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**SUSTAINING PROGRESS IN TIMES OF FISCAL CRISIS**

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## **Sustaining Progress in Times of Fiscal Crisis**

### **(EXECUTIVE SUMMARY)**

Florida's public educational institutions have not escaped the adverse impacts of the global credit crisis and economic downturn. To balance state and local budgets, every facet of K-12 fiscal policy must be scrutinized so as to identify necessary reductions in spending that do the least damage to the state's public services. Fortunately, the state has been given a partial reprieve by the national economic stimulus package, which the U.S. Department of Education projects will provide Florida with as much as \$3.9 billion in additional federal assistance over and above previous levels over the next two years. But that aid is only temporary assistance, not something that the state can rely upon as a permanent revenue stream. The Department and the state legislature therefore need to take advantage of the short-term opportunity created by the stimulus assistance to put into place a longer term strategy that will enhance school quality while preserving the fiscal viability of the state and its school districts.

This report contains a variety of recommendations which reflect four guiding principles that need to shape the state's overall response to the fiscal crisis:

- 1) Retain and build upon key, relatively low-cost policies that appear to have driven school improvement over the past decade.
- 2) Use the opportunity provided by the federal stimulus package to introduce new policies that will enhance the school system's long-term productivity.
- 3) Avoid locking in expensive programs that cannot be sustained when stimulus funding stops.
- 4) Identify areas where cuts can be made with minimal impact on educational quality.

Above all, the state must maintain its focus on student performance – protecting policies that provide incentives for higher achievement while concentrating belt-tightening measures on aspects of the system that do not seem to contribute to performance. It is important to resist the temptation to eliminate new programs that promise to boost student achievement under the guise that such innovations must be sacrificed in order to protect jobs in the schools. Were that strategy taken, it would constitute a step backwards that is not in the interest of Florida's children.

Consistent with these principles, we offer the following recommendations:

1. *Even if the fiscal situation deteriorates further, Florida should protect the main features of its existing accountability system. The costs of testing students and calculating results are very small relative to the benefits of accountability. Specifically:*
  - a. *The FCAT should continue to be administered at all grade levels currently tested. There should be a continued effort to develop more rigorous assessments that are aligned to the state's Next Generation Sunshine State Standards.*
  - b. *The School Recognition Reward Program that rewards schools that receive an "A" grade or improve their grade over the previous year should be retained.*
  - c. *Schools that twice receive an "F" grade should continue to be subject to state intervention. The differentiated accountability system now being implemented provides a coherent way of making use of both federal and state accountability systems to identify critically low-performing schools.*
  - d. *The collection of information on every student's performance as well as the specific classroom and teacher to which that student is assigned should be continued.*
  - e. *High school graduation expectations should be maintained and strengthened along lines recently proposed by the State Board of Education. Only recently has student high school performance begun to increase noticeably in Florida, suggesting that clearer expectations for high school students are having a salutary impact. Plans to broaden the grading system for high schools to encourage greater rigor should be implemented without delay.*
2. *Despite the fiscal challenges facing local districts, the "Just Read, Florida!" program should be continued.*
3. *Florida should protect its current alternative certification programs, which can be expected to provide a promising pool of candidates during times of fiscal stress. At the same time, it should seek to streamline them further by jettisoning requirements not shown to be linked to classroom effectiveness, such as the requirement that alternatively certified teachers take courses required for traditional certification as they begin teaching.*
4. *The state should continue to fund the MAP performance pay program. Adopting a true statewide mandate may be essential to ensure adequate participation, but it would be preferable to allow districts the flexibility to develop alternative plans that comply with existing MAP parameters.*

5. *The state should provide incentives for districts to eliminate salary premiums for teacher characteristics unrelated to student achievement, including those for advanced degrees.*
6. *As Florida continues to develop performance pay systems for teachers, it should pursue a similar policy for principals and other school-level administrators.*
7. *If workforce reduction is necessary, policies should be designed to minimize uniform, expensive “last hired, first fired” approaches to teacher retention in favor of retaining the most effective members of the work force. In order to achieve goals while fulfilling existing contractual obligations, resources from the stimulus package should be used to induce more senior members of the work force to exit teaching.*
8. *The legislature should consider strategies, including amendments to the Florida Constitution, to limit the fiscal impact of class-size reduction. At a minimum, the state legislature should delay for another year (through 2009-10) the shift to enforcing the class-size reduction amendment at the classroom level. The legislature should also ask voters to approve modifications to the language on class-size in the state constitution or to eliminate it altogether. Sensible revisions include permanently basing enforcement on school-wide or district-wide averages, raising the maximum class sizes, or making it apply to grades K-4 only. Finally, the legislature and the Department should accept the recent administrative court ruling exempting charter schools from enforcement of the class-size amendment until the policy as a whole is reconsidered.*
9. *There is no fiscal reason to eliminate any school choice options currently available to students and families. On the contrary, an expansion of those options would very likely yield savings to state and local taxpayers.*
10. *The K20 Education Data Warehouse and associated analytical capacity should continue to be expanded in order to facilitate the integration of data-based decision making throughout the Florida education system.*

## **Paul E. Peterson**

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Peterson is the author or editor of over one hundred articles and thirty-five-plus books, including *Reforming Education in Florida: A Study Prepared by the Koret Task Force on K-12 Education* (Hoover, 2006). He is a member of the American Academy of Arts and Sciences and the National Academy of Education

Peterson is a member of the independent review panel advising the U. S. Department of Education's evaluation of the No Child Left Behind law. The Editorial Projects in Education Research Center reported that Peterson's studies on school choice and vouchers were among the country's most influential studies of education policy.

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Hanushek serves as a member of the Board of Directors of the National Board for Education Sciences and of the Governor's Advisory Committee on Education Excellence (California). He is an expert on educational policy, specializing in the economics and finance of schools. His on-going research spans a number of important areas of education policy including the impacts of high stakes accountability and of class size reduction and the importance of teacher quality. Hanushek's books include *Courting Failure*, *Handbook on the Economics of Education*, *The Economics of Schooling and School Quality*, *Making Schools Work*, *Improving America's Schools*, *Educational Performance of the Poor*, *Education and Race*, *Assessing Knowledge of Retirement Behavior*, *Modern Political Economy*, *Improving Information for Social Policy Decisions*, and *Statistical Methods for Social Scientists*.

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**SUSTAINING PROGRESS IN TIMES OF FISCAL CRISIS**  
**BY**  
**PAUL E. PETERSON, ERIC A. HANUSHEK, AND MARTIN R. WEST**

Florida's public educational institutions have not escaped the adverse impacts of the global credit crisis and economic downturn.<sup>1</sup> According to a recent estimate of the U.S. Bureau of Economic Analysis, the State of Florida, after having been a national growth leader, now ranks 47<sup>th</sup> among the states in real economic growth. The property values upon which school districts depend for revenue are plummeting, and retail and other state taxes are not generating the revenue flow the state had enjoyed in recent years. According to February 2009 estimate provided by the Florida legislature's Office of Economic and Demographic Research, state revenue flows for 2009 can be expected to be down by close to 10 percent, an estimate that may prove overly optimistic. To balance state and local budgets, every facet of K-12 fiscal policy must be scrutinized so as to identify necessary reductions in spending that do the least damage to the state's public services.

