
North Dakota	2,170,000	2,483,000	14.42	5.06	5.79	12,455
Ohio	36,432,000	38,125,000	4.65	5.05	5.28	13,896

TABLE 2. Comparison of Basic State Formula Grants Based on Adjusted Population Ages 15-65 and on Adjustments for Per Capita Income--Continued

State	Grant based on adjusted population (1)	Grant adjusted for per capita income (2)	Percent difference columns 1 and 2 (3)	Grant per capita (15-65) (adjusted) (4)	Grant per capita adjusted for per capita income (5)	Average per capita income (1985-87) (6)
Oklahoma	$10,799,000	$12,465,000	15.43%	$5.05	$5.82	$12,308
Oregon	8,559,000	9,303,000	8.69	4.73	5.14	13,302
Pennsylvania	39,115,000	39,717,000	1.54	4.90	4.97	14,355
Rhode Island	3,273,000	3,261,000	-0.37	4.91	4.90	14,635
S. Carolina	12,209,000	14,571,000	19.35	5.27	6.29	11,341
South Dakota	2,286,000	2,719,000	18.94	5.07	6.03	11,790
Tennessee	16,531,000	19,379,000	17.23	5.04	5.91	12,042
Texas	57,147,000	60,917,000	6.60	5.14	5.48	13,608
Utah	5,754,000	6,867,000	19.34	5.71	6.81	10,992
Vermont	1,914,000	2,076,000	8.46	5.13	5.57	13,335
Virginia	20,485,000	19,251,000	-6.02	4.95	4.65	15,470
Washington	14,736,000	14,478,000	-1.75	4.79	4.71	14,841
W. Virginia	6,486,000	7,741,000	19.35	5.16	6.16	10,568
Wisconsin	16,091,000	16,784,000	4.31	5.08	5.30	13,946
Wyoming	1,593,000	1,790,000	12.37	4.92	5.53	12,753
Dist. of Col.	1,900,000	1,512,000	-20.42	4.34	3.45	19,029
Puerto Rico	12,875,000	15,358,000	19.29	6.58	7.85	na
Am. Samoa	145,000	173,000	19.31	8.05	9.60	na
Guam	441,000	526,000	19.27	6.68	7.97	na
N. Marianas	78,000	93,000	19.23	7.78	9.29	na
Trust Terr. a/	--	--	--	--	--	na
Virgin Is.	373,000	445,000	19.30	6.43	7.67	na
U.S. Totals	$825,600,000	$825,600,000	0.00%	$4.99	$4.99	$14,660

a/ See footnote 11 for a discussion of the status of the Trust Territory.

NOTE: Grant estimates are rounded to the nearest $1,000.

Source: Congressional Research Service calculations based on data from the U.S. Department of Education.

MINIMUM GRANTS AND HOLD HARMLESS PROVISIONS

Besides distributing funds based on State population and average PCI, the Perkins formula provides minimum grants and maximum increases. These minimum and maximum grants mitigate the influences of other components of the formula. One argument for a minimum grant is that below a certain amount a State grant is too small to be used effectively. For the Perkins Act, that amount has been set at 0.5 percent of the total appropriations for basic grants.[18] For FY 1989 this amount is $4,120,963.[19] The current law also stipulates that no State shall receive--as a result of the application of the minimum grant provision--a grant that is 50 percent greater than its grant in the previous fiscal year.

The Perkins Act also protects States against relatively large decreases in their State grants resulting from changes in the levels of a State's factors that make up the formula. The current Perkins formula protects ("holds harmless") a State against decreases below its FY 1985 grant level if, for example, the State experienced a significant decrease in population or if PCI increased. In either case--decreasing population or increasing PCI--the current formula would reduce a State's allocation. The hold harmless level ensures that a State will receive at least what it received in FY 1985.[20]

Table 3 illustrates the influences of the FY 1985 hold harmless and the minimum State grant. The first numerical column is the same as column 2 in table 2 (grants based on adjustments for population groups and for PCI). The second column shows each State's FY 1985 grant. The next two columns indicate whether the FY 1985 hold harmless, the minimum grant provision, or both apply to a State. Column 5 shows grants after applying the hold harmless and minimum grant. (These grants are also estimates of actual FY 1989 grants rounded to the nearest $1,000.) Column 6 shows the influence of these adjustments in terms of percentage change, and the last two columns show the influence on per capita grants.

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[18]Some Federal formula grant programs--for example, the Dwight D. Eisenhower Mathematics and Science Education Act--also specify a minimum State grant of 0.5 percent.

[19]As we discussed previously, current law provides that the minimum grant for the Outlying Areas is $200,000.

[20]The minimum grant provisions of the Act are interrelated. The State minimum for a given State is the greater of two amounts: the State's FY 1985 allocation and 0.5 percent of the total allocation for basic grants. Additionally, no State may receive a grant that is more than 150 percent of its grant in the previous year as a result of the application of the minimum grant provisions.

Data for Alaska illustrate how the FY 1985 hold harmless and the 0.5 percent minimum grant work. Without either of these adjustments, Alaska would have received approximately $1.43 million (column 1). Since this amount is less than Alaska's FY 1985 grant (column 2), the hold harmless would apply. However, since the hold harmless level for Alaska is less than the 0.5 percent minimum, the minimum grant becomes the final grant for Alaska (column 5).[21]

The result of the FY 1985 hold harmless and the 0.5 percent minimum is to increase grants to some (mostly small) States and decrease grants to other States. The increases range as high as 187.4 percent above what a State would have received without these provisions. The decreases are usually about 3 percent. Fifteen States receive increased grants; 35 experience decreases.

[21]Table 3 displays other patterns of interactions between these two adjustments. Without these adjustments, the estimated grant for Idaho is greater than its FY 1985 grant but less than the 0.5 percent minimum; therefore the final grant is the 0.5 percent minimum. The grants in column 1 for Maryland, Massachusetts, and New York are greater than the State minimum but less than these States' FY 1985 grants; therefore the final grant equals the State's FY 1985 amount. Although it is not completely clear why FY 1989 allocations for these three States would be below their FY 1985 allocations, at least part of the explanation may be a combination of increasing per capita income and declining population, especially in the 15 to 19 age category. Between FY 1983 and FY 1989, PCI in Massachusetts, for example, increased 38.6 percent (third among all States). Between 1984 and 1987 its 15-19 year old population decreased by 9.7 percent (the highest rate of decline among the States).

