INDIANAPOLICY
Review
Fall 2016

Decentralizing Education: Student-Based Budgeting

A systemic reform that makes resources more transparent, increases equity and allows funding to follow the child.

"When in the course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation. We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed. That whenever any form of government becomes destructive of these ends, it is the right of the people to alter or to abolish it, and to institute new government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their safety and happiness. Prudence, indeed, will dictate that governments long established should not be changed for light and transient causes: and accordingly all experience hath shown, that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed. But when a long train of abuses and usurpations, pursuing invariably the same object evinces a design to reduce them under absolute despotism, it is their right, it is their duty, to throw off such government, and to provide new guards for their future security."

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A FUTURE THAT WORKS

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The Tuesday Lunch

At last, an education strategy that puts money in the classroom and takes politics out of it.

by CRAIG LADWIG

The author, editor of the quarterly journal, is a veteran of 30 years writing on education policy as a reporter, columnist and editor.

(May 25) — Politics willing, when some Indiana schools open their doors this fall things will be different — systemically different in a way that may change the state's approach to public education.

The late Dr. Charlie Rice, a Notre Dame law professor and an adjunct scholar of this foundation, was who got us started thinking about better ways to organize Indiana public schools. That was fitting, for Charlie, a champion Golden Gloves boxer, was known as a "Philadelphia Fighter," a style that requires the combatant to be able to take a punch.

"The conversation must dispense with the romance that normally informs discussions of public education and begin to address the realities," he warned us more than a decade ago. "Only then can our state hope to arrive at the time when its political leadership can say that it had the courage to truly and sensibly 'change the system.'"[1]

Punches indeed have been thrown, and legislative victory hasn't come as surely as Dr. Rice had hoped. Indeed, it hasn't come at all. But over the years he was joined in a vibrant, wide-ranging discussion on our pages by others: Dr. Sam Staley, Dr. Jeff Abbott, Dr. Maryann O. Keating, Dr. Eric Schansberg, Charles M. Feeland, Dr. Cecil Bohanon, Andrea Neal and Ron Reinking, to name a few, all experts in one way or another on the topic of education reform.[2]

One of the ideas that kept popping up was a reform that, if political self-interest could be put aside, is remarkable in its results and simple in its execution. "Weighted-Student Funding" or "Student-Based Budgeting" (SBB), more flexible and transparent than either charter schools or voucher programs, allows taxpayer support to be channelled through individual buildings, teachers, patrons and, most importantly, students.[3]

With pilot programs announced, installation in Indiana is closer to reality. No longer would funds be turned over to district administrative offices, bureaucracies too often driven by incentives other than classroom learning. The funds would be applied directly to the task at hand — teaching children.

In Indianapolis, for instance, a two-to-one imbalance in funding for Crispus Attucks ($5,630 per student) and Broad Ripple ($11,581) existed for years. It was obscured by district budgeting models that grouped funds into categories such as building maintenance or school staff.[4] As we wrote in the introduction to an earlier journal dedicated to this topic:

> "Some elegant research and fancy concepts are scattered throughout this issue on education reform, specifically regarding a new way to weight funding per the needs of individual students. Broken down, though, there is nothing here but common sense. A school principal should be free to reduce what he pays a teacher to monitor the gym so he can hire one to teach

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[1] Charles Rice. Introduction. "Public Education Without Romance." The Indiana Policy Review, pp. 2-3, winter 2001.

[2] Lisa Snell, Michael Waelther, Marc Sternberg. "Scores Rise When Teachers and Principals Lead." The Indiana Policy Review, fall 2007.

[3] Snell. "The Weighted-Student Formula — FAQ." The Indiana Policy Review, fall 2007.

[4] Dylan Peers McCoy. "Which Schools Get the Most Money?" Chalkbeat.org. May 18, 2016.

calculus. And parents, even those who cannot afford private schools, deserve to choose where and what their children learn."[5]

Why, though, should our next governor risk disturbing the stasis by taking this fight to the floor of the legislature?

Well, because it's not a governor's money. It's not a legislator's money. It's the parents' money. It's the money of the mothers, fathers, custodial adults and significant others of the children in whose name the state demands so much of *everybody's* money. The taxes now taken from us for "education" end up being spent foremost to hire adults, not teach children. Dollars dedicated to schools are distributed on a political rather than educational rationale.[6]

"Why should the next governor risk disturbing the stasis by taking this fight to the floor of the legislature?"

Let us assume, nonetheless, that realpolitik requires the next governor make certain that every budgeted education dollar be preserved. Even so, Indiana's competitive position would be greatly improved if we could do nothing more than cap education spending at its current level, pegging any increase to the economy.

Let's go further. Let's calculate how far we could stretch the same education dollars if we gave principals and teachers freedom to use their current budgets to meet the precise needs of the students in their particular building.

Finally, to keep the reformers themselves honest, what if we gave parents total freedom to choose which schools were doing the best job for their child?

With the help of Lisa Snell, director of education for the Reason Foundation, we have assembled the elements of this reform. It includes a digital reading list of the most up-to-date research on Student-Based Budgeting and related topics. If legislators would give it a close look, we think they would see an opportunity for Indiana to establish itself as the national model for effective public education.

"THE GROWTH of student-based budgeting in school districts and a few states mirrors a national trend toward more decentralized school funding where the money follows the child," Snell wrote recently. "In the United States, we are in a transition period, moving from funding institutions to funding students. K-12 education funding is moving closer to the funding model for higher education, where the money follows students to the public, private or nonprofit school of their choice. We are moving away from a K-12 system funded by local resources and driven by residential assignment to a system where funding is driven by parental choice and student enrollment." So we can be excited about reforms built into the current strategic plan for the Indianapolis Public Schools (IPS). This spring, IPS announced that its three-year strategic plan includes a movement toward Student-Based Budgeting.

On a test basis, the system will allocate money to select schools based on the individual needs of their student population. Proponents say it will give those schools more freedom with their budgets and resources to provide better support for student achievement.

This could provide more equity to schools with higher poverty by giving them more money and a better chance to hire more experienced teachers. Weston Young, chief financial officer of the Indianapolis Public Schools, tells us that SBB has

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[5] Introduction. "Government Schools: What's Got to Change." The Indiana Policy Review, fall 2007.

[6] Charles M. Freeland. "Public Education Without Romance," The Indiana Policy Review," fall 2001.

been a focal point of the district since the fall of 2015. The first year for the new formula will be 2017-18 with budgeting starting this fall.[7]

If an accountant can be enthusiastic, then Young is enthusiastic. He sees the flexibility that the funding formula provides the individual school leadership teams to design the plan that works best for their building. "We are looking for them to identify what they do well," adds Marques Whitmire, director of special projects in the finance division.

The district may not have much to lose. Its funding is constant even as its costs increase, Young says, its teachers this year are receiving their first raise in five years.

If nothing else, Young and Whitmire hope the transparency built into the SBB process could improve both the internal and external discussion of how public schools are funded. Young elaborates:

> "There has been a knock against IPS in regard to transparency — people don't know how the numbers are generated, or how schools get their specific funding. There are student-teacher ratios and staffing ratios that follow how its been done in the past. SBB turns it on its head, where transparency in the funding formula makes clear to the school leader and the site team what funds they can expect with certain students. At the same time, in the community itself it can be hoped there will be more conversation regarding why a school gets its specific funding. We have tried to look at our schools in a different light."

Administrators are training this summer in preparation for a transition to the new model. Snell says that districts such as New York City and Los Angeles Unified used the pilot program to design guidelines and support structures for implementation that were field-tested before the district-wide program was rolled out.

If all goes well with the IPS pilots, and depending on political winds, the funding formula could be instituted districtwide and eventually statewide. That is the hope Dr. Staley expressed in an early review for this journal:

> "The formula creates transparency, a benefit anyone who has spent time trying to track dollars in the current system can appreciate. The money no longer goes into an accounting black hole that is almost impenetrable by the average parent. The money follows the child, and goes to the school where she is enrolled, not into a category or program to be distributed by a bureaucratic formula created by the district or state department of education. Moreover, because the funding formula is transparent it allows parents, teachers, administrators and elected school-board members to focus on the thing that they care about most — the quality of education that their children receive in the classroom. As such, this reform should appeal across political parties, ethnic groups and economic classes."

Again, all that remains is to deflect self-interested politics. That will require, as Charlie Rice might say, finding leadership willing to take a punch or two. ◆

[7] Weston Young and Marques Whitmire. Finance Division, Indianapolis Public Schools. Phone conference. June 14, 2016.

When Parents Don’t Feed Their Children

School Lunches: Promoted in the name of the hungry, corrupted by a sense of entitlement and executed with ruinous effect.

by ADRIENNE CARRIER

The author, a South Bend native and a research assistant for the foundation, is a junior at Hillsdale College studying politics and economics.

(Aug. 15) — Most of us have halcyon memories of the school-lunch line — the cafeteria ladies, the half-pint milk cartons, always making sure to bring money on pizza day. Nostalgia, though, may mask what the lunch line now represents, that is, an overreaching federal program measuring success by the number of dependent families. We now have a system that not only feeds school children but feeds an entitlement mentality.

For somewhere along the way we decided — or it was decided for us — that even in an abundant society great numbers of parents could not be trusted to organize family priorities so that their children were adequately fed. Nor would neighbors or churches be of help.

Government would have to assume ultimate responsibility. Moreover, that government would have to be the federal government and not state or local government.

And because of bureaucratic complexity, even those who could afford lunches would be provided free ones directly or indirectly at the expense of the truly needy.

Washington has had more than 80 years now to refine its methods and to prove all is working out as intended. It cannot. And for both those paying the bill and those receiving the benefits it is only prudent to assess the results. For there are compelling arguments that, failing to end it completely, we can reassign the school-lunch program to the innovation and management of the individual states as is the constitutional design.

Overview

The United States school meal program helps fund breakfast and lunch for 31 million children at around 100,000 schools across the country.[1] Taxpayers this year will send $22 billion to Washington to pay for the program.[2]

Of those 31 million going through the lunch lines everyday, 21.5 million receive free or subsidized lunches.[3] In most cases, this means that in addition to receiving free breakfast or lunch for its children, the recipient household is receiving benefits through what was formerly the Food Stamp Program, now the Supplemental Nutrition Assistance Program (SNAP).

Dr. Marvin Olasky, editor-in-chief of *WORLD Magazine*,” cites Department of Education officials in reporting that the proportion of U.S. fourth-graders enrolled in the free or subsidized school-lunch program has climbed from 49 percent to 52 percent.[4]

“The 21.5 million children now enrolled in the program come from households (four person) with incomes up to $41,348,” he says. “The number of children in the program has grown, partly because of increased unemployment but to a large extent because Congress now requires school districts to match student enrollment lists against lists of food stamp (SNAP) recipients, and automatically enroll in the meals program those who receive that aid."

"Americans found ways to provide charity prior to the 1930s. The world still spun on its axis before the New Deal. Needy children were not ignored."

In sum, Americans have come to demand more and more from a redistributionist program that is of a size and scope that would have been unthinkable even during the Depression when malnutrition was a more serious concern. Recent efforts require school meals to meet expensively high and arguable nutrition and health standards. And it now is said — perversely, some think — that a rise in childhood obesity is somehow linked to a food program meant to fight malnutrition.[5]

The U.S. government was not always in this business. The school-lunch program has its origins, as is the case with many redistribution programs, in the 1930s. The Roosevelt administration set up the Federal Surplus Commodities Corporation (FSCC) in 1935, an alphabet-soup agency intended to prop up agricultural prices and distribute surplus food products.

Instead of allowing farmers to sell all of their product at market prices, the government restricted trade to keep prices of basic food items high. Chris Edwards of Cato Institute notes that this benefited the farmers but also constituted a regressive tax on the poor, those who could least afford the artificial higher prices.[6] For having undercut the market, the government then provided "free" aid to those who now needed help in the aftermath of the FSCC action. This included free school lunches.

The Food Research and Action Center (FRAC) is a group that promotes government food programs. Its web page on the school-lunch program notes an obvious link between child malnutrition and physical deficiencies.[7] What it leaves out is the unintended effects that occur whenever the government steps in to help.

Early Programs

Although an unpopular thought among progressives, Americans found ways to provide charity prior to the 1930s, examples of which are marked in the summary of this essay. The world still spun on its axis before the New Deal. Needy children were not ignored.

Indeed, it was unnecessary for the federal government to stray from its limited and carefully enumerated constitutional role (Article 1, Section 8). Local governments and charities would have continued to address the obvious need for children to be well nourished in order to learn.[8] And the communities closest to those impacted were best positioned to provide charity — a charity with self-respect that in both a practical and moral sense was superior to any provided by a faraway bureaucrat.

Local school-lunch programs date back far earlier. In 1894, the Boston public schools organized the first community kitchen intending to provide for needy children there.

The kitchen was a private enterprise, and while it provided cheap meals to the needy, it was meant to turn a profit. The program focused on teaching children "New Nutrition," a new understanding of healthy eating.[9]

Another goal was Americanization. Boston at the time was host to many Italian immigrants. There was concern children were not assimilating in regard to either American cuisine or ideals.

By 1909, a school in Philadelphia had adopted a new organizational strategy, giving control of the school-lunch program to the local school board.[10] The program, aimed at providing sound nutrition education, expanded to several other local schools after establishing a new department that would specialize in the provision of school lunches. The lunches were meant to be profitable going forward. School-lunch programs also expanded to Chicago, Cincinnati, Cleveland, St. Louis, and Los Angeles.[11]

"In 1946, the first year of the National School Lunch Act, 7 million children were enrolled. By 1970, the number had grown to 22 million."

Rural school programs developed differently. Because their support was of a different nature, teachers often took responsibility for the nutrition of their students. This meant that each school, and even each classroom, had its own way of providing lunches to children in need.

One such classroom relied upon donations from the students themselves. When the children brought meat or vegetables to school, it became part of the lesson to learn how to prepare it.

Finally, Parent-Teacher Associations increasingly became involved in the provision of school lunches. Parents or community philanthropists donated equipment and food.[12]

The Feds Step In

Still, the small and relatively ineffectual federal program hung around, as is the nature of federal programs, and in 1946 Congress passed the National School Lunch Act, the first legislation explicitly aimed at providing school meals.

