

FOR ESIGHT



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PUTTING THEORY TO THE TEST

Systems of “Educational Accountability” Should Be Held Accountable

By Brian M. Stecher and Laura S. Hamilton

Now that the president has signed the No Child Left Behind Act, every state must develop a plan to begin testing all students in reading and math in grades 3 through 8 and in high school. Cash and other rewards could be conferred upon districts and schools with high scores, and tough sanctions will be imposed on the schools with per-



sistently low scores. However, there is no guarantee that the strict accountability provisions of the new law will promote student achievement or improve poor schools. In fact, it is quite possible that the new accountability systems may produce some negative results. Therefore, it is important for states to design their accountability systems to prevent any unintended negative results.

During the 1990s, a number of states adopted these kinds of “high-stakes” accountability systems—whereby schools, districts, students, teachers, and administrators were held accountable in various ways for the scores of students on achievement tests. Test-based accountability formed the cornerstone of the bipartisan No Child Left Behind Act, which Congress passed in December and the president signed in January.

Brian Stecher, a senior social scientist at RAND, evaluates state testing programs and new forms of educational assessment. Laura Hamilton, a behavioral scientist at RAND, conducts research on the validity of scores and gains on high-stakes tests.

This article first appeared in the Spring 2002 issue of *RAND Review*, a publication of RAND, a nonprofit research institution based in Santa Monica, California. A larger study by the authors is forthcoming.

Test-based accountability systems embody the belief that public education can be improved through a simple strategy: Test all students, and reward or sanction schools and districts based on the scores. Rewards can include formal public recognition and cash for teachers and schools. Sanctions can include progressively more severe interventions into school operations.

As stipulated in the new legislation, the interventions begin with external experts being assigned to meet with the administrators of schools and districts to help them improve. The interventions can escalate to include mandatory supplemental instruction for students and blanket permission for parents to enroll their children in other schools. If these interventions still fail to improve the test scores at a school, it can then be reconstituted (with the administrators being removed and the state taking over). Many state and federal policymakers have come to regard such test-based accountability as the most promising policy for improving education.

Nonetheless, the evidence has yet to justify the expectations. The initial evidence is, at best, mixed. On the plus side, students and teachers seem to respond to the incentives created by the accountability systems, and test scores generally rise. Yet how this occurs is puzzling. It could be the result of students working harder, of teachers adopting better strategies, and of everyone focusing on the desired subject matter. On the minus side, it is unclear if the test score gains reflect meaningful improvements in student learning or, rather, artificial score inflation caused by excessive coaching or other kinds of narrow test preparation. If the test scores are indeed inflated, then they send misleading signals about student performance. The accountability systems can also lead to academically undesirable changes in curriculum and instruction, such as emphasizing some subjects or topics at the expense of others.

If the accountability systems have the power to change behavior, as the early evidence indicates, then we need to en-

It is unclear if test score gains reflect meaningful improvements

INSIDE: *Where We Stand—Our 2002 Measures of Kentucky's Progress—and Scanning Kentucky*

sure that the systems change behavior in the correct ways. We can structure the accountability systems to maximize educational improvement and to minimize negative consequences, but a bit of pedagogical perspective is in order first.

Schools Are Not Factories

Much of the impetus for accountability in schools has come from beliefs about accountability that were nurtured outside the educational sphere—mostly in the business world. The business model of setting clear targets, attaching incentives to the attainment of those targets, and rewarding those responsible for reaching the targets has proven successful in a wide range of business enterprises. But there is no evidence that these accountability principles will work well in an educational context, and there are many reasons to doubt that the principles can be applied without significant adaptation.

In the industrial sector, production is easily quantified, and output can be translated into a single measure: profits. In education, there are multiple desired outcomes, and only a subset of them can be measured by tests. Schools are also expected to foster positive interpersonal relations, enhance citizenship, improve physical development, and promote general reasoning skills. Even in terms of achievement, where tests can measure output, we test only a portion of the subjects that are taught. Under the new law,

the states will be required to test reading, math, and (eventually) science, but not writing, history, government, music, art, or other subjects.