Fortunately, the state has been given a partial reprieve by the national economic stimulus package, which the U.S. Department of Education estimates will provide Florida with as much as \$3.9 billion in additional federal assistance over and above previous levels over the next two years.<sup>2</sup> But that aid is only temporary assistance, not something that the state can rely upon as a permanent revenue stream. Although optimists expect a revival of state and national economies in 2010, budgetary policies and planning needs to take into account more pessimistic estimates that project a longer term horizon before the economy fully recovers. The Department and the state legislature therefore need to take advantage of the short-term opportunity created by the stimulus assistance to put into place a longer term strategy that will enhance school quality while preserving the fiscal viability of the state and its school districts.

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<sup>1</sup> The authors would like to thank Ronald Berry and Elena Llaudet for their assistance in gathering the data presented in this report and the staff of the Florida Department of Education for providing helpful information.

<sup>2</sup> U.S. Department of Education, "American Recovery and Reinvestment Act State Tables." Available at <http://www.ed.gov/about/overview/budget/statetables/recovery.html> (accessed March 2009).

To develop the appropriate strategy one must understand the sources of Florida's past accomplishments and the principles that should guide policymaking in the difficult times ahead. Asked by the Florida Board of Education to examine these issues and make recommendations, we first discussed the fiscal crisis with state officials and with superintendents in districts of varying sizes and circumstances across the state.<sup>3</sup> We also examined the wealth of data available on student achievement in Florida, the state education code, and numerous documents describing both state and district policies. We consulted prior research on education reform in Florida, in particular a 2006 study of education reform in Florida conducted by the Koret Task Force on K-12 Education to which two of us contributed.<sup>4</sup> In addition, Paul Peterson and Martin West had previously directed the Citizen's Review Group for the Department of Education established by Governor Charlie Crist's transition team, a task which had provided a recent opportunity to review the Department's overall strategy and to speak with an array of stakeholders with experience in Florida's public schools. Finally, we drew upon our own research on education policy issues nationally and internationally and from analyses of information we have accessed from the state's data warehouse.

This report contains a variety of recommendations which reflect four guiding principles that need to shape the state's overall response to the fiscal crisis:

- 1) Retain and build upon key, relatively low-cost policies that appear to have driven school improvement over the past decade.
- 2) Use the opportunity provided by the federal stimulus package to introduce new policies that will enhance the school system's long-term productivity.
- 3) Avoid locking in expensive programs that cannot be sustained when stimulus funding stops.
- 4) Identify areas where cuts can be made with minimal impact on educational quality.

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<sup>3</sup> The superintendents we interviewed included Alberto Carvahlo (Dade County), Margeret Smith (Volusia County), and Tim Wilder (Gulf County).

<sup>4</sup> Paul E. Peterson, ed., *Reforming Education in Florida: A Study Prepared by the Koret Task Force on K-12 Education*, Hoover Institution, 2006 (Hoover Institution Press, 2006). Paul Peterson oversaw the production of this volume and prepared its chapter on the A+ Accountability System, while Rick Hanushek contributed a chapter on teacher compensation.

## Florida's Demographic Context and Record of Progress

Florida's public school student population is large, contains an increasing percentage of children from low-income, minority families, and until very recently was fast growing. With more than 2.6 million students, it has the fourth largest public school enrollment in the country, just after that of California, Texas, and New York. With an increase in the number of public school students of 10 percent from 2000 to 2008, its growth rate during this period was rivaled by only a handful of other states.<sup>5</sup> Forty-eight percent of its students are African American, Hispanic, or American Indian, a percentage exceeded by only four states.<sup>6</sup> In addition, 45 percent of Florida students are eligible for a free or reduced-price lunch (a common measure of economic disadvantage) and 9 percent are English language learners.<sup>7</sup>

Given the unique challenges facing Florida's education system, state officials might a decade ago have accepted as inevitable the poor performance of its students in the National Assessment of Educational Progress (NAEP), often called the "nation's report card." In 1998, Florida 4<sup>th</sup> and 8<sup>th</sup> graders reading NAEP scores ranked among the bottom fifth of the states participating in the survey. But over the past decade, Florida's schools have taken a decided turn for the better. It is those gains that need to be sustained and improved upon during the current period of fiscal crisis.

The performance of Florida's students over time can be tracked by examining student achievement since 2001 on the Florida Comprehensive Assessment Test (FCAT). Figures 1a and 1b show the trend in the student developmental test scores over that time period. All of the figures we present examine trends in average scores, rather than in the percentage of students who are proficient, because changes in average scores do not depend upon students crossing a particular cutoff and therefore better capture the overall pattern of performance occurring within a state. Average developmental scale scores in

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<sup>5</sup> Throughout this paper, school years are identified by the year in which they end. Also, unless indicated otherwise, the source of the data cited in this chapter comes from the Florida Department of Education.

<sup>6</sup> U.S. Department of Education, *Digest of Education Statistics: 2007* (Washington DC: National Center for Education Statistics, 2008), Tables 40. The demographic figures reported in the text are from the 2006 school year. The four states with a greater share of minority students are Arizona, Mississippi, New Mexico, and Texas.

<sup>7</sup> U.S. Department of Education, Common Core of Data (<http://nces.ed.gov/ccd/>). These percentages are for the 2007 school year.

grades 3 through 10 range from around 1200 to nearly 2000. These scores are higher for each grade level, because students advance developmentally and have had an additional year of schooling.

Within each grade level, 3 through 10, the figures demonstrate improvements between 2002 and 2008 in student performance in both math and reading. Overall, the largest gains have been in the elementary grades, but in recent years middle and high school students have also made substantial progress.

Minority students have improved at a faster pace than white children over the 2001-2008 time period. As can be seen in Figure 2, both African American and Hispanic students made more progress in math and reading than did their white peers at all grade levels, with the exception of African American reading performance in 10<sup>th</sup> grade.

High-school graduation rates also trended upwards between 1999 and 2008, despite the introduction of more stringent graduation requirements (see Figure 3). In calculating graduation rates, it is preferable to consider as graduates only those who earned a standard diploma within four years of their first enrollment in 9<sup>th</sup> grade (adjusting for transfers in and out of the state) and to exclude those who earned a General Educational Development (GED) credential or received some alternative recognition.<sup>8</sup> This on-time high-school graduation rate increased from 57 percent in 1999 to 71 percent in 2008.

As mentioned above, Florida's educational progress is also evident from student performance on the National Assessment of Educational Progress (NAEP) administered under the supervision of the U. S. Department of Education. In 1996 and 1998 Florida fourth graders, on average, scored well below the U.S. average. But by 2008 they had surpassed the national average in both reading and math (Figure 4a). The scores of Florida's 8<sup>th</sup> graders also advanced relative to those of 8<sup>th</sup> graders nationwide (Figure 5a).

Florida has also made considerable progress toward closing the achievement gap

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<sup>8</sup> Although the GED is widely considered a high-school equivalency credential, numerous studies show that earning a GED does not carry the same labor-market benefits as a regular high-school diploma. See, for example, Stephen Cameron and James Heckman, "The Nonequivalence of High School Equivalents," *Journal of Labor Economics*, vol. 11, no. 1 (1993): 1-47, and Richard J. Murnane, John B. Willett, and John H. Tyler, "Who Benefits from Obtaining a GED? Evidence from High School and Beyond," *The Review of Economics and Statistics*, vol. 82, no. 1 (February 2000): 23-37.

between white and minority students. Gains by Florida's African American and Hispanic students on the NAEP have been even steeper than those of students in general. African American 8<sup>th</sup> graders now perform at the national average, and both Hispanic 4<sup>th</sup> and 8<sup>th</sup> graders score well above Hispanics across the country as a whole. (See Figures 4b, 4c, 5b, and 5c.)

