

**Suggestions for the Texas Legislature as It Enters  
The Next Stages of Education Reform**

James W. Guthrie  
Senior Fellow  
George W. Bush Institute  
Professor of Public Policy and Education  
Southern Methodist University

Testimony delivered before the Texas Legislative  
Select Committee on School Finance Weights, Allotments, and Adjustments

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Weights, Allotments, and Adjustments

Good morning Chairs Shapiro and Eissler, members of the Texas Senate and House, public members of the Committee, and fellow Texans.

It is a privilege to appear before you today and to do so as a Texas citizen. I note the particular honor of speaking to you in a State Capitol with a building named after another Tennessee émigré, Sam Houston. I am not suggesting that I in any way match his historic stature, only that, even if late in life, we both discovered where the living is best.

Texas has repeatedly blazed a progressive trail for United States education reform. It is the far reaching visions and bipartisan actions of Texas officials, concerned lay leaders, and professional educators that have provided models for national innovations such as learning standards, statewide achievement testing, accountability, and educator performance pay.

In the remarks that follow, I suggest several ideas that might propel school reform even further in Texas and continue to put our state forward as the nation's leader in education.

The nation and state seem to have reached a productivity plateau, and each added increment of student achievement progress is absorbing disproportionately more resources, money and people. This productivity challenge in education is occurring at the same time as our nation, and our state, face ever more intense resource competition among deserving public sector choices.

We need to realign our resources, money, people, and time, so as more forcefully to propel student achievement to higher levels. We can do this through local and state policy changes and changes in day-to-day school practice.

I wish to emphasize now, and I will underscore repeatedly throughout my remarks, that this productivity challenge has not been thrust upon us as a consequence of wasteful management, government malfeasance, partisan miscalculation, lack of appropriate legislative, judicial, or executive branch stewardship, or bureaucratic blunder. Rather, it is a virtually universal phenomenon, occurring throughout industrialized nations, happening in virtually every state in our nation, and, if anything, this dip in productivity afflicts Texas less than most. Indeed, a possible reason that Texans have been slow to notice this productivity plateau is because the states' school system has improved so much for so long, particularly when compared to many other states.

After a discussion of education productivity generally, I will proceed to describe several kinds of additional state and local school district action that likely could enhance student learning and public satisfaction, and provide taxpayers with a greater return on their investments in public education.

## America's, and Texas', Productivity Plateau

Permit me to call your attention to nearby graphs. Figure 1 displays the trajectory of United States, inflation adjusted, per pupil spending for the past century. It is an ever-upward slope.

**Figure 1**

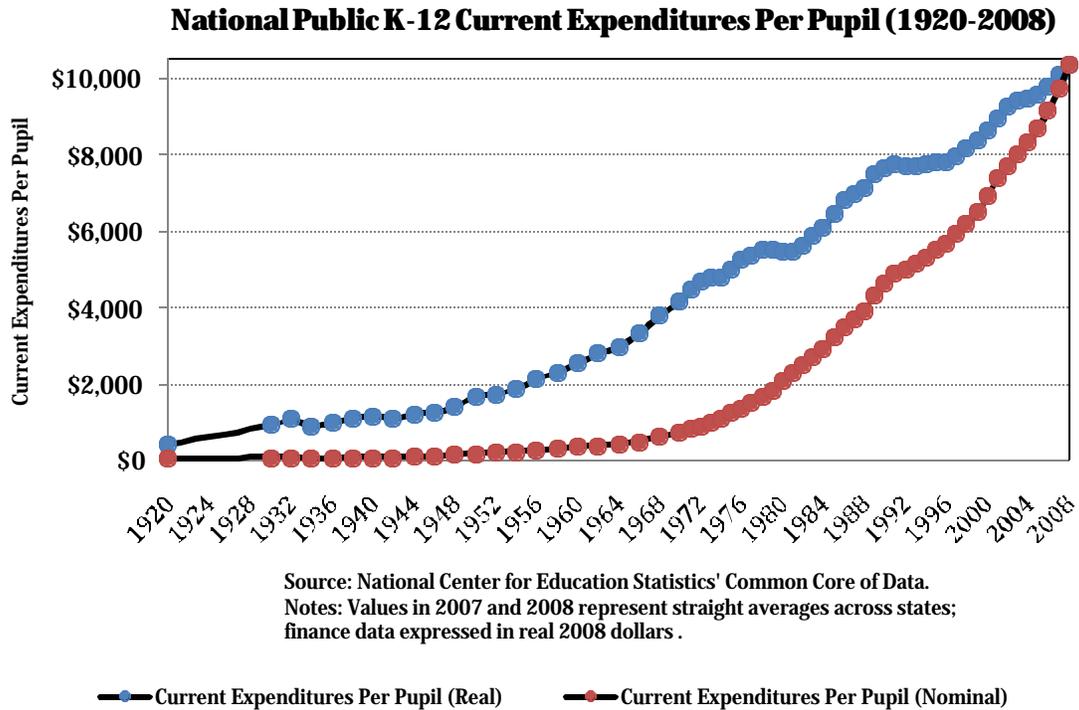
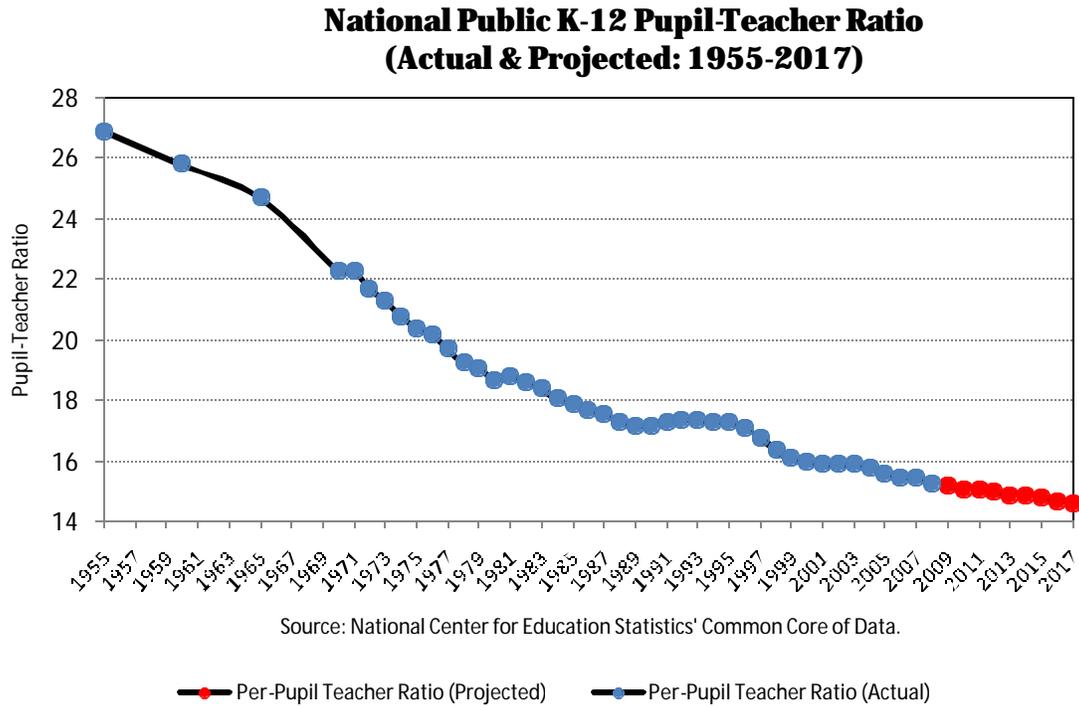


Figure 2 depicts the ever more favorable professional educator-to-pupil ratios for the nation. This figure answers the question, "For what has most of the additional money been spent?" It has been used to purchase the services of growing numbers of professional educators. In the past fifty years, pupils per each professional have almost been halved, from 27:1 to 15:1.