In the first year, 7 million children were enrolled. By 1970, the number had grown to 22 million. Excepting the 1980s, in which moderate reforms were passed, this number has steadily grown to the current 31 million.[13] In addition to lunches, the government provided breakfast and after-school snacks.[14]

Until then, it was commonly understood that local governments and those parties directly concerned with the health of their community's children were the ones in charge of providing welfare and sustenance, including feeding hungry children. It is interesting to speculate how these organizations, if left to their own devices, would have evolved in regard to providing school lunches particularly. Washington, of course, did not allow that to happen. Indeed, it was this local movement, and the success of private establishments and communities, that some to imagine that the federal government could provide similar services as efficiently and more expansively. Nutrition was a national public health issue after all.

In the early 1900s, health officials across the country had begun to report high rates of malnourishment among school-aged children. The government stepped in with maternal education programs covering topics like breastfeeding and prenatal care.[15] However, these programs, according to Andrew Ruis, a professor of medical history at the University of Wisconsin, improved mortality only in the first two years of life. They did little to help school-aged children and adolescents.[16]

By the 1920s, malnutrition was considered one of the nation's most serious health issues. Medical experts were "nearly unanimous" in believing that malnutrition was a major cause of "ill health, stunted growth and disease."[17] They could not agree, however, on an exact definition of malnutrition.

The "malleability" of the condition as a clinical concept led to widespread agreement about its severity, says Dr. Ruis, but "despite numerous failed attempts" authorities could not establish a diagnostic standard."[18]

During the 1930s and the Depression, increased concern about malnutrition led to municipalities passing legislation that brought the government into providing school lunches.[19] And in 1935, the previously mentioned FSCC was established. This was the first federal program that addressed widespread concerns of malnutrition, however tangentially.

Still, this was not enough — or more specifically, the government role was not big enough. The FSCC was authorized only on a year-by-year basis and the amount of food that the corporation would distribute was determined annually by a calculation using market and agricultural trends. This meant that the schools, now depending on a large, detached Washington bureaucracy, had difficulty determining how much aid would be available for the coming year.

"Michelle Obama's Healthy Hunger-Free Kids Act, passed without a funding mechanism, requires schools to comply with a new set of nutritional standards focused on increasing the availability of 'healthy' food."

The Program Today

The modern school-lunch program began when the federal government linked nutrition to physical deficiencies and ultimately to national security. Thirty percent of those conscripted during World War II were excluded on medical grounds, and the fifth largest reason for expulsion was being underweight.[20]

Congress, advised that children from poorer areas might not be able to fight in time of war, enacted redistribution programs to ensure that school children were fed more and well. In 1946, the National School Lunch Program became law.

The United States 70 years later has an altogether different problem. Few are worried about undernutrition. The more pressing concern is an ever-expanding American waistline. Modern poor, incongruously, are more likely than the wealthy to be obese, sedentary and suffer diseases like diabetes.[21]

Instead of malnutrition, therefore, the federal government now is focused on obesity, but under the same rationales noted in the campaign against malnutrition — national security and public health.

Rear Admiral Casey Coane puts the case this way: The school-lunch program is "one of our most important assets in the battle against obesity, which is a major problem for the military because almost one in three young adults in the U.S. is too overweight to serve."[22] Indeed, an organization of retired military officials in 2010 identified unhealthy school lunches as a "national security threat."[23]

But research at the American Enterprise Institute suggests that the resultant programs have yielded negligible results if anything. It suggests that they have produced only small increases in consumption of fruit and vegetables. Indeed, food waste, or children choosing to throw away the newly available choices, is the newest problem.[24]

Increasing the Cost

Recent federal efforts have focused on increasing access to the school-lunch program and raising nutritional standards for meals — all at considerable expense.

In 2012, Barack Obama signed into law the Healthy, Hunger-Free Kids Act. The law, championed by his wife Michelle, requires schools to comply with a new set of nutritional standards focused on increasing the availability of "healthy" food. The law introduces the Community Eligibility Provision (CEP), which guarantees all children free lunches at schools where at least 40 percent qualify.

Passed without a funding mechanism, however, the law forces local schools to bear the cost of the new standards. The rules require schools "to increase the availability of fruits, vegetables, whole grains and fat-free and low-fat fluid milk in school meals; reduce the levels of sodium, saturated fat and trans fat in meals and meet the nutrition needs of school children within their calorie requirements."[25]

Estimates at the time of the bill's passage predicted that total spending would go up by $3.2 billion over five years.[26] This means that for the last four years, state and local governments have had been faced with huge additional costs in complying with the new food mandates. In 2015 alone, U.S. schools recorded $1.22 billion in increased food and related costs.[27]

Not unexpectedly, school districts are raising school-lunch prices. This writer graduated from Penn High School in Mishawaka. When she arrived as a high school freshman in 2010, a school lunch cost $1.95. It now costs $2.10. [28]

The Food Research and Action Center says that over half of all school districts reported increases in lunch-ticket prices in the years following passage of the legislation.[29]

But economic principles are at work even in the lunch line of a government school. The changing food requirements and the resultant price increase have caused those paying full price to opt out.

More frequently, they are packing their own lunches. *The Washington Times* reported in 2014, the year following passage of the new standards, that 1 million children stopped buying lunch at school.[30] That figure rose to 1.6 million in a study conducted the following year by the Government Accounting Office (GAO).[31]

Clearly, the cost to produce a school lunch is rising and increasing the price collected at the end of the lunch line won't be the answer.

The School Nutrition Association reports that nearly eight in every 10 school districts have had to take steps to offset financial losses since the new standards were implemented. Forty-nine percent of school districts surveyed reduced staffing, 36 percent limited school meal choices and variety, 32 percent have avoided investing in equipment and 41 percent were forced to dip into reserve funds.[32]

Corruption

The school-lunch program as it is now tempts fraud and corruption. Because the program offers benefits on a self-reporting basis, there is an incentive to report a lower income. Families are only offered free lunches if they report income below 130 percent of the poverty line and reduced-price lunches if below 185 percent.[33]

Local governments do little to verify eligibility.[34] In fact, auditors find that half of recipients need downward adjustments in their benefits.[35] This was highlighted in a 2015 incident where five employees at the GAO itself were caught undercounting their income to receive free or reduced lunch benefits.[36]

In addition, school administrators have reason to fudge eligibility. The rate of participation in the national school-lunch program serves as a measure of poverty. *Education Next* reports that "participation rates serve as the main criteria" for federal and state programs, including Title I funds, the government's E-Rate program (which facilitates telecommunications capabilities for school libraries) and funds allocated to schools that teach low-income students.[37] An administrator might want to maximize the number of those students dependent on the government school-lunch program in order to qualify his or her school for aid programs.

At one school in Chicago, for instance, investigators found that more than a dozen employees had filled out false applications.[38] At another school, an assistant clerk was heard telling a woman to fill out a new form understating her income, saying that "she shouldn't have to pay for lunch" and that "nobody checks the applications anyway."[39]

Reform Attempts

For now, the national school-lunch program is a *fait accompli* for parents and policy reformers alike. Even small changes are treated in Congress as heresy. The recent introduction of a modest reform by Indiana's Rep. Todd Rokita, for example, generated strong backlash.

Rokita says he would reform Obama's 2012 act only to more efficiently distribute funds and resources. His measure would reduce the burden placed on local schools from undue school-lunch regulations and restrictions. The key points:

Increased Autonomy — As noted, immediately following introduction of Michelle Obama's nutritional policies in 2012, school food costs rose, putting financial stress on school meal providers. Rokita would relax these nutritional restrictions, allowing local schools to make their own choices regarding a balance between cost and nutrition.

"Instead of settling the scientific debate over a diagnosis for malnourishment, the government decided to target wide demographic areas where there was a subjectively determined 'risk' of undernutrition."

Community Eligibility Provision — A shortcoming of the current law is both an uneven and an unwarranted distribution of benefits. Again, the original 2012 law introduced the Community Eligibility Provision under which schools with at least 40 percent of students qualifying for SNAP or other welfare benefits automatically must provide free lunches to all students at a school. But Michelle Minton of the Competitive Enterprise Institute, describes this as a "blunt" approach to funding.[40]

"Some children who might otherwise pay for their lunch or breakfast have access to federally funded meals, while some needier children go without," she says. One example is Chicago, where all public schools must offer free breakfast and lunch to all students regardless of eligibility.[41]

Rokita would raise the CEP from 40 percent to 60 percent to reduce the subsidization of students ineligible for free school meals.[42] He would use money recovered by this reform to increase the reimbursement that schools receive for providing meals to eligible children.[43]

Summer Program Access — Rokita would increase access to the summer program in rural communities, where getting to a community distribution center might require walking several miles on roads without sidewalks. The bill releases the restriction on the number of such centers.

Rokita's aim is clearly to reduce fraud and redirect money to the children who most need it. It is not a cut to the program, and no child who individually qualifies for the school-lunch program now would be subject to restricted access.

That has not mollified critics. "This bill is more representative of child nutrition policy out of 'The Hunger Games,'" says Virginia Rep. Bobby Scott, who attempted to rename the bill after the dystopian novel.[44] A *Salon* article describes Rokita as a "nasty House Republican" whose bill would "make poor kids starve."[45] A letter to the editor calls the effort to reform school lunches "draconian."[46]

This polarization is sadly predictable. Once the government expands a service people begin to depend on the applicable programs. This increases at a rapid rate once leaders of the various factions realize that their members can no longer imagine a world without government aid.

The Tragedy of Compassion

The national school-lunch program clearly is ingrained in the American political pyche. Even legislation intended only to streamline the school-lunch process is met with name-calling and derision. It is difficult if not impossible to imagine a viable effort to systemically reform school lunches by returning responsibility to the individual states.

Still, it is clear that reform is needed. Washington has proven it cannot be depended upon to effectively and efficiently grant a "right" to school lunches for all American children without overturning our constitutional system and abetting widespread fraud and false entitlement.

Chris Edwards of Cato believes that in a more favorable political climate Congress could end the federal lunch program altogether without adverse effect to needy students. He argues that state and local government's have the ability to manage their own programs, as they in fact did competently prior to 1935.[47] The state-based actors, he believes, have both a stronger incentive to limit corruption and to provide sensible lunches for those who need them.[48]

"Charles Murray, the brilliant and bold social analyst, has predicted sadly that we in the United States are moving toward a South American situation, where the poor are crowded into depressed slums and the rich live behind walls on the hills above."

Olasky, author of "The Tragedy of Compassion," has explored in detail this and other alternatives to federally mandated altruism. He challenges us to rethink our very concept of compassion, learning from early neighborhood and church-based programs at the beginning of the Industrial Revolution.

During a seminar in Fort Wayne sponsored by this foundation, Olasky walked his audience through a list of the most prophetic of those welfare pioneers:[49]

- Mary Richmond of the Baltimore Charity Organizing Society said in 1897, "Relief given without reference to friends and neighbors is accompanied by moral loss. Poor neighborhoods are doomed to grow poorer whenever the natural ties of neighborliness are weakened by well-meant but unintelligent interference."
- The New Orleans Charity Organization Society in 1899 noted that, "Intelligent giving and intelligent withholding are alike true charity."
- An early New York charity leader, Josephine Lowell, said this: "The problem before those who would be charitable, is not how to deal with a given number of the poor; it is how to help those who are poor, without adding to their numbers and constantly increasing the evil we week to cure."

It is not difficult to see how far the school-lunch program has deviated from the advice of those who have real-life experience trying to help needy families. Rather, it has been guided by distant bureaucrats driven by political posture. Today, we consider the trials of raising children in poverty only in the abstract. Here is Olasky's summation to the foundation membership:

> "Charles Murray, the brilliant and bold social analyst, has predicted sadly that we in the United States are moving toward a South American situation, where the poor are crowded into depressed slums and the rich live behind walls on the hills above. How different that prospect is from the way this country started, with the goal of being 'a city on a hill' that could be a model of liberty and virtue for the whole world to admire."[50]

Conclusion

Experts debate today whether the malnutrition scare of the 1920s was the identification of a widespread effectual issue or rather a popular trend — a fad, if you will — among healthcare professionals.[51] In any case, it is impossible to address malnutrition in a national program if it cannot be clinically defined.

What is clear is that our approach to ensuring childhood nutrition changed dramatically as a result — and not for the better. The federal government, instead of attempting to address the problem at an individual and community level, or attempting to identify and direct aid towards the individual malnourished child, instituted a broad and costly policy of nutritional education that presumed, in a Dicksonian tone, to lecture the poor on the importance of eating well.

And instead of settling the debate over a diagnosis for malnourishment, the government decided to target wide demographic areas where there was a subjectively determined "risk" of undernutrition.[52]

And most cynically, the rationale for the imposition of federal authority was not necessarily the welfare of the individual child but, incredibly, the need to ensure healthy conscripts for war and to bolster agricultural prices.

In sum, the 80-year campaign serves as a textbook on how a political elite, with its characteristically romantic notions of how real people live, of history itself, manages public policy. The blithe assumption from the start was that the problems of overwhelmed or indifferent parents and malnourished children would be solved by someone else, by some expert somewhere.

You can add the student-lunch program to its list of failures. ◆

Endnotes

1. Food Research and Action Center, "National School Lunch Program Fact Sheet."

2. Budget of the United States Government, Fiscal Year 2017. Washington: Government Printing Office, 2016, Public Budget Database.

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Jack Huston stars as Judah Ben-Hur in the 2016 film adaptation.

From the South Wall

Ben-Hur will ride again, but he may not take the Indy Red Line. Voters are being asked to raise their local option income tax to fund the $400-million bus plan.

by ANDREA NEAL

The author, a columnist and adjunct scholar of the foundation, recently served on the state Board of Education. She is a former editorial page editor of the Indianapolis Star and before that she covered the Supreme Court of the United States for United Press International.

A Hoosier-Inspired Epic Remade

(Aug. 11) — In 1959, a best-selling book by Hoosier Lew Wallace became a blockbuster movie, sealing Charlton Heston's reputation as Hollywood's leading man and winning a record 11 Academy Awards. Paramount Pictures hopes to repeat the phenomenon in 2016 with Timur Bekmambetov's adaptation of Ben-Hur starring Jack Huston and Morgan Freeman. It was to open in theaters nationwide Aug. 19.

If past history is an indication, Wallace won't get the recognition he deserves. To the extent this Ben-Hur becomes a Box Office success, critics will credit the impressive cast, the special effects or the breathtaking Italian scenery. It's Wallace, however, who developed the action-packed story of faith and redemption that continues to inspire directors, actors and theater patrons.

How fitting that the newest rendition of Ben-Hur is coming out during Indiana's bicentennial year. Wallace counts as one of Indiana's greatest Hoosiers. Born in 1827 in Brookville to Esther and David Wallace, the latter who would become the state's sixth governor, Wallace seemed destined for legal, political and military careers, not writing.