Education differs from the manufacturing sector in other important ways. To begin with, schools have little control over the “inputs.” In other words, students enter school with widely diverse skills and experiences. Test scores are further influenced by factors that prevail outside of school, and we have been unable to accurately adjust for these factors in estimating school effectiveness. Schools themselves differ greatly in their capacity to effect change. They cannot be “retooled” as easily as a factory. These differences suggest that the industrial model of accountability may not work equally well for education.

An additional impetus for the accountability systems has come from the well-publicized experiences of a few states (e.g., Florida, Kentucky, Maryland, and Texas) where test scores rose when rewards and sanctions were attached to state-administered achievement tests. Proponents of accountability attribute the improved scores in these states to clearer expectations, greater motivation on the part of the students and teachers, a focused curriculum, and more-effective instruction. However, there is little or no research to substantiate these positive changes or their effects on scores.

Meanwhile, there is moderate evidence of some negative changes, such as reduced attention to nontested curriculum, excessive narrow test preparation, and occasional cheating on the part of school personnel. Some schools have reassigned “better” teachers to the accountability grades or hired commercial test preparation companies. Some of these changes may ultimately prove *harmful* to overall student achievement. At the same time, inflated scores can create an illusion of progress that may identify the wrong programs as effective.

Likely Effects of the Law

The new federal legislation requires that each state create a test-based accountability system. To a limited extent, each state may customize its system to be responsive to local conditions, but the systems will generally be used to help make the following important decisions:

- whether recognition and cash bonuses will be awarded to teachers, administrators, or schools
- which schools enter and exit from mandatory school-improvement programs
- whether parents can transfer students from their home school to another school.



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**Scores on
high-stakes
tests rise
faster than
scores on other
standardized tests.**

The lack of strong evidence regarding the design and effectiveness of accountability systems hampers policymaking at a critical juncture. Under the new federal law, states will have to select tests, set performance standards, and implement reward

Teachers neglected subjects that were not part of the mandated testing program.

systems that have “teeth.” Yet the states at the forefront of the accountability movement are just beginning to observe the unintended consequences of score inflation and curriculum narrowing that often accompany high-stakes testing. Based on the evidence now emerging from California, Florida, Kentucky, Texas, Vermont, and other states, we can predict what will likely happen as the remaining

states implement their new, tougher testing policies.

First, we can expect average test scores to rise each year for the first three or four years. Teachers and administrators at both low-scoring and high-scoring schools will shift their instruction in ways that will produce higher scores. Every state that has implemented test-based accountability has seen its scores rise. In some cases, the rises have been dramatic.

Second, we know that, to some extent, the initial large gains in test scores may not be indicative of real gains in the knowledge and skills that the tests were designed to measure. There is extensive evidence that the scores on high-stakes tests rise faster than the scores on other standardized tests that are given to the same students at the same time to measure aptitude in the same subjects. It appears that students do not know as much as we think they know based on only the high-stakes test scores. Therefore, another ironic but likely result of the accountability systems is that the test scores themselves will be less accurate than they were prior to the attachment of high stakes.

The most common way to detect score inflation is to compare the scores of the same students on two separate tests. The logic of this approach is that valid gains on a high-stakes test ought to be reflected in similar gains on other tests of similar subjects. In Kentucky, we found that the gains in mathematics during the 1990s on a statewide high-stakes achievement test were nearly four times as large as the gains registered by the state’s students on a national achievement test. The latter test, known as the National Assessment of Educational Progress (NAEP), was designed solely with a monitoring role in mind and carries no rewards or punishments. In 2000, we found similarly divergent results in Texas, a state with an accountability system that is often considered a model for other states to fol-

