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## A KANSAS PRIMER ON EDUCATION FUNDING

Volume IV: What do we want from education?

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# Preface

Perhaps no subject in Kansas has been more controversial in recent history than school funding. Years of court battles earlier in the decade culminated in 2005 with the Kansas Supreme Court ruling in favor of plaintiffs in *Montoy vs. State of Kansas* and ordering the Legislature to increase funding by \$853 million. State aid to schools increased by \$496 million between the 2004-05 school years and the 2009-10 revised budget and total funding to schools has increased by \$1.26 billion. A severe decline in State tax receipts (\$498 million / 8.6% for FY 2009, with the first half of FY 2010 down 9.0%) prompted the Legislature and Governor Parkinson to reduce school funding for FY 2010. A group of districts recently petitioned the Kansas Supreme Court to re-open *Montoy* but they were denied, and are now planning to file yet another lawsuit.

Despite the unprecedented controversy, surprisingly little is understood about how much money schools actually receive, how that money is spent or even the basis upon which the court ruled in *Montoy*.

Education is extraordinarily important to the success of our State and to each individual. It is imperative that students receive an education that prepares them to enter the workforce, whether directly into their chosen field or first into higher levels of education. But while education is of critical importance, we must balance our approach to defining and funding a proper education with other essential needs. We must also have adequate funding for other necessary government services and the revenues required to fund all services cannot be so high as to necessitate a tax burden that impedes economic growth.

A Kansas Primer on Education Funding provides a high level of transparency and analysis so that taxpayers and legislators are empowered to make informed decisions going forward. The Primer is being published in four separate volumes.

“Volume 1: The History of Education Finance in Kansas” traces school funding developments, starting at the inception of statehood in 1863 and leading up to the filing of *Montoy*.

“Volume 2: Analysis of *Montoy vs. State of Kansas*” provides a detailed examination of the legal and political forces at play during the *Montoy* litigation. It also identifies existing barriers that prevent or restrict efforts to reform the system and offers specific recommendations for overcoming those barriers.

“Volume 3: Analysis of K-12 Spending in Kansas” identifies how court-mandated funding increases were spent by Kansas school districts and compares per-pupil spending across districts in search of minimum spending levels that, at least under current curriculum standards, produce adequate results. It also offers specific alternatives to “just spend more” that provide reasonable funding to schools without raising taxes or eliminating other necessary government services.

“Volume 4: Defining and Funding a Proper Education” examines whether Kansas schools are providing an education that gives students the opportunity to gain substantial skills needed for citizenship, further education and functioning in today’s job market. It also offers proposals to improve the current education delivery process, explores alternatives to the current funding methodology and examines existing and alternative methods of measuring student (and school) performance.

The development of the Primer has been an extraordinary undertaking by a relatively small group of very dedicated and talented people. The authors, whose names and biographies are contained within each volume, were greatly assisted by Chris Brito, Grace Harris, Paul Soutar, Gretchen Colon and Anne Chandler.

We are very passionate about the future of education and hope that this Primer can in some way serve to inspire citizens and legislators. We welcome constructive thoughts and suggestions as we strive to improve the educational climate in our state and to be responsible stewards of the finances which fund education.

—Dave Trabert, President, Kansas Policy Institute

## What do we want from education?

Kansas has long been embroiled in controversies over education. Disputes over science have gotten the lion's share of public attention, but the question of how much money schools should have at their disposal—and who answers that question—has become even more important, with implications for constitutional governance, public priorities, and educational improvement. Since Kansas school districts are considering another lawsuit against the state, it is appropriate and necessary for citizens and lawmakers alike to ask just what we want from education.

People have asked many questions about education and given many different answers. Should education be primarily for the ruling class, or for everyone? Should both boys and girls be educated or only boys? Should all racial and ethnic groups or only one? Should education primarily benefit the student or society?

Should education be academic, vocational, or social? Or should it be some combination? The web site of the Kansas NEA asks, "Is our intent to develop an informed citizenry ready to participate in a democratic society? Is our purpose to produce persons who can contribute to the economy? Is it to enrich the mind and spirit? The list of 'primary purposes' of education goes on."<sup>1</sup> As part of considering these questions, it is useful to recall some developments throughout history.

### *Education has been used to advance religion.*

Throughout history, education has been seen as useful for the cause of religion, the state or both. The scriptures of the ancient Hebrews emphasized the importance of education for spiritual development and religious obedience: "Fix these words of mine in your hearts and minds; tie them as symbols on your hands and bind them on your foreheads. Teach them to your children, talking about them when you sit at home and when you walk along the road, when you lie down and when you get up." Not surprisingly, education was also seen as a key to character development and wise living: "Teach us to number our days aright, that we may gain a heart of wisdom."<sup>2</sup>

In ancient Athens, free men (only a portion of the population) were trained in the three 'Rs', as well as music and physical training. Education in Sparta, by contrast, favored military training and service to the state.

In the founding of the American experiment, religion was important, though economic, political and cultural considerations played a role, too. One of the first laws passed by an American colony on the subject of education was the (Massachusetts) Law of 1642, which required parents to make sure that their children achieved a basic level of literacy.<sup>3</sup> It also required parents to make sure that their children were

<sup>1</sup> "Curriculum issues in online education," Kansas NEA, <https://ks.nea.org/qualityschools/distancelearning/index.html>, accessed on February 15, 2010.

<sup>2</sup> Deuteronomy 11:18-19; Psalm 90:12, New International Version

<sup>3</sup> For background on these laws, see "Massachusetts passes first education law, April 14, 1642," Mass Movements, <http://massmoments.org/moment.cfm?mid=113>, accessed on February 15, 2010.

informed in the basics of the Christian faith.<sup>4</sup> Parents who failed to properly educate their children risked having them removed by local officials, in what we would today call a foster-care system.

Massachusetts followed up that law in 1647 with the “Old Deluder Satan Law,” which emphasized literacy as a means of avoiding spiritual disaster. It required that once a settlement reached 50 households, the people “appoint one within their town to teach all such children as shall resort to him to write and read.” It was not clear who was to pay the teacher(s), since the law mentioned both parents and the general population. The law also required “that every town having one hundred householders must provide a grammar school to fit youths for the university.” Both laws were motivated by “the general Calvinistic principle that education was an important function of a religious State.”<sup>5</sup>

Religious concerns continued to inspire American thinking about education. The Northwest Ordinance of 1787, established by the U.S. Congress, linked religion and education in a way that would not pass constitutional muster today. It said, in part, “Religion, morality and knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall be forever encouraged.”

### ***Education has been used to shape culture.***

In the early days of the United States, schooling was not only tinged with religion and morality, it was dispersed. Many children did not receive a formal education. During the mid-19th century, people in the Common School Movement, led by Horace Mann, argued for a change. Schools would have a common curriculum, and be financed out of property taxes rather than by tuition or charity. Common School advocates thought that this approach would promote equal opportunity, civic virtue, and a common public culture. According to Brown University historian Carl F. Kaestle, the argument was that “common schools could play a critical role, not just in providing people a more equal chance at education, but in consolidating the country’s culture around republican, capitalist, and Protestant values.”<sup>6</sup>

As with the schools envisioned by the Old Deluder law, the newer schools had religious qualities as well. While the public schools were “non-sectarian,” they were not secular. They were instead generically Protestant rather than adhering to the tenants of a particular sect such as Methodist or Episcopalian. That was by design, as a way to assimilate Roman Catholic immigrants. Naturally, Roman Catholic immigrants weren’t favorable to this idea, and sought funding for their own schools after it became clear that they were being shut out.

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<sup>4</sup> The Law of 1642 read as follows: Forasmuch as the good education of children is of singular behoof and benefit to any Common-wealth; and whereas many parents & masters are too indulgent and negligent of their duty in that kind. It is therefore ordered that the Select men of every town, in the severall precincts and quarters where they dwell, shall have a vigilant eye over their brethren & neighbours, to see, first that none of them shall suffer so much barbarism in any of their families as not to indeavour to teach by themselves or others, their children & apprentices so much learning as may enable them perfectly to read the English tongue, & knowledge of the Capital Lawes: upon penaltie of twentie shillings for each neglect therin. Also that all masters of families do once a week (at the least) catechize their children and servants in the grounds & principles of Religion, & if any be unable to do so much: that then at the least they procure such children or apprentices to learn some short orthodox catechism without book, that they may be able to answer unto the questions that shall be propounded to them out of such catechism by their parents or masters or any of the Select men when they shall call them to a tryall of what they have learned of this kind. And further that all parents and masters do breed & bring up their children & apprentices in some honest lawful calling, labour or employment, either in husbandry, or some other trade profitable for themselves, and the Common-wealth if they will not or cannot train them up in learning to fit them for higher employments. And if any of the Select men after admonition by them given to such masters of families shall find them still negligent of their duty in the particulars aforementioned, wherby children and servants become rude, stubborn & unruly; the said Select men with the help of two Magistrates, or the next County court for that Shire, shall take such children or apprentices from them & place them with some masters for years (boyes till they come to twenty one, and girls eighteen years of age compleat) which will more strictly look unto, and force them to submit unto government according to the rules of this order, if by fair means and former instructions they will not be drawn into it.”

<sup>5</sup> Ellwood P. Cubberley, *The History of Education: Educational Practice and Progress Considered as a Phase of the Development and Spread of Western Civilization*, Houghton Mifflin, 1902, p. 365.

<sup>6</sup> Carl F. Kaestle, “Victory of the Common School Movement,” U.S. Department of State, April 3, 2008, <http://www.america.gov/st/educ-english/2008/April/20080423212501eafas0.8516133.html>, accessed February 15, 2010.

Religious disputes over education sometimes spilled into violence, as when a Catholic-Protestant riot in New York caused 58 deaths in 1844.

It is not surprising, then, that politicians at the highest levels of office took a stand (sometimes helpful, sometimes not) on the subject. Rep. James G. Blaine (R-Maine), the Speaker of the House, proposed a ban on taxpayer aid to “sectarian,” which is to say, Catholic, schools. Though the proposal Blaine offered in 1875 was never enacted at a Federal level, every new state from that point forward enacted a similar law, known as a Blaine Amendment, into its constitutions. The Kansas Constitution has similar language: “No religious sect or sects shall control any part of the public educational funds.”<sup>7</sup>

But religion has not been the only flashpoint in education debates. Language has been another. Over the last 30 years, particularly but not only in California, parents, activists and politicians have debated the wisdom of bilingual education versus English immersion. While it’s easy to think that this is a recent debate, it’s not. In 1837, New York City schools offered bilingual education in English and German. Cities across the country followed suit, with German eventually falling out of popularity primarily because of World War I. During the 19th century, schools across the country also offered bilingual education in Cantonese, Czech, French, and other languages. In a nation of immigrants, which language groups got bilingual education? The answer depended on politics. As one scholar observed, “Before World War I, immigrant groups often pressed public schools to teach children in their native language. The success of these groups depended more on whether adult immigrant activists had political power than on a pedagogical consensus.”<sup>8</sup> Bilingual education largely fell off after the war—a majority of states explicitly required teaching to be in English—and came back in the 1970s, primarily as a result of rulings by the U.S. Supreme Court.

Cultural conflicts continue to plague public schools. For example, when one education analyst analyzed press accounts across the country from the 2005-06 school year, he found over 150 cultural conflicts. Parents, administrators and teachers fought over how school books, school curriculums and school employees addressed topics such as evolution, sexuality, history, multiculturalism versus assimilation, dress codes, speech codes and religion.<sup>9</sup>

These conflicts have arisen, in part, because of a long-held belief that public schools are essential to promoting equality and avoiding permanent racial, ethnic, religious or economic castes. Instead, public schools have sometimes driven or at least reinforced inequalities. For example, Jim Crow laws formalized unequal access to school funding based on race. Today, school districts have unequal budgets, partly due to unequal property wealth, an inequality that was reduced by school finance reforms in the 1990s.<sup>10</sup> Meanwhile, people largely live in racially segregated neighborhoods—not due to property deed restrictions as in years of old, but through income differentials and social preferences. So, for example, within USD 259 Wichita, the student population at Northwest High is 64 percent white, 14 percent African-American, 11 percent Hispanic and 11 percent “other.” At Southeast High, by contrast, the student population is 33 percent African-American, 30 percent white, 19 percent Hispanic and 18 per-

<sup>7</sup> Kan. Constitution, art. 6, § 6(c).

