

Center On Regional Politics



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A MESSAGE FROM THE DIRECTOR

As reported nearby, policymakers and leaders at our May 6 symposium were exposed to enormous amounts of groundbreaking research on the economic gains achievable from closing student performance gaps and on how the world's best school systems got to the top. Here are highlights from both presentations:

- We rank high among U.S. states (although low compared to many developed countries) in average educational performance but also in the size of performance gaps. Our best are masking our failures, whose bleak prospects will constrain the state's entire economy.
- The greatest economic payoff comes from the strategy with the broadest constituency: closing gaps based on economic status, which overlap geographic divides and racial, ethnic, and parent education gaps.
- More money alone won't work but more money behind the poorest performing students is essential.
- Differences in racial, ethnic, and economic status influence, but do not determine, educational performance. Some urban and rural schools have outperformed others with similar demographic profiles. These successful schools deserve a closer look.
- Raising teacher quality, compensation, and professional stature has worked in other countries, but our teachers unions and school management need to adopt their more collaborative approach.
- Standards-based testing has worked but tests abroad are less frequent and aim at improving teaching and learning -- not punishing failure.
- Countries with widely different cultures have overcome political divisions to dramatically improve their schools in reaction to political or economic shocks that threatened their future. Can the grim prospect of a largely low-wage economy prompt such changes here?

Joseph P. McLaughlin, Jr., PhD
Director, Center on Regional Politics

CORP SYMPOSIUM: PA COULD REALIZE HUGE ECONOMIC GAINS BY EMULATING THE WORLD'S TOP PERFORMING SCHOOL SYSTEMS

Pennsylvania could realize up to \$5 billion in additional annual economic growth by closing school performance gaps but doing so will require the kinds of dramatic changes that top performing countries have made and the U.S. has not. Conversely, failure to meet the educational challenges of global competition will mean that increasingly large segments of the U.S. and Pennsylvania economies face a low wage future. (See links to these presentations below.) These were the essential messages heard by 70 attendees at Temple's third symposium on public school finance.

State lawmakers and leaders in local government, business, labor, and education policy gathered in Harrisburg for the May 6 event, titled "Beyond a New School Funding Formula: Lifting Student Achievement to Grow Pennsylvania's Economy." Previous symposiums were held May 30, 2014 in Conshohocken and October 3, 2014 in Green Tree, outside Pittsburgh.



Paula Holoviak, Chair, Pennsylvania Policy Forum, and Associate Professor of Political Science, Kutztown University (left) and Rep. David Parker

The symposium was hosted by Temple’s Center on Regional Politics (CORP) and presented by the University Consortium to Improve Public School Finance and Promote Economic Growth. The consortium includes CORP, Penn State’s College of Education, the University of Pittsburgh’s Center for Metropolitan Studies, and the Pennsylvania Policy Forum, a network of faculty and public policy researchers at 18 other public and private universities and colleges in the Commonwealth. The consortium aims to support state legislators and policymakers in a review of options for improving public school finance in Pennsylvania, where the Basic Education Funding Commission (BEFC) has been tasked with recommending to the General Assembly a new formula for distributing funding to the Commonwealth’s 500 school districts. The commission is required by statute to issue recommendations by June 10.

Featured speakers were RAND Corporation senior economist Lynn Karoly, who presented the results of a groundbreaking study entitled *The Economic Impact of Achievement Gaps in Pennsylvania’s Public Schools* and internationally recognized speaker and author Marc Tucker, who discussed his



RAND Corporation senior economist Lynn Karoly

findings on the question of why some countries have soared to the top in performance rankings while U.S. test scores have stagnated.

The presentations were followed by panel discussions by state legislators, and business and labor leaders. Discussions were moderated by Francine Schertzer, director of programming for the Pennsylvania Cable Network, which recorded the symposium and has aired the full program several times since.

SESSION I: THE ECONOMIC IMPACT OF ACHIEVEMENT GAPS IN PENNSYLVANIA’S PUBLIC SCHOOLS

If Pennsylvania could eliminate racial and socioeconomic performance gaps in its public education system, it would climb to the top of U.S. and world rankings in test scores and graduation rates and generate economic growth of as much as \$44 billion in state GDP over 10 years, according to a RAND Corporation study that was unveiled at the Harrisburg symposium. CORP commissioned the study, believed to be the first of its kind at the state level, with support from Temple University, the William Penn Foundation, and the Greater Philadelphia Chamber of Commerce.

