

Toward Performance-Based Federal Education Funding

Reauthorization of the Elementary and Secondary Education Act

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As Congress prepares this year to reauthorize the Elementary and Secondary Education Act (ESEA), lawmakers face a critical choice: They can refight old battles or they can break the mold with a third way approach that addresses the demand for a public education system that graduates students prepared for the new global economy.

The ESEA is the 14-title federal law that today directs more than \$13 billion in annual education assistance to states and school districts through a crazy quilt of more than 50 programs.¹ The largest and best known program is Title I, which is the cornerstone of the federal government's commitment to ensure educational equity for poor children. The reauthorization gives Congress the opportunity to transform Washington's role in elementary and secondary education from a focus on process to performance, and thus leverage the limited role federal spending plays in public education into a major force for change.

ESEA today is best viewed as a welter of spending dictates that prescribe how states and localities must spend federal dollars, but does not hold them accountable for achieving measurable improvements. In the future, federal dollars should be tied to performance and results. With this transformation, Washington's role will shift from a passive enabler of failure to a catalyst for success. In short, what is needed is a new bargain on federal education spending: States and localities should get increased flexibility for using federal resources but must take an increased responsibility for accountability for results.

In his 1999 State of the Union address, President Clinton challenged Congress to tie ESEA spending -- more than half of the \$21 billion total federal investment in elementary and secondary education -- to results on five key measures of state and local performance: ending social promotion, improving teacher quality, reconstituting failing schools, issuing school report cards, and enforcing discipline codes.² The Clinton proposal represents a historic shift towards performance-based funding and away from virtually unconditional support to states and localities. But unless it is coupled with more flexibility, the President's proposal risks adding yet another layer of federal prescription on local districts already burdened by excessive reporting requirements. At the state and local there is an understandable resistance to anything that appears to be additional federal regulation. State and local officials want additional resources, but describe the layering of additional programs one on top of the next as, "an administrative nightmare."³

Enacted in 1965, ESEA is a Great Society landmark that signified a national interest in assuring equal access to a quality education for all Americans. In essence, the federal government took responsibility for compensating poor schools districts to put them on a fiscal par with more affluent districts. It is essential that the federal government continue to play that role. However, we can no longer define equity solely in terms of fiscal parity, since, more than 30 years and \$100 billion later, the performance gap between low-income and middle class students still remains disconcertingly wide. To narrow that gap, Washington needs to redefine equity in terms of concrete results.

We need a progressive alternative to the left's habitual demand for more spending and the right's incessant campaign to shrink Washington's role in education. Republicans, for example, propose converting ESEA programs into block grants with no accountability for results, or into personal vouchers or, in the extreme, to eliminate the Department of Education. Too many Democrats, refuse to acknowledge that the problems with ESEA programs goes beyond their funding level.

Neither block grants nor more of the same-old "top-down" categorical approach that drives today's ESEA will ultimately benefit the nation's school children, especially the 20 percent who live in poverty and are most likely to be in failing schools.⁴ Since 1965, titles and programs have been added, but the underlying philosophy and methods have not been rethought. The federal role embodied in ESEA is still critical; however, as a result of interest group pressure, constituency politics, and Washington's inability to eliminate or consolidate even the smallest or least effective government program, ESEA has calcified into a confusing, unfocused, and largely ineffective statute. In 1999, ESEA is more reflective of symbolic attention to issues than substantive solutions. That is why PPI believes a dramatic new approach is essential to reshaping the ESEA.

PPI is not alone in this sentiment, groups across the ideological spectrum are calling for substantial changes to ESEA. For example, the conservative Heritage Foundation is calling for greater control of federal programs to be given to the states in exchange for greater accountability. This approach, dubbed "Super-Ed-Flex" will likely be introduced in Congress this year.⁵ PPI supports the Super-Ed-Flex goal of greater flexibility in exchange for greater accountability, but believes that this proposal fails to substantively address the basic problems of the categorical approach.

The federal role in elementary and secondary education is limited but not insignificant. While overall Washington contributes only about 7 percent to total education expenditures in this country, this money is concentrated, although not to the degree it should be, on impoverished areas. However, Washington must do better job of leveraging this investment to drive better performance. Specifically, this report proposes that the current categorical approach is broken but that Washington can, and should, play a vital role in elementary and secondary education.

To support states, school districts, and schools that are at once becoming more flexible and more accountable for performance, the federal role in education must become flexible and performance-based itself. To achieve a marriage of real accountability and flexibility, a real link must be established between funding and results. This must be done in tandem with a commonsense consolidation of programmatic spending and an increase in flexibility. In 1965, equity could be measured in dollars, in the New Economy, equity

must be measured by quality.

To update ESEA for the information age, PPI believes Congress must:

- Introduce real accountability by making ESEA funding performance-based rather than a guaranteed source of revenue for states and school districts;
- Define performance benchmarks for states and localities;
- Consolidate ESEA programs into funding primarily for compensatory education, professional development, limited English proficient students, and innovative strategies;
- Concentrate ESEA funding on impoverished areas where schools are most likely to be in distress;
- Terminate funding for states and districts that consistently fail to meet established benchmarks.

With this new role, Washington should play a more active role in bench marking quality and measuring performance. It should do less micro-managing of how local school officials raise their students and teachers to higher levels of performance. The federal government should get out of the business of accounting for programmatic inputs and instead focus more strategically on empowering citizens with information, setting broad standards and goals, measuring and comparing results, and researching effective strategies for school improvement.