**Figure 2**



Figures 3 and 4 (and 11 and 12) display the overall trajectory of National Assessment of Educational Progress (NAEP) reading scores and, separately, high school graduation rates. Here one can see progress in reading. Nationally, reading proficiency among nine year olds, fourth graders generally, has improved, on average, about an entire grade level. Eighth graders have grown in reading proficiency about a half grade level. We see little progress among seventeen-year old test takers.

Mathematics, for the nation and for Texas, is a brighter story with greater progress having been made for both fourth and eighth grade students.

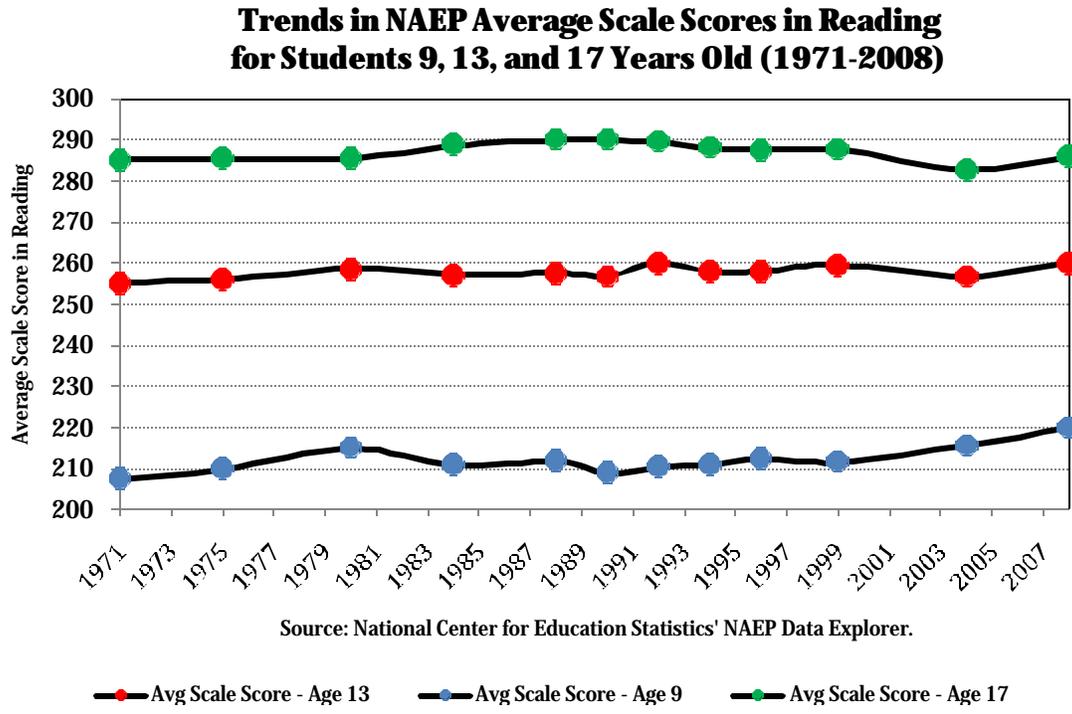
These data somewhat understate reading and mathematics proficiency progress because many of the gains have been among previously underperforming minority group students. The disaggregation of achievement data now permits far greater understanding of the overall achievement picture.

Progress in both reading and mathematics has occurred most intensely since 2000 when performance accountability became more intense for local school districts.

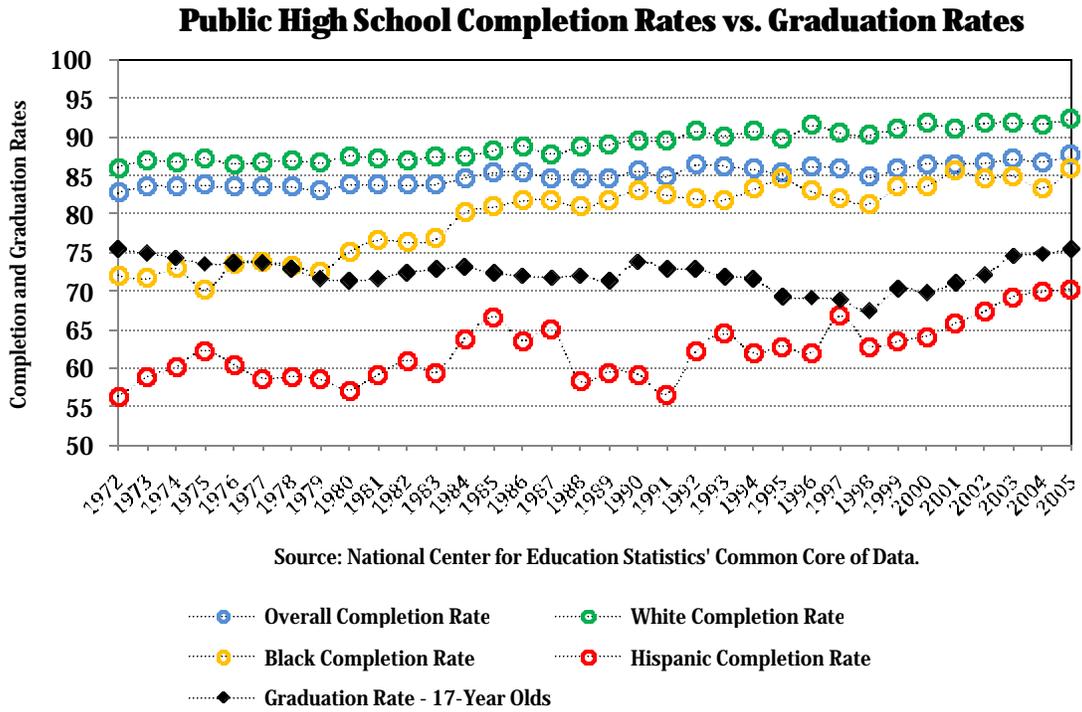
High school graduations, and international comparisons, are, regrettably, a different story. One of every four first grade enrollees fails to complete high school and this condition has persisted for several decades.

The United States ranks way below the international (OECD) average for eighth grade mathematics and science knowledge.

