



**Office of the Legislative Auditor**  
State of Minnesota

## **NCLB Costs in Minnesota**

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During Minnesota's 2003 legislative session, there was considerable discussion about the costs that the No Child Left Behind (NCLB) Act would have on the state. Consequently, the Minnesota Legislature directed the Office of the Legislative Auditor to assess the law's likely impact.<sup>1</sup> Our evaluation addressed the following questions:

- **What is the likelihood that Minnesota school districts and schools will achieve “adequate yearly progress” toward NCLB’s goal of 100 percent proficiency?**
- **What costs will NCLB impose on the state and school districts, and what factors are likely to affect the magnitude of those costs?**
- **Will the increase in federal revenues that Minnesota receives under NCLB cover the new costs imposed by the act?**

To address these questions, we carried out several analyses. First, we estimated the number of schools that would fail to make “adequate yearly progress” (as defined under NCLB) under various scenarios. Second, we collected NCLB-related cost information from the Minnesota Department of Education and nine school districts. Third, we analyzed Minnesota's funding history under the Elementary and Secondary Education Act (ESEA). NCLB is the most recent reauthorization of the ESEA. Fourth, we surveyed all school district superintendents in the state.

This paper is a partial summary of our full report, which can be obtained by accessing the office's website (<http://www.auditor.leg.state.mn.us/ped/2004/pe0404.htm>).

## **DEFINITIONAL ISSUES AND UNCERTAINTIES**

Estimating the cost of NCLB is not a simple task because it involves a lot of definitional questions and uncertainties. How these issues are addressed affects the types and the magnitude of costs that are attributed to NCLB. In this section, we will outline these issues and discuss how we addressed them.

### **What parts of the NCLB Act does the estimate cover?**

While NCLB is a large act, we focused on Title I, Part A of the act because of time and resource constraints. Title I, Part A accounts for roughly half of the funding that Minnesota receives under NCLB. In addition, it establishes NCLB's key accountability requirements that try to move all students toward proficiency.

### **Does the cost estimate address all the activities currently required under the ESEA (with NCLB being the most recent reauthorization) or just the activities newly required with the passage of NCLB?**

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<sup>1</sup> The Minnesota Office of the Legislative Auditor serves essentially the same function in Minnesota that the U.S. Government Accountability Office serves at the federal level.

Our estimate addressed both definitions of costs. When we assessed the fiscal impact that opting out of Title I, Part A would have on Minnesota, we examined all the costs imposed by Title I, Part A, even those originally imposed by the ESEA prior to NCLB. If Minnesota chooses to opt out of Title I, Part A, the state would not have to carry out any Title I, Part A activities, even the older ones. In contrast, when we tried to determine if the increase in federal funds that Minnesota receives under NCLB would cover the new costs imposed by the act, we only examined NCLB's new costs. While our full report addressed both definitions, this paper just discusses the new NCLB costs.

### **What would have happened in the absence of NCLB?**

In other words, what type of educational accountability system would states have had if Congress had reauthorized the ESEA without any changes to the previous version? For example, in Minnesota, there is some debate about the amount of testing that would have occurred without NCLB. Prior to NCLB, the state already had or was in the process of establishing statewide assessments in reading and math for grades 3, 5, 7, 10, and 11. To comply with NCLB, Minnesota has had to establish statewide assessments in reading and math for grades 4, 6, and 8.<sup>2</sup> There is some controversy about whether Minnesota would have established these additional assessments if NCLB had not been enacted. In 2001 (prior to NCLB), the Legislature required the state to develop a system for measuring the growth in individual students' educational progress over time based on state or district assessments.<sup>3</sup> To the extent that Minnesota would need scores from statewide assessments at each grade level to measure this progress, there is an argument that the reading and math assessments in grades 4, 6, and 8 would have been developed without NCLB and thus should not be attributed to NCLB. On the other hand, Minnesota law did not directly require assessments for these three grades until 2003, well after the passage of NCLB.<sup>4</sup> Thus, we attributed the assessments for grades 4, 6, and 8 to NCLB.