TABLE 3. Comparison of Basic State Formula Grants Including and Excluding State Minimum Grant Provisions

State	Estimated grant without State minimum (1)	FY 1985 grant (2)	Column 1 less than FY 1985 grant (3)	Column 1 less than 0.5 percent minimum ($4,121,000) (4)	Final estimated grant (5)	Percent difference between columns 1 and 5 (6)	Estimated grant per person aged 15-65 no State minimum (7)	Estimated grant per person aged 15-65 with State minimum (8)
Alabama	$16,945,000	$15,524,000			$16,375,000	-3.4%	$6.27	$6.06
Alaska	1,434,000	1,566,000	Yes	Yes	4,121,000	187.4	3.97	11.42
Arizona	11,730,000	9,957,000			11,336,000	-3.4	5.29	5.11
Arkansas	9,606,000	8,686,000			9,283,000	-3.4	6.27	6.06
California	74,813,000	68,148,000			72,297,000	-3.4	3.98	3.84
Colorado	10,478,000	9,158,000			10,126,000	-3.4	4.59	4.43
Connecticut	8,500,000	8,224,000			8,224,000	-3.2	3.86	3.73
Delaware	2,044,000	2,682,000	Yes	Yes	4,121,000	101.6	4.61	9.30
Florida	35,946,000	31,281,000			34,737,000	-3.4	4.60	4.45
Georgia	23,818,000	21,595,000			23,017,000	-3.4	5.64	5.45
Hawaii	3,581,000	3,919,000	Yes	Yes	4,121,000	15.1	4.82	5.55
Idaho	3,987,000	3,901,000		Yes	4,121,000	3.4	6.29	6.50
Illinois	35,936,000	34,165,000			34,728,000	-3.4	4.62	4.47
Indiana	20,872,000	19,777,000			20,170,000	-3.4	5.63	5.44
Iowa	9,991,000	9,671,000			9,671,000	-3.2	5.44	5.27
Kansas	7,938,000	7,207,000			7,671,000	-3.4	4.91	4.74
Kentucky	15,457,000	14,427,000			14,938,000	-3.4	6.21	6.00
Louisiana	18,381,000	16,548,000			17,763,000	-3.4	6.31	6.09
Maine	4,530,000	4,359,000			4,378,000	-3.4	5.71	5.52
Maryland	12,972,000	13,039,000	Yes		13,039,000	0.5	4.09	4.11

TABLE 3. Comparison of Basic State Formula Grants Including and Excluding State Minimum Grant Provisions--Continued

State	Estimated grant without State minimum (1)	FY 1985 grant (2)	Column 1 less than FY 1985 grant (3)	Column 1 less than 0.5 percent minimum ($4,121,000 (4)	Final estimated grant (5)	Percent difference between columns 1 and 5 (6)	Estimated grant per person aged 15-65 no State minimum (7)	Estimated grant per person aged 15-65 with State minimum (8)
Massachusetts	$15,652,000	$17,324,000	Yes		$17,324,000	10.7%	$3.89	$4.30
Michigan	31,942,000	31,283,000			31,283,000	-2.1	5.13	5.03
Minnesota	13,553,000	13,438,000			13,438,000	-0.8	4.80	4.76
Mississippi	11,278,000	10,346,000			10,898,000	-3.4	6.72	6.50
Missouri	17,378,000	16,877,000			16,877,000	-2.9	5.16	5.01
Montana	3,109,000	3,927,000	Yes	Yes	4,12_,000	32.5	5.90	7.82
Nebraska	5,490,000	5,165,000			5,305,000	-3.4	5.31	5.13
Nevada	2,944,000	3,313,000	Yes	Yes	4,121,000	40.0	4.21	5.90
New Hampshire	3,162,000	3,913,000	Yes	Yes	4,121,000	30.3	4.35	5.67
New Jersey	20,363,000	19,375,000			19,678,000	-3.4	3.86	3.73
New Mexico	6,119,000	5,391,000			5,913,000	-3.4	6.19	5.98
New York	49,888,000	51,362,000	Yes		51,362,000	3.0	4.12	4.24
North Carolina	25,663,000	23,593,000			24,300,000	-3.4	5.83	5.64
North Dakota	2,483,000	3,227,000	Yes	Yes	4,121,000	65.9	5.79	9.61
Ohio	38,125,000	36,354,000			36,843,000	-3.4	5.28	5.10
Oklahoma	12,465,000	10,527,000			12,046,000	-3.4	5.82	5.63
Oregon	9,303,000	8,657,000			8,990,000	-3.4	5.14	4.97
Pennsylvania	39,717,000	38,550,000			38,550,000	-2.9	4.97	4.83
Rhode Island	3,261,000	3,911,000	Yes	Yes	4,121,000	26.4	4.90	6.19
South Carolina	14,571,000	13,293,000			14,081,000	-3.4	6.29	6.07
South Dakota	2,719,000	3,508,000	Yes	Yes	4,121,000	51.5	6.03	9.14

TABLE 3. Comparison of Basic State Formula Grants Including and Excluding State Minimum Grant Provisions--Continued

State	Estimated grant without State minimum (1)	FY 1985 grant (2)	Column 1 less than FY 1985 grant (3)	Column 1 less than 0.5 percent minimum ($4,121,000) (4)	Final estimated grant (5)	Percent difference between columns 1 and 5 (6)	Estimated grant per person aged 15-65 no State minimum (7)	Estimated grant per person aged 15-65 no State minimum (8)
Tennessee	$19,379,000	$17,850,000			$18,728,000	-3.4%	$5.91	$5.71
Texas	60,917,000	49,603,000			58,868,000	-3.4	5.48	5.30
Utah	6,867,000	6,066,000			6,636,000	-3.4	6.81	6.58
Vermont	2,076,000	2,779,000	Yes	Yes	4,121,000	98.5	5.57	11.05
Virginia	19,251,000	18,124,000			18,604,000	-3.4	4.65	4.49
Washington	14,478,000	12,745,000			13,991,000	-3.4	4.71	4.55
West Virginia	7,741,000	7,271,000			7,481,000	-3.4	6.16	5.96
Wisconsin	16,784,000	16,349,000			16,349,000	-2.6	5.30	5.16
Wyoming	1,790,000	1,848,000	Yes	Yes	4,121,000	130.2	5.53	12.72
Dist. of Col.	1,512,000	2,514,000	Yes	Yes	4,121,000	172.5	3.45	9.41
Puerto Rico	15,358,000	13,593,000			14,842,000	-3.4	7.85	7.59
American Samoa	173,000	191,000	Yes a/	Yes a/	191,000	10.7	9.60	10.62

