



MANAGEMENT ANALYSIS & PLANNING, INC.

Expert Report

Moore, et al vs. The State of Alaska

James W. Guthrie

September 14, 2005

Opinions of James W. Guthrie

Moore et al v State of Alaska

This expert report is submitted in behalf of defendant, State of Alaska, in the above-named litigation. The principal thesis propelled by this report is that:

Alaska's public school system has pursued productive education reform policies, is functioning to a high standard, and, if permitted to pursue its present course, possesses promise for elevating the academic performance of its students even further.

A significant component of Alaska's past performance and present progress is a rational and state-of-the-art education finance system.

Alaska's public schools have been on a productive reform trajectory for the past two decades. State officials were initially motivated by the publication and high visibility of a 1983 U.S. Department of Education report entitled A Nation At Risk.

In the intervening period Alaska has moved officially to adopt a set of state-of-the-art school improvement strategies and to revamp its school finance system consistent with those strategies. Details regarding these reform strategies, as well as related education finance operational dimensions, are provided in subsequent sections of this report.

Alaska has matched its reform rhetoric with the reality of added revenues. Alaska makes a substantial "effort" in regard to raising financial resources for its schools and the effort has paid off in relatively high statewide per pupil spending.

Moreover, Alaska, unlike many other states, directs its financial resources to the children most in need, those from low-income households and "minority" community circumstances. Alaska has severed the usual link found in state education finance systems between high local district property wealth and high student spending. Indeed, Alaska forcefully directs its state funding to poor and minority pupils. In the language that plaintiffs employ, Alaska has achieved a high degree of "vertical equity."

More progress toward higher student academic achievement is needed and is possible. However, that progress is likely to be more a consequence of additional low cost policy improvements, such as a more rigorous performance accountability system, enhanced performance incentives for teachers and administrators, and possible out-of-school investments in Alaskan youths' health and economic well being, than it is from any significant added infusion of new revenues to public schools.

The body of this report supports the expert opinions that immediately follow. Graphic presentations of data that reinforce opinions are integrated into the text.

- I. Alaska education reform policies are “state-of-the-art”
- II. Alaska already exerts substantial “effort” in generating revenues for schools
- III. Alaska’s tax effort pays off – State per pupil revenues are high
- IV. Alaska deploys school finances consistent with student need (“Vertical Equity”)
- V. Alaska severs links between school spending and wealth (“Horizontal Equity”)
- VI. Alaska finance system, in its totality, is a rational set of policies
- VII. Significant added resources are unjustified until districts become more efficient
- VIII. Next needed school improvement reforms are relatively low in cost to implement
- IX. Expert opinions from the Salmon and Driscoll report are implausible because of badly flawed methodological procedures and intellectually unsupportable assumptions regarding proposed pupil weighting
- X. Plaintiffs’ prayer more appropriately should be addressed to the legislature rather than to the judicial system

I. Alaska Education Reform Policies Are “State-of-the-Art”

“State of the Art:” What a Modern Education Policy System Should Contain

Below are listed selected components of a “state-of-the-art” education policy system. These illustrate policies by which a state can productively direct the operation and steer education reform efforts of local districts and schools.

To be sure, it is possible to envision and enact additional policy components, and many states do. For example, some policy experts contend that reform will occur in a more rapid manner with the injection of greater “competition” between schools. The contention here is that if professional educators face a realistic prospect of having their jobs lost because parents vote with their feet and attend schools in nearby districts or charter or private schools, then the threat of job reduction will supply an added degree of motivation to perform well as teachers and administrators.¹

Also, some states prescribe elementary textbooks, mandated teacher in-service training, remedial activities for failing students, state takeover procedures for failing schools, etc.

¹ . Competition usually necessitates a level of population density greater than Alaska generally possesses. Hence, it is understandable that the state’s legislature has not invested heavily in this reform prospect.

This expert report is not an appropriate venue for debating the wisdom or effectiveness of such added policies. The point here is simply to emphasize that what follows is not an exhaustive list of state education reform directives. More can be enacted, and some states do so. Nevertheless, policy components on this list accurately characterize a modern education policy system. Alaska has adopted these policies.

- State specified student learning objectives
- State student performance assessments linked to specified learning objectives
- Technical assistance to school professionals provided by local and state organizations
- Appropriate and related instructional materials
- Professional development opportunities
- Significant financial investment in public K-12 education
- Financial resources aimed at students most in need
- Rejection of the conventional link between school spending and student socioeconomic circumstances
- Sustained legislative consideration as a means for having a functioning feedback loop for continuous improvement

Through a variety of legislative enactments, and accompanying State Education Department directives, Alaska has complied with these modern education policy system expectations. A set of illustrative enactments and policies follows.

Alaska's *Quality Schools Initiative (1998)* provides a unique blend of standards, assessment, accountability, community partnerships, and fiscal resources consistent with what a modern state education policy system should possess.

- Governor Knowles signs into law Senate Bill 36 in June 1998 which established requirements for the state education department to develop student performance standards in reading, writing, and mathematics
- Performance standards adopted in January 1999
- Revised content and performance standards adopted in September 1999 (including an "employability" content standard)
- Adopted *Alternate Performance Standards* and the *Student Cultural Standards* in March 2000
- Secondary pupil competency testing law signed in Spring 1997

- Alaska contracted with the Council for Basic Education (CBE) to review Alaska's performance standards (Spring 1997)
- Education Commission of the States reviews part of proposed performance standards (June 1998)
- School board presidents, school administrators, teachers and business leaders convened for an Education Summit 2000 (September)
- Education Funding Task Force appointed in December 2000
- High school and benchmark exam questions constructed to measure whether students have met student performance standards in reading, writing, and mathematics
- State Board developed an annual system of rating schools
- Schools required annually to report specific information about student performance to their communities and State of Alaska

SB 174 enacted in May 2001 resulted in:

- Increased foundation funding of \$24.3 million included increase in the base student allocation by \$70 per pupil and increased Learning Opportunity Grants

In May of 2002, the legislature:

- Added an additional \$10.9 million to the Learning Opportunity Grants now totaling \$23.3 million per year
- Appropriated \$1.3 million to 25 rural schools
- Added an additional \$6 million to foundation program to be shared by all districts
- Adopted a major school construction and maintenance package that featured \$170 million in school projects, mainly in rural Alaska

Alaska Reads Initiative

- Makes clear the fundamental significance of reading for every student.
- Adopts a statewide approach to ensuring that all Alaska school children have the opportunity to learn to read, and read well, by the end of third grade
- Links with recent scientific research on reading instruction

II. Alaska Exerts Substantial “Effort” in Generating Revenues for Education

Effort is a public finance terms signifying the intensity with which an institution, or an individual, strives to generate revenue. Effort is measured as a quantum of revenue or income generated divided by a quantum of accessible taxable wealth or assets.

