



**Report to the
Texas Joint Select Committee
on Public School Finance**

**Prepared by:
Koret Task Force on K-12 Education
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February 2004

Foreword

In December 2003, at the invitation of Governor Rick Perry, along with Representative Kent Grusendorf and Senator Florence Shapiro, co-chairs of the Joint Select Committee on School Finance of the Texas Legislature, the Hoover Institution's Koret Task Force on K-12 Education agreed to draft policy memoranda in answer to key education issues facing Texas policymakers in 2004.

Since convening in 1999 under the auspices of the Hoover Institution's *Initiative on American Public Education* and with the support of Tad Taube and the Koret Foundation, the Koret Task Force has contributed to the national debate on American education through research and scholarly writing.

Now, spurred by the invitation from Texas leaders and inspired by the commitment of Texas lawmakers to improve public education in the state, the Koret Task Force, is pleased to add another dimension to its education reform efforts: concrete policy advice that draws upon its expertise and national experience but focuses specifically on the education challenges of a single state.

The results that follow, in the form of ten memoranda from Task Force members, were inspired by the Texas leadership and join together the Task Force's research and analysis with the policy acuity of public officials bent on effecting real and constructive change in their state's education system, represent a standard for other states to emulate.

With the submission of these memoranda, the Koret Task Force wishes to thank the Governor and the co-chairs of the Joint Select Committee on School Finance for their invitation.

The Task Force also gratefully acknowledges input from others in Texas. Indeed, many of the ideas contained in these memoranda came from, or were improved by, Governor Perry, Representative Grusendorf, Senator Shapiro, Commissioner of Education Shirley Neeley, members of the House Select Committee on School Finance, and others who take an interest in Texas education policy. The goal of the Task Force has been to listen to Texans' ideas and goals for their elementary and secondary schools, apply research-based expertise, sound policy principles, and national experience to them, and generate guidelines and concrete proposals that represent the consensus of ideas and expertise.

These memoranda are the cooperative product of the eleven scholars who make up the Koret Task Force on K-12 Education, each well regarded in their own right within the education community: John E. Chubb, Williamson M. Evers, Chester E. Finn Jr., Eric A. Hanushek, E. D. Hirsch Jr., Paul T. Hill, Caroline M. Hoxby, Terry M. Moe, Paul E. Peterson, Diane Ravitch, and Herbert J. Walberg.

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February 2004

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EXECUTIVE SUMMARY

Responding to an invitation from Governor Rick Perry and the Chairmen of the Joint Select Committee on School Finance, the Koret Task Force on K–12 Education, based at Stanford’s Hoover Institution, offers ten memoranda for the consideration of Texas education policymakers. They provide background and analysis on current education policies and propose reforms that can be immediately implemented in the state.

“Texas has a rare opportunity to forge coherent and bold policies”

Texas has long been regarded as a national leader in education reform. With strong accountability reforms already in place and growing opportunities for education choice, the Lone Star State is building on a solid foundation as it moves forward to improve its education system.

By simultaneously addressing all the key elements of this reform—including school finance, school choice, rewards, teachers, principals, standards, tests, textbooks, and school boards—Texas has a rare opportunity to forge coherent and bold policies that will work better for the state’s children, parents, educators and taxpayers.

Koret Task Force members here apply the principles of accountability, transparency and choice to Texas, responding to the challenges enumerated by state leaders in their invitations to the Task Force. The Task Force proposals, based on research and national experience, will enable Texas policymakers to provide more effective, equitable, and efficient primary and secondary schooling for all of the state’s citizens.

Highlights of the Koret recommendations include:

School Finance

- Provide significant property tax relief by funding state aid with an efficient state-level tax
- Ensure that property tax relief persists by making new budgets subject to local referenda
- Provide aid on a transparent, *per child* basis
- Use a system of basic block grants to allocate aid while maintaining local control
- Insure districts against costs associated with severely and permanently disabled students
- Create block grants for other disabled and limited English proficient students, based on districts’ student populations.
- End elements of Robin Hood that make it inefficient, especially “recapture” and perverse financial incentives.

Improving Accountability

- Continue the rise in statewide proficiency expectations
- Create challenges for students who are above proficiency

- Free high-performing schools from burdensome regulations
- Use accountability data to provide timely feedback to teachers

Rewards for Schools, Teachers, and Principals

- Create rewards for campuses based both on students attaining a high *level* of achievement and on students making significant *gains* in achievement.
- Create rewards for individual teachers and principals who have high value-added and who sign on to the Professional Contract (see below).

A Professional Contract for Teachers and Principals

- Create an alternative, at-will contract for teachers and principals who want to be rewarded based on their professional performance.
- Remove hurdles for entry into teaching and school leadership while facilitating the recruitment, selection, and retention of successful teachers and principals.

Vouchers for Students in Urban Districts with Failing Schools

- Create vouchers for students in urban districts with low-performing public schools and needy children. These vouchers are designed to improve public schools, not merely allow children to "escape" failing schools.

Scholarships for Students with Disabilities

- Create scholarships for students with disabilities modeled on Florida's McKay Scholarship, in which disabled students can take their state-local funding to any public or private school in the state.

Improving Charter Schools

- Increase the use of multi-campus charters and create charter school franchisers that oversee multiple management teams so that Texas gets the best of both worlds: many small schools (even in rural areas) with the economies of scale, educational enhancements, and accountability of bigger schools.

Restoring Democracy to Local School Boards

- Promote representative democracy in local school board elections by making them coincide with state and national elections, having more candidate information appear on the ballot, and reducing the influence of special interests.

Advancing Reading

- Multiply the value of statewide reading tests by making them use vocabulary and reading passages that reinforce content in literature, mathematics, science, and social studies.

Textbooks

- Deregulate textbook selection so that educators are free to select the instructional tools best suited to meet state academic standards.

Authors of the memoranda are members of the Koret Task Force of K-12 Education: John E. Chubb, Chester E. Finn Jr., Eric A. Hanushek, Paul T. Hill, E. D. Hirsch Jr., Caroline M. Hoxby, Terry M. Moe, Paul E. Peterson, Diane Ravitch, and Herbert J. Walberg.

The Koret Task Force on K-12 Education is the centerpiece of the Hoover Institution's Initiative on American Public Education. Supported by the Koret Foundation, the members of the task force are nationally recognized experts in education and education policy. More information about them and the Task Force's work is available at <http://www-hoover.stanford.edu/koret/default.htm>.

SCHOOL FINANCE

SCHOOL FINANCE

Background

1. The key problems for Texas school finance are:

- Ensuring that there are sufficient resources to educate all students in the state, regardless of their own family incomes;
- Finding statewide sources of revenue to fund this operation.

“School finance should be on a child basis, not a district basis.”

These two problems are shared by all other U.S. states, but the problems are more difficult in Texas than in most places, because family incomes across the state vary widely and districts’ non-residential property wealth varies idiosyncratically with mineral deposits.

2. The current Foundation School Program, popularly known as Robin Hood, shares certain features of other states’ school finance systems. However, given the amount of revenue it generates, the Robin Hood recapture system produces maximum inefficiency because a Chapter 41 district does not enjoy *any* increase in its revenue when its property values rise. Other state systems that generate similar or greater revenue are much more efficient.¹
3. Robin Hood gives districts a financial incentive to maximize their weighted average daily attendance (WADA). Districts do this by assigning more students to remedial programs and keeping them there longer. As a result, the share of students who are disabled keeps growing in Texas, even though the state has significantly improved pre-natal care and health insurance coverage for children. (In 1991-92, there were 1.29 WADA for every child enrolled; in 2002-03, there were 1.35 WADA for every child enrolled.)
4. Robin Hood also gives districts financial incentives to keep students in programs for the Limited English Proficient, rather than speeding their acquisition of English.
5. There *are* substantially better systems of school finance than Robin Hood, and this is an ideal time to replace it because the system is in crisis. Robin Hood has generated such high property tax rates and so much inefficiency that voters are desperate for property tax relief and most districts have reached the \$1.50 property tax rate ceiling at which the system’s constitutionality becomes questionable.

¹ The Robin Hood system uses the maximum possible marginal tax prices. Specifically, it imposes infinite marginal tax prices on Chapter 41 districts. This is the *least* efficient system that could be designed. A basic principle of a well-designed school finance is that it should redistribute while generating the lowest possible marginal tax prices.

Guiding Principles

1. Child-centered funding.

School finance should be on a child basis, not a district basis. Moreover, parents should know how much revenue has been allocated for the education of their child. Such knowledge facilitates school reform.

**“Local control
should be
maintained”**

2. Transparency.

Parents, voters, and school board members should know how a child’s funding breaks down into local revenue, state aid, and federal aid. They should know how the expenditure on a child breaks down into compensation of regular classroom teachers, compensation of other instructional staff, spending on facilities, spending on transportation, and spending on all other functions. Such knowledge facilitates good governance of schools.

3. Children, not WADAs.

Spending and revenues should be expressed in terms of actual children. Funding should not be expressed in WADA units, which have no clear meaning to the public and obfuscate school funding.

4. Cost of Education Adjustments that Do Not Reward Failing Districts.

In distributing aid, the state should account for cost differences that are out of a district's control but should *not* give implicit rewards to districts that perform badly. Cost adjustments should be exclusively based on measures that are out of a district’s control because they are (a) determined by markets or (b) purely a function of the district’s population.

5. The State Should Fully Insure Districts Against the Costs Associated with Severely, Permanently Disabled Students.

Texas has some very small districts, in which a few severely, permanently disabled students could constitute an unmanageable cost shock. Students who fall into this category include the blind, deaf, those with genetic handicaps, the mentally retarded, and those with a physical disability that precludes them from being in a mainstream class. State aid should fully insulate districts against such costs.