It is instructive to compare trends in Florida with those in California. Both are large states with sizeable minority populations, and both face stringent fiscal crises today. But California has eschewed many of the educational reforms introduced in Florida over the past decade. The consequences for student performance as measured by the NAEP can be seen in Figures 6 and 7. Without dwelling on the details, even a quick glance reveals that Florida's students have outpaced their California peers by noticeable margins both overall and among African American and Hispanic students.

### **Trends in School Spending**

Florida has improved its achievement relative to other states despite the fact that its expenditures on public education lag those of the nation as a whole. Florida has a large population of retirees that live on fixed incomes and resist tax increases. It is one of the few states without personal income taxes. As a result, Florida has never been among the top education spending states in the country, and, notwithstanding substantial funding increases over the last decade, that remains true today. According to most recent national data available from *Education Week*, Florida's per pupil expenditures adjusted for regional cost differences were \$8,437 for the 2006 school year, while the national averages was \$9,644.<sup>9</sup>

Ongoing fiscal challenges have reduced expenditures in 2009 relative to their 2008 peak. Yet they remain \$7 billion (or 63 percent) above 1999 levels.<sup>10</sup> Because enrollment grew significantly during this same period, the increase in per-pupil funding has been a more modest 45 percent (16 percent after adjusting for inflation), a definite

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<sup>9</sup> *Education Week*, "Quality Counts 2000: Who Should Teach?," vol.19, no. 18 (April 2001); and, *Education Week*, "Quality Counts at 10: A Decade of Standards- Based Education," vol. 25, no. 17 (January 2006).

<sup>10</sup> For the 2009 school year, the legislature has appropriated \$17.93 billion of state and local funds for K-12 operational expenditures, down from \$18.26 billion in 2007.

drop from the 51 percent (21 percent after adjusting for inflation) increment that had been achieved in 2008. Figure 8 provides trend the amount of local and state funds directed towards K-12 in the last 10 years, as well as the number of students enrolled.

The fact that Florida has been able to show significant improvements in performance while remaining fiscally responsible indicates the strength of its policy approach. Other states that have tried to spend their way to success – states such as New Jersey or Wyoming – have neither shown overall improvements on NAEP assessments nor managed to narrow their achievement gaps.

Exactly which set of policies is responsible for Florida’s steady gains in student performance and graduation rates is difficult to discern. Nonetheless, the clear evidence of progress suggests that the state’s overall approach to education reform—a combination of increased school and student accountability, an emphasis on early reading skills as the foundation for student achievement, efforts to increase the supply of teachers and reward those most effective in the classroom, and expanded schooling options for parents--has been effective. Below we discuss the key elements of that strategy that should be maintained and enhanced in the current fiscal climate. We also emphasize the need for the state to reconsider its current policies relating to class-size reduction, which threaten to consume virtually all of the discretionary dollars in the state’s education budget for the foreseeable future.

### **The Accountability Program**

Among the many education reforms pursued by Florida over the past decade, its accountability system is the policy that receives the most public attention. Even before its overhaul in 1999, Florida had in place a statewide school assessment program based on student achievement criteria. This program identified schools with low-achieving students as critically low-performing and targeted them for special funding and programming. High school students were required to pass the High School Competency Test (HSCT) to receive a diploma, and a new test aligned to Florida’s 1996 curriculum framework, the FCAT, was being administered to students in grades 4 (reading), 5

(math), and 8 and 10 (reading and math).<sup>11</sup>

### *School Accountability*

The accountability program instituted in 1999 built on the previous one, while substantially raising the bar of expectations and providing new rewards and sanctions tied to performance. It gradually expanded testing to all grades 3 through 10 in order to be able to track the progress of individual students over time. Furthermore, it created an intuitive “A” through “F” grading system for schools and provided clear financial and other incentives for schools to improve and succeed. Since 2002, school grades have been based evenly on student academic progress (the percentage of students making learning gains from one year to the next) and the overall level of student achievement (the percentage of students achieving proficiency). The program provides funding that rewards high performing and fast improving schools. By including both gains and levels of achievement in its measurement of school performance, Florida gives all schools an incentive to ensure that their students progress. In addition to the carrots, the accountability plan also created some sticks. Schools receiving an “F” two out of four consecutive years are subject to state intervention.

As part of the overall accountability and improvement system, Florida created a data warehouse, providing decision-makers and other stakeholders with the necessary tools to evaluate the status and progress of the state’s education system.<sup>12</sup> By tracking students’ progress over time and across different educational environments, the data warehouse allows for unusually rigorous studies of the impact of specific programs or policies on student performance.

That warehouse of information also made it possible for Florida to modify its accountability system to include measures of student progress. Originally, the grading system was based solely on the level of student performance at one point in time. Beginning in 2002, the grading system was based in part on growth in student learning—the gains in student's performance from one year to the next. Including learning gains allowed the state to do a better job of identifying more exactly the educational

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<sup>11</sup> The Sunshine State Standards (SSS) are the curriculum framework adopted by Florida in 1996.

<sup>12</sup> Florida’s data warehouse is known by the name of PK-20 Educational Data Warehouse (EDW).

contribution the school was making.

When Florida included student growth within its grading system in 2002, many schools that had previously prided themselves on their performance were shocked to discover that they no longer were “A” schools. No less than a third of the 357 “A” schools serving elementary students lost that ranking in 2002. Meanwhile, some schools originally thought to be of dubious quality received a higher rank. Over half the 196 elementary schools that had received a “D” now were given a “C” or better. Five jumped all the way to “A” status. Florida was now able to recognize the difference between a school that served high-ability students and schools that helped students learn.

As a consequence, Florida’s accountability arrangements now gave schools clear incentives to enhance the performance of their students. If schools receive a higher grade than the previous year, they receive an extra \$85 per student that could be used for staff bonuses or for a variety of school improvement measures, at the school's discretion. All schools awarded an “A” also receive the \$85 per student bonus, and they continue to receive the bonus if they retain their “A” level standing. Florida schools that receive an “F” have the strongest incentives to improve, as they are subject to a variety of sanctions and provided assistance. Extensive research confirms that these incentives have improved student achievement in these low-performing schools.

When compared to the accountability provisions contained in the federal legislation, No Child Left Behind (NCLB), Florida’s accountability arrangements have many advantages. For one thing, the federal law does not make graded distinctions similar to the “A” to “F” ones that are the heart of the accountability system. Instead, NCLB simply distinguishes in a binary way between schools said to be making “Adequate Yearly Progress (AYP)” and those not so designated. If a school entitled to Title I funding under the federal law fails to make AYP two years in a row, even for quite technical reasons, it is said to be “in need of improvement” and is classified as a “School In Need of Improvement” (or a SINI school). This way of classifying schools is opaque, legalistic and draconian, obscuring as much as it reveals.

It is not only the rubric that is the problem. The NCLB measuring stick itself is flawed, as it does not directly measure growth in student achievement and therefore

cannot discriminate clearly between schools where students are learning from schools where they are not. Further, schools can fail to make AYP if any one of many specific categories of students within the school does not reach the target proficiency rates. That can lead to the designation of SINI even if in general students at the school are learning at rates above the state average.

When it comes to the rigor of the grading system, Florida's and the federal accountability systems can learn from each other. Florida's is too generous, while NCLB's is too harsh. Seventy percent of Florida's public schools were recently identified as high performing under the Florida accountability system, while only 31 percent of its Title I schools avoided the designation of "in need of improvement" by the federal accountability system. That discrepancy has left the public confused as to the true condition of its schools.

