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

FRIDAY, JANUARY 26, 2018
OREGON SUPERINTENDENT
BUSINESS & MANAGER CONFERENCE
SALISHAN SPA AND GOLF RESORT
GLENEDEN BEACH, OREGON

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

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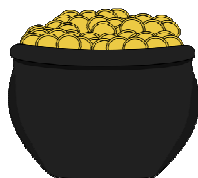
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The Fiscal Policy Issue:

3

ONE AXIOM DEFINES THE CORE PROBLEM



Where needs are greatest
→ Resources are least



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Which Creates the Political Problem

4

Responding to core fiscal issues requires tax policy to be redistributive—even under capitalist theory



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Adam Smith, the father of modern capitalism, contended that for a tax system to be fair it has to be progressive

5

- According to Smith:

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

Was Adam Smith Right?

6

The long-term trends in income distribution in America demonstrate that his reasoning was solidly on target.

Change in Average US Income Accounted For By Income Group	
Income Group	1947— 1979
Top 10%	34.1%
Bottom 90%	65.9%

Change in Average US Income Accounted For By Income Group	
Income Group	1979 — 2015
Top 10%	108.4%
Bottom 90%	-8.4%

Source: Economic Policy Institute's website: <http://stateofworkingamerica.org/who-gains/> Data used is from Piketty and Saez, "Income Inequality in the United States, 1913-1998", *Quarterly Journal of Economics*, 118(1), 2003, 1-39 (Tables and Figures Updated to 2015 in Excel format, January 2013), <http://eml.berkeley.edu/~saez/> .

So There Should be Bipartisan Support to Raise Taxes the Capitalist Way and Solve Problems, Right?

7

UH – NOPE

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

And hence the second fiscal policy axiom:



Inadequate capacity on the front end means inadequate outcomes on the back end.

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The Political Impact of All This

8

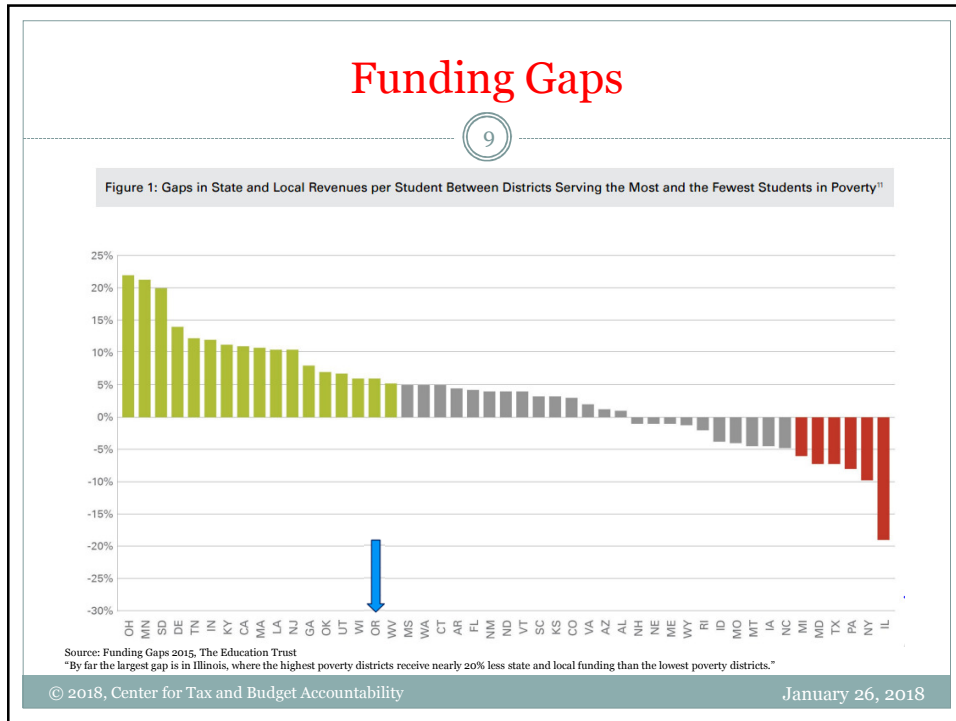
Incentivizes electeds in both parties to:



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

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INTO THE FRAY CAME THE EQUITY & EXCELLENCE COMMISSION

10

- Researchers & Academics**
 - UC Berkeley, Stanford University, NYU, University of Virginia, Campaign for Educational Equity
- State & Local Educational Professionals**
 - Chicago Public Schools, Illinois SBE, NY State
- System & School Reform Experts**
 - Education Law Center, CAP, Education Resource Strategies, Ed Trust, Council of the Great City Schools
- Teachers Unions**
 - National Education Association, American Federation of Teachers
- Issue Experts**
 - NIEA, Michigan DOE Office of Special Education, Rural School and Community Trust, CTBA, American Cities Foundation
- Civil Rights Leaders**
 - NAACP, MALDEF, NUL

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The Equity & Excellence Commission's Charge was to Advise the DOE on:

11

“the disparities in meaningful educational opportunities that give rise to the achievement gap, with a focus on systems of finance, and to recommend ways to address such disparities.”

Why—Because as it Turned Out....

12



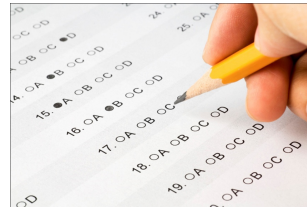
Public Education in America is not so much “Broken” as it is under-resourced to educate all children



The International Benchmark

13

- **2013 Programme for International Student Assessment (PISA):**
 - Combined Reading, Math, Science, Critical Thinking
- **In Reading, U.S. schools scored a middling 497 with the OECD average @ 493 (24th overall)**
- **But fell to 38th among OECD nations in Math (470)**



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Reality ✓ #1

14

- **But adjusting for poverty**
 - ➔ U.S. schools w/ 0-10% poverty scored a combined 551, best in the world (Finland was 2nd @ 536)
 - ➔ U.S. schools w/ 10-24.9% poverty scored 527, top in the world for similar profiles (Canada was 2nd @ 524 and 4th overall)

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Poverty

15

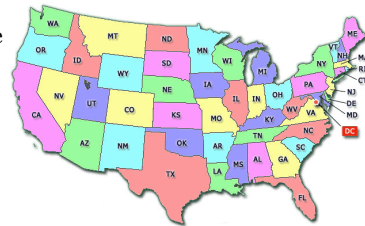
- U.S. scores did not start to drop significantly until poverty got over 25%
- That’s a concern because.....