**Figure 3**



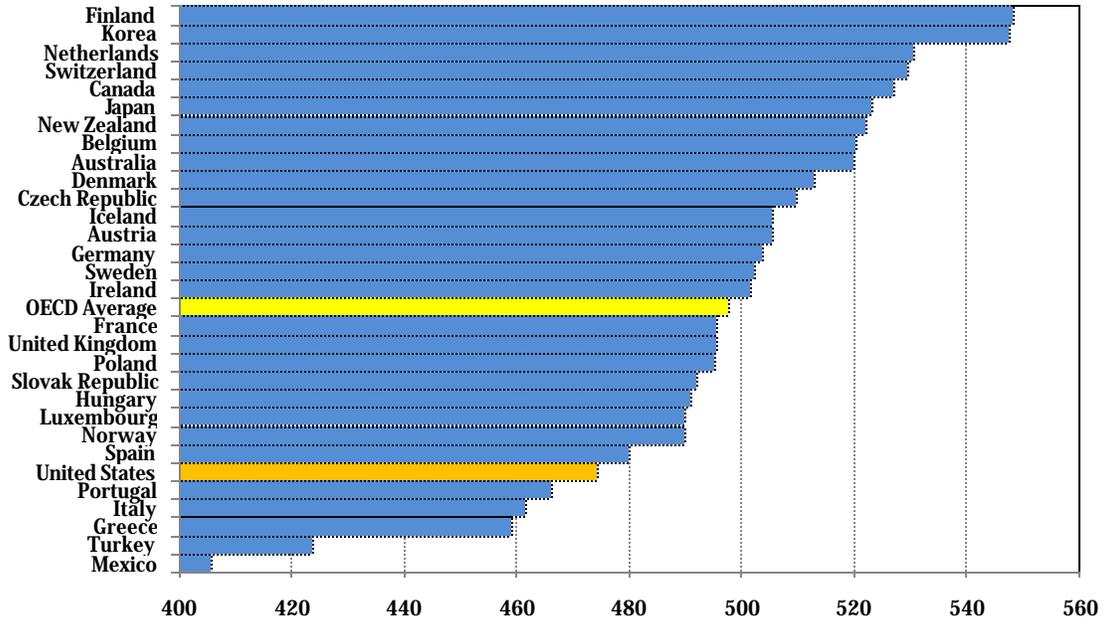
**Figure 4**



Figures 5.1 and 5.2 display the regrettable U.S. position relative to other nations in international mathematics and science achievement test results.

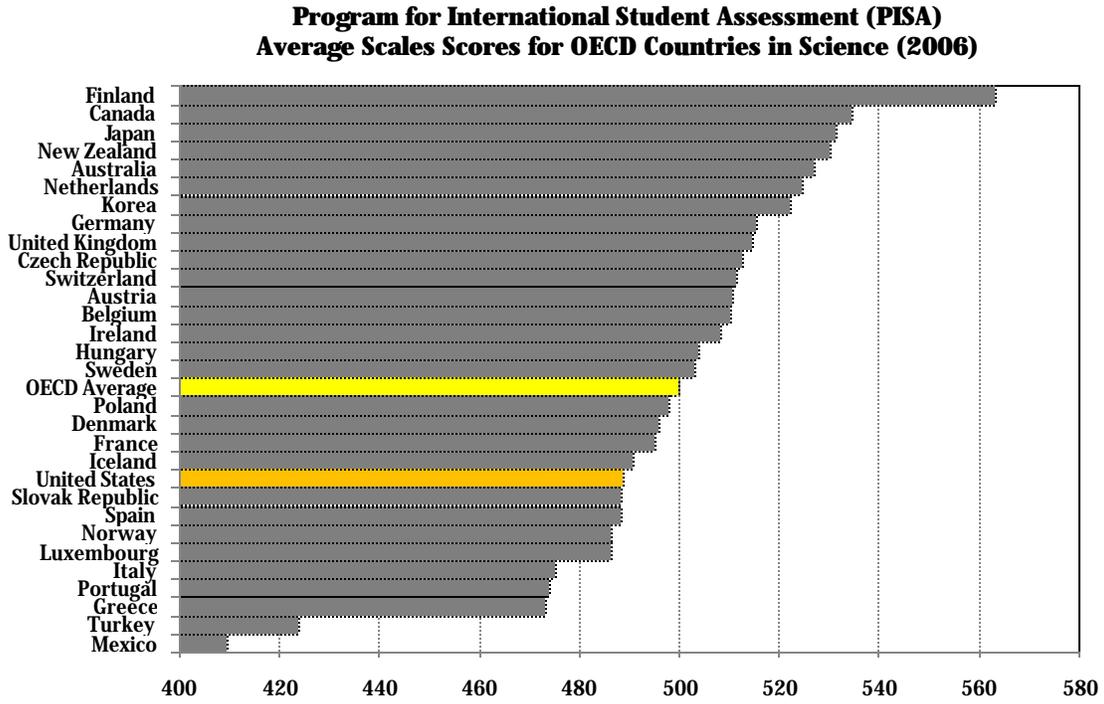
**Figure 5.1**

**Program for International Student Assessment (PISA)  
Average Scales Scores for OECD Countries in Mathematics (2006)**



Source: National Center for Education Statistics' International Data Explorer.

**Figure 5.2**

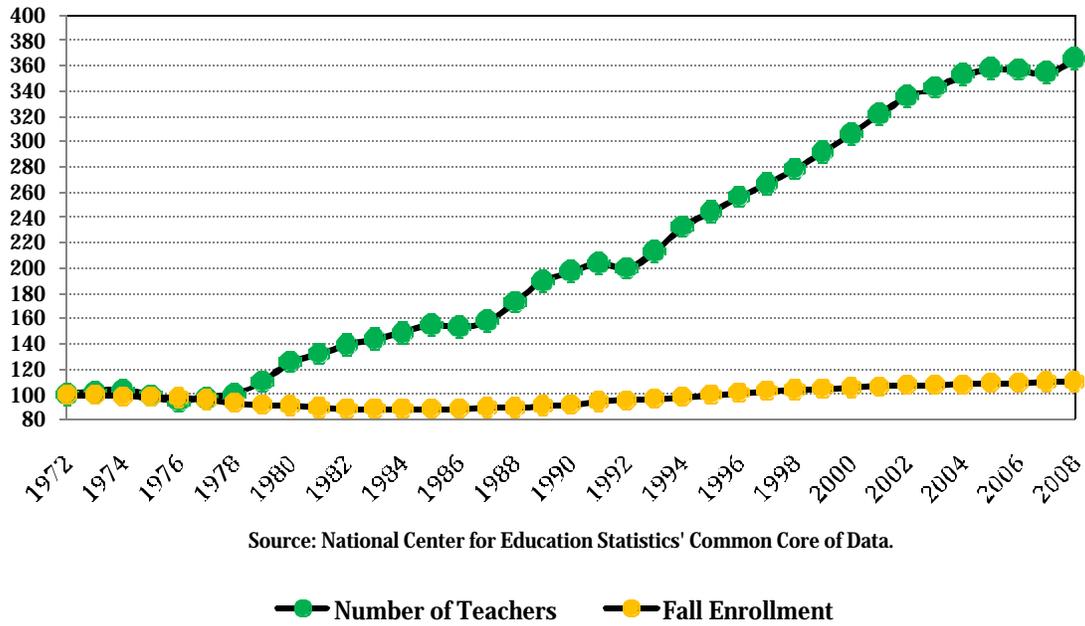


Source: National Center for Education Statistics' International Data Explorer.

Figure 6 displays the dramatic grow in the teacher workforce relative to enrollment growth. This figure begins to suggest the productivity challenge.

**Figure 6**

**National Public K-12 Teachers and Fall Enrollment  
(1972-2008; Base Year 1972 = 100)**



At the national level, one can see from Figure 7 that the dollar costs of acquiring each achievement point on the NAEP reading scorecard have increased from point to point over time. It is this figure that supports the assertion that, nationwide, education reform productivity has reached a plateau.