Setting the Revenue and Taxation Stage

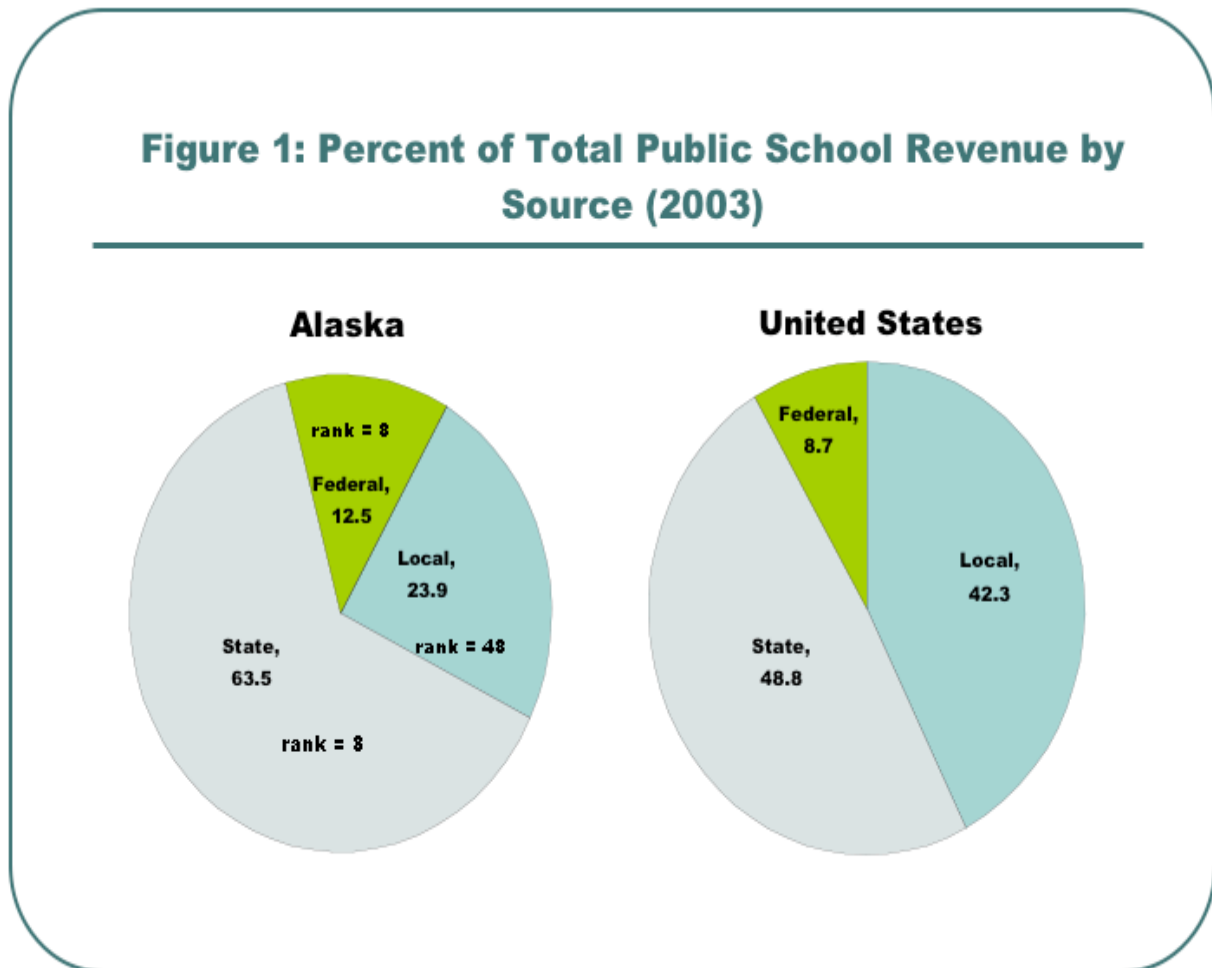
The two side-by-side pie graphs in following Figure #1 compare Alaska’s revenue sources with those of the nation in the aggregate. Here one can see that Alaska derives almost half again as much of its school revenues from federal sources as is typical for the entire nation. However, a reader should also be mindful that more of Alaska’s land, and its people, are associated with the federal government than is conventional for lower forty-eight states.

More worthy of comment is the unusually large role the state plays in financing Alaska’s schools. Here, the state share of total public school revenue is substantially higher than the U.S. mean. This arrangement, reflecting state access to taxable wealth, carries the advantage of facilitating equality of revenue distribution. States, such as New Hampshire, where the local share of school revenue is far higher than Alaska, continually are challenged by efforts at wealth transfer to compensate for unusually high disparities in taxable wealth from one local community, school district, to another.

The downside of such substantial state support is that, more than in local revenue dominant states, Alaska schools are more highly linked to the ups and downs of the entire state’s economic well-being. For example, if oil is high in price, then Alaska’s school revenues can be high. If oil prices are lean, school revenues may also reflect the downturn.

An economic downturn, and the prospect of reduced state revenues is not an ill reflection of legislative or gubernatorial regard for education. It is simply a fact, an economic fact, reflecting worldwide conditions far beyond Alaska’s state boundaries and far beyond the immediate reach of Alaskan officials to control.

However, when considering state versus local revenue dominance, there is a trade. State revenue generation contributes to equality of distribution. Local revenue dependence takes advantage of property tax yield resilience (homeowners tend to pay their property taxes even in times of economic stress) and local property tax reliance is associated with revenue reliability.