6. State Aid Should Otherwise Be Block Grants Based on the Characteristics of a District's Students

Most students with limitations have mild or remediable conditions. Districts should have no financial incentive to keep such students in remedial programs longer than is necessary. Therefore, districts should not receive state aid based on the number of children they classify as disabled or limited English proficient but on the

characteristics of their student populations, especially measures of poverty and native language.

7. Redistribution Should be Lump Sum, to the Maximum Extent Possible.

Efficient systems of school finance use lump sum redistribution as much as possible. That is, the state should equalize districts' access to the first dollars of school revenue up to a solid foundation amount. The state should not equalize the last dollars of school revenue. These are basic principles of good public finance.

8. Local Control Should be Maintained and the Last Dollar Should be a Local Dollar.

Local governance of schools is vital because it is much easier for local people to observe whether their school is performing well and spending money efficiently than for state officials to make such observations. However, if the last dollar of school spending is not a local dollar, local people have little incentive to ensure that their schools spend efficiently. Also, if the last dollar of school spending is not a local dollar, then a school administrator whose performance is outstanding cannot be rewarded by the local people who witness that performance. In short, having the last dollars be raised and controlled locally generates incentives for schools to spend efficiently and to improve their performance.

“New State Revenues for Education Should Generate Actual Property Tax Relief.”

9. State Aid Based on Households' Ability-to-Pay, Not their Property Values.

In order to distribute aid efficiently, a state must determine the ability-to-pay of each district's residents and property owners. To the maximum extent possible, the state should measure each family's ability to pay by its income, as opposed to the value of its property.

10. State Aid Funded by An Efficient Tax.

No tax is painless and every tax has opponents. However, the tax that funds state aid ought to be as efficient as possible. It should follow key principles of an efficient tax: the base ought to be as broad and the rate as low as possible; the base ought not be one that shrinks substantially when taxed; there ought not be double or “pyramid” taxation wherein the same base gets taxed multiple times.

11. New State Revenues for Education Should Generate Actual Property Tax Relief.

If the state raises new tax revenue for education, property taxes should be reduced and stay reduced. The new taxes should provide property tax relief, not just increase the total tax burden.

Proposal

1. To the maximum extent possible, the new school finance formula ought to be expressed on a per-child basis, not a per-district basis. It ought to be easy for the public to learn that a child in district A gets one amount of state aid and a child in district B gets another amount of state aid.
2. At all levels of reporting, funding should be reported per actual child (average daily attendance), not WADA units.
3. Severely or permanently disabled students are a tiny share of the state's total student population. Less than 1 percent of students in Texas are blind, deaf, mentally retarded, have a genetic handicap, or in need of residential care. The state should determine the extra costs associated with such students and state aid should fully insure districts against such costs.
4. Most students with disabilities and other special situations have conditions that are mild or remediable. For these students, there is a danger that districts will keep them out of regular classrooms too much or address their problems too slowly. Such students will be best off if districts offer them the remediation that will most efficiently address their needs, not the remediation that maximizes revenue. Unfortunately, the current system of state aid gives districts a financial incentive to keep students out of regular classrooms too often and for too many years. This needs to be changed.

“The cost of education index should be based only on costs that are out of the district's control.”

State aid for all non-severe, non-permanent disabilities should be based on the characteristics of the student population that a district faces, not how it classifies them. Aid should be in the form of per-student block grants based on the existence of students in the district's population who are poor, not native English speakers, and so on. This system will not create perverse rewards for districts that keep children out of mainstream classrooms or that keep students excessively long in non-English language settings.

5. The cost of education index should be based only on costs that are out of the district's control. In order to be out of a district's control, a cost must be caused by the *market* or by the local *population*. Measures of such costs include
 - Local pay for college graduates in private employment (set by the local private labor market);
 - Local pay for non-professional staff such as janitors and bus drivers in private employment (set by the local private labor market);
 - Local costs for private construction contracts (set by the local private market for construction);

- The percentage of the school-aged population from households with foreign-born parents from non-English speaking countries (local population);
 - The percentage of the school-aged population from poor households (local population).
6. Cost adjustments should not be based on typical statistical analyses that relate student achievement to inputs. Cost adjustments based on statistical analyses with published “coefficients” for input-achievement relationships tend to be unscientific because they are not based on exogenous variation (experimentally-driven variation) in inputs. (Inputs include student characteristics, programs, and expenditures.) Inevitably, such analyses generate implicit rewards for districts that fail because districts that fail automatically appear to have high educational costs for their achievement. Thus, statistical analyses tend not only to compensate districts for having higher costs that are beyond their control but also to compensate districts for excessive costs that *are* under their control – that is, they reward inefficient districts.

“The most efficient systems of school finance rely on block grants.”

Unscientific statistical analyses have a variety of names (“efficient cost frontier analysis,” “production function analysis,” “professional judgment,” and so on), but their distinctive feature is that they do not rely on *exogenous* (experimentally-driven) variation in school inputs. Although they appear scientific and definitive, they are not in fact accepted by the best analysts or peer review.

Unscientific statistical analyses often appeal to state legislatures in search of an answer to the question, “How much should a good education cost in this state?” However, state legislatures drawn by this appeal later regret their decision to accept such statistical analyses: they lose all say over their own state's school finance (which is taken over by plaintiffs and courts) and they see costs rise uncontrollably.

7. The most efficient systems of school finance rely on block grants. These systems minimize the inefficiency and pain caused by any given amount of redistribution. They are the
- most stable;
 - least controversial;
 - most consistent with local control (because the last dollar is a local dollar);
 - most able to achieve equality of school spending over the long term;
 - least likely to generate unintended or perverse financial incentives;
 - most consistent with the principles of good public finance.

Systems that rely on block grant redistribution are often known as “foundation aid” systems. Generous foundation aid systems are used successfully in several other states, including some with substantial variation in household incomes and district property wealth (e.g., Massachusetts and New York).

The foundation level for each district should take account of uncontrollable costs, costs for the severely permanently disabled, and costs based on the language and poverty of a district's student population. The state should then measure each district's ability to pay for its foundation level out of its own resources (see below). State aid fills the gap, if any.

8. A block grant system has no recapture of the Robin Hood form. Recapture of that form ought to be avoided because it maximizes inefficiency, given the amount of funds redistributed.
9. The state should measure each district's ability to pay as accurately as possible. A district's ability-to-pay has two parts: the ability-to-pay of its households and the ability-to-pay of commercial and other non-residential property owners.

A household's property value is a poor measure of its ability to pay for local schools. For instance, elderly households and long-time residents often have property values that are disproportionately high relative to their incomes. Moreover, property values reflect the efficiency of local schools: efficient local schools cause property values to rise. In short, there are multiple reasons why property values are poor proxies for ability to pay.

To the extent possible, a state should use indicators of household incomes as the measure of ability to pay. Several indicators are available for Texas school districts: household incomes based on Census data; payroll data; data on the receipt of welfare, social security, and other social insurance programs. At least 50 percent of the measure of households' ability to pay should be based on income measures, as opposed to residential property values. For instance, census data can be used to compute the total household income in a district, and payroll and social insurance data can be used to keep the income measure up to date.

Residential property values may be used as another indicator of households' ability-to-pay but should not determine more than 50 percent of the overall measure of households' ability-to-pay. Several states use a combination of household income and residential property values to measure households' ability-to-pay.

10. Ideally, the state would use incomes to measure the ability-to-pay of commercial and other property owners in a district. Currently, this is not practical in Texas. Consequently, districts' non-residential property wealth must continue to be used as a measure of the ability-to-pay of commercial and other non-residential property owners.

11. When a district does an unusually good job educating students given its spending, its property values rise because people want to live in the district. *Local* property taxes that fund local school spending ensure that good districts are rewarded:

- An unusually good district experiences rising property values (good for homeowners);
- Homeowners may pay more property taxes but will experience more generously funded schools if they do;
- School staff tend to be rewarded (good for staff).

“a broad based, relatively efficient tax would make Texas a *more* attractive state for businesses and jobs...”

Thus, *local* property taxes encourage districts to be good.

In contrast, *statewide* property taxes that fund state aid penalize good districts. With statewide property taxes, residents of an unusually good district pay more taxes, even if they are no richer than residents of other districts. The residents of an unusually good district receive no recompense for paying unusually high taxes. Thus, *statewide* property taxes discourage districts from being good. They are uniquely bad taxes for funding state aid.

State aid can be funded using a variety of statewide tax bases, all of which are painful and have opponents. However, among them, statewide property taxes are *uniquely* inefficient and should be especially avoided.

12. Any new state taxes should produce true property tax relief (see below), but they should also be efficient taxes. Efficient taxes follow key principles such as: the base ought to be as broad and the rate as low as possible; the base ought not to be one that shrinks substantially when taxed; there ought not to be double or “pyramid” taxation wherein the same base gets taxed multiple times.

In Texas, the range of viable taxes that fulfill these criteria is small because the sales tax rate is already high, statewide property taxes are inefficient (the base shrinks greatly when taxed and taxation perversely punished high performing districts), and income taxes are unconstitutional. The remaining taxes that are viable include those of the “business activity” form in which business receipts are taxed but an allowance is made for all purchased inputs that are taxed at a prior level (to avoid double taxation). If the base of such a tax is set as broadly as possible, the rate can be low. Such a broad based, relatively efficient tax would make Texas a *more* attractive state for businesses and jobs if it replaces the franchise tax and generates substantial property tax relief.