**Figure 7**

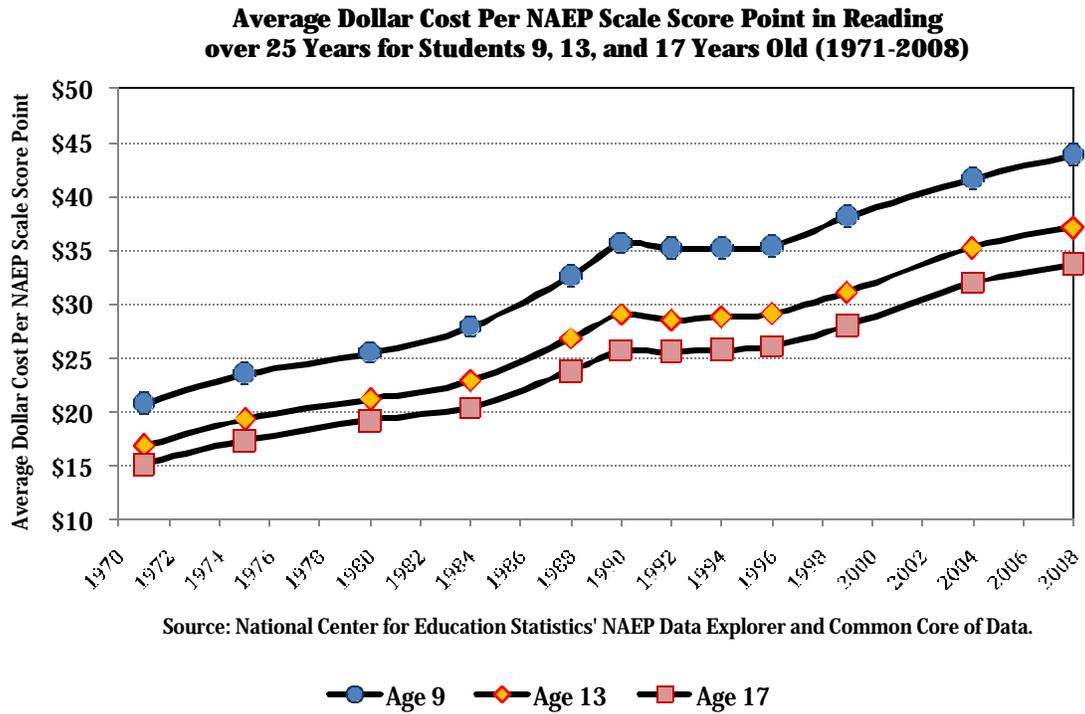
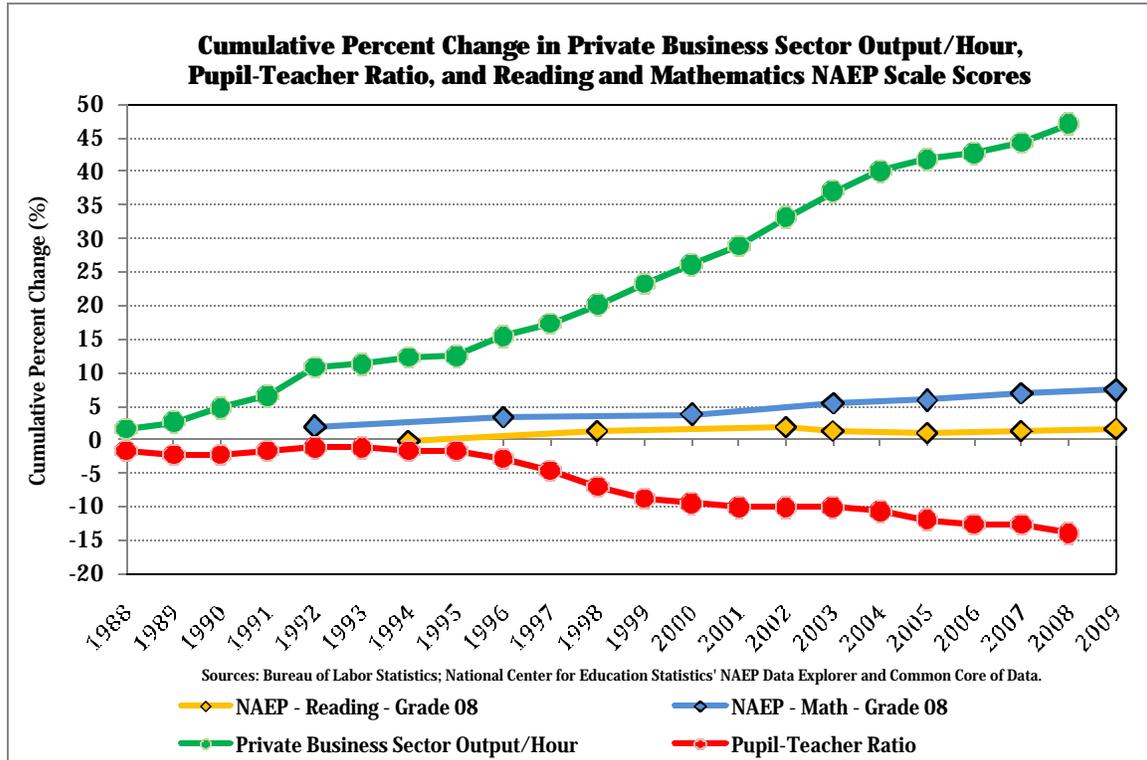


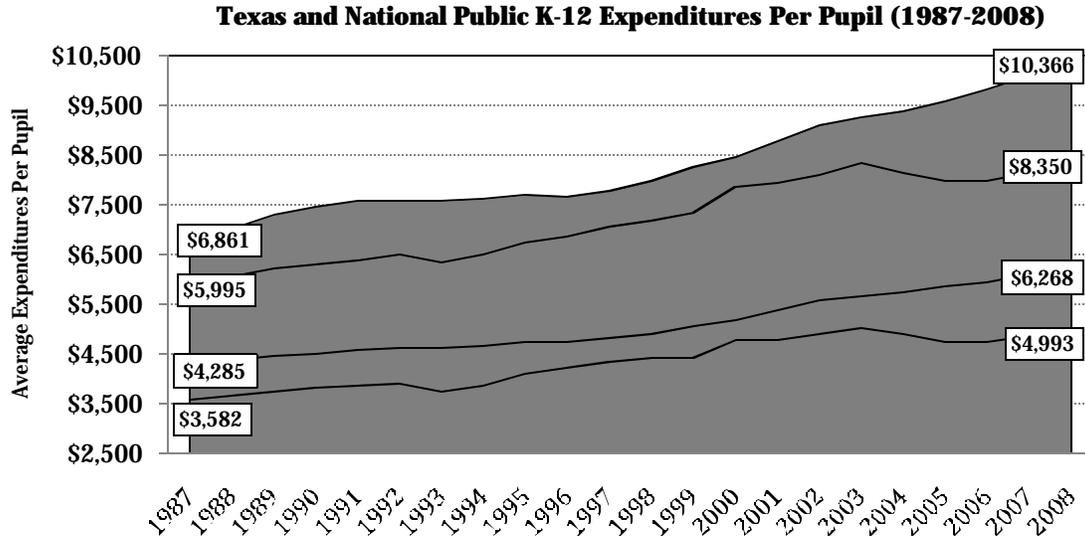
Figure 8 offers a comparison between positive productivity in the private sector over the past twenty years in contrast to the declining productivity in public education. If what we were plotting here were corn or wheat production, our nation would be starving to death.

