

1 **TITLE VII—ACCOUNTABILITY**

2 **SEC. 701. FLEXIBILITY AND ACCOUNTABILITY.**

3 Title VII is amended to read as follows:

4 **“TITLE VII—FLEXIBILITY AND**
5 **ACCOUNTABILITY**

6 **“PART A—STATE ACCOUNTABILITY FOR**
7 **IMPROVING ACADEMIC ACHIEVEMENT**

8 **“SEC. 7101. STATE FINANCIAL AWARDS.**

9 “(a) IN GENERAL.—Beginning in the 2002–2003
10 school year, the Secretary shall make in accordance with
11 this section financial awards, to be known as ‘Achievement
12 in Education Awards’, to States that have made signifi-
13 cant progress in improving educational achievement.

14 “(b) CRITERIA OF PROGRESS.—For the purposes of
15 subsection (a), the Secretary shall judge progress using
16 each of the following criteria, giving the greatest weight
17 to the criterion described in paragraph (1):

18 “(1) The progress of the State’s students from
19 economically disadvantaged families and students
20 from racial and ethnic minority groups—

21 “(A) on the assessments administered by
22 the State under section 1111; and

23 “(B) beginning in the 2003–2004 school
24 year, on assessments of 4th and 8th grade
25 reading and mathematics under—



1 “(i) the State assessments carried out
2 as part of the National Assessment of
3 Educational Progress under section 411 of
4 the National Education Statistics Act of
5 1994 (20 U.S.C. 9010); or

6 “(ii) an assessment selected by the
7 State that—

8 “(I) is administered annually;

9 “(II) yields high quality data
10 that are valid and reliable;

11 “(III) meets widely recognized
12 professional and technical standards,
13 including specific and rigorous test se-
14 curity procedures;

15 “(IV) is developed by an entity
16 independent from each State and local
17 government agency in the State in a
18 manner that protects against any con-
19 flict of interest ;

20 “(V) has no test questions that
21 are identical to the test questions used
22 by the assessment used to meet the
23 State assessment requirements under
24 section 1111;



1 “(VI) provides results in such a
2 form that they may be expressed in
3 terms of achievement levels that are
4 consistent with the achievement levels
5 (basic, proficient, and advanced) set
6 forth in section 1111;

7 “(VII) provides results in such a
8 form that they may be disaggregated,
9 at a minimum, according to income
10 level and major racial and ethnic
11 group; and

12 “(VIII) is administered to all stu-
13 dents or to a representative sample of
14 students in the 4th and 8th grades
15 statewide, with a sample size that is
16 sufficiently large to produce statis-
17 tically significant estimates of state-
18 wide student achievement.

19 “(2) The overall improvement in the achieve-
20 ment of all of the State’s students, as measured
21 by—

22 “(A) the assessments administered by the
23 State under section 1111; and



1 “(B) beginning in the 2003–2004 school
2 year, the assessments described in paragraph
3 (1)(B).

4 “(3) The progress of the State in improving the
5 English proficiency of students who enter school
6 with limited English proficiency.

7 “(c) OTHER CONSIDERATIONS.—In judging a State’s
8 progress under subsection (a), the Secretary may also
9 consider—

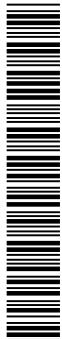
10 “(1) the progress of the State in increasing the
11 percentage of students who graduate from secondary
12 schools; and

13 “(2) the progress of the State in increasing the
14 percentage of students who take advanced
15 coursework (such as Advanced Placement or Inter-
16 national Baccalaureate courses) and who pass the
17 exams associated with such coursework.

18 “(d) AMOUNT.—The Secretary shall determine the
19 amount of an award under subsection (a) based on—

20 “(1) the school-age population of the State;

21 “(2) the degree of progress shown by a State
22 with respect to the criteria set forth in subsections
23 (b) and (c); and



1 “(3) whether the State has entered into a per-
2 formance agreement with the Secretary under part
3 B.

4 “(e) USE OF FUNDS.—

5 “(1) IN GENERAL.—A State receiving a finan-
6 cial award under this section shall use the proceeds
7 of such award only to make financial awards to pub-
8 lic elementary and secondary schools in the State
9 that have made the most significant progress with
10 respect to the criteria described in subsection (b).