13. In order to ensure that new state taxes for education generate true and lasting property tax relief, the state should:

- Require that each district automatically roll back its local property taxes by an amount commensurate with the district's receipt of new revenues from the state;
- Require that districts hold a referendum on any proposed school-system budget that is growing at a rate faster than the rate of inflation. A district that proposes a faster-than-inflation budget and does not have the budget passed in a referendum will remain on its previous year's budget plus an inflation factor. If local property taxes generate more revenue than the budget requires, the local property tax rate must automatically be reduced. This is the system used in some other states (see Figure 1 and Table 1 below).

Several states have referenda that require a super-majority, such as 60%, so that spending does not increase without widespread voter approval.

- Referenda are required for *all* school budgets in New Hampshire, Vermont, and New York (except in city districts).
- Referenda are required for *all* budget *increases* in Montana, Louisiana, and Delaware.
- Referenda are required for budget increases over a certain rate (usually the rate of inflation) in Arizona, Colorado, Georgia, Idaho, Kentucky, Massachusetts, Michigan, Mississippi, Missouri, Ohio, Oklahoma, South Dakota, Washington, and West Virginia.

14. Hold-harmless with gradual phasing out.

The Robin Hood system of school finance can be replaced a much superior one, and all districts ought eventually to move to the new system. In the short term, a comprehensive hold-harmless provision that is gradually phased out can smooth the transition for districts so that they can adjust efficiently.

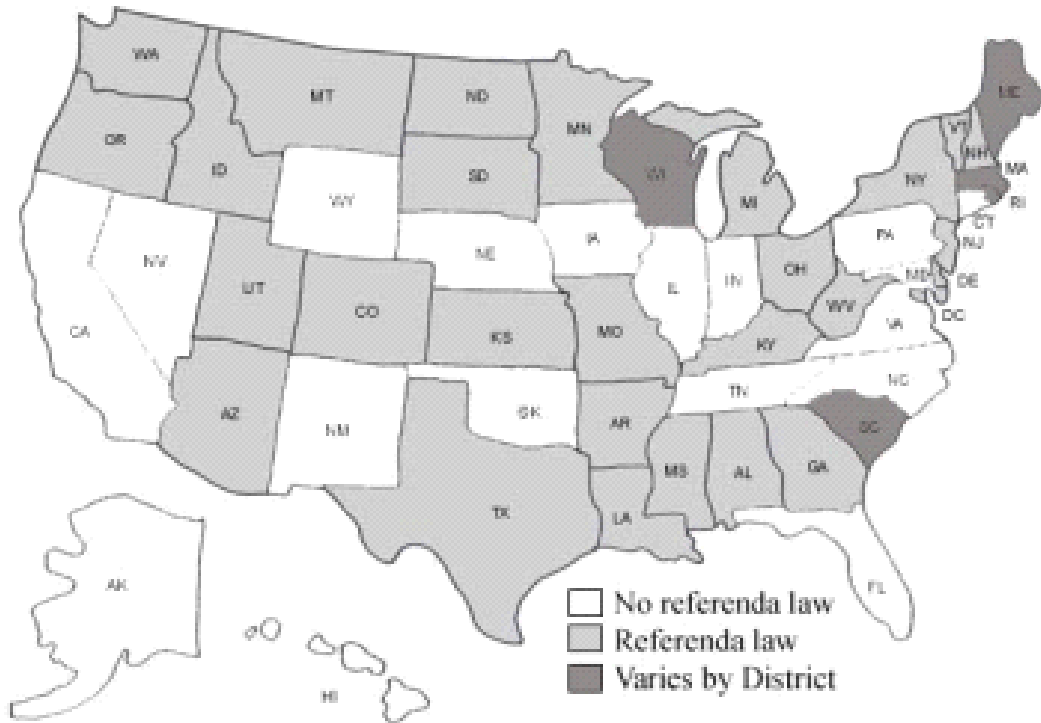
15. Evaluation

To ensure that the state and others learn from the changes in school finance, data should be gathered that facilitate evaluation by the state and external researchers. Most school finance data are automatically collected in the course of administering the system and are public information. However, if budget referenda are held, data on the proposed budget, voter turnout, and vote shares should be collected. In addition, data on the services received by students with limitations should continue to

be collected, even if the state aid allocated to such students is based on an incoming assessment of their limitations.

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Figure 1: School Tax Referenda Laws: 1998-1999



Referenda requirement law data compiled from *Public School Finance Programs of the United States and Canada: 1998-99*.

Table 1: School Tax Referenda Requirement Laws: 1998-1999

Referenda on tax levies over specified millage rate (16 states)	Arizona, Colorado, Georgia, Idaho, Kansas, Kentucky, Michigan, Minnesota, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, Washington, West Virginia
Referenda on all tax increases (6 states)	Delaware, Louisiana, Mississippi, Missouri, Montana, New Jersey (most districts)
Referenda on all annual school budgets or all tax levies (6 states)	Alabama, Arkansas, New Hampshire, New York (non-city districts), Vermont, Wisconsin (most districts)
No referenda (17 states)	Alaska, California, Connecticut (except in small towns), Florida, Hawaii, Illinois, Indiana, Iowa, Nebraska, Nevada, New Mexico, North Carolina, Oregon, Pennsylvania (all but 4 districts), Tennessee, Virginia, Wyoming
Varies by district (5 states)	Maine, Maryland, Massachusetts, Rhode Island, South Carolina

Compiled from *Public School Finance Programs of the United States and Canada: 1998-99*.

ACCOUNTABILITY

ACCOUNTABILITY

Background

For two decades, Texas has been a leader among states in the use of standards, testing, and accountability. From the 1984 reforms recommended by the Perot Commission (including the famous “no pass, no play” rule), to the introduction of TAAS and the annual testing of students in nearly all grades in the 1990s, Texas has been a model of standards-based reform. A RAND study in 2000 concluded that Texas was one of the two most improved states in the nation on the National Assessment of Educational Progress (NAEP); and Texas received strong approval from *Achieve*, the organization launched by governors and business leaders to promote strong educational systems. President George W. Bush used the Texas experience to sell the nation on the historic *No Child Left Behind* (NCLB) legislation. In 2002, Texas upgraded its system by replacing TAAS with a new test, TAKS, and toughened accountability.

“Create a climate of rising, not static, expectations.”

On the whole, Texas’ content standards (TEKS) are clear, objective, demanding, and balanced. The state constructs its own tests to ensure that they are aligned to its standards. Testing is remarkably transparent, with complete tests released to the public every year—something few states have been willing to pay for. School performance is rated in a straightforward manner, from “low performing” to “exemplary,” with rewards and sanctions attached to performance. These and other attributes make the Texas testing and accountability system a fundamentally strong one.

Nevertheless, there is room for improvement, as demonstrated by recent evidence on achievement in Texas and the rest of the nation. According to the 2003 NAEP results in reading, 73 percent of states scored better in fourth grade than Texas. In 1992, only 62 percent of states scored better. In grade eight, 73 percent of the states now out-score Texas, though five years ago just 57 percent did so. The 2003 NAEP math results are better in grade four, 43 percent of states out-scored Texas in 2003, compared to 55 percent in 1992. In 8th grade, 65 percent of states out-scored Texas in 2003—about the same as in 1992.

Although its system is fundamentally strong, there are some accountability improvements that Texas could make in the coming years.

Guiding Principles

- Proficiency bars should be raised gradually and smoothly until the more demanding objectives contained in TEKS are met. Create a climate of rising, not static, expectations.

- When raising its proficiency bars, the state should be mindful of how they compare to those of other states, using NAEP as a benchmark. (NAEP is the only test taken by a representative sample of students in all states.)
- The state assessment system should pose challenges to students who are above proficiency.
- The accountability system should reward performance *gains* of all students who make them, including those below proficiency levels.
- There should be stakes for secondary school students, who are most likely to be motivated by such incentives.
- Schools that perform at a high level should be released from burdensome state regulations. This is in addition to financial rewards for schools that perform at a high level and/or raise their performance substantially (see Hoover-Koret memo on *Rewards for Campuses, Teachers, and Principals*).

“Schools that perform at a high level should be released from burdensome state regulations.”

Proposal

1. Continue to raise the proficiency bars for TAKS.

Texas has aimed to correct the weaknesses of TAAS with TAKS, and the early signs are encouraging. The new test with its new cut points took a major step toward bringing state proficiency standards into line with standards nationwide. Further, the state has approved increases in proficiency cut points for 2004 and 2005 that raise expectations by significant increments.

The standard setting process in 2003 was embattled, however. Because Texas has some distance to go to raise its standards to national averages, the state will need to steel itself against pressures not to relax the agreed 2004 and 2005 standards increases. Those increases are needed if the Texas accountability system is to be truly rigorous.

2. Accelerate Annual Measurable Objectives Under No Child Left Behind (NCLB).

In 2002-03, all but 7.3% percent of the schools in Texas met their Adequate Yearly Progress (AYP) targets as defined by the state’s NCLB implementation plan. Only 37 schools were placed on the federally defined “Needs Improvement” list, and only two of those were in their second year on the list, the year that brings sanctions. Texas has nearly 7000 schools. It is unlikely that only half of one percent of them need serious improvement.

Texas has taken the admirable step of setting Annual Measurable Objectives (AMOs) that do not delay expected student and school gains to 2010 and beyond, but the early bars are lower than necessary. For example, the initial expectation in math is 33.4, low compared to other states. The initial reading expectation of 46.8 could also be raised.

“The more clearly students see the expectations they must meet, the sooner they begin to prepare themselves”

3. Include Student Achievement Growth in Accountability. By introducing a component for growth in individual student achievement scores on the TAKS, the accountability system can reward both schools trying to work with the most disadvantaged students and schools that have most students above the proficiency level but still able to improve. Specifically, building on the current system that concentrates just on passing rates, Texas could base half of its school recognition on the average gains in scores obtained for individual students in each school. Because the TAKS scores do not suffer the same ceiling effects as the proficiency cut-scores, this can distinguish among the performance of schools with relatively advantaged students. It also recognizes the gains made in schools with large concentrations of students starting below the proficiency levels.