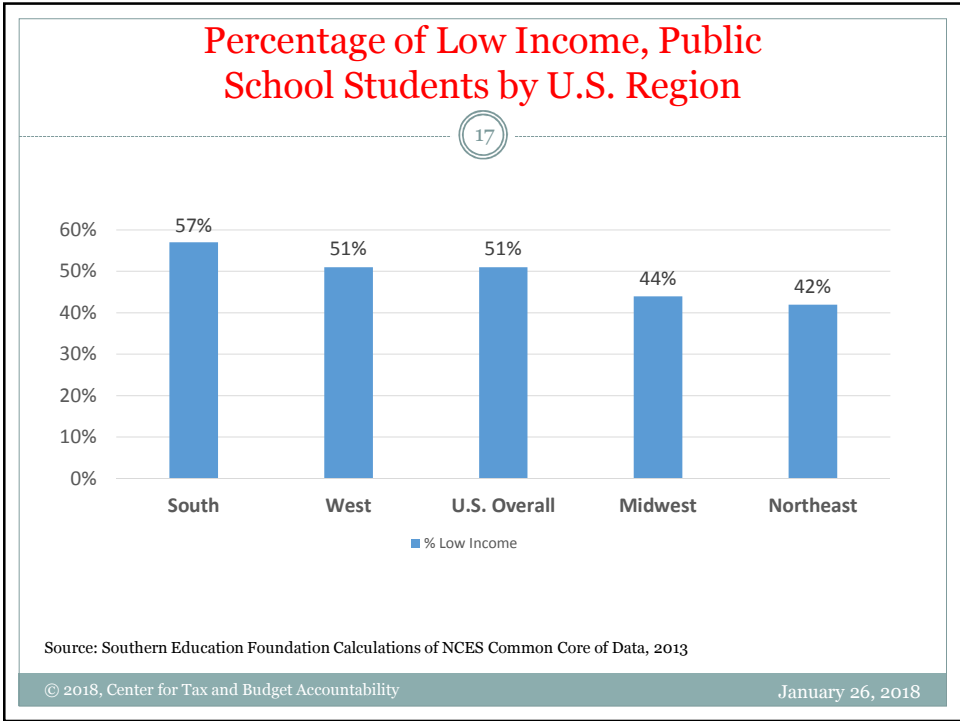


Poverty—Part 1

16

- U.S. Poverty Rate for school age children is more than double the OECD average—and higher than any advanced industrial nation in Europe, North America or Asia
- A majority of public school children in 21 states were low income in 2013
- As a region, southern states have the greatest % of total student population represented by low-income children—57%
 - In Oregon, 50.9% of students qualify for free or reduced lunch
- Mississippi was highest at 71%, but populous states like California, Texas, Illinois, Florida, and Georgia were over 50%
- Most districts with significant low income populations spend less than their wealthy peers






Poverty—Part 2

18

- In large urban districts, poverty can be very high—Chicago Public Schools—over 85% of the children live in poverty
 - In Portland Public School District, the figure was 46.3% in 2016-2017.




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Demographic Splits The Poverty — Racial/Ethnic Divide

19

- **CHILDREN IN POVERTY (2015)**
 - 36% of African American Children
 - 30% of Latino Children
 - 11% of Asian/Pacific Islander Children
 - 12% of White Children
 - Achievement GAP between children from high and low income families is 30%-40% **WORSE** among children born in 2001 than those born 25 years earlier.



Source: NCES, Common Core of Data

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The Oregon Poverty Data

20

- Overall Child Poverty Rate = 21.6% (2014 data)
- By Race:

○ White	17 %
○ Latino	33%
○ Native American	44%
○ African-American	46%
○ Pacific Islander	54%

Data Source: Oregon United for Kids

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Achievement Gaps

21

2015 National Assessment of Educational Progress

8 th Grade NAEP Percent At or Above	WHITE	AFRICAN AMERICAN	HISPANIC
Reading	85%	59%	70%
Math	81%	52%	60%
Science (2011)	81%	42%	56%

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So the Charge of the Commission
was on Point—The Core Issues Remain:

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- Poverty

and

- Insufficient Resources
Inequitably Distributed

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Which is Nothing New

23

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



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24

**The NIXON COMMISSION
on Education in 1972!**

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The Nixon Commission Found:

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1. Educational funding at the state level is too tied to property taxes—and rarely connected to the educational needs of children.
2. Money can help solve many of the Educational Problems that have surfaced.
3. States have the responsibility to reform school financing to eliminate disparities and ensure adequacy



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So How's that Working Out?

26



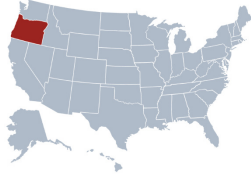
- Overall, states were providing less per pupil funding for K-12 in 2014 than they did before the Great Recession hit in December of 2007
- In real terms (adjusted for inflation), at least 33 individual states provided less \$ per student for the 2014-15 school year than before the Great Recession
- To pile on, the Feds have cut funding for Title I by 8.3% in real terms since 2010

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In Case You are Wondering, After Adjusting for Inflation:

27



- Oregon was spending **-7.4%** less per student in FY2014 than FY2008.
- The national average was a **-4.5%** drop.
- Oregon was spending **\$793** less per pupil in FY2014 than FY2008—**37th** in the nation.
 - Washington also cut per-pupil spending, however, at a smaller rate. Meanwhile, Idaho, and Nevada cut spending at an even greater rate.