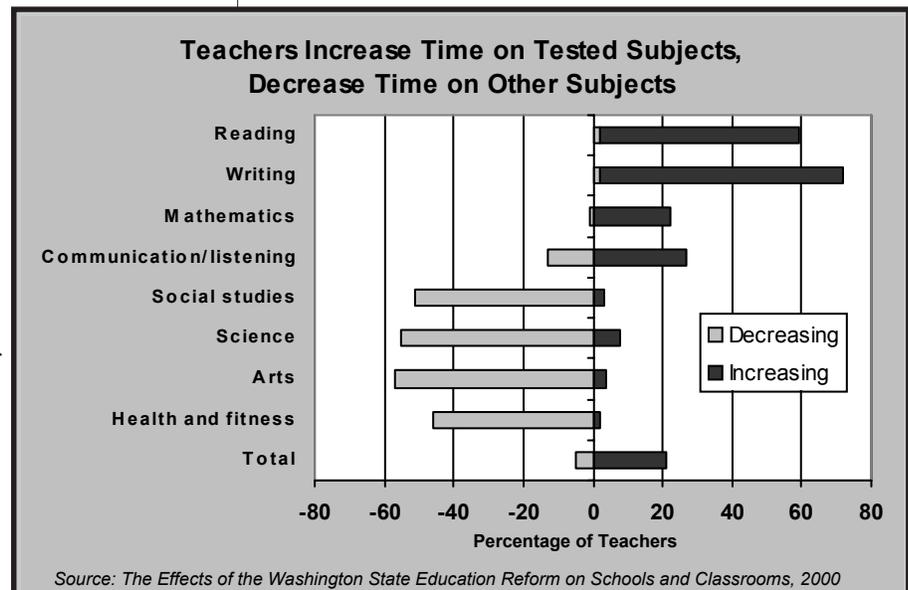
low. As in Kentucky, though, the gains on the statewide Texas Assessment of Academic Skills (TAAS) were much larger than the gains on the NAEP.

Third, we are likely to see more emphasis on tested subjects and less emphasis on nontested subjects. Our research has clearly demonstrated that teachers shift classroom time toward the subjects that are tested at the expense of those that are not.

One of the earliest studies on the effects of testing (conducted in two Arizona schools in the late 1980s) showed that teachers reduced their emphasis on important, nontested material. Teachers neglected subjects—such as science, social studies, and writing—that were not part of the mandated testing program. Similar declines in instructional time for nontested subjects have also been observed in Kentucky, Maryland, and Washington. The figure below shows the shifts in instructional emphasis reported by fourth grade teachers in Washington. Although state educational standards cover all eight of the subjects shown, the high-stakes testing was conducted only in the top four subjects.

Fourth, there is likely to be an increase in undesirable test-related behaviors. These behaviors include narrowly focused test-preparation activities that take further time away from normal instruction. Our research has clearly demonstrated that teachers change their instructional emphasis to mimic the formats used in the state tests. For instance, if states adopt multiple-choice tests (which are the most economical among the alternatives), less attention will likely be paid to the elements of math and reading that do not lend themselves to multiple-choice questions. On rare but well-publicized occasions, the undesirable behaviors have also included instances of cheating.

Fifth, we can expect large annual fluctuations in the scores for many schools. Some schools that make the greatest gains one year will see the gains evaporate the next year. Schools whose teachers earn large bonuses one year may have stagnant



scores the next, as has occurred in California. This volatility in scores results from a variety of factors, such as student mobility, different cohorts of students taking the tests, measurement error, and other transitory conditions.

Sixth, the sanctions imposed on low-performing schools will not ensure that the students in those schools are not “left behind.” Sanctions often include external consultants and ultimately staff reassignment and school takeover. The record

of success of such sanctions is mixed, and there is no guarantee that they will result in improved educational environments for students.

The table below provides a partial list of the potentially positive and negative impacts of high-stakes tests on students, teachers, administrators, and policymakers. More research is needed to understand the prevalence (and balance) of these positive and negative effects.