In the New Economy, knowledge intensive jobs are increasingly the norm. As Robert Atkinson and Randolph Court reported recently, "Since 1969, virtually all jobs lost in goods production and distribution sectors have been replaced by office jobs."⁶ In the past, students at the bottom-end of America's education system were not learning advanced skills and knowledge. This reality was papered over by, and to some degree driven by, an abundance of unskilled and low-skill jobs. The economy lent itself to schools that were, in the words of Hugh Price, "expected to educate a small percentage of supposedly bright kids extremely well" while paying "scant attention to those who struggled academically."⁷ The old economy didn't demand a large number of highly educated workers. In the New Economy all students must be competent learners if they are to thrive in this new era.

ESEA in 1999:

When ESEA was passed in 1965 it was landmark legislation because it codified the federal role and national interest in ensuring quality education for all students. Prior to 1965, impoverished students and students of color had been denied access to quality education and a chance to become upwardly mobile in the economy. Before 1965, Congress had passed smaller bills to aid education, the Smith-Hughes Act of 1917 for vocational education, Impact Aid in 1950, and the National Defense Education Act of 1958, but resistance arising from segregation, and the participation of private and religious schools, had prevented large scale federal assistance to elementary and secondary schools. The Civil Rights Act of 1964 helped alleviate the racial issues and ESEA was passed the

following year.⁸

Now, ESEA has evolved into a hodgepodge. As a whole, it appears to address different and complementary needs. In addition to the Title I program, there are programs for technology, migrant students, women's educational equity, teacher professional development, civics education, foreign languages, gifted and talented children, arts in education, native American and native Hawaiian children, and various demonstration projects.

Funding for the various programs is distributed one of two ways, by formula or by competitive grants. Formula programs send money to states and school districts based on certain factors for example overall number of students or the number of poor students. Competitive grants are awarded based on an application and selection process.

Besides Title I, the larger programs include the Impact Aid program (\$864 million) which compensates school districts that lose property tax revenue because they host federal buildings or installations such as military bases. The Safe and Drug Free Schools program (\$566 million) which, as the name implies, is targeted at violence and substance abuse prevention. There is also a professional development title (\$335 million), and the Title VI 'block-grant' program (\$375 million) which now also includes last year's class-size reduction initiative (\$1.2 billion). In addition, there is a title devoted to technology (\$698 million) and another for bilingual education (\$380 million). School construction is even given a title although it was only funded briefly before the funding was rescinded.⁹

In short, Washington has created a program to address every ill on the educational landscape. What this has created is a statute that is long on symbolism, but woefully short on substance. By undertaking to accomplish so many things through ESEA and related programs, the federal government has ended up doing nothing particularly well. And, the overwhelming emphasis on process has come at the expense of results.

While there is no doubt that federal leadership has improved schools over the past 34 years, especially by drawing attention to the special needs of impoverished students, it is difficult to attribute these gains to particular categorical programs. Moreover, as education researcher Dr. Paul Hill points out, many federal programs and regulations have, "weakened schools by putting process before results, caused displacement of goals from serving students to guaranteeing administrative compliance, and weakened schools' ability to pursue effective instructional programs and solve the problems presented by their students".¹⁰

ESEA is still arranged and administered in 1999 with the same philosophy as 1965. Federal education dollars are sent to states and localities through a Byzantine patchwork of programs and formulas targeting different discrete needs and populations. This creates confusion, redundancy, and inefficiencies. It also makes systematic collection of useful data a herculean and thus far unsuccessful task.¹¹ In fact, with the exception of Title I, there is a substantial lack of data about the effectiveness of these programs. In addition, in many states it has created a dependency on federal funds to support state education departments essentially aping the prescriptive structure of Washington.¹²

A Closer Look at ESEA reveals the problems with the current approach:

Title I

With annual spending of more than \$8 billion, Title I is the largest ESEA program. Title I is in essence funding, sent to localities by a formula, to undertake compensatory education activities for impoverished students. In this sense, Title I is essentially a block grant. Although 99 percent of Title I dollars reach the local level, the money is spread too thinly, and there is no enforced accountability for results with the funding.¹³ Between 70 and 80 percent of Title I funding is used for staff and the remainder is used to purchase educational services and material, increasingly from the private sector.¹⁴

Washington has spent more than \$118 billion on Title I since its inception in 1965, and several recent evaluations confirm that these dollars have failed to close the achievement gap between impoverished students served and their more affluent peers.¹⁵ While some school districts have made demonstrative gains with Title I dollars; overall the funding has not produced the intended compensatory effect.

Not all impoverished schools and impoverished students are served by Title I so blanket comparisons of Title I spending to the overall achievement of poor students are misleading. As a result of the 1994 Title I reauthorization, Title I funds are more concentrated on high-poverty areas, but still not to the degree that they should be. Currently, 58 percent of schools nationwide receive at least some Title I funding.¹⁶ While, 95 percent of schools with a poverty level of 75-100 percent receive Title I funding, often schools with lower but significant percentages of children in poverty do not.¹⁷ For example, one in five schools with poverty in the 50-74 percent range does not receive any Title I dollars and only 64 percent of schools with poverty in the 35 to 49 percent range do.¹⁸ Research clearly demonstrates that poverty impacts learning, yet many schools with high percentages of impoverished kids receive no Title I funding. At the very least, considering funding limitations, funding should be more focused on the highest need schools. Despite continuing efforts to concentrate Title I funding, the distribution is still based more on politics than policy. While there are four different Title I formulas (two are currently unfunded); 86 percent of Title I funding is allocated based on the least concentrated of the four.¹⁹

During the last reauthorization of ESEA in 1994, Congress also made substantial changes to Title I allowing local school districts much more flexibility with Title I dollars while requiring that Title I students be held to the same high standards as other students. States were required to adopt assessments to ensure that poor children were making progress and mechanisms were built into the statute to ensure accountability if these steps were not taken. Unfortunately, as one independent evaluation of Title I stated, "there is wide variance in the degree to which states have complied with the requirements of the new Title I."²⁰