**Figure 8**



Figures 9 through 13 paint a comparable picture for Texas.

**Figure 9**

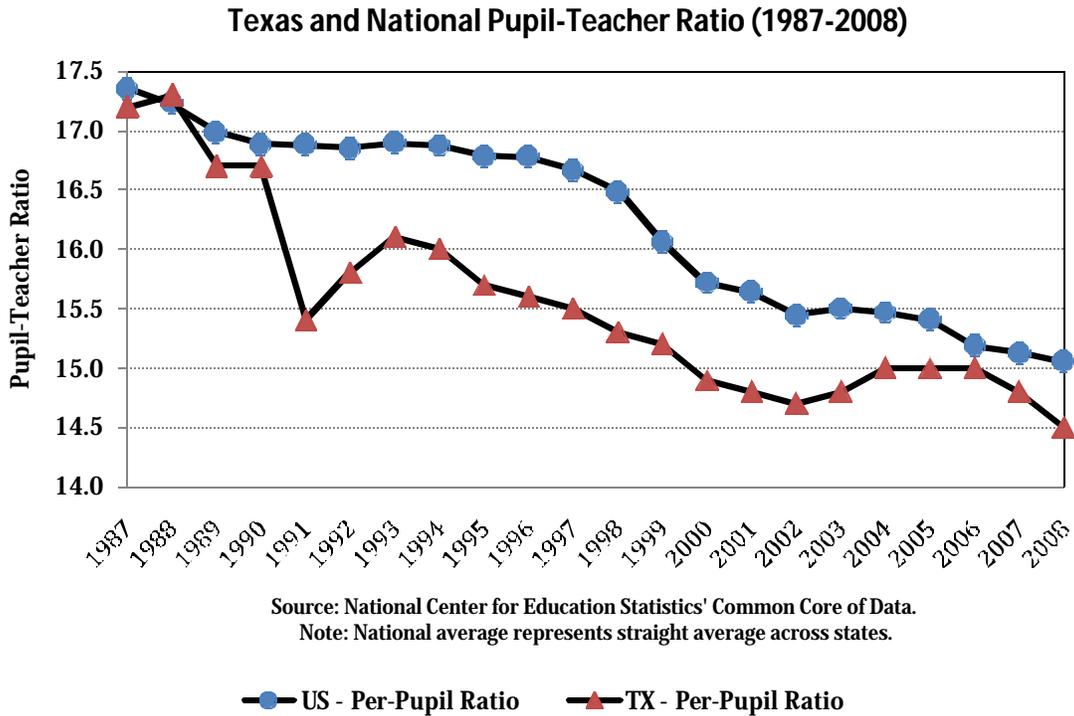


Source: National Center for Education Statistics' Common Core of Data.

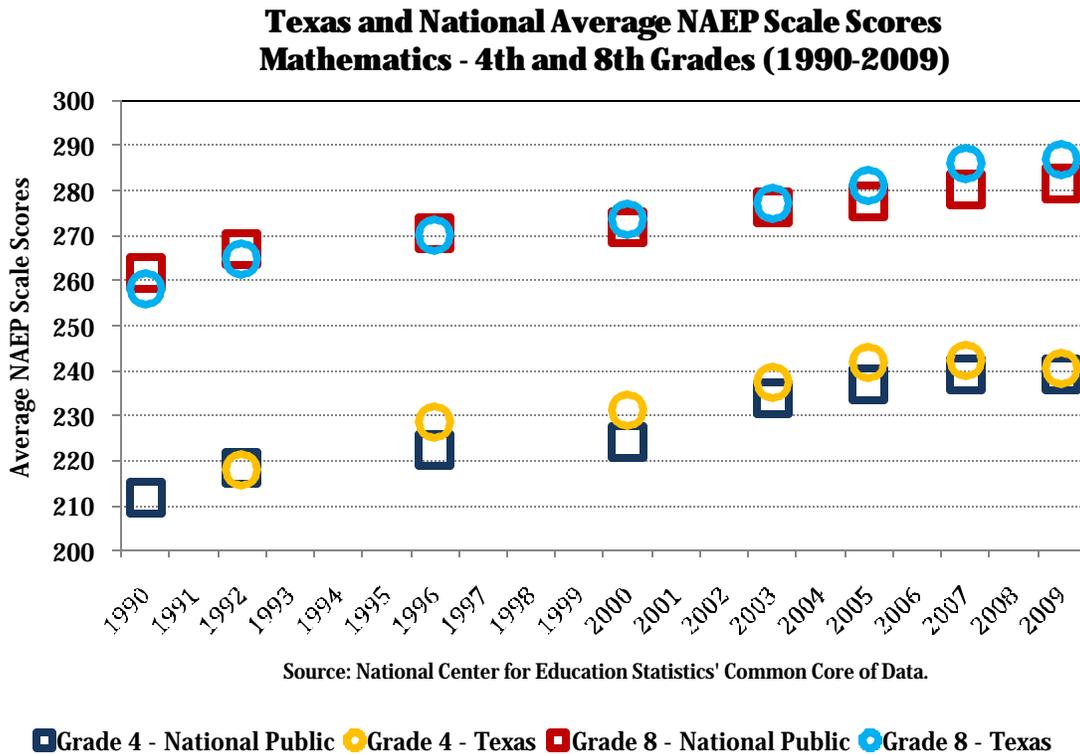
Notes: National averages represent straight averages across states; finance data expressed in real 2008 dollars.

□ US - Current PPE   □ TX - Current PPE   □ US - Instructional PPE   □ TX - Instructional PPE