High-Stakes Testing Could Potentially Have Positive and Negative Effects	
POSITIVE	NEGATIVE
Effects on Students	
Provide students with better information about their own knowledge and skills Motivate students to work harder in school Send clearer signals to students about what to study Help students associate personal effort with rewards	Frustrate students and discourage them from trying Make students more competitive Cause students to devalue grades and school assessments
Effects on Teachers	
Support better diagnosis of individual student needs Help teachers identify areas of strength and weakness in their curriculum Help teachers identify content not mastered by students and redirect instruction Motivate teachers to work harder and smarter Lead teachers to align instruction with standards Encourage teachers to participate in professional development to improve instruction	Encourage teachers to focus on specific test content more than curriculum standards Lead teachers to engage in inappropriate test preparation Devalue teachers' sense of professional worth Entice teachers to cheat when preparing or administering tests
Effects on Administrators	
Cause administrators to examine school policies related to curriculum and instruction Help administrators judge the quality of their programs Lead administrators to change school policies to improve curriculum or instruction Help administrators make better resource allocation decisions, e.g., provide professional development	Lead administrators to enact policies to increase test scores but not necessarily increase learning Cause administrators to reallocate resources to tested subjects at the expense of other subjects Lead administrators to waste resources on test preparation Distract administrators from other school needs and problems
Effects on Policymakers	
Help policymakers judge the effectiveness of educational policies Improve policymakers' ability to monitor school system performance Foster better allocation of state educational resources	Provide misleading information that leads policymakers to make suboptimum decisions Foster a “blame the victims” spirit among policymakers Encourage a simplistic view of education and the goals of education

What the States Can Do

There are a number of steps that states can take to maximize the benefits and minimize the harm of test-based accountability systems. The following recommendations are not exhaustive, but they address the major concerns raised above.

First, *states should monitor the extent of score inflation*. The amount of inflation is likely to depend on the specific features



of each state's testing program, such as whether the same test items are used year after year. Fortunately, states are required to participate in

the NAEP nationwide testing of grades 4 and 8 every other year. The NAEP tests provide a good starting point for examining score inflation. Each state needs to establish a plan for comparing the NAEP results to the state results. Each state should then consider supplementing the NAEP scores with other comparative measures in other subjects and other grade levels.

Second, *states should consider expanding "what counts" in their accountability systems to include more than just reading and math*. Other subjects could be tested without overburdening the system. The overall testing burden could be limited by varying the subjects and grade levels over time and by using sampling approaches that do not require every student to take every test or answer every question. States should also consider measuring what is taught and how it is taught. Gathering this information could reveal shifts in instructional practices while also sending the signal that all subjects are important. (Unfortunately, it is not yet clear whether the No Child Left Behind Act will encourage or discourage the expansion of "what counts" at the state level. There could be disincentives to adopt this approach, depending on how the specific guidelines for implementing the federal law are written.)

Third, *states should create student information systems to track the test scores of individual students over time*. Such data can allow the states to monitor the progress of individuals, whether they remain in the same schools or transfer to different schools. This approach has two important strengths. It can help identify which teachers are effective, and it can correct for the effects of student background characteristics that are beyond the control of the schools. The data can also be used to understand what happens to students in low-performing schools.

Fourth, *states should base their rewards and sanctions on changes in multiyear averages of scores rather than on single-year fluctuations*. This change would help ensure that rewards and sanctions reflect real changes in student achievement.

Fifth, *states should monitor the progress of schools that are subject to such interventions as mandatory external*

consultants, supplemental instructional service, or parent transfer rights. By monitoring the changes that occur in these schools, the states can help to make sure that the sanctions will result in better learning environments for the students.

The new federal law has many attractive features, but it contains inadequate provisions for review and improvement to help it perform as intended. Fifty states will be struggling with the new federal requirements and with very little guidance about how to proceed. To make sure that no child is left behind and to make the accountability systems work better, the systems themselves need to be monitored for failure or success.