<sup>8</sup> Richard Rothstein, “Bilingual Education: The Controversy,” *Phi Delta Kappan*. Volume: 79. Issue: 9. 1998, p. 672ff.

<sup>9</sup> Neal McCluskey, “Why we fight,” *Cato Institute policy analysis* 587, January 23, 2007, available online at <http://www.cato.org/pubs/pas/html/pa587/pa587index.html>, accessed February 15, 2010.

<sup>10</sup> Jocelyn M. Johnson, “Changing State-local fiscal relations and school finance in Kansas: Pursuing ‘Equity,’” *State and Local Government Review*, Vol 30, No. 1, (Winter 1998): 26-41. In November, 2008, total property valuation ranged from a low of \$6.3 million in USD 471 Dexter in south central Kansas to a high of \$3.2 billion in USD 514 Shawnee Mission in eastern Kansas. See “Unified School District Values,” Kansas Department of Revenue, <http://www.ksrevenue.org/pvdstatistics.htm>, accessed February 15, 2010.

<sup>11</sup> Kansas Department of Education, “Kansas Building Report Card,” [http://online.ksde.org/rcard/county.aspx?cnty\\_no=087](http://online.ksde.org/rcard/county.aspx?cnty_no=087), accessed February 15, 2010.

cent “other.”<sup>11</sup> At the same time, scholars have found that some private schools, traditionally seen as promoting social divisions, may do a better job in promoting social integration.<sup>12</sup>

### ***Education has been used to promote national economic goals.***

As the history of culture and religion in education demonstrates, the teaching and learning of academics (or what we might call liberal arts) was far from the sole purpose of education. Through the years, Americans have also had business and economic goals for education.

At the turn of the 20th century, education reformers such as John Dewey, social reformers such as Jane Hull and business leaders such as the Chicago Commercial Club collaborated and clashed on the topic of school curriculum and the desirability of vocational versus general education. A report written in 1911 for the club even spoke of “noncommissioned officers” for an “industrial army” of workers.<sup>13</sup> Clearly, schooling had a business imperative with national implications.

In 1957, the Soviet Union launched the first satellite into the earth’s orbit—and prompted a flurry of education reform efforts. The federal government got involved in education by enacting the National Defense Education Act of 1958.

The 1983 report *A Nation at Risk* sounded another alarm, saying ““If an unfriendly power had attempted to impose on America the mediocre educational performance that exists today we might well have viewed it as an act of war. ... We have, in effect, been committing an act of unthinking, unilateral disarmament.”<sup>14</sup>

Thomas Friedman, a columnist with the New York Times, sang another chorus of this song with his 2005 book, “The World is Flat.” In that book, he wrote about ten trends that have affected America’s connections with the rest of the world. Educators have taken keen interest in the book, one implication of which is that to succeed economically, a person must be able to keep learning.<sup>15</sup>

Today, the spirit of Sputnik-induced concern lives on, with growing interest in “science, technology, engineering and mathematics education” (STEM). Universal preschool is another popular initiative sold, in part, on the grounds that it will save taxpayer money in the long run through enhanced worker productivity.

## **What is government’s role in providing for education?**

The Kansas Constitution combines several goals for the purpose of funding education with the task of operating specific institutions (public schools) to achieve those goals. According to Article 6 of the Kansas Constitution, “The legislature shall *provide for intellectual, educational, vocational and scientific improvement* by establishing and maintaining public schools, educational institutions and related activities which may be organized and changed in such manner as may be provided by law.”<sup>16</sup> [emphasis added]

<sup>12</sup> Jay Green and Nicole Mellow, “School integration where it counts: A study of racial integration in public and private school lunch rooms.” *Texas Education Review*, v1 n1 p15-26 Spr 2000.

<sup>13</sup> “Schooling for Work” in *Encyclopedia of Chicago*, Chicago Historical Society, <http://www.encyclopedia.chicagohistory.org/pages/1123.html>, accessed February 15, 2010.

<sup>14</sup> National Commission on Excellence in Education, “A nation at risk: The imperative for education reform,” 1983, <http://www.ed.gov/pubs/NatAtRisk/index.html>, accessed February 15, 2010.

<sup>15</sup> See for example, Chris O’Neal, “What does ‘The world is flat’ mean for education?,” October 17, 2006, [edutopia.org](http://www.edutopia.org), <http://www.edutopia.org/what-does-world-flat-mean-education>, accessed February 15, 2010.

<sup>16</sup> Kan. Constitution, art. 6, § 1.

This general language is more appropriate than too-specific language such as “90 percent of 17-year olds will score 25 or higher on the ACT.” KSA 72-6429 says that the board “shall design and adopt a school performance accreditation system based upon *improvement in performance* that reflects high academic standards and is measurable.” (emphasis added)

As part of its responsibility, the Kansas State Department of Education (KSDE) has compiled various standards that describe expectations for student performance. For example, a document called the “Kansas Curricular Standard for Reading Education” runs 213 pages.<sup>17</sup> Here’s the skeleton of the document, which with minor changes in wording applies to all grade levels:

**Reading standard:** The student reads and comprehends text across the curriculum.

Benchmark 1: The student uses skills in alphabets to construct meaning from text.

Benchmark 2: The student reads fluently.

Benchmark 3: The student expands vocabulary.

Benchmark 4: The student comprehends a variety of text (narrative, expository, technical, and persuasive).

**Literature standard:** The student responds to a variety of text.

Benchmark 1: The student uses literary concepts to interpret and respond to text.

Benchmark 2: The student understands the significance of literature and its contributions to human understanding and various cultures.

Each benchmark has very specific indicators, such as “identifies names of both upper and lower case letters of the alphabet” in first grade or “uses information from the text to make inferences and draw conclusions” for eighth grade. Some, though not all, indicators are tested on subject-specific state assessments.

The Kansas Constitution calls for some specific inputs (“public schools, educational institutions and related activities”) but delegates specifics to the State Board of Education and KSDE. For example, the State Board of Education has established accreditation requirement for schools that cover the following areas:<sup>18</sup>

- The percentage of students who must take state assessments.
- The student attendance rate.
- The percentage of teachers who have state certification.
- Offer training to teachers.
- Create graduation requirements that are at least as stringent and specific as state requirements.
- Certain subjects must be taught. For example, elementary schools must teach reading, writing and mathematics, among other subjects, “together with such other subjects as the state board may determine.”<sup>19</sup> Students shall also be taught “in patriotism and the duties of a citizen.”<sup>20</sup>
- High schools must teach classes that are specified as graduation requirements by the state board of education.<sup>21</sup>
- School must be in session for a specific number of days in a year, and certain number of hours in a day.<sup>22</sup>

<sup>17</sup> Kansas State Department of Education, “Kansas Curricular Standard for Reading Education,” July 2003, available at <http://www.ksde.org/Default.aspx?tabid=142>, accessed February 15, 2010.

<sup>18</sup> Kansas State Department of Education, “QPA Regulations 2005,” <http://www.ksde.org/Default.aspx?tabid=1787#91-31-35>, accessed February 15, 2010.

<sup>19</sup> KSA 72-1101

<sup>20</sup> KSA 72-1103

<sup>21</sup> KSA 72-1127.

<sup>22</sup> KSA 72-1106

The board then classifies schools into one of several categories depending on how it fulfills the requirements. State regulations call for schools that do not have full accreditation to work towards accreditation. In the extreme, the board may recommend “that the legislature abolish or restructure the local district.”

As for children, they too face regulations and laws that govern the “inputs” of their education. The most basic requirement is that they attend school. Children who are age 7 to 16 must attend school, though they need not attend a public school.<sup>23</sup>The state board also imposes certain subject requirements for graduation:

- Three units of English.
- Three units of history and government.
- Three units of math.
- Three units of science.
- One unit of arts and another in physical education.

Districts may impose their own requirements. These graduation requirements say that a student must be schooled in specific subjects, so they are input requirements. They are theoretically output requirements as well, which include:

- “Development of **sufficient** oral and written communication skills which enable students to **function** in a complex and rapidly changing society”
- “Acquisition of **sufficient** knowledge of economic, social and political systems which enable students to understand the issues that affect the community, state and nation;”
- “Development of **sufficient** levels of academic or vocational skills to enable students to compete favorably in academics and the job market.” [Emphases added.]<sup>24</sup>

These goals, though laudable, are broad and general, as legislation of this nature should be. But what constitutes ‘sufficient?’ While having laudatory goals is commendable, attempting to lock them into a judicially enforceable standard is a fool’s errand. What, for example, does the phrase ‘compete favorably in academics and in the job market’ mean? With whom are they competing? Their parents, many of whom are college graduates and have long work histories? By what standard shall we know that the Kansas class of 2010 competes favorably with the Iowa class of 2010—by ACT scores, the percentage of students who enter Harvard, or some other measure?

On the student level, “sufficient” means, in effect, having accumulated enough high school credits to graduate. Student graduation rates vary greatly across economic and racial lines. Researchers for *Education Week* concluded that graduation rates for ethnic or racial group in Kansas ranged from a low of 49 percent for Hispanics to 78.5 percent for non-Hispanic whites. While the state’s overall four-year completion rate was 74.4 percent, the rate for students in the free- and reduced-lunch program, a common measure of family poverty, was only 37.4 percent.<sup>25</sup>

Some states impose graduation requirements that go beyond accumulating credits. Currently, 22 states require high school graduates to pass exit exams, which generally cover mathematics and reading. Four more states plan to impose such a requirement by 2012. Another group of states, including Kansas, do not have exit exams or plans for them.

<sup>23</sup> KSA 72-1111

<sup>24</sup> KSA 72-1127.

<sup>25</sup> “Ready for What?” Diploma Counts 2007, Education Week

According to the Education Commission on the States, policies regarding exit exams vary greatly across states. These differences include “the level of content tested (upper middle grades in some states, while upper high school grades in others) and the opportunities for students who do not pass (from none to numerous and detailed appeals procedures and alternative methods of demonstrating competency).”<sup>26</sup> States also, to varying degrees, use these tests in determining who gets state scholarships, grant alternative rather than standard diplomas to students who do not pass the exams, and give extra money to schools to help cover the costs of providing additional education to students who do not pass a test.

Through No Child Left Behind (NCLB), schools are judged on student performance. NCLB, a federal law, requires that by the year 2014, all tested students score “proficient.” While it sounds like a harsh and unrealistic goal (and it is), it also gives states a way out: each state gets to define “proficient.” That is, each state can select its own means of evaluating proficiency (invariably, a standardized test), write its own questions (open-ended, multiple-choice or other), and determine what percentage of correct answers qualifies as proficient. While in theory the law imposes strict sanctions on schools that fail to meet state-established targets along the way to 2014 (“annual yearly progress”), the net effects have been minimal, however: some money is set aside for tutoring, inept teachers retain their jobs and the overwhelming majority of students attending persistently failing schools keep attending those schools. Unlike a business that fails to meet its customers’ needs, a failing school is rarely liquidated.

When NCLB is combined with state standards, then, Kansas effectively seeks to prepare all students for college. Yet this may not be a realistic or even desirable goal.

### ***Education for life, not just for college***

While legal teams debate the cost of a “suitable” education, we should ask “suitable for whom?” Our public approach to education, embodied not only in laws but in widely shared expectations, focuses on preparation for college. “Go to college and you’ll get a good job,” parents tell their children. Many working adults reinforce that notion by returning to school to earn the sheepskin as a credential in the workplace.

Yet this emphasis ignores the very real differences across the human population. Some people are very skilled at highly abstract, logical reasoning. Others may be skilled at inspiring, challenging, mentoring or serving people. Still others are good at working with machinery or have good motor skills. That’s because people have different interests, inclinations, and natural abilities. Parents of multiple children often know this firsthand. Career counselors affirm this, as do teachers. Some young people will do well to prepare in K-12 school for a college experience that emphasizes a liberal-arts education. Others will do better—be happier, more successful, and even have a higher lifetime income—pursuing a skilled trade or some other path. In addition, students who see a link between a possible career path and an academic subject (say, between biology and the work of a veterinary assistant) may be more motivated to study, especially if the studies occur in the context of a career program.

