

Money Matters: Alternatives to Education Funding

In September 1998, Pioneer co-sponsored with the Taubman Center for State and Local Government at the Kennedy School of Government a forum featuring Arizona state superintendent of public instruction Lisa Graham Keegan. Ms. Keegan was the chair of the education committee in the senate in Arizona and now oversees the implementation of the most far-reaching charter school legislation in the country. Research has begun to bear out her vision--that charter schools can have a dramatic effect on student achievement. With one indicator after another, researchers have found that the Arizona public schools are improving, and the biggest strides have been taken exactly where charter schools have highly visible operations. Central to Ms. Keegan's philosophy is the need to restructure education financing to ensure a high-quality public education for every child. Her article, "Student-Centered Funding," was included in Pioneer's Agenda for Leadership 1998.

In the following pages, Pioneer Institute has reproduced an edited transcript of her remarks.

It is important for me to share with you my philosophy because it underpins everything that I do. Public education is that education the public pays for and that every child in the state is entitled to, with the expectation that they will all be invested in at about the same rate. All taxpayers should be able to expect that they will be paying at about the same rate for high-quality education. I believe we must create the reality that children can access whatever school works regardless of where it is. We need to get away from the notion that the school down the street is the one that is best for our children. In Arizona we have begun to change our thinking by asking new questions: Do children have adequate amounts of money fairly applied to their education? Are taxpayers equally burdened? Do parents have choice of school without barrier?

Arizona has the fastest growing charter school operation in the country, and it is a very open law. We allow for-profit and not-for-profit firms to run charter schools. The notion that no one is getting paid to run government schools is just ridiculous. They would not be in business even in the public sector. At the end of the day, profits are personal. I make no distinction between public schools and private schools, except in obviously economic terms, as far as where children ought to be able to go to school.

Choice in Arizona is making a difference. Arizona's test scores are up this year in every academic assessment that we take. In addition to fostering the growth of charter schools, we have rewritten standards. When I came into office, standards for K-12 reading, writing, and math came up to my waist. There was not a teacher in Arizona who knew what the standards were. We decided that there are things that should be non-negotiable--phonics instruction in kindergarten, literature introduction in the first through third grade. I believe it is a huge relief to the teaching profession when we say, "Here is what you must teach. Fifty percent of the curriculum is up to you, but 50 percent of it is ours."

What is most different about Arizona's charter legislation is that--this is very similar in Massachusetts -- you do not have to go to the local school district and ask for permission to open a school. You go to an independent entity. For the existing public schools, the pressure of having somebody around you that empties out your schools makes a huge difference. One of our larger school districts lost between 4,000 and 5,000 children in two years to charter schools. You better believe that gets people's attention.

Their response in the first year was the red carpet program. They brought in teachers and taught them how to be nice to parents. In the second year we saw advertisements in the newspaper--full-page ads. "You need to know what our school district offers you." This year they actually got around to the business of revising their math curriculum.

It takes three years before it occurs to people that it might actually be school that parents are looking for. Not a red carpet and not a newspaper advertisement, but school.

You can see rising achievement in Texas, where they have had their TAAS test for 10 or 15 years. They are beginning to blow the top off of that test. Why? What started to make a difference? They started to do public shaming. They ranked their schools number 1 to number 3,000 or 4,000. It makes a difference if you publish how well schools are doing. Schools have a reason now to worry about their performance.

Where this country really excels is in expenditure, and there is a Fordham Foundation report out with charts and graphs showing this. We are topping most nations. We are number three in the world in most indicators in terms of per person allocations for education, but our efficiencies are very low. We really have to wonder what is going on in the United States. But we are beginning to see academic achievement break out in some areas.

There is some very good work being done to determine what makes a difference for children. Some of the most compelling research is coming from Bill Sanders in Tennessee, who is taking a look at teacher effectiveness. If you look at Dr. Sanders' work, without question the single most important factor is the quality of a teacher. Do you get 100 percent, which is one year's growth, from a teacher or not? This is fabulous research that has been going on for a couple of decades now in Tennessee. I suggest that we all do it in our states. We would begin to have some real information about who is making a difference for children.