**Figure 10**

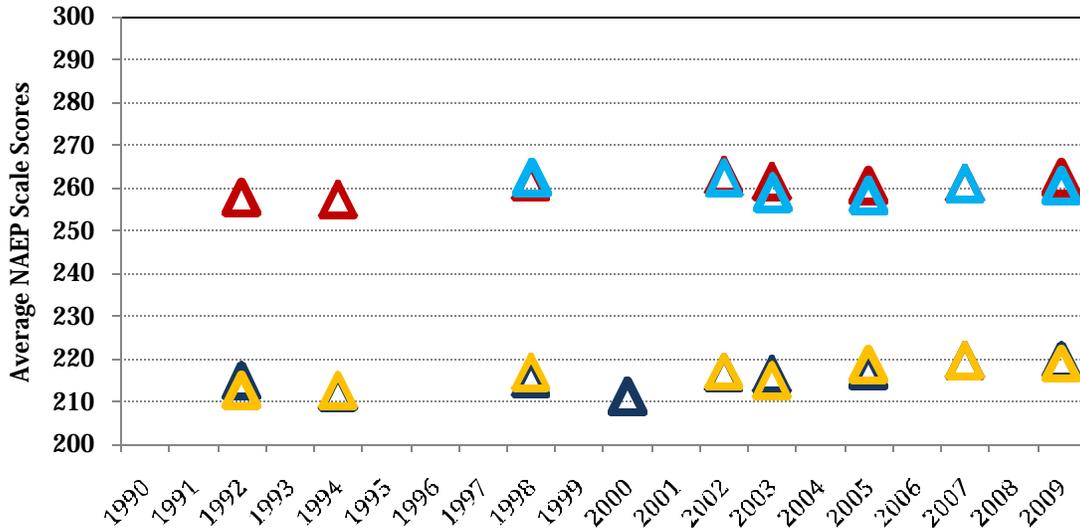


**Figure 11**



**Figure 12**

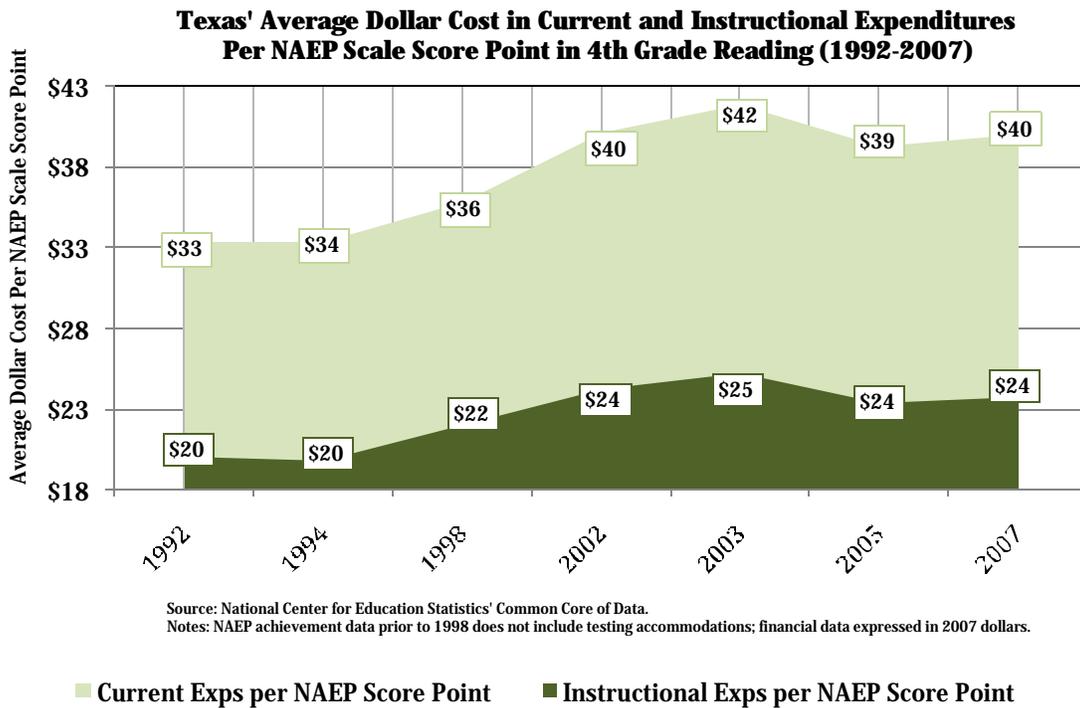
**Texas and National Average NAEP Scale Scores  
Reading - 4th and 8th Grades (1990-2009)**



Source: National Center for Education Statistics' Common Core of Data.

▲ Grade 4 - National Public   ▲ Grade 4 - Texas   ▲ Grade 8 - National Public   ▲ Grade 8 - Texas

**Figure 13**



Texas has had a steady period of student achievement growth in reading and mathematics throughout the 1990s and well into the 21<sup>st</sup> century.

However, in Texas:

- Expenditures per pupil have continued to rise faster than inflation
- Professional pupil ratios have become ever more favorable
- Less of what we spend appears to be reaching the classroom, and
- The cost of gaining added achievement is rising

Education reform productivity threatens to plateau, both for the nation and for Texas.

There are at least the following possible explanations for this leveling.

- The closer one gets to a goal, often, the more difficult the quest.
- Student demographics pose a greater challenge today than in the past.
- The achievement bar has been elevated over past performance expectations
- The productive power of past reform strategies and resource levels has run its course
- All the above

It is not currently possible to test all of these hypotheses. The answer is presently unknown.

In some ways, that is OK. Without appearing flippant, one can assert that whatever the explanations for the productivity slowdown, it is more important to concentrate on identifying possible solutions than to look back in frustration or to affix blame.

What follows is submitted in the spirit of looking to the future. What is it that can be done to recapture education reform momentum, identify means by which larger numbers of Texas' students can learn more and be positioned to go further in school?

### **More Effectively Aligning Resources with Achievement**

The following productivity proposals take three forms, suggestions directed boldly at (1) improving personnel policies and educator pay plans, (2) changing inefficient routine accounting and operational practices, and (3) reconceptualizing pensions and retiree benefits.

#### **Enhancing Personnel Policies: Educator Annual Pay, Retirement, and Fringe Benefits**

Teachers' annual salaries are often a focus for legislative consideration. Rightly they should be. In addition, however, it is useful to take a broad approach and consider the full spectrum of means by which educator remuneration is structured and distributed. Whereas annual salaries comprise the bulk of public costs, pensions and fringe benefits add another 25 to 30 percent on top of salaries as an annual cost and seem worthy of consideration also.

*Educator Annual Pay.* Texas' teachers, administrators, and other professional educators are paid from a "Single Salary Schedule." At the time of its inception, a century ago in Denver and Des Moines, it calculated teacher salaries as a function of length of service and level of college education. It was known as a "Pay Automatic Plan". It was the product of good government advocates responding to Muckraking reports of rampant big city corruption and political excess stemming from the Gilded Era. The "Pay Automatic Plan" provided teachers with a deserved sense of job security and professionalism.

What was once deserved and functional, yesterday's problem solution, has emerged as today's dysfunctional practice and policy challenge. Paying teachers for years of service, beyond some minimal induction period, and granting persistent pay rewards for graduate college course credits, regardless of relevance to one's teaching responsibilities, simply no longer makes sense.

Not only is the single salary no longer sensible, it is costly. Texas pays a great deal annually for teacher salary increments that bear little relationship to instructional effectiveness or professional performance. It is presently impossible to estimate the precise costs involved. However, it is likely to be between ten and 15 percent of total personnel spending. It assuredly is costing Texas at least \$1 billion annually.

In that the present teacher pay practice evolved to solve past problems and had, for many years, a great deal of justification, one does not want to approach today's remuneration issues with some kind of policy meat cleaver. Nevertheless, current pay practices are inconsistent with what is known and what is needed.

The desired end is to compensate teachers and other professional educators in a manner that:

- Offers inducements to capable individuals to enter and remain in the profession.
- Contains sufficient flexibility to enable local districts to meet market conditions in difficult to recruit subject areas and at hard to staff schools.
- Facilitates placement of the most effective teachers in instructional settings where their capabilities are most needed.
- Appropriately recognizes and rewards productive performance.
- Take a comprehensive and long-term view of personnel compensation, fairly considering pensions and retirement benefits as well salaries.

*Retirement and Fringe Benefits.* Educator pensions are different than those typically found in nongovernment settings. They are more generous than what is found for a private sector worker with comparable years of service and occupational complexity. But there is a larger issue. They frequently contain enormous inequalities that punish beginning teachers and have perverse incentives for those who remain in teaching.