Source: Analysis of National Center for Education Statistics Data

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What States Actually Do

28

- **35 states** use a “Foundation” or base level of funding per pupil → But rarely tie it to actual cost needed to educate even non-at-risk children
- **This base is usually supplemented in formula:**
 - 30 states supplement the base w/ a factor for low-income students
 - 27 states have a factor for ELL
 - 25 states have a factor for disability
 - 29 states have a factor for local property tax effort
- **And frequently supplemented out of formula with categoricals for transportation, special ed, etc.**

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Oregon Uses a School Equalization Formula

29



- Oregon uses a school equalization formula to determine state and local funding amounts for the state’s 197 school districts and 19 education service districts.
- The current finance system is the legacy of property tax measures 5 and 50, which limited property taxes to establish a more equitable funding structure.

Oregon Adjusts Funding per District

30

- The formula starts with a district’s local tax revenue. Then, the State School Fund supplements that to arrive at the total equalization formula amount of funding per district based on five factors:
 - × Teacher experience adjustment
 - × Transportation grant
 - × Facility grant
 - × High cost disability grant
 - × Weighted student count for Special Ed and at Risk students (including students who are ELL, neglected, in foster care, low-income, and pregnant or parenting)

State Aid to District	+	Local Revenues	=	Number of Weighted Students	X	Adjusted Base Funding Per Student	+	Transportation Grant
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- Adjusted Base Funding per student = (\$4,500 + Teacher Experience Adjustment) multiplied by Funding Ratio (in 2017/18, Funding Ratio is 1.705).
- In 2017-18, per pupil expenditure is \$10,299 on average

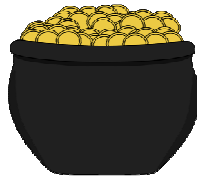
Source: US Census Data, 2015 Annual Survey of School System Finances

Fiscal Policy Issues:

31

- As in Oregon, the “Base” or “Foundation” level is usually funded by a combination of state-based resources and local resources
- But getting that mix right is crucial for both equity and adequacy

BECAUSE ONE AXIOM COVERS ALL



FISCAL POLICY:
Where needs are greatest
→ Resources are least

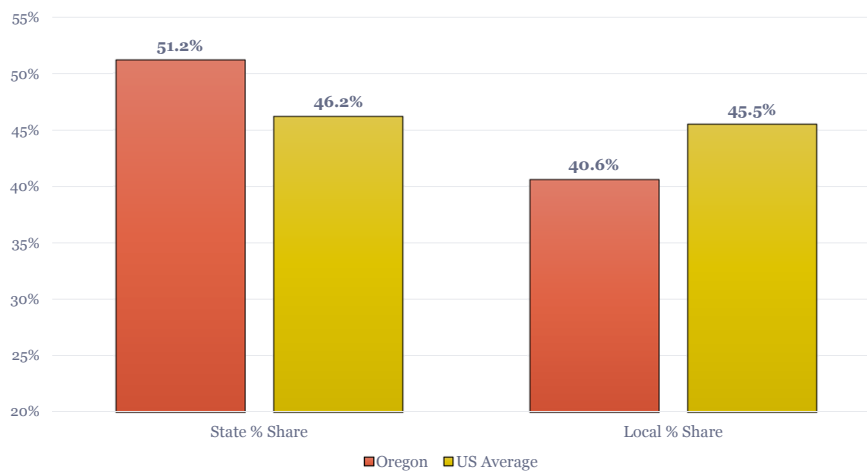


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And Oregon Has Assumed the Primary Funding Obligation

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Source: NCES, Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2013-14

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Some Trends that Raise Questions Going Forward

