

School Finance Reform and Student Achievement

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I. Spending and Student Achievement

The case of the Robert F. Kennedy (RFK) Community School in Los Angeles that cost \$578 million to build, making it the most expensive school in United States history, is representative of the larger relationship between school spending and student achievement in the United States. RFK's features include a state of the art theatre, lavish teachers' lounge, fine art murals and a marble memorial depicting Robert F. Kennedy, a manicured public park, and a state-of-the-art swimming pool. The facility hosts six smaller schools with a social justice theme. Unfortunately, despite the large investment in a beautiful state-of-the-art campus, five of the six schools actually have falling test scores on California's academic performance index from 2012 to 2013.

JFK Performance California Academic Performance Index 2012-2013

• Los Angeles High School of the Arts	-27
• School for the Visual Arts and Humanities	-5
• New Open World Academy	+18
• Ambassador School of Global Education	-12
• Ambassador School of Global Leadership	-8
• UCLA Community Schools	-17

The RFK story demonstrates the larger point that there is no relationship between school spending and academic performance. A beautiful building is no guarantee of student learning and neither are large increases in funding.

The lack of a relationship between increases in school spending and academic performance also holds up at the national level in the United States. According to Andrew Coulson, education director at the Cato Institute, based on data from the U.S. Department of education's "Digest of Education Statistics," the total cost of the K-12 education of a single student in 1970 was \$57, 602 and by 2010 in inflation adjusted dollars that cost climbed to \$164, 426. Yet, academic performance of the nation's 17 year olds in math, science, and reading has been flat since 1970 on the nation's report card, the National Assessment of Educational Performance despite massive new investments in public school spending. In addition, federal spending on public schools has increased by more than 375 percent in inflation adjusted dollars since 1970 as test scores remain flat.

This non-relationship between spending and student achievement holds true at the international level as well. According to the Organization for Economic Cooperation and Development (OECD) report, "Education at a Glance 2013," annual per-student spending by educational institutions in the United States (USD \$15, 171) is higher than in any other country.¹ The countries surveyed are the 34 members of the OECD – which include many of the most economically advanced countries as well as emerging

countries, including Turkey and Mexico — as well as nonmembers Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia and South Africa.

In another recent report, the OECD examined the relationship between a nation's education spending and academic performance.² OECD looked at cumulative expenditure on education—the total dollar amount spent on educating a student from the age of 6 to the age of 15—and found that, after a threshold of about USD \$35,000 per student, expenditure is unrelated to performance. For example, countries that spend more than USD \$100,000 per student from the age of 6 to 15, such as Luxembourg, Norway, Switzerland and the United States, show similar levels of performance as countries that spend less than half that amount per student, such as Estonia, Hungary and Poland. Meanwhile, New Zealand, a top performer in PISA, spends a lower-than-average amount per student from the age of 6 to 15.

The bottom line is that PISA results suggest that in higher performing countries what matters more is *how* the resources are spent and not *how much* is spent. The countries that perform well on the PISA attract teachers with higher academic achievement and the highest performing teachers into the teaching profession by offering higher salaries and greater professional status. In addition, these countries do not hold on to the myth of smaller class sizes. The PISA study finds that the size of the class is unrelated to the school system's overall performance. In fact, higher performing countries prioritize investment in high-quality teachers over smaller class sizes.

Finally in *Schoolhouses, Courthouses, and Statehouses: Solving the Funding-Achievement Puzzle in America's Schools*, Stanford professor Eric A. Hanushek and school-finance attorney Alfred A. Lindseth summarize the extensive body of studies that support the national and international evidence that there is no relationship between education spending and student performance. They write, “the majority of the studies have found that differences in either the absolute spending level or spending increases bear little or no consistent relationships to differences in student achievement.” In addition, they examine several spending inputs and find specific inputs to be unrelated to differences in student performance:

- Class size, teacher-student ratio, teachers education level, teachers' salaries bear no relationship to student achievement.
- Differences in education spending across states in the United States bears no relationship to state performance on Nation's Report Card, the National Assessment of Educational Progress (NAEP).
- Court remedies that mandate increased spending bear no relationship to improvements in education performance. In fact, NAEP test-score trends in the four states that have implemented court remedies the longest demonstrate that “despite spending increases amounting to billions of dollars, the achievement patterns in three of them—Wyoming, New Jersey, and Kentucky—are largely unchanged from what they were in the early 1990s, before the court-ordered remedies.”

I. School Choice and Competition and Student Achievement

What happens when funding follows the child and parents choose their student's education? In recent years there has been huge growth and ongoing demand for more school choice and options for parents.

Years of recent legislative victories for school choice have led to a total of 48 private school choice programs available to children and their families across the United States and Washington, DC in 2013. These programs include 22 voucher programs, 16 tax-credit scholarship programs, one education savings account program, and eight individual tax credit/deduction programs. An estimated 260,000 students used vouchers and tax-credit scholarships to enroll in the school of their choice in 2013, and an additional 847,000 parents and families received tax relief through individual tax credit/deductions for approved educational expenses.

In addition, as of the 2012 – 2013 school year more than 2.2 million – 2,278,388 – students were enrolled in public charter schools, making up approximately five percent of total public school enrollment nationwide. This is an increase of more than a quarter of a million students enrolled in public charter schools from 2011-2012 school year.

