



# IDENTIFYING LOW-INCOME STUDENTS FOR SUPPLEMENTAL SCHOOL FUNDING

## EXECUTIVE SUMMARY

States are seeking alternative means to identify low-income students for supplemental funding, as many schools no longer need to verify household income to determine students' eligibility for free and reduced-price meals. Instead, states can identify students whose families participate in social service programs with income criteria at or near 200 percent of the federal poverty level. This requires a state-level database matching system that all schools can use to "directly certify" their low-income students. States can also consider neighborhood conditions that impact student outcomes. Direct certification coupled with a neighborhood adjustment provides an accurate measure of student poverty, which schools can readily use to access supplemental funding in a timely manner.

## INTRODUCTION

Nearly all states provide supplemental school funding for their low-income students, but identifying these students has become more difficult.<sup>1</sup> For several decades, most states used eligibility for free and reduced-price meals (FARM), which is set at 185 percent of the federal poverty level (FPL). However, under recent policies from the U.S. Department of Agriculture, which oversees the school meals program, many schools no longer must establish individual student FARM eligibility each year. Instead, schools with FARM percentages above 40 percent among enrollees can assume that *all* students in the school are eligible for the following four years. While this broader approach promotes better student nutrition, it also inflates the FARM count and makes it less reliable for school funding purposes.<sup>2</sup> This brief describes the best practices for identifying low-income students for school funding purposes.

## BEST PRACTICES FOR IDENTIFYING LOW-INCOME STUDENTS

### Key Factors

In determining the best strategies for states to identify low-income students, there are several important factors to consider and questions to answer.

- **Accuracy:** Does the state's method accurately count the number of students in a school who meet the income eligibility criteria, or will there be an undercount or overcount? Can schools artificially increase their counts to get more funding? Do the criteria unintentionally reward poor performance or bad behavior? Does the method create perverse incentives, e.g., to concentrate low-income students in the same school?
- **Availability of Data:** Can a school easily and in a timely manner determine a student's eligibility so that it can receive supplemental funding in time to provide additional services to the student?
- **Follows the Student:** Does the method allow the supplemental funding to reach every low-income student, whether they attend a traditional public school, a public charter school or a private school using an Education Savings Account (ESA)?

<sup>1</sup> See ExcelinEd, [Supplemental Funding for Low-Income Students: 50-State Survey \(2023\)](#).

<sup>2</sup> See No Kid Hungry, [Universal Free School Meals: Comparing Funding Options to Create Hunger-Free Schools](#). Another concern is that schools are not rigorous enough in verifying that a family's income is low enough to be FARM eligible. See Ishtiaque Fazlul *et al.*, "[A Poor Poverty Measure](#)," *Education Next* (2023).



## Recommended Best Practices:

### Family enrollment in a social services program with appropriate financial criteria.

Several social services programs have income eligibility criteria similar to the FARM criteria. These include the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF) and Medicaid.<sup>3</sup> States agencies oversee each of these programs and verify family eligibility on a regular basis. As such, states can assume that children in families receiving these services are income-eligible for supplemental school funding.

States therefore can use “direct certification” by determining whether a student’s family is participating in these other social services programs. In Florida, for example, schools regularly upload the names of their students to a state database and are informed which students are FARM eligible. This system is available statewide and used by traditional school districts, public charter schools and private schools.<sup>4</sup>

A note of caution: Not all low-income families participate in these social service programs. States can reduce this undercount by including multiple programs in direct certification, particularly Medicaid, which has broader participation. A common adjustment in many states is to use a multiplier of 1.6 to add 60 percent to direct certification counts.<sup>5</sup>

Direct certification can produce a time lag for students whose families have only recently applied for social services or are newly enrolled in a school. The delay can be minimized if, as in Florida, the direct certification system automatically checks and informs the school if one of its students is newly FARM eligible.<sup>6</sup> So that schools can receive supplemental funding for eligible students as quickly as possible, states can allow schools to also use separate eligibility forms, if needed.<sup>7</sup> Indeed, delay is one significant challenge for states considering alternate methods to identify low-income families. New Mexico, for example, is using state income tax records, but the lag for schools is between one and two years. The use of census poverty data also takes two years to become available.<sup>8</sup> As a result, schools may not receive in a timely way the supplemental funding they need to serve their students.