Educators pay into defined benefit (DB) systems, the payout of which is a formulaic determination of years of service and pay levels at time of retirement. Private sector employees generally depend upon defined contribution (DC) systems in which there are few guarantees regarding the magnitude of the eventual retirement payout. The security of a DB plan is a compensating element in the remuneration schemes of teachers that are often perceived as being paid poorly.

Educator pension plans are usually state operated systems. Podgursky and Costrell have demonstrated their enormous unfunded liabilities in states across the nation. However, that is not the focus of what follows. Rather, the issue here is a typical public decision maker's inability to see that pensions and fringe payments are part of the overall educator incentive system and should be considered as a whole rather than in fragmented segments. By having pensions state administered and teacher salaries determined by local officials, it is difficult for school boards and superintendents to take the larger picture into account, to construct a coherent Human Resources system.

Pension problems involve more than unfunded liabilities, generous payouts, and incoherent oversight. They also impose a penalty on new teachers who may prefer to move across state boundaries. Teacher pensions are frightfully back weighted favoring more senior, at the expensed of junior, teachers. They encourage Science, Technology, Engineering Mathematics (STEM) teachers to retire too soon, and they may contribute to unnecessary double dipping.

### Enhancing Accountability

Accountability matters a great deal in enhancing the quality of instruction that students receive, and accountability is an area where Texas is the pioneer for the nation. When considering any change, one wants to proceed with added caution to ensure that one does no harm.

However, even in Texas, accountability for student performance has stopped short of what it could be. To be truly effective, students' records need to be linked digitally to their

teachers, teachers to their schools, schools to their districts. Teachers must have the training and support needed to be effective, and principals and others on their administrative teams must have the training and decision discretion to render their schools effective.

To be held truly accountable, principals need to be empowered to employ and evaluate their teachers, have a say in a teacher's remuneration, and have a degree of discretion greater than what is now typical over their entire school's operating budget. In the absence of such decision empowerment, principals always have an excuse for low performance. They can claim, accurately, "I am not given the tools to manage my school." "Decisions come from the central office or we are restricted from being fully accountable for our school by state regulation." These are foxholes in which timid principals can hide. It is time to fill in the foxholes, empower principals and hold them fully accountable.

In the same way that principals need to be held accountable, it is time to render classroom teachers more accountable. It is clear that teaching is an unusually complicated endeavor, and one must ensure not to take judgments that are overly simple and inappropriate. However there are multiple means by which teacher performance can be evaluated and an element of their remuneration should be linked to such evaluations. It should be the responsibility of a principal to coordinate teacher evaluations and to arrive at a recommendation for annual salary premiums linked to instructional performance and student achievement.

Finally, a portion of accountability should be a combination of student achievement and school operating costs. It is important to know those schools that operate efficiently, not simply effectively. Presently, given the manner in which Texas collects and displays school spending data, it is impossible to arrive at a judgment about a school's efficiency. However, as is discussed in the following section, it would not take much by way of altering accounting rules to determine annual operating cost by school and by classroom.

### Enhancing Efficiency

Three correctable, at least technically easy to correct, deficiencies hinder Texas' school efficiency: (1) lack of a modern accounting system, (2) absence of local school cost saving incentives, and (3) failure to adopt effective instructional technology

*Accounting.* The principal impediment to achieving added productivity in Texas public education is a specific system of school operational spending accounts. To determine that which is cost effective, it will be necessary to know what schools spend on each of the classrooms they operate. It is not sufficient to attribute mean teacher salary in a district to each teacher position in a school or each teacher in a classroom. It is necessary to know with precision that which is paid for operating each classroom. It is necessary to determine the unit cost of offering Algebra One versus Advanced Placement French. Only under such arrangements, can a principal make informed decisions regarding what new to offer when there is added money and what to cut when resources are slender.

*Cost Saving Incentives.* A second major impediment to public school efficiency is the absence of cost saving incentives. Substitute teacher budgets, teacher aides, counseling services, utility usage, maintenance, food service, transportation, and a host of other auxiliary services should all be budgeted school by school. Incentives should be established

that enable a school to retain a substantial portion of monies saved through efficiencies. In this way schools will rely upon substitutes less, replace ineffective personnel categories with 19 teachers, curb excessive use of electricity, and find the least expensive appropriate way of offering healthy cafeteria meals.

*Technology.* Finally, a means must be identified for augmenting labor with capital. Public education is among the most labor-intensive undertakings in the nation's entire economy. It is unlikely that the nation, or Texas, can much longer afford the luxury of continually reducing the pupil/professional ratios in our schools. Technologies must be identified that can begin to supplement what teachers do effectively. There is little national leadership in this sphere. Texas could once again lead the United States by offering incentives for schools to identify and install computer assisted instructional programs that are effective in expanding the instructional capacity of each of our teachers.

### **Next Steps: A Multi-Tiered and Multi-Partner Approach**

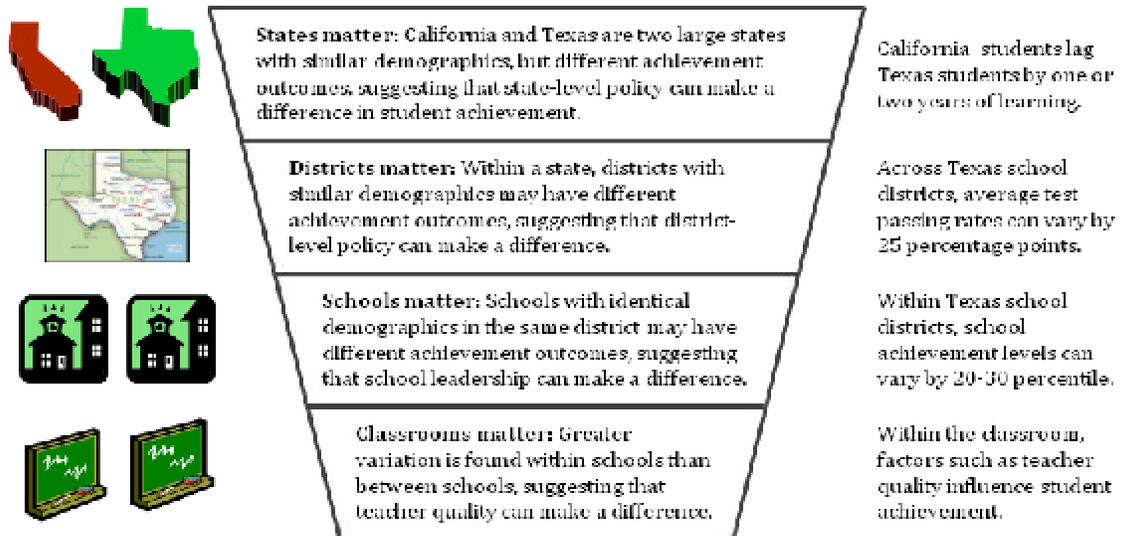
Whereas all the above ends are desirable, there is not presently a single and predictable path for achieving them. Given this uncertainty, I propose a multistep process for making a transition from today's policies and practices to a new more productive (1) educator pay paradigm (2) accountability system and (3) incentive system for operational efficiency.

I suggest consideration of a Texas Education Accountability and Modernization (TEAM) Act.

