

Testimony for the
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I want to thank the co-chairs and the members of the committee for inviting me to attend this hearing. I am pleased to return to Kansas to discuss education policy. Kansas has obviously gone through a long and difficult time dealing with school finance issues, particularly as the legislature tries to work under the shadow of the courts. And, clearly the issues are yet to be resolved.

I have come to believe that school finance and a set of broader educational policy issues are truly fundamental to improving the performance of our schools, and by implication to our becoming more competitive as a nation.

School finance discussions often become contentious, because they have direct implications for teachers and other school personnel and for the funding going to each school district in the state. That having been said, it is clearly in my mind a mistake simply to view school finance through the lens of redistribution. Indeed, while it sounds odd, it is also a mistake to view school finance policy as an exercise in finance.

School finance should be viewed as an important element of educational policy. At various times in the deliberations of every state – including Kansas – many have taken the position that school finance policy is separate from education policy. In other words, we use school finance policy to address how much money schools have with which to operate, and we use a separate educational policy to help guide how the money is used.

I think that such a perspective is likely to lead to very bad policies – policies that do not achieve the results that are possible. To begin with, we now have ample research that indicates that there should be no expectation that just adding resources to schools will lead to improved student performance.

The reason for rejecting the “pure finance” view is simple. Financing helps to structure incentives that lead to better performance of the schools. If this tool is not used, the ability to affect student performance is necessarily weakened. Worse yet, it is very easy to build in bad incentives into the financing. That is, it is easy to set up incentives for schools to do things that do not foster achievement but instead point in other directions, possibly harming achievement. I know that you have thought of these things, and I will return to this.

The central overarching idea is that, if you want to promote achievement, there is no substitute for focusing on achievement. Most specifically, virtually all attempts to encourage or promote achievement that try to do it by promoting other things are not particularly effective. For example, trying to ensure that there is a good teacher in the classroom is not accomplished by adding more education school courses to the requirements for teacher certification. Nor do we insure high achievement by mandating class size reduction. This idea of the ineffectiveness of indirect policies also holds for funding, as discussed in a minute. Indeed, in my opinion, much of the package generally included in the “professional judgment model” that has been in the background of Kansas discussions for over a decade runs into these problems.

Just focusing on achievement is, however, not sufficient. A second point is that we need to get the incentives right. We have to point everybody toward the outcome that we want.

An example that is particularly relevant is how to deal with low performing schools. The difficult part is always determining whether the performance level of a school simply reflects that the school has children who come poorly prepared and who need extra programs and resources or whether it reflects a school that is doing a bad job.

The worst kind of policy is one that provides extra funds for all schools where the students perform poorly – call them failing schools – but provides just standard funds for all schools above some cut off level of achievement. What does this say? If a school does badly, it receives extra funds. If it can improve student achievement, it loses any extra funding. But this is just the opposite of what one would want to do. It rewards failure and punishes success.

There are many similar kinds of problems that can develop. If schools are rewarded with extra funds for all special education students who are identified, it might not be surprising to find that some schools tend to increase the numbers of students who are identified – particularly if the cost of providing programs for them is relatively less than the funding level.

These examples are brought up intentionally because they identify conflicting sentiments in policy making. Of course we want to do something about failing schools. Of course we want to do something about special education students who bring various handicaps to school with them. At the same time, we do not want to encourage inappropriate behavior. We do not want to encourage over-identification of special education students.

I will start with a few comments on overall school finance, and then I will return to some of the specifics about teacher policy. Ultimately, I think that getting effective teachers in all classrooms is the key, and I see that the incentives I talk about will generally work through that avenue.

I have tried to sketch some ideas of how to put this together in my book: *Schoolhouses, Courthouses, and Statehouses*. The real message of the title comes, however, in the subtitle: *Solving the Funding-Achievement Puzzle in America's Public Schools*. That existing puzzle is a simple one: As we have provided increasingly larger funding for our schools, we have not seen improved achievement.

I assert that that the answer is directly related to the fact that we do not link school finance issues with education policy and with student achievement. We often separate these.

Let me outline the overall ideas that I think are most important:

- **Maintain a strong standards, assessments, and accountability.** It is appropriately the state's role to define what is desired and to hold local districts accountable for achieving it. Kansas has developed much of the machinery for this, and almost any reform of Kansas schools will rest on having good measures

of performance. It is especially important that performance of schools is transparent. A key element, however, is attempting to separate out the “value-added” of schools (or what they add to learning) from the overall performance level. The NCLB waiver that was approved for Kansas provides a mechanism for this, and it is important to pursue it.