In 1846, he served as a 2nd lieutenant in the Mexican-American War. In 1849, he passed the bar exam and set up law practice in Covington. In 1856, he was elected to the State Senate. Wallace first came to the nation's attention during the Civil War when as a major-general he commanded troops in the battles of Fort Donelson, Fort Henry and Shiloh. Following the war, he served as a judge at the Lincoln assassination trial and presided over the trial of Henry Wirz, commander of the infamous Andersonville prison where thousands of Union soldiers died.

Despite his national celebrity, Wallace returned to Crawfordsville in 1868 and built a two-story Victorian home on land that had belonged to his wife's father. Although the house is not preserved, his study still stands on the premises along with a museum dedicated to Wallace's legacy. It is in the same location where, in 1875, he began writing Ben-Hur, the full title of which is "Ben-Hur — A Tale of the Christ." Wallace did most of the writing outdoors in the shade of a beech tree. He finished penning the epic tale while living in New Mexico where he served a few years as territorial governor. The novel was published by Harper in 1880 with a first printing of 16,000 copies. Sales were initially slow, but it became the best-selling book of the 19th century, even more popular than Uncle Tom's Cabin.

As critics have noted the book is not really about the Christ. It is about a fictional man whose life is changed by an encounter with Christ. Judah Ben-Hur is a young Jewish noble who is betrayed by his childhood friend Messala, a Roman tribune. Ben-Hur is condemned to die as a galley slave and spends much of the rest of the novel seeking revenge. He becomes a Roman soldier to learn how to fight and a charioteer to have reason to challenge Messala. (Spoiler alert: Jesus's miraculous powers are revealed near the conclusion.)

Long before the 1959 movie came out to rave reviews, Ben-Hur had inspired theatrical adaptations. In 1925, a groundbreaking silent movie starred Ramon Navarro. In 1907, Herman Rottger played the celluloid Ben-Hur in the first silent-movie version, a 15-minute one-reel short. Before Rottger, there was a Broadway version, which premiered in 1899 and cleverly used a treadmill to simulate a chariot race using eight live horses on stage. It was the only theatrical adaptation Wallace would live to see.

Earlier this year, Syracuse University Press published "Bigger Than Ben-Hur: The Book, Its Adaptations, & Their Audiences." It is a collection of essays that probe such arcane topics as "Ben-Hur's Mother," "The Erotics of the Galley Slave" and "Holy Lands, Restoration and Zionism in Ben-Hur." The book's co-editor, Neil Sinyard, notes in his forward that Ben-Hur's timeless messages lend themselves theatrical presentations. He observes, "Almost from the moment of its publication in 1880, Ben-Hur has proved to be a phenomenon." It achieved that distinction, he says, because its powerful themes, "freedom from dictatorship, the evil of slavery and the renunciation of force as a means to political ends, are as relevant as ever."

"My God! Did I set all of this in motion?" Wallace asked after the opening of the stage play in 1899. "It seems now that when I sit down finally in the old man's gown and slippers, helping the cat to keep the fireplace warm, I shall look back upon Ben-Hur as my best performance . . ."

Historians would agree that of all his careers — politician, soldier, lawyer, writer – Wallace's crowning achievement was Ben-Hur. Wallace died in 1905. Little could he know that he would influence future generations of moviemakers and Christian believers more than a hundred years after his book's publication.

The Battle for the Red Line

(June 29) — A David versus Goliath battle is taking shape in Indianapolis as citizens prepare to vote this fall on a controversial tax increase to upgrade public transit.

On one side: the Indianapolis Chamber of Commerce, IndyGo bus officials and hired guns touting the benefits of an all-electric rapid bus line that would eventually link Westfield in Hamilton County to Greenwood in Johnson County via downtown Indianapolis.

On the other: a rag tag group of citizens who've done their own cost-benefits analysis and are persuaded the project will do more harm than good. They say the plan was designed expressly to leverage federal transit funds without consideration of what would be best for Indianapolis.

It will be the first referendum held under Senate Bill 176, passed in 2014, which authorized six central Indiana counties to place on their ballots "local public questions" for funding a regional mass transit initiative. The counties are Marion, Hamilton, Hancock, Johnson, Delaware and Madison.

Indy voters are being asked to raise their local option income tax by .25 percent to fund the Marion County part of the plan. Estimated cost? At least $400 million for physical structure and equipment and $108 million a year in operating expenses. The plan calls for extended service hours and shorter wait times and establishes three rapid bus corridors. Most controversial is the Red Line, which will run on a dedicated traffic lane through historic neighborhoods flanked by ticket kiosks and 60-foot loading platforms.

The vote is a critical first test for the entire regional transit plan, which opponents predict will consume far more tax dollars than projected. This summer, officials in Hamilton and Johnson counties decided to wait and see what Marion County voters do before holding their own referenda to finance the line's extensions north and south.

IndyGo officials insist the first phase of the Red Line – 13.6 miles from Broad Ripple to the University of Indianapolis – will move forward regardless of how the referendum turns out. That's due to the availability of $75 million in federal grant money to cover the bulk of construction costs. Opponents say that position is shortsighted.

"Increased taxes for mass transit won't improve Indy's deplorable transit system and may thwart real progress on public transit," notes Lee Lange, a property manager along the route who's helping spearhead opposition.

Lange cites a study by Randal O'Toole of the Cato Institute, which questioned the economic and environmental assumptions behind the Red Line. O'Toole, an adjunct scholar of the Indiana Policy Review Foundation, said the plan would "turn street space now used by cars, trucks and buses into exclusive bus lanes that will be empty more than 90 percent of the time. The few people who ride the buses would go a little faster while far more people who continue to drive would face more congestion."

Indy Chamber President Michael J. Huber says the transit plan will make Indianapolis more competitive economically. The expansion of the IndyGo network will triple the number of people and double the number of jobs within a five-minute walk of a key bus route, he said.

Promoters of the referendum have history on their side. Nationally voters have approved 125 out of 172 tax increases for local mass transit over the past four years, a success rate of 73 percent, according to the Center for Transportation Excellence, an advocacy group for mass-transit spending.

Supporters enjoy deep pockets and are prepared to invest in face-to-face marketing and TV ad buys. Indy Connect, a regional transit partnership, has hired college students to talk up the plan at summer fairs and other public events. The students wear blue t-shirts with the words "Ask me about Transit" across the front.

"Stop the Red Line" organizers say they will run a grass-roots campaign to counteract the slick marketing message put out by the promoters. The group isn't ready to share its strategy.

Their message, however, will be clear. Lange says the budget numbers put out by IndyGo and Indy Connect don't add up. Even with an income tax increase, the bus system won't be able to cover future operating expenses without doubling bus fares, hurting the very people mass transit is supposed to help.

Also, voters in Washington Township Schools, one of nine school districts in Marion County, are being asked in two other referendums to pay higher property taxes for school renovations, construction and staffing. Those voters may be inclined to say: Enough is enough.

That's what Erin Tuttle, a Red Line critic, is banking on. "My view of both the referendums is that we shouldn't throw more money at these agencies until they more wisely spend the money they already receive."

Another factor could skew the vote. A contentious presidential election between Donald Trump and Hillary Clinton is likely to draw high turnout; infrequent or first-time voters may look askance at a tax increase or overlook the ballot question altogether. ◆

Decentralized Schools

A handbook for those serious about more accountable, more effective schools.

by LISA SNELL, M.A.

The author, an adjunct scholar of the foundation, is the director of education and child welfare at the Reason Foundation.

The growth of student-based budgeting in school districts and a few states mirrors a national trend toward more decentralized school funding where the money follows the child. In the United States, we are in a transition period, moving from funding institutions to funding students. K-12 education funding is moving closer to the funding model for higher education, where the money follows students to the public, private or nonprofit school of their choice.

We are moving away from a K- 12 system funded by local resources and driven by residential assignment to a system where funding is driven by parental choice and student enrollment. Private school choice programs where the money follows the child are growing rapidly. As of December 2012, there are 32 school voucher and tax credit programs in 16 states, with more than $1 billion in school funding following students to schools. There are more than 2 million students enrolled in charter schools, and more than 100 cities with 10 percent or more charter school market share. In New Orleans, for example, more than 80 percent of students are enrolled in charter schools, with funding attached to the students and following them to their school of choice.

Taking this one step further, with the growth of digital learning and the desire to customize education at all levels, we are beginning to see school funding following students not just to the school of their choice, but also to multiple education-service providers. In Utah, for example, the Statewide Online Education Program allows high school students to select two courses from multiple high-quality options and numerous providers, while still being enrolled in their public high school.

The money follows the child to his course selection. In April 2011, Arizona Governor Jan Brewer signed into law Arizona Empowerment Accounts. The first of their kind, Empowerment Accounts allow parents—in this case, parents of special-needs children—to remove their children from the public-school system and receive the money the state would have spent on them in an education savings account. Every quarter, the state deposits up to 90 percent of the base support level of state funding into a parent-controlled ESA. Parents can then use that money to pay for a variety of educational options including private-school tuition, private tutoring, special education services, homeschooling expenses, textbooks and virtual education, enabling them to customize an education for their child's unique needs. In 2012, eligibility to participate in the Empowerment Savings Accounts program was expanded to students in failing schools, foster children and military families.

Public funding systems at the state and local level are also adapting to a "school funding portability" framework, where state and local school funding is attached to the students and

“The new formula is a ‘sea change’ from the past. We’re no longer funding schools. We’re funding students.”

given directly to the institution in which the child enrolls. More than 30 “school funding portability” systems (in cities like New York, Baltimore, Denver, Hartford and Cincinnati, and states including Rhode Island, Hawaii and Indiana) are funding students through student-based budgeting mechanisms. In 2012, Prince George’s County, Newark and Boston have moved to full weighted student formula systems where the money follows the child. Los Angeles Unified has more than 100 pilot schools funded on a per-pupil basis. In California, Colorado, Connecticut, Georgia, Nevada, Ohio and Utah there are ongoing legislative debates about fixing the state school finance system through a weighted student formula.

In Louisiana, seven school districts are piloting a student-based budgeting system, including the largest school district in the state, Jefferson Parish, with 50,000 students. Finally, Idaho, New Jersey, Rhode Island and Indiana have all recently changed their statewide school funding systems to a formula where the money is attached to the child. As Indiana’s Tribune Star reported “Of all the sweeping legislative changes coming to K-12 education, from private-school vouchers to performance-based pay for teachers, the one that may have the most impact is tucked inside the 270-page budget bill.

It changes the way schools are funded, following a new formula to divvy up nearly $13 billion in K-12 education dollars. The new formula follows the mantra that ‘money follows the child.’”[1] As Representative Ed Clere, who sits on the House Education Committee explained: “The new formula is a ‘sea change’ from the past. We’re no longer funding schools. We’re funding students.”[2] Student-based budgeting proposes a system of school funding based on five key principles:[3]

1. Funding should follow the child, on a per-student basis, to the public school that he or she attends.
2. Per-student funding should vary according to the child's needs and other relevant circumstances.
3. Funding should arrive at the school as real dollars—not as teaching positions, ratios or staffing norms—that can be spent flexibly, with accountability systems focused more on results and less on inputs, programs or activities.
4. Principles for allocating money to schools should apply to all levels of funding, including federal, state and local dollars.
5. Funding systems should be as simple as possible and made transparent to administrators, teachers, parents and citizens.

Student-based budgeting is a policy tool and financing mechanism that can be implemented by governors, school boards and school superintendents within the confines of existing state education budgets. It aims to create more-efficient, transparent and equitable funding systems across all schools in a state or a school district. The broad concept of student-based budgeting goes by several names, including “results-based budgeting,” “equitable student funding,” “per-pupil budgeting,” “weighted student funding,” "backpacking" and “fair-student funding.” In every case the meaning is the same: dollars rather than staff positions follow students into schools. But a full school empowerment program is more than just a portable funding mechanism. Integral to meaningful accountability is (1 empowering principals to act as leaders of

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[1] Maureen Hayden. “Funding Mantra: Money Follows the Child,” Tribune-Star, May 1, 2011.

[2] Ibid.

[3] These principles are described in Fund the Child: Tackling Inequity & Antiquity in School Finance, Thomas B. Fordham Institute, June 2006, http://www.edexcellence.net/fundthechild/Manifesto%20Report.pdf

their schools over matters such as budgeting, expenditures, curricula and hiring, and (2 empowering parents to pick the public schools they believe best meet their children's unique, individual needs.

Thus, under the weighted student formula model, schools are allocated funding based on the number of students that enroll at each individual school, with extra per-student dollars for students who need services such as special education, English language learners instruction or help catching up to grade level. School principals have control over how their school's resources allocate salaries, materials, staff development and many other matters that have traditionally been decided at the district level. Contractual accountability measures are implemented between schools and school districts, to ensure that performance levels at each school site are met.

Crucially, every school in a district becomes a school of choice, and individuals are given autonomy to make local decisions.

Student-based funding is, then, a system-wide reform that allows parents the right of exit to the best performing schools and gives every school an incentive to change practices to attract and retain families from their communities. For case studies and detailed descriptions of student-based budgeting in the United States see the "Weighted Student Formula Yearbook" 2009.[4]

I. The Preliminary Steps

This guide will take a step-by-step look at the issues involved in moving to a student-based budgeting financing system. In order to move to a student-centered funding system, districts must weigh several key issues.

A. Analyzing Equity Funding

One of the most significant justifications for student-based budgeting is that it funds students in an equitable way so that students with similar characteristics generate the same level of funding regardless of which school they attend. Therefore, an important step to set the stage for student-based budgeting at the state or local level is an analysis of how school funding is distributed. This first analysis will reveal how the current school-finance system operates at the state or district level and answer two fundamental questions: are similar students funded equitably? And do school resources actually support student needs?

In California, for example, the "Getting Down to Facts" series by Stanford University formed the basis for legislation and school finance reform proposals at the state level, which recommend a move to a weighted student funding system.[5] In Connecticut, "The Tab: How Connecticut Can Fix Its Dysfunctional Education Spending System to Reward Success, Incentivize Choice and Boost Student Achievement" took a close look at how Connecticut's school finance system works before arguing for a student-centered funding system.[6]At the district level, school leaders can also examine how fiscal resources and personnel are distributed across schools within the district.