The acronym TEAM is not constructed simply to be clever. It is also intended to be symbolic. As nearby Figure 14 displays, research findings validate the frequent lay observation that education improvement is a multi-tier activity, extending from teachers in classrooms, through principals in schools, to superintendents in districts, and leadership from state officials and state agencies. Thus, what is proposed here involves all of these actors and agencies.

**Figure 14**

## System Differences Suggest that Policy and School Systems Can Influence Student Achievement from the State to the Classroom Level



Source: McKinsey & Company.

## **Texas Education Accountability Modernization (TEAM) Act**

### Preamble

There is much about Texas public education to be admired and, when compared to most states, only a little in need of change. However, there are daunting issues of productivity, accountability, and efficiency that would benefit from a comprehensive reform approach. This bill is intended to capture the essence of that which is needed to move Texas education yet further to the forefront and to prepare students and citizens for the future.

This is a challenge that cannot be borne by state officials and state agencies alone. It is clear that there is a never-ending need for the energy and creativity than can flow from the state's local school districts and professional educators.

This proposed legislation deliberately is labeled TEAM in acknowledgement of the need for collaboration between local and state officials in an effort to take the next steps toward a better system of public education in Texas.

### Enhancing Productivity

#### **Paying for Professionalism and Performance**

The utility of the once justifiable single salary is now exhausted. It is time for local school districts to create new means by which teacher's annual remuneration is more tightly linked to professionalism and student performance. Toward that end, local school districts are herewith granted two years during which time they are to design and submit to the Texas Education Agency for approval an educator pay transition plan. This plan should make clear how, over the following ten years, the single salary schedule will be phased out and a new comprehensive performance pay plan phased in. For each year, for ten years, after the initial two-year design phase, that a school district fails to increase the total of the district educators on performance pay by ten percent, the district will have one percent of state financial aid withhold.

#### **Unleashing Local Creativity**

There are many uncertainties regarding education in areas such as instruction, policy, and day-to-day operation. The state does not possess all pervasive wisdom in the search for answers to these unknowns. Texas would benefit from unleashing the creativity of local officials and professional educators. Toward that goal, By January of 2012 the Texas Education Agency will submit a plan to the Legislature for classifying all local districts into categories, based on records of sustained high achievement or value added. Districts that consistently exceed expectations or have sustained high performance levels are to be designated as an "Empowerment District." Within the two years after receiving such a designation, the district may submit a plan to the Commissioner of Education requesting waiver of any state regulation perceived to be impeding district progress toward higher levels of student achievement, added productivity, or both. The Commissioner is authorized, after due consideration, to waive requested code provisions. The assumption is that no code provision regarding protected individual rights or student safety will be eligible for waiver. Similarly, code provisions aimed at performance and fiscal accountability are unlikely candidates for waiver.

## **Assisting Districts Mired in Low Performance**

Districts ineligible for “Empowerment’ status will be classified as “Achievement’ districts. The Commissioner will assemble an approved list of no more than ten qualified vendors each demonstrably capable of undertaking an intense analysis of “Achievement Districts” and providing state and local district officials with a plan for elevating student performance. This strategy is patterned after that undertaken in England where Her Majesties Inspectors routinely provide such analyses and advice. Here lower performing city districts such as Manchester and Sheffield have markedly altered the trajectory of student achievement.

### **Enhancing Accountability**

#### **Empowering Principals**

Beginning in 2012, in keeping with procedures to be designed by the Texas Education Agency, school districts will be required to verify through appropriate accounting information that 90 percent of all state and locally generated operating revenues are budgeted for and expended at school sites. A district, for purposes of governance, providing services to schools, future district-wide planning, program evaluation, and coordinating operations across all schools in the district, can retain the remaining 10 percent of state and local operating revenues centrally.

Concomitantly, districts will take steps to empower principals to undertake employment decisions regarding teaching and other staff, be responsible for the annual evaluation of all employees in a school, and have influence over annual levels of remuneration for all employees at their school

### **Enhancing Efficiency**

#### **Better Accounting: Facilitating Understanding of Unit Costs**

By 2013, the Texas Education Agency shall develop and implement accounting procedures that accurately reveal operating expenses for each individual course offering and identifiable service within a school, including attributed indirect costs, and for each school within a district.

#### **Incenting Operational Economies**

By 2013 the Texas Education Agency shall compile and distribute to local school districts a compendium of cost saving techniques, and accompanying incentives, enabling local districts to enhance the efficiency of their operations. Thereafter, in undertaking reviews and inspections of schools and districts, this compendium shall be used as a checklist to ascertain efficiency of a school.

#### **Incenting Instructional Technology**

The Texas Education Agency is herewith directed to establish A Texas Instructional Technology Incentive Fund to be operational by 2013. This fund, to be overseen by a panel of instructional technology experts drawn from throughout the state, is intended to provide

**substantial financial rewards to individuals and organizations which invent and develop instructional technologies that practically demonstrate cost effective enhanced student performance in reading, mathematics, science, and foreign language.**

**The current retirement system imposes large penalties on mobile teachers. The TRS should consider the introduction of an alternative plan available to new teachers. This would involve immediate vesting and a cash balance or 401k-type plan. Either would permit teachers who move to another state, or who leave the profession after less than a full career, to take with them an actuarially fair share of their pension wealth. Florida and Ohio, for example, allow new teachers a DC option. Texas needs to develop a more modern and mobile retirement benefit package if they hope to attract well-educated young people to the profession.**

## **Appendix**

### **But What About Market Oriented Education Reform Strategies**

Here, I would like to address a nagging concern, a concern that is raised with increasing frequency and intensity. I refer here to the policy posture of those who are despondent over the prospect that public schools can ever be productive. Harsh critics point to what they believe has been the futility of 25 plus years of reform effort, large amounts of additional resources, and relatively little payoff in terms of elevated student learning.

The solution most favored by those with such a sense of despair is to strive to bypass the conventional school system and to rely evermore heavily upon market forces, to extend parental choice and encourage intensified competition among instructional suppliers.

Whatever one thinks of this point of view, however attractive to some, no matter how infuriating it may sound to die-hard public school supporters and related interests, it is not irrational.

For example, according to the most recent, 2010, Phi Delta Kappan/Gallup citizen opinion survey on United States education, 79 percent of respondents rate public schools with a grade of C, D, or an F, charter schools have grown in popularity by nearly 20 percentage polling points over just the past five years, with 68 of poll respondents supporting charters. In addition, 60 percent of those sampled would support a "large increase" in the number of charters nationwide and 65 percent would support more charters in their own community.

I am not here today to advocate or oppose a market solution, charter schools or any other kind of schools. For purposes of the ideas I am about to propose, the market issue is irrelevant. Here is why.

Even under the most optimistic scenarios, time is the enemy of market enthusiasts. Assume that virtually everything fell into place for marketers, vouchers, charters, magnet schools, open enrollment plans, expanded private school networks, and other forms of choice, all quickly come into being. It will still take years, probably decades, before these new forms of competitive schools likely can be in sufficient supply throughout the nation's entire education system to see if there are the desired positive effects of competition.

Thus, the question: What do we do in the meantime? Surely, one does not want to neglect millions of students currently assigned to conventional public schools if there is something left untried that might benefit them and their families.

Thus, the forgoing legislative proposals are not inimical to market strategies. They are, however, intended to render conventional schools better and possibly are prescriptions that might also render all kinds of schools better, conventional or unconventional.