Our laws governing higher education recognize the diversity of student interests. Young adults can get public assistance for attending Kansas institutions as diverse as Bethany College, Johnson County Community College, the Pinnacle Institute, Pittsburg State University, Salina Area Technical College, and the University of Kansas. Some of these institutions are publicly owned, while others are not. Some have religious themes, while others don’t. Some focus on teaching undergraduates a liberal-arts education, while others have a strong emphasis on community service, research or job training. Even among state-owned institutions, students seek out a variety of definitions of what is suitable for them.

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<sup>26</sup> “Exit exams,” Education Commission of the States, <http://mb2.ecs.org/reports/Report.aspx?id=1358>, accessed February 10, 2010.

In the elementary and secondary level, we think of school as desirable for preparing students for either college or work. It is true that higher education and higher incomes go hand-in-hand, but the truth is more complicated than it first appears. Divide the population into five groups based on number of years of education—high school dropouts, high school graduates, people with some college, college graduates, and people with advanced degrees—and you will find that the median income of each group goes up as the amount of formal education increases.<sup>27</sup>

**Table 1: Annual earnings by education level**  
Full-time workers in Kansas, U.S. Census, 2000

Level of Education	Earnings Median
Not a high school graduate	21,967
High school graduate	26,500
Some college	29,444
Bachelor degree	38,560
Advanced degree	46,846

But there are many exceptions, showing that a college education is neither necessary nor sufficient for a comfortable income. Some occupations have a low percentage of college graduates, but median incomes that are higher than the median income for all workers. For example, very few millwrights (2 percent) had a college degree. But the typical millwright earned 60 percent more than all workers in the state. The lack of a college degree is not necessarily a barrier to a successful business career, either. In one year, for example, 19 percent

of the chief executives of the Inc. 500, a list of the fastest-growing companies in the United States, lacked a college degree.<sup>28</sup>

Furthermore, having a college degree is no guarantee of financial success. Paralegals, for example, were more likely to have a college degree than the average worker (37 versus 29 percent). Their median income, however, is virtually indistinguishable from that of all workers. Some occupations with a large percentage of college graduates, such as meeting and convention planners, had lower incomes.

Advocates of liberal arts learning argue that education has more than financial rewards, and they are right. Still, earning potential is an important consideration for most people. By that standard, a successful life does not always require a college degree.

For students who do not pursue a four-year degree, is Kansas offering them a suitable education? After all, the State Board of Education, for example, says “The Mission of the State Board of Education is to ensure that all students meet or exceed high academic standards and are prepared for their next steps (e.g., the world of work and/or post-secondary education).”<sup>29</sup> But are students who don’t end up earning a four-year degree properly equipped by schools?

**Table 2: Below-average college degrees, Above-average income**  
Median income and education for select occupations in Kansas  
U.S. Census, 2000

Occupation	Median Income	% College Graduates
Locomotive engineers and operators	\$60,165	9
Millwrights	\$40,136	2
Geological and petroleum technicians	\$37,083	23
Transportation managers	\$35,620	22
Computer control programmers and operators	\$35,300	5
Engineering technicians, except drafters	\$34,818	14
Production, planning, and expediting clerks	\$33,048	22
Electricians	\$33,595	4
Diagnostic related technologists / technicians (health care)	\$30,856	20
Pipe layers, plumbers, pipefitters and steamfitters	\$30,385	4
<b>All workers</b>	<b>\$25,182</b>	<b>29</b>

**Table 3: Above-average college degrees, Below-average income**  
Median income and education for select occupations in Kansas  
U.S. Census, 2000

Occupation	Median Income	% College Graduates
Sales and related (other)	\$26,308	46
Paralegals and legal assistants	\$25,647	37
<b>All workers</b>	<b>\$25,182</b>	<b>29</b>
Recreational therapists	\$25,089	70
Meeting and convention planners	\$23,304	45
News analysts, reporters and correspondents	\$23,598	71
Archivists, curators, and museum technicians	\$23,924	76
Desktop publishers	\$22,321	42
Directors, religious activities and education	\$20,417	69
Recreation and fitness workers	\$13,611	39
Musicians, singers and related workers	\$7,519	55

<sup>27</sup> “Earnings by Occupation and Education,” U.S. Census Bureau, <http://www.census.gov/hhes/www/income/earnings/call2ksboth.html>, accessed February 10, 2010.

<sup>28</sup> Amar V. Bhide; “The Origin and Evolution of New Businesses,” Oxford University Press, 2003.

<sup>29</sup> “Mission of the Kansas State Board of Education,” KSDE web site, <http://www.ksde.org/Default.aspx?tabid=54>, accessed February 10, 2010.

As a recent analysis of education and the American economy concluded, workers with more than a high school diploma but less than a college degree will be in demand for years to come.<sup>30</sup> According to economists Robert Lerman of America University and Harry Holzer of Georgetown University, these “middle-skill” occupations compose roughly half of all jobs in the U.S. economy. Both the number of jobs and the pay they offer vary, but some middle-skill occupations have enjoyed higher-than-average long-term increases in pay. Between 1997 and 2005, for example, the average occupation saw a real-wage gain of 5 percent, but electricians and radiological technicians had wage increases of 23 and 18 percent, respectively. The report, written before the current recession took hold, said that by 2014, 45 percent of all job openings would be for middle-skill positions, compared with 33 percent for high-skill occupations. Consequently, the authors conclude, our policies must “provide other pathways to labor market success for those who cannot enroll in or complete” four-year degrees.

Lerman and Holzer’s work came out a year after another report that also pointed to the need to expand the definition of a successful high school career beyond preparing for college. In December, 2006, the New Commission on the Skills of the American Workforce released a call for a new approach to schooling. The report, called *Tough Choices or Tough Times*, was couched in terms of national economic competitiveness.<sup>31</sup> Yet its prescriptions can be of use to individual students, too.

“The core problem,” the executive summary noted, “is that our education and training systems were built for another era, an era in which most workers needed only a rudimentary education.” But that doesn’t necessarily mean that a four-year, liberal-arts or general education should be the standard for all. The commission called for a dramatic restructuring of the high school experience. After the tenth grade—or prior to that, if they’re ready—students take comprehensive exams, which are based on entrance requirements for community college students who don’t need remediation.

Students who achieve a certain score on the test would have the right to attend a community college for either a technical or transfer program. Those who earned a higher score could stay in an “upper secondary path” to prepare for Advanced Placement or International Baccalaureate exams, which would in turn qualify them to enter selective colleges as juniors. Students who take the technical path, meanwhile, could then take certification exams for specific skills.

The report is not merely theoretical. The state of New Hampshire, for example, is moving to implement recommendations from the report.<sup>32</sup>

The New Commission on the Workforce estimates that its tenth-grade testing recommendation could save the country \$60 billion a year, money that it says should then be spent on raising the pay of certain teachers, increased early childhood education, and other initiatives. It’s an ambitious proposal, and it may have too many moving parts to actually work. But the commission did the country a service by causing us to rethink how we “do schooling.” The proposals are still too top-down, in that they propose just a few paths for all students. But they are useful in reminding us that there is no ‘one-size-fits-all’ solution. Rather, our public approach to education should embrace more variety in both goals and methods. Without offering high school students more alternatives, we risk not offering substantial numbers of them an education that is, for their own interests, “suitable.”

<sup>30</sup> Robert Lerman and Harry Holzer, “America’s Forgotten Middle-Skill Jobs,” November 2007, Workforce Alliance, Washington DC, available online at <http://www.urban.org/url.cfm?ID=411633>, accessed February 10, 2010.

<sup>31</sup> The New Commission on the Skills of the American Workforce, “Tough Choices or Tough Times,” available online at <http://www.skillscommission.org/executive.htm>, accessed February 10, 2010.

<sup>32</sup> For information on New Hampshire’s implementation of recommendations from “Tough choices or tough times,” see Kathleen Kingsbury, “Should kids be able to graduate after 10th Grade?,” *TIME*, November 6, 2008, and Melanie Plenda, “N.H. Announces two-year diploma plan,” *Boston Globe*, December 21, 2008.

Two university researchers echo the need for “multiple pathways” of high school education. Marisa Saunders and Christopher A. Chrisman offer argue that “students provided with both academic and career education are more likely to be able to later choose from the full range of postsecondary options.” They also point out that connecting real-world contexts to academic subjects “promotes student interested and engagement.”<sup>33</sup> The authors call for a four-point program that includes an academic core, a professional/technical core, field-based learning and workplace simulations, and supplemental supports such as counseling.

The approach has at least one champion in Kansas. Sen. Steve Abrams, (R-Arkansas City) is building on his experience as the co-leader of a commission of the National Association of School Boards of Education that looked at career technical education. Brenda Welburn, the executive director of the association, spoke of the importance of career technical education in a news release that announced Abrams’ appointment to the commission: “The high-tech, high skills requirements of many of today’s most in-demand jobs have given student, educators, workers, and employers a new appreciation for a career technical education and made obsolete the notion of vocational education as a poor alternative to a college prep track. A career and technical education is now understood to be an integral part of a rigorous and comprehensive high school curriculum to prepare students for the twenty-first century workforce.”<sup>34</sup>

Drawing on his experience with career and technical education, Abrams cites the following statistics to demonstrate the mismatch between schooling and work.<sup>35</sup>

**Table 4: Educational requirements of the American workforce**

	1950	Today
Skilled workers	20	65
Unskilled workers	60	15
Professionals	20	20

While the percentage of jobs requiring a professional degree has stayed the same, the percentage of skilled jobs—which require some advanced education, though not necessarily college—has increased over threefold, from 20 percent of the workplace to 65 percent.

Unfortunately, the way that Kansas funds schooling has not adapted to these changes. Again, some estimates from Sen. Abrams suggest a mismatch:<sup>36</sup>

**Table 5: A mismatch between student enrollment and job market demands in Kansas**

	Student Enrollment 2004	Job Market Demands 2014
Skilled workers	20	65
Unskilled workers	60	15
Professionals	20	20
Four-year degree program	32	20-22
Two-year degree or less	8	60-65
High school or less, no further training	60	15-20

Given that the mission of the Kansas State Board of Education is to prepare students for “the world of work and/or post-secondary education,” we should ask whether the structure of Kansas high school education fulfills that mission. Abrams believes, with justification, that it does not, and thus offers the following proposals to help prepare students for the “world of work”:

In sixth grade, each student takes the Kuder Career Assessment as well as a survey of the work world. Each student also consults with a career development facilitator while in high school.

Districts offer at least a few curriculum strands from within 16 career clusters already established by the Kansas State Board of Education.

<sup>33</sup> Marissa Saunders and Christopher A. Chrisman, “Multiple Pathways: 21<sup>st</sup> Century high schools that prepare all students for college, career, and civic participation,” the Education and the Public Interest Center, University of Colorado, and the Education Policy Research Institute, University of Arizona, <http://epicpolicy.org/publication/multiple-pathways>, accessed February 10, 2010.

<sup>34</sup> National Association of State Boards of Education, “Steve Abrams to lead panel to promote career technical education in high schools,” February 15, 2008, available online at <http://www.ksde.org/Default.aspx?tabid=95&ctl=Details&mid=444&ItemID=301>, accessed February 15, 2010.

<sup>35</sup> E-mail communication between the author and Sen. Abrams, conducted on November 13, 2009.

<sup>36</sup> E-mail communication between the author and Sen. Abrams, conducted on November 13, 2009.

High school students can earn their required graduation requirements by passing either content-specific classes, or by accumulating partial credits from career-focused classes. For example, a student may take a traditional math class, or take several career-focused classes, such as welding or health technology, that use math.

Students who wish to obtain a traditional diploma are free to do so. Others may, as a result of coursework, earn a certificate of occupational competency, which are developed either by or in conjunction with appropriate unions, trade, or professional groups.

Districts assess whether students are making adequate progress by either traditional assessments or, if the student is in a career technical track, making progress towards an industry certification.<sup>37</sup>

This report does not necessarily endorse Sen. Abram's proposals, but they should be considered as one way of making sure that schools serve students rather than "the system." Ensuring that the high school system prepares students who will pursue a four-year degree and also those who will seek other forms of further education will go a long ways toward providing a "suitable" education for all students. The report by Saunders and Chrisman gives several examples of how an academic/professional program could work. The Stanley E. Foster Construction Tech Academy is a magnet public school in San Diego. It is not strictly, as the name may suggest, a vo-tech program. Instead, it has a rigorous academic nature, as students in the academy can take Advance Placement courses in 15 subjects. The academy is preparing students for a variety of postsecondary experiences. Four out of five students of a recent graduating class were accepted into college, but only 36 percent were accepted into a four-year program, meaning that the rest pursued either a transfer-track at a community college or a specialized, technical program that ends with less than a four-year degree. In short, it may be a model of the kind of diverse educational experiences that students should be offered if they are to have a "suitable" education.