Lynn Karoly, senior economist at RAND, showed symposium attendees how the Commonwealth’s scores and graduation rates would climb if groups and school districts with lower performance levels could be lifted to the level of higher performing groups and districts. Closing the gap in graduation rates between poor and wealthier students would result in a 5 percentage-point gain in statewide graduation rates, from 86 to 91%. Closing the gap between white students and their African-American and Latino peers would increase aver-

NEW POLICY BRIEF: WHAT CAN WE LEARN FROM PA’S SCHOOL CONSOLIDATION HISTORY?

As the Commonwealth struggles with reworking the funding formula for public education, one common criticism is voiced time and again: there are simply too many school districts, causing inefficiency and bureaucratic overlap. But there were more than 2,000 districts in Pennsylvania as recently as the early 1960s. What were the politics of eliminating so many school districts? To answer this question, CORP commissioned a study from J. Wesley Leckrone titled “The Politics of Educational Change: What We Can Learn from the School Consolidation Acts of 1961 and 1963.” The report is found at www.cla.temple.edu/corp/publications/.

Consolidation was not an abrupt policy change, but had roots going back to 1947. Throughout the 1950s, counties were required to draw up plans for consolidation with incen-

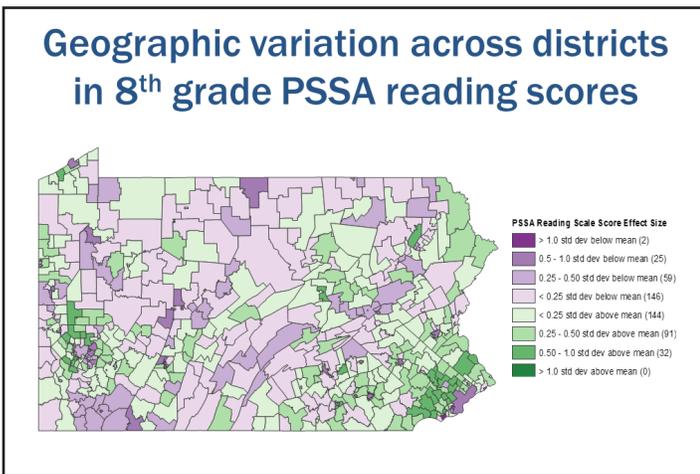
tives meted out for mergers, unions, and jointures, but the incentives proved insufficient to induce significant change. Later, laws passed in 1961 and 1963 under Democrat David Lawrence and Republican William Scranton, which are the main focus of the study, dramatically reduced the number of districts. Deliberation was contentious and focused on the centralizing forces of government as opposed to the local interests of communities seeking to retain their identities. Noting that recent studies disagree as to whether consolidation actually leads to greater efficiency, the policy brief concludes that in the future, proponents of consolidation will have to achieve bipartisan support and demonstrate a balance among realizing cost-saving economies of scale, having schools with sufficient resources, and improving student performance to match the demands of the new economy.

age statewide reading scores on the National Assessment of Educational Progress (NAEP) exam by 6 scale points, from 272 to 278.

These performance and educational attainment gains would boost the Pennsylvania economy through higher wages, faster rates of state GDP growth, and in the case of graduation rates, reduced costs to society (e.g., crime and welfare programs). Various methods of estimating the costs of these gaps, or alternatively, the potential gains from closing them, show that the Commonwealth could see immediate gains of \$1-\$3 billion in earnings, or 2%-7% in state GDP. Each cohort for which gaps were closed could realize gains of \$1-\$3 billion in lifetime earnings and \$3-\$5 billion in overall value to society, Karoly reported.

RAND's estimates of the economic impacts of PA school performance are grounded in methodologies developed by leading economists and used in previous studies of the U.S. achievement gaps, including a 2009 report by McKinsey & Company that was summarized at the first CORP symposium last May in Conshohocken.

Rob Wonderling, president and CEO of the Greater Philadelphia Chamber of Commerce and member of the CORP Executive Committee, who introduced Karoly, noted that the gaps in the RAND report present an opportunity for improvement in Pennsylvania. "If we play our cards right... we can have a significant and meaningful impact on economic output in the Commonwealth."



This slide from Karoly's presentation shows the distribution of PSSA reading scores in 8th grade across PA with scores above average in green and below in purple. Results on the math portion of the PSSA are similar.

