



Maryland POLICY REPORT

No. 2006-3

January 23, 2006

IS MORE EDUCATION SPENDING THE ANSWER IN MARYLAND?

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On January 5, 2006, Maryland Governor Robert L. Ehrlich, Jr. announced an initiative to spend an additional \$462 million on state education programs, and an additional \$281 million on public school building rehabilitation and construction.¹ This new education spending proposal comes just a few years after the record amount of Thornton Commission money was passed by the Maryland General Assembly in 2002, which was supposed to provide more than a billion additional dollars to Maryland's 24 public school districts.²

K-12 education spending continues to be an emotional subject in Maryland, especially because it usually is the largest single budget item in county budgets, and one of the top spending items in the state budget.

In the debate over ever-increasing education spending, a legitimate question emerges: has education spending been shortchanged over the past few decades? Is it being shortchanged now? The best way to evaluate this question is to look at the his-

tory of education spending in Maryland, and on average in the United States.

Following that is a discussion of the early uses of the Thornton money and a recommendation for what policymakers should consider this session to benefit public K-12 education in Maryland, given the funding debate.

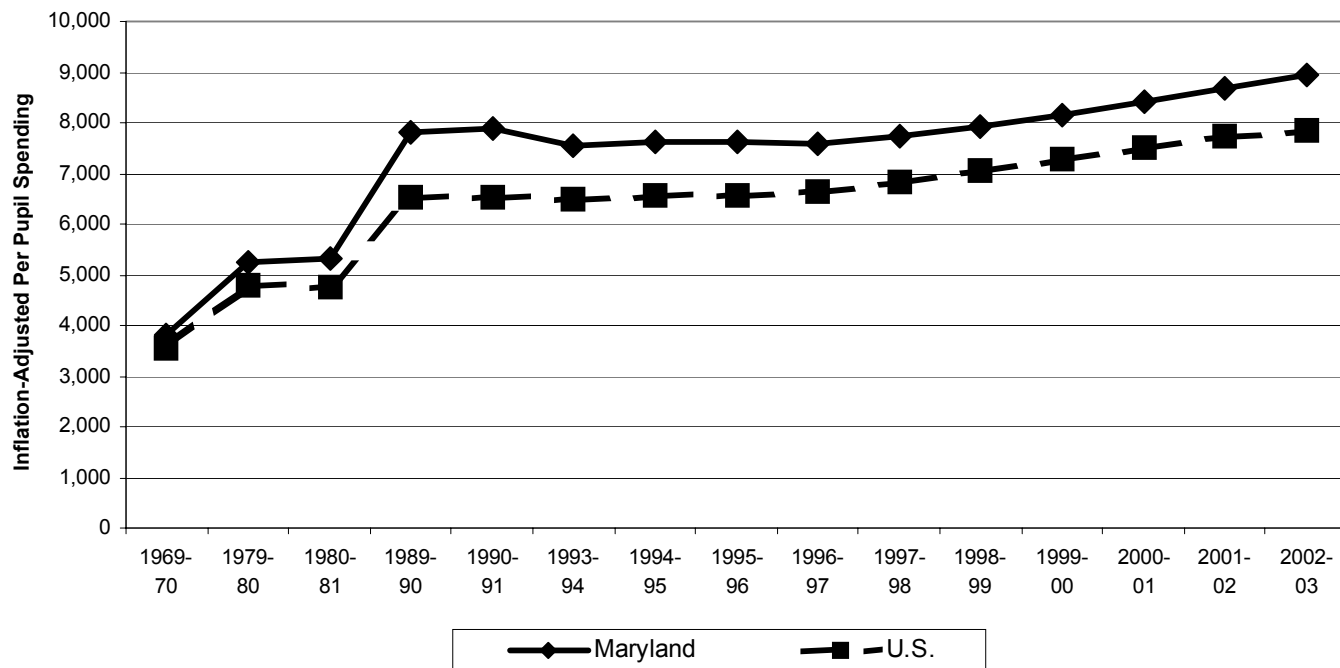
HISTORICALLY AND CHRONICALLY UNDERFUNDED?

