Testimony of Robert Litan

2015 Special Committee on K-12 Student Success

December 9, 2015

Mr. Chairman, thank you for giving me the opportunity to testify today.

I am a Kansas native, who left at age 18 to attend college, law school and to earn my PhD in economics, and later to have a nearly four decade career as a lawyer and economist. I returned to my home town of Wichita in May, 2014, where I continue to practice law.[1]

I appear today on my own behalf and because of my life-long interest and involvement in many public policy issues, including education.

I will briefly address the following issues that are related to the Committee's charge and with which I am most familiar and believe that my background qualifies me to comment:

--The need for a fundamental overhaul of funding for K-12 education in Kansas

--Ways to Achieve Costs savings in Non-Instructional Spending

--Ways to Use Cost Savings to Improve Student Performance

Before addressing each of these topics in turn, I want to commend the Committee for making students, not schools, the top priority of our state's educational system. This emphasis is long overdue and will treat students and their families as customers of an educational system that must serve them, first and foremost, like any other service provider in our economy.

The Need for Fundamental Overhaul

The Committee and the state stand at a crossroads. Are you and the Legislature going to just tweak the current funding formula for K-12 education in our state, or are you going to essentially start over, writing on a blank sheet of paper, and making what amounts to fundamental change? I urge you to do the latter.

The reason is quite simple. Despite continued increases in real spending per pupil in the state, educational outcomes in Kanas are not improving nor are the gaps between the

[1] I have had numerous policy related positions during the course of my career: Director of Economic Studies at the Brookings Institution, three jobs in the U.S. government (on the staff of the President's Council of Economic Advisers, 1977-79; as the deputy Assistant Attorney General in the Antitrust Division at the Department of Justice, 1993-95; and as Associate Director of the Office of Management and Budget, 1995-96), and Director of Research for both the Kauffman Foundation in Kansas City (which has long supported K-12 education in the Kansas City area) and Bloomberg Government in Washington, D.C. In addition, I am a member of the domestic research advisory board of the Smith Richardson Foundation, which provides significant funding to economists and other social scientists doing research on K-12 education.

performance of students from low-income families and all other students. All of this is happening in an age when an individual's educational achievement is more important than ever in determining that individual's lifetime income, and when students in other states, and equally important, in other nations, are already out-performing ours.

The latest NAEP (2015) data, the only reliable measure of educational achievement that are comparable across states, tell a familiar, if depressing story, as shown in Table 1 below.

Table 1: Percent of Kansas Students at or above Proficient – NAEP

Math	**2005**	**2007**	**2009**	**2011**	**2013**	**2015**
4th Grade: Not Low Income	59%	63%	60%	63%	63%	58%
4th Grade: Low Income	30%	34%	32%	33%	33%	27%
8th Grade: Not Low Income	43%	50%	51%	54%	54%	46%
8th Grade: Low Income	19%	23%	24%	24%	24%	19%
Reading						
4th Grade: Not Low Income	42%	46%	47%	50%	54%	54%
4th Grade: Low Income	20%	21%	22%	23%	22%	20%
8th Grade: Not Low Income	43%	44%	43%	46%	48%	47%
8th Grade: Low Income	21%	20%	19%	22%	22%	22%

Source: NAEP

The percentages of 4th and 8th graders, both from low-income and non-low income families,[2] whose math scores are at or above "proficient" levels have from fallen noticeably from peaks in 2011 and 2013, and remain little different from ten years before. The corresponding data for reading scores are better for non-low income families, but are depressingly constant for students from low-income backgrounds.

This disparity in scores generally between low and non-low income families is wide, and actually growing. These disparities cast a long shadow for low-income students for the rest of their lives, since educational attainment and performance is a strong predictor of future lifetime incomes.

Kansas students, if and when they graduate, will be competing in a national labor market. That is one reason why it is important to compare Kansas' student performance with the rest of the nation. Here, too, as Table 2 shows, the 2015 NAEP data suggest a backsliding of Kansas student performance since 2013 relative to the national average. Whereas just two years ago in most categories, Kansas students' scores outpaced the nation, by 2015 they had fallen back toward or even in some categories below the national average.[3]

[2] "Low Income" refers to children from families eligible for free or reduced priced lunch: those with incomes at or below 185% of the poverty level, approximately $44,000 for a family of four.