### **If a state or school district reallocates existing resources to finance an NCLB activity, rather than spend more money, is the reallocation considered a cost or just a reprioritization?**

We considered a reallocation of existing resources to be a cost. For example, we found that school districts typically cut back on instructional time to accommodate new assessments, rather than extending the school year. We considered this reallocation a cost and valued it based on a prorated share of the teachers' salaries and benefits.

### **What do states and school districts need to spend to make all students proficient by the 2013-14?**

This is an important question because the ultimate objective of NCLB is to make all students proficient by the 2013-14 school year.<sup>5</sup> However, we did not try to estimate the

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<sup>2</sup> No Child Left Behind Act of 2001 (Pub. L. No. 107-110), §1111(b)(3)(C)(v) and (vii).

<sup>3</sup> *Laws of Minnesota* (1Sp2001), ch. 6, art. 2, sec. 5.

<sup>4</sup> *Laws of Minnesota* (2003), ch. 129, art. 1, sec. 7.

<sup>5</sup> No Child Left Behind Act, §1111(b)(2)(A) and (F).

cost of meeting this ultimate goal. The costs associated with such efforts are highly uncertain, and any estimate would be extremely speculative. There has been considerable debate in education literature about the role that educational funding plays in increasing achievement. But even if higher spending levels contribute to improved achievement in the general student population, it would be difficult to estimate the effort and expenditures that would be needed to achieve proficiency for the most challenging students, such as those with cognitive impairments and English language difficulties.

### **How many schools will fail to make “adequate yearly progress” each year?<sup>6</sup>**

In an effort to move schools toward the goal of having 100 percent of their students be proficient in reading and math, NCLB requires states to set targets for the proportion of students that are proficient each year.<sup>7</sup> The target increases over time and reaches 100 percent of students by 2014. In a given year, a school is identified as meeting “adequate yearly progress” if it meets the specified proficiency threshold.<sup>8</sup> If a school that receives Title I, Part A funding fails to make “adequate year progress” for two or more years, NCLB imposes a series of sanctions, which can be costly.

We contracted with the University of Minnesota’s Office of Educational Accountability to simulate the likelihood that Minnesota elementary schools would fail to make “adequate yearly progress” in the coming years. We limited the analysis to elementary schools for two reasons. First, Minnesota only had administered statewide assessments for grades 3 and 5 when we carried out the simulation. Second, most schools in Minnesota that receive Title I, Part A funding are elementary schools. The simulation model was based on (1) the NCLB requirements that existed in 2003, (2) statewide test data from 2003, and (3) assumptions about future student achievement levels that ranged from “no improvement” to “high improvement” from the 2003 levels.<sup>9</sup>

Under these various scenarios, the simulations showed that between 80 and 100 percent of Minnesota’s elementary schools would fail to make “adequate yearly progress” by 2014, when all students are expected to be proficient. As Figure 1 shows, the proportion of schools failing to make “adequate yearly progress” rises from a level of 8 percent in

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<sup>6</sup> NCLB requires both school districts and schools to make “adequate yearly progress.” Our report focused on the ability of schools to make “adequate yearly progress.”