For example, in support of the Los Angeles Unified School District's decision to move to a per-pupil funding system, the American Institutes for Research completed a district fiscal analysis

[4] Lisa Snell. Weighted Student Formula Yearbook 2009 (Los Angeles: Reason Foundation, April 30 2009). http://reason.org/news/show/weighted-student-formula-yearb

[5] Susanna Loeb, Anthony Bryk and Eric Hanushek. Getting Down to Facts: School Finance and Governance in California (Stanford, CA: Stanford University, March 2007), http://irepp.stanford.edu/documents/GDF/GDF-Overview-Paper.pdf

[6] Bryan C. Hassel and Daniela Doyle. "The Tab: How Connecticut Can Fix Its Dysfunctional Education Spending System to reward Success, Incentivize Choice and Boost Student Achievement," Conncan, November 2009, http://www.conncan.org/learn/research/school- finance/tab-how-connecticut-can-fix-its-dysfunctional-education-spending-syste

that found that schools with the highest percentage of low-income students had lower amounts of unrestricted funding from the general fund and had less experienced and lower paid teachers, with more teachers teaching out of field (i.e. in a subject area or at a level for which they are not authorized).[7] In addition, a November 2011 analysis by the U.S. Department of Education found that if Los Angeles Unified had to report actual dollars at the school level, 141 Los Angeles schools would not be receiving per-pupil funding equal or comparable to the average per-pupil amount received by schools that are not eligible for Title I support from the federal government.[8]

"The more states fund specific categorical programs, the less money is available for districts to spend flexibly on student needs."

Los Angeles is not alone. This is a prevalent problem in school districts across the United States. The U.S. Department of Education (DOE) report documents that schools serving low-income students are being shortchanged because school districts across the country are inequitably distributing their state and local funds.

The DOE analysis of new data on 2008–09 school-level expenditures shows that many high-poverty schools receive less than their fair share of state and local funding, leaving students in high-poverty schools with fewer resources than schools attended by their wealthier peers.

The data reveal that more than 40 percent of schools that receive federal Title I money to serve disadvantaged students spent less state and local money on teachers and other personnel than schools that don't receive Title I money at the same grade level in the same district.[9]

A good start for considering a student-based budgeting system is to explore the fairness issue up front. Students within a school district with similar characteristics should be funded on an equal basis. This idea of equity becomes a compelling argument to engage education stakeholders and the community as the school-funding change is considered.

B. Analyzing District Spending Patterns

Once a school district is committed to moving forward with a student-centered funding framework, the next step is to analyze what parts of an overall budget at the district level are currently being used in unrestricted and restricted ways. What portion of the budget supports school-level operations versus central office administration versus school-level services that are provided by the central office? The district should strive to answer the question of how much unrestricted funding can be made available to be distributed to schools on a per-student basis.

In California, for example, with the ongoing fiscal crisis, the state legislature has suspended multiple restricted categorical education programs to give school districts maximum flexibility over unrestricted resources. It is in this same spirit that school districts need to free up money for school-level funding. For example, a spending analysis that Los Angeles Unified completed of the district budget showed that the district had a $12 billion dollar budget in 2010–

[7] Jay G. Chambers et al. "Assessing the Distribution of Fiscal and Personnel Resources Across Schools," A Report Prepared for Los Angeles Unified School District, American Institutes for Research, May 2010, http://www.schoolfundingforresults.org/reports/LAUSDResourceAllocation2010.pdf

[8] "More Than 40 Percent of Low-Income Schools Don't Get a Fair Share of State and Local Funds," Department of Education Research Finds, Press Release, U.S. Department of Education, Nov. 30, 2011: http://www.ed.gov/news/press-releases/more-40-low-income-schools- dont-get-fair-share-state-and-local-funds-department-

[9] Ibid.

2011 but only $7 billion was available for operations. Before the district even began to look at resources for the school level they had to take categories like debt service—at $1.1 billion— off the top. In the Los Angeles Unified analysis, the district eventually got to a figure of $3.2 billion as the regular program resources available to schools on a per-pupil basis.[10] One useful exercise in Los Angeles Unified might be to ask why, out of a $12 billion budget, only $3.2 billion is ultimately available for school operation on a per-student basis?[11]

The Los Angeles Unified analysis also examined cost pressures on the district including declining enrollment, health care costs and special education program costs.

However, before one can argue over how a district might be right-sized to move more money into the unrestricted operating budget for schools, an analysis must be carried out to see where the district is currently spending resources and how much money currently supports school-level operations versus central office versus other district obligations. This step is necessary because before a district can come up with a per-pupil formula, it needs an overall number for district resources available to comprise the total budget that will be distributed to schools on a per-student basis.

C. Right-Sizing the School District

As districts consider student-based budgeting, they need to answer a fundamental question: which cost centers can be scaled back to increase the amount of unrestricted funding available to follow the students to the school-level?

Jefferson Parish school district, which is currently in the planning stages of student-based budgeting reforms, provides a good example of right-sizing the school district in order to maximize resources available for student-based budgeting. One of the first steps that Superintendent James Meza took was to redirect more money to the classroom by closing some under-used schools and restructuring the central office. In 2012 the plan eliminated 259 positions, while creating 50 new jobs to support the reorganization of the central office—a net reduction of 209 jobs. The reorganization plan saves the school system about $5 million a year. Meza is also working to transform the central office from a top-heavy bureaucracy to a support system that works directly with schools.

Accordingly, Meza's reorganization plan divides the system's 89 schools into five networks, with campuses grouped according to their school type and performance levels. Executive directors will work directly with the schools in their network. Under the plan, which will take full effect in the 2012–2013 school year, the networks will support principals who will have more authority in how they run their schools, allowing them to develop their own budgets, hire their own staffs and choose programs that best meet the needs of their students.

Many other school districts that use a student-based budgeting model have reduced spending on the central office.

Baltimore

As part of its adoption of student-based budgeting reforms, Baltimore significantly streamlined its central office, reducing the number of full-time employees by 33 percent between 2008 and 2011. As schools assumed more responsibility, the administrative role of the district central office was targeted to focus on three key functions: guiding schools, supporting schools and holding schools accountable for student achievement. The central office would improve support to schools by creating "school networks." Under this plan, 14 networks would

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[10] "Strategic Roadmap Update: Budgeting for Student Achievement," Los Angeles Unified School District, Oct. 26, 2010, http://notebook.lausd.net/pls/ptl/docs/Page/Ca_Lausd/Lausdnet/Offices/Cfo_Hom E/102610%20Budgeting%20For %20Student%20Achievement.Pdf

[11] Ibid.

each serve up to 15 schools, and each would be comprised of four people—two in the area of academics, one in special education and student support, and one in operations such as finance, facilities, etc. The networks would assume and improve the school "support" or liaison functions now performed by the central office. They would spend most of their time in schools, and they would offer schools one-stop shopping solutions, preventing them from having to navigate the central office's myriad departments. To measure and ensure the quality of this school support, school principals would evaluate the networks and provide these evaluations to district leadership.

Baltimore has seen rapid improvement across multiple indicators—from graduation rates to test scores, and even improvement in federal scores on the National Assessment of Education Progress.

Denver

Experience in Denver shows that closing under-enrolled and low-performing schools can redirect scarce district resources to students who were previously enrolled in the low-performing schools. That money can follow those students into better schools. It can also provide the resources necessary to create new, high quality schools. In 2007, the Denver school board approved the closure of eight schools that were under-enrolled and low-performing. The board estimated that the realignment of students from these schools to higher performing schools would achieve projected yearly operating savings of $3.5 million. Those resources were used to improve the education of students who were affected by the school closures, to deliver additional resources to under-performing schools, and to create funding opportunities for new schools and new programs.

In addition to the standard per-pupil revenue that followed students to their new schools, the district reinvested $2 million—or 60 percent of the savings from school closures—which followed the students into their schools of reassignment.

According to a district analysis reported in the Denver Post:

> "Students from schools in Denver that were closed two years ago in a reform effort are performing better academically in their new schools, according to a district analysis. The 2,000 affected students made more academic growth in their new schools in reading, writing and math than they did in the schools they left behind, according to DPS."[12]

D. Pilot Versus Full Implementation

Another preliminary step is to decide whether to roll out student-based budgeting district-wide or begin with a pilot program. There are advantages to both approaches. Some districts want to avoid the prolonged process that a pilot program entails and move rapidly to increase equity and principal autonomy, and thereby create a more-level playing field for all schools.

Baltimore provides a very successful example of the advantages of aggressively employing student-based budgeting district-wide. Baltimore has seen rapid improvement across multiple indicators—from graduation rates to test scores, and even improvement in federal scores on the National Assessment of Education Progress. Baltimore has also seen increased enrollment as school leaders respond to the threat of monetary losses if students do not stay in school.

On the other hand, districts such as New York City and Los Angeles Unified used pilot programs to anticipate and work through many potential student-based budgeting challenges. This allowed them to design a better school-level budgeting tool, and to create principal leaders and mentors through the pilot program. The benefit of the pilot approach is that guidelines and support structures for student-based budgeting implementation can be field-tested before the district-wide program is rolled out.

[12] Jeremy P. Meyer. "2007 School Closings Boost Student Achievement, DPS Analysis," Denver Post, Sept. 24, 2009. http://www.denverpost.com/frontpage/ci_13406689

E. Deciding What Schools Control

A school district must also decide which expenses will remain the responsibility of the central district level and which expenses will be budgeted at the school level. If any resources are to remain at the district level, there ought to be a compelling reason for such central management— one example might be economies of scale for non-instructional services like school food, another would be non-negotiable district-wide expenses such as debt service.

"A more popular school with more experienced teachers is often subsidized by less popular schools with less senior staff members."

F. Reducing District-Level Categorical and Restricted Funding

An important goal of the preliminary work is to examine district-level programs carefully and work to devolve the maximum amount of resources into the student-based budgeting allocation.

Hawaii has developed a good test for whether resources should be included in the student-based budgeting formula. Its "committee on weights" uses the following specific criteria to determine whether funds should be added to the weighted student funding (WSF) allocation:

Criteria for Funds to Be Included in WSF

1. Program funds are recommended for inclusion in WSF if those funds:
2. Were provided to all schools;
3. Were provided to all schools of a particular level (e.g., high schools);
4. Could be distributed equitably by formula;
5. Would provide greater flexibility to the school community; or
6. Were previously distributed in a manner that resulted in an inequity.

In 2008, for example, the Board added the Peer Education Program to the unrestricted weighted funds, both because all secondary students in Hawaii should have access to these funds, and because individual schools should be given the flexibility to determine whether such peer education was a priority for them.

Reducing restricted funding is difficult because each specific district-level program will have its own stakeholders, who will likely argue that their district-level program is crucial.

An analogy can be drawn with state-level categorical funding, which mandates that school districts operate specific programs such as small class sizes or school violence prevention.

The more states fund specific categorical programs, the less money is available for districts to spend flexibly on student needs. This same dynamic takes place at the district level.

The underlying aim of student-based budgeting is to get as much money as possible into an unrestricted budget, which can be controlled at the school level by school leaders, and which allows local communities to prioritize based on individual student needs and academic goals.

II. The Student-Based Budgeting Formula

A. Determine the Base Formula and the Weights

Once a district has arrived at an overall budget of unrestricted funds for school-level operations, the next significant step is to determine the best way to distribute the money equitably to schools based on student characteristics.

This distribution is typically calculated using a formula comprised of three elements: a foundation grant, a base weight and an individual student weight. Combined with student enrollment data, this formula determines how much funding each school will receive. The base weight is an amount that every student receives. Individual weights are based on characteristics of student populations with specific needs. The foundation grant is to support minimum administrative staffing or small schools. The crucial questions here are how much should the base weight be for every student, what student characteristics will the formula weight, and how significant should those weights be? There is a necessary trade-off between the base rate and the student characteristics, because every individual weight reduces the amount available for the base rate for every child. Weighted characteristics should be based on the additional cost of serving students with those unique characteristics. A few guidelines for determining the formula include:

- Weight characteristics that affect a significant portion of students, but not every student. For example, if every student in the district qualifies for a weight based on economic disadvantage, it is better to just put more money into the base weight.

- Try to avoid double-weighting students. If every student that is an English Language Learner (ELL) is also disadvantaged, a district should offer schools a weight for one or the other characteristic, but not both. For example, when Gov. Jerry Brown was proposing student weights for the state of California, he planned to give districts student weights for either ELL status or poverty characteristics. That way an ELL child who was not low-income would still have extra resources, as would a low-income child who was not ELL.
- Consider weights for special programs for gifted and talented children, and for career and technical education.
- Consider weights for specific district goals. For example, in Baltimore wanted to reduce its dropout rate and raise its graduation rate, so every high school student generates a dropout prevention weight.
- Consider grade-level weights and whether the district spends more on certain grade spans, such as high school.
- Connect student weights to academic achievement. Districts should reward academic achievement by connecting the weights to academic performance, as Baltimore has, rather than poverty. Low-scoring students and high-scoring students generate additional revenue rather than low-income students.
- As noted above, the Baltimore school district weights academic need for both students that score "basic" (below grade level) and for those that score "advanced" (above grade level) at $1,000 in 2012. In 2009, since performance outcomes went up, the overall number of students who qualified for "academic need basic" went down. On the other hand, the number of students who qualified for the "academic need advanced" went up. This use of basic and advanced weights demonstrates how Baltimore's Superintendent Alonso was able to promote academic achievement. In 2012, a smaller number of students qualified for the basic (lower-performing) weight and a larger number of students qualified for the advanced weight. It is a positive outcome when the amount of money going to lower-scoring students is shrinking and the amount of revenue going to higher-performing students is growing.

New York City has also fostered performance and school improvement by rewarding achievement. For example, New York schools that earn both an A on their progress report and the top score of "well developed" on their quality review are awarded additional funding. Schools can spend the "excellence rewards" of approximately $30 per student at their discretion on whatever programs or other school-related expenses will best support their continued progress.

B. Address Enrollment Issues

It is important to work out how enrollment will be calculated to actually distribute dollars to schools. Most schools begin with an enrollment projection that the initial school allocation is based upon. That enrollment projection would be based on prior year enrollment and expectations of growth or decline in enrollment, and would include a count of students with specific characteristics—such as economic disadvantage or special educational needs—that attract weighted funding. This enrollment projection should be open to negotiation or correction by principals, who may have local knowledge enabling them to improve the accuracy of the projection. There should also be established dates to reconcile actual enrollment with projected enrollment and adjust per-pupil funding allocations. It is also worth considering the role of average daily attendance. In Los Angeles Unified, where schools are funded based on average daily attendance and not student enrollment, student-based budgeting provides an incentive not only to keep students enrolled in school, but also to improve attendance in order to increase school-level funding.