- **Empower local decision making.** Once good performance is clearly defined, the state should try to get out of the way and to allow local districts to develop ways of meeting their goals. In a state as complicated as Kansas, with close to 300 districts of varying size and structure, it really is not possible for the state to know how money should be spent or how education should be conducted in each. This means that rules on hiring, categorical funding, notions of the right class sizes, teacher salary policies, and the like probably will not be effective tools for either raising achievement or for ensuring a minimal level of achievement. Local empowerment has implications for how the state interacts with local districts, but it also means allowing citizens to participate – through local funding decisions (on some equalized basis) and through choice options such as charter schools.
- **Reward success.** The key is making sure that effective teachers and administrators are rewarded. Such rewards can come through school rewards and performance pay. They can also come through careful decisions about who is retained and who is not. The accountability system and the evaluation system for teachers being piloted in Kansas provide a structure for doing this.
- **Provide for evaluation and continuous improvement.** The plain fact is that we do not know the best way to provide education. Indeed there is probably not one best way but a series of alternatives that recognize local needs and local capacity. But only recently have we begun to think about the kinds of information and evaluation that can guide educational policies
- **Rational and Equitable Funding.** If there is an incentive based system, it is necessary to make sure that schools have sufficient resources to do their job. I put this last in my list for a simple reason. Many discussions of school finance, including much of the court discussions, never get past arguing about this. The intent is to recognize that there are differential needs – arising from educational disadvantages that originate in families, from special education needs, from English languages deficiencies, from cost differentials to provide inputs. Kansas already recognizes this through the existing financing system. It is important to note, however, that there is no scientific way to provide you with the “right answer” on what any adjustments should be. These are political judgments. At the same time, if the discussion starts and stops with discussions of the proper weight for this or that, you will have lost.

Note also that the last discussion of an equitable base funding for each student falls in the general category of weighted student funding that many people discuss. While this term can have different meanings, I think of it as the base funding for a district that recognizes the educational challenges of each district. And, by implication, this sets the equitable funding level for students who go to charter schools as opposed to the traditional system.

Part of all discussions of school finance is of course the overhang of the courts. Kansas has had its share of court involvement in school finance under *Montoy* and now *Gannon*. And any policies that you set up will need to pass scrutiny in the courts, because some party will always want you to spend more or differently. The best defense against court intrusion into school finance policy is, in my judgment, putting in place policies that use funds effectively to improve student achievement. There are of course other details such as compensating for differential ability to raise local funds or meeting the constitutional provisions on how taxes can be raised. These issues can be satisfied while also developing a system to promote achievement.

Let me turn to one idea that drives much of my interest and concern with education. It is a simple fact that U.S. students are not competitive with those from a large number of other countries. On the basis of well-designed international math and science tests, U.S. students are found to perform below the average of developed countries in the world.

At the end of this testimony, I have attached a set of figures about how well the U.S. and the separate states are doing in advanced math performance when compared to the world. It is not pretty, especially given that this is where our scientists and engineers of the future are likely to be drawn. The proportion of high achieving Kansas students falls behind that in Spain and Latvia and just slightly ahead of Italy. This is hardly the group that we should aspire to compete with. Particularly telling is the second figure that compares children of college educated parents with all children in other countries. Kansas is slightly below the U.S. average, but behind 24 countries. This performance of the most privileged Kansas students puts them on par with the average student from Slovenia or Luxemburg.

