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AUTHOR Johnson, Kirk A.; Kafer, Krista
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ABSTRACT

This report suggests that despite increases in federal, state, and local spending on education, academic achievement scores do not reflect similar increases. Education dollars have funded education "fads" promoted as cure-alls for lackluster educational achievement. Because research finds that increasing funding for such programs will not produce better results, structural reform may be needed to improve American schools. The paper recommends that Congress adopt a results-oriented approach rather than funding every program that is proposed, noting that rather than reauthorizing old programs, House and Senate conferees should incorporate flexibility in the education spending bill to enable reform-minded state leaders to administer program funds as they see best to raise achievement. In exchange for this flexibility, states should be required to sign performance agreements with the U.S. Department of Education. States could employ research-based methods to raise academic achievement for all students. House and Senate conferees should consider the President's proposal to establish charter states and school choice initiatives. Research indicates that: school choice raises achievement regardless of socioeconomic background; increased competition resulting from choice spurs traditional public schools to reform to improve achievement; and with school choice, public schools gain additional funds to spend on their own students. (SM)

WHY MORE MONEY WILL NOT SOLVE AMERICA'S EDUCATION
CRISIS
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Kirk A. Johnson and Krista Kafer
The Heritage Foundation
June 11, 2001

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WHY MORE MONEY WILL NOT SOLVE AMERICA'S EDUCATION CRISIS

KIRK A. JOHNSON, PH.D., AND KRISTA KAFER

Total federal, state, and local spending for education, both public and private, reached an estimated \$389 billion during the 1999–2000 academic year.¹ In inflation-adjusted dollars, this means that America is paying over 72 percent more today than it did in 1980. Yet academic achievement scores for students in elementary and secondary school do not reflect a similar increase. In fact, over the past 20 years, scores have remained flat, according to the nation's report card on education published by the National Center for Education Statistics.² America's students are also lagging behind many of their international peers.³ If America could spend its way out of this education malaise, it would have done so. What is

needed is sound education reform, a new approach that—as President George W. Bush puts it—“leaves no child behind.”

As education legislation reauthorizing some of the federal government's key programs (S. 1 and H.R. 1) moves toward conference committee,⁴ Members of Congress should recognize the mounting evidence that spending even more on the same programs will do little

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found at: [www.heritage.org/library/
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1. U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2000* (Washington, D.C.: U.S. Government Printing Office, 2001), Table 32, at <http://nces.ed.gov/pubs2001/digest/dt032.html>. The total includes all education spending on K–12 students.
2. U.S. Department of Education, National Center for Education Statistics, *NAEP 1999 Trends in Academic Progress: Three Decades of Student Performance*, available at <http://nces.ed.gov/nationsreportcard/pdf/main1999/2000469.pdf> (June 8, 2001). The NAEP assesses student performance among public and private school students.
3. American students continue to lag behind in math and science achievement compared with their peers in other industrialized countries, according to the 1999 Third International Math and Science Study (TIMSS). See *TIMSS 1999 Benchmarking Highlights*, International Study Center, Lynch School of Education, Boston College, April 2001, p. 3, at http://www.timss.org/timss1999b/pdf/t99b_highlights.pdf.
4. S. 1, the Better Education for Students and Teachers Act sponsored by Senator Jim Jeffords (I-VT), is being debated by the Senate. H.R. 1, the No Child Left Behind Act of 2001 sponsored by Representative John Boehner (R-OH), was passed by the House of Representatives on May 23, 2001.

to change the status quo and raise achievement. The data and findings from research over the past 30 years on achievement, education programs, and spending trends continue to demonstrate that spending more money on the same programs, is simply not effective. Consider:

- **Total expenditures by the U.S. Department of Education for all K–12 students have nearly doubled**, in constant dollars, just since the 1980s, from \$14.8 billion to \$27.1 billion;⁵ but
- **Reading and math scores on the National Assessment of Educational Progress (NAEP) have changed relatively little** over that same period, despite the enormous increases in spending at the federal, state, and local levels. Last year, for example, some 68 percent of 4th graders still could not read at a proficient level.⁶

Only structural reform—well beyond that which is likely to emerge from Congress this year—will improve the nation's schools.