Clearly, the two systems need to be reconciled. Fortunately, Florida was one of nine states recently approved by the U.S. Department of Education to revise its NCLB accountability system as part of the Differentiated Accountability Pilot Program. Although the types of changes that could be considered were constrained in important ways by federal requirements, the proposal nonetheless goes a long way toward reconciling the two systems while remaining focused on the schools in need of the most intensive reorganization and restructuring. A key advantage of the new system is that it applies uniformly to both Title I and non-Title I schools, whereas previously sanctions for schools failing to make AYP under NCLB applied only to Title I schools. Subjecting all schools to the same accountability regime, regardless of the demographics of the students they serve, enhances both the fairness and coherence of the overall program.

Developing appropriate learning standards and implementing them in schools along with an assessment system aligned to those standards is an ongoing process.<sup>13</sup> The state must, if it is to continue progress, continue on its planned program of review and improvement of state standards. This activity is relatively inexpensive and should not be slowed or stopped by the fiscal pressures. The largest expense with revised standards is

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<sup>13</sup> See the earlier discussion of the Koret Task Force on useful improvements in standards, curriculum, and accountability; Paul E. Peterson, ed., *Reforming Education in Florida: A Study Prepared by the Koret Task Force on K-12 Education*, Hoover Institution, 2006 (Hoover Institution Press, 2006).

of course preparing teachers to deal with the new material, but such development of teachers is exactly the kind of effort that is needed for continuous improvement of the teacher workforce.

The Florida Department of Education is also currently implementing changes to its system for grading the performance of high schools. In addition to performance on the grade 9 and 10 FCAT examinations, the Department will now consider the following items when assigning school grades: Graduation rates (both overall and for at-risk students); participation in Advanced Placement (AP) and other rigorous courses; performance on exams in those same advanced courses; performance on the SAT, ACT, or similar placement tests (as a measure of college readiness); and performance on statewide end-of-course assessments (now being developed). The system would also consider changes in those school-level performance measures over the previous year.

Overall, this constitutes an ambitious and valuable addition to the state's accountability system, providing clear incentives for schools to increase the rigor of high-school curricula and ensure that their students graduate prepared for post-secondary education. As other states have already begun to work aggressively to strengthen their graduation requirements in order to ensure that graduates are prepared to compete in a global economy, it is essential that Florida remains a leader in that effort. We would note, however, that while it may be useful to begin by rewarding both participation and performance in advanced courses, the state should transition as quickly as feasible to rewarding performance alone. Participation rates are not a reliable indicator of academic accomplishment and are prone to manipulation.

### *Student Accountability*

In 2002, Florida law increased student accountability by ending social promotion and by imposing a more rigorous high school exit exam. The law requires that “no student may be assigned to a grade level based solely on age or other factors that constitute social promotion.”<sup>14</sup> For most grades, the specific levels of performance to be met at the end of each grade are left to each school board to decide, but the state does

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<sup>14</sup> Florida Statute, Title XLVIII, Chapter 1008.25, Section (6): Elimination of Social Promotion.

have uniform requirements for students in grade 3. Starting in 2002, Florida has required that grade 3 students who fail to achieve a level two (out of five) in their reading test be retained, unless they meet one of several acceptable reasons for an exemption. The state requires that retained students be offered remedial instruction.

With regards to graduation requirements, the obligatory high school exit exam was changed from the HSCT, a minimum competency test focused on basic skills below the high school level, to the grade 10 FCAT, a standards-based exam Florida officials regarded as a more appropriate benchmark for high school content. The class of 2003 was the first required to attain passing scores on the FCAT to graduate with a regular diploma. High school students are given six opportunities to pass the test. Currently, those students who have not passed it after three attempts are allowed to substitute designated SAT or ACT scores for the required FCAT scores and still graduate with a regular diploma.

One of the advantages of Florida's accountability system for both schools and students is that it motivates students, parents, and teachers at relatively low cost. Most studies of the cost of accountability systems estimate the price of testing administration and assessment at less than \$75 per student, a very small number when one considers that annual per pupil costs in Florida run well over \$8,000 annually.<sup>15</sup> The School Recognition Award Program that provides \$100 per student is given to those schools that perform well will cost the state only \$212.7 million in 2009, or just 2.5% of the \$8.5 billion in state funds allocated through the Florida Education Finance Program. It is well worth continuing these modest expenditures to maintain a system that drives the kinds of improvement that have been occurring in Florida over the past decade.

***Recommendation:***

1. *Even if the fiscal situation deteriorates further, Florida should protect the main features of its existing accountability system. The costs of testing students and calculating results are very small relative to the benefits of accountability. Specifically:*
  - a. *The FCAT should continue to be administered at all grade levels*

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<sup>15</sup> Caroline M. Hoxby, "The Cost of Accountability," NBER Working Paper No. W8555 (Cambridge, Mass: National Bureau for Economic Research, April 2002).

*currently tested. There should be a continued effort to develop more rigorous assessments that are aligned to the state's Next Generation Sunshine State Standards.*

- b. The School Recognition Reward Program that rewards schools that receive an "A" grade or improve their grade over the previous year should be retained.*
- c. Schools that twice receive an "F" grade should continue to be subject to state intervention. The differentiated accountability system now being implemented provides a coherent way of making use of both federal and state accountability systems to identify critically low-performing schools.*
- d. The collection of information on every student's performance as well as the specific classroom and teacher to which that child is assigned should be continued.*
- e. High school graduation expectations should be maintained and strengthened along lines recently proposed by the State Board of Education. Only recently has student high school performance begun to increase noticeably in Florida, suggesting that clearer expectations for high school students are having a salutary impact. Plans to broaden the grading system for high schools to encourage greater rigor should be implemented without delay.*

### **Making Reading a Priority**

In 2002 Florida established a statewide reading initiative with the aim of ensuring that all children read at or above grade level by 2012. "Just Read, Florida!," as the initiative is called, provides funding for reading coaches, makes available free reading diagnostic assessments to districts for all grades from kindergarten through 12, and provides training for educators and parents alike. The program instructs principals on how to make reading a priority in the schools, advises parents on how to best support their children's progress, and offers training for teachers that the state categorizes as based on the latest research-based methods and strategies for providing solid reading instruction. The initiative's early efforts focused almost exclusively in the elementary grades, but they have expanded to middle and high school since then. The exceptional progress in reading performance made by Hispanic and African American elementary school students, and the more recent advances in performance by middle and high school

students, may well attributed to this innovation.