TABLE 3. Comparison of Basic State Formula Grants Including and Excluding State Minimum Grant Provisions--Continued

State	Estimated grant without State minimum (1)	FY 1985 grant (2)	Column 1 less than FY 1985 grant (3)	Column 1 less than 0.5 percent minimum ($4,121,000) (4)	Final estimated grant (5)	Percent difference between columns 1 and 5 (6)	Estimated grant per person aged 15-65 no State minimum (7)	Estimated grant per person aged 15-65 with State minimum (8)
Guam	$526,000	$466,000			$508,000	-3.4%	$7.97	$7.70
Northern Marinas	93,000	191,000	Yes a/	Yes a/	191,000	105.9	9.29	19.12
Trust Territory b/	--	--			--	--	--	--
Virgin Islands	445,000	396,000			430,000	-3.4	7.67	7.41
U.S. Totals	$825,600,000	$777,633,000			$825,600,000	0.0%	$4.99	$4.99

a/ Minimum grant for the Outlying Areas is $200,000 of which approximately $191,000 is allocated to the basic grant.

b/ See footnote 11 for a discussion of the status of the Trust Territory.

NOTE: Grant estimates are rounded to the nearest $1,000.

Source: Congressional Research Service calculations based on data from the U.S. Department of Education.

SUMMARY OF EFFECTS OF BASIC GRANTS COMPONENTS

So far this report has examined the influences on the distribution of Perkins basic State grants as each component of the formula is added. The influence of adding each component can be seen by comparing variations in the grants per capita. (See figure 4.) If the formula were based only on a State's population between the ages of 15 and 65, each State's per capita grant would be the same ($4.99 for FY 1989). When all components are added to the formula, States' per capita grants vary from $3.73 to $12.72. Thus, we see that the combined effect of the components of the formula is to increase the variability of the per capita grants.

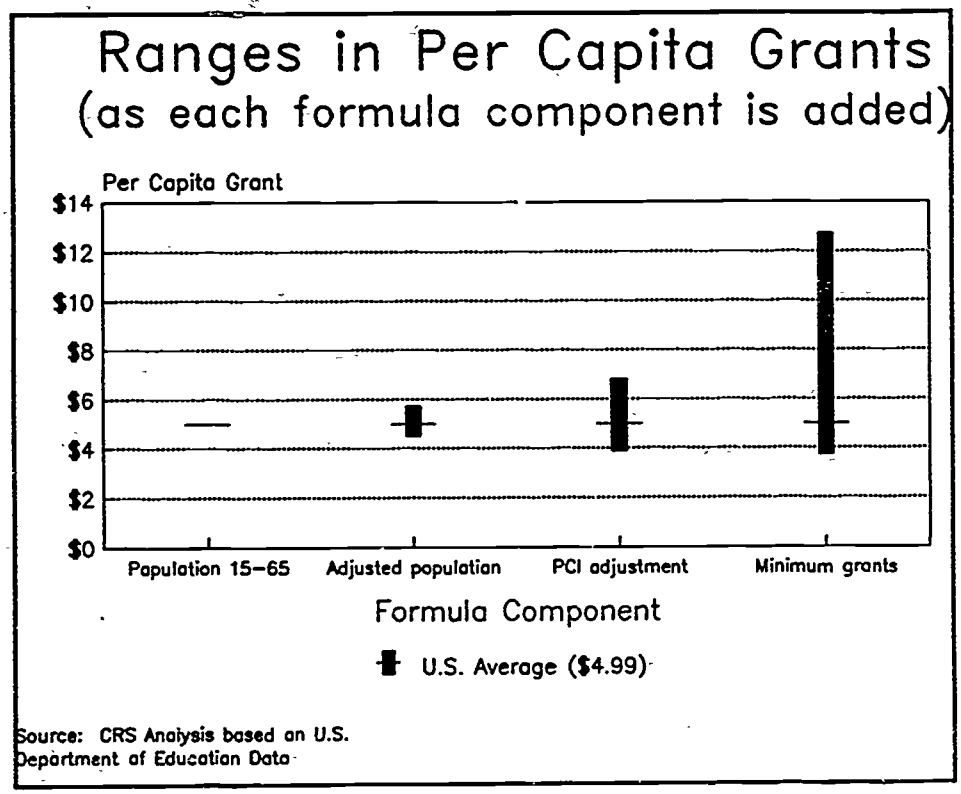

Figure 4

Another perspective on the Perkins basic grant formula is to determine which component of the formula has the most influence on allocations to States. One way to answer this question is to remove each component from the formula and analyze how much allocations change.[22] Table 4 shows that the influence of the formula components is small for most States but can be substantial for some States. Even removing the PCI adjustment, which has the largest influence on State allocations, would produce a median change of 2.65 percent for FY 1989. That is, allocations for 25 of the 50 States would

[22]See appendix B for the complete results of this analysis.

change by 2.65 percent or less. At the same time, relatively wealthier States would experience increases as large as 20 percent, and many States in the South and Southwest would experience decreases as great as 12 percent.

TABLE 4. Summary of Changes as Each Component Is Removed From the Perkins Basic Grant Formula

Formula component removed	Maximum decrease	Maximum increase	Median change
Age adjustment	-8.6%	7.5%	0.9%
PCI adjustment	-12.6	20.5	2.65
Minimum grant	-62.0	2.0	2.0
FY 1985 hold harmless	-11.9	0.9	0.9

Removing the population adjustments would have substantial influence on allocations to States such as Utah and Florida with populations considerably younger or older than the Nation as a whole but would have minor effects for most States. Removing the 0.5 percent minimum grant would slightly increase grants to most States, but several sparsely populated States would experience decreases as much as 62 percent. Similarly, most States would experience relatively minor changes (usually increases of less than 1 percent) as a result of removing the FY 1985 hold harmless provision from the formula. The major exceptions are Maryland, Massachusetts, and New York, which would experience decreases as great as 12 percent.[23]

[23]See footnote 21 for a discussion of these effects.

