Federal Education Funding under NCLB: Fairness Contributor or Inhibitor?

Poverty is still an issue in this country, and unfortunately we still have schools that lack resources. We must ensure adequate and equitable funding for schools and we must help states and districts to identify disparities in educational resources, supports, programs, opportunities, class sizes, and personnel. We should never lose sight of the fact that the richest country in the world can provide every student with a quality education.

—NEA President Dennis Van Roekel

One of the stated purposes of the No Child Left Behind (NCLB) Act is

> *distributing and targeting resources sufficiently to make a difference to local educational agencies and schools where needs are greatest…to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education…*[1]

So, do federal funds under NCLB "make a difference…where needs are greatest?" Are federal funds targeted to economically and educationally disadvantaged students so that they receive the same educational experience as those from families with more economic means? Is education spending at the state and local level made fairer through the use of federal funds?

The findings are mixed. According to various studies, the impact of federal funding ranges from marginally helpful, to neutral, to reinforcing existing disparities at the state and local level.

Federal share of public education spending in the U.S.

Before examining the research, it may be helpful to pause here and review briefly the sources of education funding in the U.S. Almost 10 cents of every dollar that funds public elementary and secondary education in the U.S. comes from the federal government, while the rest comes primarily from states (46.7 cents) and localities (43.7 cents).[2]

As has been the case historically, education remains a state and local responsibility. The federal role has been to ensure equal opportunity and assist state and local governments in meeting the educational needs of low-achieving children in high-poverty schools, limited English proficient children, migratory children, children with disabilities, Indian children, and neglected or delinquent children.

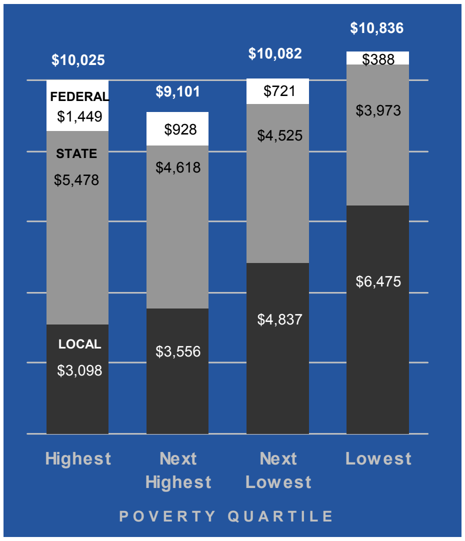
Targeting of federal education funds

A report from the National Longitudinal Study (NLS) of NCLB looked at "how well federal funds are targeted to high-need districts and schools… and the comparability of the base of state and local resources to which federal funds are added."[3]

According to the report, federal education funds were found to be more strongly targeted to the highest-poverty districts than were state and local funds. In the 2004-05 school year (SY), the highest-poverty districts received over three times as much federal funding per student enrolled than the lowest-poverty districts.

Nonetheless, because federal spending represents a relatively small share of overall education funding, the targeted federal dollars are not enough to overcome the imbalance at the local level. Local revenue per student for low-poverty districts was more than twice that of high-poverty districts. As a result, the highest-poverty districts still had less overall funding (federal, state, and local combined) per student then did low-poverty districts—seven percent lower.

Federal, State, and Local Revenues per Student, by District Poverty Quartile, 2004-05



Source: National Center for Education Statistics, Common Core of Data, School District Finance Survey (F-33), 2004-05.

Targeting of Title I funds

Title I Grants to Local Educational Agencies (Title I, Part A) is the largest federal elementary and secondary education program. The purpose of the program is to

> *provide supplemental education funding, especially in high-poverty areas, for local programs that provide extra academic support to help raise the achievement of students at risk of educational failure or, in the case of school-wide programs, to help all students in high-poverty schools meet challenging State academic standards.*[4]

In SY2004-05, Title I funds went to 93 percent of school districts and 56 percent of public schools, mostly elementary schools.

Under NCLB, Congress directed an increasing share of Title I dollars through the newest Title I funding formulas—Targeted Grants and Education Finance Incentive Grants, designed to drive a greater share of funds to the highest-poverty districts and schools. Has it worked? Again, the findings are mixed.

The NLS found that the average funding per poor child across all districts that received Title I funds increased 42 percent, adjusted for inflation, between SY1997-98 (before NCLB) and SY2004-05. For the highest-poverty districts, Title I funds per poor child increased 51 percent compared with a 5 percent increase for the lowest-poverty districts.

When measured as a share of funds, however, Title I funds received by the highest-poverty districts show little change between SY1997-98 and FY2004-05—increasing by 2 percentage points, from 50 percent to 52 percent. The reason for such little movement toward progressivity may be that most Title I funds continue to flow through the Basic Grants formula, which is the least targeted of the Title I formulas to the highest-poverty districts.

At the school level, Title I funds were also found to be less well targeted. Title I funding per low-income student in the highest-poverty schools remained unchanged, after adjusting for inflation, from SY1997-98 to SY2004-05. Furthermore, Title I funding per low-income student in the highest-poverty schools was smaller than the amount per low-income student in the lowest-poverty schools. The NLS attributes this largely to the lowest-poverty districts concentrating their Title I funds on a relatively smaller proportion of schools, which were also generally low-poverty schools, whereas the highest-poverty districts spread their funds over a larger proportion of their schools, which were frequently in the highest-poverty category of schools nationally, resulting in a smaller allocation per low-income student.

Title I's two-stage funding process, in which funds go first to districts, then are sub-allocated to schools within each district, results in low-poverty schools receiving more funding per low-income student than high-poverty schools located in the highest-poverty districts. According to the NLS, greater reliance on the Targeted and Incentive Grants formulas within Title I has had no effect on school-level funding disparities that result from the two-stage allocation process.