4. Use freedom from regulation, not just financial rewards, to recognize successful schools.
 - Freeing exemplary schools from regulations would demonstrate that they have earned the state’s trust and would encourage them to make further use of their ingenuity and judgment to design innovative programs. This is a reward that high-performing principals would welcome.

5. Make accountability salient to *Students*. Ultimately, it is students who must take responsibility for their learning. The state can help this process by attaching student-specific consequences to its assessments. Texas has already taken an important step in this direction by relating promotion and high school diplomas to state assessments.
 - International and U.S. data demonstrate that students respond positively to consequences associated with exams. The response is especially strong for secondary school students, who are old enough to internalize the consequences themselves.
 - Campus recognitions and rewards should be tied to individual students' performance in as transparent a manner as possible. The more clearly students see the expectations they must meet, the sooner they begin to prepare themselves, and more acceptable they find the expectations.

6. Phase in Computer-Assisted Testing when Possible. To ensure that higher achieving students also benefit from the TAKS program, the state should phase in computer-

assisted testing as it becomes available and possible under NCLB rules. With such tests, the computer poses more difficult questions to students who answer initial questions easily. A computer-assisted version of TAKS would eliminate ceiling problems for individual students, reduce concerns that the tests “dumb down” education, reduce testing time, make “teaching to the test” much more difficult, and eliminate most possibilities for cheating. Texas could lead the states in making the transition to computer-assisted tests.

7. Evaluation

To ensure that the state and others learn from improvements in Texas’ accountability system, data should be gathered that facilitate evaluation by the state and by external researchers. The accountability system automatically generates information on student achievement, but the state should also publish a timeline of the changes made every year, with an explanation of each.

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REWARDS FOR CAMPUSES, TEACHERS, AND PRINCIPALS

REWARDS FOR CAMPUSES, TEACHERS, AND PRINCIPALS

Background

The key to improving performance in Texas schools is a system that rewards schools, teachers, and principals who raise student achievement.

Evidence based on achievement data indicate that schools produce very different *value-added* even when they have students with very similar backgrounds, in terms of native language, family income, parents' education, and so on. A school's value-added is its contribution to students' outcomes, given the incoming achievement of its students.

Similarly, evidence suggests that teachers in the same school often differ substantially in the value that they add to pupils. A teacher's value-added is her/his contribution to a student's outcomes, given the incoming achievement of the student. Finally, the evidence suggests that individual principals also differ substantially in their value-added.

Differences in value-added among schools, teachers, and principals are generally much larger than differences generated by special programs or classroom technology.

The most direct way to stimulate higher student achievement is to reward schools, teachers, and principals who raise it. Importantly, the evidence suggests that rewards for credentials or programs do *not* work as well as rewards based directly on value-added.

“The most direct way to stimulate higher student achievement is to reward schools, teachers, and principals who raise it.”

Guiding Principles

- A good incentive system includes a combination of campus-level rewards, individual teacher rewards, and individual principal rewards. Campus rewards should apply to all schools in the state. Individual teacher and principal rewards should apply to all teachers and principals who choose the Professional Contract (see Hoover-Koret memorandum, *Professional Contracts for Teachers and Principals*). Individual rewards should be generous enough to make teaching and administration truly professional in character and to serve as bona fide incentives for success.
- The pay and incentive system should directly incorporate quantitative information about student performance wherever practical.
- The system should also incorporate other information about performance, such as administrator evaluations and parent evaluations.
- Campus rewards should be based partly on students attaining high *levels* of achievement and partly on a school's having high *value-added*. In other words, if

a school's students are performing at a very high level, the school should be rewarded. Also, if a school is raising its students' achievement substantially, it should be rewarded, even if their level of achievement is not high. A two-part system like this rewards schools that are close to the achievement "ceiling" as well as schools that start out far away from proficiency.

"Campus rewards should be based partly on students attaining high levels of achievement and partly on a school's having high value-added."

- It is valuable to have an incentive scheme for individual teachers and principals, beyond the campus reward system. This is because individuals are sometimes doing an excellent job in a school that is not doing well overall. They need to be encouraged to keep up their efforts rather than leave the school for one that is more successful overall.
- The individual teacher (and principal) incentive system should satisfy statewide criteria, but districts should be encouraged to design their own plans. For districts that do not want to design their own system, there should be a "default" plan.

Proposal

1. New state monies that can be allocated to schools should be used to fund the incentive system.

Rewards for schools, teachers, and principals are likely to improve achievement, but they would be difficult to implement in a revenue-neutral manner in the short run, assuming that districts are held harmless on total state aid. In the longer-run, the incentive system can be made revenue-neutral by allowing it to grow while phasing out hold-harmless levels for other aid.

The total amount allocated to the incentive system must be large enough to make the campus rewards salient and to encourage teachers and principals to opt for the Professional Contract.

2. The incentive system should have campus rewards and individual rewards.

The funds for rewards should be divided reasonably evenly between rewards for campuses and rewards for individual teachers and principals. The campus rewards will insure that staff in a school work together and will reward everyone in a successful school. The individual rewards will ensure that a person whose own value-added is high earns rewards even if she/he works in a school that does not have strong performance overall.

3. The incentive system should directly incorporate quantitative information about student performance wherever practical.

The state's accountability system can provide direct information about not only the *level* of achievement in a school, but also about the value-added of that campus, its

individual teachers, and its principal. By mapping the achievement of individual students to their teachers and principals over time, it is possible to separate teachers' and principals' value-added from other influences such as family background and prior preparation of students.

Using TAKS scores, it is feasible for the state to compute value-added for campuses, for individual principals, and for individual teachers who teach subjects that are tested by TAKS. Districts should be encouraged to develop their own beginning-of-year and end-of-year tests to compute value-added for teachers who offer instruction in subjects that are not tested by TAKS. Although specialized measures may be used for teachers who have unusual duties, all measures should be based on student achievement, not on a teacher's credentials or preparation.

Computations of value-added are most reliable for teachers who are observed over at least three years, so value-added computations should be used for teachers who have at least three years of experience in the Texas public schools (not necessarily in a single school).²

4. The state should distribute campus rewards on the basis of both achievement *levels* and *gains* (value-added).

Because the state wants students to achieve high proficiency, it should reward schools based on the percentage of their students who reach high proficiency. The key reasons for rewarding schools based on their *level* of achievement are (a) making the state's achievement goals salient, and (b) ensuring that students are challenged even if they begin with above-average achievement. Therefore, it is important that there be a high threshold for rewards based on the *level* of achievement.

Because the state also wants to raise achievement in schools that begin with low initial achievement, the state should also distribute campus rewards on the basis of campuses' average value-added. Campus rewards should be based on the number of *students* whose achievement rises.

Districts should establish their own rules for allocating each campus' reward (if any) within the school, but these rules should be transparent and publicly announced.

5. The system for giving individual teacher and principal rewards may incorporate information other than test results.
 - Tests provide objective measures of performance but do not cover all aspects of teacher performance. For these reasons, districts should be encouraged to

² See Rockoff, Harvard University (2003); Hanushek, Kain, and Rivkin, National Bureau of Economic Research Working Paper Number 6691; Sanders and Horn, *Journal of Personnel Evaluation in Education*, 1998.

supplement value-added information with supervisor evaluations and parents' evaluations.

- Districts should be encouraged to develop their own systems for rewarding individual teachers and principals, but districts' plans should meet certain criteria so that true incentives are given. For instance, districts' plans might have to satisfy these conditions:
 - the plan must be publicly announced before the beginning of each school year.
 - the percentage of reward based on value-added must be at least 50;
 - the percentage of reward based on the supervisor's evaluation must be at least 10;
 - the percentage of reward based on parents' evaluations must be at least 5.
- Although the state does not want to choose a one-size-fits-all plan for districts, there should be a default plan that can be used by districts that fail to adopt their own in a timely fashion. A default plan might determine rewards as follows:
 - 60 percent on individual value-added;
 - 25 percent on supervisors' evaluations;
 - 15 percent on parents' evaluations.

6. When some teachers or principals in a district have opted for the Professional Contract, those teachers or principals will automatically become eligible for individual rewards. Once a teacher or principal in a district becomes eligible for individual rewards, his or her district will use the state's default plan until the district develops its own individual incentive plan that fulfills the state's criteria.

7. Evaluation.

To ensure that the state and others learn from the state's reward system, data should be gathered that facilitate evaluation by the state and external researchers. The data should include information on the achievement levels and value-added, rewards earned, and districts' plans for individual rewards.

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**PROFESSIONAL CONTRACTS FOR,
AND DEREGULATION OF,
TEACHERS AND PRINCIPALS**

PROFESSIONAL CONTRACTS FOR, AND DEREGULATION OF, TEACHERS AND PRINCIPALS

Background

Schools cannot be effective without good teachers and principals. Although well-intended, typical regulations for licensing teachers and principals often reduce their quality rather than raise it. Deregulation of licensing, combined with incentives for teachers and principals to perform, is the best way to ensure that schools are successful.

Currently, to gain certification in Texas, teachers typically complete two or more years of specialized coursework in colleges of education. Many teachers believe that such coursework does not impart skills and knowledge that are useful in the classroom. Administrators agree: certification does not guarantee competency and it creates unnecessary teacher shortages. Moreover, the evidence suggests that states that have increased the coursework requirements for certification have not improved the quality of their teachers. Rather, they have reduced quality because promising candidates are deterred by costly, time-consuming preparation that does not impart useful skills and knowledge.

