

Testimony for the  
Select Committee on  
Public School Finance Weights, Allotments & Adjustments  
State of Texas

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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 have come to believe that school finance is truly fundamental to improving the performance of our schools, and by implication to our becoming a more competitive as a nation. Thus, I have great admiration for you in taking on these important issues.

School finance discussions often become contentious, because they have direct implications for the funding going to each school district in the state. Many other policies of the legislature are not as directly and obviously linked to local financial outcomes as the school finance structure.

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 Texas – 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. The reason 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 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. This idea also holds for funding, as discussed in a minute.

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 would be one that provided extra funds for all schools where the students perform poorly – call them failing schools – but provided 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 cause conflicting sentiments. 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 have tried to sketch some ideas of how to put this together in the book that you have: *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 had 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. We often separate these.

Let me outline the 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. Texas has led the way on the ideas of this. 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.
- **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 Texas, with over 1,000 districts and over 200 charter schools, 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, and the like probably will not be effective tools for either raising achievement or for ensuring a minimal level of achievement. Local empowerment has obvious 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. Thus, the funding that Texas currently provides for teacher incentives based on performance makes all of the sense in the world, and if anything should be expanded.
- **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. I should also note that the development of state Educational Research Centers in Texas is a model for the rest of the nation, and I have talked with other states about emulating this innovative design.
- **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 never

get past arguing about this. The ideas are, after all, contained in the committee's title. 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. The Texas funding formula already incorporates many of these concepts in one way or another. 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.

I should note a few other things. A number of these things are “no cost” policies. They can be funded with existing financing of schools. Moreover, even where additional funding may be required, one should not think that everything is an add-on to the current. Substitution of new funding approaches for current ones, even while spending the same amount, can lead to significant gains in achievement.

Part of all discussions of school finance is of course the overhang of the courts. Texas has had its share of court involvement in school finance. 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, by my analysis, 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 end with 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.

This 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 amount accumulate to some \$35 trillion. The economic stimulus package that we have all been debating over the past two years amounts to less than \$1 trillion.

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

There are many other details that I could provide, both from many own research in Texas and from evaluations by others and me of what goes on in other places. I will be happy to fill in areas where you are most interested.