In addition, NCLB added new requirements for district-level set-asides for school choice transportation and supplemental educational services which has reduced the share of Title I funds flowing to the school level. Again, according to the NLS, 74 percent of a district's Title I funds were passed through to the school level in SY2004-05 compared to 83 percent in SY1997-98.

Comparing state and local resources in Title I and non-Title I schools

Title I includes a requirement that state and local resources are to be equalized between Title I and non-Title I schools, which is referred to as comparability, before federal funds are added. Title I dollars are intended to augment funding for poor children to provide additional academic support to ameliorate the effects of poverty, not simply bring high-poverty schools up to parity with lower-poverty schools.

The NLS provides a "national picture" of how resources compare in Title I and non-Title I schools, as well as in high- and low-poverty schools. On average, base state and local expenditures per student on school personnel appeared to be similar in Title I and non-Title I schools, and funded similar numbers of full-time equivalent (FTE) staff (before the addition of Title I funds). Likewise, the highest- and lowest-poverty schools had similar average personnel expenditures per student and number of FTE staff funded through state and local funds. These averages, however, mask underlying inequities in teacher characteristics. For example, teachers in the highest-poverty schools tended to have less experience, were less likely to have an advanced degree (master's degree or higher), and had lower salaries, compared with teachers in the lowest-poverty schools.

Does federal funding affect state fairness?

A report examining school funding fairness in each state found that federal funding has only a marginal affect on state fairness, primarily because federal funding represents a small portion of overall public school funding, and "Title I program rules do not limit the state's ability to use Title I funds to reinforce regressive school finance systems…"[5]

The overall level of funding still matters

Even if the targeting of federal funding was found to be highly progressive (more fair) so that students and schools in high-poverty districts receive more resources than those in low-poverty districts, it matters little if the overall level of federal funding is inadequate.

Since NCLB's enactment, federal funding has failed to reach the levels necessary to meet the ambitious goals established in the law. Under Title I, for example, current funding levels are less than 40 percent of full funding.[6]

Researchers have found that even after assuming additional state aid and aggressive school-district efficiency improvements, federal Title I aid would have to

> *more than double in urbanized states with relatively high student proficiency rates, such as New York, and increase five to ten times in states with low proficiency rates (Missouri and California) to meet [even] a 90 percent proficiency target.*[7]

NEA's support of funding fairness

As part of its positive agenda on reauthorizing the Elementary and Secondary Education Act (the current version of which is NCLB), as well as in congressional testimony and other policy statements, NEA has called on Congress to:

- ensure that state education finance systems provide adequate, equitable, and sustainable funding by requiring states to develop "adequacy and equity" plans that would measure and address disparities in educational resources, opportunities, programs, and quality among districts and schools as a condition of receiving federal funds;
- guarantee and fully fund Title I; channel federal funding through state formula-allocated grants, as opposed to competitive grants, to provide certainty and stability for states and districts, particularly during periods of declining state and local revenues; and,
- require the use of actual expenditures when determining comparability between Title I and non-Title I schools, and to broaden the requirement to include services, conditions, and other resources while also creating authentic incentives to encourage teachers to volunteer in hard-to-staff schools and while also respecting local control in school staffing decisions.

Needed: a better measure of poverty

Federal funding formulas, particularly Title I, rely on a measure of poverty determined by the U.S. Census, which is not adjusted for geographic differences in the cost of living. As a result, the number of students in poverty in high-cost states and regions may be understated, while the number of students in poverty in low-cost states and regions may be overstated. For example, California and New York have moderate poverty levels according to the Census measure, but have among the highest poverty rates when using an alternative measure adjusted for differences in geographic costs.[5]

Needed: a cadre of professional school finance experts

In 1972, The Commission on School Finance, appointed by President Nixon, issued a report acknowledging that "[l]eadership in research is a significant aspect of the [f]ederal role in education. We must know more…"[8] The need to know more is no less urgent today. For example, does fair funding improve student outcomes? To answer this fundamental question requires careful statistical analysis and the ability to sort through complex relationships among a range of factors and variables.

There is a need for the federal government to ramp up its education research agenda several fold from its current level, and underwrite the development of a new generation of independent school finance experts to provide scientifically valid and reliable research to guide policy makers on the causes and cures of educational inequities.

References

[1] Section 1001 of Title I of the No Child Left Behind Act of 2001, Public Law 107-110.

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[3] U.S. Department of Education, Office of Planning, Evaluation and Policy Development, Policy and Program Studies Service, State and Local Implementation of the No Child Left Behind Act, Volume VI—Targeting and Uses of Federal Education Funds, Washington, D.C., 2009.

[4] U.S. Department of Education, FY 2012 Department of Education Justifications of Appropriation Estimates to the Congress, Volume I, section on Accelerating Achievement and Ensuring Equity, page B-15, February 2011.

[5] Baker, Bruce D., David G. Sciarra, and Danielle Farrie, Is School Funding Fair? A National Report Card, September 2010.

[6] Congressional Research Service, Education for the Disadvantaged: Reauthorization Issues for ESEA Title I-A Under the No Child Left Behind Act, Washington, D.C., August 6, 2007.

[7] Duncombe, William D., Anna Lukemeyer, and John Yinger, "Dollars without Sense, The Mismatch Between the No Child Left Behind Act Accountability System and Title I Funding," Chapter 2, Improving on No Child Left Behind: Getting Education Reform Back on Track, The Century Foundation, 2008.

[8] The President's Commission on School Finance, Schools, People, and Money: The Need for Educational Reform, Final Report, March 3, 1972.