In interviews conducted with pilot school principals in Los Angeles, they reported using an explicit strategy of improving attendance in order to increase revenue at their schools. For example, if average daily attendance at an individual school in Los Angeles is 95 percent, the funding formula gives that school 95 percent of its per-student allocation. If a principal can succeed in increasing attendance to 97 percent, that would lead to a significant increase in per-pupil funding.

C. Consider a Foundation Grant

Districts should consider giving every school a foundation grant to cover the basic administrative costs of running a school. This allows schools of every size to cover the basics and it does not work against small schools. It allows districts to continue to embrace small schools even under a system that funds schools on a per-pupil basis.

- In San Francisco, the weighted student formula gives each school a foundation allocation that covers the cost of a principal's salary and a clerk's salary.
- In New York City all schools, regardless of size or type, receive a lump-sum foundation grant of $225,000. The dollars are not tagged to particular positions, and schools — not central administration — determine whether they need more core administrative staff and fewer teachers, or the reverse. The foundation grant also allows small schools to maintain a core administrative staff.

D. Decide on Actual Versus Average Salary

While sending schools revenue rather than staffing positions increases equity, it does not go far enough. In most districts schools are charged for average teacher salaries rather than actual teacher salaries. This means that a more popular school with more experienced teachers is often subsidized by less popular schools with less senior staff members. In most districts, all teachers are charged based on an average salary of perhaps $52,000. If one school has 10 first-year teachers and another school has 10 five-year teachers, on paper each school would be charged $520,000. Yet, the resources that each school is receiving based on staffing are vastly different.

In essence, schools with newer teachers are subsidizing schools with veteran teachers. If both schools received dollars and were charged for actual salaries, the school with less-expensive teachers would have money left over to spend at the discretion of the principal on teacher training, the arts or to hire additional teachers. Equity increases when schools are charged for actual teacher salaries. New York and Oakland provide a good demonstration of this.

- In Oakland, the district charged schools for actual salaries using the rationale that since schools spend most of their budget on personnel costs, the decision to use actual salaries in school budgets to calculate school-level costs would better address equity. Oakland implemented the use of actual salaries so that schools with less-experienced teachers would have lower teacher-related costs in their budgets and could redirect this money toward resources (e.g., professional development) that would support and help retain experienced teachers in schools serving larger percentages of high-poverty students.

- New York City charges schools for the average of each school's teachers rather than the school district average. The school-level average more accurately reflects the mix of teachers' salaries at each individual school and allows principals to have more control over the cost of the teachers at their individual school.

E. Get Rid of Norm Table and Minimum Staffing Requirements

Most school districts assign core staff positions (teachers, administrators, counselors) to schools based upon the number of students at the school. This is often called norm-based budgeting or a minimum staffing schedule. One mistake that many school districts make is only giving principals autonomy over budgets after they have met district-wide minimum staffing levels.

In Los Angeles, because of Title I regulations, principals reported that even when given school autonomy, they are compelled to follow the district-wide minimum staffing table, which greatly limits their flexibility and control over resources.[13] Norm-based budgeting cuts against the intent of student-based budgeting by locking in school positions that may not meet the needs of individual students.

Norm-based budgeting also stifles innovation by preventing creative solutions like blended learning, which may reduce minimum staffing by using technology to shoulder some of the staffing time in a particular school. Norm-based budgeting also prevents school leaders from making strategic trade-offs. For example, a principal might decide to have a higher ratio of students to college counselors in exchange for an extra counselor focused on dropout prevention, which would help to keep kids in school in the first place.

The bottom line here is that norm-tables and minimum staffing requirements stifle autonomy, flexibility and innovation. Principals should not be held accountable through inputs like staffing levels, but by outcomes like student performance in math or graduation rates.

F. Phase-In School Funding Adjustments

Most districts have a hold-harmless clause that transitions schools to budget equity over two to five years. For example, Poudre School District in Colorado has established a safety net so that no school will lose more than 20 percent of its current budget. To offset that cost, no school will gain more than 80 percent. And in California, Governor Brown's proposal for a state-level weighted student formula would have been phased in over seven years. A phase-in period makes the transition to an equity-based formula easier as it gives any districts or schools that are getting more resources than their students generate time to adjust their budgets.

G. Build in Opportunities for Schools to Make, Save and Keep Money Long Term

School leaders should have opportunities be more efficient, to save money, and to keep the resources to meet the needs of their students. In Los Angeles, entrepreneurial principals have been able to direct more resources to their instructional goals by participating in the per-pupil budgeting pilot. As Rosemarie Martinez from Academic Leadership Community explained, principals should "think strategically about budget areas where you may be able to improve performance and generate savings you can redirect for your school to do more of the things you want to do. ALC has been able to add teaching positions and support staff by improving teacher and student

[13] In 2011, the author conducted a series of interviews with Los Angeles Unified Principals participating in the Budgeting for Student Achievement pilot, and these interviews became a series of best practices for the school district.

attendance."[14] If schools save resources at the school level or generate more student funding for the next year, district policy should allow schools to keep and reinvest the savings at the school level.

III. Critical Issues for Student-Based Budgeting and School Empowerment

A. Level of Autonomy

Some districts choose to give principals more autonomy and hold them accountable for school performance. Other districts set the level of district intervention and support based on school performance.

In 2009, Cincinnati began a new initiative in which schools were grouped according to performance, with a progression of services provided according to need. High-performing schools would receive coaching only by request, improving schools would receive part-time coaching, and schools in need of academic intervention would receive intensive, prescriptive coaching. The district created three "turnaround teams," each consisting of a principal and two lead teachers, to work with the district's 16 lowest-performing elementary schools.

Hartford Public School District also demonstrates the value of a clear accountability matrix that evaluates and sets the level of autonomy for each school based on student performance. Low- performing schools there face intensive intervention from central office teams and eventual closure if performance does not improve.

B. Principal Discretion over Personnel Decisions and School-Level Practice

Principals need to have maximum flexibility over staffing, schedules, position control and curricula. When principals can hire and fire staff with fewer collective bargaining constraints and fewer stipulations like seniority and bumping rights, they can staff their schools in ways that fit their students' specific needs. Using the weighted student formula, principals can often choose their employees as teaching positions become available. However, they typically have less autonomy over replacing existing staff for performance issues.

Several districts demonstrate that it is possible to negotiate with unions for a range of concessions to give principals more autonomy over school-level decisions that were previously constrained by collective bargaining rules.

- In Los Angeles, Superintendent John Deasy recently gained more autonomy for principals via a new union contract, according to which teachers are hired based on mutual consent between the principal and the teacher, and principals have more control over school hours and scheduling.
- In Boston, teachers are exempt from teacher union contract work rules, while still receiving union salary, benefits and accrual of seniority within the district. Teachers voluntarily choose to work at pilot schools. When hired, they sign what is called an "elect-to-work agreement," which stipulates the work conditions in the school for the coming school year. This agreement is revisited and revised annually.
- New York and Denver have an "open market" teacher hiring process where principals can interview multiple candidates and make decisions about which teachers will best fit with their schools.

As noted above, most student-based budgeting programs give schools discretion over hiring teachers at the front end of the process, but do not give principals the option to transfer teachers who are incompatible with the school model. However, in Nevada, Clark County School District's union contract has a provision that details how empowerment schools can deal with incompatible teachers. The contract states that the school empowerment team, in conjunction with the school principal, may implement a peer review process and may remove and replace a teacher deemed to be incompatible with the model established at the school. The principal ultimately

[14] Best Practices: Academic Leadership Community and Principal Rosemarie Martinez, http://bsa.lausd.net/sites/bsa.lausd.net/files/Academic%20Leadership%20Community.pdf

has the authority to make staffing decisions.

C. Principal Training

A critical component of student-based budgeting is a strong principal training program to support principals' financial and academic leadership. A district should offer some kind of formal principal training to help principals learn management best practices.

There are several possible models including principal academies, principal coaches and mentors, district liaisons and networks, and extra help from district finance personnel for budget development.

Many districts recruit innovative new principals to lead empowerment schools and have retraining programs for current principals. The bottom line is that districts need a mechanism to support principals and help them become entrepreneurial leaders of their schools.

Many districts that have implemented student-based budgeting—from New York to Denver—provide intensive professional development and training for principals using independent principal academies that are developed by nonprofits, universities or through other district partnerships.

These principal academies are designed to train and empower principals to be strong entrepreneurial and instructional leaders. For example, Oakland offers a strong program of assistance to principals and school staff from central office personnel. Principals receive support from district's assistant superintendents. In addition, Oakland school principals can also hire operations support coaches who help to create budgets and serve as liaisons to the district office. Many districts also offer intensive support during the budget cycle with hotlines for principals or specific one-on-ones with budget analysts to provide extra support during the months principals are developing their budgets.

"School choice is an accountability mechanism that reveals which schools are serving students effectively, by giving dissatisfied families the right to exit to a higher-performing school."

Schools should also invest in data systems that offer teachers and principals "one-stop" data- centers for student information and strategic planning for academic goals. The New York City Department of Education has invested in the technology and data systems necessary to allow schools to use evidence from student performance to inform their strategic planning and accountability goals. The "achievement reporting and innovation system" (ARIS), is a groundbreaking tool introduced in 2007 to help teachers and principals raise student achievement. As of 2008, it has been available to all New York City classroom teachers. ARIS gives educators one-stop access to critical information about their students—ranging from enrollment history, diagnostic assessment information and credits accumulated toward graduation, to test scores, special education status and family contact information. ARIS combines this information with an online library of instructional resources and with collaboration and social networking tools that allow users to share ideas and successes with other educators in their school and across the city.

D. School-Level Budgeting Tools Development

It is critical that school districts focus on making budgeting tools and guidance documents user- friendly and transparent to help principals clearly develop budgets and interact with central office budget and accounting systems. In Los

Angeles, one of the most difficult challenges has been adapting the centralized budget structures to a per-pupil budgeting system. Los Angeles Unified has developed a Web-based School Budget Planning Tool to help schools align their budgets to their academic goals.[15] It extends the budget planning period by allowing schools to begin prioritizing their investments before they receive next year's budget allocations. Furthermore, it allows schools to "play" with potential budget scenarios, so that they can plan for potential changes in funding. Prioritizing investments and working through scenarios create authentic and meaningful budget discussion engagement with school staff and other stakeholders. Newark implemented a weighted student formula in 2011 and is using a streamlined budget technological interface called "MyBudget" to support the weighted student formula program. The Web-based system, which is produced by MyBudgetFile Inc., eliminates the need for spreadsheets, while being extremely versatile and fast to operate. "The new MyBudgetFile.com system is excellent for a large organization such as the Newark Public Schools," said Newark Public Schools School Business Administrator Valerie Wilson.[16]

"Administrators at central and school locations require access to budget information at a moment's notice and the new system is extremely user friendly. This allows for more autonomy for principals and at the same time is less time-consuming so they can focus more on academics in the schools."[17] In addition, the system is capable of tracking the district's finances in real time, thereby allowing the user or users to see exactly how much money is in an account. The system also calculates automatically. MyBudgetFile.com is especially practical when applied to the Weighted Student Formula, which was introduced with this year's budget and is built into the MyBudgetFile software.

Parents and taxpayers should also have access to detailed and transparent budgets at the school level that show school enrollment and staffing trends. These budgets should specify the funds for student-based budgeting and the funds spent at the school-level but controlled by the central office. In addition, some districts report detailed weighted information about student populations and the resources that follow these student groups. Finally, some districts include school-level performance and student achievement data as part of the budget transparency:

- Hartford Public School District publishes very detailed school-level budgets that report the student populations at each school as well as the funds generated by each group of students. The school-level budgets also include the school's performance data.
- In the Houston Independent School District (HISD), budget report data is broken down by the student sub-groups at each school and the weights and funding for each group of students is shown. In addition, HISD's school-level budgets report student achievement data for each school.

E. School Choice-Based Student Assignment

In order for student-based budgeting to improve outcomes for students, families need to be able to choose between schools. This gives less popular schools an incentive to improve to retain and attract families. School choice also shows district officials which schools hold the most value to customers. While the majority of schools will show improvement once principals control school budgets and public schools begin to compete with one another, if some schools cannot improve they

[15] Los Angeles Unified School District, "School Budget Planning Tool," Frequently Asked Questions, April 13, 2012, http://bsa.lausd.net/sites/bsa.lausd.net/files/BPT%20FAQ%20041312.pdf

[16] "Newark Public Schools' New Streamlined Budget Systems Has Everyone on Board," Newark Public Schools, July 27, 2011. http://www.nps.k12.nj.us/2286107141510833/lib/2286107141510833/_files/Budget-mybudgetfile.pdf

[17] Ibid

may be merged with higher-performing schools or they may close. In either case, students and resources can be redirected toward higher-performing schools. School choice is an accountability mechanism that reveals which schools are serving students effectively, by giving dissatisfied families the right to exit to a higher-performing school.

Several districts, including Saint Paul, New York City, Hartford and Denver, have "all choice" systems where students can enroll in any school on a space-available basis and schools that are oversubscribed use a lottery to allocate places. In 2012, Denver public schools completed its first round of school choice using an innovative computer program that matches students and schools. The program, called SchoolChoice, uses a unified approach where families list their top five choices and complete one form that covers charters, magnets and neighborhood schools. In the past there were more than 60 possible application processes to choose a school. The first evaluation of the school choice system found positive results, including:[18]

- 83 percent of students received one of their top three choices;
- There was a strong correlation between the quality of the school and the demand for a place at that school;
- More families were making choices, allowing students to move to higher-performing schools.

Similarly, the Poudre School District in Colorado implemented an online process for school choice applications. The process provides parents the opportunity to complete and submit their applications from the comfort of their own homes and eliminates the need to take the application to the school and/or schools where they are applying. Other benefits of the online system include providing parents the opportunity to apply for multiple schools with one application. Parents will receive an automatic confirmation number that can be printed and kept on file for reference, and the first consideration lottery process will now be automated.

F. School-Level Accountability Framework

A district should have explicit performance measures for each school. These performance measures are often described in school-level academic plans and detail a school's specific goals for academic improvement for various groups of students. In addition, many districts have overarching accountability frameworks that set specific district-wide minimums for performance, and reward or intervene in schools based on each school's ability to meet district targets. These accountability systems often include performance pay systems and escalating levels of intervention for schools with poor performance.

In order to measure performance, each school should develop school-level profiles on a variety of outcomes, including overall achievement distinguished by sub-group, value-added achievement gains, achievement gaps, graduation rates, attendance and other school-level outcome measures. This information should be published in easily accessible profiles for every school in the district and made available for parents and taxpayers. These profiles often contain rating systems such as grades or labels that help parents easily identify the status of each individual school.