Data Source: U.S. Census Bureau, American Community Survey

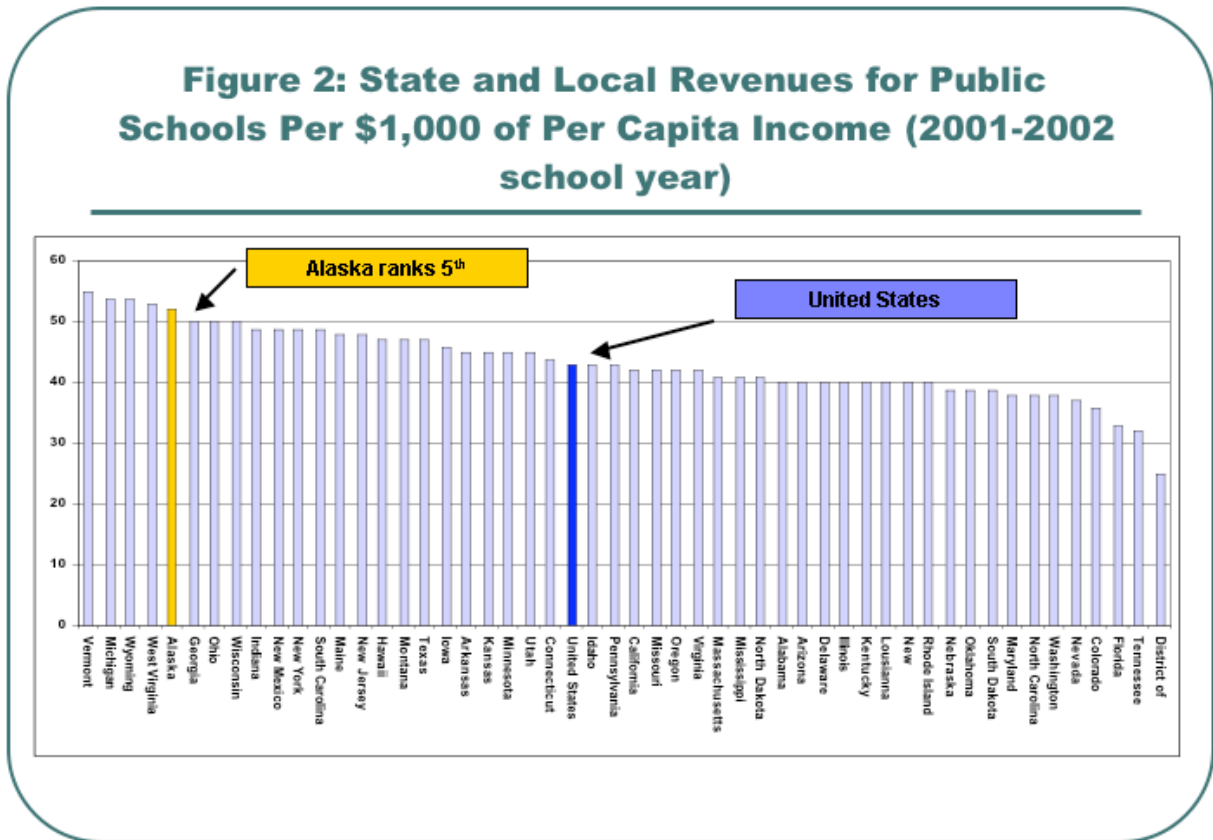
Figure #2 below more directly addresses the topic of effort. Here is displayed the fact that only four states make a larger effort than Alaska, in terms of the proportion of per capita income allocated to public schools.

Whatever else one may choose to think regarding Alaska, its citizens, through their elected representatives, have made a tangible commitment to the financial support of public education.

Indeed, Alaskan citizens forego, or transfer, on average, 20 percent more income per capita to public school support than the national average and a whopping fifty percent more than residents of the nation's capital, Washington DC.

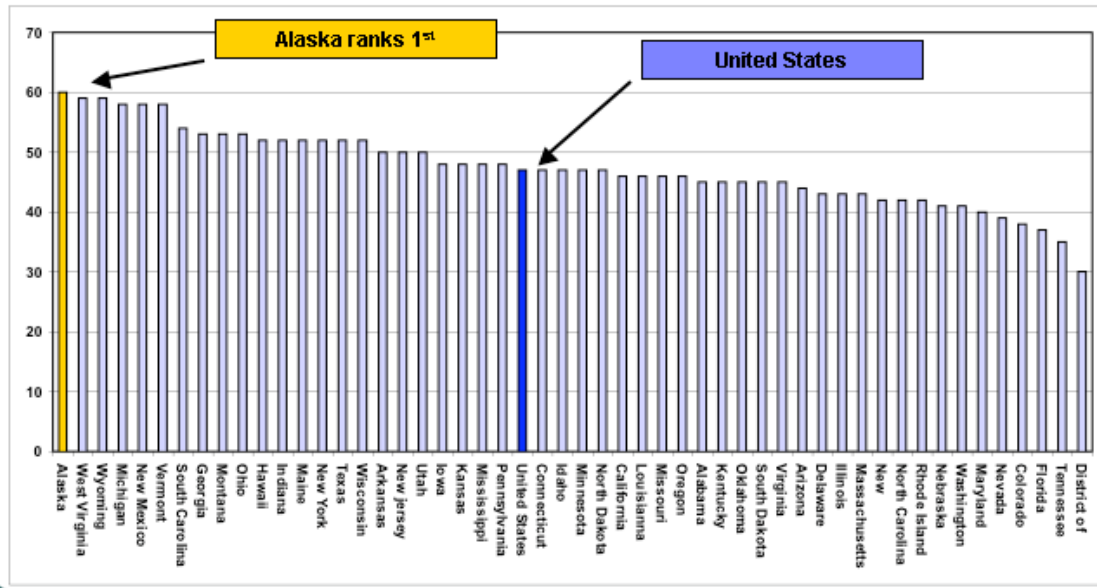
Further yet, on this measure of effort, Alaska exceeds conventionally identified "progressive" states such as New York, Massachusetts, Minnesota, or North Carolina. These are states that pride themselves on a sustained commitment to public school support. When it comes to effort, Alaska exceeds all of them.

This unusually high level of financial commitment is a point to which subsequent reference is made underneath expert opinion #10.