We know now that there are things that make a difference. Standards make a difference, choice makes a difference, ability to judge the quality of a teacher makes a difference, and principals ought to be in that business. How do you do that? I believe the way that you do that is with money. School finance policy is tax policy. It is very important to acknowledge that up front. It is not educational policy; it is tax policy. The tax policies in place for education have everything to do with inhibiting or creating change.

It is not at all popular in Republican circles to say that the court cases regarding school financing and inequitable funding are correct. I think most of them have a great basis in truth. In Arizona, and I will only speak to our state, a home owner could be paying twice the tax in a low wealth, urban community than would be paid in a wealthy area for exactly the same priced home. On a \$100,000 home, you pay \$6 in the Scottsdale area; \$12 in downtown Phoenix. That is not a fair tax policy. I think that needs to be challenged. We decided to quit funding on the basis of school districts. It is not equitable. It does not make sense for taxpayers or for children because there are different amounts of support behind students. I believe that the amounts should be roughly the same, taxing should be roughly the same, and differentials should come from individual giving. I endorse people giving money to schools. There will be differences in the amount of money schools have available to them, but these ought to come from a personal effort--not a taxing effort. I think tax policy is best when it is fairly laid. We offer tax credits, direct dollar-for-dollar credits, for people wanting to invest their wealth in their schools. Just as important, however, is that the money available for the child needs to be strapped to the child, not to a school district. Public education funding is for children, not for systems. It is to support a child.

Unfortunately, it is an ingrained belief in this country that we must have local control, and local control is neither local nor control. It is very hard to disabuse ourselves of the notion that five elected people--five in Arizona--are more local than the ability of a parent to place a child in a school that works. If you think about it, we would never entertain the idea of electing five people who would then have the sole franchise over grocery stores in the area.

When money goes into that central system rather than directly to the schools and the children who are to be educated by those schools, that is a monopoly, a centrally run system that probably will not work very well. Instead what we ought to allow is that the money to go to the child. In Arizona we have set up this system that will be online by 2000, by which we literally track money on children. This is across the board, not just charter schools. Children have a unique identifier, a number. Virtually the only thing that will get money to move in Arizona will be a parent signature on an enrollment card at a school. Money shows up at that school. That is a very powerful policy. The money ought to move with the children.

In the case of the charter schools, Arizona went a step further. We said the state should probably not be

in the business of owning school properties. Quite frankly, educators are not construction specialists. They get lured by construction specialists who take a great deal of our money that should be in the classroom to build, at least in Arizona, quite palatial facilities. High schools now cost \$45 to \$50 million for 1200 to 2000 kids. That is just disgusting in my opinion, and it is not appropriate. We give the charter schools an amount of money and the money is fungible.

To suggest that a school or any endeavor needs the same amount of capital every year is really quite bizarre. You have years when you are making capital investments, years when you are not. You have years when you really need to be investing in your teachers, perhaps in a training program. You have years when you do not. That money should be available for the schools' use as they see fit. We did that with the charter schools and took no interest as a state in the ownership of their property. We have 15-year contracts with them. If they go out of business before those 15 years, we will sue them for specific performance because the state cannot pay for a school, purchase capital facilities, then have the school go out of business the next day and become a private institution. The public frowns upon that, and they should. We say, "we need for you to be in business through the depreciation of these assets, etc. After that you can own, but we expect we will continue to have some service here."

Obviously the idea of child-centered school funding, which is what we call it, annoys a lot of people. On the Republican side people are annoyed because of the local control issue. We are wedded to the idea that if we want to spend more, we will have to vote for it. That ignores the fact of the monopoly. On the Democratic side in Arizona, the notion of letting schools open up an educational market place is offensive because you lose the central control in the governing office where a lot of the union contracts are written. I think this has the potential to be an issue on which there could be incredibly strong bipartisan support. Opposition to child-centered funding comes from those who are most familiar with traditional education systems. From the public we continually get between 78 and 85 percent support for this plan. It is intuitively the right thing to pay for the education of children and let them go to schools that work.