H.R. 7 ALTERATIONS TO STATE BASIC GRANT FORMULA

The proposed H.R. 7[24] formula is similar to current law except that H.R. 7 contains *additional* provisions for minimum and maximum payments to States and specifies that no State would receive less than its FY 1989 grant. Specifically, H.R.7 provides that, as a result of the minimum grant provisions of the Act, a State cannot receive a grant that is greater than the lesser of two amounts:

1. A grant that results in a per capita grant for the State that is more than 50 percent above the United States per capita grant (in FY 1989 this amount is $4.99 times 1.5 equals $7.49)[25]

2. A grant that is 50 percent greater than the State received in the previous fiscal year (that is, a State might have its grant increased as funds are reallocated from States with high per capita grants, but it could not could not receive more than a 50 percent increase as a result of this redistribution).

H.R. 7 also provides that no State would receive less than its FY 1989 grant.

Because of the proposed FY 1989 hold harmless, a comparison of current law and H.R. 7 State allotments using FY 1989 appropriations would show each State receiving the same amounts in both cases. Thus, to illustrate the differences between the current formula and that proposed under H.R. 7, we have compared FY 1989 allocations under current law with H.R. 7 allocations based on the H.R. 7 authorization level for FY 1990 for basic State grants of $980 million ($1 billion minus 2 percent for national programs), an 18.7

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[24]On May 9, 1989, by a vote of 402 to 3, the House passed H.R. 7, the Applied Technology Education Amendments of 1989, which would amend and extend the Perkins Act. For further information on H.R. 7, see U.S. Library of Congress. Congressional Research Service. *Carl D. Perkins Vocational Education Act: Issues for Reauthorization*. Issue Brief No. IB89069, by Richard N. Apling and Paul M. Irwin, Aug. 11, 1989 (updated regularly). Washington, 1989.

[25]H.R. 7 uses the term "per pupil payments." For the purposes of estimating basic State grants under H.R. 7, we calculated the national average per pupil payment by dividing the total amount for the basic State grants by the total population ages 15 to 65. For States, we divided the State's grant by the State's population ages 15 to 65. It should be noted that these are not, strictly speaking, per pupil payments. Rather they are payments per capita. We have calculated and used per capita payments because sec. 211(3) of H.R. 7 makes reference to sec. 101(a)(2) of current law, which deals with population counts in the age ranges 15 to 19, 20 to 24, and 25 to 65.

percent increase over the FY 1989 appropriations of $825.6 million. When examining these comparisons, it is important to remember that a change in what a State would receive under the H.R. 7 formula is greatly influenced by this hypothetical increase in appropriations. It is important to compare a State's percent change to the national change of 18.7 percent rather than to what the State receives under current law and FY 1989 appropriations. The effects of the H.R. 7 formula can be seen in how it distributes the 18.7 percent increase among the States.

Table 5 shows State-by-State comparisons.[26] The first column of numbers shows the FY 1989 grants under current law. The next column shows the estimated grant amounts when the H.R. 7 formula is applied to the H.R. 7 authorization level. The third numerical column provides percentage differences between the two formulas. The last two columns show the "per capita" grants (i.e., the grant amount divided by the State's population between the ages of 15 and 65) under current law and under the proposed formula.

The table illustrates how the H.R. 7 formula would distribute an increase in appropriations for the Perkins Act above the FY 1989 level of funding. Even though funding for the Perkins Act would increase by nearly 19 percent if appropriations reached the authorization level proposed in H.R. 7, six States (Alaska, Delaware, North Dakota, South Dakota, Vermont, and Wyoming) and the District of Columbia would receive no additional funds. Their allocations and their per capita grants--which range from $9.14 to $12.72, all more than 50 percent above the national average--would remain at their FY 1989 levels because the H.R. 7 minimum grant level prevents these States and the District of Columbia from being reduced to 150 percent of the national per capita grant of $8.88 (assuming funding at the H.R. 7 authorization level). Other States' grants and per capita grants would be raised--in most cases by more than the 18.7 percent increase that funding at the H.R. 7 authorization level would represent.

[26]Because of inadequate data, we have not been able to calculate precise grant amounts under H.R. 7 for the Outlying Areas.

TABLE 5. Comparison of Basic State Grants Under Carl D. Perkins Vocational Education Act and Under H.R. 7, as Passed by the House Using Different Funding Levels

State	Basic FY 89 State grant under current law	H.R. 7 estimated basic State grant	Percent difference between current and H.R. 7 grant	Per capita grant for current law	Per capita grant under H.R. 7
ALABAMA	$16,375,000	$19,737,000	20.5%	$6.06	$7.30
ALASKA	4,121,000	4,121,000	0.0	11.42	11.42
ARIZONA	11,335,000	13,663,000	20.5	5.11	6.16
ARKANSAS	9,283,000	11,189,000	20.5	6.06	7.30
CALIFORNIA	72,293,000	87,137,000	20.5	3.84	4.63
COLORADO	10,125,000	12,204,000	20.5	4.43	5.34
CONNECTICUT	8,224,000	9,900,000	20.4	3.73	4.50
DELAWARE	4,121,000	4,121,000	0.0	9.30	9.30
FLORIDA	34,735,000	41,868,000	20.5	4.45	5.36
GEORGIA	23,016,000	27,742,000	20.5	5.45	6.57
HAWAII	4,121,000	4,900,000	18.9	5.55	6.59
IDAHO	4,121,000	4,900,000	18.9	6.50	7.73
ILLINOIS	34,726,000	41,856,000	20.5	4.47	5.38
INDIANA	20,169,000	24,311,000	20.5	5.44	6.55
IOWA	9,671,000	11,637,000	20.3	5.27	6.34
KANSAS	7,670,000	9,245,000	20.5	4.74	5.72
KENTUCKY	14,937,000	18,004,000	20.5	6.00	7.23
LOUISIANA	17,762,000	21,409,000	20.5	6.09	7.34
MAINE	4,378,000	5,277,000	20.5	5.52	6.65
MARYLAND	13,039,000	15,109,000	15.9	4.11	4.77
MASSACHUSETTS	17,324,000	18,230,000	5.2	4.30	4.53
MICHIGAN	31,283,000	37,205,000	18.9	5.03	5.98
MINNESOTA	13,438,000	15,786,000	17.5	4.76	5.59
MISSISSIPPI	10,898,000	13,135,000	20.5	6.50	7.83
MISSOURI	16,877,000	20,241,000	19.9	5.01	6.01
MONTANA	4,121,000	4,682,000	13.6	7.82	8.88
NEBRASKA	5,305,000	6,394,000	20.5	5.13	6.18
NEVADA	4,121,000	4,900,000	18.9	5.90	7.01
NEW HAMPSHIRE	4,121,000	4,900,000	18.9	5.67	6.74
NEW JERSEY	19,677,000	23,717,000	20.5	3.73	4.50
NEW MEXICO	5,913,000	7,127,000	20.5	5.98	7.21
NEW YORK	51,362,000	58,106,000	13.1	4.24	4.79
NORTH CAROLINA	24,799,000	29,891,000	20.5	5.63	6.79
NORTH DAKOTA	4,121,000	4,121,000	0.0	9.61	9.61
OHIO	36,841,000	44,406,000	20.5	5.10	6.15