Maryland has consistently spent more per pupil than the nation as a whole over the past few decades. With the exception of the early to mid-1990s, per-pupil spending has been trending up over the recent past. In constant (2001-2002) dollars, Maryland spent just over \$3,800 per pupil in the early 1970s, an amount that roughly doubled in 25 years. In contrast, education spending per pupil nationwide took about 30 years to double in real, inflation-adjusted terms.³

Since the Glendening Administration, real, inflation-adjusted education spending has increased by

1. Liz F. Kay, "Ehrlich Announces Additional Education Dollars: Spending Increases to Fund Various Initiatives, Public School Construction," *Baltimore Sun*, January 5, 2006.
2. This law is known as the "Bridge to Excellence in Public Schools Act."
3. National Center for Education Statistics, "Digest of Education Statistics" 2004, Table 167, available at nces.ed.gov/programs/digest/d04/tables/dt04_167.asp; and National Center for Education Statistics, "Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2002-03," available at nces.ed.gov/pubs2005/2005353.pdf.

Chart 1: Maryland Consistently Spends More Per Pupil than the Nation



about \$1,000 per pupil between the 1995–1996 and 2001–2002 academic years. In the first year of Thornton (2002–2003), per-pupil expenditures increased at nearly twice the national rate (about 3 percent, compared to 1.7 percent for the nation). This is noteworthy, given that the year-to-year change in per-pupil spending through the late 1990s in Maryland has been similar to the national trend, although Maryland has consistently spent more, on average.

Given that, with few exceptions, education spending for both the nation and the state of Maryland has been increasing every year in real, inflation-adjusted terms, it is difficult to argue that the schools are underfunded. Indeed, Maryland is already in the top quarter nationwide in terms of state spending per pupil.

DOES MORE MONEY MEAN A BETTER EDUCATION?

Many politicians are eager to suggest that money as an educational input leads to greater student

achievement as an output. Maryland's own Department of Legislative Services, in its fiscal note on the Thornton bill, suggested that 22 of 24 school districts lacked sufficient funding, and deemed them "inadequate" to teach students to a proficient level.⁴ The problem with this position is that it lacks a basis in the research.

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 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.⁵

Given that roughly 70 percent of eighth graders are not proficient in either math or reading nationwide

4. Department of Legislative Services, Maryland General Assembly 2002 Session, "Fiscal Note: Senate Bill 856," Exhibits 1 and 2.

5. Helen F. Ladd and Janet S. Hansen, eds., *Making Money Matter: Financing America's Schools* (Washington, D.C.: National Academy Press, 1999).

(or in Maryland), this result is not terribly surprising.⁶

Other studies abound on this theme. For example, Eric Hanushek of the University of Rochester has conducted several studies of the effects of spending on achievement and has concluded that there is no relationship.⁷ Most recently, the annual *Education Week* "Quality Counts" publication indicated no relationship between money and achievement:

Preliminary analyses also found no relationship between state resource and equity indicators and student-achievement gains, after controlling for states' initial NAEP [National Assessment of Educational Progress] performance.⁸

Even in the face of the broad evidence suggesting a link between spending and achievement, there remains a clarion call for increased education spending, Thornton notwithstanding.

WHAT SCHOOL DISTRICTS DID WITH THORNTON MONEY

In late 2004, the Department of Legislative Services prepared an audit⁹ to determine what localities were planning to do with the increased Thornton money. The law itself had a number of requirements to school districts, including the establishment of a comprehensive master plan for raising student performance and the provision for all-day Kindergarten statewide (among others). Mostly, however, direct state aid for education simply rose starting in Fiscal Year 2003.

The Department of Legislative Services found that in the first fiscal year of Thornton, the vast majority of school systems were providing general salary increases to its teachers and other school employees, "step increases" along the standard salary grid, or (most often the case) both.¹⁰

Additionally, less than half of the school districts surveyed indicated that they were increasing instructional staff either to "reduce class sizes or enhance instruction in some other way."¹¹ Some school districts used the increase funding specifically to satisfy the mandate for all-day Kindergarten. Others were moving to enhance gifted and talented programs or provide extra tutoring.

