“Public Education’s Future”
A Story of Fiscal Policy and Politics

AASA – The School Superintendents Association
The Meritage Resort and Spa 875 Bordeaux Way, Napa, CA 94558

Presented by:
Ralph M. Martire, Executive Director
Former Commissioner, Federal Equity & Excellence Commission
The Fiscal Policy Issue:

ONE AXIOM DEFINES THE CORE PROBLEM

Where needs are greatest
Resources are least
Which Creates the Political Problem

Responding to core fiscal issues requires tax policy to be redistributive—even under capitalist theory.
Adam Smith, the father of modern capitalism, contended that for a tax system to be fair it has to be progressive.

- According to Smith:

"The subjects of every state ought to contribute toward the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state …. [As Henry Home (Lorde Kames) has written, a goal of taxation should be to] 'remedy inequality of riches as much as possible, by relieving the poor and burdening the rich.'"
The long-term trends in income distribution in America demonstrate that his reasoning was solidly on target.

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<tbody>
<tr>
<td>Top 10%</td>
<td>34.1%</td>
<td>139.8%</td>
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<tr>
<td>Bottom 90%</td>
<td>65.9%</td>
<td>-39.8%</td>
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So There Should be Bipartisan Support to Raise Taxes the Capitalist Way and Solve Problems, Right?

UH — NOPE

Because this is also Fertile Political Fodder for: Grandstanding and Demagoguery—which are politically preferable to fixing tax policy

And hence the second fiscal policy axiom:

Inadequate capacity on the front end means inadequate outcomes on the back end.
Incentivizes electeds in both parties to:

1. Hide the real cause of fiscal problems, i.e. “Tax Policy”; and
2. Cover up shortcomings in Tax Policy by pinning the blame for less than desired outcomes on the education system itself—rather than recognize the lack of capacity.
CONSEQUENCES: Pick on Illinois Part #1

Changes in GSA Spending, FY2008-FY2016
($ in Millions, Inflation Adjusted)
“By far the largest gap is in Illinois, where the highest poverty districts receive nearly 20% less state and local funding than the lowest poverty districts.”

Source: Funding Gaps 2015, The Education Trust
INTO THE FRAY CAME
THE EQUITY & EXCELLENCE COMMISSION

- Researchers & Academics
  - UC Berkeley, Stanford University, NYU, University of Virginia, Campaign for Educational Equity

- State & Local Educational Professionals
  - Chicago Public Schools, Illinois SBE, NY State

- System & School Reform Experts
  - Education Law Center, CAP, Education Resource Strategies, Ed Trust, Council of the Great City Schools

- Teachers Unions
  - National Education Association, American Federation of Teachers

- Issue Experts
  - NIEA, Michigan DOE Office of Special Education, Rural School and Community Trust, CTBA, American Cities Foundation

- Civil Rights Leaders
  - NAACP, MALDEF, NUL
The Equity & Excellence Commission’s Charge was to Advise the DOE on:

“the disparities in meaningful educational opportunities that give rise to the achievement gap, with a focus on systems of finance, and to recommend ways to which federal policies could address such disparities.”
Why—Because as it Turned Out....

Public Education in America is not so much “Broken” as it is under-resourced to educate all children
We Looked at The International Benchmark

- Programme for International Student Assessment (PISA):
  - Combined Reading, Math, Science, Critical Thinking

- Overall, U.S. schools scored a middling 500 with the OECD average @ 493

- But fell to 36th among OECD nations in Math
But adjusting for poverty

- U.S. schools w/ 0-10% poverty scored a combined 551, best in the world (Finland was 2\textsuperscript{nd} @ 536)

- U.S. schools w/ 10-24.9% poverty scored 527, top in the world for similar profiles (Canada was 2\textsuperscript{nd} @ 524 and 4\textsuperscript{th} overall)
• U.S. scores did not start to drop significantly until poverty got over 25%

• That’s a concern because.....
Poverty

• U.S. Poverty Rate for school age children is more than double the OECD average—and higher than most advanced industrial nation in Europe, North America or Asia

• A majority of public school children in 21 states were low income in 2013

• As a region, southern states have the greatest % of total student population represented by low-income children—57%

• Mississippi was highest at 71%, but populous states like California, Texas, Illinois, Florida, Georgia, and North Carolina were over 50

• In large urban districts, poverty can be very high—Chicago Public Schools—over 86% of the children live in poverty

• Most districts with significant low income populations spend less than their wealthy peers
Percentage of Low Income, Public School Students by U.S. Region: 2013

NCES Data: US Overall 51%
• CHILDREN IN POVERTY (2015)
  ○ 32.9% of African American Children
  ○ 28.9% of Latino Children
  ○ 11.4% of Asian/Pacific Islander Children
  ○ 12.1% of White Children

  ○ Achievement GAP between children from high and low income families is 30%-40% **WORSE** among children born in 2001 than those born 25 years earlier.