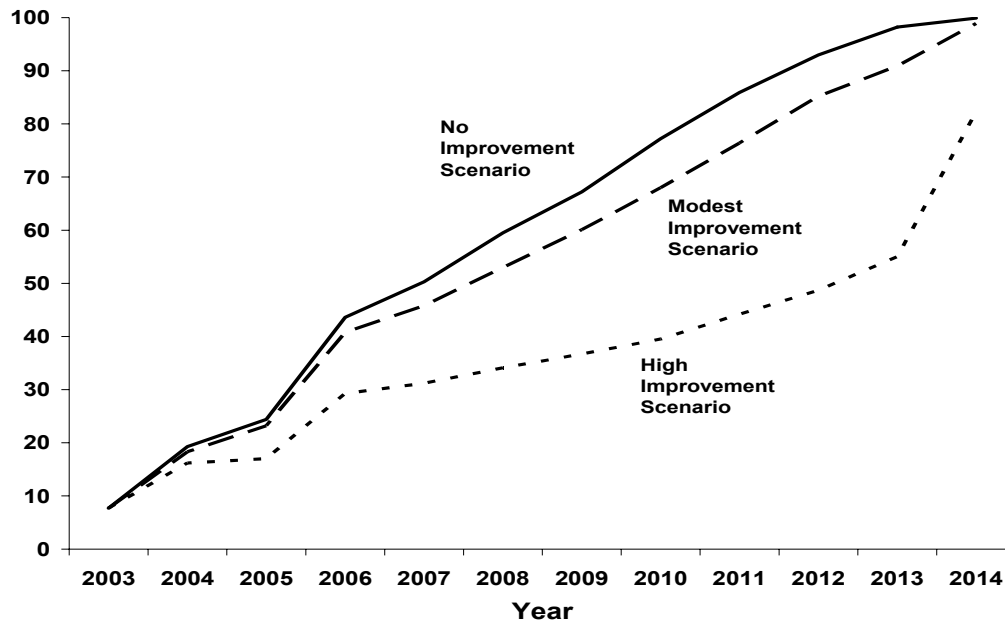
<sup>7</sup> In determining the proficiency rates of Minnesota’s school districts and schools, proficient students earn one index point, partially proficient students are given one-half of an index point, and students below a basic level of proficiency earn no points. The proficiency rate is then calculated by aggregating all the index points and then dividing by the total number of tested students.

<sup>8</sup> In conjunction with proficiency, Minnesota uses three other measures to determine if a school is making “adequate yearly progress” under NCLB. The other measures are (1) the proportion of students taking the assessments, (2) attendance rates, and (3) graduation rates. Our report focused largely on the proficiency measure.

<sup>9</sup> The analysis used an approach known as “sampling with replacement”—keeping the number of students in each school and grade constant each year, but generating from the 2003 data for that school and grade a new sample of tested students for each subsequent year. Within a school and grade, this approach can result in random year-to-year fluctuations in the number of students tested, the number of students in each subgroup, and a school’s proficiency rate.

2003 up to 80 to 100 percent in 2014. The failure rate rises under each scenario primarily because the proficiency targets set by Minnesota increase each year, with all students expected to be proficient by 2014.

**Figure 1: Percentage of Elementary Schools Failing to Make “Adequate Yearly Progress” in Proficiency**



As mentioned, the simulation was carried out using three different scenarios regarding future assessment scores. Under the “no improvement” scenario, we assumed no improvement in overall student achievement. The “high improvement” scenario was based on the relatively large average annual improvements in proficiency that occurred in Minnesota over the 2000-03 period.<sup>10</sup> We assumed that schools would continue to improve at this rate through 2014. Staff from the Office of Educational Accountability expressed skepticism about the “high improvement” assumption, noting that (1) an unusually large increase in a single year (from 2002 to 2003) caused the relatively large three-year average increase, and (2) previous research suggests that it would be unusual to sustain large improvements in achievement over a long period of time.<sup>11</sup> Thus, we added a third scenario that assumed a more modest increase in achievement consistent with Minnesota’s statewide experience from 2000 to 2002.<sup>12</sup>

**What actions would school districts and schools take to comply with NCLB?**

<sup>10</sup> During this period, the proficiency rate increased by an average of 2.54 points per year.

<sup>11</sup> After our report was released, the Minnesota Department of Education revealed that the performance improvement in 2003 was not as large as reported because of an error in determining the proficiency rate.

<sup>12</sup> During this period, the proficiency rate increased by an average rate of 0.57 points per year.