**Recommendation:**

2. *Despite the fiscal challenges facing local districts, the “Just Read, Florida!” program should be continued.*

**Recruiting and Rewarding Quality Teachers**

While the effects of per pupil spending and other school inputs on student achievement continue to be debated, there is a strong consensus that teacher quality is critically important and varies widely, even within schools.<sup>16</sup> Hiring and retaining more effective teachers thus has enormous potential for raising overall levels of student achievement and reducing achievement gaps along lines of race and ethnicity. Indeed, it is no stretch to conclude, as Robert Gordon and colleagues at the Center for American Progress put it, that “Without the right people standing in front of the classroom, school reform is a futile exercise.”<sup>17</sup> It is hardly surprising, then, that recent years have seen a surge in interest among researchers and policymakers in measures intended to improve the quality of the teaching workforce.<sup>18</sup>

Florida has been at the forefront of this effort, taking a variety of steps towards enhancing the quality of its teaching workforce while exploring innovative ways of recruiting more people into its classrooms. In particular, the state has raised the standards for teacher certification, created a temporary alternative certification credential, opened alternative paths to certification, and introduced a performance pay system that rewards teacher effectiveness. It has done this while ensuring that base teacher salaries in the

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<sup>14</sup> Eric A. Hanushek and others, “The Market for Teacher Quality,” NBER Working Paper 11154 (Cambridge, Mass.: National Bureau for Economic Research, February 2005) show that a student who has a teacher at the 85<sup>th</sup> percentile in terms of effectiveness can expect an annual achievement gain that is 0.22 standard deviations greater than a student who has the median teacher. See also Jonah Rockoff, “The impact of individual teachers on student achievement: evidence from panel data,” *American Economic Review*, vol. 94(2004), pp. 236-240; Barbara Nye, Spyros Konstantopoulos, and Larry V. Hedges, “How Large are Teacher Effects?” *Educational Evaluation and Policy Analysis*, vol. 26 (2004), pp. 237-57; and Steven G. Rivkin, Eric A. Hanushek, and John F. Kain, “Teachers, schools, and academic achievement,” *Econometrica*, vol. 73 (2005), pp. 417-458.

<sup>15</sup> Robert Gordon, Thomas J. Kane, and Douglas O. Staiger. “Identifying Effective Teachers Using Performance on the Job,” Discussion Paper 2006-01. (Brookings Institution, April 2006), p. 5.

<sup>16</sup> Frederick M. Hess, Andrew J. Rotherham, and Kate Walsh, *A Qualified Teacher in Every Classroom: Appraising Old Answers and New Ideas* (Harvard Education Press, 2004).

state remain competitive.<sup>19</sup> Between 2001 and 2007, average salaries in the state rose by 18.5 percent, a pace slightly above the national average.<sup>20</sup>

Until quite recently, Florida faced the daunting challenge of improving the quality of its teaching workforce while simultaneously hiring large numbers of new teachers. The combination of growing student enrollments and the class-size reduction policies discussed below dramatically increased the demand for new teachers in the state. While the decline in student enrollment has partially alleviated short-term hiring pressures, the state needs to maintain its commitment to policies that will enhance teacher effectiveness over the long-run. Where staffing reductions are necessary, these need to be accomplished in a way least likely to adversely affect student achievement.

### *Teacher Certification Policies*

In the area of teacher certification, Florida has raised the standards for teacher knowledge while at the same time creating alternative routes into the profession for teachers who have not completed traditional educator preparation programs. In 2000, the basic skill test (one of the three tests teachers must pass to become certified) was aligned with the Sunshine State Standards curriculum framework. This was done to ensure that teachers are competent in the performance standards that students are expected to achieve. The new basic skill test known as the General Knowledge Test (GKT) measures teachers' competency in math, reading, English, and writing. The other two required tests still measure general knowledge of pedagogy and professional practices (the Professional Education Test) and mastery of the specific content area in which the teacher is seeking certification (the Subject Area Examination).

In order to mitigate Florida's pressing need for new teachers, the state reduced the barriers to entering the teaching profession by creating a temporary alternative

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<sup>19</sup> Making accurate comparisons of salaries among states is nearly impossible because of the differences in state accounting and reporting policies. See the excellent analysis in Florida Department of Education, *Teacher pay review* (State of Florida: Division of Accountability, Research, and Measurement, March 2006).

<sup>20</sup> The Florida data for this period can be found in Florida Department of Education, *Teacher salary, experience, and degree level: 2006-07* (Bureau of Education Information & Accountability Services, July 2007). The national comparisons, which rely on data from the National Education Association, can be found in U.S. Department of Education, *Digest of Education Statistics, 2007* (Washington, DC: National Center for Education Statistics, 2008), Table 76.

certification credential. This certificate allows career changers and college graduates of non-education programs to teach full-time for up to three years if they pass the GKT and hold a bachelor's degree with 30 semester-hours or more specific to the subject they will teach. This certificate is non-renewable: teachers must complete the requirements for a full professional certificate (including passing the relevant Subject Area Examination) if they wish to remain in the profession after three years.

The legislature also responded to growing hiring pressures by establishing two innovative programs that provide alternative routes into teaching: district-based alternative certification programs and Educator Preparation Institutes (EPIs) at community colleges and four-year institutions of higher education. Under new requirements implemented in the 2003 school year, each district in the state was required to establish its own alternative certification program, and this is currently the main alternative path by which new teachers become certified. These programs must cover a state-mandated core curriculum, but districts have some flexibility to adapt the specifics of their programs to meet local priorities and needs. The EPIs offer similar training programs via modules designed primarily for participants who hold regular (non-teaching) jobs. Both types of programs have expanded rapidly, suggesting that they are providing important new routes through which to enter the teaching profession. In 2008, 1,716 individuals completed district-based certification programs and 1,375 completed EPI programs, as compared with 5,974 completing traditional teacher preparation programs. In other words, 34 percent of individuals newly trained as teachers were prepared through one of the new routes, up from 29 percent the previous year and a much smaller percentages only a few years earlier.<sup>21</sup>

The state's experience with these programs to date has been quite positive. District superintendents and school principals report that they have already become an important source of new teachers who are of at least as high a quality as those entering through traditional routes.<sup>22</sup> An internal analysis conducted by the Florida Department of

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<sup>21</sup> Information provided by the Florida Department of Education. Program completers have not necessarily achieved full certification and may or may not be teaching in Florida schools.

<sup>22</sup> Terry M. Moe, "Quality Teachers," in Paul E. Peterson, ed., *Reforming Education in Florida: A Study Prepared by the Koret Task Force on K-12 Education*, Hoover Institution, 2006 (Hoover Institution Press, 2006), pp. 135-148.

Education has confirmed that these teachers are as effective, as measured by the share of their students making learning gains, as those holding traditional certificates. We have confirmed these findings using linked teacher-student data from the Florida K-20 Data Education Warehouse. Students with alternatively certified teachers, on average, improve both their math and reading performance by as much as students assigned to traditionally certified teachers. Moreover, it is likely that alternative certification programs are especially valuable during economic downturns, when there are likely to be a substantial number of people in other occupations who have lost their job or are simply looking for a change.

Despite these positive steps, it is worth noting that there is no evidence that the curricular content mandated by the state for both the district-based and EPI programs, which is organized a set of twelve “Educator Accomplished Practices,” is associated with greater classroom effectiveness. Moreover, although they give districts greater flexibility in hiring by allowing them to consider candidates who are not yet fully certified, they still impose a substantial burden in terms of time and effort on potential entrants to the profession. Further streamlining the certification process by eliminating requirements not based on evidence of teacher effectiveness would allow these programs to reach their full potential.

***Recommendation:***

- 3. Florida should protect its current alternative certification programs, which are likely to provide a promising pool of candidates during times of fiscal stress. At the same time, it should seek to streamline them further by jettisoning requirements not shown to be linked to classroom effectiveness, such as the requirement that alternatively certified teachers take courses required for traditional certification as they begin teaching.*

***Performance Pay***

Florida has also been a national leader in moving toward a performance-based compensation system for its teachers. While it began with a series of mandates requiring districts to introduce performance pay plans, recent policies have taken the form of voluntary programs accompanied by earmarked state funding. These plans, which are consistent with the recommendations of many education researchers and reformers, have

yet to have their full impact, in part because few districts have participated. Another reason for their limited impact to date has been the repeated changes to the structure of the state program. These frequent changes make it difficult for districts to devise programs that they can expect to operate over a period of time.

