

**U.S. DEPARTMENT OF EDUCATION
POLICY AND PROGRAM STUDIES SERVICE
REPORT HIGHLIGHTS**

**State and Local Implementation of the No Child Left Behind Act
Volume VI—Targeting and Uses of Federal Education Funds**

Background

Achieving the goals of federal education legislation depends critically on how federal funds are distributed and used. Since the enactment of the *Elementary and Secondary Education Act (ESEA)* in 1965, various federal programs have been created to support educational improvement and target additional resources to meet the educational needs of school-age children who are economically and educationally disadvantaged. This report presents findings on the targeting and uses of federal education funds for six federal education programs, based on 2004–05 data from the National Longitudinal Study of *No Child Left Behind (NLS-NCLB)*. The programs studied are: Title I, Part A; Reading First; Comprehensive School Reform (CSR); Title II, Part A; Title III, Part A; and Perkins Vocational Education State Grants.¹ This report describes how well federal funds are targeted to economically disadvantaged students, how Title I targeting has changed over the past seven years, how districts have spent federal funds, and the base of state and local resources to which federal funds are added.

To address these questions, the NLS-*NCLB* collected data on federal program allocations from FY 2004 appropriations (which provided funds for use primarily during the 2004–05 school year) from all 50 states, the District of Columbia, and Puerto Rico. The study also collected data from a nationally representative sample of 300 school districts on federal program allocations and expenditure data for the 2004–05 school year. From district records, the study collected fiscal and payroll data for a sample of 1,483 schools within the sampled districts. In order to examine changes since the 2001 reauthorization of ESEA, this report makes comparisons to data for the 1997–98 school year that were collected by the Study of Education Resources and Federal Funding (Chambers et al., 2000) and also uses longitudinal data from the NCES Common Core of Data.

The findings presented in this report indicate that federal funds were more targeted to high-poverty districts than state and local funds but did not close the funding gap between high- and low-poverty districts. For Title I, targeting has changed little since 1997–98, despite efforts to target more funds to high-poverty districts and schools, and the highest-poverty Title I schools continue to receive less Title I funds per low-income student than low-poverty Title I schools. Across the six programs in the study, most funds were used for instruction and instructional support.

Targeting of Federal Education Funds

Federal education funds were more strongly targeted to high-poverty districts than were state and local funds. Districts in the highest-poverty quartile, which serve 25 percent of the nation’s school-age children and about half (49 percent) of the nation’s poor school-age children, received 38 percent of all federal funds in 2003–04 and 21 percent of state and local funds. For the six federal programs included in this study, the highest-poverty districts received between 43 and 73 percent of the funds.

² The first five of these programs are part of *ESEA*; the sixth (Perkins) was authorized under a separate law focused on career and technical education at the secondary and postsecondary levels. The Perkins program was reauthorized in 2006 as the *Carl D. Perkins Career and Technical Education Act*.

The higher level of federal funding in high-poverty districts was not sufficient to close the funding gap between high- and low-poverty districts. Title I and other federal programs are often viewed as providing additional resources to meet the greater needs of districts and schools with high concentrations of poor students. However, total revenue per student from all sources in the highest-poverty districts (\$10,025) was + percent lower than for districts in the lowest poverty quartile (\$10,836).

Targeting for the Six Federal Programs in This Study

Reading First and CSR funds were more targeted to high-poverty districts and schools than were Title I funds. In 2004-05, the districts in the highest poverty quartile received 58 percent of Reading First funds, 57 percent of CSR funds, and 52 percent of Title I funds; their share of the nation's poor children was 49 percent. Of the Title I funds that states reserved for school improvement activities under Section 1003(a) of Title I, 73 percent were allocated to the highest-poverty districts.

For Title II, Title III, and Perkins Vocational Education, the share of funds allocated to the highest poverty quartile (43 to 45 percent) was less than their share of poor children but greater than their share of all school-age children (25 percent).

