Thank you for the opportunity to testify about this important issue.

Summary
The Center on Education Policy is an independent national advocate for improved public schools that monitors school reform policies to determine their effects. In this role, CEP has followed the implementation of the No Child Left Behind Act since 2002, issuing four comprehensive annual reports and more than 20 specialized reports.

Today, I will summarize our findings dealing with funding, based on survey information from all 50 states and a national sample of 300 school districts, and from our analysis of the effects of prior appropriations. After studying NCLB for five years, we’ve reached four findings about funding:

- For the last two school years, 80% of the school districts in our nationally representative sample have reported that they are absorbing costs to carry out NCLB for which they are not being reimbursed by the federal government.

- For this current school year, about two-thirds of the school districts in the nation have received a smaller grant than last year or a frozen grant for Title I of the Elementary and Secondary Education Act, due to flat appropriations for 2005-06 and certain factors in the law. The share of districts with declining or flat funding may be even greater than two-thirds because of the way the state set-aside for school improvement is applied. This means that most school districts
are receiving less or the same funding even as they are being asked to do more than ever under NCLB.

• Last school year, 34 states reported receiving inadequate federal funds to carry out their general responsibilities under NCLB. Insufficient staffing is a major problem for state departments of education, since their responsibilities have multiplied greatly under NCLB.

• In the last two school years, nearly two-thirds of the states reported receiving insufficient federal funds to carry out the NCLB-imposed duty of assisting schools identified for improvement.

Based on these findings from our studies, we recommend that the Congress take the following steps:

1. Increase the appropriations for programs under the Elementary and Secondary Education Act, especially Title I, since NCLB demands so much from school districts and states while the federal contribution to education covers only 8 to 9% of total costs.

2. Reject the Bush administration’s recommendation to tie additional funding to additional duties, since state officials and local educators point out that they don’t have enough funds currently to carry out the duties already imposed on them by NCLB.

3. Support state departments of education with increased resources since they are the key bodies charged with developing standards, assessments, accountability programs, and teacher quality standards, among other duties.

4. Increase funding for school improvement under section 1003 (g) of Title I. States face serious challenges in assisting the growing number of schools that have been
identified for improvement. Extra funding for this section will help states meet this challenge and provide schools with the resources they need to bring about change.

Major Findings on Funding
Since 2002, the Center on Education Policy has monitored the state and local implementation of the No Child Left Behind Act by surveying all 50 state departments of education, surveying a nationally representative sample of school districts, conducting case studies of 38 school districts and their schools, reviewing in depth three states’ efforts to restructure schools identified for NCLB improvement, and generally studying federal, state and local actions. Our work has resulted in four comprehensive annual reports and more than 20 specialized reports, including new reports on restructuring schools in California and state oversight of supplemental service providers. The Center is totally independent, with no membership and with all our funding provided by charitable foundations.

Most of our reporting on NCLB relates to issues other than funding. Some of the areas we have studied include whether student academic achievement has increased, how many schools have been identified for improvement, how states have changed their NCLB accountability plans, what kinds of instructional and curricular changes NCLB has spurred, and what effects NCLB is having on teacher quality. We have also looked at the issue of adequate funding for NCLB—in fact, it comes up often when we ask about other aspects of NCLB. Today, I will limit my remarks to our findings about funding, but I urge you to consider our other findings as well.

General NCLB Costs
In 2004 and 2005, CEP asked local school districts if there were costs associated with implementing NCLB that were not supported by federal funds. Eighty percent of the districts in our 2005 survey responded that there were unreimbursed costs, about the same proportion of districts as in 2004. In 2005, greater proportions of small districts than very large districts reported that there were costs associated with NCLB not covered by federal
funds. Districts listed a variety of unsupported costs. Many mentioned the costs of professional development and training for teachers and paraprofessionals to meet the NCLB qualifications requirements. Several others reported that they had to hire staff to support instruction and assessment. Many districts said that some NCLB administrative costs were not covered by federal funds or that federal dollars were not sufficient to cover the costs of NCLB-required interventions, such as implementing public school choice or providing remediation services for students performing below grade level. A comment from one district characterized the situation many are facing:

> It’s taking more administrative funds to do all the reporting, gathering, and analyzing of data. It’s costing us money. . . . For teachers, we have to have more staff development, so we have to hire eight more substitutes. Also, (there are) not enough funds to cover teachers who aren’t highly qualified. We have to pull from one pocket to fill another.