“Deregulation of licensing, combined with incentives for teachers and principals to perform, is the best way to ensure that schools are successful.”

Because private and charter schools cannot survive if they do not attract students and parents, they judge teachers on their *performance*, not on paper credentials. It is only in regular public schools that teacher certification rather than pupil outcomes is held to guarantee quality. At the end of the day, licensing does not exist to protect students but because interested parties have convinced state government to grant them protection.

In response to the immediate demand for more and better teachers, alternative teacher certification programs have sprung up in Texas and other states. Too often, however, alternative teacher certification ends up meaning “regular certification carried out on a different timetable.” Aspiring teachers hired through alternative certification usually must take the same courses that conventional teachers do. For instance, even in Houston’s respected alternative certification program, teachers must take heavy loads of school-of-education courses soon after they start work.

Along with certification and licensing, state policies dealing with teacher pay and assignment typically depress the quality of the teaching force. The most capable new college graduates want to be paid on the basis of their effectiveness, not seniority. They will not accept automatic assignment to the worst schools solely because senior teachers have taken all the slots in better ones. Because they are placed in the most difficult classroom situations, the ablest young teachers are likely to quit within five years to pursue more rewarding lines of work. On the other hand, the current circumstances of teaching attract individuals with low job expectations, a high need for security, and an aversion to being paid on the basis of their performance.

Guiding Principles

1. Policies that regulate the teaching profession should have one clear aim: differentiating between people who teach well and those who do not. Similarly, policies that regulate school principals and other administrators should aim to differentiate between people who lead schools effectively and those who do not.
2. Potential teachers and principals should be screened for criminal records and other indicators of unsuitability for dealing with children.
3. Given the strong links between cognitive ability and teaching performance, potential teachers and principals should be college graduates.
4. Advanced training in mathematics and science should be preconditions for teaching such subjects at the high-school level.
5. Licensing and certification should be used only as warranted by evidence of their effects on teacher quality. The current scarcity of good teachers is in itself a reason to question current policies.

The state should:

1. Establish statewide training requirements only when it is clear that one mode of training is most effective in all cases.
2. Allow experimentation not only with new ways of training and certifying teachers and principals but also with new ways of assigning, compensating, and evaluating them.
3. Make teaching and school leadership attractive to people who want to be judged and paid on the basis of performance.
4. Eliminate job protection for experienced teachers whose efforts fall off. Performance should be expected throughout one's classroom career, not just at the beginning.
5. De-couple pay from seniority.
6. Signal the importance of performance by paying for it.
7. Allow schools to experiment with new combinations of teaching and technology.
8. Recruit principals who are effective executives, seeking them in many fields, not only education.

The state should not:

1. Drive away capable individuals who want to teach or lead schools, even if just for a few years.
2. Make it difficult for novice teachers to work in situations where they can get mentoring.
3. Allow poor performers to continue teaching.
4. Protect teacher-training programs that have poor track records.

“[Teachers and principals] be assigned to schools and duties based on their performance and the school’s needs, as opposed to their seniority”

Proposal

The Professional Contract

Texas should establish an alternative contract for teachers and principals called *The Professional Contract*. Teachers and principals who choose to work on a Professional Contract will:

- Be eligible for generous performance-based bonuses (see the memo on incentives for teachers and principals);
- Be judged to be qualified based on measures of their value-added for student achievement, as opposed to coursework;
- Be assigned to schools and duties based on their performance and the school’s needs, as opposed to their seniority;
- Qualify for initial exemptions from training requirements, certification requirements, and licensing requirements based on a combination of cognitive aptitude, achievement in college, interview, job experience and, where practical, passing a rigorous test of subject matter knowledge;
- Qualify for continuing exemptions from training requirements, certification requirements, and licensing requirements based on classroom performance;

Teachers and principals who work under a Professional Contract will not:

- Have job protection based on their seniority. Their contract will be an at-will contract.

School districts should be encouraged to customize their Professional Contracts and use them as an opportunity for innovation.

The professional contract should be consistent with the Basic Guiding Principles listed above.

Evaluation

To ensure that the state and others learn from the implementation of The Professional Contract, data should be gathered that facilitate evaluation by the state and external researchers. Data gathered on individual's employed under The Professional Contract should include contract type, education and training history, seniority, school and classroom assignment, and value-added (where available). To ensure that confidentiality is maintained, public-use data should be released in a manner that does not allow identification of individual teachers. Full data should be available only to researchers who obtain a restricted-access license from the Texas Education Agency.

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SCHOOL CHOICE FOR URBAN TEXAS DISTRICTS

SCHOOL CHOICE FOR URBAN TEXAS DISTRICTS

Background

The voucher program should follow local public school funding to the maximum extent. The purpose of a school voucher program is to enhance educational opportunity for students who currently have little opportunity to choose a good school. Such students tend to come from low-income families who cannot afford to pick a residence near a school they like. Such students also tend to live in school districts that have low achievement overall. Because voucher programs work best when students can choose among multiple nearby schools, vouchers are best suited to districts that are densely populated. For all these reasons, this proposal focuses on school vouchers for districts where a sizable proportion of students come from low-income families, where student achievement is relatively low, and where the density of students is relatively high.

“The voucher program should follow local public school funding to the maximum extent.”

C.S.H.B. 2465, introduced in spring 2003, provided for vouchers in those districts of 40,000+ pupils in which a majority of students are educationally disadvantaged. It proposed vouchers that were means-tested and could be supplemented or “topped-up” by parents. It limited the voucher students to 5 percent of eligible students; allowed participation by private and religious schools; and required testing of voucher students. We take House Bill 2465 as a starting point for this proposal.

In considering the best way to implement a voucher program, state leaders may find it useful to look closely at the early experiences of existing programs in Milwaukee, Cleveland, Florida, and Colorado.³ Table 1 provides a brief description of these programs.

Guiding Principles

1. Although other districts may choose to participate in the voucher program, the state should *require* a district to participate if its students tend to be low performing, tend to come from low income families, and live in a density populated (i.e. urban) area.
2. The voucher program should follow local public school funding to the maximum extent. Students should take 100 percent of the funding associated with their

³ Colorado’s school voucher program is currently in that state’s courts, but the case has not yet risen to the Colorado State Supreme Court or United States Supreme Court. In the eyes of most constitutional scholars, the program appears to have been designed in such a way that it meets the constitutionality guidelines set down by the United States Supreme Court in *Zelman v. Simmons-Harris* (2002). In particular, Colorado students can choose among several schooling options (charter schools, pilot schools, magnet schools, regular public schools, vouchers), which include both non-religious and religious schools. The choices all have similar funding, except that regular public schools receive the most funding. Thus, the voucher program does not appear to induce students to choose religious schools if they would prefer to choose a non-religious school.

education so that the voucher program is neutral and so that families of voucher students care as much about local funding as families of regular public school students.

3. The voucher program should be open to students in all grades and admit all who apply so that vouchers can provide meaningful competition for regular public schools and thereby raise achievement in all schools. Also, an unlimited voucher eliminates concerns that only highly motivated families will be able to take up the voucher.
4. Private schools that receive more voucher applicants than they have places should admit students on the basis of a random lottery (except for giving priority to siblings).
5. The voucher program should require that participating students take state accountability exams.
6. Optimally, the voucher program should operate in tandem with a statewide charter school program and a statewide scholarship for students with disabilities. (See Hoover-Koret memos on *Charter Schools* and *School Choice for Students With Disabilities*.)

“The voucher program should require that participating students take state accountability exams.”

Proposal

1. All school districts should be permitted to participate in the school voucher program, but a district should be required to participate if it meets the following criteria or similar criteria:
 - a. Fewer than 70% of its students are at the “met standard” level on the TAKS test. (Currently, the “met standard” level is the panel recommendation minus 2 SEM.)
 - b. At least 50% of its students are economically disadvantaged.
 - c. Its density of enrolled students per square mile is at least 300.
2. Once a district has begun participating in the program, its participation should continue indefinitely. Of course, if a district competes successfully, it may well be that no students in a district will actually use the voucher opportunity offered them.⁴

⁴ Alone among voucher programs, the Florida program restricts participation to students attending public schools identified as failing. This list is compiled annually, in June before the coming school year. It is politically appealing, because vouchers are offered only to students attending public schools already judged to be ineffective. Despite its appeal, however, this design has many disadvantages. It tends to produce a high degree of fluctuation and uncertainty among schools and parents as to whether vouchers are available for the upcoming year, making it difficult for educational planning to take place.

3. The voucher should be 100% of the per-pupil amount allocated for the education of the student, including state aid and expenditures from local revenues. This will have several benefits.
 - a. Funding will be neutral, so that the state is neither encouraging nor discouraging the use of vouchers or private schools.
 - b. Families of voucher students will have the same incentives to care about local school funding as their neighbors who send children to regular public schools. A voucher-taking family will not disengage from the local debate about the resources needed by the local public schools.
 - c. The district will care as much when it loses a student to a voucher as when it loses a family to another public school district (or charter school). This will even the playing field between public and private competitors.
 - d. The state's administrative burden will not be greatly increased by the voucher program. The state will simply compute aid for each district as though each of the district's regular public school students and voucher students were attending. Then voucher takers will take their individual funding with them to other schools in the form of a voucher.⁵
 - e. Similar funding for local regular public school students and voucher students will facilitate comparisons of achievement across the two types of schools.⁶
4. Once the voucher program is implemented in a district, it should be available to all students without regard to their grade or the percentage of students in the districts who are taking up the voucher. A universally available voucher has advantages:
 - a. A voucher program with a binding cap has no competitive effect on regular public schools once the cap is reached. The object of a voucher program is to improve regular public schools through competition, not merely to allow students to escape failing schools. Thus, much of the benefit of a voucher program is lost if it has a binding cap on enrollment.