## **The "cost" of education is inherently political because the financing and delivery of education is political.**

The multiple-pathways approach to education reform can be a way of addressing the controversy over school funding and "suitability." As the various ideas of the professors Lerman and Holzer, the New Commission on the Skills of the American Workforce, Sunders and Chrisman, and Sen. Abrams suggest, we should reconsider just what a "suitable" education is. That, in turn, points to the difficulty of defining how much a suitable education "should" cost.

If government is to finance education, the next question is "How much does it cost to provide a suitable education?" In seeking to answer that question, small armies of consultants, lawyers, advocates and judges have discussed, debated, and issued decrees. They have sought ways to provide an objective analysis of how much government should spend on education, and thus remove something so important from the nasty, compromised-filled world of politics. Yet such pursuit remains an exercise in futility.

### ***Politics and public bureaucracies are substituted for markets and many competing suppliers.***

Contrast education with most other services. When Kansans are free to purchase, say, tax preparation services, they seek out many different individual professionals and companies. Tax professionals are free to make decisions to set themselves apart from each other, as they compete on terms of price, convenience, reputation, and other factors. In turn, individuals and small businesses with many different budgets, desires, schedules and expectations search out the tax professionals who meet their specific combination of service, price and other factors.

<sup>37</sup> Conversation between the author and Sen. Abrams, conducted on November 13, 2009.

But what happens when both the buyer and seller of a service is entwined in the political process? Both the “demand” and the “supply” side are inherently political. Start with who provides education. The “vendors” of childhood education are unified school districts, which are units of government. These units of government are overseen by a board that is selected through an election—a political event. They in turn are subjected, in great detail, to the dictates of other elected politicians and members of government: members of the legislature, the governor, members of the state board of education, members of Congress and the president. Consequently, schools are subjected to far more regulations from both state and national governments than the typical business. Their curriculums and practices are political footballs, which we can see in debates over history, sex education, evolution, whether standardized tests are a good idea and so forth.

On the “demand” side of education, the customers are not (at least directly) the people who pay for education and are not (at least directly) those who benefit the most from education—children and their parents—but others, notably the general population (voting in elections) and the Legislature (a group of people who are obviously politicians). In turn, members of local school boards, as well as the state board of education, are free to use their political power (which they frequently do) to demand even more spending on education. Teacher unions, whether directly or through sympathetic legislators, also call for more spending.

In our school-district-driven model of education, decisions on how much to spend on schools, how to distribute the money across the state, and how and where to spend, are inherently political. The amount of money spent on education isn’t determined by the free choice of parents deciding how much to spend. Instead, it is determined by members of the legislature in legislative sessions, school board members in their meetings, voters at elections, and in recent times, by judges.

The legislature allocates state aid to districts, and local voters decide whether to approve construction bonds and local operating levies. Sheltered from true market competition by law (school districts can’t go out of business due to poor performance and only school districts can authorize charter schools in Kansas), school district employees naturally press for pay increases and arrangements that make their jobs easier and more attractive. In turn, the legislature (or recently, the courts) can and does require citizens to pay school employees more. By contrast, it does not require citizens to pay more to employees of H&R Block, or even pay them anything. Unlike a normal service, the amount of money that citizens pay for public schools is determined not directly with their own dollars, but indirectly through politicians.

Three other factors reinforce the political nature of public education. First, education is specifically mentioned in the state constitution as something the people of the state should be involved with. There’s no similar phrase relating to shelter, clothing, or food, three items that are even more important to life than education. Second, only schools that are governed and owned by a publicly elected board receive direct taxpayer aid. Finally, state and local elected officials determine or greatly influence every detail of school operations, including the qualifications of the teaching staff, what they teach and how many days a year they teach.

It’s no surprise, then, that school funding has been subject to political wrangling for quite a while. In keeping with the general increase in the lawsuit culture, political debates over schools have shifted to the courts.

### ***Equity lawsuits: The pursuit of equal outcomes through equal funding***

Ever since the Common School movement of the early 20th century, public policy in this country has dictated that taxpayers will bear the primary responsibility for funding schooling. Since that point, and even before, local voters and legislatures, rather than the federal government or the courts, have decided how much to spend on schools. That started to change in 1954, when the U.S. Supreme Court issued its

opinion in the case *Brown v. Board of Education*. The Court said that governments could not set up school systems on explicitly racial lines. While we can be thankful that the Court got the right result, its involvement marked a new era of judicial involvement in school finance.

During the 1970s, some education activists brought courts further into school funding controversies by filing *equity* cases. They charged that then-existing funding formulas, usually based on the property wealth of residents within a school district, were unconstitutional. Under a financing system that depends significantly on property values, some districts could raise a large amount of money with a low tax rate while others, imposing higher rates, would still raise less money. This, they argued, violates the constitutional idea of equal protection under the law. Another problem, they alleged, is that the kind of school a child attends (and, presumably the quality of that child's education) depends on the property wealth of the district.

Policy experts and activists argue that there are two forms of equity, which leads to much political and legal wrangling. Horizontal equity, in brief, is the situation in which an equal amount of money is spent on the education of each child. "Horizontal equity," according to McREL, a Denver-based research organization, "assumes that all children have equal educational needs and that there are no variations in the costs of schooling. Under this principle, which is based on the 'equal treatment of equals,' perfect equity is achieved when there are no disparities in the resources distributed to children."<sup>38</sup>

But since children are unequal, policy makers have tried to respond with "vertical equity," which "calls for allocating more resources to students whose education costs more. Often referred to as the 'unequal treatment of unequals,' vertical equity is reflected in state provisions that give extra funding to students with special needs. It is also the basis on which many states provide additional funding to school districts in sparsely populated areas."<sup>39</sup>

In general, courts agreed that gross disparities in funding amounts are unconstitutional, though they usually stopped short of requiring completely equal spending levels across districts. Equality could mean putting a cap on local government aid to districts in rich counties. Since that is seldom if ever popular, lawmakers generally have tried to comply with equity rulings by increasing state aid to property-poor districts. (In technical terms, school financing has become more progressive and more centralized.)

Equity lawsuits presented numerous political troubles, since targeted increases in state funding pits legislators from the "have" districts against those from the "have nots." Often, this conflict has racial overtones as well as conflicts between suburban interests and a coalition of rural and urban interests.

### ***Adequacy lawsuits: The pursuit of perfection through the courts***

A new trend in school finance litigation started in the 1990s, the *adequacy* suit. Plaintiffs in these suits typically say that the state has not fulfilled its constitutional obligation to adequately fund education. In one sense, they continue the equality theme: in a society that prides itself on not having an aristocracy, education is an important factor in promoting social mobility.

Adequacy lawsuits have a political advantage over equity lawsuits. Rather than launch fights within the education industry over how to divide up the education pie in the state budget, adequacy lawsuits are tools for making the pie bigger, at the expense of other categories of funding or lower tax rates.

Adequacy lawsuits are fueled by the rise of state standards and achievement tests. By laying down state standards for reading, mathematics and other subjects, a state sets a bar, essentially saying, "This is what we want students to learn." Standardized tests, in turn, let anyone who is interested compare the

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<sup>38</sup> Michael L. Arnold, "Issues and Trends in School Finance," McREL, Denver, Colorado, <http://bit.ly/McREL-Arnold>, accessed February 2, 2010.

<sup>39</sup> Ibid.

performance of various districts across the tests. In Kansas, the School District Finance and Quality Performance Act (SDFQPA) of 1992, created a system of standardized testing.

No Child Left Behind (NCLB) went even further to emphasize the task of collecting data on achievement. With the lofty sentiment that “all children can learn” implied in its name, NCLB provides moral authority to the claim that public schools can bring all students to a desired level of proficiency. Its emphasis on measuring achievement gaps, furthermore, lends a moral dimension to school finance questions.

The conventional wisdom is that if a school is failing to meet standards, its teachers don’t have enough training, it lacks proper equipment, it hasn’t paid its teachers enough, they do not offer enough social services to help children from troubled families and so forth. In short, schools don’t have enough money. That belief, in turn, gives fuel to adequacy lawsuits, and a simple syllogism:

*If schools are adequately funded, students will become proficient.*

*Students are not proficient.*

*Therefore, schools are not adequately funded.*

It is obvious that students are not proficient, as measured by government-approved measures. In Kansas, only one out of every three students in fourth and eighth grades scored “proficient” or better on the reading portion of the National Assessment of Educational Progress. In mathematics, only half of fourth-grade students and 41 percent of eighth-grade students scored proficient.<sup>40</sup> Racial gaps are significant as well. Kansas students took NAEP reading test five times between 1998 and 2007, and the mathematics test four times between 2000 and 2007. The achievement gap for the eighth-grade mathematics test was lower in 2007 than it was in 2003, but the other gaps were not significantly improved.<sup>41</sup>

More students score proficient on state assessments—in the 2008-09 school year, for example, 87 percent of fourth grade students scored “meets standards” or better the mathematics test, and 87 percent scored met standards (or better) on the reading test. Still, some districts don’t do well: The comparable numbers for USD 500 Kansas City, for example, are 69 percent and 65 percent, respectively. Racial and economic gaps persist. Take the fourth-grade reading test, for example: 87 percent of all students meet standards, but only 80 percent of economically disadvantaged students, 75 percent of Hispanic students, and 70 percent of African-American students perform as well. By high school, performance slides and gaps continue: 85 percent of eleventh-grade students meet standards or better which is only a modest drop. But the performance of economically disadvantaged students drops 7 points, to 73 percent. African-American students drop 4 points, to 66 percent, and Hispanic students drop 8 points, to 67 percent.<sup>42</sup> These numbers, however, reflect only students who have not dropped out.

These numbers are cited by some who believe that schools don’t have enough money. According to one news report summarizing the latest annual Gallup/PDK survey on American’s view of education, “Seven out of 10 say they’d like their child to become a public-school teacher, the highest proportion in 30 years. And they believe that beginning teachers in their community should earn about \$10,000 more.” Further, when asked “What do you think are the biggest problems that the public schools of your community must deal with?,” nearly one in three said “lack of funding.”<sup>43</sup> While state-specific numbers are not available, there’s no reason think that a Kansas-focused survey would give different results.

<sup>40</sup> National Center for Education Statistics, “State Profiles,” available at <http://nces.ed.gov/nationsreportcard/states/>, accessed February 10, 2010.

<sup>41</sup> National Center for Education Statistics, “Achievement Gaps: How Black and White Students in Public Schools Perform in Mathematics and Reading on the National Assessment of Educational Progress,” July 2009, available at <http://nces.ed.gov/nationsreportcard/studies/gaps/>, accessed February 2, 2010.

<sup>42</sup> Kansas Building Report Card, available online at <http://online.ksde.org/rcard/>, accessed February 2, 2010.

<sup>43</sup> Stacy Teicher Khadaroo, “Seven of 10 parents: I’d like my child to become a teacher,” *Christian Science Monitor*, August 26, 2009, available online at <http://www.csmonitor.com/2009/0826/p02s08-usgn.html>, accessed January 20, 2010.

Yet the relationship between money and achievement is too complex to let us draw such a conclusion. Scholars regularly debate the role of money in education. Even Augenblick & Myers, a firm that was hired to tell Kansas how much to spend on public schools, admit as such when it issued a report saying, “no research exists that demonstrates a straightforward relationship between how much is spent to provide education services and student, school, or school-district performance.”<sup>44</sup>

Even so, advocates of public schools make at least two arguments that incorporate the nature of the family life of their students. On the one hand, they say that public schools should not be blamed for poor test scores, since schools cannot overcome the negative effects of dysfunctional families, families that do not value education, and so forth. On the other hand, they cite these challenges as reasons for increased funding.