11 “(2) USE BY SCHOOLS.—In consultation with
12 the school’s teachers, the principal of each elemen-
13 tary or secondary school that receives a financial
14 award from a State under this section shall use the
15 proceeds of such award at the school for any edu-
16 cational purpose permitted under State law.

17 “(3) RESPONSIBLE STATE AGENCY.—The State
18 educational agency for each State shall be the agen-
19 cy responsible for making awards under this sub-
20 section.

21 “(f) PEER REVIEW.—In selecting States for awards
22 under subsection (a), the Secretary shall use a peer-review
23 process.

24 “(g) COSTS OF INDEPENDENT ASSESSMENTS.—



1 “(1) IN GENERAL.—Subject to paragraph (2),
2 the Secretary shall make grants to States to offset
3 the costs of administering assessments administered
4 by the States to meet the requirements of
5 (b)(1)(B)(ii).

6 “(2) LIMITATIONS.—Grants made by the Sec-
7 retary in any year to a State under paragraph (1)—

8 “(A) may be awarded only to offset the
9 costs of a single administration of an assess-
10 ment described in such paragraph in the State
11 for that year; and

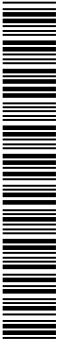
12 “(B) may not exceed the costs of admin-
13 istering in the State for that year the State as-
14 sessments that would be carried out under the
15 National Assessment of Educational Progress
16 described in subsection (b)(1)(B).

17 “(3) ALLOCATION.—The Secretary may deter-
18 mine the appropriate methodology of allocating
19 grants to States under this subsection.

20 **“SEC. 7102. STATE SANCTIONS.**

21 “(a) FAILURE TO MAKE PROGRESS.—

22 “(1) LOSS OF ADMINISTRATIVE FUNDS.—The
23 Secretary shall reduce, by 30 percent, the amount of
24 funding that a State may reserve for State adminis-
25 tration under the State formula grant programs au-



1 thorized by this Act if the Secretary determines that,
2 for 2 consecutive years—

3 “(A) the State’s students from economi-
4 cally disadvantaged families and students from
5 racial and ethnic minority groups failed to
6 make adequate yearly progress on the assess-
7 ments administered by the State under section
8 1111; and

9 “(B) the State’s students from economi-
10 cally disadvantaged families and students from
11 racial and ethnic minority groups failed to
12 make measurable progress in reading and
13 mathematics, as measured by the 4th and 8th
14 grade assessments described in subsection
15 (b)(1)(B).

16 “(2) FURTHER REDUCTIONS.—In each of the first 2
17 years after the years described in paragraph (1), the Sec-
18 retary may increase the reduction described in such para-
19 graph by any amount not more than a total of an addi-
20 tional 45 percent.

21 “(b) OTHER FAILURES.—In addition to any action
22 taken under subsection (a)(1) or (a)(2), the Secretary
23 shall reduce, by 20 percent, the amount of funding that
24 a State may reserve for State administration under the
25 State formula grant programs authorized by this Act if



1 the Secretary determines that, for 2 consecutive years, the
2 State failed to make adequate yearly progress—

3 “(1) with respect to the achievement of children
4 with limited English proficiency under section
5 1111(b)(2)(C)(iii)(II)(dd); or

6 “(2) with respect to the acquisition of English
7 language proficiency by children with limited
8 English proficiency under section
9 1111(b)(2)(C)(iii)(III).

10 “(c) USE OF FUNDS FOR IMPROVEMENT.—

11 “(1) IN GENERAL.—The Secretary shall require
12 that any funds reduced under this section be allo-
13 cated by the State to local educational agencies in
14 the State for school improvement purposes described
15 in section 1116.

16 “(2) TREATMENT OF FUNDS.—Funds described
17 in paragraph (1) shall not count toward the amounts
18 that are required to be reserved by a State for
19 school improvement under section 1003.