One of the good features of the new law is the requirement that states promote scientifically based instructional methods—that is, methods that have been evaluated and have produced strong evidence of success. We believe that this same emphasis on scientific legitimacy should also be applied to the provisions of the law itself. Test-based accountability systems will work better *if* we acknowledge how little we know about them, *if* the federal government devotes appropriate resources to studying them, and *if* the states make ongoing efforts to improve them. ☞

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Related Reading from RAND

Brian M. Stecher, Sheila I. Barron, Tammi J. Chun, Karen Ross, *The Effects of the Washington State Education Reform on Schools and Classrooms: Initial Findings* RAND/DB-309-EDU, 2000.

Stephen P. Klein and Laura S. Hamilton, *Large-Scale Testing: Current Practices and New Directions*, RAND/IP-182, 1999.

Hamilton, Stecher, and Klein, eds., *Making Sense of Test-Based Accountability in Education*, forthcoming.

Stecher and Barron, "Quadrennial Milepost Accountability Testing in Kentucky," in *CRESSST, National Center for Research on Evaluation, Standards, and Student Testing*, Center for the Study of Evaluation Technical Report 505, June 1999, pp. 1-35. Also available as RAND/RP-984.

Test-Based Accountability Systems: Lessons of Kentucky's Experiment, RAND/RB-8017, 1999.

Hamilton, Klein, and William Lorie, *Using Web-Based Testing for Large-Scale Assessment*, RAND/IP-196, 2000.

Daniel M. Koretz and Barron, *The Validity of Gains in Scores on the Kentucky Instructional Results Information System (KIRIS)*, RAND/MR-1014-EDU, 1998.

Klein, Hamilton, Daniel F. McCaffrey, and Stecher, *What Do Test Scores in Texas Tell Us?* RAND/IP-202, 2000.

The accountability systems themselves need to be monitored for failure or success.

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Citizens See Preferred Future Coming Into Focus

By Amy Walls

The Kentucky Long-Term Policy Research Center has released the fourth in its Visioning Kentucky's Future series of reports, *Measures and Milestones 2002*. This biennial assessment of the Commonwealth's progress toward realization of a preferred vision for the future of the state

In general, Kentuckians believe the state is making progress toward most of the 26 long-term goals.

provides measurements of the state's progress over time on benchmarks for 26 goals, often comparing state data with that for the nation or other states. The report also contains the results of a recent public opinion survey that asked Kentuckians to assess the state's progress on each goal and identify the least and most important goals for the future. The third of

these statewide polls, the report tracks changes, as well as constants, in citizen opinion about progress we are making and priorities we set.

In general, Kentuckians believe the state is making progress toward most of the 26 long-term goals. In previous years, citizens saw the state as "losing ground" on at least 5 of the goals. The survey asks respondents to choose from three possible responses for each goal: making progress, standing still, or losing ground. For the first time, only three goals fell into the "losing ground" range of the assessment: (1) provide access to affordable, high-quality health care for all; (2) end poverty and alleviate its consequences; and (3) establish a fair, competitive and responsible fiscal, tax, and regulatory structure. Citizens have assessed these three goals, each of which represents persistent structural issues, as "losing ground" on all three public opinion surveys.

Increased optimism, however, was also found in measures of *overall* citizen opinion regarding the state's progress toward its vision. The average proportion of respondents indicating that Kentucky is losing ground on each of the 26 goals declined from approximately 25 and 26 percent in survey years 1998 and 2000, respectively, to a low of 19 percent for 2002 (see Figure 1). This positive shift away from "losing ground" territory was split between the other two choices, leading to moderate changes in these measures. The average proportion of Kentuckians who feel the state is "standing still" increased from 37 to 38 to 41 percent in 1998, 2000, and 2002, respectively. On average, approximately 39 percent of Kentuckians see the state as progressing toward all 26 goals in 2002, compared with 36 percent in 2000, and 38 percent in 1998.