- In 2008, the Denver Public School District launched a "school performance framework" to measure the progress of actual students against themselves and against peers from the entire state of Colorado. This metric not only ensures that all students move forward, it also measures and compares growth year by year. About 60 percent of the framework is based on students' growth and the rest of the framework is based

[18] Mary Klute. Evaluation of Denver's SchoolChoice Process for the 2011-12 School Year (Denver: Buechner Institute for Governance, University of Colorado, June 2012). http://www.aplusdenver.org/docs/SchoolChoiceTransparencyCommitteeReportFinal6.12.12.pdf

on overall proficiency.

- San Francisco also demonstrates the need to focus on the achievement gap within a school district. San Francisco's new "school quality, equity and access matrix" allows comparisons between schools with similar student populations. It provides a tool to examine negative and positive trends toward closing the achievement gap, and helps to connect those trends with specific instructional strategies and budget decisions.
- In Denver, every public school, except those in their first year of operation, is assigned one of the following accreditation ratings every September using data collected during the previous school year: distinguished, meets expectations, accredited on watch, or accredited on probation. Ratings affect how much support schools receive, corrective action taken, and compensation earned by principals, assistant principals and teachers.
- In New York City, progress reports grade each school with an A, B, C, D, or F to help parents understand how well their school is doing and compare it to other, similar schools. These progress reports are the centerpiece of the City's effort to arm educators with the information and authority they need to lead their schools and to hold them accountable for student outcomes. The reports also provide parents with detailed information about school performance, both to hold their schools accountable and to inform family decisions.

IV. Conclusion and Implications

Given the rapid growth in charter schools, public and private school choice programs and technology-based school choice, antiquated public school-finance programs based on residential assignment and local property taxes are ill-equipped to handle the new choice-based education landscape. Student-based budgeting means the funding follows the student (hence, "portability"). Because dollars are decentralized and follow students rather than programs, portability puts every public school on a level playing field. Per-student funding varies based on a student's educational needs, and students take their allocation directly to the public school of their choice, giving schools a strong incentive to compete for those dollars through improved performance.

This guide has taken a step-by-step look at the issues involved in moving to a student-based budgeting system. In order to move to a student-centered funding system, districts must weigh and examine school district finance, developing a new school formula, and tackling school empowerment issues of autonomy and school choice.

These issues are complex and difficult, but the Baltimore City School District presents a compelling case for how sorting through these difficult financial issues can transform a school district. In Baltimore, school-funding portability played a significant role in a set of education reforms that allowed the district to improve outcomes for the students and the community. Since 2009, Baltimore closed failing and under-enrolled schools and moved 11 percent of students (8,600) into higher-quality schools wit reading and math scores that were higher than the closed schools and the district average.[19]

Baltimore has made real progress in terms of within-district equity from one school to another.

In 2008 only 52 percent of the schools were within 10 percent of the district median dollars per pupil figure. By 2011 80 percent of the district schools were within 10 percent of the median-funded school—the highest percentage among a set of similar comparison districts.[20]

Baltimore has also seen improvement over several different performance outcomes, from graduation rates and test scores to the number of

[19] Stephen Frank. Fair Student Funding in Baltimore: A Lever for Transformation, Education Resource Strategies, Oct. 22, 2012. http://erstrategies.org/resources/details/fsf_in_baltimore_city

[20] Ibid.

students taking and passing more difficult AP courses. School district enrollment is also up by 3 percent after several years of decline.

However, the most compelling outcomes are for high school students. Juvenile shootings in Baltimore city were down by 67 percent, and juvenile arrests were down by 58 percent between 2007 and 2011. Over the same period in Baltimore dropouts were down 56 percent, truancy down 30 percent, and suspensions were down 34 percent. Graduation was up 12 percent.[21]

While student-based budgeting is not a silver bullet, it is a school funding practice that makes resources more transparent, increases school level equity for students with similar characteristics, and allows the funding to follow the child. When parents and students can choose between schools within a district it provides a financial incentive for those schools to improve education practices to attract and retain families.

Accordingly, this guide has presented a set of steps school districts or states can take to move toward a school finance system that is focused on increasing equity, transparency, school choice and ultimately education quality. ◆

The complete work, with tables, charts and illustration, can be accessed here.

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[21] Important and Good News About our Kids, Baltimore City Schools, January 2012. http://www.baltimorecityschools.org/cms/lib/MD01001351/Centricity/Domain/87/2011_12_P DFs/NewsAboutOurKids.pdf

Backgrounders

by ERIC SCHANSBERG, Ph.D.

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Reflections on 'Trumpers'

(July 19) — I'm not pro-Trump in terms of his style or his substance. That said, I'm not *as* anti-Trump, for a number of reasons:

1) I think a lot of Trump's approach is rhetoric. To be sure, the rhetoric is not always helpful — and often harmful — and thus, regrettable. Most people, since all they have is a vote and a few bucks to send to a candidate, pay little attention to politics and policy. As a result, they are easily swayed by rhetoric, whether it is from Bush, Obama, Clinton, Sanders or Trump. But the point is that a lot of it is just rhetoric. So, I don't think Trump's rhetoric would translate into his policy actions to a high degree.

> a) People forget about the nature of *political* rhetoric. The taxpayer-financed primary season encourages politicians to appeal to their party's voters — and then to pivot to some degree in the general election. We usually describe this as flip-flopping, and some politicians are more artful than others at hiding these flips. More broadly, politicians routinely say one thing when campaigning in the general election and do other things when governing. (See: Obama with Guantanamo Bay; Bush with "nation-building.")

2) People forget about the nature of a divided government. In particular, presidents don't get everything they want even when they control both Houses of Congress. If Trump is as inept at working with Congress as Obama, you'll mostly get stalemate and contention — in other words, what we've seen the last 12 years. The same thing could be said of Sen. Bernie Sanders. Although he believes in unicorns in terms of economics and public policy, he wouldn't have been able to govern based on those beliefs, and thus was not nearly as bad a candidate as one would imagine from his policy beliefs.

3) In comparison to the other, lousy, major-party alternative, Trump's policy positions are surprisingly similar to Hillary Clinton's. Trump's character is roughly equivalent to Clinton's — or better. (What problem does he have that matches her struggles with the truth and her enabling of a sexual predator?) If you're into experience, it's apples and oranges: Trump has ample executive experience in business; Clinton has some executive experience in government as First Lady. Neither Trump nor Clinton has the executive government experience of the Libertarian candidate, Gary Johnson, a former two-term governor.

4) Trump might well bring some positives to the office, at least for those who aren't fans of the political status quo. I like that Trump would be more likely to shake things up. Of course, this presents a higher probability of danger as well. But the status quo is nasty — both in terms of our politics and our policy — so I'm OK with rolling the dice, especially given the three caveats above.

In sum, I'm more anti-anti-Trumpers than I am anti-Trump. In a word, I understand why Trumpers are supporting him — or a candidate like him. And I think they deserve empathy if not respect. (See also Sanders' surprising appeal.) Trumpers have been around for awhile.

This political moment seems to be a replay of sorts of Ross Perot, Pat Buchanan and perhaps 1968. Through a combination of style, substance and political context, Ronald Reagan was able to attract and hold Trumpers within his amazing constituency. (As an aside, Trumpers were much of my support when I ran for Congress. They were dissatisfied with standard politics and happy to support a non-traditional candidate. I did worst in suburban counties and best in more-rural, "less-sophisticated" Trump country.) But the number of Trumpers has also increased in recent years due to the fading idolatry of both major political parties and various economic changes both presume can be fixed by trade and immigration policy. Those problems won't be fixed — or even addressed much — by public policy, at least in practice. As such, I think most Trump supporters are committing a different sort of political idolatry — which is bound to disappoint those who put too much hope it him. But dynamic idolatry is probably better than its static forms, so I'm relatively happy that they're reflecting a new idolatry or trying out a different version.

One last thought: This may be provocative but I think it is easy to support: Most Trump supporters are more "sophisticated" in their thinking than either Sanders or Clinton supporters. Bernie mostly has two types of fans: a) Those who don't support the status quo but want a different flavor than the one provided by Trump; and b) those who were attracted to his unicorn-like economic policies. The first thought process is equivalent to most Trump supporters; the second is naive and clearly not sophisticated.

And why are people choosing Clinton? Three of the least sophisticated reasons I can imagine: a) sexism (their top priority is for a woman to be president); b) avid partisanship (yellow dog Democrats); and c) opposition to Trump (rather than support for Clinton per se).

Whatever you think of Trump, recognize the valid reasons for profound dissatisfaction with the status quo, empathize as much as possible with his supporters and make sure that your reasons for supporting a candidate are principled.

by CECIL BOHANON, Ph.D.

The author, an adjunct scholar of the foundation, is a professor of economics at Ball State University.

The Right to Petition

(July 18) — Thirty-two years ago I ran as a Libertarian for Congress. I didn't win. I got 0.3 percent of the vote. The two other candidates were Republican Ken MacKenzie and Democrat Phil Sharp who was re-elected despite the Reagan landslide.

Mr. MacKenzie has since passed away. Mr. Sharp has just retired from a Washington, D.C., think tank. I am still at Ball State teaching economics.

Although I was excluded from most of the debates, I remember both candidates treated me with courtesy and respect. When I was allowed in the debates, we stuck to the issues and were amiable with one another. Political competition does not have to be toxic.

I also recall an economic-political epiphany I had at a debate. Mr. MacKenzie and I were critical of the seemingly never-ending expansion of federal power, authority and spending. Congressman Sharp made the point that the First Amendment guaranteed the citizens' right to "petition the Government for a redress of grievances." He then went on to praise a number of federal programs that were not part of the original role of the federal government.

Representative Sharp was making an argument clearly in sync with progressive political philosophy that sees the Constitution as a "living document" that should not handcuff the peoples' representative in Congress from enacting legislation deemed beneficial. In this view the right to petition government for redress of grievance is the right to ask government to do something about any darn thing that is bothering you.

It is a tradition in my family to read aloud the Declaration of Independence on the 4th of July. This year I asked a visiting friend, the Rev. W. Scott Axford of First Universalist Church in Providence, Rhode Island, to do the honors. The beginning of the Declaration outlines the political theory that informed the Founders: "We hold these Truths to be self-evident, that all Men are created equal, that they are endowed, by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the Pursuit of Happiness. That to secure these Rights, Governments are instituted among Men . . . " My father taught me that this was the essence of our nation. All power comes from God. Under the English system of government God vested power in the hands of the King who then conferred rights to the people. In the United States, however, we thought God gave rights to individuals who then vested power in the hands of the government whose purpose was to secure these rights. The good Reverend followed my format for the reading. He omitted reading the 27 specific complaints that established the "Facts" of the King's "absolute Tyranny over these States."

What struck me is what followed: The Declaration then states: "In every stage of these Oppressions We have Petitioned for Redress in the most humble terms." This forms my understanding of the First Amendment right to "petition the Government for a redress of grievances." It is not a blank check for endless Federal power, rather a guarantee that we citizens can petition Government when it is the source of our grievance. This view clearly implies a much more limited role for government than progressives imagine; yet I am convinced it is the historically correct and best role for the Federal government.

It is unlikely former Representative Sharp or others who share his philosophy will be persuaded by this argument. And that is OK. However, the issues raised in 1984 are quite similar to the issues today. So thanks Phil Sharp for being a good guy. Have a wonderfully productive retirement. We can disagree yet be agreeable.

by MARTINA WEBSTER

The author, a Realtor for 17 years, represents District 1 on the Sellersburg Town Council. She wrote this at the request of the foundation.

School Boards and Economic Growth

(July 12) — Pretend you are in the market for a house in your Indiana community. What criteria would you give your buyer's agent? A common request goes like this: a) within an x radius of their job (the commuting distance is a matter of wide personal preference, honestly); b) with y bedrooms and z baths; and c) preferably in q school district.

Since the Indiana legislature changed the laws allowing competition among school districts, the district is less important than it used to be. Some, however, are no longer allowing transfers because they simply no longer have the space.

The demand there has exceeded supply. Economically speaking, what should that tell us? Shouldn't the legislature take a look at those districts that are having to turn people away? After all, each of those students brings with them a large pot of money for the favored district, so, logically, why would they turn anyone away?

My bet is that those areas where the demand is outpacing supply is where you will find overall rising housing values or higher assessed values along with a quick resale home-inventory turnover.

Now, some people will stop me there to say, "Duh, the rich neighborhoods have the best schools." I counter that the schools themselves are driving up the value of the properties within their districts. Higher demand equals higher price. The higher the assessed values, the more money the school district has in their tax pot.

In real estate, I've never had someone ask me to find them a home close to, say, a Walmart. Nor have I ever had someone use a (insert your favorite subsidized, politically favored business) as the starting point in their search for a dream home.

So Indiana has it backwards.The Chamber of Commerce has it backwards. The Indiana Economic Development Corporation — you guessed it — has it backwards. Stop buying what they are selling.

Indiana communities are hampered by a mindset of "if you build it, they will come." As evidence, a recent Ball State University study found that Tax Increment Financing (TIF) at best only negligibly increases property values. I've argued that much of Indiana's TIFs are simply chasing development, not creating it.

But why? Go back to the schools.

For most taxing districts, the school corporation controls the largest pot of property taxes. Often, the school district is the reason a local government finds itself up against the tax cap and struggling to meet the needs of the community. TIF becomes its solution — simply a way to take back a piece of the pie and not have to share with the school district.

So they "TIF the businesses," that is, the very properties already fully taxed up to the 3 percent caps. The tool they are using to supposedly "create" economic development is now stealing taxes from an important piece of the community's overall economic picture, the public schools.

No, I don't think the majority of schools need more money. What they do need, though, are new school boards. They need more teachers and fewer administrators. They need to understand that billboards won't bring children into their schools. They need common sense.

A step in that direction ironically is to restore partisan school-board races. For "nonpartisan" in this case does not mean a candidate is not partisan; it just means voters have no idea of the candidate's ideology. If school boards would again concentrate on education rather than on hidden special interests, our communities could begin attracting young millennial families and build real, lasting growth.

The Truth About TIF

(May 18) — In my county we have an issue with tax increment financing (TIF). As of 2014, almost 20 percent of our property taxes go into multiple TIF funds instead of the appropriate taxing units. Our school districts, libraries and general funds lose millions every year to the specially carved out TIF districts, which are supposedly "creating" economic development.

In general, though, our county's method is not to create but to chase economic development. If an area looks as if it will grow, the local municipalities rush to install a TIF for the area so they don't have to share any newly generated property taxes with other taxing units.