Source: U.S. Census Data
So the Charge of the Commission was on Point—The Core Issues Remain:

- Poverty
- and
- Insufficient Resources Inequitably Distributed
Which is Nothing New

Who first noted these as core issues in U.S. Education

“Who”
The NIXON COMMISSION on Education in 1972!
The Nixon Commission Found:

1. Educational funding at the state level is too tied to property taxes—and rarely connected to the educational needs of children.

2. Money can help solve many of the Educational Problems that have surfaced.

3. States have the responsibility to reform school financing to eliminate disparities and ensure adequacy.
So How’s that Working for Ya?

- Overall, states were providing less per pupil funding for K-12 in 2014 than they did before the Great Recession hit in December of 2008.
- In real terms (adjusted for inflation), at least 35 individual states provided less $ per student for the 2014-15 school year than before the Great Recession.
- To pile on, the Feds have cut funding for Title I by 8.3% in real terms since 2010 (in large part due to “sequestration”).

Source: Center on Budget and Policy Priorities
Some Trends that Raise Questions Going Forward

- Average salaries for public school teachers DECLINED by 1.67% in constant $’s, for the decade ending in the 2014-2015 school year
- 25 states had a drop in real teacher salary over that decade, led by:
  - Illinois (-13.5%)
  - Indiana (-11%)
  - Mississippi (-10.5%)
  - North Carolina (-10.2%)
  - Idaho (-9.9%)

- Overall, state tax revenue has recovered to above 2008 levels, however, 17 states still lag 2008. Key among them:
  - Alaska
  - Louisiana
  - Florida

- By this time after the 2001 Recession, tax receipts had rebounded in all states except 1:
  - Michigan
That's a Problem Because $ Does Appear to Matter
Illinois Example, Part 1

December 3, 2016

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Linear regression is a statistical analysis that shows the correlation of two or more variables, in this case, how per-pupil expenditures correspond to ISAT test scores. The regression line (heavy red) represents the predicted test score results a school district should obtain, given a specific level of instructional expenditure.

(2006 data)
The research shows that those states which have made the greatest investment in building the capacity of their public school system to meet the educational needs of all their children, from the poorest on up, have experienced stronger economic growth than states that did not. Source: Noah Berger and Peter Fisher, *A Well-Educated Workforce is Key to State Prosperity*

- As well as a statistically meaningful advantage in state level GDP growth. (Id)
• And it’s not just Bensi, Black & Dowd whose research found this.

• As it turns out, investment in K-12, higher ed and infrastructure are the only policy decisions at the state level which have a statistically meaningful correlation to economic outcomes. Source: Center for Tax and Budget Accountability, “Good for Business: How Illinois Can Best Support Small Business.” (April 7, 2014)
The Federal Reserve of Cleveland found that differences in personal income between states could be explained in large part by differences in educational attainment.

- Specifically, it found states that had a greater percentage of their population attaining high school degrees than other states, also had a 1.5 percent higher per capita personal income.

- Overall, the states with the greatest high school and college graduation rates have the highest per capita personal incomes.
Some Data: Median Annual Earnings of U.S. Workers (Age 25+) by Educational Attainment, 2011

Source: Economic Policy Institute, Berger and Fisher, “A Well-Educated Workforce Is Key to State Prosperity”
Unemployment Highest Among Least Educated, 2015

Source: Bureau of Labor Statistics
# Education Wage Gaps Over Time

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</tr>
</thead>
<tbody>
<tr>
<td>College/high school</td>
<td>23.5%</td>
<td>42.5%</td>
<td>46.4%</td>
<td>46.9%</td>
</tr>
<tr>
<td>Advanced degree/high school</td>
<td>32.4%</td>
<td>62.3%</td>
<td>66.6%</td>
<td>69.6%</td>
</tr>
</tbody>
</table>

*NOTE: The gaps doubled over the 1979-2011 sequence!

Source: The State of Working in America
### Projected Annual Earnings Currently Aged 25-34 over Their Working Lives, by Educational Level (In 2012 Dollars)

<table>
<thead>
<tr>
<th>Median annual earnings (2012)</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>High school graduate</td>
<td>$30,000</td>
<td>$50,550</td>
<td>$53,250</td>
<td>$42,000</td>
</tr>
<tr>
<td>Associate degree</td>
<td>$35,700</td>
<td>$60,869</td>
<td>$66,045</td>
<td>$50,159</td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>$46,900</td>
<td>$93,566</td>
<td>$109,277</td>
<td>$97,318</td>
</tr>
</tbody>
</table>

Source: CTBA analysis, NCES “Annual Earnings of Young Adults”, French and Fisher “Education Pays in Iowa”
CTBA analysis of Census data on per pupil spending in all 50 states and Washington, D.C., confirms that those states that did the best job investing in K-12 education have higher median and mean wages and income than other states, with per pupil spending being strongly correlated with median income (.668), mean hourly wage (.635), median hourly wage (.668), and annual mean wage (.634).
If American schools performed comparable to higher-performing nations (e.g. Canada) in math (scoring approximately 40 points higher on the Programme for International Student Assessment), our higher skilled students would produce a faster growing economy, improving GDP over the next 80 years by an amount with a present value of $70 trillion.