Last year, Congress appropriated \$18.7 billion for federal education programs under the Elementary and Secondary Education Act (ESEA);⁷ this year, the budget agreement (H. Con. Res. 83) accommodates the President's request for a substantial 11.5 percent increase in spending. H.R. 1, the House bill to reauthorize the ESEA that was passed on May 23, 2001, calls for spending over \$23 billion in FY 2002. As of June 6, the Senate has added over \$10 billion in amendments to its base \$28 billion ESEA bill (S. 1), which is still under consideration. After six years, the authorization level would grow to over \$78 billion annually. Until the Senate passes S. 1, the level of spending may grow even higher.

Members of Congress are in a bidding war to see who can spend the most money in a misguided contest that is diverting attention from true education reform. Funding old programs that fail to serve all children, especially poor children, does not demonstrate a commitment to education; rather, it reveals a commitment to the status quo. Instead of raising the price tag for education, Congress should support reforms that demonstrate responsible stewardship of taxpayers' money.

Funded programs should be required to demonstrate success, especially among disadvantaged children, before receiving additional funds from Congress or their state or local districts. Only successful programs and schools should receive funding through appropriations or through school choice initiatives. Enabling parents to move their children from schools repeatedly shown to be failing to schools that can meet their children's educational needs would mean that successful institutions—not their failing counterparts—would be rewarded for their competency.

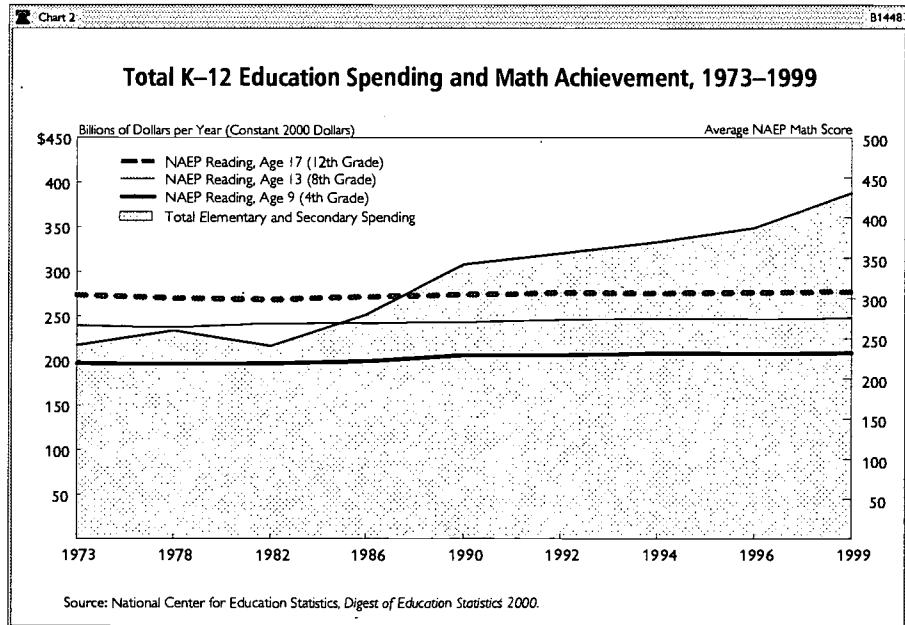
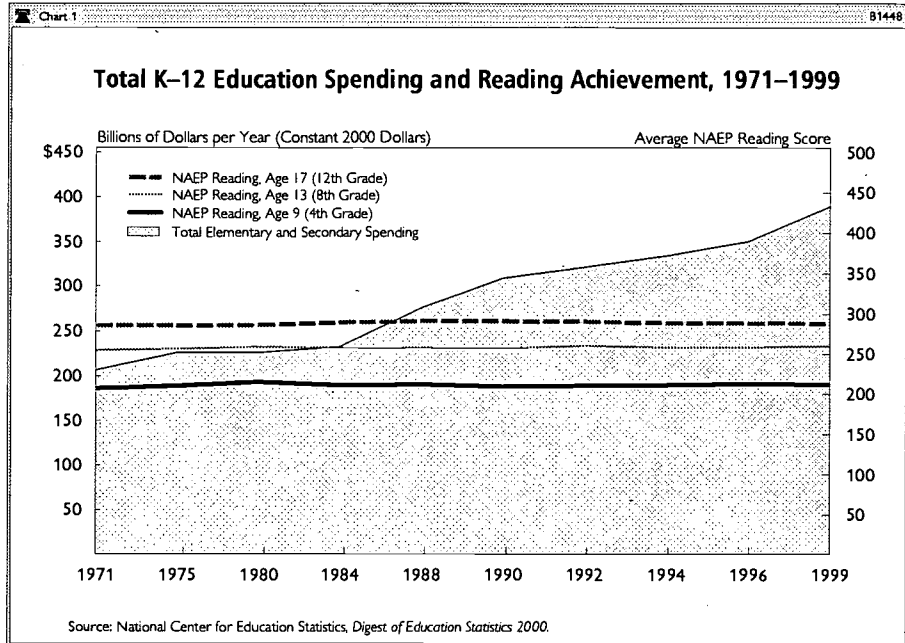
In addition to adding a choice component to the bill, House and Senate conferees should include regulatory flexibility combined with rigorous accountability. Such a provision would enable reform-minded state leaders to administer their federal education program dollars as they see best to raise achievement among their student populations. In exchange for flexibility, the states should be required to sign a contractual agreement specifying how their plans would increase achievement, and then be held accountable for achieving those results. Combining choice and accountability is the best way to ensure that no child is left behind.