Sweeping conclusions based on Title I evaluations are risky. The methodology of social science in this area is notoriously suspect because often obtaining random samples means denying services to students who could otherwise benefit from them. In essence a random control group is rarely possible. Therefore, as the massive longitudinal evaluation of Title I, the "Prospects Report", pointed out that, the "inability to discern a compensatory effect of [Title I] is not necessarily an indication of program failure" because while the

achievement gap didn't lessen as a result of Title I it did not grow either.²¹ Basically, because you can't deny a specific group of children services, it is often impossible to measure what would have happened to these students in the absence of this funding.²²

In addition, there is evidence of improvement in math and reading scores among the most impoverished students.²³ Nonetheless, on aggregate, empirical results from analysis of Title I are not encouraging. Further, independent evaluations of Title I still indicate a lack of academic rigor in activities that the funding supports.²⁴ The Department of Education's own analysis of Title I states that, "a review of the evidence provided by states shows that [Title I] plans appear to be weak in bench-marking standards against external criteria."²⁵ Rather than raising and holding all students to high standards, too often Title I funds perpetuate a two-tiered educational system that has lower expectations for impoverished students than affluent ones. And, because there is not a true results-based focus around Title I, often the federal government is a silent accomplice in the continuation of this bifurcated approach to schooling.

Many analysts attribute the disappointing achievement results produced by Title I to the widespread use of unqualified aides or paraprofessionals in the classroom.²⁶ The high percentage of Title I funding used for staff isn't surprising because, by its nature, education, is a labor-intensive activity. However, the type of staff this funding most often supports is surprising. Half of Title I instructional staff are paraprofessionals who are used in many Title I schools for teaching even though they lack the educational background to do so.²⁷ Congress has set the bar ridiculously low for these instructional aides requiring only that aides "have a secondary school diploma, or its recognized equivalent, or earn either within two years of employment".²⁸ Equally problematic is where these aides are most often found, 84 percent of principals in high poverty schools reported using aides compared to only 54 percent of their peers in low-poverty schools.²⁹ Moreover, in high poverty schools only 10 percent of aides have bachelor's degrees.³⁰ This means that the students most in need of high quality instruction are least likely to get it.

However, again it is important to note that Title I isn't a singular program at all. Rather, it is a funding source for state and local compensatory education activities which take many forms. That Title I hasn't shown more encouraging results is not proof that these dollars can't be made to work. Overall results of Title I are evidence that without consequences for results, all states and localities haven't been forced to make Title I work. Ineffective practices such as the use of unqualified teachers, especially around the most needy students, would certainly be curtailed if funding were contingent upon results. Accountability provisions are only as effective as the will to enforce them is strong. In the case of Title I, that will has been weak.

Because the Department of Education has never demanded results with Title I funding, it has created a sense among many states and program administrators that Title I is an undertaking without consequences. Although states are not required to fully implement the changes made to Title I during the 1994 reauthorization until 2001, it is unclear if this deadline will be met. The Department's own evaluation of Title I states that, "states are making significant progress in developing content standards, but progress is considerable slower with respect to developing performance standards according to the timeline set forth in the statute."³¹ Washington has never fiscally sanctioned a state or

school district for non-performance. Sanctions have been levied for fiscal noncompliance and civil rights violations but never for simply chronically failing to educate kids with Title I dollars. Over 34 years this has created a sense that regulations around Title I have no real meaning. Without fiscal enforcement of the substantial changes made to the law in 1994 unfortunately, this trend will continue. Clearly, state and local officials share some of the blame for the shortcomings, but in the words of the Citizens' Commission on Civil Rights, "the federal government's failure to take the actions needed to implement and enforce the new Title I has also retarded educational progress."³²

If simply spending money on impoverished students were the key to improving student achievement, Title I dollars would have generated more encouraging results. Equally important to resource allocation is accountability for results with those resources. Unfortunately, when it comes to Title I, this has been a forgotten part of the equation.

Safe and Drug Free Schools

While Title I is the largest and most visible program in ESEA, other parts of the law are problematic as well. The Safe and Drug Free Schools program offers an excellent example of the focus on symbolism at the expense of results in the current categorical approach. The \$566 million program is a marriage of the prescriptive problems associated with categorical programs and the lack of accountability often associated with block grants.

The rationale behind Safe and Drug Free Schools makes perfect sense. Drugs and violence clearly impact learning and hence school districts have a compelling interest in ameliorating both of these problems. Safe and Drug Free Schools funds are provided for this purpose. It is the classic evolution of a categorical program, identify a problem (preferably one that is politically attractive and has a constituency) and create a program to address it.

With the exception of money set aside for state departments of education and prevention activities led by police officers (in practice usually the popular but ineffective Drug Abuse Resistance Education (DARE) program), school districts are allowed latitude in spending their Safe and Drug Free funds. As with Title I, targeting is a problem. Because of a lack of concentration, most school districts don't receive a meaningful amount of Safe and Drug Free money. According to Secretary of Education Richard Riley, "three-fifths of school districts currently receive grants of less than \$10,000 with the average grant providing only about \$5 per student."³³

There is no comprehensive data on the effectiveness of Safe and Drug Free Schools funds and in practice meaningful data would be difficult to gather. Ample anecdotal evidence suggests that funds are often not used effectively and that the program lacks a clear focus.³⁴ DARE America, the advocacy group that lobbies for the DARE program purports to have data proving the effectiveness of that particular approach. In reality, these are studies of student and teacher perceptions about the program and student perceptions about drug and alcohol abuse.³⁵ Actual empirical data about the DARE program show that it produces results that are "marginal at best".³⁶ In practice this is probably because DARE is most often offered as an isolated activity to kids during one

year of school rather than as part of a comprehensive focus on drug prevention. However, political popularity and a vocal constituency has protected DARE from being forced to sink or swim on its own merits.