At the school level, the highest-poverty schools (those with 75 percent or more low-income students) received 57 percent of Reading First funds, 50 percent of CSR funds, and 38 percent of Title I funds; their share of all low-income students was 30 percent. School-level allocations data were not collected for the other programs in the study.

The highest-poverty schools received smaller allocations per low-income student, compared with lower-poverty schools, for Title I, Reading First, and CSR. For example, the highest-poverty Title I schools received \$558 per low-income student in 2004-05 vs. \$763 in low-poverty districts. Within-district analyses indicated that low-poverty districts concentrated their Title I funds on schools that had high poverty rates for their district but were low-poverty when compared with schools in other districts.

Changes in the Targeting of Title I Funds

The overall share of Title I funds going to the highest-poverty districts changed only marginally between 1997-98 and 2004-05 (rising from 50 to 52 percent). The highest-poverty districts received a substantial increase in their average Title I allocation per poor child, after adjusting for inflation (from \$1,037 to \$1,579, a 52 percent increase), but this largely reflects the overall growth in Title I appropriations during this period (a 51 percent increase in constant dollars).

At the school level, Title I funding per low-income student for the highest-poverty schools remained virtually unchanged from 1997-98 to 2004-05, when adjusted for inflation. While the amount of Title I funds received by the highest-poverty schools increased, the growth in Title I funds basically kept pace with the growth in the number of low-income students served in these schools. In addition, there was an increase in the share of Title I funds retained for district-managed services and a decline in the share allocated to individual schools (from 83 percent in 1997-98 to 74 percent in 2004-05).

Distribution of Funds by School Grade Level and Other School Characteristics

Elementary schools received all Reading First funds and three-fourths of all Title I funds, while CSR funds were more likely to reach secondary schools. As a K-3 program, Reading First provides funds exclusively to schools serving those grades, so it is not surprising to find that all Reading First funds went to elementary schools. For Title I, elementary schools received 76 percent of the school allocations, considerably more than their share of the nation's low-income students (57 percent). Middle schools received 14 percent of Title I funds and enrolled 20 percent of all low-income students, while high schools received 10 percent of Title I funds and enrolled 23 percent of all low-income students. For CSR, the distribution of funds was

closer to the distribution of low-income students by school grade level: 48 percent went to elementary schools, 34 percent to middle schools, and 19 percent to high schools.

Schools that were identified for improvement were more likely to receive Title I funds than non-identified schools, but they received smaller per-pupil allocations. In 2004–05, 84 percent of the schools identified for improvement received Title I funds, compared with 54 percent of the schools not identified for improvement. However, the average allocation per low-income student was 11 percent lower for identified Title I schools than for non-identified Title I schools (\$556 vs. \$624).

Schoolwide programs accounted for over two-thirds of schools' Title I funds in 2004–05. NCLB lowered the eligibility threshold for Title I schoolwide programs (from 50 percent low-income students down to 40 percent), and the number of schoolwide programs rose from 25,184 in 2000–01 to 31,445 schools in 2004–05. In 2004–05, schoolwide programs accounted for 56 percent of all Title I schools while targeted assistance programs, the original Title I service delivery model, accounted for the remaining 44 percent of Title I schools. Schoolwide programs received 70 percent of Title I funds in 2004–05, up from 60 percent in 1997–98.

Few districts (6 percent) that operated schoolwide programs actually consolidated Title I funds with other sources of funding to support a comprehensive, integrated approach to improving instruction. Most districts reported that they simply coordinated spending strategies, rather than actually consolidating the funds. Districts said state or district accounting rules and fear of potential audit exceptions were major barriers to consolidation of funding.

Uses of Federal Education Funds

Most funds for the six federal programs in this study were used for instruction. For Title I, Title III, and Perkins, the share of funds that districts and schools used for instruction was between 72 and 75 percent; for Reading First and Title II, the percentage used for instruction was 65 to 67 percent, while for CSR and Section 1003 it was 51 to 54 percent. In contrast, across all revenue sources combined (federal, state, and local), instructional expenditures accounted for 61 percent of total school district expenditures.