TABLE 5. Comparison of Basic State Grants Under Carl D. Perkins Vocational Education Act and Under H.R. 7, as Passed by the House Using Different Funding Levels--Continued

State	Basic FY 89 State grant under current law	H.R. 7 estimated basic State grant	Percent difference between current and H.R. 7 grant	Per capita grant for current law	Per capita grant under H.R. 7
OKLAHOMA	$12,045,000	$14,519,000	20.5%	$5.63	$6.78
OREGON	8,990,000	10,835,000	20.5	4.97	5.99
PENNSYLVANIA	38,550,000	46,260,000	20.0	4.83	5.79
RHODE ISLAND	4,121,000	4,900,000	18.9	6.19	7.36
SOUTH CAROLINA	14,080,000	16,971,000	20.5	6.07	7.32
SOUTH DAKOTA	4,121,000	4,121,000	0.0	9.14	9.14
TENNESSEE	18,726,000	22,572,000	20.5	5.71	6.88
TEXAS	58,865,000	70,952,000	20.5	5.30	6.38
UTAH	6,635,000	7,998,000	20.5	6.58	7.93
VERMONT	4,121,000	4,121,000	0.0	11.05	11.05
VIRGINIA	18,603,000	22,422,000	20.5	4.49	5.42
WASHINGTON	13,990,000	16,863,000	20.5	4.55	5.49
WEST VIRGINIA	7,480,000	9,016,000	20.5	5.96	7.18
WISCONSIN	16,349,000	19,549,000	19.6	5.16	6.17
WYOMING	4,121,000	4,121,000	0.0	12.72	12.72
DIST. OF COL.	4,121,000	4,121,000	0.0	9.41	9.41
PUERTO RICO	14,850,000	17,888,000	20.5	7.59	9.15
AMERICAN SAMOA	191,000	201,000	5.3	-	-
GUAM	520,000	613,000	17.9	-	-
NORTHERN MARIANAS	191,000	191,000	0.0	-	-
TRUST TERRITORY a/	65,000	76,000	16.5	-	-
VIRGIN ISLANDS	441,000	518,000	17.6	-	-
U.S. TOTALS	$825,600,000	$980,000,000	18.7%	$4.99	$5.92

a/ See footnote 11 for a discussion of the status of the Trust Territory.

NOTE: Grant estimates are rounded to the nearest $1,000.

Source: Congressional Research Service calculations based on data from the U.S. Department of Education.

WITHIN STATE ALLOCATIONS

So far this report has discussed the allocation of funds *among* States under the Perkins Act. This section discusses distribution of funds *within* States to school districts, vocational-technical institutes, community colleges, and other providers of vocational education. The first part of the section summarizes within State allocation under current law. The second part discusses proposed changes in allocations within States under H.R. 7.

CURRENT FORMULAS

As noted earlier, the Perkins Act requires each State to allocate 43 percent of its basic grant to program improvement activities and 57 percent for services to special populations (see figure 3). Each State must allocate at least 80 percent of its basic grant to eligible recipients (i.e., a local educational agency or postsecondary educational institution). However, States must distribute 100 percent of funds reserved for the disadvantaged (22 percent of the grant) and for the handicapped (10 percent of the grant) to eligible recipients.[27]

The Perkins Act specifies general formulas for allocating funds earmarked for the disadvantaged and the handicapped within States. States must distribute half the funds for the disadvantaged based on the number of economically disadvantaged persons enrolled by the eligible recipient during the preceding fiscal year. The allocation of the other half of the funds for the disadvantaged is based on the number of disadvantaged students[28] the recipient served in vocational education programs in the preceding fiscal year.[29] Allocation of funds for handicapped students is similar: half of the funds is allocated based on the number of economically disadvantaged students, half is allocated based on the number of handicapped students served by vocational education programs.

The Act does not specify formulas for funds targeted for other special populations (for example, adults in need of training or retraining) but requires States to establish these formulas. Moreover, the Act says very little about the distribution within States of the 43 percent of State basic grants

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[27]The Act also requires that States allocate "more" of the Perkins funds to local school districts and postsecondary institutions in economically depressed areas or in areas with high unemployment.

[28]Disadvantaged students may include both those who are economically disadvantaged and those who are educationally disadvantaged.

[29]The State must assure that eligible recipients reserve a percentage of these funds for limited-English proficient (LEP) students in proportion that is at least equal to the proportion of the recipient's enrollment that is LEP.

earmarked for program improvement, except that any approach a State uses must result in projects and activities that are of sufficient size, scope, and quality to serve the needs of students. In addition, the Act does not specify what proportions of State basic grants to distribute to secondary and postsecondary vocational education.[30]

PROPOSED WITHIN STATE FORMULA UNDER H.R. 7

In part because of findings by the National Assessment of Vocational Education (NAVE) and by the GAO,[31] H.R. 7 contains significant changes to the within State distribution of basic State grant funds. The bill would eliminate most of the specific set-asides for special populations (with required assurances from States that these groups will be served). H.R. 7 would require States to allocate 80 percent of the basic State grants to school districts and postsecondary institutions and use the remaining 20 percent for State-level functions. Figure 5 illustrates how basic State grants would be allocated within States. H.R. 7 would permit a maximum of 5 percent or $250,000 (whichever is greater) for State Administration.[32] Ten percent would be reserved for sex equity programs and programs for single parents, homemakers, and displaced homemakers. Five percent of the State-level funds could be used for the following purposes:

- Business-education-labor partnerships,
- Performance standards and measures,
- Staff training and retraining for integrating academic and "applied technology" education,
- At least one program for incarcerated youth,

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[30]The National Assessment of Vocational Education (NAVE)--a 3-year study of vocational education mandated by the Perkins Act and conducted under the auspice of the U.S. Department of Education--has found that States vary considerably in how they divide their Perkins funds between secondary and postsecondary vocational education. The NAVE reported that the share of Perkins funds allocated to postsecondary vocational education varies from 8 percent to 100 percent.