While NCLB imposes numerous requirements on states, school districts, and schools, it is unclear what actions these entities will take to comply. At the time of our study, many NCLB-required activities had not yet been undertaken.

## THE COST OF NCLB

To estimate the costs of Title I, Part A, we collected cost information during the fall of 2003 from the Minnesota Department of Education and nine school districts. To facilitate consistent data collection, we gave instructions to the department and districts regarding how to estimate these costs. Specifically, we identified over 200 activities needed to carry out Title I, Part A and grouped them into 26 categories of state activities and 25 categories of local activities. We provide a listing of these activities and cost categories on our web site—<http://www.auditor.leg.state.mn.us/ped/2004/pe0404.htm>.

Table 1 shows the costs that we estimated for NCLB’s newly required activities. These are annual costs that will occur in Minnesota when NCLB is fully implemented. While some costs may not be incurred for quite some time, we have expressed them in 2004 dollars. In the following sections, we will elaborate on the cost categories that we expect to be potentially significant.

**Table 1: New Costs Imposed by Title I, Part A of NCLB in Minnesota**

| Cost Category   | Long-Term Annual Costs   |
|---|--|
| General ESEA administration                             | Small impact   |
| Standards development and curriculum alignment          | Potentially large impact but attribution to NCLB is debatable in Minnesota |
| Student assessments                                     | \$19 million   |
| Determination of “adequate yearly progress”             | Small impact   |
| Reporting performance data and notices                  | Small impact   |
| School choice and supplemental services <sup>a</sup>    | \$20 million   |
| Corrective action and restructuring for failing schools | Potentially large but unknown impact                                       |
| Teacher and paraprofessional requirements               | Potentially large but unknown impact                                       |
| Professional development                                | Future costs are unclear   |
| Parental involvement                                    | Small impact   |
| Making all students proficient by 2014                  | Potentially large but unknown impact                                       |

NOTE: “Small impacts” are those estimated to cost less than \$3 million annually on a statewide basis.

<sup>a</sup> Assumes that all school districts that receive Title I, Part A funding will have to devote a full 20 percent of their allocation to choice-related transportation and supplemental services.

### Curriculum Alignment Costs

NCLB requires each state to have challenging academic standards that specify what children are expected to know in reading, math, and science.<sup>13</sup> In addition, NCLB

<sup>13</sup> No Child Left Behind Act, §1111(b)(1).

requires state education agencies and local school districts to help schools identify or develop “high-quality effective curricula aligned with [the state standards].”<sup>14</sup> If there is inadequate alignment between local curricula and the standards, students may have difficulty demonstrating proficiency on the state’s assessments in reading, math, and science. These assessments are supposed to measure each student’s academic performance against the state standards.<sup>15</sup> Consequently, without curriculum alignment, school districts and schools risk failing to achieve “adequate yearly progress.”

To comply with NCLB, Minnesota had to modify its existing academic standards (called the “Profile of Learning”) because they applied to grade *spans* (K-3, 4-5, 6-8, and 9-12), which are contrary to the NCLB requirement of grade-*specific* standards. Thus, in 2002, the state started developing grade-level benchmarks within the existing standards. However this process changed in 2003, when the Legislature repealed the Profile of Learning altogether and replaced it with a completely new set of standards.

To develop these new standards, the Minnesota Department of Education estimated that it would spend a little more than \$150,000. However, we found that some school districts planned to devote considerable resources to bring their curricula into alignment with the state’s new academic standards. The annual curriculum alignment estimates that we received from nine school districts for school years 2003-04 through 2005-06 ranged from over \$100 per pupil to less than \$1 per pupil. The estimates varied depending on the amount of alignment required in each district. On the high end, some districts told us that they would have to overhaul their curricula, while on the low end, other districts told us that their curricula was already well aligned with the new standards.