Most of the remaining funds were used for instructional and student support (18 to 42 percent), which includes professional development for teachers and other staff, reading coaches, libraries and media centers, counselors and health services, and parent involvement. Administrative costs (which also include facilities and transportation costs) accounted for 4 to 10 percent of district expenditures under the federal programs in this study.

Taking a closer look at instructional expenditures, instructional staff accounted for over half of total district and school expenditures for three programs: Title II (63 percent), Title I (59 percent), and Title III (55 percent). Districts also spent a considerable portion of Reading First (42 percent) and CSR (31 percent) funds on instructional staff. Other instructional expenditures (such as instructional materials and equipment) were the largest spending category for the Perkins vocational education program (45 percent) and also accounted for almost a third of Section 1003 spending (31 percent) and almost one-quarter of expenditures under Reading First and CSR (23 percent).

Instructional and student support was the largest spending category for Section 1003 (43 percent) and accounted for more than one-fifth of spending under CSR (39 percent), Reading First (31 percent), and Title II (19 percent).

Between 1997–98 and 2004–05, Title I schools decreased their reliance on Title I teacher aides and increased their reliance on Title I teachers to provide services. The number of full-time equivalent (FTE) teachers paid through Title I funds increased by 49 percent—from 66,002 in 1997–98 to 98,206 in

2004–05—while the number of Title I-funded teacher aides declined from 68,724 to about 61,952 (a 10 percent decline).

Among the six federal programs, Title I provided the most funds used for professional development (\$1.0 billion, based on district fiscal records), followed by Title II (\$518 million) and Reading First (\$103 million). However, these figures may underestimate spending on professional development because district accounting systems may not always clearly identify such expenditures. An alternate approach based on a survey of Title II district coordinators found that districts spent \$959 million in Title II funds for professional development rather than the \$529 million estimated from fiscal records.

District spending on Title I supplemental educational services and transportation expenses for the Title I school choice option roughly doubled from 2003–04 to 2005–06. Estimated spending for supplemental services rose from \$192 million in 2003–04 to \$375 million in 2005–06, while spending for school choice-related transportation rose from \$24 million to \$56 million. The percentage increases in expenditures were comparable to increases in numbers of participants during this period. In 2005–06, spending per participant averaged \$838 for supplemental services and \$965 for choice transportation.

Comparability of State and Local Resources in Title I and Non-Title I Schools

This report does not examine district compliance with the Title I comparability and supplement-not-supplant requirements, because the nationally representative sample of schools does not include all schools within each sample district. It does, however, provide a national picture of how resources compare in Title I and non-Title I schools, as well as in high- and low-poverty schools.

Title I and non-Title I schools across the nation appeared to have a similar base state and local school personnel expenditure (i.e., excluding Title I and other federal funds). On average, the base state and local expenditures per student on both instructional and non-instructional school personnel were similar in Title I and non-Title I schools. High- and low-poverty schools also did not show significant differences in total spending on school personnel.

Teachers in the highest-poverty schools tended to have less experience, were less likely to have an advanced degree, and had lower salaries than teachers in the lowest-poverty schools. For example, teachers in the highest-poverty schools received salaries that were 10 percent lower, on average, than those for teachers in the lowest-poverty schools. However, the highest-poverty and lowest-poverty schools were similar with respect to their student-to-teacher ratios and the percentage of secondary English and mathematics teachers with a degree in the field they taught.

What Title I Adds to State and Local Resources at the School Level

Overall, school personnel expenditures from Title I amounted to \$408 per low-income student, a 9 percent increase over the base of state and local per-student expenditures on school personnel. Title I added more dollars per low-income student to elementary schools than to middle or high schools. For elementary schools, Title I added a significantly higher amount of personnel resources per low-income student in the lowest-poverty schools than in the highest-poverty schools.

Copies of this report are available at www.ed.gov/about/offices/list/oeped/ppss/reports.html. Copies of other reports in the series based on the NLS-NCLB and SSI-NCLB studies are also available at this website.