Karoly noted that while Pennsylvania students, on average, do well compared to students in other states, the aggregate trends mask serious performance differences among groups of students, including groups by race and socioeconomic status. Indeed, Pennsylvania's educational achievement gaps are among the widest of all the states. She showed, for example, that while 84% of white 8th graders scored at proficient or

higher on the 2013 Pennsylvania System of School Assessment (PSSA) reading exam, just 58% of African-American and 59% of Latino students did so. Similarly, students with lower economic status graduate at a rate 14 percentage points lower than their peers with higher economic status.



Left to right: Senator Lloyd Smucker, Lynn Karoly, Rick Bloomingdale, Francine Schertzer, Budget Secretary Randy Albright, and Gene Barr

Karoly said closing gaps by economic status would produce the largest economic gains and showed maps indicating that lower performing schools were largely in the state's cities and rural areas. (See the map to the left.) She noted that although demographic differences strongly influence educational performance, some schools do better, and some worse, than their demographic profiles would predict, suggesting that school quality can make a difference.

The panel of discussants for Session I included state Senator Lloyd Smucker (R-Lancaster), who is chair of the Senate Education Committee and serves on the BEFC; Budget Secretary Randy Albright, also a member of the BEFC; Gene Barr, president and CEO of the Pennsylvania Chamber of Business and Industry; and Rick Bloomingdale, president of the Pennsylvania AFL-CIO. Francine Schertzer of the Pennsylvania Cable Network moderated the discussion.



Left to right: Briana Mihok, University of Pittsburgh Institute of Politics; Rep. Hal English; Rep. Harry Lewis; Rep. Jake Wheatley

NEW POLICY BRIEF: HOW DO ALTERNATIVE MEASURES OF ABILITY TO PAY AFFECT SCHOOL AID?

Drafted in response to debate about whether the market value of real estate should continue to be a key element in school funding formulas, CORP published a Policy Brief in April 2015 on “Understanding Measures of Tax Effort and Tax Capacity” available at www.cla.temple.edu/corp/publications/. Tax effort, and the related concept of tax capacity or wealth, are used to compare similar jurisdictions, such as states or school districts, among themselves. Tax capacity compares jurisdictions on their ability to finance public services compared to the average jurisdiction’s ability, while tax effort provides a comparison of the actual revenues generated relative to tax capacity. There is no ideal level of tax effort or tax capacity. Measuring tax effort is difficult in that analysts must decide how to measure the capacity to which actual collections will be compared.

This brief explores one approach to measuring capacity, ability to pay the taxes imposed, such as per capita personal

income or money income of households, and the alternative based on the ability of the jurisdiction to collect taxes, in other words, to measure capacity against the available tax bases. An example in this case would be Pennsylvania’s market value aid ratio which compares the sales value of taxable property per student within a school district to the average district’s taxable property value per student. In general, districts that use non-residential tax sources may appear to have a lower effort relative to those without such access who would exhibit similar effort on a broader measure. Districts that avoid taxing business sources available to them might appear to have higher effort than they would if a similar amount of revenue were collected across all available tax bases. Differences in tax effort may be due to differing capacity or may reflect preferences for a higher or lower level of public services.

State leaders know the investments that reduce performance gaps, such as early childhood programs, universal Pre-K, and reduced class size. “We have to find the means to make those investments” through a fair funding formula, Albright said. During the years in which additional state funding was provided to schools through the so-called “Costing Out” formula, achievement gaps were narrowing, Albright said, “so we know what works.”

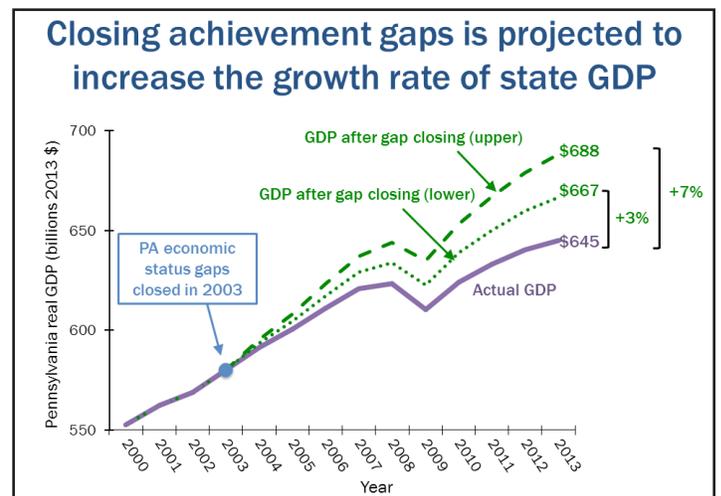
The “human side” of the educational gaps should be apparent to everyone, Senator Smucker said. “It’s important to all of us that every child in Pennsylvania has the opportunity for the quality education they deserve.” But beyond that, he said, hearing the facts of the “economic side” of the problem should convince state legislators, school administrators, and other stakeholders to put their own districts in perspective and “think of the state as a whole.”