Data Source: National Education Association, Rankings and Estimates (2004)

Figure 3: Public School Revenue Per \$1,000 of Per Capita Income (2001-2002 school year)

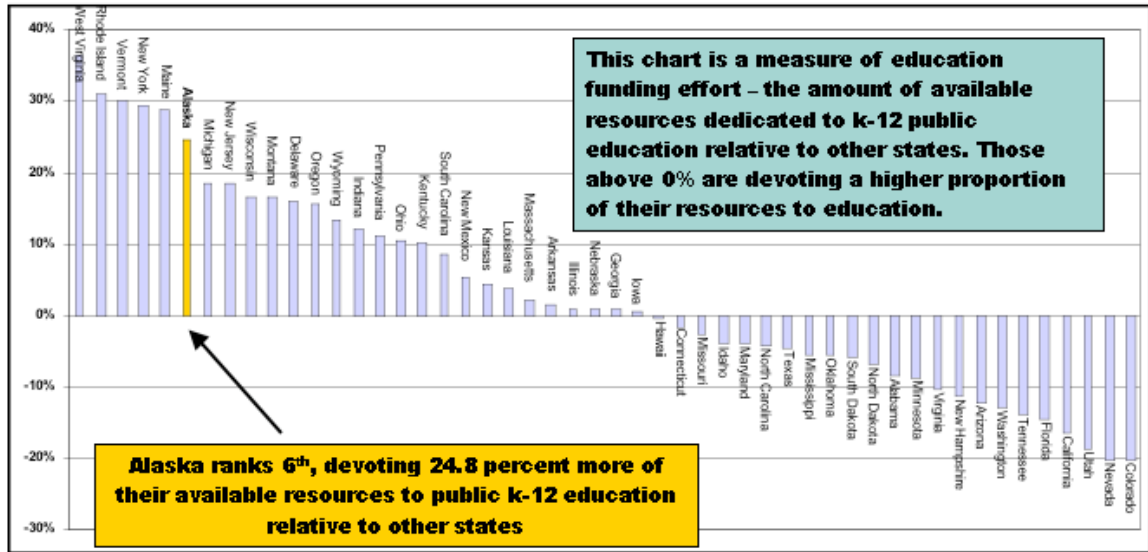


Data Source: National Education Association, Rankings and Estimates (2004)

Slide #3 above portrays revenue raising effort through another set of lenses, in the same year (School Year 2001-2002). The difference between slide #2 and #3 is the addition of federal revenues in the latter.

Figure #4, which follows, uses a three-year set of national averages to make the same point. Even when measured over a longer period of time, Alaska is among the states in the nation making the highest sustained commitment of its taxable resources to the support of its public schools.

Figure 4: Ratio of state and local per-pupil spending to state per capita income, as a percent of the national average (3 yr. average from 2000 – 2003)



Source: Carey, K. (2004). The Funding Gap 2004: Many States Still Shortchange Low-Income and High Minority Students

III. Alaska’s Tax “Effort” Pay Off-State Per Pupil Revenues are High

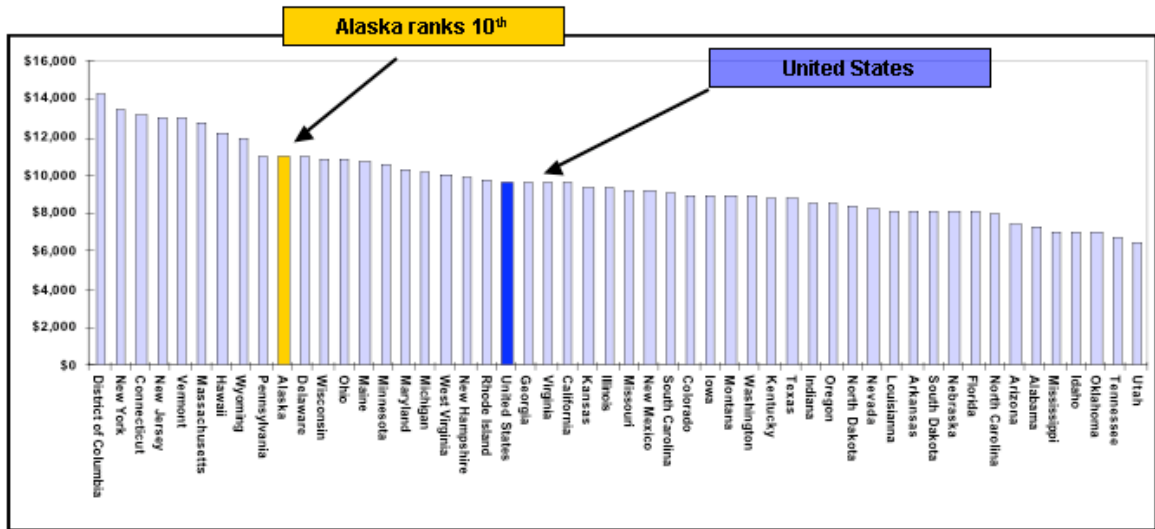
An agency or an actor can make an effort, but it may not result in sufficient resources for students. Unusually poor states, such as Mississippi and New Mexico, routinely tax their citizens at high rates, but fail to generate sufficient school revenues. They try hard, but fail, because they possess too little wealth as a collective to generate sufficient revenue.

Such a condition is not characteristic of Alaska. Alaska tries hard, taxes itself and foregoes personal income, and the effort pays off in terms of substantial amounts of revenue per pupil.

In figure #5 that follows, one can see that Alaska is ranked tenth among fifty states in terms of revenue per student in average daily attendance. Alaska is in the 80th percentile by this measure.

What is instructive is to view the states that generate more per pupil revenue, states that rank higher than Alaska. Here one finds conventionally defined wealthy states such as New York, New Jersey, and Pennsylvania. Also, the highest revenue per pupil comparison here is with the nation’s capital, a tragic poster child for wasted education resources.