[3] Anticipating a subject that may come up at the hearing, did the adoption of Common Core standards in Kansas (which were implemented in 2012) have anything to do with the drop in NAEP scores between 2015 and 2013? There is some evidence that the one-time disruption associated with adoption of Common Core may have depressed scores in adopting states

But even where Kansas did or still does outpace the national averages, it does so in a nation that doesn't perform well internationally. Of the 34 country members of the Organization for Economic Co-operation and Development (OECD), the United States ranks #17 in Reading, #27 in Math and #26 in Science.[4]

somewhat. See Grover J. "Russ" Whitehurst, "Why Did NAEP Scores Drop?" October, 2105, The Brookings Institution: http://www.brookings.edu/research/papers/2015/10/28-naep-scores-whitehurst. But the negative correlation is weak, and also does not even explain most of the decline in NAEP scores. See Thomas J. Kane, "Did the Common Core Assessments Explain the Decline in NAEP Scores?" The Brookings Institution, November, 2015: http://www.brookings.edu/research/papers/2015/11/05-common-core-assessments-decline-in-naep-scores-kane. Moreover, Kansas' adoption of Common Core cannot explain why Kansas' scores have fallen *relative to the national average.*

[4] As reported by The Education Trust, based on the 2012 Programme for International Student Assessment (PISA) data published by the National Center for Education Statistics http://edtrust.org/wp-content/uploads/2014/09/Results-from-the-2012-Programme-for-International-Student-Assessment-PISA-12-2013.pdf

Table 2

Percent of Students At or Above Proficient Levels, 2015 NAEP

		2013	**2015**
4th Grade Math/Not Low Income:	Kansas	63	58
4th Grade Math/Not Low Income:	Nation	60	58
4th Grade Math/Low Income :	Kansas	33	27
4th Grade Math/Low Income :	Nation	26	24
4th Grade Reading/Not Low Income:	Kansas	54	54
4th Grade Reading/Not Low Income:	Nation	51	52
4th Grade Reading/Low Income	:Kansas	22	20
4th Grade Reading/Low Income	:Nation	20	21
8th Grade Math/Not Low Income:	Kansas	54	46
8th Grade Math/Not Low Income:	Nation	49	48
8th Grade Math/Low Income :	Kansas	24	19
8th Grade Math/Low Income :	Nation	20	18
8th Grade Reading/Not Low Income:	Kansas	48	47
8th Grade Reading/Not Low Income:	Nation	48	47
8th Grade Reading/Low Income	:Kansas	22	22
8th Grade Reading/Low Income	:Nation	20	20

Source: NAEP

The disconcerting NAEP data are reinforced by ACT test scores for college entrance. According to the widely publicized data from 2015, only 37 percent of white students in Kansas who took the test scored well enough to be college-ready in English, reading, math and science. The corresponding percentages for Hispanic and African-American students were much lower, at 15 percent and 8 percent, respectively.

Given the student performance data, incremental change or tweaking of the current funding formula, which is complex and difficult for any citizen (including me) to fully understand, clearly is not sufficient. If we truly want both the average performance of our students to continuously improve, while also closing the performance gap between low and higher income students, we will need major changes in the way education monies are allocated, spent and monitored.

So I urge you and the entire Legislature to think boldly. You should look for ways to make our education spending more efficient, and then devote the savings to ways of improving student performance, especially those from low-income backgrounds. I will address each of these topics next.

Improving Efficiency of Education Spending

My understanding is that out of a total of roughly $6 billion in education spending in Kansas (at all levels of government), about $3 billion is not spent on instruction. There are several ways for the state to save money on non-instructional money – and thus to use those savings to put back *into* instruction – without touching the "third rail" of education politics in the state, namely consolidating the current 286 school districts into some smaller number.

First, many non-instructional functions of schools, including payroll, human resources, warehousing of supplies, maintenance, transportation should be consolidated into the seven regional service centers that are already working with some school districts. This would eliminate unnecessary duplication of effort, while helping to realize economies of scale in these activities.

Second, some inputs into running schools, such as health insurance for school employees, and IT purchases could be consolidated at the state level, where the state could also use its purchasing power to extract some volume-based pricing discounts from vendors.

Third, school districts might be able to realize more savings by outsourcing some functions (maintenance and food service), if this has not already been done.