Not only are some groups of students performing at lower levels, leading to economic losses for the state, Senator Smucker said, but some districts are spending a lot more on their students as well. It is important to note that the districts spending the most per student are not the districts with the highest needs in terms of student population, he said.

Barr, whose membership includes small and large companies, said businesses need a workforce with proficiency in basic skills. “Clearly, we have an issue here,” Barr said. “We are probably beyond tinkering at this point,” he said, suggesting that a fundamental restructuring of the public education system may be necessary to solve the problem. He suggested that fragmentation of the system may be inefficient and that reducing the number of school districts from 500 might help.

Secretary Albright echoed the call for fundamental change to address the achievement gap problem. “We need to seize this moment. We have the most inequitable funding system in the country right now,” he said, referring to recent analysis of federal data on spending per pupil by district published by *The Washington Post*.

The solution won’t necessarily mean increasing the total amount spent on public education, but rather, it will demand a restructuring of the distribution of that funding, Senator Smucker said. The heavy reliance in the Commonwealth on local property taxes for public education funding results in the exacerbation of inequities, since wealthy districts are better able to tax, and therefore fund, their schools, he said.



This slide from Karoly’s presentation displays the potential gains in GDP if the achievement gaps based on economic status had been closed in 2003 with both a low estimate of a 3% increase and a higher estimate of a 7% increase.

Bloomington noted that closing performance gaps would translate to better incomes and outcomes for Pennsylvania's public school graduates, plus reduced costs in social welfare, judicial, and correctional programs down the line. "It's so much better to spend money on education rather than corrections and welfare," Bloomington said.

The full slideshow from Karoly's presentation is available on CORP's website at www.cla.temple.edu/corp/symposium3/. The complete RAND report will be posted in mid-June.

SESSION II: WHAT CAN PENNSYLVANIA LEARN FROM THE WORLD'S LEADING SCHOOL SYSTEMS?

The second session of the symposium was opened by David Monk, dean of the Pennsylvania State University College of Education. Monk, a professor of educational administration who has published and consulted on the topics of public school finance and policy, introduced featured speaker Marc Tucker.

Tucker, a leading expert on educational reform and president and CEO of the National Center on Education and the Economy, opened his presentation by providing sobering statistics about the state of the U.S. economy and the public education system. After 100 years as a world leader in educational attainment, U.S. performance levels dropped in the 1970s and remain at a level of mediocrity among OECD countries. The percentage of Americans earning high school diplomas has flatlined since the mid-1970s, while gaps in income distribution have grown dramatically, with gains concentrated among upper income groups. Per-pupil spending on education more than doubled in constant dollars between the 1970s and early 2000s, while test scores remained level. What happened?

According to Tucker, the U.S. failed to change its education system to match a new global economic system. It continued training the bulk of public school students for low-skill, rou-

tine jobs that were rapidly disappearing due to outsourcing and automation. The old system sorted for quality, and then provided higher education access to the most qualified. That worked in an economy dominated by blue collar jobs, but it does not work anymore, Tucker said. "The real question is whether the United States can adapt," he said.



Marc Tucker, President and CEO, National Center on Education and the Economy

Meanwhile, other countries, including Finland, Singapore, Poland, and Canada, did adapt. They built new educational systems focused on producing a workforce with higher-level skills. The countries with the top performance levels on international tests in reading, math, and science have some things in common, Tucker said. They developed standards based on complex skills and created a small number of effective assessment tests that matched those skills. They directed more resources to those students who were relatively harder to educate because they recognized the need for a broadly and equitably educated workforce with high-level skills, Tucker said. They encouraged high quality teaching by increasing