The original idea of TIF was development wouldn't happen but for it. In our county that's not the case. Rather, they create a TIF because: 1) the municipality gets all the revenue; and 2) there is less oversight of spending. State and local politicians have convinced the public that it is not real taxpayer money being spent, it's only TIF money. I fear they've convinced themselves as well.

I am confident if more people understood how our taxes were determined, they'd pay more attention to the rampant TIF abuse in this state.

The tax rate you and I pay is wholly dependent upon the total of the net assessed value of a taxing unit. What a TIF does is carve out that net assessed value to go into a different pot. However, it does not reduce the amount of money needed to fund essential services. In fact, most often all it does is increase the burden on essential services without an offsetting increase in assessed values to balance the tax rate.

The gross assessed value of the county is total market value of all parcels. Net assessed values are the gross assessed value minus TIF, exemptions and credits. So when the levy goes up and net assessed values go down, the tax rate goes up. This is why TIF is a big deal. It is why circuit breakers, an accounting correction for all of that, have become a big deal.

My pet peeve is to hear an elected official or lobbyist call the circuit breaker a loss in revenue. It is not, and to consider it as such means that he or she considers your pockets infinitely deep. "If not for those blasted circuit breakers, we could do X, Y and Z," they might say.

But that money should never have been theirs in the first place. The circuit breaker merely alerts us to the fact that someone is overspending by such-and-such an amount. That should cause government to reevaluate its wants and needs

(I'm being serious here; no laughing). In any case, there will soon be wailing and gnashing of teeth in the Legislature to relax the circuit breakers. Don't fall for it.

by TOM CHARLES HUSTON

The author, an adjunct scholar of the foundation and an Indianapolis developer, is a former associate counsel to the president of the United States.

A Childish GOP

(July 22) — In 1996 another Texas Senator sought the Republican presidential nomination unsuccessfully. This was his explanation for entering the race:

> "I am running for president because I want to finish the Reagan revolution. I am also running for president because I believe, if we don't change the policy of our government, if we don't change it soon, and if we don't change it dramatically, in 20 years, we're not going to be living in the same country that we grew up in. I think, whether you look at crime, or illegitimacy, or the deficit, or the tax burden, or the break-down of the traditional values that made America great to begin with, and have sustained it for over 200 years, you've got to reach the frightening conclusion that we're either going to change the way our government does our business, or we're going to lose the American dream."

After eight years of George W. Bush and the failed candidacies of George H. W. Bush, Bob Dole, John McCain and Mitt Romney that led to the Clinton and Obama presidencies, the prophecy of Phil Gramm rings true. We are not living in the same country that most of us grew up in, and no small share of the responsibility rests with those Republicans and "Conscience" Conservatives who have for two decades embraced the conventional wisdom of the coastal elites and ignored the concerns of those whom we in the Nixon White House referred to as the "Middle Americans' and which Donald Trump (following FDR) identifies as the "Forgotten Americans."

In my view, the post-Reagan conservative leadership has failed the American people and deserves to be repudiated. The conservative commentariat has isolated itself from the concerns of real people and has prospered while operating in an echo chamber. I find it reassuring that most of the old Goldwater people with whom I worked closely half a century ago are standing by the Trump-Pence ticket as the only line of defense against the realization of Hillary's America.

Neo-conservatives were nowhere to be found in the Goldwater campaign, and it is no surprise to me that they have jumped ship in this one. There are a lot of bruised egos on the Republican Right who have yet to reconcile themselves with the reality of the political landscape, and they are being played by people more interested in their personal agendas than in the national interest. Echoing Barry Goldwater at the 1960 GOP convention that nominated Richard Nixon, it is once again time for conservatives to grow up.

Orlando Redux

The candidates each sent out a fund-raising email on Monday and the difference in emphasis was stark: Hillary — "We cannot demonize Muslim people"; Trump —"We are going to make America safe again."

(June 15) — ISIS emphasizes soft targets and encourages "lone wolf" (falsely identified as "self-radicalized") or small units, easy to organize and hard to detect operations. This is a uniquely difficult profile for the security services to contend with.

Electronic surveillance of international communications is less likely to pick up valuable intelligence. Informant coverage, which was the best source of intelligence against KKK violence in the late1960s, doesn't work if there is no identifiable group to infiltrate. The best source of information is the most troublesome: local mosques. Lots of First Amendment and political correctness problems there. The U.S. has the most vulnerable, high-value targets open to small-unit ISIS operations of any nation in the world. Shotguns, revolvers and hunting knives will do the trick. If you can't eliminate the weapons, perhaps you need to think about eliminating the terrorists.

* * *

THE RESPONSE of the Left to terrorist shootings is always to demand more gun control — and underpinning this demand is the implicit assumption that it is possible to draft a law that would pass constitutional muster that would keep guns out of the hands of determined terrorists.

No minimally intelligent person could actually believe such a thing, so the only logical conclusion is that the Left's demand for more gun control in the wake of the San Bernardino and Orlando massacres is purely opportunistic.

Liberals seize upon terrorist killings to advance their gun-control passions knowing full well that they have no legislative proposals that would prevent acts of Islamic terrorism involving the use of firearms.

By legislation they might succeed in changing the mix of weapons used (although even that is doubtful in light of the experience of the Clinton-era ban on "assault" weapons), but otherwise their anti-gun initiatives would have little effect.

The big problem with the anti-gun rhetoric of Obama and Clinton then is that it diverts attention from the real issue, which is how do you stop the people who are willing to pull the trigger on whatever weapon they can get their hands on?

"We have two parties here, and only two. One is the evil party, and the other is the stupid party. I'm very proud to be a member of the stupid party. Occasionally, the two parties get together to do something that's both evil and stupid. That's called bipartisanship." ***— M. Stanton Evans, the Indianapolis Star***

The Death Wish of the 'Stupid Party'

(June 7) — All things considered, it is not unreasonable to conclude from the latest demonstration of its death wish that the Republican political class is in large measure a disgusting group of whiners, thieves and butt-kissers. Clearly, nothing stirs the soul of a Republican of High Principle like claiming the moral high ground at the expense of other Republicans. Natural-born white-flag waivers, high minded Republicans self-organize as a surrender caucus. They make up the sissy brigades in the political battles of our time. From Mitt Romney and Paul Ryan on down, they should each be issued a candy-flavored pacifier and shipped off to Sun City to play in the sand.

Other than the hushed rebuke (tut-tut) of the guy who freshened his cigar in the private parts of a presidential intern, when was the last time you heard a Democrat attack another Democrat for an alleged failure of morals, lack of virtue or breach of democratic norms? Seventy-two percent of Democrats say they would support Hillary Clinton if she were indicted for the crime of endangering the national security. Most of them would vote for her if she had to hold Cabinet meetings in a cell at Rikers Island.

So long as the miscreant had not wandered irretrievably off the ideological reservation, there is no crime, no blunder, no scam, no outrage so egregious that any Democrat would utter an unkind word about another Democrat. There is nary a soul to the left of Jim Webb who is the least bit discomfited by the nomination of the chief operating officer of a massive criminal enterprise as the Democratic standard bearer. No Democrat gives a hoot that the Obama administration lied its way to the adoption of Obamacare and the sellout to Iran. Not a single Democrat was offended by the elevation to the Supreme Court of a self-professed “Wise Latina” for whom it was axiomatic that her ethnic heritage and experiential empathy would guide her judicial decision-making.

Republicans have a long record of turning on their own. When the political hack turned Republican leader of the Senate in a moment of sentimentality marking the 100th birthday of Strom Thurmond made an inartful and indiscrete statement about the 1948 presidential campaign, it was Jonah Goldberg, Charles Krauthammer and other virtue-signaling neoconservatives who demanded his scalp. It was his Republican colleagues who ran Bob Packwood out of the Senate, and the Republican hierarchy in the Senate who demanded the ouster of an aide to Rand Paul who in a previous life was a southern-radio shock jock. No Democrat ever demanded the ouster of a left-wing wacko on the Democratic side of the aisle or called for the resignation of Congressman Charles Rangel D-NY), a world class shyster, or Senator Robert Menendez (D-NJ), the indicted ranking Democrat on the Senate Foreign Relations Committee.

When the cigar connoisseur was impeached by the House of Representatives, the Democrats circled the wagons in his defense. It was all about sex, they argued; the implication being that a sexual predator in the White House (even a lying one) is no big deal. They are still making excuses for this poster child for the rape culture.

When the U.S. consulate in Benghazi was sacked and Ambassador Stevens and three others murdered in what the White House knew was an Islamic terrorist attack, Ambassador Rice and Secretary Clinton were sent forth to lie to the American people about the circumstances that led to the mayhem. What was important to Democrats was keeping the lid on the truth through election day, which, with the cooperation of the Democratic media, they were able to do. Since then Congressional Democrats have obstructed every investigation in search of the truth about what happened and why. Republicans mumble in protest and punch back feebly, but to no effect.

Notwithstanding deleted emails, smashed hard drives and perjured testimony, it is widely known that during the first years of the Obama administration the Internal Revenue Service targeted more than 400 Tea Party and other conservative organizations. Civil rights were flagrantly violated but not a single Democratic voice has been raised in protest against this abusive behavior. None of the Nixon era protestations by Democrats about the totalitarian implications of an administration using the IRS to target its political enemies are heard on Capitol Hill or in the state media.

When the State Department admitted that the administration had lied about the status of negotiations with Iran, the video tape of that admission was altered to delete the incriminating evidence. When the deletion became public information, the White House response was, “Where’s Waldo?” There were no allegations of Nixonian shenanigans or howls about doctoring the public record from the Democratic cloak rooms or the Democratic-controlled media just as there were no expressions of moral indignation at the disclosure by the deputy national security advisor to the President that the administration had systematically deceived the press in the course of its secret negotiations with Iran in order to push through a nuclear deal that poses an existential threat to Israel.

What is remarkable about this record of excuses, obfuscations, evasions, lies and cover-ups by Democrats over the past quarter of a century is that no one expected anything different. There is a recognizable Democratic way of conducting political business which accounts for a century of political success, and there is a Republican way of doing political business that inevitably contributes to that Democratic success. The Republican political class is what the mid-century sociologist David Riesman defined as “other-directed.” According to Riesman, "The other-directed person wants to be loved rather than esteemed." Translated into political terms, the other-directed Republican politician takes his cues from the prevailing opinion formulators (which are uniformly left-leaning) and conforms his opinions to the prevailing orthodoxy (what we now call Political Correctness or PC) out of a desire not to be marginalized by the Matt Tullys of this world and to be accepted by what now passes for polite society (represented by the Chamber of Commerce legislative award luncheon).

It is important to note that there is a range of opinions that are acceptable under prevailing PC standards that a “conservative” Republican may safely hold. While the Social Justice Warriors will denounce those who prefer free-market options to the Keynesian model or argue for lower rather than higher marginal tax rates, it is not socially unacceptable to hold such views. On the other hand, no matter how enthusiastic one might be to address economic inequality through government-directed redistribution of wealth, it remains beyond the pale to hold any view on issues involving gender or race which is not approved by the faculty of Harvard College. Understanding this simple fact will illuminate the otherwise inexplicable contortions to which such a conservative figure as Gov. Mike Pence will resort in an effort to be loved (and, more importantly, reelected).

There are a multitude of reasons to be hostile to — or at least skeptical of — the nomination or election of Donald Trump, but what is central to both his support and his opposition is his resistance to the pull of Political Correctness. He is, in Riesman’s formulation, an inner-directed man. He is not the navigator in a dark sea who determines his course by reading the stars; he is the self-confident woodsman who marches off into the dark forest fully confident he can find his way in and, more importantly, his way out by his own sense of direction and good judgment. The inner-directed person is an individualist driven by aspiration and ambition. He is self-confident, occasionally impulsive, and inclined to rigidity once his mind is made up.

Not being dependent on others for validation of his judgments, Trump has the ability to see things as they are: He is not taken in by the emperor with no clothes. He understands, for example, that self-identity in terms of gender, class and race (or ethnicity) is the motive force in Progressive politics. He correctly sensed that Paul Ryan conservatism has betrayed the interests of the white working class and that the missteps of the Bush administration alienated the base of the Republican Party from its nominal leadership. Having no ties to the institutional conservative movement, he correctly sensed that its influence was far less powerful than its self-regard. Used to dealing with brick and mortar, he could see the vacant industrial buildings, the abandoned factories and the closed stores along Main Street and relate these sightings to the giant sucking sound of NAFTA and other trade deals pulling jobs out of Anderson and Peoria and Birmingham to Shanghai, Hanoi and the villages of Bangladesh.

No one is angrier at the fellow with clear vision than the naked emperor, and so it is not surprising that Trump is widely despised by the Republican political class. This class has demonstrated in its post-Reagan skirmishes with Democrats a cluelessness to the realities of political combat on a field where lines of battle are no longer drawn along the contours formed by the issues of 1980. It is for the most part oblivious to the challenges with which a new generation of political leadership must cope: issues such as the consequences of globalization, the social costs of the feminization of society, the squeezing of the middle class, the substitution of a new imported people for the historic American nation, and the simultaneous emergence of asymmetrical warfare by Islamic terrorists with worldwide reach and the revived imperial ambitions of hostile great powers armed with nuclear weapons.

What makes the Republican Party stupid is not, however, the limited imagination of its leadership or the refusal of its intellectual vanguard to pull its head out of the butt of History and look to the future. What makes the Republican Party stupid is its inability to reconcile a coherent ideological purpose for being, one that is relevant to the lives of Americans as they actually live those lives and with the purpose for which political parties are formed — that is, to win elections.

In the end, it is as simple as that.

Conservative Criticism Is a Constant

(May 20) — In October of 1980 conservatives gathered in Washington for a dinner commemorating the 20th anniversary of the founding of Young Americans for Freedom (YAF). Following the dinner, a few of the old-timers retreated to Bill Buckley's suite for drinks and conversation.

Bill, stretched out on the floor, was the center of attention and the moderator of the discussion. At one point he asked, "If Reagan wins, how long before conservatives start criticizing him?"

Having some experience on the receiving end of conservative criticism of a Republican president, I noted that it took the American Conservative Union less than 60 days to find its aim and initiate fire on the Nixon White House. Considering that Reagan was much more conservative, I figured he would have a longer honey moon: "I give him six months." There was no audible dissent.

It turns out, I was too pessimistic. President Reagan earned a reprieve from serious conservative counter fire in no small measure due to the assassination attempt on March 30, but largely as a consequence of passage of the Roth-Kemp tax bill in August. The ceasefire did not last, however, much past the first anniversary of his inauguration.