Figure 5
Public School Revenue Per Student in ADA
(2002-2003 school year)



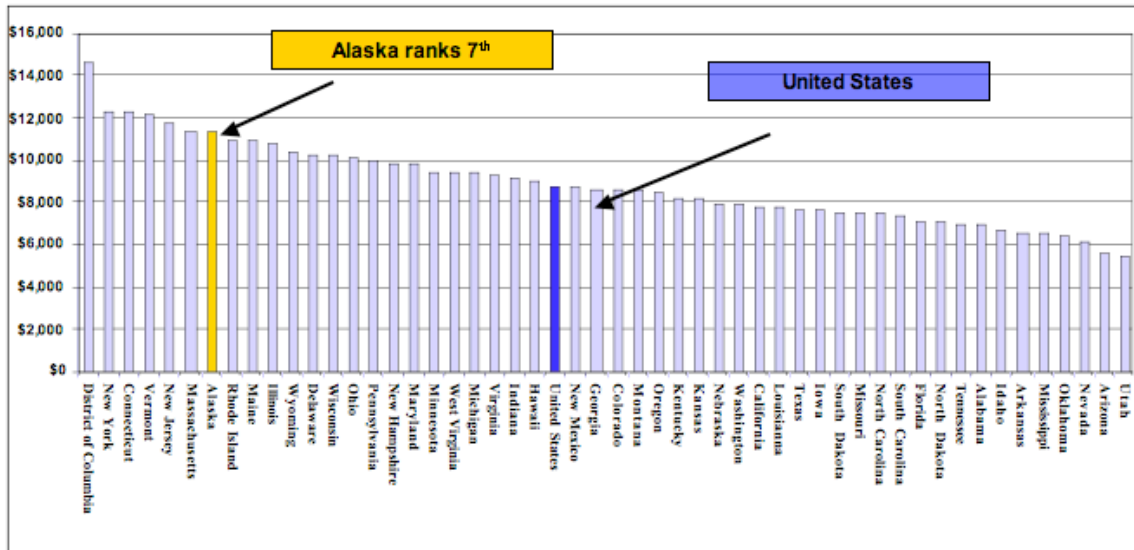
Data Source: National Education Association, *Rankings and Estimates* (2004)

Figure #6 is for a reader who doubts that spending in Alaska follows revenues (the subject of Figure #5.). It does, as it almost always the case in American public education. Districts and schools spend what they receive. Almost all budgetary incentives are aligned for them to do so. For a school official to save money is to risk receiving less revenue in the next budget cycle. This waste-inducing condition, easily and inexpensively correctable by the legislature, is one of dozens of inefficiencies that characterize current Alaska (and virtually every other state's) school operation. The exceptions are unusually rare.

Still, Figure #6 displays Alaska in terms per pupil spending. Previously referenced revenues were ranked tenth. Spending is ranked seventh. Here is another apparent example of disincentives to save about which mention was previously made.

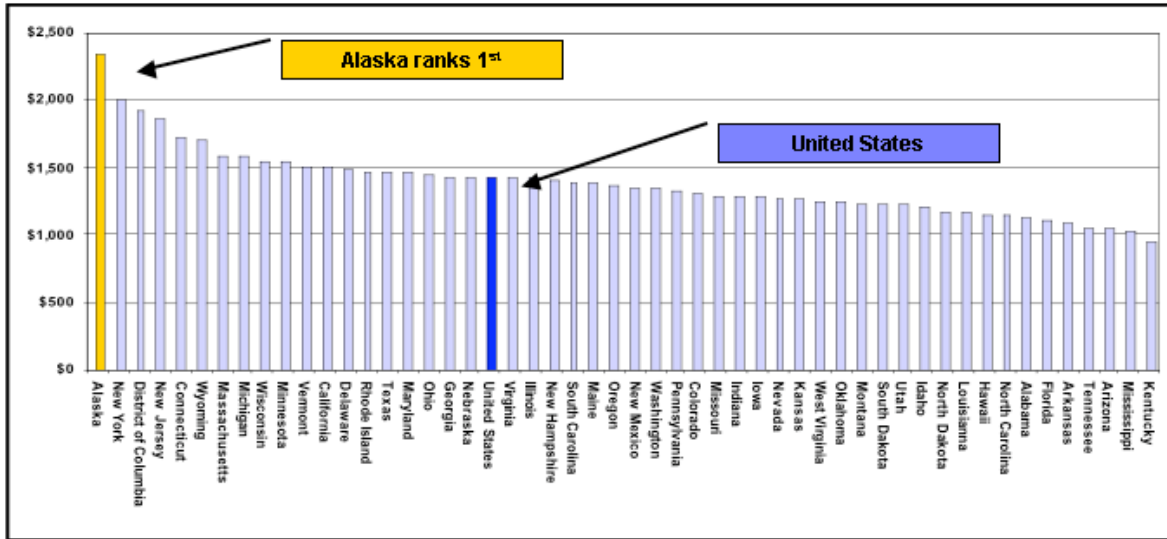
Figure #7 ranks states in terms of per pupil spending on a statewide per capita basis. Here again, one can see that Alaska spends a great deal per pupil, when taken as a measure of the state's entire population.

Figure 6: Current Expenditure Per-Pupil in ADA (2002-2003 school year)



Data Source: National Education Association, Rankings and Estimates (2004)

Figure 7: Per Capita Expenditures of State and Local Governments for Public Education (2001-2002 school year)



Data Source: National Education Association, Rankings and Estimates (2004)

IV. Alaska Deploys School Finances Consistent with Student Need (“Vertical Equity”)

The following four graphics display revenue distributions within states for minority and low-income dominated districts.

These analyses are adapted from a national publication by Education Trust, a widely known think tank concerned with the well being of minority and poor children.

Education trust proceeded in the following manner. Its analysts ranked states in terms of their concentrations of resources in districts with minority and low-income students:

- To calculate “funding gaps” for each state, The Education Trust report compares average state and local revenues per student in the highest and lowest poverty school districts within an individual state.
- Districts specified are in the top 25% of statewide distributions in terms of the percent of students living below the federal poverty line.

James W. Guthrie

- Districts within a state in the bottom 25% of the distribution in terms of the percent of students living below the federal poverty line
- Quartiles are weighted so each quartile contains about the same total number of students
- Same procedure was also used for high- and low-minority districts
- All dollar figures are regionally cost-adjusted
- Analyses are for the 2001-02 school year.

Education Trust analyses display Alaska as the third ranked state nationally in terms of its allocation of per pupil school revenues to low income students and ranked first nationally when the same financial distribution comparison is made for districts with concentrations of minority students. These rankings are displayed in the following figures # 8 and #9.

For figures #10 and #11, Education Trust employs a more rigorous test. Here, however, Alaska emerges with even higher ranks.