5. U.S. Department of Education, "Budget History Table of the Education Department Since 1980," 2001, unpublished table, available at <http://www.ed.gov/offices/OUS/Budget02/History.pdf>. Totals include all Department of Education spending on public and private school K–12 programs.
6. See U.S. Department of Education, National Center for Education Statistics, *Fourth Grade Reading Highlights 2000*, April 2001, p. 2, at <http://nces.ed.gov/nationsreportcard/pdf/main2000/2001513.pdf>.
7. This figure represents programs under the ESEA and does not include other education programs administered by the Department of Education including special education and other programs.

THE DISCONNECT BETWEEN SPENDING AND RESULTS

Increased education spending has failed to boost academic achievement. As Chart 1 and Chart 2 show, total elementary and secondary education expenditures at all levels (federal, state, and local) for public and private school students rose dramatically over the past decade, but academic achievement, as measured by the National Assessment of Educational Progress, remained flat.

At the federal level, spending on elementary and secondary education programs rose steadily during most of the 1980s (in real inflation-adjusted terms) and then skyrocketed during the 1990s under the Clinton Administration (see Chart 3).⁸ Similarly, state and local initiatives increased average per-pupil expenditures.⁹ In fact, over the past three decades, total current per-pupil expenditures for elementary and secondary public school students nearly