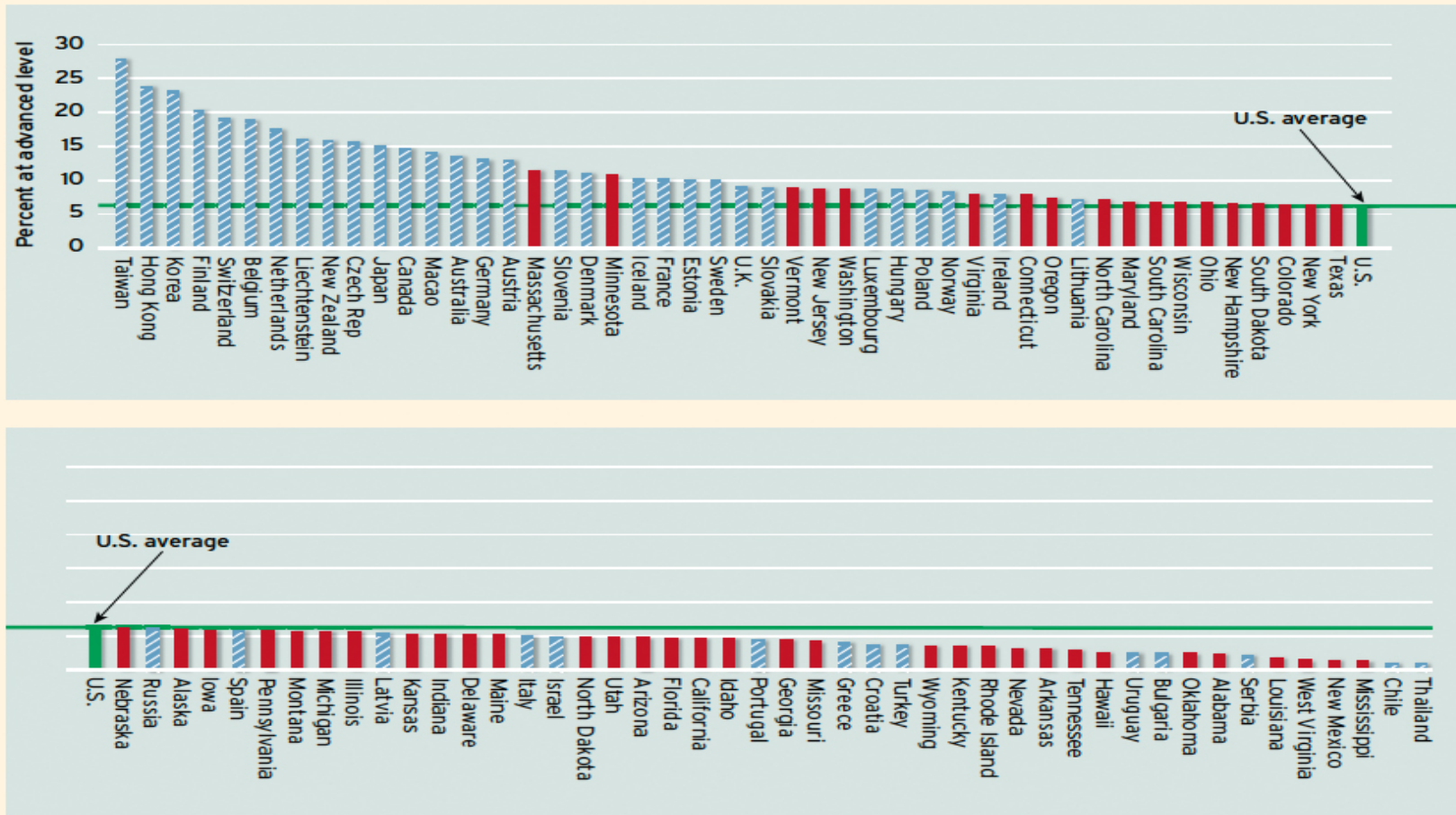
The U.S. performance has truly profound implications for the nation's future. If we could, for example, move to the level of Britain or Germany, the improved performance of our economy would lead to faster economic growth that would be huge. Over the lifetime of somebody born today, it would accumulate to some \$44 trillion in present value. If, as a nation, we could reach the level of Finland, it would be over \$100 trillion in present value. Put differently, reaching to the level of Germany would by historical impacts imply 12 percent higher average wages for every worker in the U.S. over the remainder of the century. Finland levels correspond to 30 percent higher wages. The economic stimulus package that we have all been debating over the past two years amounts to less than \$1 trillion, and the total cost of the 2008 recession to date cumulates to just around \$4 trillion.

But, from multiple studies of teacher effectiveness, I can relate this back to teacher quality issues. If we could replace the bottom 5-8 percent of our teachers with just an average teacher, we could move close to the top of the international rankings.

Let me finish by focusing directly on teacher issues. Some of the key issues in possibly moving the teacher force are clear in the current debates in Kansas. First, there is only beginning to be good evaluation systems in place for teachers. Therefore, policies such as identifying and doing something about the small number of teachers who are harming kids are currently difficult, but hopefully will improve. Second, important current policies work against improvement. For example, layoffs based on LIFO (last in, first out) actively work against aiding student achievement. Third, salary policies overwhelmingly reward things that do not matter – experience and degrees of teachers – but do not reward effectiveness in the classroom. Fourth, pay policies that are heavily skewed toward retirees tend to distort effective funding of schools while doing little or nothing to attract high quality people into teaching.

Achieving our national potential through improved schools will not come from minor tinkering. It will take bold leadership that mobilizes the schools of Kansas and of the rest of the nation.

Class of 2009: Percentage of students at advanced level in math in U.S. states and countries participating in PISA 2006. (Figure 1)



Note: Excludes participating countries below 1 percent: Romania, Brazil, Argentina, Azerbaijan, Mexico, Montenegro, Qatar, Tunisia, Columbia, Indonesia, Jordan, and Kyrgyzstan.

Source: Hanushek, Eric A., Paul E. Peterson, and Ludger Woessmann. 2010. *U.S. math performance in global perspective: How well does each state do at producing high-achieving students?* Cambridge, MA: Program on Education Policy and Governance, Harvard University.

Class of 2009: Percentage of *students with at least a college-educated parent* in U.S. states at advanced level in math and percentage of *all students* at that level in countries participating in PISA 2006. (Figure 3)



Note: See note to Figure 1.

Source: Hanushek, Eric A., Paul E. Peterson, and Ludger Woessmann. 2010. *U.S. math performance in global perspective: How well does each state do at producing high-achieving students?* Cambridge, MA: Program on Education Policy and Governance, Harvard University.