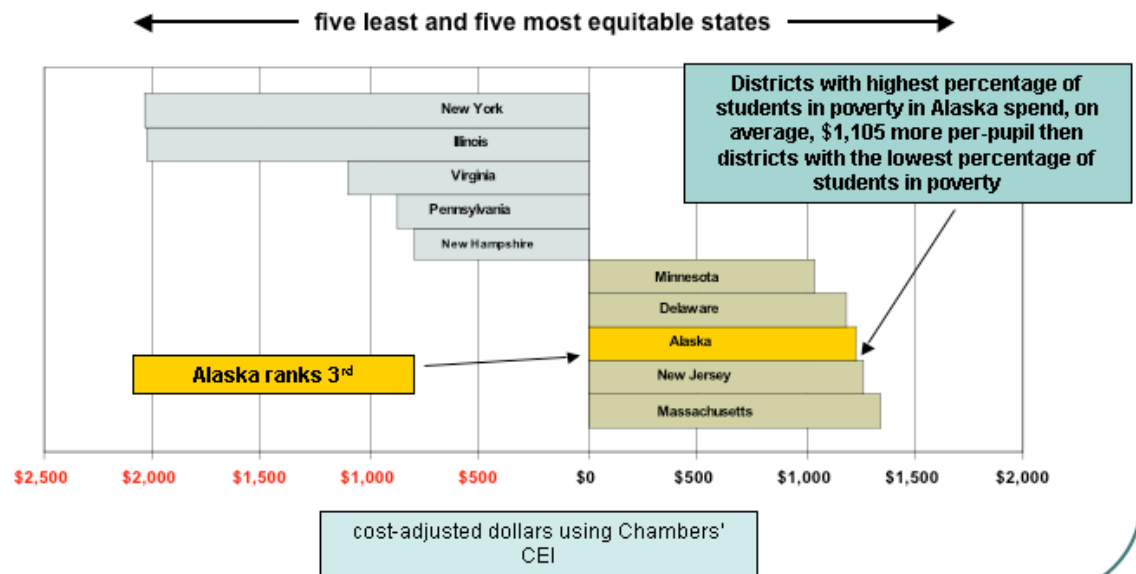
In the latter instances, Education Trust has made an adjustment in spending to consider the consequences of each state complying with the No Child Left Behind Act aspiration of allocating 40 percent more money per pupil for a poverty impacted student than for his or her more advantaged counterpart.

- Funding adjustment has the effect of reducing the effective level of funding in high-cost districts and districts with large numbers of low-income students and students with disabilities.
- This, in turn, has the effect of increasing the size of the calculated funding gap.

In these, more stringent, analyses, Alaska moves from a ranking of third nationally to second when it comes to allocating funds for low-income students and remains in the topmost rank of all states when it comes to allocating funds for minority students.

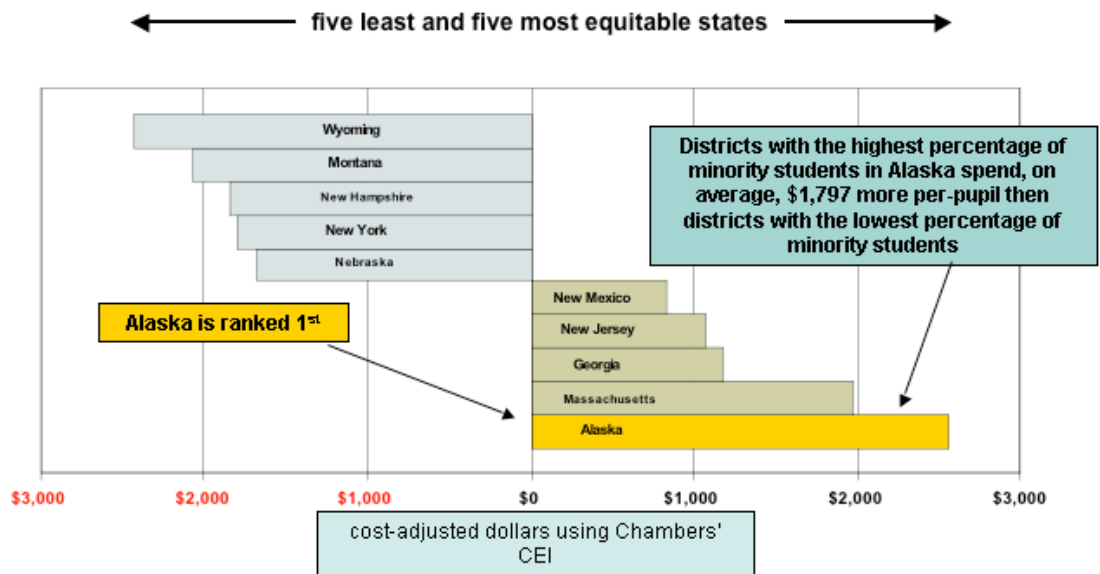
These top tier national rankings by an independent, objective think tank, The Education Trust, drown plaintiffs' incessant drumbeat allegation that Alaska is deficient in its public commitment to and funding for low income and minority students,

Figure 8: Gap Between Revenues Available Per Student in the Highest- and Lowest-Poverty School Districts (2001-2002 school year)



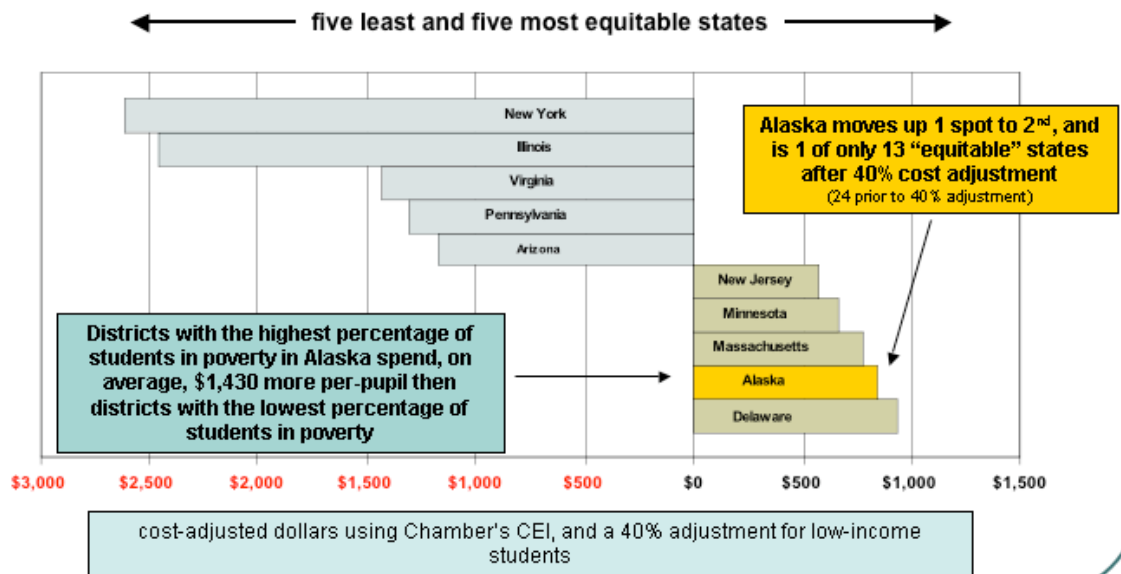
Source: Carey, K. (2004). The Funding Gap 2004: Many States Still Shortchange Low-Income and High Minority Students