Yet some schools do well, even against what look like overwhelming odds. These are the so-called “90/90/90 schools.” In such schools, 90 percent (or more) of students are minority, 90 percent are poor—and 90 percent meet or exceed state standards. These schools first set high expectations and focus on student achievement. They also frequently used tests, built by the classroom teacher, to evaluate student achievement and offer opportunities to improve. Third, they used written rather than oral tests. They also had teachers evaluate each others’ students to ensure high standards of evaluation.<sup>45</sup> But “adequate resources” is not a key factor. In other words, *how* schools operate is more important than their funding level. Among Kansas districts with an enrollment of 1,000 to 1,999 students, for example, 20 districts achieve 80 to 89 percent on reading proficiency. What is remarkable is that the amount these districts spend on a per-pupil basis varies by up to 75 percent.<sup>46</sup>

The record of 90/90/90 schools suggests that some “challenging” student populations can achieve academic success, even by the rule of statewide standards. But it is not clear that their achievement can be replicated within the current political and policy environment facing education.

Creating new expectations and cultures may be easier at charter schools, which, when state law permits, have operational and financial autonomy. Not only are they generally new schools that have not had time to atrophy, they are also (again, depending on state law) more free than traditional public schools to innovate.

While not all charter schools are the same, some have done remarkable work. For example, University Academy, in Saint Louis, Missouri, does an outstanding job with challenging populations. University Academy is a college prep school with a difference. It is a public charter school, which means that it charges no tuition. Its student enrollment is 93 percent African-American, and 77 percent are eligible for free or reduced-price lunches. Statistically speaking, the school has poor prospects for success. Yet every one of its 2008 graduates entered a four or two-year college program. In Oakland, California, the American Indian Public Charter School, in Oakland, California has been honored as being one of the top 200 schools in the country by the U.S. Department of Education, and its test scores are the fifth-highest for any middle school in the state. It earned this achievement despite having a student body that is almost entirely minority and eligible for free or reduced-price lunches (98 and 97 percent, respectively). In addition, 74 percent of students speak English as a second language.<sup>47</sup>

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<sup>44</sup> Augenblick & Myers, II-1.

<sup>45</sup> Douglas B. Reeves, “Uncovering the ‘Secrets’ of High Poverty, High Success Schools,” *Teachers of Color*, Spring 2009, <http://www.teachersofcolor.com/2009/04/uncovering-the-secrets-of-high-poverty-high-success-schools/>, accessed February 15, 2010.

<sup>46</sup> “2008 Comparison of Reading Proficiency and Per Pupil Spending,” Kansas Policy Institute, available online at <http://kansaspolicy.org/Library/PolicyAnalysis/>, accessed February 14, 2010.

<sup>47</sup> Statistics for University Academy may be found at <http://dese.mo.gov/planning/profile/arsd048901.html>, while those for the American Indian Public Charter School can be found at [http://www.aimschools.org/aipcs\\_test\\_results.shtml](http://www.aimschools.org/aipcs_test_results.shtml), both accessed on February 15, 2010

## ***The political nature of schools hides inefficiencies.***

Unfortunately, our public policies regarding schools are based on the unstated assumption that they are operating as efficiently as they can. Therefore, any failure must be caused by inadequate funding.

On the other hand, if public schools aren't as efficient as they can be, it may be possible to spend less while still achieving the same level of academic achievement. Last year, the Legislative Division of Post Audit (LPA) released a preliminary audit of school district efficiency around the state.<sup>48</sup> It found some wide variations among districts. For example, it found that the Winfield school district has 32 social workers, nurses, counselors, and other "student support staff," compared with an average of 10 for similarly sized districts. Benchmarking districts against each other is a good way to start thinking of efficiency. So are audits of specific districts, such as the one that the LPA did of the Derby school district, which identified possibilities for \$1 million a year in savings.<sup>49</sup> These reports point out opportunities for savings, such as buying supplies in bulk and more carefully tracking spending. District officials should (and to some extent already do) take these steps.

But there's another set of efficiencies that schools need to pursue, and they involve changing the way we think about schools. Many people have an emotional connection with their neighborhood school. It helps define the community. Children often find friends from their school and their parents can connect with each other through school events.

Yet when public money and the academic future of students is at stake, some hard-headed thinking is required. In private industry, organizations that fail to produce what the public wants at an acceptable price go out of business. The companies that survive do so by cutting costs, improving quality or both. They do so because they must survive. Public school systems, by contrast, are like today's bailout companies; no matter how poorly they work, they get more money, not less.

Sentiment discourages citizens from thinking about teachers and schools in terms of efficiency and effectiveness. We all have a favorite teacher—either from our past or from our children's schooling. If Mr. Bernadini, the valiant math teacher, made algebra understandable, shouldn't he and his colleagues be paid well? And they work with children—and yes, *our* children can be difficult to deal with—so their teachers must be rewarded for their hard work, right? Yes, they should be rewarded for hard work. But teachers are not equally effective. Current personnel practices that require districts to pay the below-average, average, and outstanding teacher equally promote inefficiency. The lack of meaningful school choice laws, which make it difficult for parents to vote with their feet, also shelters ineffective schools and thus promotes ineffective spending.

The hard truth is that we should be demanding of teachers and schools *because* we entrust our children to them. Right now, schools face nothing resembling the discipline that falls upon companies that fail their customers. When a private company gains a reputation for poor customer service or shoddy workmanship, it loses money as people shun it. But if a school performs poorly, it's likely to get more, not less money. Given the politicized, bureaucratized nature of public schools, the easiest response to poorly performing schools is to pump in more money for higher teacher pay, new books, a new training program, revamping the curriculum, buying new computers and so forth. The inattention to inefficiency and re-engineering practically guarantees that the politically acceptable reason for inadequate performance will be inadequate funding rather than structural flaws in the way a school is run. The Legislature can kick start re-engineering through changing teacher hiring practices, invigorating the charter school

<sup>48</sup> "K-12 Education: School Districts Efficiency Audits," Legislative Division of Post Audit, July 2009, available online at [http://www.kslegislature.org/postaudit/audits\\_perform/08pa11a.pdf](http://www.kslegislature.org/postaudit/audits_perform/08pa11a.pdf), accessed February 15, 2010.

<sup>49</sup> "K-12 Education: Efficiency Audit of the Derby School District," Legislative Division of Post Audit, December, 2009, available online at [http://www.kslegislature.org/postaudit/audits\\_perform/09pa14a.pdf](http://www.kslegislature.org/postaudit/audits_perform/09pa14a.pdf), accessed February 16, 2010.

idea, moving towards weighted-student funding and other measures, some of which are discussed in greater detail in the recommendations section.

### ***Attempting to determine the cost of education through the courtroom***

The highest courts in 11 states have agreed that the question “How much should we spend on schools” is inherently political and thus dismissed adequacy lawsuits on separation-of-power grounds. The states are a diverse group, representing north and south, rural and urban and Democratic and Republican, including Alabama, Colorado, Florida, Illinois, Kentucky, Ohio, Oklahoma, Nebraska, Pennsylvania and Rhode Island. In some of those states, the high court issued an adequacy ruling and then backed out after the legislature took modest action.

Yet courts in other states, including Kansas, have rejected the separation-of-powers argument. How then do the courts then come up with judicially enforceable standards by which they can determine whether the legislature is complying with its wishes? How do they know when “enough” is enough?

They’ve turned to consultants who use academic research—some would say smoke and mirrors—in an attempt to give a scientific estimate of what an education “should” cost.

There are four major approaches to finding a so-called “non-political” estimate of how much the people of a state will spend on education, often referred to as the “cost of an adequate education,” or COA: 1) professional judgment, 2) successful schools, 3) state-of-the-art, or evidence-based, and 4) cost function. Each approach has its appeal, but each also has limitations. The Augenblick and Myers report, which Kansas courts have relied on, used the first two approaches.

### ***The Professional Judgment Approach***

The professional judgment approach asks school professionals to be creative and imagine what products and services would be necessary to operate an ideal school. A consultant then estimates what it would cost to provide those products and services. The study conducted by the firm Augenblick & Myers used working groups to come up with the list. The people in the groups included superintendents or assistant superintendents (12), teachers (11), business managers or chief financial officers (6), curriculum specialists (6), special education directors (2), school board members (2), and a single cooperative education director and a retired employee of KSDE.

Their charge, which is common to such studies, was to “design a set of prototype schools” for elementary, middle, and high school levels. The panel members were given a list of demographic characteristics for the students of each school and told to “create a set of programs/curriculums designed to serve students” achieve objectives related to “levels of education performance” or “education opportunities/program/service.” They were told, however, that the sky is the limit:

You should not concern yourself about where revenues will come from to pay for the program you design. Don’t worry about federal or state requirements that may be associated with some kinds of funding. You should not think about whatever revenues might be available in the school or district in which you work or about any of the revenue constraints that might exist on those revenues.<sup>50</sup>

There are several problems with this approach, as outlined by Eric Hanushek and Alfred A. Lindseth.<sup>51</sup> First, they encourage panel members to “go on a shopping spree, and order everything their hearts desire,

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<sup>50</sup> John Augenblick, John Myers, Justin Silverstein and Anne Barkis (hereafter cited as “Augenblick & Myers”), “Calculation of the Cost of a Suitable Education in Kansas 2000-01 using two different analytic approaches,” May, 2002, Appendix C.

<sup>51</sup> Eric A. Hanushek and Alfred A. Lindseth, *Schoolhouses, Courthouses, and Statehouses*, Princeton University Press, 2009, pp. 178-184.

not the minimums actually required to provide an adequate education.” Not surprisingly, this can produce estimates all over the map. The Education Research Information Center (ERIC) summarizes the results of one evaluation:

We found considerable variation among principals in both budget allocations and achievement predictions. We also found that principals were more optimistic about student achievement than is warranted by either achievement in comparable schools or recent research on the relationship between resources and achievement.<sup>52</sup>

Second, if the question is “how much does an adequate education cost?,” the panel approach distorts the very meaning of the word “cost,” which typically means “the *minimum* expenditure required to achieve a given outcome.”

Third, the professional judgment approach puts educators in an unavoidable conflict of interest. Say a panel, with teachers well-represented, recommends that the average classroom in prototype school will have one-third fewer students than today’s typical school. That may or may not be a good thing (much research suggests that it’s not as beneficial as it appears), but having fewer students in the classroom benefits teachers—the very group making the recommendation. Further, in some states the plaintiffs in adequacy lawsuits select the people who sit on the panels that make the recommendations. (Indeed, the panels used in Kansas included people who were employed by districts that filed suit against the state.)

Fourth, Hanushek and Lindseth argue, professional judgment models usually carry a disclaimer. The Kansas report has one such disclaimer.

The advantages of the approach are that it reflects the views of actual service providers and it is easy to understand; the disadvantages are that it tends to be based on current practice and there is little evidence that the provision of money at the designated level, or even the deployment of resources as specified by the prototype models, will produce the anticipated outcomes.”<sup>53</sup>

Fifth, the professional judgment models are often contradicted by the evidence. In North Dakota, Augenblick Paylaich & Associates conducted a similar report. As it turns out, however, districts that spent more than the panel recommended had significantly worse student performance than districts that spent less. This fact is even more damning considering that the analysis took factors such as different rates of poverty into account.<sup>54</sup>

### ***The Successful Schools Approach***

The successful schools approach may have the most intuitive appeal, since it builds on real-world results. This requires several steps. First, decide what criteria (test scores, graduation rates, etc.) define a successful school. Then identify the schools that meet those criteria. Finally, find out what those schools, on average, spend from “base” funds, excluding, in the words of Augenblick and Myers, “spending for capital purposes, transportation, special education, other special programs, and any service funded by federal revenue.”<sup>55</sup> It is meant to “look only at the cost of educating an average student”<sup>56</sup> whose first language is English, does not require special education, and is not considered “at risk.” When A&M used this

<sup>52</sup> Heather Rose and Jon Sonstelie, *Education Finance and Policy*, v3 n2 p165-196 Spr 2008, summarized by ERIC, available online at <http://bit.ly/2SO9qm>, accessed January 20, 2010.

<sup>53</sup> Augenblick & Myers, p. II-2.

<sup>54</sup> Hanushek and Lindseth, p. 183.

<sup>55</sup> Augenblick & Myers, p. I-3.