[31]The GAO found, for example, "that the process some [S]tates use for distributing Perkins funds favors wealthier communities over poorer ones." General Accounting Office. *Vocational Education. Opportunity to Prepare for the Future*. GAO/HRD-89-55, May 10, 1989. Washington, 1989 p. 35.

[32]Not less than $60,000 of these funds must be used for activities of the sex equity coordinator.

- Preservice and inservice training, and
- Support for applied technology student organizations.

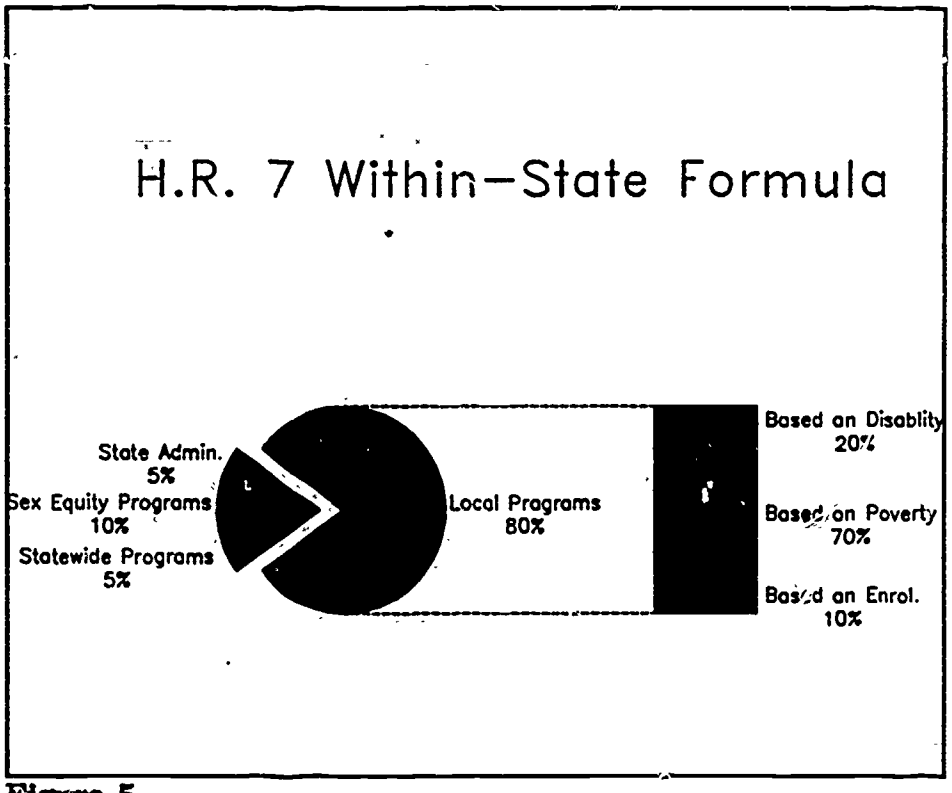

Figure 5

Regarding the 80 percent of the basic grant, States would determine the division of funds between school districts and postsecondary institutions. H.R. 7 specifies formulas for distributing funds to these recipients that, as Figure 5 shows, generally distribute funds based on poverty (70 percent of the funds), number of handicapped students (20 percent), and total enrollment (10 percent). Specifically the formulas provide:

Funds for secondary education programs:[33]

- 70 percent of funds distributed based on a district's proportion of State's basic grant funds from chapter 1 of the Elementary and Secondary Education Act (ESEA),
- 20 percent of funds distributed based on a district's proportion of State's number of handicapped students who have individualized education programs as defined in the Education of the Handicapped Act, and
- 10 percent of funds distributed based on a district's proportion of State's total number of students enrolled and any adults enrolled in any training programs provided by school districts.

Funds for adult and postsecondary programs:

- 70 percent of funds distributed based on an institution's proportion of the total number of Pell Grant recipients and recipients of assistance from the Bureau of Indian Affairs attending institutions in the State,
- 20 percent of funds distributed based on an institution's proportion of the total number of aid recipients under part A of title I of the Rehabilitation Act of 1973 attending institutions in the State, and
- 10 percent of funds distributed based on an institution's proportion of total students enrolled in institutions in the State.

H.R. 7 includes a hold harmless provision that would phase in these formulas and protect school districts and postsecondary institutions from precipitous changes in their Perkins funds. The bill provides that in the first year of the application of these formulas, no school district or postsecondary institution would receive less than 80 percent of the average of its allotment in the 3 previous fiscal years. In years 2 and 3, no school district or

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[33]Some States have school districts that only serve elementary or only secondary school students. H.R. 7 provides that any funds that would be allocated to elementary school districts under this formula would be allocated to the school district or districts that provides secondary school education for students in the elementary school district. H.R. 7 would permit grant recipients to form consortia of more than one recipient, would require school districts that send students to area vocational schools to form consortia with those schools, and would require that school districts receiving a grant of $5,000 or less to participate in a consortium. States would be permitted to grant waivers to rural districts that demonstrate their inability to form a consortium.

postsecondary institution would receive less than 80 percent of its allocation from the previous year. In the fourth year, no local hold harmless provision would apply. This "rolling 3-year" hold harmless would provide a hold harmless level of 80 percent the first year, 64 percent (80 percent of 80 percent) the secondary year, and 51.2 percent (80 percent of 64 percent) the third year.

For the following reasons, we are unable to estimate how much school districts and postsecondary institutions would receive under the formulas proposed in H.R. 7 or how estimated grants under H.R. 7 compare with current amounts.

- The U.S. Department of Education (ED) does not collect data necessary to estimate the effects of the proposed formulas. For example, allocations of chapter 1 funds to counties are available, but ED does not collect allocations to school districts. ED also does not collect data on vocational education funding to school districts and postsecondary institutions.

- Current funding at the substate level can fluctuate substantially from year to year in States using competitive grants to distribute part of their basic State grants. A district's Perkins funds might increase significantly during the time it receives a 3-year grant and drop after the grant expires. Depending on whether the district received a discretionary grant during the year used to estimate changes from H.R. 7 provisions, a district might appear to experience a substantial increase or decrease, not necessarily because of H.R. 7 provisions but because of its discretionary grants status.