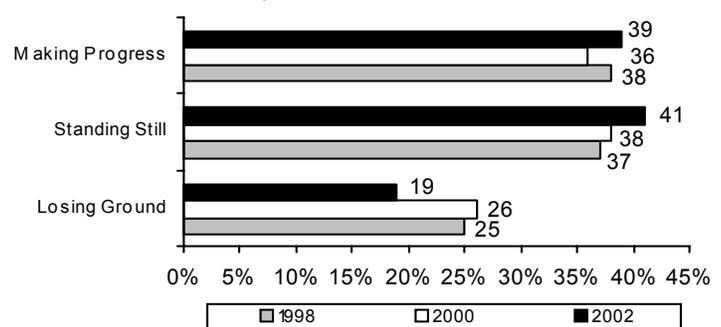
What Issues Matter Most to Citizens ?

As in years past, the Center asked citizens to list the three goals they consider most important to Kentucky's future. We found that the priorities of Kentuckians changed somewhat in the wake of September 11. In general, goals addressing more immediately felt issues, such as those regarding family, community, health care, and education, ranked relatively highly. The more remote the issue from the immediate well-being of family and community, such as the global economy or arts opportunities, the lower its current level of importance in the eyes of Kentuckians.

Citizens elevated Goal 1—*safe and caring communities*—from its position as the third most important goal in 2000 and second in 1998 to the most important goal for the future in 2002. Goal 2—*responsibility for family success*—made its way into the top three most important goals for the first time since the Center began the survey. While citizens cited Goal 4—*accessible, quality health care*—as the most important goal for the future in 2000, it came in third in 2002, close behind Goal 2. For the first time, Goal 7—*an excellent system of lifelong learning*—slipped out of the top three to fourth place, perhaps reflecting a waning of urgency as education reforms take hold. The least important goals cover an array of topics. Goal 12—*arts opportunities*—garners the lowest score, preceded by participation in a global economy, environmental awareness, and development of an entrepreneurial economy.

The rankings of each goal based on the importance citizens assign to them and their assessment of how well Kentucky is progressing toward their realization reveals how citizen opinion has changed over the period during which these surveys were conducted. Table 1 presents the top 3 goals ranked by progress and the top 3 goals ranked by importance in 2002. Comparison of the rankings for these goals shows the issues about which citizen opinion has changed and stayed the same over the years. On a positive note, the most important goal in 2002, Goal 1—*safe and caring communities*—has also

Figure 1
Citizen Assessment of Kentucky's Overall Progress, 2002
 (Average Percent of Respondents)



Source: Kentucky Long-Term Policy Research Center and UK Survey Research Center

climbed the ranks in perceived progress, increasing from 17th in 1998 to 5th in 2002.

The shift in priorities is most apparent by the climb that Goal 2—*responsibility for family success*—made as it moved from the 13th most important goal in 2000 to 2nd most important in 2002. The goal’s ascendancy is likely linked to a number of factors, including the aging of the population and the increased caregiving responsibilities it is creating for many families, the implications of welfare reform, the widely felt consequences of family disintegration, and the volume of political rhetoric dedicated to these and other related topics.

Similarities in attitudes over the years can be seen mostly in those goals that lie at the extremes of the two rankings. That is, Goal 12—*arts opportunities*—has consistently ranked 26th in importance, while remaining at or near the top in perceived progress. Goal 4—*accessible, quality health care*—consistently ranks last in perceived progress, but at or near the top in importance.

The Origin and Evolution of the Vision

The goals and benchmarks for measuring them are reflections of the hopes and dreams of Kentuckians expressed in a vision statement developed by the Center in response to public input and review. Specifically, the citizen vision for the future is one of “*vibrant, nurturing communities, lifelong, quality educational opportunities, a sustainable, prosperous economy, a clean, beautiful environment, and honest, participatory government at all levels.*”

First launched in 1994, the Visioning Kentucky’s Future project sought broad citizen input into the development of a vision for the future of the state. A vision statement was shaped based upon citizen comments at 15 public forums held around the state and numerous mailings that sought public