<sup>56</sup> A&M, p. V-2.

approach, it reported that “successful” districts spent a weighted average of \$4,547, with a range of \$3,122 to \$5,351. By contrast, the weighted average for all the 304 districts in the state at the time of the report was \$4,365, with a range of \$3,022 to \$7,785. The 219 “unsuccessful” districts, by contrast, spent on average \$4,282 in basic expenditures.<sup>57</sup> In other words, the “successful schools” spent four percent more on basic education than the “average” school in the state, and more than the “unsuccessful” schools. Does this mean that money guarantees success? Not necessarily, and for at least two reasons. One is that the average “successful school” spent only 56 percent of the highest-spending unsuccessful school. Another is that A&M used regression analysis to identify 35 “efficient” districts. A&M might have found a reasonable (though imperfect) calculation if it had determined the costs for those efficient districts. Instead, it acted as if it never made that calculation.

We used this previous list of inefficient districts to filter our list of 85 districts for efficiency. Fifty districts would have been considered inefficient from our successful group. Since the majority of successful districts would have been considered inefficient spenders, we did not use this examination of efficiency. **Excluding these districts [from our calculations] might undermine the possibility that this higher spending is what allows districts to be successful** in Kansas [emphasis added].<sup>58</sup>

A&M, then, calculated its number by including not only districts *its own research* identified as efficient, but also *those it identified as inefficient*. In other words, the average of “successful” districts was likely lower than \$4,547. How much? We don’t know, for A&M did not release that information.<sup>59</sup>

The estimate of the successful schools approach, by the way, was 28 percent lower than “professional judgment” estimate of \$5,811. A&M attributed this difference in part to the fact that professional judgment panels “tend to overestimate the resources schools need.”<sup>60</sup>

Another curiosity of the A&M report is that successful districts had slightly lower enrollments (median FTE: 505.5) than unsuccessful districts (median FTE: 582.5). Lower district size may be a proxy for other factors (fewer non-minority students, for example) that are correlated with higher educational achievement. If that’s the case, the supplemental income streams (whose “proper” funding amount is not determined by this amount) must be properly used.

Hanushek and Lindseth admit that the “successful schools” approach has merit. But they warn:

“These schools are almost always predominantly white and middle class, meaning that the base cost excludes many of the nonschool factors that affect student performance in many less successful schools, such as family background, peer relationships, and previous schooling experiences.”<sup>61</sup>

The “successful” schools in the A&M report had demographic qualities that set them apart from Kansas schools as a whole. If we treat small and large districts alike, the median “successful” district had a student population that was 93 percent white, 33 percent poor, and with no English-language learners. If we adjust the calculations to reflect the size of overall enrollment in each district, the average successful district was 71 percent white, 23 percent poor, and 4 percent of its students were learning English as a second language. For the state overall, enrollment is 73 percent white, 39 percent poor, and 8 percent of students are learning English as a second language.<sup>62</sup>

<sup>57</sup> A&M, p. V-2.

<sup>58</sup> A&M, p. V-2.

<sup>59</sup> A&M, p. V-2.

<sup>60</sup> Ibid.

<sup>61</sup> Hanushek and Lindseth, p. 189.

The average successful school (weighted for enrollment) had a student enrollment that was 23 percent poor, 71 percent white, and four percent as English language learners.

## ***Weightings***

One limitation of both the successful schools or professional judgment approach must be noted. It's common though not universal in school finance circles to assume that extra funds can be used to compensate for these non-school factors. Kansas, for its part, But "the problem is that no one knows what the proper weightings should be."<sup>63</sup> Some states, they say, use no weighting for poor children, and those that do use weightings that range from 1.02 to 1.59.

The lack of scientific certainty can be seen in the fact that only 23 states give extra money for students in poverty, 25 for English-language learners, and 28 for special education students. Only 10 states give weightings for each of these categories, while 16 have none.<sup>64</sup>

"Ultimately, the successful schools approach seems to depend on guesswork as much as the professional judgment method."<sup>65</sup> It's no wonder, then, that when A&M conducted a similar study in Massachusetts, two-thirds of the "successful" schools were not spending as much money as the firm said they should!

## ***Limits to cost estimates***

There are two other ways of estimating costs. The **state-of-the-art** or **evidence-based** approach requires an analyst to look at trends within the education sector, determine which tools, services or practices work, and then total up how much each of these cost. In brief, it puts an independent analyst in the place of a professional judgment panel.

The **cost function** or **expenditure function** approach is a bit more complicated than the other three, involving regression analysis of existing data on school characteristics.

Regardless of which approach consultants and courts use, cost estimates have inherent limitations. For one, they cannot be replicated. That is, if you estimate the costs one month and then repeat the exercise the next month, you're likely to get different results. Which one do you believe? Augenblick and Myers admit that such a problem exists:

None of these approaches are immune to manipulation; that is, each is subject to tinkering on the part of users that might change results. In addition it is not known at this point whether they would produce similar results if used under the same circumstances (in the same state, at the same time, with similar data).<sup>66</sup>

Any organizational change faces the problem of scalability: Can an organization as we know it make a dramatic leap from one state to another without fundamental change? The further a district is from the stated goals, the more room for error there are in estimates.

<sup>62</sup> The numbers were based on the author's calculations. Since demographic numbers (percentage of "English Language Learners" and "Economically Disadvantaged" students, plus racial classifications) were taken from the Kansas Building Report Card, available online at <http://online.ksde.org/rcard/index.aspx>, which as of September 1, 2009 reflected the 2007-08 school year. The percentages from this report were applied to total enrollment numbers for the 2000-01 school year, which are in a spreadsheet file previously obtained from the Kansas State Department of Education. The calculations in this report are accurate in as far as the demographic qualities of districts identified by Augenblick and Myers did not significantly change between 2000-01 and 2007-08. While some changes may have happened, it is likely, given overall national trends, that the districts have systematically experienced a more favorable demographic trend during this time.

<sup>63</sup> Hanushek and Lindseth, p. 189.

<sup>64</sup> "Education Counts" database, available through Education Week at <http://www.edweek.org/rc/2007/06/07/edcounts.html>, accessed February 10, 2010.

<sup>65</sup> Hanushek and Lindseth, p. 189.

<sup>66</sup> A&M, p. II-4.

These approaches have numerous defenders, of course, including those whose incomes depend on conducting such analyses, as well as some academic researchers. For example, William Duncombe of Syracuse University argues that citizens should let the political process determine the desired outcomes, but that technical analysis can and should be used not only to determine student assessments, but also to give “accurate predictions of the cost to provide students in a district the opportunity to support state standards.” In Duncombe’s view, the problem with using science to estimate the “right” budget for an education is merely one of technique: “If the state of the art in COA analysis is as inaccurate and biased as Hanushek contends, then the solution is to try to fix the analytical tools, rather than turn the process of estimating COA into a political bargaining exercise.”<sup>67</sup>

It is well and good for researchers to build models and refine them for scientific validity and reliability. It is another entirely for the real-life experiences of students and parents to be shaped by an incomplete science. There is also a fundamental contradiction within cost-of-adequacy arguments. Teacher unions, school boards, and others routinely respond to criticism of school performance by saying that schools cannot possibly bring every student up to proficiency. What if the students are lazy and parents are uncooperative? Poor family conditions at home swamp any good work that schools do. These arguments are also brought up in response to calls for merit pay.

But such charges prompt a question: If factors outside the classroom are so important, how can any amount of more money overcome them?

## What should state taxpayers buy?

The legislature has two choices in response to the claims of the Kansas Supreme Court: continue to comply with it, or reassert itself, as the legislature in Ohio and other states did when confronted with similar claims. Legal disputes aside, legislators and citizens should remember that there are several things we can attempt to buy with tax dollars: results, organizations, or opportunities. We have tried to buy **results**, with only limited effectiveness. The discussion of costing-out studies and the adequacy controversy shows that we may never be able to buy, across-the-board, the kinds of results we’re looking for.

We can certainly buy **organizations**, and we do that enthusiastically, so much so that “public education” and “public schools” are synonymous in popular discourse. An industry composed of school administrators, teachers, and non-instructional staff regularly consumes a large portion of state and local taxes. Yet it’s not clear that the organizations are adequate to the task, and too often, the interests of the students take second place to the interests of the adults.

We cannot, however, guarantee that we will buy results, and it’s a struggle to make sure that we’re not simply buying organizations. But we can buy opportunities. That’s what public policy does at the level of pre-K and university. At the national level, for example, the federal government offers a variety of grants and loans, including the Pell Grant, Academic Competitiveness Grant, and Perkins loans. In a decision-making process dominated by politicians rather than judges or outside experts, Congress decides how much to spend on these various programs. Students then use these forms of financial assistance to pursue an education at elite liberal arts colleges, trade schools, community colleges, and comprehensive four-year universities. Congress provides the financial opportunities. It does not, however, attempt to price out a “suitable” education for all students. The State of Kansas offers similar programs, such as State Scholars, the Vocational Scholarship, Kansas Comprehensive Grants, the Kansas Teacher Service Scholarship, and the Kansas Ethnic Minority Scholarship program.

<sup>67</sup> William Duncombe, “Responding to the Charge of Alchemy: Strategies for Evaluating the Reliability and Validity of Costing Out Research,” 2006 ABFM Annual Conference, October 16, 2006, p. 8, available online at [http://www-cpr.maxwell.syr.edu/efap/Costing\\_Out/Charge\\_of\\_Alchemy.pdf](http://www-cpr.maxwell.syr.edu/efap/Costing_Out/Charge_of_Alchemy.pdf), accessed February 15, 2010.

Are these programs of funding students rather than institutions valid? Consider this: For all the shortcomings of American colleges and universities, students from nearly every nation in the world come here to study, and higher education is widely cited as an engine of economic growth.<sup>68</sup>

For the sake of simplicity, to recognize the primitive state of “adequacy” research and respect the inherently political nature of education funding, the state should give each child similarly situated, as far as practical, the same amount of public aid. The amount that the Legislature disburses is an inherently political number, so it would do well to take all the money it appropriates as state aid, divide it up by the total number of students in the state, and disburse it as a grant redeemable at any public school in the state. (An exception could be made for special education students. See the section below on Weighted Student Funding.) Annual increases in that amount could be equal to the increase in the Consumer Price Index or some other broad measure of spending, but at the discretion of the Legislature.

One implication of buying opportunity is that we reject the notion that all students will attain the same level of proficiency on a one-size-fits-all measurement. It’s a noble thought, but there are at least two reasons why that won’t happen. One is the unique basket of qualities that each student brings to education—raw ability, motivation, home support, and so forth. Another reason is that schools and even classrooms differ significantly from each other. We should give up the notion that, implicit in the adequacy quagmire, legislators and the courts can simply will a high level of proficiency into being, as defined in one measurement.

### ***How should government pay for education?***

For the foreseeable future, taxpayers across the country will fund the bulk of activities required to educate children, with private payments for tutoring and private school tuition making a modest contribution to total education spending. Within the public schooling sector, states vary greatly in the ways that they fund schools. Over the years, there’s been a move away from local property taxes to state income and sales taxes. One major motivation of this move has been to reduce disparities in the amount of money that each district has to spend.

On a national level, during the 2005-06 school year, 47 percent of public school revenues came from state coffers, 44 percent came from local funds, and 9 percent came from federal funds. But those numbers hide a great variation across states.<sup>69</sup>

**Table 6: Sources of school district revenue across the states**  
 Percentage of school funds from source (excluding Hawaii)  
 The Condition of Education 2009, National Center for Education Statistics  
 (Numbers in parentheses reflect range of low-to-high across the 50 states)

	Federal	State	Local Taxes	Property Taxes	Other
USA	9 (4-21)	47 (26-86)	44 (22-67)	34 (10-55)	10 (2-39)
Kansas	9	55	36	26	11

Schools in 16 states get more than half their funds from local sources, but that number drops to four states if you include only local property taxes and not other local taxes. State revenues predominate in 21, including Kansas. In the other states, no single revenue source contributes more than half of all school revenue.

<sup>68</sup> Student financial aid, in the form of grants, work-study programs and loans, is not the sole source of revenue for colleges and universities. But it does illustrate a significantly different approach to funding education than that used for elementary and secondary education.

<sup>69</sup> Planty, M., Hussar, W., Snyder, T., Kena, G., KewalRamani, A., Kemp, J., Bianco, K., Dinkes, R. (2009), The Condition of Education 2009 (NCES 2009-081). National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education. Washington, DC, available online at <http://nces.ed.gov/programs/coe/2009/section4/indicator33.asp>, accessed February 15, 2010.