The innovative STAR (Special Teachers Are Rewarded) performance-based pay plan was introduced by the legislature in 2006 and funded with a \$147.5 million appropriation.<sup>23</sup> STAR required that at least 25 percent of instructional personnel in each participating district receive a bonus of at least 5 percent of their base salary based primarily on student academic progress.

Participation in STAR necessitated the renegotiation of collective bargaining agreements to meet the legislature's requirement of substantial reliance on objective performance measures based on student achievement. As the Citizen's Review Group established to review the state's education policy for Governor Charlie Crist's transition team explained in December 2006, "The Florida Education Association, which feels that the STAR program is being implemented too quickly and without adequate consultation with teachers, has encouraged its local unions not to agree to their district's STAR plan and filed an administrative challenge to the program. Many district officials also feel that the DOE has not allowed districts sufficient flexibility in designing and implementing their STAR programs." These factors clearly limited participation in the program, as only a small handful of districts submitted plans for approval by the year-end 2006 deadline.

The STAR program was replaced by the Merit Award Program (MAP) in 2007. MAP changed a number of program parameters, including the percentage of each district's teachers who could receive awards and the degree to which awards had to be based on assessment data. It also increased state appropriations to pay for the bonuses. It again required district (and union) agreement on participation in the program and on the details of any plan. The latest compliance report filed by Commissioner of Education

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<sup>23</sup> STAR followed an action by the State Board of Education to implement performance pay. Florida's law has required districts to adopt performance pay plans for teachers since 2002, but because compliance was limited, the State Board developed clear and explicit rules for the districts to follow. The result was the Effectiveness Compensation (E-Comp) plan aimed to ensure that all districts implement the law as it was intended. Much of the basic structure of E-Comp remained in the STAR legislation.

Eric Smith in February 2009 indicates that only 5 of the states 67 school districts had submitted a plan that complies with the program's mandates.<sup>24</sup> Interestingly, the participation rate among the state's charter schools was far higher, with 218 of 358 schools submitting compliant plans.

With relatively few traditional school districts participating in the MAP program, the legislature should consider alterations to the program. Because of the difficulties of introducing new performance pay systems through the negotiation process, it would seem appropriate to develop a system that combines a statewide default program with opportunities for district flexibility. In particular, the state could provide performance pay directly to qualified teachers according the gains of their students on state assessments but allow districts to substitute a negotiated variation (meeting existing criteria for compliance with MAP) if they chose. This approach would ensure some level of direct compensation for performance while engaging the districts in devising and negotiating systems responsive to their own needs. Such flexibility would allow for a greater degree of experimentation and innovation, which is important given that we have little experience to draw upon when designing an optimal performance pay systems for teachers. At the same time, in order to make this feasible, it would be necessary to limit bonus eligibility under the state plan to teachers in subjects tested by the FCAT (math, reading, writing, and science) until the state develops a common system of end-of-course exams in other subjects.<sup>25</sup> This necessary restriction in a state plan would provide additional incentives for local districts to negotiate improved performance pay systems.

It is important for the long-term development of the state's teacher workforce that Florida stay the course on developing a performance pay system for teachers. As noted above, considerable research indicates that nothing is more important for student achievement than having an effective teacher. Moreover, this research indicates that heavy policy emphasis should be placed on programs that retain effective teachers but that encourage less effective teachers to leave the profession. Performance pay of the

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<sup>24</sup> The Florida Virtual School also submitted a compliant plan.

<sup>25</sup> The state could additionally consider offering larger bonuses to effective teachers in high-poverty schools, thereby providing an incentive for more effective teachers to seek out placements in those schools. However, research suggests that any such bonuses would need to be sizable in order to influence teachers' willingness to take on difficult assignments. Eric A. Hanushek, John F. Kain, and Steve G. Rivkin. "Why public schools lose teachers." *Journal of Human Resources* 39, 2 (2004):326-354.

type being developed in Florida provides these incentives. If the pay system is to provide strong incentives for the effective teachers to stay in Florida schools, it must be stable; it must involve substantial extra rewards; and it must target the most effective teachers. A certain amount of adjustment over time will clearly be necessary, given the uncertainty about how best to design policy in this area. Ultimately, however, the state should work to provide a stable policy framework that ensures that performance pay will persist into the future.

The federal stimulus package is particularly relevant to this issue. The U.S. Secretary of Education has a substantial pot of money available (\$4.35 billion) that can be dispersed at his discretion. Preliminary guidance from the federal Department of Education states that one of the Secretary's four priorities in allocating these funds will be programs "Making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need." Given the current administration's favorable disposition toward performance pay programs, the state should position itself to obtain a disproportionate amount of these funds by demonstrating its longstanding support of teacher pay reforms and its desire to move forward aggressively with revisions to the MAP program that will both ensure district participation and preserve flexibility to design systems that reflect local needs.

***Recommendation:***

- 4. The state should continue to fund the MAP performance pay program. Adopting a true statewide mandate may be essential to ensure adequate participation, but it is important to allow districts the flexibility to develop alternative plans that comply with the existing MAP parameters.*

***Master's Degrees***

Teacher compensations can be improved not only by rewarding effectiveness, but also by no longer rewarding characteristics that are not associated with effectiveness. Indeed, accomplishing the latter may facilitate the accomplishment of the former by freeing up resources that are not currently being used in a productive manner. In this regard, it is worth reconsidering the extent to which Florida's school systems pay a premium for teachers who have completed advanced (post-BA) degrees.

Numerous studies of student achievement carried out across the country have indicated that teachers with advanced degrees are not more likely to be highly effective than those without advanced degrees.<sup>26</sup> Our own analyses of individual-level data from the state's data warehouse indicate that the same is true in Florida. This appears to reflect the fact that the type of training provided in typical graduate programs is not closely related to the activities of the classroom teacher. Yet teachers with a master's degree nationally earn approximately 25 percent more than teachers with only a bachelor's degree (a difference that reflects both degree premiums and the fact that more experienced teachers are more likely to hold an advanced degree).<sup>27</sup> Research from the Florida Department of Education shows that these same basic patterns are evident across Florida: among teachers with 11-15 years of experience, for example, teachers with a masters degree earn \$4,755 (11 percent) more in the 2006 school year than teachers with only a BA.<sup>28</sup> Published salary schedules suggest that the annual premium for a masters degree in the state's three largest school districts (Broward, Dade, and Palm Beach Counties) is \$3,000 or more.<sup>29</sup> Assuming an average premium statewide of \$3,000, Florida's districts now spend roughly \$180 million annually in additional payments to the roughly 60,000 teachers in the state with a master's degree.<sup>30</sup>

These payments are subject to individual district negotiations and are not directly subject to state policymaking. Nonetheless, in times of fiscal stringency, local districts should be encouraged to move away from payments such as these that are unrelated to student achievement. It may, for example, be possible to condition availability of certain stimulus funds on the elimination of this expensive but unproductive policy.

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<sup>26</sup> See Eric A. Hanushek, "The Failure of Input-based Schooling Policies," *Economic Journal*, Vol. 113, 485 (2003): F64-98.

<sup>27</sup> National data are found in U.S. Department of Education, *Digest of Education Statistics, 2007* (Washington, DC: National Center for Education Statistics, 2008), Table 71.

<sup>28</sup> Florida Department of Education, *Teacher pay review* (State of Florida: Division of Accountability, Research, and Measurement, March 2006).

<sup>29</sup> The specific figures are \$3,000 in Palm Beach County, \$3,100 in Dade County (\$3,710 for Improvement Zone teachers), and \$3,650 in Broward County.