Figure 9: Gap Between Revenues Available Per Student in the Highest- and Lowest-Minority School Districts (2001-2002 school year)

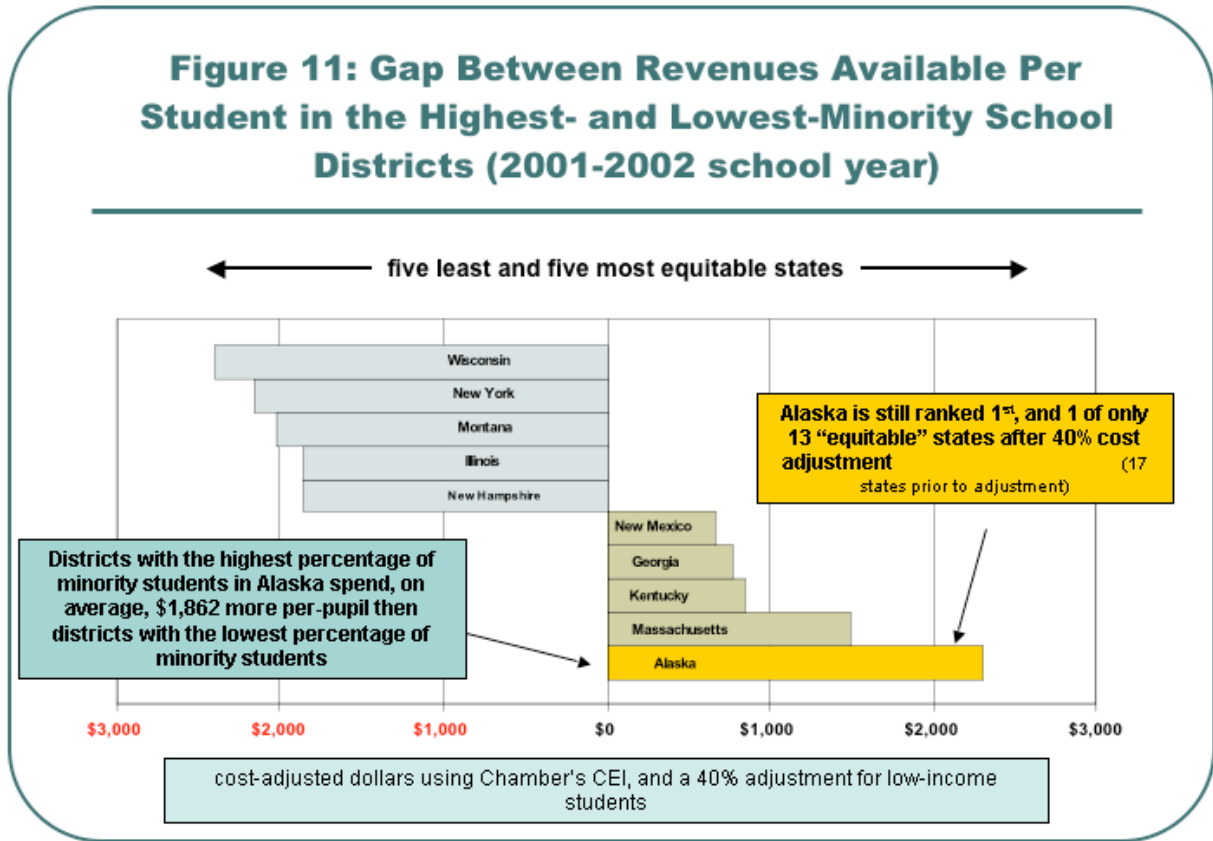


Source: Carey, K. (2004). The Funding Gap 2004: Many States Still Shortchange Low-Income and High Minority Students

Figure 10: Gap Between Revenues Available Per Student in the Highest- and Lowest-Poverty School Districts (2001-2002 school year)



Source: Carey, K. (2004). The Funding Gap 2004: Many States Still Shortchange Low-Income and High Minority Students



Source: Carey, K. (2004). The Funding Gap 2004: Many States Still Shortchange Low-Income and High Minority Students

In Alaska, when one includes federal funds, even more funding flows to school districts with concentrations of low-income students.