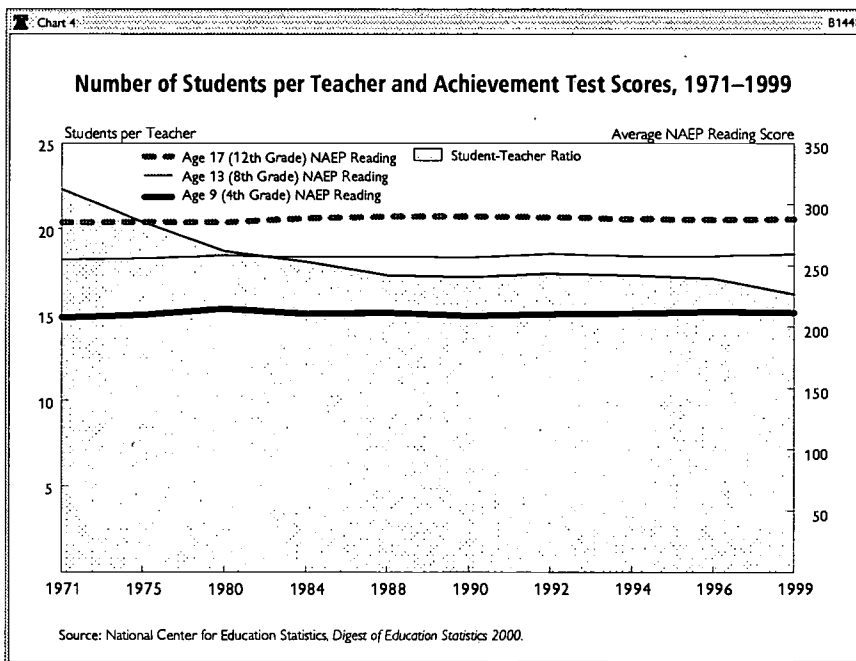
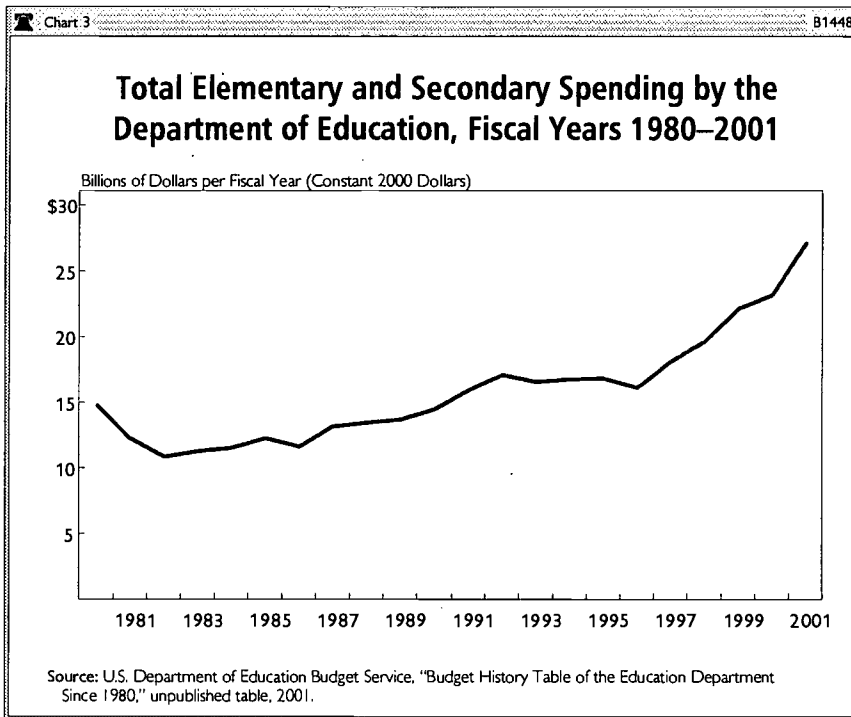
8. U.S. Department of Education, "Budget History Table of the Education Department Since 1980," 2001, unpublished table, available at <http://www.ed.gov/offices/OUS/Budget02/History.pdf>.

9. U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2000*, Table 170, at <http://nces.ed.gov/pubs2001/digest/dt170.html>.