### Adjustments for Neighborhood Indicators

In addition to the income level of an individual student’s family, neighborhood conditions can significantly impact a student’s success in school.<sup>9</sup> Some states take this into account for supplemental funding. In Texas, funding for low-income students is adjusted based on the census block in which a student lives. The state considers four factors to characterize each census block: median household income, average educational attainment, single-parent household share and home ownership share. Each census block is then ranked into one of five tiers, with students living in the most distressed neighborhoods receiving the largest adjustment for supplemental funding.<sup>10</sup>

<sup>3</sup> In Florida, for example, [SNAP eligibility](#) is 200 percent of the federal poverty level (FPL); for TANF, called Temporary Cash Assistance in Florida, [eligibility](#) is 185 percent of FPL; for Medicaid, called Florida KidCare, [eligibility](#) is 200 percent of FPL.

<sup>4</sup> Interview with Lisa Church, Florida Department of Agriculture and Consumer Services (June 8, 2023); see FRAC, [Direct Certification Improves Low-Income Student Access to School Meals: An Updated Guide to Direct Certification](#) (2018); U.S. Department of Agriculture, [Direct Certification in the National School Lunch Program](#) (2018). To see what a state direct certification portal looks like, see [Florida’s](#).

<sup>5</sup> See DQC, [Toward A Better Measure](#) (2022); Kristin Blagg et al., “[Identifying a New ‘At-Risk’ Measure](#)” at p. 16, Urban Institute (2021). The multiplier only applies to direct certification counts, not for students whose families complete individual eligibility forms. See note 7.

<sup>6</sup> Interview with Lisa Church, Florida Department of Agriculture and Consumer Services (June 8, 2023).

<sup>7</sup> Massachusetts and California allow use of separate eligibility forms. See Urban Institute, *supra* note 5, at p. 13; California Department of Education, [Alternative Income Forms](#).

<sup>8</sup> See Urban Institute, *supra* note 5, at pp. 20 & 27. Also, some states do not have state income taxes, and census data is not provided for individual students or at the school level. See Anna Merod, “[How can schools measure student poverty beyond free and reduced-price meal data?](#)” K-12 Dive (2022).

<sup>9</sup> See Raj Chetty & Nathaniel Hendren, “[The Impact of Neighborhoods on Intergenerational Mobility II: County-Level Estimates](#),” *The Quarterly Journal of Economics* (2018).

<sup>10</sup> See Texas Education Agency, [A Statewide Socioeconomic Tier Model for Texas School-Age Residents: Methodology and Results](#) (2018); Texas Education Agency, [HB 3 in 30: State Compensatory Education \(SCE\) Program](#) (2019).



Neighborhood factors are different—and more strategic—than using concentrated poverty in a school. When states simply provide more funding for schools with higher percentages of student poverty, they actually incentivize districts to pack more low-income students into fewer schools. This often forces parents to give up services if they choose another school for their children.

Indeed, with school choice increasing, students from the same neighborhood may attend many different schools, and it is each of those schools serving low-income students that seek and need supplemental funding. Using neighborhood factors means that the adjusted supplemental funding can follow a student to whatever school they attend.

## CONCLUSION

States are seeking alternative means to identify low-income students for supplemental funding, as many schools no longer need to verify the eligibility of individual students for free and reduced-price meals. Instead, states now can identify students whose families participate in social service programs that have income criteria at or near 200 percent of the federal poverty level. This requires a state-level database matching system that all schools can use to “directly certify” their low-income students. States can also consider neighborhood conditions that impact student outcomes. Direct certification with a neighborhood adjustment provides an accurate measure of student poverty, which schools can readily use to access supplemental funding in a timely manner.