⁵ Disbursements to private schools should be made at the same time the state distributes aid money to local public school districts. Private schools may wish to negotiate a contract whereby the local public school district provides transportation for voucher students in return for a fee, to be taken from the voucher.

⁶ In some existing voucher programs, the state funds so much of the voucher that per-pupil expenditures in the local public schools *rise* when children take up a voucher. Such programs are badly designed. Schools should not receive funds for educating students for whom they no longer have responsibility. Moreover, voucher programs should give public schools financial rewards when they attract parents, not when they repel parents. Most school costs are for personnel and can be adjusted annually. Thus there is no justification for leaving a large share of a student's funding behind him when he chooses a new school.

- b. When a voucher program has a binding cap, observers worry that the program will become the exclusive preserve of savvy families who take up the vouchers quickly. When the program has no cap, this worry disappears: a family that hesitates to use the program immediately can take up the voucher at any time.
5. Voucher students attending private schools should be required to take state accountability exams and their results should be reported at the lowest aggregate level that is consistent with confidentiality. Achievement results for voucher students help parents learn about schools and make judgments about the quality of the schools available to their child. They also make it possible to compare the performance of voucher students with those who remain in public schools.
6. School-level results and/or district-level for voucher students should be published if doing so does not violate the state's existing rules about the number of children who must be in a group before that group's scores are published.
7. Private schools' effectiveness may, in some cases, depend on their distinctive missions and identities, which may be more appropriate for some students than others. Families should be given information about these missions and identities when applying for admission. However, all schools should be open to students, regardless of race, religion, or national origin. If a school is filled to capacity, students should be admitted at random among those who have applied, except that siblings should be given priority.
8. Accredited private schools that are willing to fulfill the above requirements should be eligible to receive voucher-bearing students. The list of eligible schools may therefore include schools with a religious affiliation.
 - a. For the last four decades, the share of private school enrollments associated with religion has been declining. The declining importance of religious instruction appears to reflect the preferences of parents, who (surveys suggest) are increasingly willing to separate their choice of a school, which they make largely on the basis of academics, from their choice of a "religious home." Therefore, it is likely that most of the private schools that would enter or expand in response to a voucher program would not have a religious affiliation.
 - b. Nevertheless, schools with a religious affiliation are an important part of the *current* supply of private schools. Including them in a voucher program is not in violation of the federal constitution and probably not in violation of the Texas constitution. School vouchers that give parents a choice of school, religious or secular, do not violate the "establishment of religion" clause of the U. S. Constitution. In *Zelman v. Harris* (2002), the U. S. Supreme Court found constitutional the Cleveland school voucher program that offered families a choice of school, even though most of the students using the voucher were attending religious schools. As long as secular choices were also available, the Court found no "establishment" of religion. The Texas state constitution forbids the appropriation of money "for the benefit of any sect, or religious society,

theological or religious seminary.” If Texas courts follow the U.S. Supreme Court’s reasoning in *Zelman*, vouchers are interpreted as benefiting students and families, not the schools they attend, so long as the family has a bona fide choice among schools, secular or religious.

9. Evaluation. To ensure that the state and others learn from the voucher program, data should be gathered on which students apply for vouchers, which schools enroll them, students’ continuing use of vouchers, and the academic achievement of participating students. Subject to confidentiality provisions, researchers should be able to link achievement data to data on the application for, and use of, vouchers.

Because Texas has such a large number of districts, it has an unusual opportunity for evaluation that is not available to most other states. The state could first determine which districts were required to participate in the voucher program (using the criteria given above) and then randomly select 25 percent of such districts to be “controls.” The control districts would *not* implement a voucher program despite being otherwise eligible for mandatory participation. Student performance in the control districts could then be compared over time with student performance in the districts that implement the voucher program. If this evaluation feature were added, the Texas voucher program would be at the forefront of policy innovation and would attract greater attention.

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Table 1: Characteristics of Publicly Funded Voucher Programs in the United States

City or State	Colorado	Milwaukee	Cleveland	Florida I (A+ Plan)	Florida II (McKay)
Sponsor	State of Colorado	State of Wisconsin	State of Ohio	State of Florida	State of Florida
Religious Schools Included	Yes	Yes	Yes	Yes	Yes
Grades	K-12	PreK-12	K-8	K-12	K-12
First School Year	2004-05	1998-99	1996-97	1999-00	1999-00
Initial Enrollment	-	6,085	1,996	57	977
2002-2003 Enrollment	-	13,3004	5,000	542	8,728
Number of Participating Private Schools 2002-2003	-	103	50	35	488
Maximum Voucher Amount (Dollars)	Formula ⁵	5,783	2,700	4,537/4-12 3,370/K-3	21,326 ⁶
Selection Method	First-come	Lottery	Lottery	Lottery	First-come

Source: *The Education Gap*, SchoolChoiceInfo.org, voucher program sponsors

⁴ These are 2003-2004 data.

⁵ The maximum voucher amount cannot exceed the lesser of either (1) the actual educational costs as evidenced by an annual cost-report audit or (2) a maximum amount determined by grade level and each school district's per pupil operating revenue (PPOR):

- Kindergarten: 37.5 percent of a district's PPOR;
- Grades 1-8: 75 percent of a district's PPOR;
- Grades 9-12: 85 percent of a district's PPOR.

⁶ The median voucher amount is \$6,571.

SCHOOL CHOICE FOR STUDENTS WITH DISABILITIES

SCHOOL CHOICE FOR STUDENTS WITH DISABILITIES

Background

The evidence suggests that school choice works especially well for students with disabilities. For instance, in Florida, the McKay Scholarship Program for Students with Disabilities presently enables 9,200 special education students to attend private schools of their parents' choosing. The McKay Scholarship is equal to the tuition of the receiving school or the amount the state and district spend to educate a child with that particular disability. The McKay Scholarship program is revenue-neutral and has costs that range from \$4,500 to \$21,000 per student, with an average scholarship of \$5,547. More than 90 percent of McKay parents report that they are satisfied or very satisfied with their children's schools.

“A scholarship for children with disabilities allows families to make the choices that they judge best.”

Families of children with disabilities especially value the opportunity to find a program for their child that is a good match for his or her needs.

Some families of disabled children believe that it is most effective to send their child to a school that specializes in the particular disability. Other families want their child to attend a school where there is minimal concentration of students with their child's disability. A scholarship for children with disabilities allows families to make the choices that they judge best.

A scholarship for children with disabilities ensures that they are not “left behind” when school choice is made available. In Florida, for instance, regular public schools cannot argue that the enactment of charter school laws has left them with a disproportionate share of the students who are costly to educate.

When families of children with disabilities have a scholarship and can use it to compare programs and schools, they take responsibility for ensuring that the extra funding associated with their child is used *well*. After a few years, their insistence that funds are used well helps to limit the growth of costs for special education.

Guiding Principles

- School choice ought be available to families of children with disabilities.
- When they are able to compare programs, families of children with disabilities gain information about effective programs and how extra funding for special education can be used well. An astute state policy makes implicit use of the information accumulated by parents.

Proposal

Statewide Special Education Scholarships. Scholarships should be available to all parents of disabled children who wish to enroll them in public or private schools outside their school and district boundaries.

Legislation should be patterned upon the Florida McKay Scholarship program, in which a student must first have an Individualized Education Plan in a public school. The scholarship should be equal to the tuition of the receiving school or the amount that the state and local district currently spend on educating the child, including aid from all relevant sources. The program should be revenue-neutral.

Evaluation

To ensure that the state and others learn from vouchers for students with disabilities, data should be gathered that facilitate evaluation by the state and external researchers. The data should include eligibility for special education scholarships, the take-up of such scholarships and the achievement of scholarship recipients regardless of whether they attend public, charter, or private schools.

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CHARTER SCHOOLS

CHARTER SCHOOLS

Background

School choice will help Texas attain its achievement standards by giving students a way to leave ineffective schools while also putting schools on notice that, if they fail to perform or aren't responsive to parents, they will lose students and funds.

Evidence from Florida, Arizona, Milwaukee, Michigan, the Netherlands, the United Kingdom, Sweden, and Eastern Europe indicates that a greater degree of school choice (in various forms like charter schools and vouchers) produces higher student achievement at lower levels of spending. Importantly, achievement improves not just in choice schools but also in regular public schools.

Although the benefits of choice and competition are most obvious for big-city districts (see Hoover-Koret memorandum on *School Choice for Urban Texas Districts*), the evidence suggests that suburban and rural schools also benefit when choice is available.

Currently, there are 236 charter schools in Texas. The total number in the state is capped, partly because the Texas Education Agency wants to deal with only so many separate entities. When the cap is binding, however, no competitive threat is posed to regular public schools and much of the benefit of school choice is lost.

Numerous Texas students live in sparsely populated districts. They do not stand to benefit from increased opportunities for choice unless schools make use of online curricula and other innovative delivery systems.

Guiding Principles

- The opportunity to form a charter school should be available everywhere in Texas.
- Universal opportunities to form charter schools will help Texas comply with the No Child Left Behind act, which mandates that students in failing schools be given a meaningful alternative school choice within public education.
- Charter schools should be able to compete with regular public schools so that the full benefits of choice are realized. Charter schools should not be prevented from competing by artificial constraints such as caps on their enrollment, caps on the number of such schools, or the need to have a charter renewed by the district with which the school competes.
- Charter schools should have access to expertise on budgeting, purchasing, student records management, evaluation, selection of classroom materials (including textbooks), and the buying and maintenance of facilities.