TABLE 1 The 2002 Top 3 Goals Ranked by Progress and Importance and Their Ranks in Previous Survey Years						
	Progress Rank			Importance Rank		
	1998	2000	2002	1998	2000	2002
Top 3 Goals Ranked by Progress						
12. Arts Opportunities	4	2	1	26	26	26
21. Environmental Protection	6	1	2	12	18	13
11. Partnerships to Promote Education	3	5	3	14	12	18
Top 3 Goals Ranked by Importance						
1. Safe and Caring Communities	17	12	5	2	3	1
2. Responsibility for Family Success	16	15	14	10	13	2
4. Accessible, Quality Health Care	26	26	26	3	1	3

Source: Kentucky Long-Term Policy Research Center and UK Survey Research Center

comment on various drafts. From the vision statement, the Center’s Board of Directors developed a series of goals that were subject to review by agencies throughout state government. The goals and measures or benchmarks used to assess progress toward their realization were subjected to similar levels of public scrutiny and evaluation in mailings and in discussions at the Center’s 1995 Conference.

The measurements presented in the report include data collected from participating state agencies and general population surveys conducted by the University of Kentucky (UK) Survey Research Center, as well as Center analysis of U.S. Census Bureau data. They cover a range of topics and demonstrate how well Kentucky has fared over time and relative to the nation or surrounding states. Based on the themes of the vision statement, new data in the report cover an array of issues such as school safety, social capital, poverty, Internet access, entrepreneurship, appointments to boards and commissions, access to health insurance, and many more.

The 1998, 2000, and 2002 public opinion surveys were conducted by the UK Survey Research Center. For the 2002 survey, surveys were mailed between August and October 2001; 773 eligible responses were received.

The overall rankings of goals were generated by assigning numerical values to the responses. For each goal that citizens said the state is “making progress,” a +1 was assigned; for those goals that citizens said the state is “losing ground,” a value of -1 was assigned. No value was assigned to “standing still” responses. To evaluate overall importance, the goals that citizens ranked as most important were assigned a value of 3 points while the second- and third- ranked goals were assigned values of 2 points and 1 point, respectively.



Copies of the report are available from the Center free of charge while supplies last. To obtain your copy, write, phone, fax, or e-mail the Center at any of the addresses shown on page 2. The full report is also available electronically at the Center’s web site: www.kltprc.net.

LIVING IN A CHANGED WORLD

ASSESSING THE HOMELAND SECURITY THREAT: LONG-TERM IMPLICATIONS FOR KENTUCKY

November 21, 2002, Executive Inn Rivermont, Owensboro, Kentucky

The 9th Annual Conference of the

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In the wake of the terrorist attacks of September 11, 2001, horror and fear gripped our nation. But it quickly yielded to remarkable and uplifting civic spirit. Today, this same uniquely American capacity for bravely, collectively confronting challenges is again being tested. In the wake of 9/11, a recession deepened, public revenues declined, security costs cut into already strained public and private budgets, and insurance rates skyrocketed, to name but a few of the aftereffects. We continue to reckon with the realities of living in a changed world.

For a timely discussion of the aftereffects of 9/11 and current and anticipated public responses to them, join fellow Kentuckians from across the Commonwealth for a multifaceted conference. "Living in a Changed World" will present a comprehensive discussion of post-9/11 initiatives, problems, and even opportunities. Experts and frontline "combatants" in this new and uncertain battle to reclaim what has been lost will discuss potential threats and responses in the areas of public health, cybersecurity, the economy, agriculture, infrastructure, tourism, immigration, and military installations.

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One of the world's foremost experts on terrorism, Dr. Bruce Hoffman advises governments and businesses around the world. A frequently featured commentator on CNN, NPR, and the Lehrer NewsHour, Dr. Hoffman holds degrees in government, history, and international relations and received his doctorate from Oxford University. He is Vice President for External Affairs and Director of The RAND Corporation Washington, D.C., office, founder of the Study of Terrorism and Political Violence at the University of St. Andrews in Scotland, editor in-chief of *Studies in Conflict and Terrorism*, the leading scholarly journal in the field, and chair of the International Research Group on Political Violence. He was awarded the first Santiago Grisolia Prize in June 1998 and accompanying Chair in Violence Studies by the Queen Sofia Center for the Study of Violence in Valencia, Spain. *The New York Times Book Review* calls Dr. Hoffman's latest book, *Inside Terrorism*, a valuable work and a "must read" for those who want to understand how best to respond to acts of terrorism.