Technology upgrades and/or career programs were also mentioned, with one school district (Carroll County) supplying teachers with laptop computers. Finally, the Department of Legislative Services mentioned that some districts were implementing more teacher in-service and other professional development programs.

The problem with most of these strategies is that they are not new, and by themselves they will not likely lead to improved student academic outcomes. The strategies simply make K-12 education relatively more expensive.

WHAT POLICYMAKERS SHOULD DO

Instead of engaging in a race to see who can spend the most money on current education programs, there should be more discussion of education reforms that do not involve wildly increasing expenditures. The state's leaders could start by considering some of the 30 recommendations from the

6. Data are from the National Assessment of Educational Progress (NAEP), available at www.nces.ed.gov/naep.

7. 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.

8. *Education Week*, "Quality Counts at 10: A Decade of Standards-Based Reform," available at www.edweek.org/ew/articles/2006/01/05/17overview.h25.html.

9. Department of Legislative Services, "How Local School Systems Are Spending New Funds in Fiscal 2004" Presentation to the Senate Budget and Taxation Committee and House Committee on Appropriations, October 22, 2003.

10. The Department of Legislative Services' audit does not speak to the possibility that the new state funds might supplant spending that would have already taken place. For example, it is reasonable to assume that many of the school districts would have increased school employee salaries even in the absence of Thornton. With the exception of the mandatory all-day Kindergarten and school construction provisions in the Thornton law, it is arguable that at least a portion of the new state money substituted for local education spending.

11. *Ibid.*, p. 7.

Governor's Commission on Quality Education. The Steele Commission began with the premise that the education budget need not balloon in order to have a better education for Maryland's youngsters. Their recommendations regarding charter school reform, remedial education, teacher pay flexibility, and simplified alternative education warrant serious consideration.¹²

So why are the governor and other political leaders in Maryland now making the issue about money? Just last September when the Steele Commission released its report, Gov. Ehrlich indicated that structural reforms should trump increasing funding in education. "The philosophical debate in Maryland concerning funding is over," the governor said. "This commission is not about if we're going to spend the dollars, but how are the dollars going to be spent."¹³ Unfortunately, the governor's rhetoric on the issue seems to have shifted since September.

Maryland should take the opportunity this legislative session to focus on structural reforms that enhance competition to boost student achievement. Improving the charter law so that more independent charter schools can be opened and innovative programs established is one such structural reform. State leaders, however, should also have a spirited debate on school vouchers. Such a reform has been used in a variety of locations—most recently in

Washington, D.C.—to provide more children, particularly poor and minority children, with educational opportunities that they would not have had otherwise.

Charter schools and vouchers alike are the kinds of structural reforms that have the potential to shake up lackluster school districts. Academic studies have shown that charter school and voucher competition can boost academic achievement for students who leave the traditional system.¹⁴ Additionally, there is some evidence that the new competition can spur traditional public schools to improve their programs and raise achievement for those who stay.¹⁵

Instead of simply racing to spend more money on education, policymakers in Maryland should look to more innovative and research-based structural reforms to K-12 education. Charter schools and vouchers are two such reforms that should be taken up in earnest.

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12. For more on the Steele Commission findings, see Kirk A. Johnson, Ph.D., "The Steele Commission Report: A Lost Opportunity to Debate Vouchers in Maryland," *Maryland Policy Report* No. 2005-4, October 5, 2005.

13. Daniel de Vise, "Lt. Governor Releases Guidelines for Md. Schools," *The Washington Post*, September 15, 2005, available at www.washingtonpost.com/wp-dyn/content/article/2005/09/14/AR2005091402573_pf.html (accessed September 29, 2005).

14. A number of these studies are detailed in Jay P. Greene, *Education Myths: What Special Interest Groups Want You to Believe About Our Schools—And Why It Isn't So* (Lanham, MD: Rowman & Littlefield, 2005).

15. Caroline Hoxby, "Rising Tide," *Education Next*, Winter 2001, available at <http://www.educationnext.org/20014/68.html>.