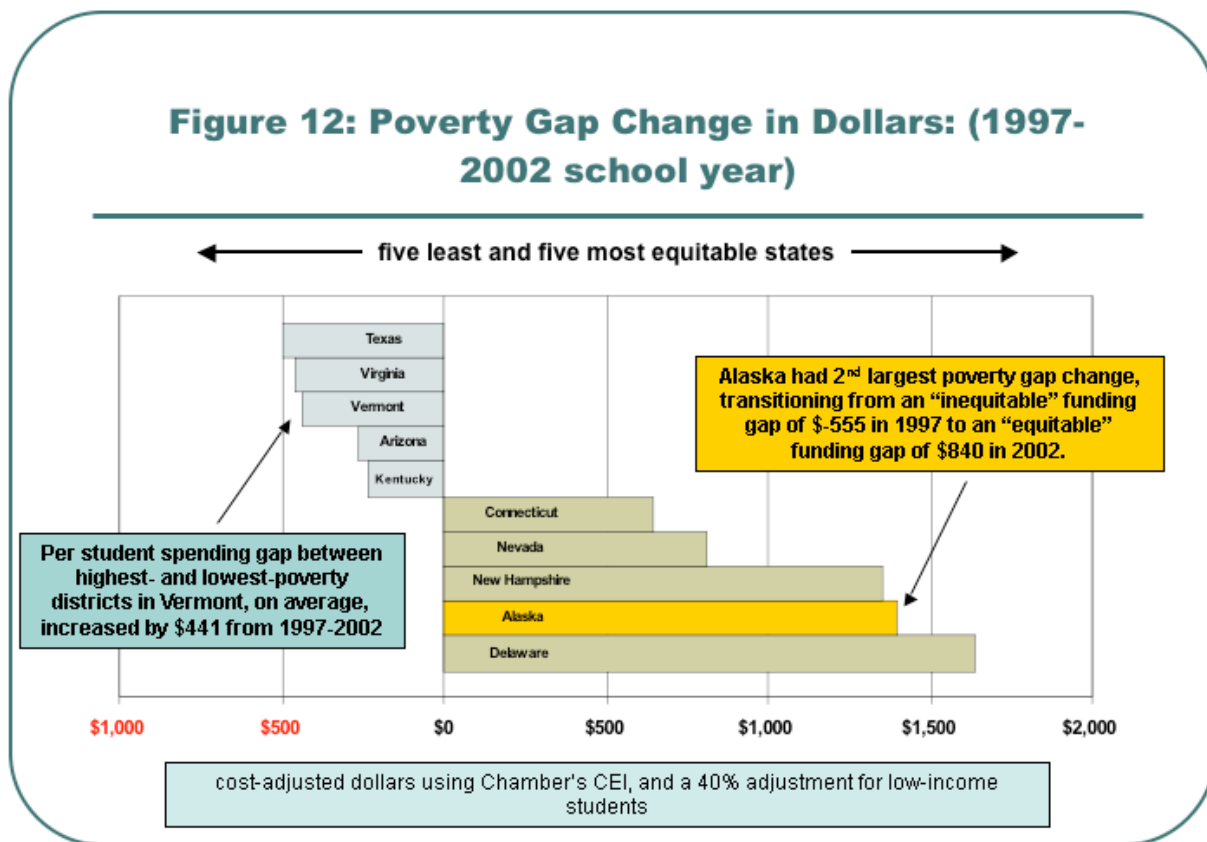
Also, the Alaska funding formula specifically takes into account diseconomies of scale associated with small rural district (See James R. Smith Expert Report).

V. Alaska Severs Links Between School Spending and Local Wealth (“Horizontal Equity”)

In Alaska, district property wealth is not a determinant of per pupil revenue levels. Indeed, over the five-year period from 1997 to 2002, Alaska substantially enhanced its concentrations of funding for low income children, severing further the conventional link (found in most states) between local district property wealth and school district per pupil spending.

Following Figure #12 displays comparative progress, as measured by the The Education Trust, of Alaska and other states in concentrating school resources on low-income students.

In the time frame, only Delaware, of all fifty states, made greater progress than Alaska in concentrating school funding where it is most needed.



Source: Carey, K. (2004). The Funding Gap 2004: Many States Still Shortchange Low-Income and High Minority Students

VI. Alaska Finance System, In Its Totality, is a “Rational” Set of Policies

Can Alaska have a better school finance system? Possibly, and more is said about that below. However, a reader should understand that the current system is constructed and operated along lines that render it fully rational. The existing system:

- Reflects an above average effort on the part of taxpayers to support education
- Results in high financial resource levels for students
- Directs monies to students most in need
- Severs usual links between student SES and school spending levels
- Compensates districts for conditions beyond their control

There are steps that could be taken to render the system even more effective. Among them are:

- *Provide incentives for high performance*
- *Encourage efficient use of resources*

Still, given the many advantageous features of what now exists, one might exercise caution in changing it.

VII Added Resources Appear Unjustified Until Districts Become More “Efficient”

Alaska districts engage in inefficient practices such as reliance upon single salary schedule for teachers, and use of teacher aides (See James R. Smith Expert report). Consequently, the court should order no added funding until school districts become more efficient.

Courts are adroit at metering out justice. They are often less agile when it comes to mandating distribution of financial resources. A legislative body can nuance added financing, directing it to conditions, targets, and processes more likely to produce added results or benefits. In the instance of Alaska’s schools, given that there is currently no evidence of systematic harm being foisted upon school children, legislative remedies would appear more in order than judicial mandates regarding funding.

VIII. Next Needed Reforms Relatively Low in Cost to Implement

Creating performance incentives for teachers and administrators is not an expensive undertaking (See James R. Smith Expert report).

Creating incentives for efficient use of revenues is not expensive to implement.

Added attention to leadership preparation, principals and superintendents, likely would have high payoff. Such added training is relatively low cost.

IX. Salmon and Driscoll Findings and Recommendations Are Implausible Because of Methodological and Substantive Flaws

Plaintiff expert relies upon invalid methodological techniques, inappropriately applies even valid methods, and relies upon arbitrary and unsupported assumptions regarding the financing of schooling for low-income students.

Factor or Cluster Analysis in this instance is but an effort to find a significant correlation, even if there is no *a priori* theory to explain what is found.

Multiplying per pupil spending by proportion of students below a poverty measure is an arbitrary assertion and has no justification in research.

X. Plaintiffs’ Prayer More Appropriately Should be addressed to the Legislature Rather than to the Judicial System

Alaska’s students are not collectively in peril. School spending does not approach some fearful minimum that jeopardizes student achievement or post school success.

Plaintiffs seek more resources but their rightful arena might better be political, rather than judicial.

James W. Guthrie

When one suggests that plaintiffs in circumstances similar to those in Alaska seek remedies for non-existent wrongs, a frequently invoked rejoinder admonishes critics to harken back to the decades of incontrovertible injustice visited upon black citizens by the practical consequences of *Plessey v. Ferguson*. In that instance the mainline political system mounted no effort to right these wrongs, there was no reasonable recourse but judicial intervention.

However, the analogy of racial discrimination to Alaskan school spending is a *non sequitur*. Alaska's students are the benefactors of high spending. There are no apparent deficits they face as a collective. Alaska's per pupil school spending ranks among the nation's highest. Should spending drop below some national average, then, perhaps, more intense scrutiny, a more careful search for a possible wrong, might be in order.

However, present day facts reside far from such a condition.

Alaska is on a productive course with its public schools. Policymakers should be commended.