20 **“SEC. 7103. DEVELOPMENT OF STATE STANDARDS AND AS-**
21 **SESSMENTS.**

22 “(a) IN GENERAL.—The Secretary shall make finan-
23 cial awards to States to enable the States—

24 “(1) to pay the costs of the development of the
25 additional State assessments and standards required



1 by section 1111(b), including the costs of working in
2 voluntary partnerships with other States in devel-
3 oping such assessments and standards if a State
4 chooses to do so; and

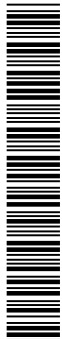
5 “(2) if a State has developed the assessments
6 and standards referred to in paragraph (1), to ad-
7 minister such assessments or to carry out other ac-
8 tivities described in this title and other activities re-
9 lated to ensuring accountability for results in the
10 State’s schools and local educational agencies, such
11 as—

12 “(A) developing academic content and
13 achievement standards and aligned assessments
14 in other subjects not required by Section 1111;

15 “(B) developing assessments of English
16 language proficiency necessary to comply with
17 section 1111(b)(7);

18 “(C) assuring the continued validity and
19 reliability of State assessments;

20 “(D) refining State assessments to ensure
21 their continued alignment with the State’s aca-
22 demic content standards and to improve the
23 alignment of curricula and instruction mate-
24 rials;



1 “(E) providing for multiple measures to in-
2 crease the reliability and validity of student and
3 school classifications;

4 “(F) strengthening the capacity of local
5 educational agencies and schools to provide all
6 students the opportunity to increase educational
7 achievement;

8 “(G) expanding the range of accommoda-
9 tions available to students with limited English
10 proficiency and students with disabilities to im-
11 prove the rates of inclusion of such students;
12 and

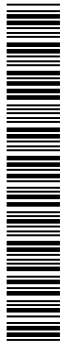
13 “(H) improving the dissemination of infor-
14 mation on student achievement and school per-
15 formance to parents and the community.

16 “(b) BONUSES.—The Secretary shall make a one-
17 time bonus payment to each State that completes the de-
18 velopment of the assessments described in subsection (a)
19 ahead of the deadline set forth in section 1111.

20 **“SEC. 7104. FUNDING.**

21 “(a) AUTHORIZATION OF APPROPRIATIONS.—

22 “(1) AWARDS AND BONUS PAYMENTS.—For the
23 purposes of making awards under section 7101 and
24 bonus payments under section 7103(b), there are
25 authorized to be appropriated \$40,000,000 for fiscal



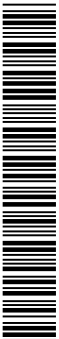
1 year 2002 and such sums as may be necessary for
2 each of fiscal years 2003 through 2006.

3 “(2) GRANTS FOR INDEPENDENT ASSESS-
4 MENTS; ADMINISTRATION OF STATE ASSESSMENTS
5 UNDER NAEP.—For the purposes of making grants
6 to offset the costs of independent assessments under
7 section 7101(g) and for the purposes of admin-
8 istering the State assessments carried out under the
9 National Assessment of Educational Progress re-
10 ferred to in section 7101(b)(1)(B)(i), there are au-
11 thorized to be appropriated to the Secretary
12 \$69,000,000 for fiscal year 2002 and such sums as
13 may be necessary for each of fiscal years 2003
14 through 2006.

15 “(3) DEVELOPMENT AND ADMINISTRATION OF
16 STATE STANDARDS AND ASSESSMENTS.—For the
17 purposes of carrying out subsection 7103(a), there
18 are authorized to be appropriated \$320,000,000 for
19 fiscal year 2002 and such sums as may be necessary
20 for each of the fiscal years 2003 through 2005.

21 “(b) ALLOCATION OF APPROPRIATED FUNDS.—
22 From each of the amounts appropriated under subsection
23 (a), the Secretary shall allocate to the States—

24 “(1) 50 percent based on the relative number of
25 children aged 5 to 17 in each State; and



1 “(2) 50 percent allocated equally among the
2 States.

3 **“PART B—FUNDING FLEXIBILITY FOR STATE AND**
4 **LOCAL EDUCATIONAL AGENCIES**

5 **“SEC. 7201. SHORT TITLE.**

6 “‘This part may be cited as the ‘State and Local
7 Transferability Act’.

8 **“SEC. 7202. PURPOSE.**

9 “‘The purpose of this part is to allow States and local
10 educational agencies the flexibility—

11 “(1) to target Federal funds to Federal pro-
12 grams that most effectively address the unique needs
13 of States and localities; and

14 “(2) to transfer Federal funds allocated to
15 other activities to allocations for activities authorized
16 under title I programs.