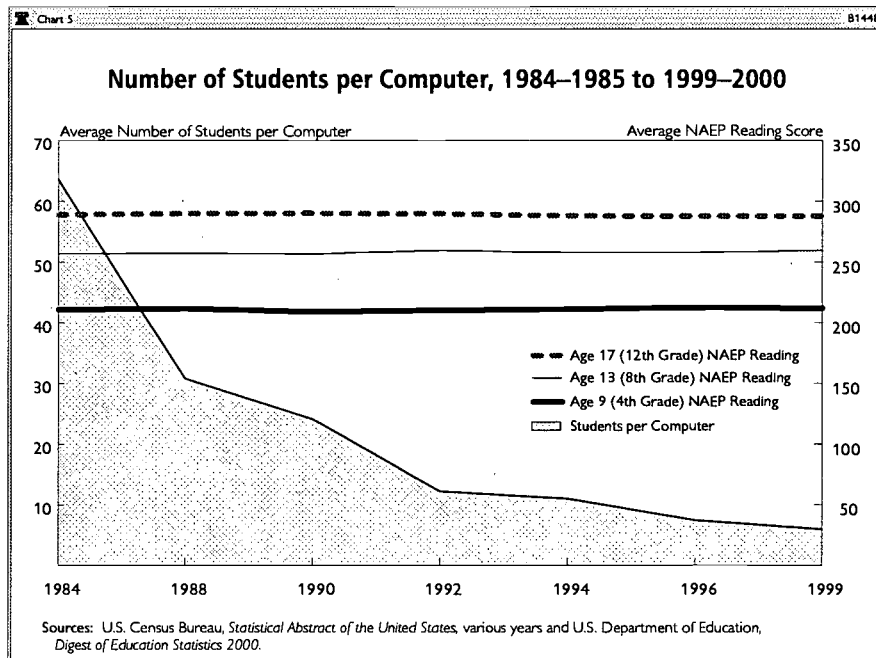
doubled nationwide in constant dollars—from \$3,367 in 1970 to \$6,584 in 2000.¹⁰ In return for this dramatic dedication of tax dollars to education, America received remarkably little in terms of academic gains.

Over time, education dollars have been used to fund and refund education fads promoted as cure-alls for lackluster educational achievement. These include the more recent public school initiatives to hire more teachers (Chart 4) and to purchase more computers (Chart 5). The number of students per teacher nationwide decreased from 22 in 1970 to less than 17 in 1999, and the number of computers in public elementary and secondary schools increased so that the ratio of over 63 students for every computer in 1985 fell to less than five per computer last year. Regardless of their intent, such programs are not required to show their effects on academic achievement before more money is allocated.

What the Research Shows. The evidence suggests that there is little reason to expect that increasing funding for these programs will make them produce better results. The National Research Council summed up its findings in this regard in *Making Money Matter: Financing America's*



10. *Ibid.*



there is no relationship.¹³ Yet politicians continue to approve and allocate more money for public education without proof that the larger school budgets are achieving their desired outcomes. Over \$120 billion in federal dollars has been spent on ESEA Title I programs for low-income students since 1965, yet the achievement gap between poor and non-poor students¹⁴ has not closed. For example:

- A U.S. General Accounting Office review of the major studies of Title I questions the program's effectiveness in raising student achievement.¹⁵

Schools, a 1999 report commissioned by the U.S. Department of Education. It concluded that "additional funding for education will not automatically and necessarily generate student achievement and in the past has not, in fact, generally led to higher achievement."¹¹ The fact that some 68 percent of 4th graders could not read at a proficient level on the NAEP exam last year reinforces this conclusion.¹²

Eric Hanushek of the University of Rochester has conducted several studies of the effects of spending on achievement and has concluded that

- A study on achievement from 1984 to 1997 published in *Education Week* finds little change despite an additional \$78 billion in spending during that period.¹⁶
- Among 4th graders today, there remains a 15 percent gap in NAEP math scores¹⁷ and a 14 percent gap in reading scores.¹⁸

A state-by-state evaluation of NAEP scores provides compelling evidence that the level of spending on education does not correlate with