This doesn't mean that the DARE program can't work, but under the current system it is not forced to work. Because there is funding set-aside for DARE in the Safe and Drug Free schools program, beyond the commitment of local police officers to discouraging drug use among kids, there is little incentive for the program to perform. DARE, and Safe and Drug Free Schools as a whole, are symptomatic of the problems inherent in a Washington top-down approach to educational policy. Various constituencies, each protecting and advocating their slice of the pie, end up taking either the flexibility, accountability, and often both out of programs. The General Accounting Office highlighted problems inherent in balancing flexibility with accountability in a program like Safe and Drug Free Schools, stating that while local innovation is one of the goals of the program "the lack of uniform information on program activities and effectiveness" hinders federal oversight.³⁷

Federal process-based accountability is an impossible role for Washington to play. There are more than 14,000 school districts operating in the country right now, how can the federal government possibly monitor them effectively for process compliance?³⁸ However, granting flexibility in the absence of performance measures does nothing to discourage ineffective practices.

Limited-English Proficient Students

The \$380 million bilingual education program is another example of how entrenched interests can use the inflexibility of the current system to protect categorical programs, often at the expense of children. It also typifies symbolism trumping substance in ESEA. As with Title I and Safe and Drug Free, bilingual funding is also spread too thin to make a real difference. In addition, the program has no concrete performance measures and often supports activities that research indicates are ineffective.

Educating limited-English-proficient (LEP) students is an urgent issue for many school districts, however, indications are that the need is not being met. There are 3.2 million LEP students in the United States and more than 75 percent of them attend high-poverty schools.³⁹ Each year, 640,000 limited English proficient students are not served by any sort of program targeted to their unique needs.⁴⁰ Most telling, the dropout rate for Hispanic students (the largest cohort of LEP students) is about 30 percent, 44 percent for Hispanic students born outside the United States.^{41,42} A Department of Education report on dropout rates stated that while not the sole cause of the Hispanic dropout problem, language difficulty "may be a barrier to participation in U.S. schools."⁴³ Further, and fairly obviously, reading ability is a key predictor of graduation and academic success.⁴⁴

Bilingual education and transitional bilingual education are two different concepts. Bilingual education seeks to teach one language while developing proficiency in a second. Transitional bilingual education simply seeks to teach English as quickly as possible so that a student can transition into mainstream classes.

The federal response to the pressing need to educate LEP kids is a competitive grant program that gives priority to bilingual education programs that, "provide for the

development of bilingual proficiency both in English and another language for all participating students".⁴⁵ In practice this generally means bilingual for Hispanic students only, because qualified teachers in languages other than Spanish are rare. More importantly, although the research on bilingual education is mixed and often methodologically suspect there is no evidence that bilingual is preferable to other methods of teaching LEP youngsters English. In fact, the National Research Council's Committee on the Prevention of Reading Difficulty in Young Children stated that while most bilingual evaluations are too small or flawed to be useful, "the most careful met-analysis of studies comparing bilingual to English-only programs for language-minority children carried out by Willig (1985) shows better literacy outcomes in English for children who received transitional bilingual education."⁴⁶

In 1998, two types of federal bilingual grants were awarded, Enhancement Grants and Comprehensive School Grants (there are not competitions for every type of grant each year). 255 school districts applied for Enhancement Grants and 36 grants were awarded. 401 school districts applied for a total of 63 Comprehensive School Grants. The average Enhancement grant in 1998 was \$130,300 while the average Comprehensive School Grant was \$250,000.⁴⁷ Essentially, in 1998, 15 percent of school districts that believed they needed federal assistance to educate limited English proficient students received it. Even a \$250,000 grant can be insufficient for a school district struggling to educate a diverse population of students.

Again, the federal focus on bilingual education as a strategy to educate limited English proficient kids is surprising in the first place. It seems the only people supporting actual bilingual programs are academics and practitioners with a vested interest in its continuation. A portion of the federal bilingual funding goes to these researchers who, not surprisingly, have a proclivity for producing pro-bilingual research. As James Traub reported in a recent New York Times Magazine article, an academic and pedagogical rationale to support the bilingual program actually came about after its inception.⁴⁸ The program itself was, in the words of bilingual scholar Ursula Casanova, not based on academic theory but rather was "the result of political strategies designed to funnel federal poverty funds to the southwest."⁴⁹ Boston University professor, and bilingual researcher Christine Rossell and Keith Baker who has directed bilingual studies for the U.S. Department of Education, conducted an exhaustive review of evaluations of 300 bilingual programs and failed to find any studies showing bilingual to be superior to other methods of teaching English to LEP students.⁵⁰ In fact, of the 300 evaluations they reviewed, Rossell and Baker only found 72 that were "methodologically sound."⁵¹ Moreover, a recent Public Agenda Foundation report found that 66 percent of Hispanic parents and 75 percent of foreign-born parents reject the idea of bilingual education, preferring English immersion.⁵² As a practical matter, bilingual just isn't an option in many school districts. Some school districts now serve students speaking more than 100 native tongues.⁵³

Voters in California recently gave their verdict on bilingual education by passing Proposition 227. That referendum shifted the focus from bilingual education to teaching kids English as quickly as possible. Although, it is too soon to gauge the actual effect of 227 on school districts, clearly changes are afoot around bilingual education there.⁵⁴ Meanwhile, a similar initiative is on the ballot in Arizona, states that receive little or no

bilingual funding are coping with influxes of limited English proficient kids, and America's school-aged population continues to get more diverse.