NEW POLICY BRIEF: FORECASTING THE FISCAL FUTURE OF PA'S 500 SCHOOL DISTRICTS

William Hartman and Timothy Shrom's study, "Forecasting Fiscal Futures of Pennsylvania School Districts: Where Law and Current Policy Are Taking Our Public Schools," published in May, looks at three main questions facing local and state policymakers regarding the funding of public schools in Pennsylvania. First, what are the major revenue sources of school district funding and how much can be expected from them? Second, what are the major expenditures districts face in the next few years and how can they control or influence them? Third, will there be enough expected revenue to pay for the expected expenditures? Looking at PA's 500 school districts through 2017-18, major revenue sources and their trends were compared with the mandated and necessary

expenditures and their trends. In the projections, when a district's expenditures exceeded its revenues for a given year that indicated a "shortfall" or operating deficit. This is not an indication of a future bankrupt district; rather, it's an indication of the severity of the fiscal stress the district is facing and the magnitude of the program cuts the district will be forced to make. Using conservative assumptions, the study projects a net shortfall of \$400 million over the 500 districts, but 300 districts face five-year shortfalls of \$1 billion and 200 districts face surpluses of \$600 million. The full study and data for all 500 districts are available at www.cla.temple.edu/corp/publications/.

salaries for teachers, creating professionalized work environments in schools, and centralizing teacher training in elite, highly competitive programs at research universities.

Their Model vs. Our Model: The Results

US Rankings on PISA

	Reading	Mathematics	Science
2000 (32)	15	19	14
2003 (41)	18	28	22
2006 (57)	NR	34	28
2009 (65)	17	30	22
2012 (65)	24	36	28

As this slide from Tucker’s presentation shows, U.S. student performance continues to lag foreign countries in international tests. Although PA ranks relatively high among U.S. states, its performance gaps between students with different racial, ethnic, economic, and parent education backgrounds are among the largest of all the states.

Tucker went on to present data that suggest other tactics have not worked. More money is not the answer, he said. The top performing countries reworked their education systems without spending more, although they did put more resources behind the lowest performing students. They did it without reducing class sizes or creating charter schools or vouchers. These countries created accountability systems that were student-based, rather than teacher-based and relied on no more than three high-stakes exams. The stakes in these systems are high for students, not teachers, as the exams are used as gateways to future educational paths.

The data are clear: the U.S. is being outperformed in public education by more than half the industrialized world, and by more countries year after year, Tucker said. “This is a disaster,” he said. “What’s at stake here... it’s the fabric of our eco-



David Monk, Dean of Penn State University’s College of Education (left) introduces Marc Tucker.

nommic system.” If the United States wants an economy that produces “broadly shared prosperity,” then it needs a system that ensures everyone is well educated, Tucker said.

The panel of discussants for Session II included the Republican and Democratic chairs of the Senate and House Education Committees, all of whom serve on the BEFC. They are Senators Andrew Dinniman (D-Chester) and Lloyd Smucker (R-Lancaster), and Representatives James Roebuck, Jr. (D-Philadelphia) and Stan Saylor (R-York). Their discussion was moderated by PCN’s Francine Schertzer.

Senator Smucker argued that Pennsylvania has the capacity to do better, and should take lessons from the top performing countries. “There is no reason we can’t be the best system in the country, as well as the world,” he said.

Senator Dinniman said the Commonwealth has to shift its public education system to match the changing global economy. That means schools need the autonomy to adapt to meet challenges and serve changing student populations. Teachers need to be treated as professionals, the field needs to pull from the top tier of college graduates, and there should be pay incentives to encourage the best educators to take up challenges at the worst performing schools.



Left to right: Senator Andrew Dinniman, Senator Lloyd Smucker, Rep. Jim Roebuck, Francine Schertzer, Rep. Stan Saylor, and Marc Tucker

Representative Saylor suggested the overall accountability and management systems in public education need an overhaul, including increased training and professionalization of teachers and administrators. Meanwhile, districts have to be held accountable for poor performance and corruption, he said. “No one is holding school districts responsible for not performing,” Representative Saylor said.

Representative Roebuck also focused on the need for improved training and quality in school administration. “A bad principal can destroy a school,” Roebuck said. Overall, he said, Pennsylvania should “replicate what works,” not just in its education system, but also in welfare and corrections systems.

Tucker commented that top performing systems all experienced a major shock, typically an economic one, before changing their public education systems. "It took a shock to make people understand, whatever the politics were, we had to deal with them," Tucker said.

Pennsylvania and the U.S. have to decide if they want to respond to the challenges we face by becoming low-wage economies that compete on price or if they want to provide high-quality workers whose added value is worth higher wages and prices, Tucker said.

Following the panel discussion, audience member Michael Churchill asked Tucker how Massachusetts achieved such success in test scores, placing it consistently at the top of the U.S. states and near the top of OECD countries. Churchill is an attorney with the Public Interest Law Center of Philadelphia.