What a parent really likes is the ability to see the money available in their school. I have never met a parent who said, "You know, I'd rather not know how much money my principal has available." In the traditional system most school principals, at least in Arizona, and I should think this is true in Massachusetts, do not run their budgets. They are told by the local district office how many teachers they will have, how many books, how many computers. They do not do money--it is a nasty business.

What I have always told my superintendents is we want them to be the educational leaders. It is very hard to be an educational leader when you control neither your staff, nor your supplies, nor your capital. I had a superintendent who brought me his financial layout and demonstrated it to me. He said, "You know Lisa, this is a nice idea. But the fact of the matter is that every single one of the 25 schools in our district loses money every year. If it were not for the central office, they would not have enough money to operate. Think about that."

I said, "Dr., I'm not sure who you think you're talking to, but that's not possible." He said, "No, really Lisa. Look at the brackets." I said, "Jim, if I could back you up just two columns, look at the central office budgets. If you just get rid of those and move those over here, they are all running at a pretty nice profit to tell you the truth." It is all skimmed off in the central office. Are those functions necessary? Maybe, maybe some of them are not. But it is a silly notion that schools cannot operate without central offices. Schools in any state, even though they do not get the money, are the basis on which money is received. Students are really what drives funding. Students count in every state.

Those of us who believe that school choice is the great hope particularly for those students who are not achieving in the system--those children in low-income areas, those in areas of low expectation, minority children--we need to be very blunt. If you look at Dr. Sanders' work, what you see is a shed slope, meaning that the teacher in the classroom is focusing her attention on low-achievement, and the kids who were at a high achievement level in first and second grades, by third grade have dropped off. That is very damning information about what happens in our schools.

If the money is moving with kids into schools that have high expectations, and the teacher and the school

have the ability to gear towards those children, that is a much better system. Most people could be compelled to believe that that is more hopeful for us than the system that is failing them right now. It is really only controversial within the institution of education itself. Once you get outside and start to talk with business, industry, and parents about this notion, it is very well-supported. They simply need to be shown that in fact it can work.

In Arizona we need the introduction of a lot of private money, financial backing, etcetera, for charter schools to proliferate. We do have interest in the development community; for example, they are now putting up schools in their planned area developments that are public charter schools run by organizations. Some of the schools that are indigenous to Arizona are in collaboration with home builders. Instead of having the local school district build the school, the home builders build it, the home owners own it, and the school is run by a local charter operator. One of the difficulties is that we do not allow them to prescribe an attendance boundary, but really it takes care of itself. The home owners who are closest to the school usually end up with their children in it. If other people have to drive, I do not think that is a problem.

Ideas like this are a direct assault on what was traditionally held territory. Charter schools can proliferate to the extent that more charter operators and financial backing get together because obviously money right now is the biggest issue. How do we fund this? I do not think the state should be able to pour money on this until we find out how much is enough. My predilection--and this is unhappy news for a lot of people--is to under-fund it until we figure out how much is enough and gradually move up. It is hard to argue that there is a huge barrier to market entry when Arizona has had 277 charter schools started in four years. Things are moving and happening very quickly. I believe we can accelerate the pace of improvement by removing barriers and that money is the single most important way to do that. I grew up with a man, who every night at the dinner table, admonished me to follow the money. If I wanted to understand what was going on, I needed to follow the money. I originally got into the legislature thinking I was going to work on tax policy and began to study tax policy and education. When we passed the education reform law in Arizona, I decided I needed to try to implement these policies. I am convinced that except for standard setting, which defines our role for us, the ability to have money moving with children will be the single most powerful policy in the country, and hopefully it is one to which we will all turn.

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