On February 26, 1982, Reagan noted in his diary: "Richard Viguery *(sic)* held press conference along with John Lofton and blasted me as not a true conservative – made me wonder what my reception would be at the Conservative [Conservative Political Action Conference] Dinner. I needn't have worried – it was a love fest. Evidently R.V. & J.L. don't speak for the rank-and-file conservatives. Speech was well received."

In a July 28 entry, the President wrote: "The 'Conservative Digest' came out – an entire issue devoted to cutting me up down and crosswise. John Lofton and his compatriots seem to be determined to paint me as a turn-coat conservative. The tone is one of devoted but now disillusioned followers. H—l, in 1980 they held a secret meeting trying to persuade Al Haig to run against me."

My old friend Richard Viguerie, who was the YAF executive director when I first was elected to the national board, is still at it. According to recent press reports, he has joined the ranks of the "Never Trumpers."

by JUDGE DAN HEATH

The author, a member of the Allen Superior Court, is the presiding judge at the Allen County Juvenile Center. He wrote this at the request of the foundation.

Commercial Courts

(June 6) — In June of 2012, while doing research on another matter on the website for the National Center for State Courts, I happened upon a number of articles dealing with the concept of business courts. I was intrigued by the idea because throughout some 16 years on the bench at that time, I had conducted some fairly complex business and complex litigation cases, especially in the area of business fraud and securities fraud litigation.

I read numerous articles on the subject I found at that website and looked further into the matter by conducting searches on Google and the like. In doing this research and reviewing the numerous articles I found on the web, I found two instrumental individuals in the promotion of business or complex litigation courts in America. Those individual were Judge Ben Tennille of North Carolina (considered to be the "father" of North Carolina's business or complex litigation court) and Lee Applebaum, a prominent Philadelphia attorney who has been instrumental in the creation of business or complex litigation courts in a number of states.

I contacted the North Carolina court system and was able to track down the email addresses of Judge Tennille and Philadelphia attorney Lee Applebaum. They were so committed to the promotion of business courts that they took their valuable time to discuss with me their work in business courts and any insights they could give me in developing such a court in Indiana.

Finally, I was able to attend the December 2012 conference of the America College of Business Court Judges at George Mason School of Law as an invited guest. At the conference, I had the opportunity to speak with business court judges from numerous jurisdictions around the country.

During this time period (the second half of 2012) I also made contact with then Indiana Chief Justice Brent Dickson and told him of my research into business and complex litigation courts. I offered to draft a study or survey of business courts in America and also to make a recommendation to him about the pros and cons of business courts. The idea was that this would be the first step toward the Indiana Supreme Court's consideration of a business court or complex litigation court.

After hours and weeks of surveying the Internet to review articles, critiques and general commentary about business or complex litigation courts throughout America, I presented a "Proposal for the Consideration of a Business Court for the State of Indiana" on Jan. 2, 2013, to then Chief Justice Dickson. Justice Dickson and the other justices of the Indiana Supreme Court then met at a retreat to discuss numerous pressing matters before the court, among them my proposal for a business or complex litigation court for Indiana. The justices of the Indiana Supreme Court determined that it would be best to place the matter before the Problem Solving Courts Committee of the Indiana Judicial Conference.

About this time, I had decided to transfer from the civil bench into a new challenge in family law by taking over as the presiding judge at the Allen County Juvenile Center. Because I would no longer be a civil court judge and because I would have to learn juvenile delinquency law, I handed over my report to my successor on the civil bench, Judge Craig Bobay, and encouraged him to take up the issue. He appeared enthusiastic about it.

Judge Bobay and the Indiana Supreme Court have done a masterful job of steering the matter through the Problem Solving Courts Committee and a panel of judges, lawyers and business leaders in bring the matter to fruition. A pilot program of six judges and courts in Marion, Elkhart, Floyd, Lake, Allen and Vanderburgh counties is now in place. These courts are now "open for business" and it won't be long before the first cases begin to be processed through Indiana's new business courts. In a few instances business courts in other states did not survive and were unfortunately abandoned. While it is no certainty, I believe they will succeed in Indiana. Here's why:

1. Business court absolutely must succeed for Indiana to compete. Indiana has much to offer new businesses from out-of-state. Good tax policies favoring new business growth, a decent educational system and state and local governments working in tandem to provide good incentives to move here or expand. But let's face it, we don't have mountains or oceans or some of the natural attractions many states can offer. So, we have to do it right; we have to simply be better for business in every way we can think of.

2. Historically, there has been good cooperation between the courts, the legislature

and the governor's office.This has not always been the case in some states that I reviewed. In one state, the executive branch and the legislative branch wanted a business or complex litigation court but the Supreme Court Chief Justice of that state did not. That Chief Justice abruptly told the other branches of government that there would be no such court. In Indiana, the good working relationship between the three branches of government means that the new court and the judges who have volunteered for duty as business court judges can proceed confident of the court's acceptance by policymakers.

3. Many courts can really use the help. When researching the issue for the Indiana Supreme Court, I telephoned a judge of a rural county and asked him if he would be opposed or offended by lawyers in his county transferring their case from his county to another. He welcomed the idea and advised me that having so few judicial officers in his county meant that he had to stay on top of so many areas of the law that at times it was overwhelming. He thought it was a great idea. Furthermore, unlike some of the articles I read on the experience of business courts in other states, in Indiana there are some regional rivalries but nothing like that which exists in some states.

To summarize, the business community in Indiana is ready for a more efficient judiciary developing a predictable body of law and procedure for complex business litigation cases. When I was researching business courts, I had a complex business case in which counsel for one of the businesses involved telephoned my court and asked my law clerk when my decision in the case would be distributed. He told my law clerk that his client had a shareholders meeting in a few days and my decision would affect the actions taken at the meeting. That reinforced for me one of the reasons for such courts, the timely and efficient disposition of such cases.

Meanwhile, as many experienced attorneys will tell you, case precedent is obviously very important for lawyers. But it's not everything. Building up a consistent approach to the steps along the path of litigation can be just as important. A consistent approach among the business courts to discovery, pre-trial orders and so forth can be just as important. Moreover, some law can be developed that doesn't arise to the level of precedent. Precedent is established for lawyers when an appellate court decides whether the lower court is correct. The higher court's decision to affirm or reverse the trial court's opinion becomes guiding precedent for attorneys. But for a while, business courts will develop a body of law that is not appealed.

The six judges of our new business court can exchange and share their opinions and develop consistent approaches to questions of law before cases are appealed (if they are, indeed, appealed at all).

They can develop a consistent approach without appellate or supreme court involvement. Opinions from the new business court trial proceedings will be posted online for counsel from around the state to review. These decisions alone may deter some filings and or help quickly mediate cases that have been filed in court.

Planning and thought have been put into the development of business courts in Indiana. Judge Bobay and his colleagues have done a good job of considering the matter. A committee composed of lawyers and business leaders have carefully pieced together the pilot approach of six regionally placed courts with new interim rules that are complicated but fair for the parties concerned.

I could list numerous other reasons why I believe that business courts in Indiana should and will survive and prosper. In the end, it is the litigants and attorneys who must exercise patience and understanding during this next phase and give such courts a proper chance to develop, grow and improve.

by JASON ARP

The author, a financial consultant, represents the 4th District on the Fort Wayne City Council. A version of this essay first appeared in the Fort Wayne Journal Gazette.

Ditch the Eco-Devo For Real Tax Reform

(June 27) — I left my recent city council meeting disgusted, having participated in the process of reviewing the compliance of businesses with their abatement agreements. State law requires us to grill companies unable to meet the hiring objectives set forth in their application for the abatement.

The abatement process is ludicrous but it is only a symptom; punishing capital formation and production is the bigger problem. But let's stay on the topic of abatement for now.

State law defines the address of the applicant business an "economic revitalization area." It doesn't matter whether the location happens to be in the poshest neighborhood in town or the most in need of revitalization. So, usually the first step for a councilman is to lie. The first step for the applicant is to presume perfect knowledge of the future. The whole process requires picking winners and losers and providing special privileges.

"Thanks to legislation effective last year, Indiana county income tax councils have the option to exempt all new business equipment from taxation."

A city council has no business digging into the hiring practices or business operations. For a capital-intensive manufacturing concern, however, the process could mean survival. Imagine you have a small machine shop where your equipment is worth about a year's sales. In manufacturing, 10-percent profit margins are typical. The tax on business personal property (i.e., equipment) is 3 percent. If you can get it lifted, your profit is 30 percent higher in my example.

Now you know why businesses subject themselves to such scrutiny and torturous evaluation — they need the money. We've created a situation where businesses often just don't report equipment purchases or lie about values or play accounting games to avoid paying the tax. And honest businessmen are frustrated that what is in effect deception and fraud have been codified.

Here is the solution: If your council's goal is not to control outcomes or micromanage business but rather to stimulate economic growth and prosperity, why not just exempt all new business equipment from taxation?

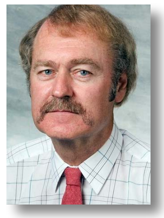
Thanks to legislation effective last year, Indiana county income tax councils have the option to do just that. Eliminating this tax will level the playing field for all businesses in regard to personal property taxation. Think about it: For manufacturers, equipment is a major investment; wouldn't making it easier and less expensive to do business be a positive development tool?

My city abates about $6 million each year. It spends $2.5 million on economic-development corporations and an economic-development department whose primary tool is tax abatement. The city gives out grants and other economic development money each year that equal more than $10 million a year. It collects about $17 million in personal property taxes. Would it not make more sense just to eliminate the tens of millions of dollars of economic development spending and simply stop collecting the tax?

Ohio and Illinois have already lifted business personal-property taxes, as have nine other states.

And there are firms in Indiana that have decided to expand in Ohio for that reason. And why not? Who wants city councilmen sticking their nose in your business?

by JOHN GASKI, Ph.D.



The author, an adjunct scholar of the foundation, is associate professor in the Mendoza College of Business, Notre Dame University.

The Truth About Growth

(June 1) — A perennial, or at least quadrennial, staple of Democratic Party argumentation is the claim that economic-growth rates under Democratic presidents outpace those under Republican presidents. Recently, Hillary Clinton resurrected this familiar mantra. But a closer look at the numbers tells a different story.

Every president's economic record benefits (or suffers) from the economic conditions he inherits from his predecessor. Moreover, an outgoing administration's final fiscal year doesn't end until Oct. 1 of the successor's first calendar year. So, rather than computing the average economic growth rate under a given president or party across calendar years of presidential terms, a more accurate measure would impose a one- or two-year time lag — preferably two years, because of the inevitable interval between fiscal-year policies and their economic effects.

The two-year lagged period would begin three months after the end of a new president's first full fiscal year. For example, George W. Bush left office in January 2009; Barack Obama's first fiscal year ran from October 2009 through Sept. 30, 2010; and the first full calendar year following the latter president's economic-policy implementation period was 2011.

Using this more realistic framework, a picture emerges that contradicts Democratic claims of superiority. In fact, rather than better GDP growth during Democratic presidencies, we find the opposite — a slight advantage (3.2 percent real growth versus 3.13 percent) for Republicans, based on data from 1947 through 2015. This difference isn't statistically significant, but it does undermine long-running claims that Democratic presidents deliver stronger economic growth.

Don't believe me? You can "look it up," as Casey Stengel once said.

Try the website of the federal Bureau of Economic Analysis. I have a table that provides the raw growth numbers going back to the early Truman administration.

It shows that even with the two-year lag President Obama's growth rate is anemic, just over 2 percent, which lags the averages for presidents of both parties since 1947.

Perhaps Republicans should stop referring to a weak recovery and start describing our current economic conditions as long-term stagnation. ◆

This essay appeared in the March 30, 2016, issue of City Journal.

The Reality Check

Q. More than half of fourth-graders now receive free or subsidized school lunches. In your opinion, which is the best policy?

36.36% —"Assign responsibility for the school-lunch program to the individual states."

31.82% — "Reform the school-lunch program so that only truly needy students are given assistance."

27.27% — "End the school-lunch program."

4.55% — "Continue the school-lunch program, maintaining or increasing funding."

Comments

"FUNDAMENTALLY, this is not a proper role of government. The only way government can give a 'free' lunch to one person is to first confiscate the money from someone else (by force or the threat of force) through taxation. That is the very definition of theft. Bastiat, Jefferson and Madison understood this very well and warned against it. That's not to say we as human beings shouldn't help the needy. But that is a fundamental role of churches and charities, which by the way are much more successful at carrying out that role than is government.

"For example, every Christian is responsible for loving his fellow human beings, to clothe the naked, shelter the homeless and feed the hungry. And history proves that allowing churches to fill this responsibility works best. The churches and charitable organizations are who started the first hospitals, homeless shelters, schools, orphanages, adoption agencies, soup kitchens, etc. And they did it without forcing anyone else to pay for it. It's time we end all government welfare and transition that responsibility back to churches and charities where it has worked best."

"STATES WILL TRY various ideas; some will be better than others. Better ideas may well prevail."

"THIS WAS ORIGINALLY a disguised farm program to boost government stockpiles of food. It should be ended."

"THE SCHOOL SYSTEM is so busy providing everything except reading, writing and arithmetic it is no surprise that American students are behind academically."

"IMAGINE THE HEADLINE: 'Children Will Not Eat Lunch Due to Vote by Senator ( )'. The goal used to be to keep everyone off welfare. Now it is to get everyone on it."

"THE TENTH AMENDMENT states that, 'The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people." Most, if not all, of our problems could be solved if we all agreed to follow this amendment. Sticky matters such as abortion, gay marriage, transgender bathrooms, etc., would be better adjudicated by the states and the people. Ditto for so many other matters."

"WHEN DID PEOPLE stop feeding their children?"

"IT IS HARD TO BELIEVE that half of the fourth graders in Indiana are truly in need of assistance. If so, maybe we need to help change the mindset of their parents and their sense of responsibility."

Twenty-two of the 101 members contacted completed this quarter's opinion survey for a response rate of 22 percent. The survey was conducted Aug. 12-13.

People who know about opinion surveys don't think much of ours. The sample is inherently biased and so small as to be little more than a focus group. The questions, sometimes confusing, are casually worded and transparently drive at one point or another. That said, we have learned to trust our members and eagerly await their thoughts on this and that.

"The Battle of Cowpens," painted by William Ranney in 1845, shows an unnamed patriot (far left) saving the life of Col. William Washington.

INDIANAPOLICY
Review
A journal of classical liberal inquiry observing its 28th year