- As a result of proposed changes in H.R. 7, States might change the proportions of basic grant funds distributed to secondary and postsecondary vocational education.[34] Such changes could have significant effects on funds institutions receive. For example, a change from a 50-50 split to a 75 split for school districts and a 25 split for postsecondary institutions could mean a 50 percent increase for secondary vocational education and a commensurate decrease for postsecondary institutions. These changes might overshadow any effects from the H.R. 7 intrastate formulas, and it is difficult to

[34]States may very well make changes if H.R. 7 were adopted. For example, one State official told us that set aside requirements in the current law have influenced State decisions on distribution of Perkins funds between secondary and postsecondary institutions. For example, this State distributes 100 percent of the adult set aside to postsecondary institutions but splits program improvement funds evenly between the two levels. The decisions on distributing set aside funds results in an overall distribution of 80 percent of Perkins funds to postsecondary and 20 percent to secondary. Those decisions may be reconsidered if set asides requirements were changed.

- predict which States might alter their secondary-postsecondary distributions and by how much.

All that we can say with certainty about the effects of the H.R. 7 within State formulas is that, because of the hold harmless provision, the most that a school district or postsecondary institution could lose during the first year of the application of these formulas is 20 percent of the average of its grants during the previous 3 fiscal years (if total funding for Perkins basic grants remained the same or increased).

APPENDIX A: Appropriation History of Programs Funded Under the Carl D. Perkins Vocational Education Act, Fiscal Years 1985-1989
(in thousands of dollars)

Fiscal year	1985	1986 a/	1987	1988	1989 b/
State programs:					
Basic grants	($782,503)	($748,738)	($815,000)	($804,216)	($831,566)
State grants	770,613	737,363	802,610	791,768	818,702
Indians and Native Hawaiians	11,890	11,375	12,390	12,448	12,864
Community-based organizations	0	7,178	6,000	6,845	8,892
Consumer and home-making education	31,633	30,273	31,633	32,791	33,118
State councils	7,000	6,986	7,500	7,851	7,904
National programs	(10,178)	(9,570)	(11,000)	(25,658)	(26,005)
Research	6,535	7,369	7,050	7,276	6,965
Demonstrations	143	0	450	14,792	14,594
Data Systems	3,500	2,201	3,500	3,590	4,446
Bilingual vocational training	3,686	3,527	3,686	3,734	3,771
Smith-Hughes Act	(7,148)	(6,841)	(7,148)	(7,148)	(7,148)
State grants	6,898	6,602	6,898	6,898	6,898
Indians and Native Hawaiians	107	102	107	107	107
National programs	143	137	143	143	143
Total	$842,148	$813,113	$881,967	$888,243	$918,404

a/ Numbers shown are post-sequestration amounts under P.L. 99-177.

b/ Amounts are provided by P.L. 100-436, the FY 1989 Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, and are subject to additional legislative action.

NOTE: Numbers in parentheses are subtotals.

Source: Summary and background information on the budget prepared by the U.S. Department of Education (the so-called "press release" documents).

APPENDIX B

The following table illustrates the effects of removing one component at a time from the Perkins basic State grant formula, holding everything else constant, and comparing the results in each case with estimated FY 1989 grant amounts. The first numerical column contains estimates of FY 1989 grants. Column 2 shows grants resulting from a formula without population adjustment but including all other components. Column 3 displays the effects of the adjustment for per capita income. Column 4 shows the results of removing the minimum grant provision. Column 5 contains grants without the benefit of the FY 1985 hold harmless. Columns 6-9 contain percentage differences between the estimated FY 1989 grants in column 1 and each successive formula modification.

Comparison of Effects of Components of the Basic State Grant Formula of the Carl D. Perkins Vocational Education Act

State	Estimated FY 1989 Grant (1)	Formula without population adjustment (2)	Formula without per capita income adjustment (3)	Formula without minimum grant (4)	Formula without FY 1985 hold harmless (5)	Percent differences between column 1 and 2 (6)	between column 1 and 3 (7)	between column 1 and 4 (8)	between column 1 and 5 (9)
Alabama	$16,375,000	$15,570,000	$15,524,000	$16,699,000	$16,526,000	-4.9%	-5.2%	2.0%	0.9%
Alaska	4,121,000	4,121,000	4,121,000	1,566,000	4,121,000	0.0	0.0	-62.0	0.0
Arizona	11,335,000	11,381,000	10,224,000	11,560,000	11,440,000	0.4	-9.8	2.0	0.9
Arkansas	9,283,000	8,825,000	8,686,000	9,467,000	9,368,000	-4.9	-6.4	2.0	0.9
California	72,293,000	76,637,000	82,099,000	73,727,000	72,961,000	6.0	13.6	2.0	0.9
Colorado	10,125,000	10,621,000	10,081,000	10,326,000	10,219,000	4.9	-0.4	2.0	0.9
Connecticut	8,224,000	8,456,000	9,898,000	8,377,000	8,289,000	2.8	20.4	1.9	0.8
Delaware	4,121,000	4,121,000	4,121,000	2,682,000	4,121,000	0.0	0.0	-34.9	0.0
Florida	34,735,000	37,356,000	33,596,000	35,424,000	35,056,000	7.5	-3.3	2.0	0.9
Georgia	23,916,000	21,945,000	21,595,000	23,472,000	23,228,000	-4.7	-6.2	2.0	0.9
Hawaii	4,121,000	4,121,000	4,121,000	3,919,000	4,121,000	0.0	0.0	-4.9	0.0
Idaho	4,121,000	4,121,000	4,121,000	4,929,000	4,121,000	0.0	0.0	-4.7	0.0
Illinois	34,726,000	35,042,000	35,663,000	35,415,000	35,047,000	0.9	2.7	2.0	0.9

Comparison of Effects of Components
of the Basic State Grant Formula
of the Carl D. Perkins
Vocational Education Act--Continued