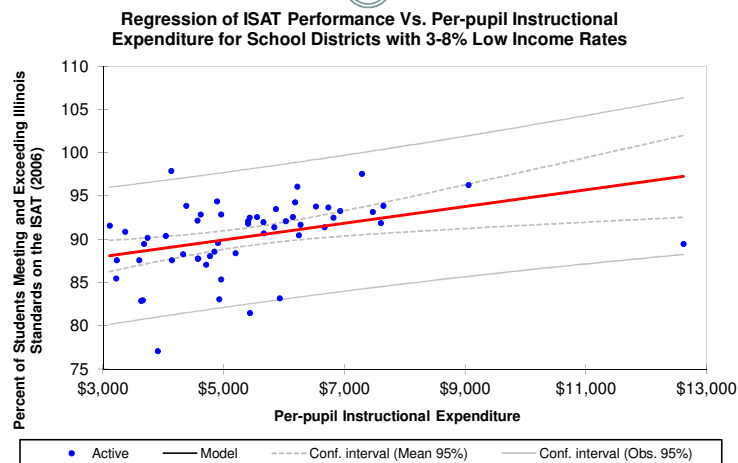
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- Average salaries for public school teachers **DECLINED** by **1.67%** in constant \$'s, for the decade ending in the 2014-2015 school year
- 25 states had a drop in real teacher salary over that decade, led by:
 - ✦ Illinois (-13.5%)
 - ✦ Indiana (-11%)
 - ✦ Mississippi (-10.5%)
 - ✦ North Carolina (-10.2%)
 - ✦ Idaho (-9.9%)
- Overall, state tax revenue has recovered to above 2008 levels, however, 17 states still lag 2008. Key among them:
 - ✦ Alaska
 - ✦ Louisiana
 - ✦ Florida
- By this time after the 2001 Recession, tax receipts had rebounded in all states except one:
 - ✦ Michigan
- Georgia is down **-7.1%** since the end of 2000 (Pew Charitable Trust)

That's a Problem Because \$ Does Appear to Matter Illinois Example

(2006 data)

34



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



It's Also GOOFY Short-Sighted Economically Because

35

- The research shows that those states which have made the greatest investment in building the capacity of their public school system to meet the educational needs of all children, from the poorest on up, have experienced stronger economic growth than states that did not. Source: Noah Berger and Peter Fisher, *A Well-Educated Workforce is Key to State Prosperity*
 - The high-investing states also had larger increases in worker wages over the same time period. Source: Michelle T. Bensi, David C. Black, and Michael R. Dowd. "The Education/Growth Relationship: Evidence from Reach State Panel Data." *Contemporary Economic Policy* 22, no. 2 (April 22, 2004): 297.
 - As well as a statistically meaningful advantage in state level GDP growth. (Id)

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- The Federal Reserve of Cleveland found that differences in personal income between states could be explained in large part by differences in educational attainment.
 - Specifically, it found states that had a greater percentage of their population attaining high school degrees than other states, also had a 1.5 percent higher per capita personal income.
 - While states with the greatest high school and college graduation rates have the highest per capita personal incomes.

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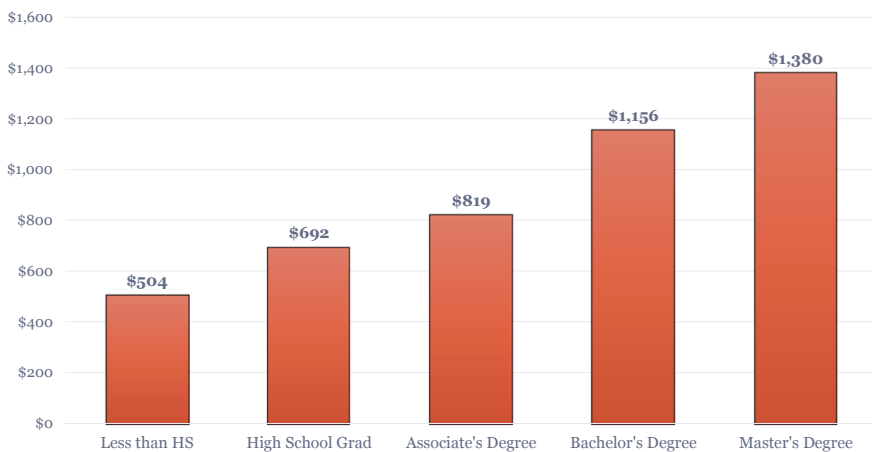
In Fact, Over the Long Term.