States use a variety of approaches to distribute aid to schools.<sup>70</sup>

<b>Distribution method</b>	<b>States that use it</b>
Foundation/base formula (25)	Alaska, Arizona, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Minnesota, New Hampshire, New Jersey, New Mexico, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Texas, Utah, Vermont
Modified foundation/base (12)	Arkansas, California, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New York, Oregon, Virginia, Wisconsin
Teacher allocation (7)	Alabama, Georgia, Idaho, North Carolina, Tennessee, Washington, West Virginia
Other (3)	Delaware, Pennsylvania, Rhode Island
Dollar funding per student (2)	Massachusetts, Wyoming
Weighted student funding (1)	Hawaii

<b>Distribution method</b>	<b>Essential logic</b>
Foundation/base formula (25)	The state sends a per-pupil amount to each district, sometimes with an extra amount (a “weighting”) for specific classes of students, such as poor students.
Modified foundation/base (12)	The state calculates an amount unique to each district, usually based on spending at some time in the past.
Teacher allocation (7)	State law specifies how many teachers and other staff the state will fund per each N students.
Other (3)	Delaware uses a combination of teacher allocation and foundation formula; Pennsylvania and Rhode Island use historical spending patterns.
Dollar funding per student (2)	State law specifies an exact amount of money per class of student.
Weighted student funding (1)	Schools receive money based on the number of students.

## ***A Framework for Kansas***

So how much should the Kansas Legislature pay? Frankly, that is a legislative decision and not a question to be answered by the courts, universities, think tanks or consultants. The framers of the state constitution appropriately left it to the legislature to determine funding levels and many education scholars (including me) believe that that is where it belongs.

We can, however, offer some guidance on the methodology for arriving at funding levels. The Legislature would do well to consider a variation of the successful schools model. Though it has some real-world experience in its favor, it is also flawed, and it’s important to recognize those flaws. It is based on current laws, personnel practices, funding formulas, curriculum, and other factors that may or may not be optimal. Change any of those factors and we are likely to find that high-performing schools are available at lower costs. Make it more difficult to grant tenure and easier to fire poorly performing teachers, for example, and we may find that schools will be both more efficient and more effective, since they are hiring and retaining only the best teachers.

The record of high-performing charter schools, which generally receive less money than standard public schools, suggests that at least on a small scale, schools can do more with less. We also learned in Volume III of this Primer that a number of Kansas districts perform quite well academically on considerably less money than many other districts. Ignoring these facts is akin to asking for the “right” price of a basket of retail goods while freezing existing practices in supply chain management, logistics, design, and so forth.

Using the successful-schools model also implicitly “bakes into” legislative allocations student weightings, which as noted before, contain a large amount of guesswork. But as the Legislative Post Audit

<sup>70</sup> The Center for Public Education, “State Funding Formulas,” <http://bit.ly/FundingFormulas>. See also Michael Griffith, “State Education Funding Formulas and Grade Weighting,” Education Commission of the States, May 2005, <http://bit.ly/ECSfund1>, accessed January 20, 2010.

Division concluded in its analysis, “we can adjust certain variables, such as the performance outcomes standards, to develop other cost estimates.”<sup>71</sup>

With those caveats in mind, here’s what the Legislature could do. First, state for the record that the level of education funding is a legislative, not judicial decision. Next, analyze the data of school districts.

**Decide what constitutes a successful district.** This means looking at test scores on specific assessments, and determining appropriate cut scores. For example, a “successful” district might be one in which 80 percent of the students score at “meets standards” on state assessments on math and reading in the fourth grade. The Legislature might wish to use a different percentage, different assessments, or grade levels.

**Gather data on district performance and spending.** The Legislative Division of Post Audit, KSDE, or another organization could do this.

**Divide districts into population clusters.** Districts are currently built on different cost structures and face differing student populations; Wichita is not WaKeeney, for example. The first cut should be total student population. One possible grouping is districts of 10,000 students or more, those between 10,000 and 3,000, and those of fewer than 3,000 students.

**Look for outliers and exclude them.** Some students, especially those with special education needs, currently require much more funding than others. Look for any districts with an unusually large number of special education students. One possibility is to exclude a district whose special ed enrollment is two standard deviations or more from the average percentage of special education students for that cluster. Do the same for English-language learners and those who score below “meets standards” on state assessments.

**Determine the most “successful” districts.** Using the criteria established in the first step, identify the successful districts in the cluster. If there are no districts in a cluster that satisfy the criteria, identify those that come closest, such as the top 25 percent of that cluster.

**Determine what those districts spent, on a per-pupil basis.** Legislators may want to take a two-part approach. One is to identify only money spent on Instructional costs; another is to identify money spent on current operating expenses (total expenditures less costs for capital projects and debt service). Use either approach to identify the “average” spending level for a cluster.

Adjust that per-pupil average if “extra” money for some students is desired. Legislators could simply decide that the average is the amount that will be allocated for districts in that cluster. They may, however, wish to adjust it to give weightings to specific students, such as “at-risk” students. That will mean taking out some money for the per-pupil grant and putting it back in for at-risk students. Note that “at risk” should be defined in academic rather than financial terms. A student who scores below “meets standards” on the state assessment is at risk for continued academic failure, regardless of family income, while a student who meets standards is not in academic failure, regardless of family income.

**Distribute that per-pupil sum to all districts in the cluster.** Better yet, allocate that money in a weighted-student funding formula. That is, fund students rather than central district administrators. For special education students, legislators may wish to consult existing programs in other states, which give parents the opportunity to seek vouchers to spend on the individual education plan of their children. Examples include the Florida’s McKay Scholarship Program, Georgia’s Special Needs Scholarship program, Ohio’s Autism Scholarship Program, and Utah’s Carson Smith Special Needs Scholarship Program.<sup>72</sup>

<sup>71</sup> Legislative Post Audit Division, *Elementary and Secondary Education in Kansas: Estimating the Costs of K-12 Education Using two Approaches*, available at [http://skyways.lib.ks.us/ksleg/KLRD/Publications/Education\\_Cost\\_Study/Cost\\_Study\\_Report.pdf](http://skyways.lib.ks.us/ksleg/KLRD/Publications/Education_Cost_Study/Cost_Study_Report.pdf), accessed March 17, 2010.

<sup>72</sup> Those looking for legislative language should consult 2001 Florida Statutes, Title XVI, Chapter 229.05371; Georgia Code, 20-2-2110 through 20-2-2118., Ohio Revised Code, Section 3310.41., and Utah Code Sections 53A.1a.701-53A.1a.710, respectively.

## Becoming more efficient with school spending

Given the limits that even governments face in funding their priorities, legislators and others should look for ways to spend education dollars more wisely. What are some alternatives to simply adding more money to the current ways of spending?

The important factor is to wring out inefficiencies in the way a district runs its business operations or employs its teachers. Volume III of this series provides some examples. Unfortunately, bringing efficiencies to districts and schools is a difficult task in a highly political system.

The culture surrounding school finance discourages use from thinking of forcing schools to be more efficient. Many people have an emotional with the school in their neighborhood. It helps define the community. Children often find friends from their school, and their parents can connect with each other through school events as well.

Yet when public money (not to mention the academic future of thousands of students) is at stake, some hard-headed thinking is required. In private industry, organizations that fail to produce what the public wants at an acceptable price go out of business. The companies that survive do so by either cutting costs, improving quality, or doing both. They do so because they must survive. Public school systems, by contrast, are like today's bailout companies: No matter how poorly they work, they get more money, not less.

Sentiment discourages citizens from thinking about teachers and schools in terms of efficiency and effectiveness. We all have a favorite teacher—either from our past or from our children's schooling. If Mr. Bernadini, the valiant math teacher, made algebra understandable, shouldn't he and his colleagues be paid well? And they work with children—and yes, *our* children can be difficult to deal with—so their teachers must be rewarded for their hard work, right?

The hard truth, though, is that we should be hard on teachers and on schools *because* we entrust our children to them. Right now, schools face nothing resembling the discipline that falls upon other organizations that fail their customers. When a private company or non-profit organization gains a reputation for poor customer service or shoddy workmanship, it loses money, as people shun it. But if a school performs poorly, it's likely to get more, not less money. Given the politicized, bureaucratized nature of public schools, the easiest response to poorly performing schools is to pump in more money for higher teacher pay, new books, a new training program, revamping the curriculum, buying new computers, and so forth. The inattention to inefficiency and re-engineering practically guarantees that people will conclude that the reason for inadequate performance will be inadequate funding.

How, then, can we promote efficiency? Here are some suggestions.

**Use Weighted Student Funding to promote efficient spending.** All states but Hawaii fund districts rather than schools, which are where students actually learn. Budget and governing systems are geared towards programs and staffing numbers rather than schools. They are top-down systems, driven by the decisions of central district administrators and politicians at the state and even national level.

Weighted student funding takes a different approach. Here's how one proposal described it<sup>73</sup>:

1. Funding should follow the child, on a per-student basis, to the public school that he/she attends.
2. Per-student funding should vary according to the child's need and other relevant circumstances. In other words, some weighting, no matter how subjective its determination is, may be called for.

<sup>73</sup> "Fund the child," Thomas B. Fordham Institute, June 2006, available online at <http://www.edexcellence.net/fundthechild/>, accessed February 15, 2010.

3. It should arrive at the school as real dollars (i.e., not teaching positions, ratios, or staffing norms) that can be spent flexibly, with accountability systems focused more on results and less on inputs, programs, or activities.
4. These principles for allocating money to schools should apply to all levels (e.g., federal funds going to states, state funds going to districts, districts to schools).
5. Funding systems should be simplified and made transparent.

The state of Hawaii uses this approach, as do at least 14 major school systems, including Baltimore, Cincinnati, Denver, and Oakland.<sup>74</sup> Depending on how it is implemented, weighted student funding gives principals more authority and responsibility. For example, in Baltimore, the new superintendent moved roughly 80 percent of the district's operating budget from the central office to schools.

There are several advantages to weighted student funding, which can be combined with site-based management and site-based accounting. In addition to moving resources from the central office to schools, it can also be used to make sure that low-income students are treated at least as well as other students when it comes to their schools getting funding.

Schools with higher portions of students who come from poor families or who are learning English as a second language should receive as much per-student as other schools. Currently, that is not the case. In 2006, The Education Trust compared per-pupil spending data for high-poverty and low-poverty districts. It found that nationally, high-poverty districts received on average \$825 less per student than low-poverty districts. In Kansas, it said, low-poverty districts received \$549 per student less.<sup>75</sup>

The researchers found the same pattern of unequal funding even within districts. For example, in the Denver Public Schools, the average teacher salary in low-poverty schools was \$3,633 higher than the average teacher in high-poverty schools, suggesting that students in high-poverty schools were taught by teachers with less experience. The researchers looked at selected medium and large-sized districts across the country, but due to confidentiality concerns (of districts), identified only a few by name. Still, we can expect that a similar pattern exists in Kansas districts, especially the larger ones that have enough school buildings to allow for segregation by economic status.

There are several reasons for the economic segregation, but teacher pay policies are key. Seniority is an important factor in teacher contracts, which do not reward teachers for either raising student achievement or for working in hard-to-staff schools. Consequently, more experienced teachers in a district seek out the more affluent schools.

In addition to making sure that poor students receive as much money for their education as wealthy students—a simple element of fairness when state funds are concerned—weighted student funding promotes transparency in spending.

The Legislature would have to determine which factors to weight, though possibilities include attaching more funds to students who aren't up to state standards (to allow for remediation efforts), students who exceed state standards (to give schools an incentive to move students towards excellence) and for students needing special education services. It should keep in mind, though, that weighting is at best an inexact science.

While weighted student funding can be implemented at a district level, the Legislature could choose to implement it for distributing state and, where permissible, federal funds. To make it more rather than

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<sup>74</sup> For more information on weighted student funding, see Dakarai I. Aarons, "Weighted-student funding preferred by educators, study finds," *Education Week*, November 19, 2008, and Lisa Snell, *Weighted Student Formula Yearbook 2009*, April 30, 2009, the Reason Foundation, available online at <http://bit.ly/WSF-Snell>, accessed February 15, 2010.