Several CEP case study districts also contended that funding for NCLB is inadequate to cover their implementation costs. Several small districts, including Orleans, Vermont, and Romulus Central Schools in upstate New York, noted that federal funds have not fully offset such costs as administering and scoring tests in additional grades, training and tracking the qualifications of teachers, and establishing data systems. Last school year, tiny Hermitage R-IV School District in Missouri had to divert funds from other activities to cover the extra costs of scoring 16 state-mandated tests in grades assessed for NCLB versus the 6 tests administered in past years.

Officials in many case study districts also felt that the mandatory set-asides in NCLB for choice, supplementary services, and professional development hampered their ability to effectively implement the law. To comply with these set-asides, both Grant Joint Union High School District in California and Berkeley County in South Carolina had to reduce Title I allocations to individual schools, leaving schools with fewer resources to implement needed instructional changes.
Title I Allocations

Comments from our surveys show that having adequate funding to carry out NCLB is considered a serious challenge by local school districts. To better understand this challenge, we must look at how much the federal government has appropriated for Title I, the principal program in the Elementary and Secondary Education Act, and what has happened with Title I allocations to school districts. But first, it’s necessary to understand how NCLB has changed the federal role in education.

From the 1960’s through the 1990’s, the federal government focused on “at risk” students. Most federal aid to education provided extra services for disadvantaged and disabled students. Beginning in 1994 with legislation adopted under President Clinton, and culminating in 2002 with the enactment of the No Child Left Behind Act, this federal role has been broadened. Now, the federal government affects all public schools in the country, regardless of whether they receive any federal aid and regardless of how many “at risk” students they have. Public school students must be tested in grades 3 through 8 and once in high school. States must release test scores for every school and for a variety of racial, ethnic, economic, and other subgroups within each school. A determination must be made about whether every school has made adequate yearly progress. All public schools need to have “highly qualified” teachers in core academic subjects. Schools receiving federal Title I aid are subject to further requirements, including sanctions if inadequate percentages of their students achieve at the proficient level on state tests.

This expanded federal role in education is one reason why local educators have complained about having too few funds, even when Title I and certain other federal programs received a significant boost in appropriations for fiscal years 2002 and 2003. The federal role in education has expanded from affecting about 25% of students who were “at risk” to affecting all students, while the federal share of total revenues for elementary and secondary education has reached only about 8 to 9%, even with those earlier funding increases.
In this expanded role, the No Child Left Behind Act imposes sanctions on schools that receive Title I funds if the percentage of their students reaching proficiency falls short of state benchmarks for two consecutive years. To carry out these sanctions—public school choice and then supplemental educational services—school districts must set aside 20% of their Title I grants. If a school district has not received additional funds—and most have not, as I describe below—then the district must take these funds from teacher salaries and other current services to set them aside for the sanctions. This is a second reason why educators complain about inadequate funds for NCLB.

A third reason is that many school districts have received less or the same amount of Title I money since NCLB was enacted, despite increases in appropriations for fiscal years 2002 through 2005. This is due to two factors: 1) changes made by NCLB to the Title I allocation formulas, which directed all the new money to a smaller subset of districts with the highest concentrations of low-income children, and 2) annual updates in the census counts of poor children, which cause year-to-year shifts in funding. In addition, even some high poverty districts did not receive the full increases they anticipated because of the process used to fund schools identified for improvement under NCLB.

To make matters worse, federal funding for Title I and other key NCLB programs was cut in fiscal year 2006 for the first time since NCLB was enacted. We analyzed Title I allocations for fiscal year 2006—the funds being used by school districts in the current school year, 2006-07. We found that compared with their allocations for school year 2005-06, at least 62% of the nation’s school districts lost funding for school year 2006-07 or received the same amount. At most, 38% of school districts received any increase, and this proportion may actually be smaller because of the state school improvement set-aside discussed below. These cuts and freezes are attributable to the Title I formula factors mentioned above, aggravated by a lower appropriation.

Last year, in his fiscal year 2007 budget request, the President recommended shrinking federal education spending further, by about 3%. As you know, earlier this year the Congress rejected the President’s recommendation and instead appropriated an additional
$125 million for basic grants under Title I. These funds have not yet been allocated by the U.S. Department of Education, but we do not expect a major shift in the pattern described above for the upcoming school year.

In light of the expanded federal role in education, this subcommittee should consider substantially increasing appropriations for the Elementary and Secondary Education Act, as amended by NCLB, especially for the Title I program. The subcommittee may also want to work with the authorizing committee to find a way to provide some increased funding for the large majority of school districts. All districts are affected by the demands of NCLB, and these demands are accelerating as states push to ensure that 100% of students achieve proficiency by 2014.