37

- Investment in K-12, higher-ed, and infrastructure are the only policy decisions at the state level which have a statistically meaningful correlation to economic **outcomes**. Source: Center for Tax and Budget Accountability, "Good for Business: How Illinois Can Best Support Small Business." (April 7, 2014)

Some Data: Median Weekly Earnings of U.S. Workers (Age 25+) by Educational Attainment, 2016

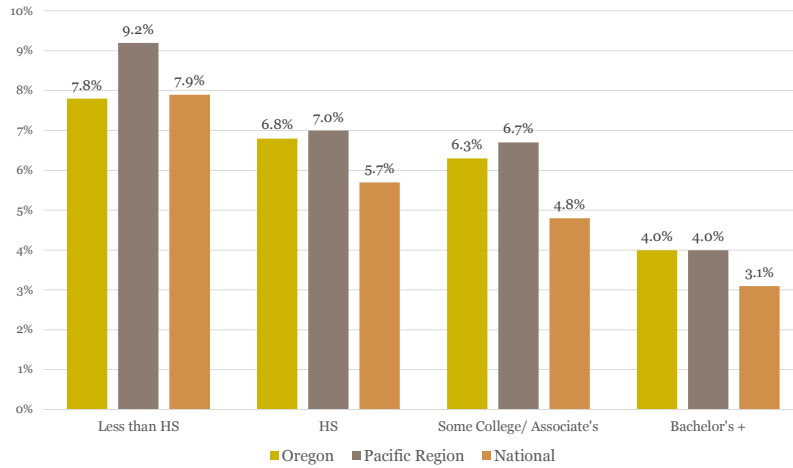
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Source: U.S. Bureau of Labor Statistics

Failure Has Economic Consequences

39



Source: Unemployment rates from US Census, 2014

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Education Wage Gaps Over Time

40

Education wage gaps	1979	1995	2007	2011
College/high school	23.5%	42.5%	46.4%	46.9%
Advanced degree/high school	32.4%	62.3%	66.6%	69.6%

Source: The State of Working in America

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

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41

CTBA analysis of Census data on per pupil spending in all 50 states and Washington, D.C., confirms that those states that did the best job investing in K-12 education have higher wages and income than other states, with per pupil spending being strongly correlated with:

- median income (.668),
- mean hourly wage (.635),
- median hourly wage (.668), and
- annual mean wage (.634).

And There Really is A lot to Gain for Everyone

42

If American schools performed comparable to higher-performing nations (e.g. Canada) in math (scoring approximately 40 points higher on the Programme for International Student Assessment), our higher skilled students would produce a faster growing economy, improving GDP over the next 80 years by an amount with a present value of \$70 trillion.

Source: Hanushek, Ruhose & Woesmana

For Each and Every Child

43

- The Equity and Excellence Commission found that eliminating the achievement gap between white students on the one hand and African-American and Hispanic students on the other, would add “some \$50 trillion (in present value terms) to our economy” over the next 80 years.
 - Simply achieving a 90 percent graduation rate for students of color would add as much as \$6.6 billion in annual earnings to the U.S. economy.

Source: U.S. Department of Education, *For Each and Every Child—A Strategy for Education Equity and Excellence*, (Washington, D.C.: 2013), 13.

The Solutions

44

1. Build the capacity of the public school system to create a meaningful educational opportunity for every child in her or his local public school;
2. Utilize an evidence-based approach to education funding tied to strategies proven to enhance student achievement;
3. Minimize inefficient competition, maximize collaboration;
4. Develop resources to sustain the investments needed for success; and
5. Implement an effective, informative, and corrective accountability system.