<sup>30</sup> The Florida Department of Education reports that 59,863 teachers in the state had masters degrees in the 2005 school year. Florida Department of Education, *Teacher pay review* (State of Florida: Division of Accountability, Research, and Measurement, March 2006).

***Recommendation:***

- 5. The state should provide incentives for districts to eliminate salary premiums for teacher characteristics unrelated to student achievement, including those for advanced degrees.*

***Administrator Policies***

Compensation and retention of principals and other school administrators should also be linked to performance. The effectiveness of principals and other administrators has a strong effect on a school's performance. Moreover, if evaluations of teachers by administrators are to have real consequences, it is important that administrators face similar incentives to improve student performance. Only then will they have an incentive to evaluate teachers according to their classroom effectiveness.

Fortunately, it is not necessary to subject administrative contracts to the collective bargaining process, so the introduction of reforms in the compensation of the administrative staff should be easier to achieve than the introduction of merit pay policies for teachers. Because of the value of such policies for school performance, administrative reforms are potentially eligible for federal funding under the discretionary funds of the U.S. Secretary of Education.<sup>31</sup>

***Recommendation:***

- 6. As Florida continues to develop performance pay systems for teachers, it should pursue a similar policy for principals and other school-level administrators.*

***Teacher Dismissal Policies (LIFO)***

Without any federal aid, it is clear that some fiscal retrenchment by schools would be required. But, even with the federal funding from the stimulus package, it is likely that Florida schools will have to do a certain amount of fiscal retrenchment. Because of the labor intensity of schools, this almost certainly involves a certain level of teacher layoffs. School districts such as Volusia County have already been forced to lay off

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<sup>31</sup> The U.S. Department of Education has announced that \$4.35 billion of the \$5 billion in discretionary funds that can be allocated by the Secretary would be part of a "race to the top" fund that would be allocated competitively to states that pursue reforms that improve achievement across their state.

substantial numbers of teachers, while others such as Dade County have avoided doing so only by proposing that some 2009 salary expenses be shifted into 2010. The way in which this expected retrenchment is accomplished will have long term consequences for the performance and productivity of Florida schools.

The availability of fiscal stimulus funds makes this issue especially important. These funds permit replacement of lost revenues to states so that programs and staffs of schools can be stabilized. But the impact both in the short run and the long run depends crucially on how this is implemented. Maintaining the traditional policy of “last in, first out” (LIFO) will minimize the number of jobs saved while maximizing the long run fiscal challenges facing by school districts. The reason is simple: new employees have considerably lower salaries than older employees. For example, the average salary of teacher (nationally) with 15-19 years of experience is 40 percent higher than a teacher with three years of experience.<sup>32</sup> For teachers with 30-34 years experience, the premium is 60 percent. Thus, to obtain the same fiscal savings, 14 young teachers must be laid off for every 10 teachers with 15-19 years of experience, and 16 young teachers must be laid off for each 10 teachers with 25 years of experience.

This trade-off could conceivably be worthwhile, if the more experienced teacher is substantially more effective than the new teacher. Research shows, however, that teacher effectiveness on average increases just for the first one to three years of experience. Thus, while salaries are far higher, classroom effectiveness typically is not.

There is an even larger problem in using LIFO policies under the stimulus program. With high certainty, the stimulus package will stop providing fiscal bailout monies after one or two years. If that is the case, the fiscal problems of districts will reappear in the near future. If the state is not able to compensate for a withdrawal of bailout funds, the districts will face a situation where average salaries are greater than today (because high experience teachers are retained and low experience teachers are let go). This will make the future fiscal problems even more severe.

The current teachers do have seniority rights under existing contracts. Thus, it is

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<sup>32</sup> National data are found in U.S. Department of Education, *Digest of Education Statistics, 2007* (Washington, DC: National Center for Education Statistics, 2008), Table 71. Individual districts in Florida maintain their own salary schedules but have a similar premium for experience.

not possible simply to eliminate these contract provisions arbitrarily. At the same time, using both fiscal bailout funds and potential discretionary funds to buy out more senior teachers would be an educationally sound and fiscally prudent approach. Indeed, an application for discretionary funds based on rebalancing the teacher force for long run purposes may well be attractive to the U. S. Secretary of Education.

The same notions apply to dealing with any fiscal shortfall that remains after federal bailout funds are dispersed. The employment effects (both short-term and long-term) of any shortfall are minimized by avoiding LIFO policies. And these programs would not be expected to have any negative educational impacts.

The best of all worlds, of course, would combine both performance elements and retention programs. At every experience level, some teachers are much more effective than others. The ideal policy, even if difficult to implement on a statewide basis, is to buy out ineffective teachers while retaining effective teachers. In this, a combination of state assessment data and of other personnel evaluations – such as contemplated under MAP – could be used to fine tune retention policies. If done now, it would have lasting impacts that would transcend any fiscal recovery period, because the teaching force would on average be more effective.

***Recommendation:***

- 7. If workforce reduction is necessary, policies should be designed to minimize uniform, expensive “last hired, first fired” approaches to teacher retention in favor of retaining the most effective members of the work force. In order to achieve goals while fulfilling existing contractual obligations, resources from the stimulus package should be used to induce more senior members of the work force to exit teaching.*

**Class Size Reduction**

Florida’s ability to respond productively to its current fiscal situation is unfortunately constrained by a constitutional amendment strictly limiting maximum class sizes at all grade levels. Narrowly adopted by the voters in 2002, this amendment requires that, by the beginning of the 2011 school year, the maximum number of students in core-curricula courses assigned to a teacher is not to exceed 18 students in Pre-kindergarten through Grade 3; 22 students in Grades 4 through 8; and 25 students in

Grades 9 through 12.<sup>33</sup>

Implementing legislation passed by the Florida legislature initially specified a two student per year reduction in class size in district-wide average class sizes during the 2004 through 2006 school years; a two student reduction in school-level averages during the 2007 and 2008 school years; and a two student reduction in individual classrooms in 2009 until class size goals were reached prior to or by 2011. Beginning in 2004, any district that did not reduce average class sizes as required by law had funding transferred from their Class Size Reduction Operating Categorical Account to their fixed capital outlay account to be used for class size reduction.<sup>34</sup> In light of the growing financial pressures facing school districts, the legislature later postponed the 2009 shift to classroom level enforcement by one year.

Not surprisingly, average class sizes in core-curricula courses have fallen dramatically since the 2002-03 school year. By 2007-08, they had dropped by 29 percent (from 23 to 16 students) in Kindergarten through grade 4, by 22 percent students (from 24 to 19 students) in grades 4 to 8, and by 11 percent (from 24 to 21 students) in grades 9 to 12. As of 2009, only 1.4 percent of schools exceeded the school-level average targets in grades K-3, and fewer than 1 percent of schools were not in compliance in grades 4-12. Nonetheless, roughly one quarter of K-8 classrooms and almost one third of grade 9-12 classrooms remain over the allowed maximums.

The cost to the state of achieving these reductions, summarized in Table 1, has been nothing short of extraordinary. The operating and capital funds allocated by the state to support class-size reduction through the 2009 school year approached \$13 billion. The recurring appropriation for class-size reduction operating expenses, expenses that will need to be funded as long as the amendment remains in place, now exceeds \$2.7

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<sup>33</sup> “Core-curricula courses” include Mathematics, Language Arts/Reading, Science, Social Studies, Foreign Language, English for Speakers of Other Languages (ESOL), Exceptional Student Education (ESE), and courses taught in traditional self-contained elementary school classrooms. Other courses (such as physical education classes or fine arts classes, for example) are exempt from the class-size mandate.