In 2013, education analyst Greg Forster, from the Friedman Foundation for Educational Choice, summarized the evidence on school choice and student outcomes in *A Win-Win Solution: The Empirical Evidence on School Choice*:

- *Twelve empirical studies have examined academic outcomes for school choice participants using random assignment, the “gold standard” of social science. Of these, 11 find that choice improves student outcomes—six that all students benefit and five that some benefit and some are not affected. One study finds no visible impact. No empirical study has found a negative impact.*
- *Twenty-three empirical studies (including all methods) have examined school choice's impact on academic outcomes in public schools. Of these, 22 find that choice improves public schools and one finds no visible impact. No empirical study has found that choice harms public schools.*
- *Six empirical studies have examined school choice's fiscal impact on taxpayers. All six find that school choice saves money for taxpayers. No empirical study has found a negative fiscal impact.*
- *Eight empirical studies have examined school choice and racial segregation in schools. Of these, seven find that school choice moves students from more segregated schools into less segregated schools. One finds no net effect on segregation from school choice. No empirical study has found that choice increases racial segregation.*

- *Seven empirical studies have examined school choice's impact on civic values and practices such as respect for the rights of others and civic knowledge. Of these, five find that school choice improves civic values and practices. Two find no visible impact from school choice. No empirical study has found that school choice has a negative impact on civic values and practices.*

In addition, New Orleans and its experiment with a market-based school choice system with more than 90 percent of students enrolled in choice-based charter schools also makes the case for the benefits of markets in education. In the last eight years, since Hurricane Katrina and the rebirth of the New Orleans school system, New Orleans has seen the end of failing schools in the city. In 2005, 62 percent of schools were failing as classified by the state of Louisiana's student achievement accountability system. By 2013, less than 5 percent of the city's schools had a failing designation. The District Performance Score (DPS) is the most comprehensive measurement of school and student performance. It includes all students, all tests, and all grade levels. In 2005 New Orleans ranked 67th out of 68 school districts in Louisiana. By 2013, New Orleans had moved to 38th, or close to the middle, on the state's DPS ranking. The bottom line is that in New Orleans a number of indicators from test scores to graduation rates have shown rapid improvement since 2005 under a more competitive school system after student performance had remained stagnant or been declining for decades.

II. Public School Choice and Student Achievement

Public funding systems at the state and local level are also adapting to a school funding portability framework, where state and local school funding is attached to the students and given directly to the institution in which the child enrolls. More than 30 school funding portability systems are funding students through student-based budgeting mechanisms. New research from the Reason Foundation, released in December 2013, finds evidence that public school choice leads to better outcomes for public school students even within the constraints of the public education system.

The Reason Foundation examined 14 school districts currently using portable student funding. Reason's *Weighted Student Formula Yearbook* grades and ranks each district in 10 categories, including test scores, achievement gaps, graduation rates, and transparency.

Some of the country's largest school districts are now using portable or backpack funding systems that allow money to follow students to their schools. This study gives us the ability to make apples-to-apples comparisons, identify what's helping kids, and flag what may need to be done differently.

Houston outperformed all other districts, scoring an A+ in the rankings due in large part to an impressive reduction in achievement gaps. Hartford, Cincinnati and Oakland were

the other districts earning A grades. Minneapolis, San Francisco, Boston and Poudre (CO) received B grades. Baltimore's poor proficiency rates in reading, math, and science along with large achievement gaps between students of different income levels resulted in the report's only F. The study's rankings and grades are:

Table 1: WSF Districts 2013 Rank and Grade

District	Rank	Grade
Houston Independent School District	1	A+
Hartford Public School District	2	A
Cincinnati Public School District	3	A-
Oakland Unified School District	4	A-
Poudre Public School District	5	B+
Minneapolis Public School District	6	B
San Francisco Unified School District	7	B
Boston City Public School District	8	B-
St. Paul Public School District	9	C+
Prince George's County Public School District	10	C
Denver Public School District	11	C
Newark Public School District	12	C-
Milwaukee Public School District	13	D
Baltimore Public School District	14	F
New York City Department of Education	N/A	N/A

The study recommends a series of “best practices” for districts, including publishing school report cards for parents, using performance-based pay for teachers and principals, allowing students to enroll in any school in the district, and giving principals control over their hiring and budgets.

“It is important to give principals control and autonomy over their budgets,” said Katie Furtick, co-author of the report and policy analyst at Reason Foundation. “One of our very promising findings suggests that the larger the share of a district’s budget that goes directly to the schools on a per-student basis, the better the performance. Holding all else constant, a school district that allocated 50 percent of its 2011 budget to weighted student formula, where money follows the student, was nearly 10 times more likely to close achievement gaps than a district that only allocated 20 percent of its 2011 budget to weighted student formula.”

The full Weighted Student Formula Yearbook, including case studies for each district, is online at:

<http://reason.org/studies/show/weighted-student-formula-yearbook>

III. Conclusion

Whether examining the individual school level, national evidence, or international evidence; education spending bears no relationship to differences in education outcomes. In contrast, school choice and competition shows promise to improve outcomes for students by allowing families to find the schools that best match their needs, and by introducing healthy competition that keeps schools focused on improving the quality of their services to students.

¹ Education at a Glance 2013: OECD Indicators, OECD 2013, [http://www.oecd.org/edu/eag2013%20\(eng\)--FINAL%2020%20June%202013.pdf](http://www.oecd.org/edu/eag2013%20(eng)--FINAL%2020%20June%202013.pdf)

² "Does Money Buy Strong performance in PISA," *PISA in Focus*, OECD, February 2012. http://www.oecd-ilibrary.org/education/does-money-buy-strong-performance-in-pisa_5k9fhmfzc4xx-en