- The Texas Education Agency should not be overburdened by administrative duties related to charter schools.
- Charter schools should be allowed to experiment with curriculum, instructional methods and delivery systems that improve the education options for rural children and those in small communities.

“[Multi-campus charter schools and charter school franchisers] would help Texas get the best of both worlds: economies of scale and a good number of small schools.”

Proposal

Multi-Campus Charter Schools and Charter School Franchisers

- To further these principles, we propose that Texas particularly encourage the formation of multi-campus charter schools (which are already allowed) and allow the formation of charter school “franchisers.” A multi-campus charter school has a single board and management but operates multiple campuses. A charter school franchiser has a single board and is responsible for centralized management tasks, such as purchasing, data management, and evaluation, but can contract with diverse management teams to run its individual campuses. The campuses of multi-campus charter schools and charter school franchisers should not be limited to contiguous school districts.
- Charter school franchisers are permitted in other states. For instance, in Illinois, the Chicago International Charter School (CICS) supervises three educational management organizations that operate seven campuses. It evaluates its management organizations and can discontinue contracts with management organizations that do not meet its achievement standards or that do not please parents. CICS provides central services that single-campus charter schools find difficult: real estate acquisition and refurbishment, conformity to state and local laws and regulations including those concerning student disabilities, development and enforcement of a unified discipline code, the implementation and maintenance of a single cohesive curriculum, and computerized testing and accountability that goes beyond state and local requirements. With 4,700 students, CICS has a larger enrollment than most school districts in Illinois. Independent evaluations conducted at Harvard University show CICS students learn at faster rates than when they attended regular Chicago Public Schools. CICS, which is considered a single multi-campus school, is one of very few schools among more than 400 in the city that ranks in the highest performance category—“School of Distinction”—because of its strong test scores, high attendance, and low dropout rates.
- Multi-campus charter schools and charter school franchisers are especially appropriate for Texas the state is so large and has some sparsely populated districts. They would help Texas get the best of both worlds: economies of scale

and a good number of small schools. They would also limit the number of separate entities with which the Texas Education Agency would have to deal.

- Charter franchisers provide centralized functions such as:
 1. real estate acquisition;
 2. facilities maintenance, repair, and construction;
 3. purchasing;
 4. budgeting;
 5. student record keeping;
 6. fulfilling state reporting requirements;
 7. selection of curriculum and textbooks;
 7. evaluation;
 8. staff development;
 9. private fund raising;
 10. special and bilingual education services;
 11. compliance with laws, safety codes, and payroll regulations;
 12. marketing and public relations;
 13. testing and accountability.

- Charter franchisers should receive a small share of the per-student fee for the schools they franchise. The share of the fee and the scope of services should be negotiable between the franchiser and its management teams. The market would then decide what services were valuable and what fees were reasonable.

- Charter franchisers have an incentive to maintain their reputations by carefully selecting and monitoring their multiple management teams. They provide a first line of defense against mismanagement because they have sufficiently arms-length relationship with their management teams to monitor them objectively, yet they also know more about each campus than the Texas Education Agency could reasonably have.

- Multi-campus charter schools and charter franchisers would facilitate the spread of successful teaching and school management techniques. They would also decrease the time that new charter schools take to get up and running in a stable fashion.

- There should be no limit to the number of campuses operated by a multi-campus charter school or charter franchisers so long as its schools demonstrate success and meet legal, financial, and other requirements. A multi-campus charter school or franchiser with a poor overall record should lose its charter. If it has individual campuses that are successful, they should be encouraged to join another franchiser.

- Multi-campus charter schools and charter school franchisers should be able to offer innovative combinations of instructional services and online curricula that work well for children in sparsely populated areas. This will ensure that rural

children have choice and access to advanced curricula. Minnesota, Colorado, Pennsylvania, Ohio, and California charter schools currently reach rural students by combing online materials with traditional instruction.

Evaluation

To ensure that the state and others learn from the changes in statewide forms of school choice, data should be gathered that facilitate evaluation by the state and external researchers. The data shall include information on applications to, enrollment in, and student achievement in multi-campus charter schools and charter school franchisers. Charter schools should report their expenditures on online curricula in their budgets.

The Hoover-Koret Task Force on K-12 Education, Hoover Institution
Primary Authors and Contacts: Herbert Walberg and Terry Moe

SCHOOL BOARD ELECTIONS

SCHOOL BOARD ELECTIONS

Background

In the folklore of public education, school boards are bastions of local democracy—responsive to local citizens, representative of community interests, advocates for children and the public welfare. But folklore is folklore, and in this case it often bears little relation to reality. Local governance of public education is usually not very democratic, for several reasons:

- Information and interest. Under most circumstances (barring a scandal or performance crisis), ordinary citizens are not well informed about school board candidates or issues. They frequently have little solid information on which to base their votes.
- Low turnout. The vast majority of citizens do not vote in a typical school board election. School board elections are often held during off years or at off times during the year (or both). Citizen turnout is often abysmal. For example, in the Dallas ISD elections of July 27, 2002, six members of the local school board were elected—and turnout was 4% of the registered voters.
- Dominance by special interests. Low levels of citizen information and turnout leave the political playing field wide open for organized interest groups, which use their resources to provide (biased) information about candidates, to mobilize their supporters, and otherwise engineer outcomes to their own advantage. This might not be a problem if there were many interest groups representing diverse interests, but genuine pluralism is rare. Often the only groups that are consistently organized and active are those that represent school employees, whose interests (e.g., in job security and restrictive work rules) differ from those of students and ordinary citizens.

“[School board elections] should be held in November of even-numbered years, at the same time that voters are electing people to federal and major state offices.”

Guiding Principles

Local governance of schools is a fundamental and valuable part of public education.

Local governance of schools should be achieved by true representative democracy.

Proposal

School Board Elections

1. School board elections (and school bond elections) should be held at the same time as general elections. That is, they should be held in November of even-numbered years,

at the same time that voters are electing people to federal and major state offices. This simple requirement will dramatically raise voter turnout in school districts that currently hold elections at off-times. For instance, Dallas turnout was over 37% for the 2002 general election—almost ten times higher than the 4% turnout for the July 27th school board election that same year. The people who vote in general elections will be more representative of the full electorate than the small, skewed set of people who currently vote in school board elections.

Currently, most Texas school board members serve three-year terms, so about one-third of them are up for election each year. If election times were shifted to November of even-numbered years, it would make sense for the terms of school board members to be even-numbered. The simplest reform would require that all members have four-year terms, with half of the seats being filled during each general election.

2. Each candidate's party affiliation should appear on the ballot. Currently, Texas school board elections are nonpartisan. The theory behind nonpartisan elections, which goes back to Progressive reforms of the early 1900s, is to take politics out of education. This sounds good, but it doesn't work. Education is destined to be political simply because there are important values involved and the stakes are high for special interest groups. Making elections nonpartisan does not change that. Indeed, it makes effective democracy more difficult. This is because party labels are the primary means by which citizens gain information about candidates. We might wish that people would learn about each candidate's philosophy and issue positions, but most citizens do not have the time, interest, or inclination to do that. Instead, they tend to make their decisions via simple cues that tell them something about the candidates. And as research has well documented, party is the most widely used cue of all. With party labels on the ballot, voters are no longer shooting in the dark, and they can make better decisions.

Some specific suggestions:

- Candidates should be required to use the label of the party under which they are formally registered as voters.
 - Candidates need not be required to run in primaries to get their party's nomination. It is fine to have more Democrats or Republicans than seats. The point is simply to give voters information.
 - If primaries must be used, then school board candidates may run only in the primary for the party under which they are formally registered.
3. Candidates' incumbency status should appear on the ballot. The reasoning here is exactly the same: to provide voters with useful information. Incumbency tells voters which candidates they should credit or blame for the past performance of the local schools - regarding achievement, most obviously, but also budgets, honesty, openness, and other important aspects of school governance.

4. School district employees should not be able to serve on school boards in the districts where they work.

Evaluation

To ensure that the state and others learn from changes in the structure of school board elections, data should be gathered that facilitate evaluation by the state and by external researchers. The data should include information on each district's electoral structure (number of seats, frequency and dates of election, at-large or subdistrict constituencies), voter turnout, the characteristics of candidates (party affiliation, incumbency, occupation, gender, ethnicity), and the vote totals and outcomes for each election.

The Hoover-Koret Task Force on K-12 Education
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THE TESTING OF READING

THE TESTING OF READING

Introduction

1. Reading ability is an indicator of the ability to learn and to function economically and as a citizen. Reading is the key to all other academic abilities, including excellence in math; it is also the single most important educational attainment of K-12 education. Hence, Texas has made a great deal of effort related to the teaching and testing of reading.
2. Nevertheless, in Texas, as elsewhere in the nation, reading scores are not improving at a satisfactory pace and the reading ability of disadvantaged students remains unacceptably low. Failure to improve reading will hamper the success of other policy reforms.
3. Texas' reading tests can have a very beneficial effect on reading achievement, but they are currently not living up to their full potential. They could be improved with little expense or disruption to the current system.