<sup>75</sup> "Funding gaps 2006," The Education Trust, available online at <http://bit.ly/FundingGaps06>, accessed February 15, 2010.

less functional, the Legislature would have to send more in unrestricted funds to schools, and less in categorical, or restricted funds.

**Tap unused funds to maximize resources.** The Kansas Policy Institute found that collectively, school districts had \$699 million in unencumbered cash as of June 30, 2009 in a variety of state and local operating funds (plus another \$796 million in capital outlay and debt service funds). Most of these funds are restricted to specific purposes, although it is legally permissible to spend down those reserve balances and free up money in the general fund for other purposes.<sup>76</sup> Laws restricting the use of carryover fund balance should be changed so that local officials have the discretion to use school funds as needed.

**Audit school district budgeting and financial practices to find best practices and reveal weaknesses.** The Legislative Division of Post-Audit (LPA), at the direction of the 2010 Commission, conducted an audit of a portion of Kansas school districts, looking for best practices in their non-instructional spending. It also looked for outliers, districts that might be unnecessarily spending extra on certain functions. While the LPA did a fine job as far as it went, the division noted that its work was halted prematurely due to political pressure from school districts and members of the commission. School districts said they were “stressed” by having to adjust to expected budget cuts and didn’t have time to work with auditors because they were busy preparing their budgets. While we respect the difficulties of managing a complex organization, school districts that receive public money should not be exempt from audits.

**Revisit state policies regarding teacher recruitment, promotion, and dismissal so that schools hire the best candidates, promote the best teachers, and exit ineffective teachers.** Of all the elements of a school, the quality of the teacher ranks the most important. Yet the nation’s laws on teachers are weak. The New Teacher Project, for example, said in a recent report that America must “address our national failure to acknowledge and act on differences in teacher effectiveness once and for all.”<sup>77</sup>

While the New Teacher Project studied only a sample of districts in four states, the National Council on Teacher Quality studied all states in a recent report. The council gave Kansas a D- for its policies governing teachers.<sup>78</sup> Kansas law, for example, does not require districts to present any objective evidence of teacher effectiveness before granting tenure, which amounts to lifetime employment. The council praises Kansas for its laws on teacher mentoring, but points out that it does not pay effective teachers more—a fact that discourages both active teachers and those considering the profession. The council also recommended that Kansas beef up its laws on dismissing poor teachers. While a good number—perhaps even the overwhelming majority—of Kansas teachers are competent, conscientious and effective, current laws essentially apply that assumption uniformly. The assertion that every incumbent in a given profession is of high quality is simply unbelievable. Kansas law should acknowledge that and legislators can further the cause of both educational excellence and financial prudence by requiring districts to develop rigorous, transparent mechanisms for evaluating teachers and dismissing those with inferior performance.

**Restructure health and retirement benefits to match the private sector.** A recent report published at the University of Kansas said that “KPERs is bankrupt under current operating assumptions.”<sup>79</sup> KPERs, or the

<sup>76</sup> “Carryover Cash and Consolidation Hot Topics Before Kansas Board of Education,” KansasWatchdog, November 10, 2009, <http://kansas.watchdog.org/2009/11/10/carryover-cash-and-consolidation-hot-topics-before-kansas-board-of-education/>, accessed February 15, 2010.

<sup>77</sup> Daniel Weisberg et al., *The Widget Effect: Our National Failure to Acknowledge and Act on Differences in Teacher Effectiveness*, The New Teacher Project, available online at <http://widgeteffect.org/>, accessed February 15, 2010.

<sup>78</sup> State Teacher Policy Handbook, National Council on Teacher Quality, available online at <http://www.nctq.org/stpy09/>, accessed March 15, 2010.

<sup>79</sup> Barry W. Poulson and Arthur P. Hall, “The Funding Crisis in the Kansas Public Employees Retirement System,” The Center for Applied Economics at the School of Business, University of Kansas, September 2009, available online at [http://www.business.ku.edu/\\_FileLibrary/PageFile/1391/TR%2009-0904—KPERs%20Crisis.pdf](http://www.business.ku.edu/_FileLibrary/PageFile/1391/TR%2009-0904—KPERs%20Crisis.pdf), accessed February 15, 2010.

Kansas Public Employees Retirement System, is the defined-benefit retirement system for government employees, including teachers. The unfunded liabilities of KPERS now exceeds the debt of the state of Kansas, said the KU report, which recommended exploring a shift to a defined contribution retirement plan.

**Consolidate services across districts and consider district consolidation where it might make sense.**

A recent report from the Legislative Division of Post Audit (LPA) addressed the possibilities of saving money from consolidating districts. Under a “moderately aggressive” scenario, Kansas would reduce the number of school districts from 293 to 266, reducing the amount of state funding by \$15.2 million per year.<sup>80</sup> Under a “very aggressive” scenario, the number of districts would shrink to 152, and the state would reduce its funding by \$129.4 million per year. Under either scenario, said the LPA, districts “would need fewer schools, administrative staff, and teachers, and would realize other economies of scale.”<sup>81</sup> It cautioned that consolidation is “unlikely to generate immediate savings,” but “should be viewed as a long-term investment.”<sup>82</sup> Consolidation might also require extra capital expenses to remodel or construct new school buildings in the newly consolidated districts. On balance, though, LPA projected that consolidated districts would need 50 fewer schools in the first scenario and 304 fewer in the second.<sup>83</sup> In addition, the consolidated districts would require 230 fewer teachers and administrators in the first scenario, and 1,535 fewer in the second.<sup>84</sup> LPA required that the new districts be no larger than 1,000 square miles, which limited the number of districts that would be consolidated.

Research from other states suggests that efficiencies disappear once a district reaches somewhere from 3,000 to 6,000 students.<sup>85</sup>

Most objections to district consolidation revolve around sports teams and traditions as well as a school as a source of local employment. But these considerations, while high in the public consciousness, can be a distraction from the need to provide educational opportunities at economically sustainable levels.

**Privatize services.** Contracting out services doesn’t always make sense, but it can especially provide rural districts with a deeper labor pool, access to better skills and cost savings. As with sharing services, this is largely a recommendation for local school boards to consider.

**Require open government in school finances.** Public spending should require public disclosure. While schools do release a number of reports, their quality should be improved. One method to enhance disclosure would be to put the checkbook register of each district or school online.

**Base “at-risk” funding on academic performance rather than family income.** The state gives extra money to districts, meant for “at-risk” students. The fundamental problem with this practice is that it does not guarantee money meant for at-risk students actually reaches them. “At-risk” money is determined by the number of students who qualify for free or reduced-price lunches in the federal lunch program: in other words, it’s supposed to benefit students from poor families. But not all poor children are academically at risk, and not all at-risk students are from poor families. Another problem with providing at-risk funding based on lunch-program enrollment is that schools do not verify the income of families seeking a free

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<sup>80</sup> “K-12 Education: Reviewing the Potential for Cost Savings from Reorganization of Kansas School Districts,” Legislative Division of Post Audit, February 2010, available online at <http://bit.ly/LPA-consolidation>, accessed February 15, 2010.

<sup>81</sup> Ibid, p. 7.

<sup>82</sup> Ibid, p. 8.

<sup>83</sup> Ibid, p. 14.

<sup>84</sup> Ibid, p. 15.

<sup>85</sup> Matthew Andrews, William Duncombe, and John Yinger, looking at the national scene, have suggested moving from very small districts to those of 2,000 to 4,000 students. A review of Pennsylvania districts conducted by Standard & Poors suggested that average per-pupil spending declines as districts get bigger from the very small up to 3,000, but increase after that. In his review of Michigan school districts, Andrew Coulson suggested 2,900 students. Andrew Reschovsky and Jennifer Imazeki, in reviewing Wisconsin districts, put an optimal size at 5,964 students. See <http://bit.ly/DistrictSizeKPI> for specific references.

lunch, which could lead to a district claiming more money than it is entitled to, even under the current formula. Basing funding for “at-risk” students to students who have a record of academic underperformance, rather than self-reported (and unverified) income is a better means of allocating any supplemental money for at-risk students,

**Expand the use of charter schools, which typically spend less.** While Kansas does have a law permitting charter schools, it’s nominal at best, with the result that charters are in effect simply alternative schools owned by school districts. States that let charter schools be independent entities, such as Arizona, Michigan, and Minnesota, find that these schools as a whole operate more affordably and still provide quality education.<sup>86</sup>

**Pay community college tuition for students who graduate early from high school.** Some states have found that they can promote higher education, save money on secondary education, and give students additional options by giving loans or grants to students who graduate early from high school.<sup>87</sup> Arizona’s Early Graduation Scholarship Grant gives students \$1,500 grant or \$2,000 depending on whether they graduate one or two semesters early. A second program in Texas gives students a grant of \$500 to \$3,000, with the higher amount available to students who have completed some college classes while in high school. Utah’s Centennial Scholarship program grants anywhere from \$333 to \$1,000, depending on a student’s graduation date. A similar program in Kansas could give students who graduate early at least one semester’s worth of tuition at a community college or trade school. Kansas residents who attend Johnson County Community College on a full-time basis (12 credit hours) pay \$1,008 in tuition; county residents pay less. A full-time student at Pratt Community College could expect to pay about \$1,500 in tuition and fees over a year.<sup>88</sup> On the other hand, the Total Expenditures by District report from the Kansas State Department of Education says that on average, school districts in Kansas spent \$7,344 in state funds for each student in the 2008-2009 school year. Recently, the National Center on Education and the Economy announced that eight states will soon give grants for community college tuition to students who pass rigorous exams and graduate early from high school.<sup>89</sup> At the least, Kansas should estimate the cost savings to the state from giving incentives for early graduation.

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<sup>86</sup> See, for example, “FID Summary Information,” Center for Educational Performance and Education, Michigan Department of Education, see <http://bit.ly/MichiganFID>, accessed February 12, 2010.

<sup>87</sup> For Arizona, see [http://www.azhighered.gov/acpe\\_default.aspx?pageid=81](http://www.azhighered.gov/acpe_default.aspx?pageid=81), accessed December 30, 2010, for Texas, see <http://bit.ly/CollegeForTexans>, accessed February 10, 2010. For Utah, see <http://bit.ly/UtahCentennial>, accessed February 16, 2010.

<sup>88</sup> For information on Johnson County Community College, see <http://bit.ly/JCC-tuition>, accessed February 10, 2010. For information on Pratt Community College, see <http://prattcc.edu/216-cost-information>, accessed February 10, 2010.

## **Conclusion: Education funding cannot escape political realities**

Thomas Sowell explains the conflicting interests of politics and economics in government budgeting, saying “The first lesson of economics is scarcity: there is never enough of anything to fully satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics.”<sup>90</sup>

Government budgeting, like any budgeting, inevitably faces certain economic constraints that are as predictable as the law of gravity. The first is that everyone has unlimited wants. If someone were to offer you \$10 million tomorrow, would you take it? Most of us would; given an unlimited budget, we could all find things to do with the money. But that brings us to the second laws: Resources are limited. Prices, in turn, reflect the relative scarcity of a good or service in relation to its desirability. Land that is fertile, sits on top of oil, or sits near a lot of economic activity is valuable; barren land without minerals and far from commerce is worth much less.

Family budgeting recognizes these constraints, and to a lesser extent, even government budgeting does as well. No legislature, city council or local school board can possibly have a budget large enough to satisfy everyone’s wants. That’s because while public officials have the authority to levy taxes, they face political constraints (the public will tolerate only so much in a tax burden) as well as economic ones (raise tax rate too high and the economy sputters, reducing revenues.)

So the amount of money taxed and spent inevitably takes political and economic considerations into account. In legislative forums, elected officials consider the relative substantive (and political) merits of spending proposals and balance them against the economic (and political) realities of tax levels. The cliché has it that the making of laws is as unappealing to watch as the making of sausage, but short of a monarchy or dictatorship, that’s how public budgets are made as well.

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<sup>89</sup> Sara Lense, “U.S. High Schools in Eight States to Implement World-Class Instructional Systems and Examinations,” National Center on Education and the Economy press release dated February 17, 2010, accessed online at [http://www.skillscommission.org/press\\_2-17-10.htm](http://www.skillscommission.org/press_2-17-10.htm)

<sup>90</sup> Thomas Sowell, *Is Reality Optional?* Hoover Institution Press (1993), p. 131.