<sup>34</sup> Beginning in the 2006 school year, moreover, each district that has not met the two-student-per year reduction (and remains above the maximum “caps”) is required to implement one of the following policies in the subsequent school year: (1) year-round schools, (2) double sessions, (3) rezoning, or (4) maximizing use of instructional staff by changing teacher loads and planning periods, using adjunct educators, returning district employees who have professional certification to the classroom, or operating beyond normal operating hours or more than one session per day.

billion annually.

Though a definitive analysis is not possible, in our view it is highly unlikely that these massive investments have contributed to the continued progress made by Florida's students during this time. A large body of academic research confirms that the effects of class-size reduction on student achievement are inconsistent at best; this is especially true for grades 4-12, where there is almost no evidence that reduced class sizes lead to better performance.<sup>35</sup> The upward trajectory in the achievement of Florida's students long predates the implementation of the class-size reduction policy and has not accelerated in recent years. Moreover, other states making similarly broad investments in class-size reduction during this period—most notably California—have not seen comparable improvements in student performance.

At the same time, it is clear that the ongoing implementation of the class size amendment has distorted education budgets and constrained school-level decision-making in the state. The \$2.7 billion allocated by the state in 2008-09 amounts to 32 percent of total state funding for K-12 education and 15 percent of combined state and local spending. Absent the amendment, these funds could have been used to support the state's ongoing efforts to raise teacher quality rather than simply used to hire more teachers. Superintendents report that, because the amendment applies only to core-curricula classes, class-sizes in elective courses at the middle and high-school level have increased dramatically. Moreover, the strict limits on maximum class sizes have made it extraordinarily difficult for districts to respond to declining enrollments due to demographic trends, fallout from the economic crisis, or increased participation in school choice programs. They are often prevented from reducing staffing costs as part of an overall strategy to deal with these situations. As enforcement of the policy moves from the challenge to sensible management practices will become even more severe.

In sum, however popular it may be with the public, reducing class-size is an extraordinarily inefficient use of school resources, particularly when it is pursued through a rigid statewide mandate. In December 2006, prior to the recent economic downturn,

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<sup>35</sup> For a recent review of this literature, see Eric A. Hanushek, "The Failure of Input-based Schooling Policies," *Economic Journal*, Vol. 113, 485 (2003): F64-98.

the transition report to the incoming Governor Crist noted that the costs of complying with the class-size mandate were “growing at rates that could consume every discretionary dollar in the state budget while also creating serious new debt burdens in local districts.” They warned that “the Governor may be faced with only two very difficult choices: to fund the program as planned with significant new sources of revenue or to reduce funding to virtually every other priority in state government in order to afford this one.” Given the state’s deteriorating fiscal situation, the threat to sound education policymaking now posed by the class-size amendment is all the more dire. While there may be other ways to cut unproductive expenditures from the state education budget, all of them represent only incremental changes relative to the massive costs of pursuing the current policy in this area.

***Recommendation:***

8. *The legislature should consider strategies, including amendments to the Florida Constitution, to limit the fiscal impact of class-size reduction. At a minimum, the state legislature should delay for another year (through 2009-10) the shift to enforcing the class-size reduction amendment at the classroom level. The legislature should also ask voters to approve modifications to the language on class-size in the state constitution or to eliminate it altogether. Sensible revisions include permanently basing enforcement on school-wide or district-wide averages, raising the maximum class sizes, or making it apply to grades K-4 only. Finally, the legislature and the Department should accept the recent administrative court ruling exempting charter schools from enforcement of the class-size amendment until the policy as a whole is reconsidered.*

### **School Choice Programs**

A more salutary component of the education policies Florida has adopted in recent years is a set of programs that offer students and families a range of options other than attending the district school serving the attendance area in which they live. Although some of these programs have been eliminated or threatened by judicial decisions, many continue to provide families with a variety of opportunities not available in many other states. In 2008, 358 charter schools were serving 104,319 students. A variety of virtual school alternatives are building upon the establishment of the Florida Virtual School, a national recognized innovation that is providing more than 100,000 courses annually. The McKay Scholarship allows all students eligible for special

education to attend a private school, thereby relieving the pressures of special education on the instruction provided by districts for regular students. In 2008, nearly 20,000 students were using a McKay scholarship, which averaged \$7,295, to attend one of the 846 participating private schools. The Corporate Tax Credit Scholarship Program (CTC) provides an income tax credit for corporations that contribute money to nonprofit scholarship-funding organizations awarding scholarships to students from families with limited financial resources. For the 2008 school year, there were over 21,000 low-income students attending one of the 895 participating private schools. Participating students are broadly representative of the Florida population as a whole. Studies and evaluations of all these options indicate a high level of consumer satisfaction, and there is no evidence that the quality of instruction is generally inferior to that provided by district schools.<sup>36</sup>

The choice alternatives available to Florida's parents appear to reduce rather than add to overall state education costs. Per pupil funding for charter schools is less than at district schools, and charter schools have demonstrated the ability to construct new facilities at a lower cost than traditional districts; courses taken online at Florida Virtual School cost the taxpayer less than similar courses provided by district schools; the McKay scholarship appears to have had salutary effects on public school performance<sup>37</sup>; and those who make use of the corporate tax credit scholarship save the state any per pupil expenditures exceeding their scholarship, which is worth up to \$3,950.

***Recommendation:***

9. *There is no fiscal reason to eliminate any school choice options currently available to students and families. On the contrary, an expansion of those options would very likely yield savings to state and local taxpayers.*

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<sup>36</sup> Caroline Hoxby, "A Tapestry of Choice Programs," in Paul E. Peterson, ed., *Reforming Education in Florida: A Study Prepared by the Koret Task Force on K-12 Education, 2006* (Hoover Institution Press, 2006), pp. 167-212.

<sup>37</sup> Jay P. Greene and Marcus A. Winters, "The effect of special education vouchers on public school achievement: evidence from Florida's McKay Scholarship Program." Manhattan Institute for Policy Research, Civic Report 52 (2008).

## **State Data Warehouse**

As noted throughout this discussion, one of the underlying strengths of the Florida education system is its ability to track student outcomes over time, to disaggregate these outcomes by student background, and to link performance to specific programs and personnel. Florida has been a national leader in the use of data to develop and evaluate new programs – many of which are discussed above. Florida has not only been widely recognized for the quality of its data, but its warehouse has attracted numerous outside researchers. These researchers provide high quality, independent evaluations of Florida policies and programs at very low cost to the state.

It is essential that Florida continues to develop and expand the usefulness of its data warehouse and of its analytical capacity to evaluate state and district policies across the state. Fortunately, one of the specific elements of the federal stimulus package is new funding for such state data elements. Florida should aggressively seek these funds. Even in their absence, however, the state should continue its progress in integrating data-based decision making throughout the system.

### ***Recommendation:***

- 10. The K20 Education Data Warehouse and associated analytical capacity should continue to be expanded in order to facilitate the integration of data-based decision making throughout the Florida education system.*

## **Conclusion**

Above all, the state must maintain its focus on student performance – protecting policies that provide incentives for higher achievement while concentrating belt-tightening measures on aspects of the system that do not seem to contribute to performance. Educational policymaking always involves an element of political compromise and the need to balance among competing interests. But it is important to resist the temptation to eliminate new programs that promise to boost student achievement under the guise that such innovations have to be sacrificed in order to protect jobs in the schools. That approach would constitute a step backwards that is not in the interest of Florida's children.