17 **“SEC. 7203. TRANSFERABILITY OF FUNDS.**

18 “(a) TRANSFERS BY STATES.—

19 “(1) IN GENERAL.—In accordance with this
20 part, a State may transfer up 50 percent of the non-
21 administrative State funds allocated to the State for
22 use for State-level activities under each of the fol-
23 lowing provisions to 1 or more of the State’s alloca-
24 tions under any other of such provisions:

25 “(A) Part A of Title II.



1 “(B) Supart 1 of part A of title IV.

2 “(C) Part A or B of title V.

3 “(2) SUPPLEMENTAL FUNDS FOR TITLE I.—In
4 accordance with this part, a State may transfer any
5 funds allocated to the State under a provision listed
6 in paragraph (1) to its allocation under title I.

7 “(b) TRANSFERS BY LOCAL EDUCATIONAL AGEN-
8 CIES.—

9 “(1) AUTHORITY TO TRANSFER FUNDS.—

10 “(A) IN GENERAL.—In accordance with
11 this part, a local educational agency (except a
12 local educational agency identified for improve-
13 ment under section 1116(e)(2) or subject to
14 corrective action under section 1116(e)(9)) may
15 transfer not more than 50 percent of the funds
16 allocated to it under each of the provisions list-
17 ed in paragraph (2) for a fiscal year to 1 or
18 more of its allocations for such fiscal year
19 under any other provision listed in paragraph
20 (2).

21 “(B) AGENCIES IDENTIFIED FOR IM-
22 PROVEMENT.—A local educational agency iden-
23 tified for improvement under section 1116(e)(2)
24 may transfer in accordance with this part not
25 more than 30 percent of the funds allocated to



1 it under each of the provisions listed in para-
2 graph (2)—

3 “(i) to its allocation for school im-
4 provement under section 1003;

5 “(ii) to any other allocation if such
6 transferred funds are used only for local
7 educational agency improvement activities
8 consistent with section 1116(d).

9 “(C) SUPPLEMENTAL FUNDS FOR TITLE
10 I.—In accordance with this part, a local edu-
11 cational agency may transfer funds allocated to
12 such agency under a provision listed in para-
13 graph (2) to its allocation under title I.

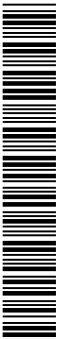
14 “(2) APPLICABLE PROVISIONS.—A local edu-
15 cational agency may transfer funds under subpara-
16 graph (A) or (B) from allocations made under each
17 of the following provisions:

18 “(A) Title II.

19 “(B) Subpart 1 of Part A of title IV.

20 “(C) Part A of title V or section
21 5212(2)(A).

22 “(c) NO TRANSFER OF TITLE I FUNDS.—A State or
23 a local educational agency may not transfer under this
24 part to any other program any funds allocated to it under
25 title I.



1 “(d) MODIFICATION OF PLANS AND APPLICATIONS;
2 NOTIFICATION.—

3 “(1) STATE TRANSFERS.—Each State that
4 makes a transfer of funds under this section shall—

5 “(A) modify to account for such transfer
6 each State plan, or application submitted by the
7 State, to which such funds relate;

8 “(B) not later than 30 days after the date
9 of such transfer, submit a copy of such modi-
10 fied plan or application to the Secretary; and

11 “(C) not later than 30 days before the ef-
12 fective date of such transfer, notify the Sec-
13 retary of such transfer.

14 “(2) LOCAL TRANSFERS.—Each local edu-
15 cational agency that makes a transfer under this
16 section shall—

17 “(A) modify to account for such transfer
18 each local plan, or application submitted by the
19 agency, to which such funds relate;

20 “(B) not later than 30 days after the date
21 of such transfer, submit a copy of such modi-
22 fied plan or application to the State; and

23 “(C) not later than 30 days before the ef-
24 fective date of such transfer, notify the State of
25 such transfer.



1 “(f) APPLICABLE RULES.—

2 “(1) IN GENERAL.—Except as otherwise pro-
3 vided in this part, funds transferred under this sec-
4 tion are subject to each of the rules and require-
5 ments applicable to the funds allocated by the Sec-
6 retary under the provision to which the transferred
7 funds are transferred.

8 “(2) CONSULTATION.—Each State educational
9 agency or local educational agency that transfers
10 funds under this section shall conduct consultations
11 in accordance with section 8503(e), if such transfer
12 transfers funds from a program that provides for
13 the participation of students, teachers, or other edu-
14 cational personnel, from private schools.”.