State	Estimated FY 1989 Grant (1)	Formula without population adjustment (2)	Formula without per capita income adjustment (3)	Formula without minimum grant (4)	Formula without 1985 hold harmless (5)	Percent differences between column 1 and 2 (6)	between column 1 and 3 (7)	between column 1 and 4 (8)	between column 1 and 5 (9)
Indiana	$20,169,000	$19,777,000	$19,777,000	$23,569,000	$20,355,000	-1.9%	-1.9%	2.0%	0.9%
Iowa	9,671,000	9,671,000	9,671,000	9,846,000	9,744,000	0.0	0.0	1.8	0.8
Kansas	7,670,000	7,855,000	7,307,000	7,822,000	7,741,000	2.4	-4.7	2.0	0.9
Kentucky	14,937,000	14,427,000	14,427,000	15,233,000	15,075,000	-3.4	-3.4	2.0	0.9
Louisiana	17,762,000	16,791,000	16,548,000	18,115,000	17,926,000	-5.5	-6.8	2.0	0.9
Maine	4,378,000	4,359,000	4,359,000	4,465,000	4,418,000	-0.4	-0.4	2.0	0.9
Maryland	13,039,000	13,039,000	14,394,000	13,039,000	12,651,000	0.0	10.4	0.0	-3.0
Massachusetts	17,324,000	17,324,000	18,227,000	17,324,000	15,264,000	0.0	5.2	0.0	-11.9
Michigan	31,283,000	31,283,000	31,283,000	31,479,000	31,152,000	0.0	0.0	0.6	-0.4
Minnesota	13,438,000	13,438,000	13,438,000	13,438,000	13,217,000	0.0	0.0	0.0	-1.6
Mississippi	10,898,000	10,346,000	10,346,000	11,114,000	10,998,000	-5.1	-5.1	2.0	0.9
Missouri	16,877,000	16,941,000	16,877,000	17,126,000	16,948,000	0.4	0.0	1.5	0.4
Montana	4,121,000	4,121,000	4,121,000	3,927,000	4,121,000	0.0	0.0	-4.7	0.0
Nebraska	5,305,000	5,313,000	5,165,000	5,410,000	5,354,000	0.2	-2.6	2.0	0.9
Nevada	4,121,000	4,121,000	4,121,000	3,313,000	4,121,000	0.0	0.0	-19.6	0.0
New Hampshire	4,121,000	4,121,000	4,121,000	3,913,000	4,121,000	0.0	0.0	-5.0	0.0
New Jersey	19,677,000	20,253,000	23,713,000	20,067,000	19,859,000	2.9	20.5	2.0	0.9
New Mexico	5,913,000	5,691,000	5,391,000	6,030,000	5,967,000	-3.8	-8.8	2.0	0.9
New York	51,362,000	51,362,000	54,725,000	51,362,000	48,653,000	0.0	6.5	0.0	-5.3
North Carolina	24,799,000	24,286,000	23,593,000	25,291,000	25,028,000	-2.1	-4.9	2.0	0.9
North Dakota	4,121,000	4,121,000	4,121,000	3,227,000	4,121,000	0.0	0.0	-21.7	0.0
Ohio	36,841,000	36,470,000	36,354,000	37,572,000	37,181,000	-1.0	-1.3	2.0	0.9
Oklahoma	12,045,000	11,921,000	10,527,000	12,284,000	12,157,000	-1.0	-12.6	2.0	0.9
Oregon	8,990,000	9,488,000	8,657,000	9,168,000	9,073,000	5.5	-3.7	2.0	0.9

Comparison of Effects of Components of the Basic State Grant Formula of the Carl D. Perkins Vocational Education Act--Continued

State	Estimated FY 1989 Grant (1)	Formula without population adjustment (2)	Formula without per capita income adjustment (3)	Formula without minimum grant (4)	Formula without FY 1985 hold harmless (5)	Percent differences between column 1 and 2 (6)	Percent differences between column 1 and 3 (7)	Percent differences between column 1 and 4 (8)	Percent differences between column 1 and 5 (9)
Pennsylvania	$38,550,000	$39,147,000	$38,550,000	$39,141,000	$38,734,000	1.5%	0.0%	1.5%	0.5%
Rhode Island	4,121,000	4,121,000	4,121,000	3,911,000	4,121,000	0.0	0.0	-5.1	0.0
South Carolina	14,080,000	13,352,000	13,293,000	14,360,000	14,210,000	-5.2	-5.6	2.0	0.9
South Dakota	4,121,000	4,121,000	4,121,000	3,508,000	4,121,000	0.0	0.0	-14.9	0.0
Tennessee	18,726,000	18,556,000	17,850,000	19,098,000	18,899,000	-0.9	-4.7	2.0	0.9
Texas	58,865,000	57,177,000	52,959,000	60,033,000	59,408,000	-2.9	-10.0	2.0	0.9
Utah	6,635,000	6,066,000	6,066,000	6,767,000	6,697,000	-8.6	-8.6	2.0	0.9
Vermont	4,121,000	4,121,000	4,121,000	2,779,000	4,121,000	0.0	0.0	-32.6	0.0
Virginia	18,603,000	18,770,000	18,983,000	18,972,000	18,774,000	0.9	2.0	2.0	0.9
Washington	13,990,000	14,573,000	13,656,000	14,268,000	14,119,000	4.2	-2.4	2.0	0.9
West Virginia	7,480,000	7,271,000	7,271,000	7,629,000	7,549,000	-2.8	-2.8	2.0	0.9
Wisconsin	16,349,000	16,349,000	16,349,000	16,541,000	16,369,000	0.0	0.0	1.2	0.1
Wyoming	4,121,000	4,121,000	4,121,000	1,848,000	4,121,000	0.0	0.0	-55.2	0.0
Dist. of Col.	4,121,000	4,121,000	4,121,000	2,514,000	4,121,000	0.0	0.0	-39.0	0.0
Puerto Rico	14,850,000	13,593,000	13,593,000	15,135,000	14,978,000	-8.5	-8.5	1.9	0.9
American Samoa	191,000	191,000	191,000	191,000	191,000	0.0	0.0	0.0	0.0
Guam	520,000	466,000	466,000	518,000	513,000	-10.4	-10.4	-0.4	-1.3
Northern Mar.	191,000	191,000	191,000	191,000	191,000	0.0	0.0	0.0	0.0
Trust Territory	65,000	65,000	65,000	65,000	65,000	0.0	0.0	0.0	0.0
Virgin Islands	441,000	396,000	396,000	438,000	434,000	-10.2	-10.2	-0.7	-1.6
U.S. Totals	$825,600,000	$825,600,000	$825,600,000	$825,600,000	$825,600,000	0.0%	0.0%	0.0%	0.0%

Grant estimates are rounded to the nearest $1,000.

Source: Congressional Research Service calculations based on data from the U.S. Department of Education.