“The TAKS reading tests should include the vocabulary necessary for students to master grade-level content in history, math, science, art, and literature”

Background

- The TAKS reading tests do a good job of indicating a student's reading level. Beyond this informational function, however, reading tests have the potential also to improve the system by influencing pedagogy in a beneficial way.
- The reason the TAKS tests do not improve pedagogy as much as they could is that they assume reading is a general skill. They therefore use reading passages that are independent of the content of a school's curriculum. The third-grade tests, for instance, offer passages about barnyard animals; the latest released 4th grade passage is about talking drums; the 5th grade test is about a boy and an elephant; and the 6th grade passage is about a rainstorm in Vietnam. These tests assume that reading depends on “finding the main idea,” and that this is a strategy that can be transferred from one reading task to another. But research shows that reading is not only a strategy: it also depends on students' gaining a large store of word meanings and information about the world. Gaining this enabling knowledge and vocabulary is more important to reading comprehension than practicing formal strategies.
- Currently, the TAKS reading tests implicitly tell teachers: “Practice formal reading strategies, because the reading tests will contain arbitrary passages unconnected with the state's content standards.” The consequence of this implicit message is that teachers waste valuable time in language-arts classes on trivial, disjointed content and reading strategy exercises.

- Some states do link their reading tests with their content standards. For instance, Massachusetts links its reading tests to the state’s content standards in language-arts. Texas can implement a still better policy by tying its reading tests to its content standards in *all* the disciplines.

Proposal

Content-Based Reading Tests

The TAKS reading tests should refer to grade-level content in history, science, art, and literature as specified by the Texas (TEKS) content standards. Specifically:

- Passages for the TAKS reading tests should be selected deliberately so that their implicit background information will be familiar to students who have mastered grade-level content in history, math, science, art, and literature.
- The TAKS reading tests should include the vocabulary necessary for students to master grade-level content in history, math, science, art, and literature as specified by the Texas content standards.

For instance, the third grade social studies standards specify that students should learn about deeds of individuals like Daniel Boone and Davy Crockett. Thus, the reading test for third grade might include words and reading passages that would be especially familiar to a child who had mastered knowledge about Daniel Boone, Davy Crockett, and similar state and national heroes.

The fifth grade TEKS science standards specify that students should learn about how light is reflected and refracted using everyday examples like tinted windows, eyeglasses, and cameras. Thus, the reading test for fifth grade might include words and reading passages that would be especially familiar to a student who had learned about the reflection and refraction of light.

This approach will encourage coherent teaching, cumulative learning, and faster paced improvement in achievement.

Evaluation

To ensure that the state and others learn from the proposed changes in the TAKS reading tests, data should be gathered that facilitate evaluation by the state and external researchers. Such data should include information on the timing of test revision (by grade if necessary) and students’ scores on reading and other tests. Disaggregated public-use data should be made available by school, grade, race/ethnicity, and economic disadvantage, subject to confidentiality protections already employed by the Texas Education Agency.

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TEXTBOOK PURCHASING

TEXTBOOK PURCHASING

Background

Introduction

Texas is one of 21 states that select textbooks for schools and school districts across the state. For many years, the hearings about textbook adoption in Texas were an open forum where advocacy groups faced off against one another, exchanging charges of bias and error, and compelling publishers to change the content of textbooks. Then in 1995, the Legislature changed the adoption law so that the only ground for challenging a textbook was its factual accuracy and compliance with state standards. However, advocacy groups have continued to turn out in force for the public hearings, arguing that books with which they disagree are not only biased but factually inaccurate.

“Deregulation, accountability, competition, and transparency will produce better results than state regulation and rigid control of inputs”

Despite the 1995 amendments, textbook adoption in Texas continues to be highly politicized. The textbook adoption process puts the State Board of Education into the position of having to make decisions about contentious issues of science, history, and other subjects for which its members are not well qualified.

Because of the size of the state and the fact that it spends nearly \$600 million each year on textbooks, Texas exerts enormous pressure on national (and international) publishers to tailor the contents of their books. (Only California has greater influence.) The lure of shaping the textbooks that almost all children in the state are required to read is hard to resist. For years, the state has told publishers what they must include and exclude if they want to get their textbooks purchased and distributed to students in Texas. The same lure—the power to select and delete the words in the textbooks—is equally irresistible for pressure groups of every stripe. These pressure groups represent a variety of ideological perspectives, including the right, the left, feminists, ethnic activists, disability activists, creationists, and others. So long as textbook selection is a political decision, scores of partisans will continue to descend on Austin to argue about what must be added to or left out of the books and which books should or should not be available for use in the public schools of Texas.

The Consequences of the Current System of State Textbook Adoption

Over the years, the effects of state regulation of textbook purchasing in Texas and other states have been:

1. to dumb down the textbooks;
2. to encourage deletion of words and topics that might offend anybody;
3. to deprive students and teachers of solid instructional materials;
4. to impose a dull uniformity on all textbooks submitted for adoption;
5. to increase the cost and size of textbooks by encouraging competition for flashy graphics rather than instructional coherence;
6. to impose costs on the state caused by the process itself;

7. to require politically correct content, especially in textbooks of U.S. and world history;
8. to reduce competition in the textbook industry and promote consolidation and cartel-like behavior;
9. to discourage teachers from using resources more effectively, for example, by making assignments that can be completed using software or the Internet;
10. to require quick and superficial updating of textbooks.

Guiding Principles

- Competition and freedom produce better results than regulation and mandates.
- Those on the education frontlines know their own needs better than distant regulators.
- The state should set standards for academic outcomes that its students should attain, not regulate inputs and processes. Deregulation of textbook selection is akin to deregulating other aspects of schooling.
- The state should hold schools and educators accountable for meeting standards as gauged by its assessments, which will encourage educators to select the best materials available that are consistent with state content and performance standards.
- Teachers and schools should be free to meet the state standards with whatever innovations and entrepreneurship they can muster.
- The state should intervene to impose its choice of materials only when local districts and schools are clearly unable to meet the standards—and that should come as part of a comprehensive strategy such as is mandated by No Child Left Behind.
- Deregulation, accountability, competition, and transparency will produce better results than state regulation and rigid control of inputs and processes.
- The state should eliminate any policies and practices that encourage the politicizing of textbooks by pressure groups.
- The state should foster maximum flexibility in use of instructional resources, especially newly available electronic resources.

Proposal

- Texas should abolish the current process of adopting textbooks for the entire state.
- No classroom materials—textbooks, electronic texts, software, etc.—should be selected by the state.
- Funds for instructional resources should be decentralized to individual districts and, wherever possible, to individual schools, on a per-child basis. Purchasing and selection of textbooks, novels, anthologies, electronic resources, and instructional materials should be made as close to the school level as is consistent with efficiency.
- As a replacement for the current textbook review procedures, the state should maintain a modest research unit to evaluate textbooks and other instructional materials solely as regards their alignment with state academic standards. The research unit should make available information and non-binding recommendations.

In short, the state should have no interest in whether schools use textbook A or B (or software package A or B) so long as students are meeting state standards. To that end, the state needs good, well-defined standards and tests that faithfully reflect the skills and knowledge deemed important for Texas children at each grade level. The elimination of textbook adoption will work best in an environment with strong standards, well-aligned state tests, and incentives to meet the standards. In such an environment, school-level decision-makers are part of a culture focused on student learning, and they will choose textbooks that help them attain the goal. In contrast, by trying to micromanage inputs, the state succeeds not in improving instruction but in politicizing the content of textbooks and turning their adoption into a public spectacle. The state will do best by de-regulating the process, opening it to competition, allowing schools to make judgments about what works best in their classrooms, and holding schools to account for the consequences of their decisions.

Evaluation

To ensure that the state and others learn from the elimination of statewide adoption of textbooks, data should be gathered that facilitate evaluation by the state and external researchers. The data should include information on the relationship between textbook choices and student performance data (which is already collected).

The Hoover-Koret Task Force on K-12 Education, Hoover Institution
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HOOVER INSTITUTION

The Hoover Institution on War, Revolution and Peace, Stanford University, is a public policy research center devoted to advanced study of politics, economics, and political economy—both domestic and foreign—as well as international affairs. With its world-renowned group of scholars and ongoing programs of policy-oriented research, the Hoover Institution puts its accumulated knowledge to work as a prominent contributor to the world marketplace of *ideas defining a free society*.

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INITIATIVE ON AMERICAN PUBLIC EDUCATION

A concern in the United States is that the quality of K–12 Education has been gradually declining over the past few decades. This issue has been at the top of “what worries Americans” in numerous recent surveys. Questions about the quality and productivity of primary/secondary schooling in America merit a significant inquiry into the subject. Thus the Hoover Institution has established the *Initiative on American Public Education* to address both the current state of our public education system and the reforms that could improve the quality of American education. The Hoover Institution addresses the “big picture” of this important policy matter by assembling pertinent facts and then evaluating the variety of proposed reforms, ranging from minor to far reaching, that might better K–12 education.

(<http://www-hoover.stanford.edu/research/k-12initiative/k-12initiative.html>)

THE KORET TASK FORCE ON K–12 EDUCATION

The Hoover Institution has brought together a top-rate team of education policy experts to work together on an ongoing basis as part of the *Initiative on American Public Education*. The primary objectives of this team are to (1) gather, evaluate, and disseminate the existing evidence in an analytical context and (2) analyze reform measures that will enhance the quality and productivity of K–12 education. The expected result of this task force is consequential research output that will be published and broadly disseminated by the Hoover Institution.

The task force currently includes eleven members. John Chubb, Edison Schools; Williamson Evers, Hoover Institution; Chester Finn Jr., Task Force Chairman, Thomas B. Fordham Foundation and Hoover Institution; Eric Hanushek, Hoover Institution; Paul Hill, University of Washington; E. D. Hirsch, University of Virginia; Caroline Hoxby, Harvard University; Terry Moe, Hoover Institution and Stanford University; Paul Peterson, Harvard University; Diane Ravitch, New York University; and Herbert Walberg, University of Illinois at Chicago.

The Koret Task Force on K–12 Education is named in honor of the Koret Foundation, a major supporter of the Hoover Institution’s K–12 Education Initiative.

(<http://www-hoover.stanford.edu/koret/default.htm>)