- Helen F. Ladd and Janet S. Hansen, eds., *Making Money Matter: Financing America's Schools* (Washington, D.C.: National Academy Press, 1999), at <http://www.nap.edu/books/0309065283/html>.
- See U.S. Department of Education, National Center for Education Statistics, *Fourth Grade Reading Highlights 2000*, April 2001, p. 2, at <http://nces.ed.gov/nationsreportcard/pdf/main2000/2001513.pdf>.
- See, for example, Eric A. Hanushek, "School Resources and Student Performance," in Gary Burtless, ed., *Does Money Matter? The Effect of School Resources on Student Achievement and Adult Success* (Washington, D.C.: Brookings Institution Press, 1996), pp. 43–73, and Eric A. Hanushek, Steven Rivkin, and Lori Taylor, "Aggregation and the Estimated Effects of School Resources," National Bureau of Economic Research, NBER Working Paper No. 5548, 1996.
- "Poor" in this context is usually defined as qualifying for the free and reduced-price lunch or Title I programs. "Non-poor" refers to everyone else.
- U.S. General Accounting Office, *Title I Program: Stronger Accountability Needed for Performance of Disadvantaged Students*, GAO/HEHS-00-89, June 2000, p. 48.
- David Hoff, "Tracking Title I," *Education Week*, October 22, 1997.

Table 1. B1448

High Education Expenditures Do Not Mean High Academic Achievement

High Expenditures / Low Achievement	High Expenditures / High Achievement
<p>Washington, D.C. 3rd Highest in Expenditures Last in Achievement</p> <p>Delaware 8th Highest in Expenditures 26th out of 40 in Achievement</p>	<p>Connecticut 4th Highest in Expenditures 1st in Achievement</p> <p>Massachusetts 7th Highest in Expenditures 4th Highest in Achievement</p>
Low Expenditures / Low Achievement	Low Expenditures / High Achievement
<p>Mississippi 50th out of 51 in Expenditures 36th out of 40 in Achievement</p> <p>New Mexico 49th out of 51 in Expenditures 35th out of 40 in Achievement</p>	<p>Montana 25th out of 51 in Expenditures 2nd Highest in Achievement</p> <p>Colorado 31st out of 51 in Expenditures 8th Highest in Achievement</p>

Source: Heritage Center for Data Analysis using data from the U.S. Department of Education.

increases in achievement. While some states are spending large amounts of money on education and have little to show for it, others are spending less and achieving more (see Table 1).

- Montana spends only an average amount on education but achieved the second highest NAEP reading ranking out of the 40 states that administered the 1998 test.
- Delaware has the eighth highest spending but scores in the bottom one-third of all states.
- Washington, D.C., fares even worse; the District of Columbia has the third highest expenditure level, yet its students score last on NAEP exams.¹⁹

17. U.S. Department of Education, National Center for Education Statistics, *NAEP 1996 Mathematics Report Card for the Nation and the States* (Washington, D.C.: U.S. Government Printing Office, 1998), Table 2.8, p. 38, at <http://nces.ed.gov/nationsreportcard/pdf/main1996/97488.pdf>. As of the date this report was published, the 2000 NAEP math data had not yet been released. The 2000 4th grade reading data came from a special national sample, and state-by-state reading data will not be collected again until 2002.

18. U.S. Department of Education, National Center for Education Statistics, *Online NAEP Data Tables*, available from summary data table at <http://nces.ed.gov/nationsreportcard/tables/SDTTOOL.htm> (May 21, 2001).

19. U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2000*, Table 114, at <http://nces.ed.gov/pubs2001/digest/dt114.html>, and Table 168, at <http://nces.ed.gov/pubs2001/digest/dt168.html>. Spending is defined as total expenditures per pupil in average daily attendance.