State Capacity to Implement NCLB
Today, the Center on Education Policy issued a report on one aspect of NCLB—state administration of the provisions affecting supplemental educational service providers. These providers supply tutoring for low-income students who attend Title I schools in their second year of improvement and beyond. Providers include profit-making companies, non-profit groups, and school districts. States are charged by the law with evaluating the effectiveness of these services. Our report, which is based on survey information from 49 states in fall 2006, shows that 38 states are not significantly overseeing whether those providers are effectively raising test scores for students receiving these services. The main reason for this lack of monitoring is inadequate funding to provide staff for this task.

State education agencies are a key link in the standards-based reform movement embodied in the No Child Left Behind Act. These agencies establish the state’s academic standards, the state assessment program, the system to determine accountability for local school districts, the criteria for determining teacher quality, data systems for reporting all this information, and assistance to help schools to improve after they have failed to make adequate progress under NCLB. Yet, states have told us that they lack the capacity to
carry out their major responsibilities under NCLB, as illustrated in our supplemental services report.

Our fall 2006 survey of all 50 state education agencies asked about the degree to which inadequate federal funds challenged their capacity to implement various aspects of No Child Left Behind. Twenty-three states reported that the lack of federal funds challenged “to a great extent” their capacity to provide technical assistance to districts with schools in the various phases of improvement, corrective action, or restructuring. Another 18 states said the lack of funding posed a “moderate” challenge to their capacity to carry out this requirement. A lack of federal funds also challenged states’ capacity to develop the language proficiency assessments required by NCLB for English language learners. Twenty-one states reported that insufficient federal funding affected their capacity to develop these assessments “to a great extent,” and 18 states said a lack of funds affected this capacity “moderately.” The inadequacy of federal funds is also affecting states’ ability to monitor the activities of districts with schools in improvement and to monitor supplemental educational service providers. This is a serious problem when the agencies charged with carrying out NCLB in each state show such shortages of personnel.

Our survey also revealed an interesting paradox: While states’ capacity to carry out their responsibility under NCLB is hampered by inadequate federal funding, local school districts turn to state education agencies far more often than they turn to other entities for help in implementing NCLB. In CEP’s survey of districts conducted in 2005-06, 98% of Title I school districts received assistance in implementing NCLB from their state education agencies, and 75% reported that this assistance was helpful or very helpful. All other agencies and organizations ranked lower both in terms of the percentage of districts that reported receiving assistance and their level of satisfaction with this assistance.

For these reasons, we recommend an increase in federal funding for state departments of education. One possible source of funding would be Title VI, Part A, Subpart 2 of the Elementary and Secondary Education Act, which had provided aid to state agencies in the past but has not been recently funded.
Schools in Need of Improvement

On February 28, CEP released a report on schools in California that are involved in restructuring under NCLB. Restructuring, the final stage of NCLB accountability, begins after a school has fallen short of state targets for student proficiency for five consecutive years. As a first step, schools in restructuring must develop a plan to dramatically revamp the school. The number of California schools in restructuring nearly doubled in 2006-07 over the year before, and now constitutes 8% of the state’s schools. For several reasons, California is ahead of many other states in identifying schools for restructuring, but other states will soon follow.

State departments of education under NCLB must provide assistance to all restructuring schools, as well as to other schools “in need of improvement,” the earlier accountability stages of NCLB. To carry out these school improvement responsibilities, a state must reserve up to 4% of the sum of the Title I, Part A allocations to its school districts; however, before a state can set aside these funds, each school district in the state must be held to its previous year’s allocation level. According to our analysis of Title I allocations for school year 2006-07, $508 million was supposed to be available for this school improvement, but instead only $308 million was available—a shortfall of 40%—because funds had to be used to hold school districts harmless.

An additional route to provide funds for school improvement is through funding section 1003(g) of Title I. This is a separate authorization that is not affected by the local “hold-harmless.” For fiscal year 2007, President Bush requested $200 million for this purpose, and the continuing resolution appropriated $125 million. This was the first appropriation provided for this section since it was put in the law in 2002.

This first-time appropriation is a good start, but with so many schools now on state lists of schools in need of improvement, and with more schools moving into the restructuring stage, it is important to increase this appropriation. States can reserve 5% of the section 1003(g) sums for state-level activities and the remainder must be sent to local school
districts as grants to assist schools. This does not solve the problem of the 4% set-aside, which is a matter for the authorizing committee, but it will help.

**Conclusion**

The No Child Left Behind Act has greatly expanded the federal role in elementary and secondary education without a comparable increase in federal funding of education. Additional appropriations are necessary to maintain support for the Act and to help educators to meet its goals. This is a message that state officials and local educators have asked us to send on to the Congress as they struggle with implementing NCLB.