As a result of demographic and statutory changes, school districts and states nationwide are dealing with a rapidly changing and in many cases, unaddressed situation when it comes to limited English proficient students. However, they are supported by a static, and symbolic rather than substantive, federal role.

Teacher Quality and Class Size

Reducing class-size is obviously not a bad idea, quite the contrary there is substantial research that indicate it can be an effective strategy to raise student achievement. As Progressive Policy Institute has pointed out, "all things being equal, teachers are probably more effective with fewer students."⁵⁵ However, in education, all things are rarely equal. For example, as a result of a teacher shortage exacerbated by a mandate to reduce class-size, 21,000 of California's 250,000 teachers are working with emergency permits in the states most troubled schools.⁵⁶

Now a part of Title VI of ESEA, President Clinton's \$1.2 billion class-size reduction initiative illustrates Washington's obsession with means at the expense of results and also the triumph of symbolism over sound policy. The goal of raising student achievement is reasonable and essential; however, mandating to localities that they do it by reducing class-size precludes local decision making and unnecessarily involves Washington in local affairs.

During debate on the Clinton class-size proposal it was correctly pointed out that in terms of student achievement, research indicates that teacher quality is a more important variable than class size. In fact, this crucial finding was even buried in the Department of Education's own literature review on the issue.⁵⁷ The Committee on the Prevention of Reading Difficulty in Young Children, stated that although, "the quantity and quality of teacher-student interactions are necessarily limited by large class size, best instructional practices are not guaranteed by small class size."⁵⁸ In fact, one study of 1000 school districts found that for every dollar spent on more highly qualified teachers "netted greater improvements in student achievement than did any other use of school resources."⁵⁹ Yet, despite this, the class-size initiative allows only 15 percent of the \$1.2 billion appropriation to be spent on professional development. Instead of allowing states and localities flexibility to address their own particular circumstances, Washington created a one-size-fits all approach. Considering the crucial importance of teacher quality, the current shortage of qualified teachers, and the fact that class-size is not a universal problem throughout the country, shouldn't states and localities have the option of using more than 15 percent of this funding on professional development?

Smaller Programs

The smaller programs within ESEA are equally as prescriptive, ineffective, or irrelevant as the larger ones, they are just less expensive. Throughout ESEA, but particularly in Title X, the Programs of National Significance portion of the law, there are numerous programs for such activities as reading, writing, civics, arts, gifted and talented students, and various

demonstration projects. Individually, these programs are small and seemingly innocuous, collectively they add up annually to more than \$200 million in annual spending.

Because of political popularity and constituency politics Congress refuses to eliminate or redirect funding from even programs that the Department of Education says ought to go. For example, each year the Department recommends eliminating funding for the Ellender Fellowships, a small program tucked into the Title X of ESEA. The Ellender funding, \$1.5 million last year, goes to the Alexandria, VA, based Close-Up Foundation. Close-Up is an excellent program that brings students from all 50 states and many U.S. territories to Washington to government for a week during the school year.

The Ellender Fellowships were established to provide scholarships for low-income students to attend Close-Up. However, a 1992 evaluation of the program found that "despite a pattern of increasing Federal funding for the program and significant increases in private sector support for the Close-Up Foundation, the number of fellowships had steadily declined."⁶⁰ Close-Up and the Department of Education developed a plan to wean Close-Up from its dependence on the treasury and as a result the Department consistently recommends against funding the Ellender program.⁶¹ Nonetheless, each year Close-Up comes through the congressional appropriations process unscathed. It is but one example of a larger problem.

Fiscal concerns about the use of the Ellender funds aside; it is also an important philosophical example. Close-Up itself is worthy program with broad bipartisan support and it is valuable to many students. However, does every worthy activity deserve a federal program? As a practical matter, who is in a better position to make decisions about worthiness, Washington or states and localities?

The Categorical Problem

In his book, Demosclerosis, Jonathan Rauch likens the current practice of layering federal programs one on top of the next without eliminating or modifying old ones to building houses, each atop its predecessor. The result, he writes, might work in the short run but would ultimately become "a teetering dysfunctional mess."⁶² ESEA typifies this phenomenon. Its crucial purposes are lost in a maze of programs that stifle ingenuity, flexibility, and innovation and as a result under-serve the children they are intended to help.

This year, in an effort to address this problem, Congress is already considering legislation to introduce more flexibility into federal education programs. This legislation, commonly referred to as Ed-Flex, would allow school districts to apply for waivers from certain state and federal regulations surrounding federal programs.⁶³ In theory, this flexibility would come in exchange for greater accountability for results. Ed-Flex is a step in the right direction, flexibility in exchange for accountability; however, it has two drawbacks. First, it vests additional power in the hands of bureaucrats rather than practitioners by establishing yet another process around federal programs, albeit a waiver process. Second, it doesn't address the core problems with categorical programs.

The fact is, categorical programs and specific grant programs, large or small, inevitably spawn constituencies and interest groups who then assume a change-averse

posture around their program. Common-sense change becomes difficult and large-scale change nearly impossible. This phenomenon isn't unique to ESEA, a look through the federal tax code or agriculture subsidies for example reveals a parallel trend. It is also a practice that is not unique to either party. Republicans and Democrats share equal blame for the current state of ESEA. Creating programs with nebulous purposes and no accountability has over time been a bipartisan activity. A side effect of this proliferation of programs has been the accompanying thin dispersal of funds.

Because educational decisions are generally made at the state or local level, a federal role built around many discrete categorical purposes inherently precludes state and local decision making. We can't expect schools and school districts to be flexible and innovative while supporting them through an outdated, static funding system.