FOCUS FUNDING ON RESULTS

Instead of using a scattershot approach and funding every program in the hope that something will work, Congress should adopt a results-oriented approach. Currently, both ESEA reauthorization bills making their way to conference committee (H.R. 1 and S. 1) employ a conflicting approach: On one hand, they call for measurable results, reporting, and consequences for success or failure; on the other, they authorize unprecedented spending on programs that have yet to demonstrate their effectiveness in terms of achievement. From the multibillion-dollar Title I program to the multimillion-dollar programs for the arts, bilingual education, technology, and other initiatives, few programs, if any, can boast a solid track record of improving achievement.²⁰

Rather than merely reauthorizing old programs, the House and Senate conferees should incorporate flexibility in the education spending bill to enable reform-minded state leaders to administer program funds as they see best to raise achievement. In exchange for this flexibility, the states should be required to sign a performance agreement with the U.S. Department of Education that spells out how their plans would increase academic achievement for all students across the socioeconomic spectrum.

Such a provision is part of the President's *No Child Left Behind* plan. "Charter states" and "charter districts," as they are called by the President, would enter into their own five-year contractual agreement with the Secretary of Education that establishes specific and rigorous goals for achievement. In exchange, they would receive full administrative flexibility over how to spend their federal education dollars. Students in a

charter state would have to reach the specific academic achievement goals listed in the agreement, or the state would face the loss of funding and its charter status.

States could employ research-based methods to raise academic achievement for all students. They also could cut through the hundreds of pages of red tape that have accumulated over the past 30 years. Each federal education program has its own prescriptive rules, regulations, and paperwork—including an estimated 20,000 pages of application forms that states currently must fill out.²¹ Such a provision would substantially reduce that number. States would be able to focus resources and personnel on raising achievement rather than on administration and paperwork.

A charter states provision was included in the Academic Achievement for All Act (H.R. 2300), which the House passed in October 1999, and the Senate Health, Education, Labor, and Pensions Committee included such a provision in its ESEA reauthorization bill. This year, however, the provision was stripped from the original House ESEA reauthorization bill (H.R. 1), and only a weakened version remains in the Senate bill (S. 1). A robust charter states provision should be crafted in conference to give reform-minded states the option to innovate to raise academic achievement among their student populations.²² If other education reforms are substantially weakened or eliminated from the ESEA legislation, the charter states provision will be the only avenue for change.

House-Senate conferees should also consider reviving the President's school choice demonstration program, which had been included in the original H.R. 1 bill this year.²³ Demonstration programs that target disadvantaged children in

20. Nina Shokraii Rees, "Improving Education for Every American Child," in Stuart M. Butler and Kim R. Holmes, eds., *Priorities for the President* (Washington, D.C.: The Heritage Foundation, 2001), p. 54.

21. *Education at a Crossroads 2000: The Road to Excellence*, Subcommittee on Oversight and Investigations, Committee on Education and the Workforce, U.S. House of Representatives, 106th Cong., 2nd Sess., October 2000, p. 8.

22. For information on the elements of a strong charter states proposal, see Krista Kafer, "Why Education Reform Without Straight As Is Not Real Reform," Heritage Foundation *Backgrounder* No. 1436, May 8, 2001.

23. For more on the need for demonstration programs, see Thomas Dawson, "Why Congress Should Foster Research on School Choice," Heritage Foundation *Executive Memorandum* No. 738, April 13, 2001.

failing schools would enable policymakers and educators to see what works best.

A mounting body of research shows that:

1. **School choice raises achievement regardless of socioeconomic background.** After taking into consideration a variety of family background and other socioeconomic characteristics, researchers have found that private school children nationwide continue to surpass their public school peers on achievement tests.²⁴
2. **The increased competition from choice spurs traditional public schools to reform to improve achievement.**²⁵ Florida's "A-Plus" program, for example, puts schools on a "failing" list if they do not succeed in educating their students. If the school continues to receive a failing grade, students can leave, making use of the state's voucher program. Failing schools have responded to this pressure; according to Manhattan Institute Senior Fellow Jay P. Greene, "Failing schools that faced the prospect of vouchers made improvements that were nearly twice as large as the gains displayed by other schools in the state."²⁶