Each and Every Child

45

- **States Should Then:**
 - Identify and publicly report the teaching staff, programs and services needed to provide a “*meaningful educational opportunity*” to all students of every race and income level **BASED ON EVIDENCE OF EFFECTIVE EDUCATION PRACTICES—LIKE THE APTLY NAMED “EVIDENCE-BASED MODEL”**;
 - Work for bipartisan support of a school finance system that provides sufficient funding for all students to achieve content and performance standards—and ensure those resources are equitably distributed;
 - Ensure the public understands that “**Equitable**” does NOT mean equal investment—it means providing such additional resources as are necessary to implement evidence-based practices for at-risk populations.

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The Evidence-Based Model

46

- **Created by Drs. Odden and Picus it:**
 - ties funding to those educational practices which the evidence and/or research show have a statistically meaningful correlation to enhancing student achievement.
 - creates an “Adequacy Level” of education funding for each school district that adjusts for demographics.

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Recommended Strategy	Effect Size
Full Day Kindergarten	0.77
Class Size of 15 in Grades K-3	
Overall	0.25
Low Income and Minority Students	0.50
Multi-age Classrooms	
Multi-grade Classrooms	-0.1 to 0.0
Multi-age Classrooms	0.0 to 0.50
Professional Development with Classroom Instructional Coaches	1.25 to 2.70
Tutoring with Tier 2 Intervention Teachers, 1-1 and small group	0.4 to 2.5
English Language Learners Direct Intervention Support	0.45
Structured Academic Focused Summer School	0.45
Embedded Technology	0.30 to 0.38
Gifted and Talented	
Accelerated Instruction or Grade Skipping	0.5 to 1.0
Enrichment Programs	0.4 to 0.7

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Direct Funding for Evidence Based Practices

48

- **Tier 2 and 3 Intervention Teachers**
 - 1FTE/125 DHS and EL Students (Duplicate Count)
- **Additional Pupil Support Teachers**
 - 1FTE/125 DHS and EL Students (Duplicate Count)
- **Extended Day Programs**
 - 1FTE/120 DHS and EL Students (Duplicate Count)
- **Academic Summer School**
 - 1FTE/120 DHS and EL Students (Duplicate Count)
- ✦ **English Learner Teachers**
 - 1FTE/120 DHS and EL Students (EL Count Only)

49

ALSO OPENS THE DOOR TO A
BETTER ACCOUNTABILITY SYSTEM



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BUT WAIT.....

50

WON'T TAX INCREASES KILL THE ECONOMY?



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NOPE:

51

Economic Growth

- A rigorous 2012 study commissioned by the U.S. Small Business Administration (SBA) found:
 - “No evidence of an economically significant effect of state tax portfolios on entrepreneurial activity.”
Can State Tax Policy be Used to Promote Entrepreneurial Activity, Small Business Economics, 2012.
 - The Harry S. Truman Institute @ University of Missouri found that when benefit of a tax break is measured against the economic loss generated by spending cuts—there is always a NET ECONOMIC LOSS.
 - The CBO found no correlation between tax policy & job creation. . . . Private sector demand is what counts.

NOPE: Two Approaches to Tax Policy...

