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“Costing Out” Study: Prescription for a Taxpayer Mugging

On February 20th the Governor announced plans to fund schools using as the principal criterion the biggest gap between how much schools are spending per student and how much they should spend as determined by the \$650,000 “Costing Out” study (paid for by taxpayers) released in November 2007. The 2008 budget includes \$291 million in increased funding to be distributed across the state’s school districts under the “funding gap” reduction plan.

Unfortunately for the state’s taxpayers, the adoption of the study as a guide to future growth in education spending is a course fraught with massive overspending, huge tax hikes and a virtual guarantee of failure in terms of the improvement in academic achievement that is being promised. According to the study, the state needs to raise education spending by \$4.8 billion to lift all school districts to the goal of having 100 percent of students achieve proficiency in math and reading while at the same time demonstrating mastery of twelve academic areas.

On the other hand, if the state were to withhold \$200 million in funding to districts already spending more than the “Costing Out” recommendation, that number falls to \$4.6 billion. However, the likelihood of that happening is close to zero as demonstrated by the fact that although Pittsburgh’s spending is \$3,000 (figure used by the study) above the recommended per student outlay, the Governor’s 2008 spending proposal includes \$3 million more in state assistance for Pittsburgh. In actuality, Pittsburgh’s spending is closer to \$5,000 higher than the recommended amount. That comes to \$140 million in over-spending if the study’s estimate of what it would take to get universal proficiency is to be the guiding factor in state funding allocations. The wink-wink hypocrisy by the state in the case of Pittsburgh beggars the imagination.

Bear in mind that in 2005-2006 only 50 percent or so of all Pennsylvania students scored at the proficiency level in math and reading. What’s more, there are school districts with individual schools having proficiency levels in the single digits and many others in the teens. So the goal of having all students scoring at the proficiency level in six years may be a worthy target but it is not realistic. The substantial growth in inflation adjusted per student spending over the last two or three decades combined with the lack of appreciable improvement in academic results in many of these districts surely makes this ambitious objective look like pie in the sky. Indeed, in many districts achievement levels have worsened.

Methodologically, the Costing Out study has attempted to estimate how much additional costs beyond a basic per student level is needed to compensate for small district enrollment, to educate special needs children, children in poverty and children whose first language is not English. The formula used simply adds the estimated amount for each of the compensation factors to about \$8,000, the cost it would take to educate presumably non-poor, non-special needs, English

speaking children. A big problem is the way these numbers are derived using “expert” panels. Another issue is that the adjustment factors are calculated as statewide averages and then applied willy-nilly to all districts in the state.

After the increased funds are made available, the study authors argue that each district be allowed to figure out how to spend the money to accomplish universal student proficiency. One could argue—without much room for rebuttal—that if Duquesne and Pittsburgh schools have not figured it out with per student spending levels among the highest in the state (\$18,000 in the case of Pittsburgh and at one point \$20,000 at Duquesne) what chance do districts such as Harrisburg or Chester-Upland, the two poorest performing districts in the state, have of achieving 100 universal proficiency with only \$14,000 per student? Clearly, the Costing Out authors are selling snake oil and very expensive snake oil at that. Only teachers, principals, superintendents and consulting experts can be happy about the price.

The following examples will further point out the silliness of the study’s methodology and findings. Two of the top ten performing districts in Pennsylvania, Hampton and Mt. Lebanon in Allegheny County, have almost identical achievement levels with roughly 90 percent of students scoring proficient or advanced in both math and reading. The study reports Hampton was spending \$9,294 per student while Mt. Lebanon was spending \$10,848 in 2005. But to get to universal proficiency Hampton would need to raise its spending by \$1,964 and Mt. Lebanon only \$200. How can anyone place any confidence in such findings? This is guess work at its most ludicrous.

Consider the situation at North Allegheny, another top ten performing school district with scores comparable to Mt. Lebanon. For 2005, the study places North Allegheny spending at \$10,754. Here’s the incredible part. The study says North Allegheny can reduce its spending by \$447 per pupil and move to universal proficiency. Obviously, in order to do that the district would have to adopt a completely new and severely stringent program regime. Who is going to design such a scheme? And how many consultants will benefit from the project?

Or consider Peters Township school district in Washington County. The district ranks among the top performers in the state while expending just \$7,638 per student in 2005. The costing out study recommends Peters increase expenditures by \$2,995 in order to get the remaining 10 percent or so of students up to proficient levels. What could be more ridiculous? And yet the study has been embraced by the educational establishment in Harrisburg and obviously the Governor has bought in as well.

But more importantly, none of the top performing districts has been able to get much above 90 percent of students scoring at proficient or higher. These schools are in well off or relatively well off neighborhoods that prize education and where the students are encouraged, guided and in some cases tutored by parents. Unless the scoring requirements are lowered dramatically so that everyone can get to the proficient level or the non-proficient students are locked in a room and forced to study endlessly, 90 percent or so might be about all that can be hoped for on a sustained basis.

The authors say Pennsylvania can easily raise another \$3 to \$6 billion for education to fill the \$4.8 billion gap needed to boost educational achievement to the desired goals. They don’t say what other spending categories might be cut to accomplish savings of that amount, so it appears that further tax hikes could be on the way if the Governor intends to make the Costing Out recommendations his guide for funding school districts.

Here's a much better idea. Let's use two of the worst performing districts in the state to perform an experiment. Take Chester-Upland and raise its funding level by the recommended \$3,699 per pupil to \$14,262. Let the school board hire whatever experts it needs to implement the latest and highest rated instructional methods for the next five years. After five years we can see what, if anything, the study's recommendations can achieve in actual practice.

Then take the Wilkinsburg school district, which in 2005 was spending \$13,612 per student, and make them a school choice district. Give each parent a voucher for \$13,000 per year per student and allow the parent to enroll children in a school of their choice or they could choose to let them remain in the public schools. After five years evaluate and compare progress in the two experimental districts.

Go ahead education officials and elected representatives, take the challenge. What have you got to lose but an overly expensive and by and large inadequately performing school system and a lot of friends in the teachers union? If the students' education and their futures come first, this should be a no brainer.

Taxpayers should be aware that the new school funding plan proposed by the Governor based on the "Costing Out" study could easily become financially disastrous for Pennsylvania if it goes forward and history says not much good educationally will come from it.

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