Such findings supporting school choice intrigue many in the policy and academic communities. Even the National Research Council, commissioned by the Clinton Administration to study school choice, recommended that the government fund a "large-scale"

experiment to study the effects of choice on student performance.²⁷

3. **Public schools gain additional funds to spend on their own students.** A recent study found that the average private school tuition nationwide was \$3,116—less than half of the average per-pupil expenditures at public schools. Further, a full 67 percent of all private elementary and secondary schools charge \$2,500 or less. The average expenditure per public school student was \$6,857.²⁸ School choice reforms that enable some students to attend private school do not drain funds from public schools, but rather leave behind some of the per-pupil funds, which can then be used on public school students. As the Cato Institute recently estimated, choice programs in the form of an Arizona-like tax credit, which helps low-income students move from public to private schools, may yield billions in savings to states and school districts.²⁹

With many public schools continuing to receive failing grades and many choice experiments receiving good reviews, even *The Washington Post* has expressed its support for a choice demonstration program. In an April 28 editorial, it stated that

experiments in helping make private school an option for poor students in failed public schools are worth a try. There is no denying that years of attempted reform, particularly in urban areas, have

24. James S. Coleman, Thomas Hoffer, and Sally Kilgore, *High School Achievement* (New York: Basic Books, 1982); see also Kirk A. Johnson, Ph.D., "Comparing Math Scores of Black Students in D.C.'s Public and Catholic Schools," Heritage Foundation Center for Data Analysis Report No. CDA99-08, October 7, 1999.
25. Caroline Hoxby, "Do Private Schools Provide Competition for Public Schools?" National Bureau of Economic Research, NBER Working Paper No. 4978, 1994, and Michael Marlow, "Spending, School Structure, and Public Education Quality: Evidence from California," *Economics of Education Review*, Vol. 19 (February 2000), pp. 89-106.
26. Jay P. Greene, "An Evaluation of the Florida A-Plus Accountability and School Choice Program," *The School Choice Advocate: The Newsletter of the Milton & Rose D. Friedman Foundation*, May 2001, p. 3. For the full report http://www.manhattan-institute.org/cr_aplus.pdf.
27. Ladd and Hansen, eds., *Making Money Matter*, p. 273.
28. Center for Education Reform, "Nine Lies About School Choice: Answering the Critics," September 2000, at <http://www.edreform.com/pubs/ninelies2000.htm>.
29. Darcy Ann Olsen, Carrie Lips, and Dan Lips, "Fiscal Analysis of a \$500 Federal Education Tax Credit to Help Millions, Save Billions," *Cato Policy Analysis* No. 398, May 1, 2001, at <http://www.cato.org/pubs/pas/pa-398es.html>.

produced dismal results. The students who are able to do so have fled from those situations; those who have no alternatives suffer terrible consequences. On this, as on other education issues, the ability of the federal government to solve the problem is limited, because the bulk of the money and the decision-making rests at the local level. But if lawmakers truly aim to help children rather than to protect the system and the adults who run it, they ought not shy away from reasonable efforts to test potential remedies, including competition.³⁰

CONCLUSION

Rather than bolster funding for programs that have failed to increase student achievement, House and Senate conferees on the reauthorization of the Elementary and Secondary Education Act

should target funding to results-oriented approaches, such as the President's proposal to establish charter states and school choice initiatives. Federal money should go toward real reforms that boost achievement:

American taxpayers have made a substantial investment in public education, and simply continuing to increase spending on the same lackluster programs will not raise children's test scores. Congress should reform the federal education system and demonstrate to the American people that its changes are successful before asking them to invest more of their hard-earned tax dollars. A stronger educational system is served well by good stewardship of taxpayer funds.

—Kirk A. Johnson, Ph.D., is a Senior Policy Analyst in the Center for Data Analysis, and Krista Kafer is Education Policy Analyst in the Domestic Policy Studies Department, at The Heritage Foundation.

30. Editorial, "Education Choices," *The Washington Post*, April 28, 2001, p. A20.



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