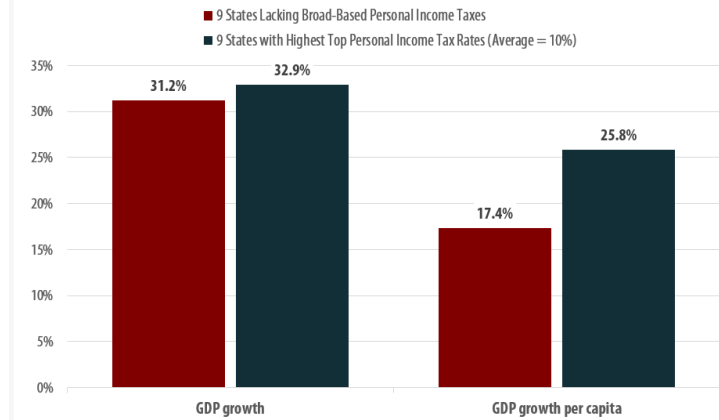
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- **Kansas**
 - Cut top personal income tax rate from 6% to 4.5% in 2012
 - Projected to reduce revenue by \$920 million in FY2017
 - Income tax as share of state revenue fell from 50% to 40%
- **Minnesota**
 - Raised income taxes in 2013
 - Third-highest top marginal personal income tax rate (9.85%)
 - Middle rates, covering income from \$25,180 to \$146,270, are 7.05% and 7.85%
 - \$1.4 billion budget surplus for FY2018-19

Increasing Taxes the Right Way Won't Hurt the Economy

53

**Economic Growth in the States
2006-2016**



Source: ITEP calculations based on data from the Bureau of Economic Analysis. State averages are unweighted.

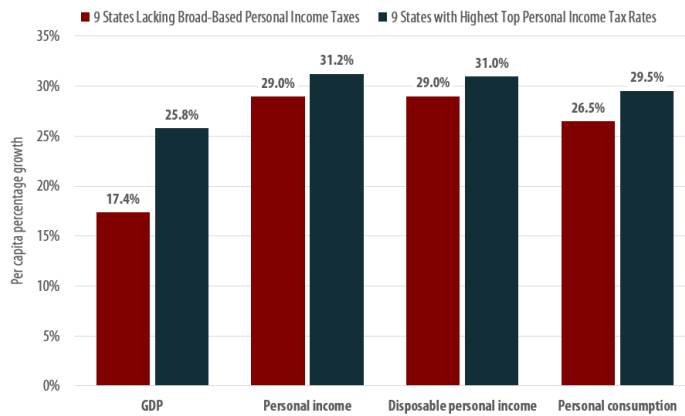
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Unemployment in the States, 2016

54

**Economic Growth in the States, Per Capita
2006-2016**



Source: ITEP calculations based on data from the Bureau of Economic Analysis. State averages are unweighted.

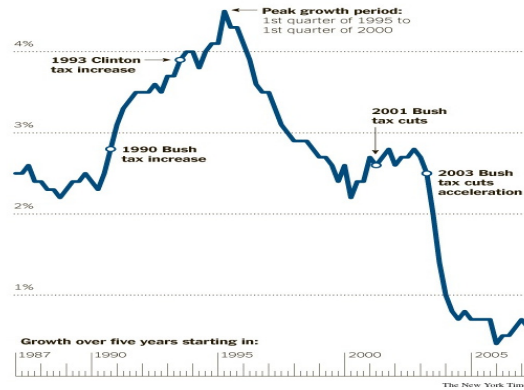
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Economic Growth Isn't Stymied by a Well-Designed and Needed Tax Increase

55

Economic Growth Rates Following Periods of Tax Increases and Tax Cuts



Source: Bureau of Economic Analysis, via Haver Analytics
 Henry Blodget, Bombshell: New Study Destroys Theory That Tax Cuts Spur Growth, September 21, 2012 <http://www.businessinsider.com/study-tax-cuts-dont-lead-to-growth-2012-9>

The Multiplier Effect

56

Government Action	Multiplier Effect on a State Economy
(i) Tax Cut:	
• Across the board tax cut (temporary)	0.98
• Cut In Corporate Income Tax Rate	0.32
• Accelerated Depreciation	0.29
(ii) Spending Increases:	
• General (for spending on items such as education, public safety, health and human services)	1.34
• Infrastructure	1.44

Source: Testimony of Mark Zandi before the Joint Economic Committee, "Bolstering the Economy: Helping American Families by Reauthorizing the Payroll Tax Cut and UI Benefits", 2012

For More Information

57



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