ESEA in the New Economy: Towards a results-based partnership

In the New Economy the federal government should play the role of investor and catalyst rather than "command and control" manager. National benchmarks should be set and Washington should empower states and localities to make progress towards them. Most importantly, Washington should use its resources to drive and support ineffective practices and should not subsidize failure.

Ideally, state and school district performance should be measured against national benchmarks. Presidents Bush and Clinton both tried to take commonsense steps towards creating a national framework of standards and assessments. In his 1997 State of the Union address, Clinton proposed voluntary national tests in the 4th-grade for reading and in the 8th-grade for mathematics. Clinton hoped that the test would drive national, not federal, standards that embodied what students needed to know in the New Economy.⁶⁴ Unfortunately, Clinton's proposal for national testing was killed on Capitol Hill in 1997 and 1998. National standards and a national assessment will ultimately create an environment of less testing for students and more flexibility for states and localities. In addition, standards and assessments create a focus on what will be taught and what should be learned.⁶⁵ This creates clarity for students and teachers and is essential for raising student achievement. PPI continues to support the President's proposal; however, in the absence of these benchmarks and a way to assess progress against them, states and school districts should be required to demonstrate progress towards established state standards. This is the crux of performance-based support: demonstrative progress towards established goals.

Further, without national standards and assessments some national comparative measure, for example the National Assessment of Educational Progress, (NAEP) should continue to be employed to allow interstate comparisons and help the public gauge the comparability of standards. Independent groups that monitor the quality of standards and assessments in various states will also play an essential role as providers of public information and arbitrators of quality.

The federal role in education is limited but not trivial. While federal funds do only make up only about 7 percent of education spending in this country, because of existing targeting, they tend to be more concentrated in certain areas increasing the ability of

federal dollars to leverage reform. This is why federal aid constitutes 15.5 percent of the school budget in Birmingham, Alabama, and only 3.3 percent in wealthy Fairfax County, Virginia.⁶⁶ Generally, areas receiving higher amounts of federal funds also are areas where the schools are not delivering a high quality education to all students. Federal funds for elementary and secondary education are more targeted towards impoverished populations than state funds and play a key role in addressing fiscal inequities caused by the reliance on property taxes to fund education.⁶⁷ The General Accounting Office reports that for every dollar provided to each student nationwide, federal funds provided an average of \$4.73 per poor student while state funds only provided \$0.62.⁶⁸ A shift to a block grant that simply allocated funds on a per-pupil basis would undermine this role.

In the future, to focus federal assistance on resources and results, federal funding should be sent to states and local school districts with minimal regulations and maximum flexibility. This should be done in tandem with an increased results-based focus. Rather than a programmatic based approach to each problem, states and localities should be empowered to solve problems and address challenges. Federal decision-making as to the specific uses of funds inherently stifles state and local innovation and ingenuity. Rather than a program for every purpose, federal funding should be concentrated around a small number of attainable purposes rather than spread across myriad programs with varying goals.

A shift in the federal role towards performance based assistance will also reduce paperwork and regulatory requirements at the state level. While obviously skewed towards larger states, it does take an average of 50 full-time employees per-state to administer ESEA programs.⁶⁹ Paul Hill has referred to this phenomenon as the federal "colonization" of state education agencies.⁷⁰ With consolidated, performance-based funding, states will no longer be required to administer a plethora of federal programs. Rather, they will only be required to meet basic criteria to be eligible for federal support and the continuation of that support should be contingent on results in meeting state or ideally national standards. Performance-based funding eases the burden on states and localities for paperwork but dramatically increases the consequences for results. Accountability should be based on results, rather than simply meeting reporting requirements.

In this sense, performance-based funding isn't deregulation as many will argue, rather it is a shift in regulation. The desired performance outcomes become the regulation, as opposed to regulations regarding inputs and process.⁷¹

How to Get There from Here

As much as possible, federal money should be sent to states and school districts by formula taking into account poverty, and special populations such as limited-English proficient kids. Once there, these funds should supplement and not supplant state and local funding efforts. Federal dollars should not be looked upon as an alleviation of local tax effort. Targeted formulas ensure that federal dollars are going where they are needed but do not unnecessarily entangle Washington in the affairs of local school districts. Competitive grants, those that school districts apply and compete for, are necessary under some

circumstances, for example stimulating and supporting innovative practices, but are inherently unfair because not all school districts have the capacity to effectively compete for these dollars. With competitive grants, often the districts that need them the most are least likely to get them. Small rural school districts are at a particular disadvantage here.

While there is variance on a state by state basis, localities contribute an average of 43.2 percent to public school funding with the states contributing 47.5 percent and the federal government and private sources adding the remainder.⁷² At the extreme, New Hampshire schools are almost entirely locally funded while Washington State and New Mexico rely heavily on state funding. Overall, there is a reliance on the property tax at the local level, which puts wealthy districts at an advantage compared to poor districts. Further, poorer school districts tend to have higher concentrations of students with special needs and tend to be the most in distress.

It is here that the federal government can play a vital role by providing funds to impoverished school districts to help them meet the unique challenges they face. For example, principals in high poverty schools report more difficulty hiring teachers; this is particularly true in high-poverty urban areas.⁷³ For students, research demonstrates a clear link between poverty and learning problems. Moreover, when a significant percentage of students at a school are impacted by poverty, the achievement of all students is impacted.⁷⁴

It is in impoverished areas where students are most likely not receiving the education that they will need in the New Economy and increased accountability for results is most sorely needed. Consistently, when scores on national and international tests are disaggregated it is impoverished students who are most likely to be failing in school. Or, more accurately, it is impoverished students who are most likely to be in school systems that are failing them. The realities of poverty must be taken into account, but are not an excuse for failing schools.