How much money could be saved by these steps? The Kansas Policy Institute has provided one estimate – up to $240 million per year – by first highlighting the large variations in

cost per pupil of non-instructional items within districts of comparable school enrollment size, and then assuming that all districts were able to spend only the median amounts on these items.[5]

Improving Student Performance

Given the wide disparities in educational performance by family income, the first use of any cost savings should be to help close the performance gap. The legislature has tried to do this already by devoting an additional $2.7 billion to the education of "at risk" youth over the last ten years For whatever reason, the performance gap data discussed above suggests the effort is not working as well as one might expect.[6]

I can only speculate as to the reasons why. One strong possibility is that the Legislature has no way of knowing whether in fact this additional money is going to instruction that will actually improve student performance. That is because, as I understand it, the appropriate systems for tracking spending to the building level, let alone to particular students, or classes of students, are not in place.

Another possible reason is that any additional monies that are being spent in schools with high proportions of at risk youth are simply not being spent in ways that will help close the performance gaps, but rather are being spent on general operations.

More broadly, the state currently has no way of verifying the accuracy of total education spending by district because each district manually reports spending information rather than having it directly uploaded from their accounting systems, which may or may not follow state-required accounting procedures. Accordingly, the data the districts send to the Kansas Department of Education (KSDE) to be compiled cannot be really be audited.

One thing educational researchers do know is that student performance very much depends on the quality of teachers. Actually, it doesn't take an education economist to know what any parent knows: good teachers lift up their students academically, average or below average teachers are much less likely to achieve that result.

This being the case, I suggest the first thing to do with any cost savings is to devote them to supplementing the pay, or providing bonuses, to high-performing teachers, with perhaps special supplements for high-performing teachers facing the stiffest challenges: those teaching in schools with high proportions of low-income students (or even more ideally, targeting the additional payments to teachers in *classes* where students are disproportionately low income, or whose average test scores put them furthest behind other students in their schools or in the district, whichever is easier to measure).

---

[5]Dave Trabert, "Student-Focused Funding Solutions for Public Education," Kansas Policy Institute, October 2013, http://www.kansaspolicy.org/ResearchCenters/Education/Studies/111768.aspx.

[6] David Dorsey, "At-Risk Funding: Increased Money Fails to Increase Achievement," Kansas Policy Institute, November 2015. Sum of incremental amounts allocated above 2005 funding level for the years 2006 through 2015. http://www.kansaspolicy.org/ResearchCenters/Education/Studies/130172.aspx

I am fully aware of the nationwide controversy over how to measure teacher performance – by classroom observation (which has biases to it), or through "value added measures" (VAMs, which measure test score improvements), which I know are strongly opposed by many in the teacher community. In addition, any efforts to tie teacher compensation to teacher performance must be made at the district level, and negotiated with representatives of unions, if applicable.

Nonetheless, the Committee and the Legislature should be aware that there is "ample evidence supporting the use of VAMs as a performance measure, particularly in contexts where they do not carry more than 50% of the weight in high-stakes consequences."[7] But even value-added measurement has its limits: the widely used NAEP tests are administered only for 4th and 8th grade, and only for limited subjects. Some combination of classroom assessment, and yes even student assessments, is necessary to flesh out a teacher's real contribution.

My bottom line here is that the Legislature should encourage districts to experiment with performance-based pay. Districts that can point to performance elements in teacher pay should be rewarded in any final funding formula. KSDE should draw on the existing academic literature in this field to provide guidance to districts as to possible constructive ways they might implement performance-based pay.

Another idea for using any cost savings, or for changing the entire funding formula for that matter, is to reward districts that require more student attendance time over the course of the year than the statewide average. Other things being equal, more schooling time should enhance student performance (just as more practice at any activity helps improve performance).

Funding Formula Changes Should Not Hinder Future Expansions of School Choice

Finally, there are limits to how much any change in the way funding for schools is allocated among districts can affect student performance. That is because today parents' and students' ability to choose their public education provider is very limited, or non-existent.

That is not true in some other states, where parents and their children have more choices, as they do in other spheres of life for other goods and services. While broader choice is not directly on the table of today's hearing, hopefully any changes this Committee and the Legislature may make in funding will not penalize any new schools that may be formed in the wake of any possible future change in Kansas law governing charter schools.

---

[7] See Michael Hanson and Dan Goldhaber, "Response to AERA statement on value-added measures: Where are the cautionary statements on alternative measures?" Brookings Institution, November 19, 2015, http://www.brookings.edu/blogs/brown-center-chalkboard/posts/2015/11/19-aera-value-added-measures-hansen-goldhaber?