Even if some districts will incur significant curriculum alignment costs because of the new standards, it is debatable whether such costs should be attributed to NCLB. Prior to NCLB, the Profile of Learning was contentious, and there were serious legislative efforts to replace it with different standards. If Minnesota would have adopted new standards without NCLB, then most, if not all, local curriculum alignment costs should not be attributed to NCLB because districts would have had to carry out these activities anyway. However, in our November 2003 survey, 91 percent of superintendents told us that their district revised (or will likely revise in the next two years) classroom curricula as a *direct result* of NCLB.<sup>16</sup>

## **Assessment Costs**

NCLB imposed significant new testing costs on Minnesota. Prior to NCLB, Minnesota had or was in the process of developing statewide assessments in reading and math for grades 3, 5, 7, 10, and 11. For students who are learning the English language, the state also had an English language proficiency assessment for reading and writing. In addition

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<sup>14</sup> *Ibid.*, §§1111(b)(8)(D) and 1112(c)(1)(O).

<sup>15</sup> *Ibid.*, §1111(b)(3)(A).

<sup>16</sup> Office of the Legislative Auditor, *Survey of School District Superintendents (November-December 2003)*.

to these assessments, NCLB requires reading and math assessments for grades 4, 6, and 8 and science assessments for three grade spans.<sup>17</sup> Furthermore, NCLB requires an English language proficiency assessment for listening and speaking.<sup>18</sup>

We estimated that the Minnesota Department of Education and the school districts would spend roughly \$19 million annually to administer these newly required assessments. However, this estimate is subject to some qualifiers. First, as discussed earlier in this paper, there is some debate about whether the state would have developed and administered the reading and math assessments for grades 4, 6, and 8 if NCLB had never been enacted. Second, school districts could potentially achieve some offsetting savings by dropping standardized tests that they administer in addition to the NCLB-required assessments. According to our survey of superintendents, 90 percent of Minnesota school districts administered standardized tests other than the NCLB-required assessments in order to assess the skills and achievement levels of individual students in their district.

By discontinuing these non-NCLB assessments, districts would avoid the cost of administering them. In fact, in our statewide survey, 64 percent of school district superintendents reported that they have dropped or will likely drop at least some of their non-NCLB tests as a direct result of NCLB. If districts are dropping these tests because the NCLB-required assessments will meet their student assessment needs, the cost savings are unmitigated. However, if the NCLB-required assessments will not meet the districts' assessment needs and districts are discontinuing the other tests out of financial necessity, there will be a budgetary savings but also a loss of assessment information that schools and teachers could use to better meet the academic needs of their students. In this latter case, we would consider the cost savings quite tenuous. Many districts appear to fall in this latter category. Of the 210 Minnesota school districts that reported that they have dropped or will likely drop at least some of their non-NCLB tests, only 37 percent agreed with the statement, "The [NCLB-required assessments] help teachers understand the specific academic needs of individual students."<sup>19</sup>

## **Cost of NCLB-Prescribed Consequences for Low Performance**

Under NCLB, schools that receive federal Title I, Part A funding face consequences if they fail to make adequate yearly progress.<sup>20</sup> If a school fails to make adequate yearly progress for two consecutive years, parents of all children at the school must be given choices of other schools to attend. After a school has failed to make adequate yearly progress for three years, low income parents must be offered "supplemental educational services" (tutoring, for example) for their children attending this school. If a school fails to make adequate yearly progress for four or five years, NCLB requires implementation

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<sup>17</sup> No Child Left Behind Act, §1111(b)(3)(C)(v) and (vii).

<sup>18</sup> *Ibid.*, §1111(b)(7).

<sup>19</sup> Office of the Legislative Auditor, *Survey of School District Superintendents (November-December 2003)*. Fourteen percent neither agreed nor disagreed with the statement, and 50 percent disagreed.

<sup>20</sup> NCLB also prescribes sanctions for school districts that fail to make adequate yearly progress for at least two years, but we focused primarily on sanctions for schools.

of “corrective actions” or “restructuring,” respectively.<sup>21</sup> There were no provisions for such consequences in the ESEA or state law prior to NCLB, so any costs associated with these sanctions are directly attributable to NCLB.