It is in these school districts where the true crisis in public education lies and here that federal dollars can most effectively leverage change. Federal funds are concentrated on these districts now, but not to the degree that they could or should be. The Washington Post recently referred to this diffusion of federal funds writing that, "[education] reauthorization fights have an earthier side as well. They are partly about money—the old-fashioned issue of slicing the pie."⁷⁵

Liberals will continue to talk only about more of the same—adding programs and top down solutions. Conservatives will continue to argue that block grants and vouchers are educational panaceas. Since the GOP controls Congress, block grants are likely to dominate the Republican approach -- and there are three primary reasons that this approach to ESEA is ill-conceived. First, sending funding to states or school districts solely on a per-pupil basis completely ignores the reality of school finance in the United States. Schools are heavily dependent on property taxes for revenue; hence, wealthier districts are at a funding advantage relative to poor districts. Second, simply transferring regulatory control from one bureaucracy in Washington to 50 in state capitals around the country doesn't address the core problems with the current regulatory burden on schools. Third, the federal role in education has more defined purposes than simply revenue sharing; block granting education programs ignores these purposes, chiefly performance goals.

At the same time, the liberal Democratic solution of simply creating new programs

without reforming or eliminating ineffective ones is equally ill-advised. By defending outmoded, ineffective, and unsuccessful practices, liberal Democrats inadvertently swell the ranks, and strengthen the hand, of those who believe public education is a wasteful and ineffective enterprise. The incredible response that a privately funded voucher program sponsored by Ted Forstmann and John Walton generated provides clear evidence that the voucher movement isn't arising out of a vacuum. Many parents, particularly in inner cities, have lost faith in the status quo, and for good reason. Too many schools don't perform. And throwing good money after bad won't alter the political dynamic or, more importantly, improve the schools.

The Third Way: Performance-Based Grants

There are too many federal education programs creating a confusing and top-heavy bureaucracy but the answer isn't simply carte blanche consolidation. In the words of PPI analysts Ed Kilgore and Kathleen Sylvester, simply "turning federal programs into block grants makes them easier to administer, but does not accomplish any clarification of federal and state rules, or of the national and local concerns that justify them."⁷⁶ In addition, Republican block grant proposals decrease rather than increase accountability. Performance-based funding creates greater flexibility while requiring increased accountability by giving "flexibility in exchange for achieving defined results that embody the national purpose justifying the use of federal funds."⁷⁷

Federal performance-based ESEA funds should become focused on underprivileged children, limited English proficient children, professional development, and driving innovative practices. These dollars should be contingent upon demonstrated results and states and school districts that don't meet targets should be sanctioned fiscally. Likewise, states exceeding goals and states with particularly rigorous goals should be rewarded.

PPI Recommends creating 5 performance-based grants for compensatory education, professional development, limited-English proficient students, innovative practices, and state administration and oversight. Specifically we recommend:

- Turning Title I into a completely performance-based compensatory education grant distributed by formula. Building on what President Clinton has proposed, in order to receive Title I funding states must demonstrate that they have a plan in place to identify and reconstitute failing schools, are ending social promotion by identifying and intervening to help students in need, and have a standards and assessment plan in place so they can be held accountable for the performance of impoverished students. Title I funding should be contingent upon demonstrated progress towards established state content standards and more concentrated to better serve students in impoverished areas. Making Title I performance-based does not undermine the 1994 reforms but instead strengthens them. While the use of aides should be left as a state and local decision, the qualification prerequisite for these aides should be raised to a bachelor's degree. Title I should be an education program, not a jobs program.

- Creating a second performance-based grant for teacher and education leadership professional development. Again, building on President Clinton's proposal, in order to receive this funding states must demonstrate that they are taking reasonable steps to curtail out of field teaching and are putting rigorous testing procedures in place for all teachers to improve teacher quality, and are offering alternative paths (not simply emergency certification) to attract qualified people into the profession. Performance will be indicated by improvements in student achievement. This funding should be sent to school districts by formula and the existing local matching requirements should be kept in place. Consolidating 4 existing professional development programs under the Eisenhower program, Title III technology programs, bilingual education, and the Reading and Literacy Grants program would alone create a fund of more than \$700 million for professional development. This funding, ideally augmented through consolidation of other lower priority programs could for the first time put fiscal muscle behind professional development. School districts should have the flexibility to determine the specific use this funding and cooperative arrangements with other school districts and entities should be encouraged. Local school districts can continue to work with traditional providers of professional development or they can use this funding to procure professional development services from other outlets. Rather than guaranteed revenue streams for any provider of professional development services, a market built around delivering high quality services to school districts will emerge. The providers may be traditional outlets such as regional education laboratories and universities, or non-traditional venues such as corporations and consulting firms. Fundamentally, school districts should be able to access the services they believe best suit their needs.
- Converting the existing Title VII Bilingual Education Program into a third performance-based grant for teaching English to limited-English proficient students. Performance should be based on a three-year goal for moving students served with this funding into mainstream classes and measured by whether students are learning English or not. Excluding professional development, Washington still spends \$330 million on bilingual and migrant education under Title VII of ESEA. This sum should be augmented by new funding or funding from lower priority programs to a full \$1 billion to provide federal funding of \$300 per-LEP student sent by formula to impacted school districts. There is a compelling national interest in providing substantial funding for the education of limited English proficient students; however, states and LEA's should have the flexibility to teach English in the manner they believe to be most effective. The federal government should not mandate nor preclude any particular curricular or pedagogical approach to educating limited English proficient students. Results, not process are the best way to gauge success.
- Creating a fourth performance-based grant focused on innovative strategies.