Source: Hanushek, Ruhose & Woesman
The Equity and Excellence Commission found that eliminating the achievement gap between white students on the one hand and African-American and Hispanic students on the other, would add “some $50 trillion (in present value terms) to our economy” over the next 80 years.

- Simply achieving a 90 percent graduation rate for students of color would add as much as $6.6 billion in annual earnings to the U.S. economy.

Benefits Go Beyond Simple Economics

- Research demonstrates that high school graduation reduces criminal activity.
  - Nationally, a 1 percent reduction in the male dropout rate would save as much as $1.4 billion per year in reduced correctional costs, or about $2,100 per additional high school graduate.

- Across the United States, the smoking rate for individuals with college degrees is one-third of the rate for those who are less educated.

- Obesity and heavy drinking rates are half as high among the more educated, which helps, in part, explain why college graduates had a life expectancy that was eight years longer than high school dropouts in 1990.
AND HIGHER EARNERS PAY MORE IN TAXES

YEAH
The Solutions

1. Build the capacity of the public school system to create a meaningful educational opportunity for every child in her or his local public school;

2. Utilize an evidence-based approach to education funding tied to strategies proven to enhance student achievement;

3. Minimize inefficient competition, maximize collaboration;

4. Develop resources to sustain the investments needed for success; and

5. Implement an effective, informative, and corrective accountability system.
Each and Every Child

- What a State Should Do:
  - Identify and publicly report the teaching staff, programs and services needed to provide a “meaningful educational opportunity” to all students of every race and income level BASED ON EVIDENCE OF EFFECTIVE EDUCATION PRACTICES—LIKE THE APTLY NAMED “EVIDENCE-BASED MODEL”;
  - Adopt and implement school finance systems that provide equitable/sufficient funding for all students to achieve content and performance standards;
  - “Equitable” in some case means more than equal investment—as in other advanced nations, it includes providing additional resources for at-risk populations.
<table>
<thead>
<tr>
<th>Recommended Strategy</th>
<th>Effect Size</th>
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<tbody>
<tr>
<td>Full Day Kindergarten</td>
<td>0.77</td>
</tr>
<tr>
<td>Class Size of 15 in Grades K-3</td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>0.25</td>
</tr>
<tr>
<td>Low Income and Minority Students</td>
<td>0.50</td>
</tr>
<tr>
<td>Multi-age Classrooms</td>
<td></td>
</tr>
<tr>
<td>Multi-grade Classrooms</td>
<td>-0.1 to 0.0</td>
</tr>
<tr>
<td>Multi-age Classrooms</td>
<td>0.0 to 0.50</td>
</tr>
<tr>
<td>Professional Development with Classroom Instructional Coaches</td>
<td>1.25 to 2.70</td>
</tr>
<tr>
<td>Tutoring with Tier 2 Intervention Teachers, 1-1 and small group</td>
<td>0.4 to 2.5</td>
</tr>
<tr>
<td>English Language Learners Direct Intervention Support</td>
<td>0.45</td>
</tr>
<tr>
<td>Structured Academic Focused Summer School</td>
<td>0.45</td>
</tr>
<tr>
<td>Embedded Technology</td>
<td>0.30 to 0.38</td>
</tr>
<tr>
<td>Gifted and Talented</td>
<td></td>
</tr>
<tr>
<td>Accelerated Instruction or Grade Skipping</td>
<td>0.5 to 1.0</td>
</tr>
<tr>
<td>Enrichment Programs</td>
<td>0.4 to 0.7</td>
</tr>
</tbody>
</table>
Model Highlights

Calculates Core Instructional Cost / Student

- Ratios for staffing and expenses
- Additional Ratios for Staffing/Expenses for
  - Low Income students
  - English Learning students
  - Special Education students (mild/moderate)

- State Average Salaries
Direct Funding for Evidence Based Practices

- Tier 2 and 3 Intervention Teachers
  - 1FTE/125 DHS and EL Students (Duplicate Count)
- Additional Pupil Support Teachers
  - 1FTE/125 DHS and EL Students (Duplicate Count)
- Extended Day Programs
  - 1FTE/120 DHS and EL Students (Duplicate Count)
- Academic Summer School
  - 1FTE/120 DHS and EL Students (Duplicate Count)
- English Learner Teachers
  - 1FTE/120 DHS and EL Students (EL Count Only)
ALSO OPENS THE DOOR TO A BETTER ACCOUNTABILITY SYSTEM
BUT WAIT.....

WON’T TAX INCREASES KILL THE ECONOMY?
Increasing Taxes the Right Way Won’t Hurt the Economy

2002-2011 Comparison:
9 States with Highest Graduated Income Tax Rate vs. 9 States with No Income Tax

Source: Institute on Taxation and Economic Policy, States with “High Rate” Taxes are Still Outperforming No-Tax States (Washington, DC: February 2013). Figures 2,3 & 4
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