During the 2003-04 school year, only 25 Minnesota schools were required by NCLB to offer school choice or supplemental services. These 25 schools served about 10,000 students, or 1.2 percent of Minnesota’s total public school enrollment. No school was considered for “corrective action” until the 2004-05 school year, and no school will have to begin “restructuring” planning until the 2005-06 school year, at the earliest. Trying to estimate what Minnesota school districts and schools will spend to carry out these NCLB-related sanctions based on the experience of just a few schools would be quite tenuous. Thus, we relied on our simulation of school performance to provide some additional information.

Based on the simulation, we believe that the costs of the NCLB-related sanctions could be quite high. According to our simulation, by 2014, between 47 and 94 percent of Minnesota’s elementary schools that receive Title I, Part A funding would fail to make adequate yearly progress for at least three years and consequently be required to carry out school choice and supplemental services. NCLB establishes spending requirements for school districts that are subject to these provisions. Specifically, unless a lesser amount is needed to provide transportation associated with school choice or to satisfy all requests for supplemental educational services, the district must spend the equivalent of 20 percent of its Title I, Part A allocation on these activities.<sup>22</sup> Assuming that Minnesota’s Title I, Part A funding levels for state fiscal year 2005 continue into the future, Minnesota school districts would be required to spend as much as \$20 million annually for NCLB-required school choice and supplemental services. This upper estimate assumes that (1) all Minnesota school districts would have at least one Title I school subject to NCLB sanctions, and (2) each of these districts would spend 20 percent of its Title I, Part A allocation on school choice and/or supplemental services.

We were unable to provide any realistic estimate for the costs associated with “corrective action” or “restructuring,” which occur after a school has failed to make adequate yearly progress for four and five years respectively. However, we believe these costs could be quite substantial. Based on our simulation, we estimated that between 41 and 88 percent of Title I elementary schools would need to start carrying out corrective action or restructuring by 2014. Some of the options could be expensive, such as replacing a school’s curricula, replacing its staff, or extending the school year.

## **Costs Related to Teacher and Paraprofessional Qualifications**

NCLB establishes minimum qualifications for all teachers of core academic subjects and for paraprofessionals working in a Title I program.<sup>23</sup> Each state receiving Title I, Part A

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<sup>21</sup> No Child Left Behind Act, §1116(b).

<sup>22</sup> *Ibid.*, §1116(b)(10).

<sup>23</sup> *Ibid.*, §9101(11).

funds must develop a plan to ensure that all teachers of core subjects are “highly qualified” by the end of the 2005-06 school year.<sup>24</sup> In addition, districts must ensure that all paraprofessionals working in a Title I program meet NCLB qualifications by January 2006.<sup>25</sup>

In January 2004, the Minnesota Department of Education, in collaboration with the Board of Teaching, released guidelines for determining which teachers in the state were “highly qualified.”<sup>26</sup> All Minnesota teachers of core subjects teaching in their field of licensure met the “highly qualified” definition because the state’s licensure system already required teachers to demonstrate subject matter competence through an academic major or a subject matter test. In the 2002-03 school year, only about four percent of Minnesota teachers were not “highly qualified” because they were teaching a core subject outside their field of licensure.<sup>27</sup> However, at the time we prepared our report, the department had not assessed the impact of the guidelines on special education, English as a Second Language (ESL), and alternative learning center teachers. Although the department routinely collects data on the qualifications of teachers, statewide data on the qualifications of paraprofessionals were not available at the time of our study.