Tucker explained that a new system was advanced in Massachusetts by policy entrepreneurs who were able to "sell the program to the educational establishment." The transformation involved training all school principals across the state on the new system, standards, and methods for developing curricula that matched those standards. The principals brought the information back to their schools, and it worked, Tucker said.

Responding to another query from Churchill, Tucker added that Massachusetts also responded to a lawsuit that challenged the state's funding system on constitutional grounds.

Former Senator Earl Baker asked about how top performing countries develop tests that work. Tucker explained that the best systems create high quality exams that are based on carefully developed syllabi. Those syllabi are, in turn, based on the standards set by the system. The expectations are clearly defined in the syllabi, and the exams are released to the public after they are administered, Tucker said. Students have to write answers to the questions, not simply fill in bubbles, and all tests are graded by human beings, not computers. Student answers that receive highest marks also are released to the public as exemplars. Exams in the United States are typically kept from the public, he said.

At the end of the symposium, in response to a question from the four Education Committee chairs, Tucker said he is willing to return to Pennsylvania and work with them and other policymakers on the kinds of changes he believes are necessary.

Tucker's full slideshow presentation can be viewed at www.cla.temple.edu/corp/symposium3/.

The University Consortium to Improve Public School Finance and Improve Economic Growth Publications

Available at www.temple.edu/corp/publications

ISSUE MEMO: How Pennsylvania Funds Public Schools: The Story of the State Share
May 2014

ISSUE MEMO: How Pennsylvania Funds Public Schools: The Story of the Local Share
May 2014

POLICY BRIEF: Explaining School Fund Balances: Are PA Schools, with \$4.3 Billion in Reserve Funds, Really Flush? Just the (Dry) Facts
August 2014
with a

Statistical Supplement Comparing Unassigned Fund Balances and Aid Ratios for PA's 500 School Districts

POLICY BRIEF: Growth and Stability in Public School Revenue Sources: Can We Have Both?
October 2014

POLICY BRIEF: Hold Harmless Education Finance Policies in the U.S.: A Survey
December 2014

POLICY BRIEF: The Politics of Educational Change: What Can We Learn from the School Consolidation Acts of 1961 and 1963?
March 2015

POLICY BRIEF: Understanding Measures of Tax Effort and Tax Capacity
April 2015
with
Tax Effort and Tax Capacity Data Files

POLICY BRIEF: Forecasting Fiscal Futures of Pennsylvania School Districts: Where Law and Current Policy Are Taking Our Public Schools
May 2015

FORTHCOMING:
RAND Report - The Economic Impact of Achievement Gaps in Pennsylvania Public Schools

Explaining School Fund Balances: An Update
with FY 2013-14 Data

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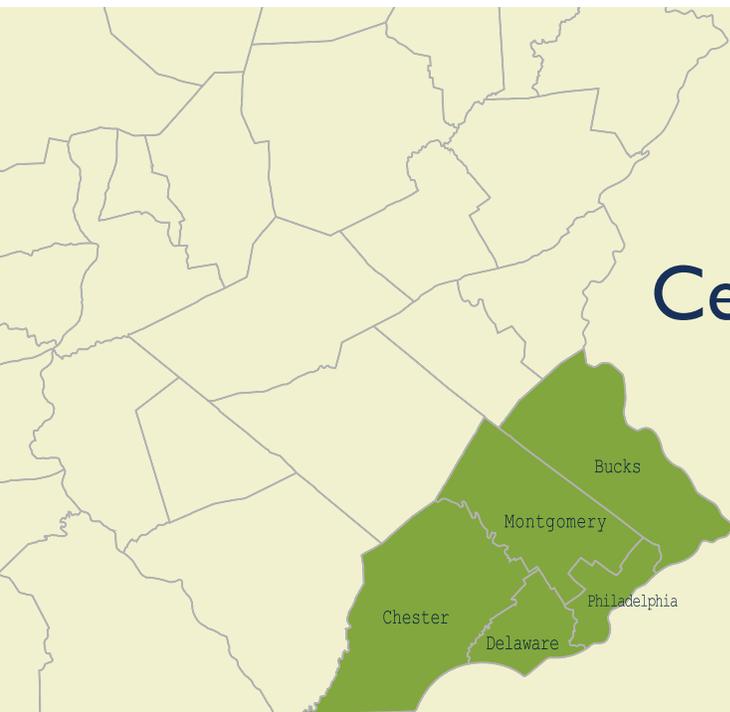
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