Again, higher student achievement should be the performance measure rather than the methods states or school districts employ. Rather than individual federal programs targeted at technology, drug free schools, class-size reduction, etcetera, the federal government should send targeted aid to school district to drive innovation. Again a formula should be used to ensure that the funds are sent to districts that require additional fiscal capacity. Giving local school districts flexibility with this funding will drive market-based services and solutions at the local level. Already, private sector providers of educational services are working with school districts all over the country. Washington should seek to empower this activity.

A portion of this money should be set aside to create a competitive grant program to support and stimulate innovative practices. By creating a true source of funds for innovative strategies initiated by states and school districts that require an up-front commitment of resources Congress can stimulate innovative activity and help researchers capture data on promising ideas. These practices include, but are certainly not limited to, innovations such as longer school days, longer school years, innovative teacher mentoring programs, and creating charter districts—districts where every school is on a performance contract and parents can choose from among different schools.⁷⁸

- Ending "set-asides" of funds for state departments of education within each program and instead creating a fifth performance-based grant for state administration and oversight. Performance indicators for this funding will be based on the goals a state has set for its compensatory education, limited-English proficient, professional development, and innovative strategies performance-based grants. These funds will support state oversight, accountability, and reporting requirements. Reward or incentive money for states will also come from this grant. Rather than state departments of education relying on varying percentages of funding from each categorical program a separate grant should provide funds to states for administration, oversight, and accountability. This funding should be distributed to states on a per-pupil basis and the states should be given discretion to spend it.
- Recognizing the permanence and importance of public school choice. Charter schools and magnet schools are now an integral part of the educational landscape. A separate title should be created for public school choice programs including charter schools, magnet schools, and school report cards—the key informational component to effective public school choice. 34 states and the District of Columbia now have charter schools and magnet schools are found throughout the country. The unique nature of charter schools requires federal funding start-up funding and support. This can be accomplished without hindering the flexibility of these schools or unnecessarily involving Washington in their operation.⁷⁹ A recent evaluation of charter schools by the US Department

of Education found that 59 percent of charter schools found a lack of start-up funds to be a "difficult" or "very difficult" challenge.⁸⁰

- **Sustaining Impact Aid.** As long as most states continue to rely in large part on the property tax for a substantial amount of school funding, the Impact Aid program will be an important federal contribution. Impact Aid compensates school districts for the fiscal displacement caused by federal property (military bases, offices, etc.) within their taxing authority. Since federal property can't be taxed, its presence adversely affects the local tax base. Impact Aid alleviates this problem and plays an important role in local school finance.

Critics will complain that without stringent federal control of means school districts are likely to squander their funds on ineffective practices. Certainly this will occur in some places; however, Washington is in a better position to demand results for its investment than to regulate means. This complaint also ignores the reality that substantial federal and state process-based regulatory accountability has failed to curtail ineffective practices. If the past 35 years of ESEA prove anything, it is that a system comprising 50 states and more than 14,000 diverse school districts doesn't lend itself to process-based accountability.

Critics of performance-based grants will also attack them as masking cuts in education spending. They will point out that in 1981, 38 education programs were consolidated into a block grant (now the current Title VI) and that funding for that program has dropped by more than 60 percent since then.⁸¹ This phenomenon has more to do with the unfocused nature of that particular block grant than any inexorable trend of consolidation equaling lower funding. As opposed to performance-based grants, the current Title VI program fails to articulate either a national interest or performance indicators.

Education, especially the education of poor children, is an expensive undertaking. Even fiscal conservatives acknowledge that additional spending is needed and public opinion is strongly in favor of additional investment in education.⁸² However, simply spending a lot of money doesn't guarantee that impoverished students are receiving a quality education. At a minimum, the more than \$13 billion currently spent on ESEA, consolidated around essential purposes and targeted where it is needed would for the first time put substantial federal fiscal muscle behind important purposes in ESEA rather than spreading funding around too thinly to make a difference.

Even with the introduction of consolidated applications for states and school districts, the process of applying for federal funds is still too arduous. In addition to the basic prerequisites described above, in order to receive federal funds, states should only have to submit to the Secretary of Education their goals on state assessments and should be held fiscally accountable for reaching those goals. Until national standards and benchmarks are developed, Washington can't hold states and school districts accountable to them, but by linking federal dollars to state standards and assessments and commonsense improvements, such as those outlined by the President, at the state and local level, the federal government can ensure that taxpayer dollars are driving results-based

education at the state and local level. Writing in the *Los Angeles Times*, Ronald Brownstein recently dubbed this sort of relationship "flywheel federalism".⁸³ It is an apt description and a new more empowering and constructive approach to education policy.

While some are far from ideal, 49 states currently have or are developing standards, federal dollars should support states that are taking this commonsense step towards accountability.⁸⁴ State standards are not a substitute for national ones, but the development of national standards is a process that will take time from both a policy and political standpoint. In the meantime, it is worth noting that 29 of the 41 countries participating in the Third International Mathematics and Science Study (TIMSS), set curriculum standards at the national level.⁸⁵

Conclusion

The federal government can play a tremendous role in public education; however too often federal involvement doesn't play to its strengths and instead maximizes its weakness. Effective learning happens as a result of adequate resources, high standards, and accountability for results. The federal government can play a leadership role in facilitating the existence of these conditions at the state and local level, but it cannot and should not do the job for states and localities. Recasting the federal role to focus on providing resources and demanding results supports the national interest in a strong public school system and most effectively leverages federal strengths. Everyone recognizes that schools must improve, but the federal role must change too in order to more effectively support and empower states and localities to achieve excellence.

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Andrew Rotherham is the director of the Progressive Policy Institutes 21st Century Schools Project. For more information about Mr. Rotherham and this project, please visit our website at PPIOnline.org.

Endnotes:

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