To comply with NCLB’s teacher and paraprofessional qualification requirements, districts may incur costs for (1) determining which staff already meet the requirements, (2) monitoring staff progress in meeting the requirements, (3) planning and administering assessments or evaluations of staff competency, and (4) increasing compensation. When we examined districts’ estimated annual costs of complying with these requirements, we found that the estimates varied from over \$60 per pupil to less than \$1 per pupil among school districts for the 2005-06 school year. The wide variation occurred for several reasons — (1) the state was still developing policies about how to comply with these NCLB requirements when the districts were providing us with estimates; (2) districts varied in the extent to which they were already complying with the requirements, and (3) districts had differing assumptions about how they would get into and remain in compliance with the requirements.

However, it is clear that school districts were generally more concerned about the costs of the paraprofessional requirements than the teacher requirements. In our statewide survey, 26 percent of school district superintendents reported that the paraprofessional qualification requirements would be the most costly NCLB requirement to implement, while only 11 percent said the teacher requirements would be the most costly. Furthermore, when asked about the need to increase average salaries, 39 percent of superintendents said that they have increased or are likely to increase average

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<sup>24</sup> *Ibid.*, §1119(a)(2).

<sup>25</sup> *Ibid.*, §1119(c)-(d).

<sup>26</sup> Minnesota Department of Education, *The Minnesota Plan for Verifying “Highly Qualified” Teachers* (Roseville, MN: January 2004); and Minnesota Department of Education, *Highly Qualified Teacher Criteria for Unique Instructional Settings* (Roseville, MN: February 2004).

<sup>27</sup> Minnesota Department of Education, unpublished document, “General Teacher Data, 2002-03,” as submitted to the Senate Education Committee on February 5, 2004.

compensation levels to attract and retain qualified paraprofessionals as a direct result of NCLB. In contrast, 19 percent reported the same for “highly qualified” teachers.<sup>28</sup>

## **Will NCLB’s New Revenues Cover Its New Costs?**

In the future, it is quite plausible that the cost of NCLB’s new requirements in Minnesota could exceed the increase in federal funding that the state receives under the act. As Table 1 showed, the annual costs that Minnesota will face in implementing the new requirements in Title I, Part A could exceed \$40 million when NCLB is fully implemented. This would include \$19 million for student assessments, \$20 million for school choice and supplemental services, and various other costs—some of which are difficult to estimate. In contrast, in state fiscal year 2005, Minnesota expected to receive only \$42 million more in overall ESEA/NCLB funding than it received prior to NCLB.<sup>29</sup> However, the final determination of whether NCLB is adequately funding its new requirements will remain unclear until school districts proceed further with implementing the act and the federal government determines future funding levels.

To determine whether new funding will be sufficient to cover the cost of new Title I, Part A requirements, we think that it is generally appropriate to examine the annual increase in all ESEA/NCLB funding (\$42 million), rather than just the Minnesota’s increase in Title I, Part A funding (\$3 million). First, Minnesota has received increased funding from portions of the ESEA other than Title I, Part A explicitly for the purpose of covering Title I, Part A costs. For example—beyond the funding provided through Title I, Part A—Minnesota received \$8 million for student assessments and \$7 million for improving teacher quality. Second, the federal government granted states and school districts the authority to transfer much of their new funding from sections of NCLB other than Title I, Part A to their Title I, Part A programs.<sup>30</sup> Finally, the federal government provides funding for all ESEA programs largely to support the efforts of school districts and schools under Title I, Part A. For example, the purpose of the Reading First program (Title I, Part B) is to help ensure that every student is reading at or above grade level by the end of the third grade, which could help ensure that all students are proficient by the 2013-14 school year.<sup>31</sup> In general, the administrative requirements in these other portions of NCLB are relatively minor compared with those in Title I, Part A.

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<sup>28</sup> Office of the Legislative Auditor, *Survey of School District Superintendents* (November-December 2003).

<sup>29</sup> All these figures are adjusted for inflation to reflect 2004 dollars.

<sup>30</sup> No Child Left Behind Act, §6123.

<sup>31</sup> U.S. Department of Education, Office of Elementary and Secondary Education, *No Child Left Behind: A Desktop Reference, 2002* (Washington, D.C., 2002), 23.