A panel of Kentucky experts will respond to Dr. Hoffman's remarks and discuss the implications for Kentucky.

"Remembrance and Reflection" A 9-minute, 11-second original performance piece produced by the Kentucky Historical Society's Museum Theatre Program based on the real-life recollections of Kentuckians about the events of 9/11. A variety of readers will present the performance, which, according to author Mike Thomas, "will reflect a truthful, emotionally connected montage of our present and future history."

KET Panel Discussion In what is becoming an annual tradition, Bill Goodman, host of KET's "Kentucky Tonight," will lead a panel discussion of the ways 9/11 has and has not changed community life here and the costs—emotional and economic—of the fallout from this tragic event. Panelists are: *Dr. Bill Brundage*, Commissioner for the New Economy; *Dr. Nancy Cox*, Associate Dean, University of Kentucky College of Agriculture; *Dr. Rice Leach*, Commissioner, Department of Public Health; *Ms. Sylvia Lovely*, Executive Director/CEO, Kentucky League of Cities; *Dr. Michael Price*, State Demographer, University of Louisville; *Dr. Jim Ramsey*, State Budget Director and Interim President, University of Louisville; *General Jim Shane*, Executive Director, Kentucky Commission on Military Affairs; *Sen. Dan Seum*, Co-Chair, Interim Joint Committee on Seniors, Veterans, Military Affairs and Public Protection; *Ms. Aldona Valicenti*, CIO, Governor's Office for Technology; *Rep. Mike Weaver*, Co-Chair, Interim Joint Committee on Seniors, Veterans, Military Affairs and Public Protection.

LIVING IN A CHANGED WORLD

ASSESSING THE HOMELAND SECURITY THREAT: LONG-TERM IMPLICATIONS FOR KENTUCKY
 November 21, 2002, Executive Inn Rivermont, Owensboro, Kentucky



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This Year's Theme:

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September 18-21, 2002

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Scanning Kentucky

Emerging trends and issues that may affect the Commonwealth's future

Medical Spending on Upward Trajectory

Fueled by soaring hospital and prescription drug costs, medical spending is accelerating faster than government economists had expected, reaching 14 percent of the gross domestic product last year for the first time ever, according to new projections from the federal centers for Medicare and Medicaid services. What's more, the future will likely hold more of the same.

The development ends nearly a decade of fairly stable health expenditures, which have remained just above 13 percent of the gross domestic product (GDP) since 1992, according to the centers' report. Rising medical costs are also consuming a larger slice of the economic pie, and they appear to be on a similar course for the decade to come. By 2011, health care expenditures may more than double to \$2.8 trillion annually and may account for 17 percent of GDP, the government forecasters predict.

While the long-term outlook is uncertain, the scope of sharply escalating health care costs is clearer, according to these data. Last year, for instance, public health care programs grew by 10.4 percent, compared with a 7 percent growth rate in 2000, analysts estimated. Medicare, the federal health insurance program that covers nearly 40 million older Americans, saw expenses rise by 9.5 percent, as Congress decided not to enact some planned payment cuts for hospitals, home health agencies, and nursing homes. Meanwhile, Medicaid expenses swelled 11.5 percent in 2001, after an 8.6 percent increase the year before. Medicaid is a joint state-federal program for people who are poor and disabled, and states across the nation have experienced budget shortfalls that are in part linked to sharp rises in Medicaid spending.

On the same topic, *New York Times* columnist and economist Paul Krugman cited recent stories about physicians who "shun patients with Medicare" as an illustration of the inevitable collision of the ideals of fiscal conservatives who want to limit the size of government and the cost of medical advances that Americans want and often need. More and more conditions that once lay beyond doctors' reach can now be treated, he observes, adding years to the lives of patients and greatly increasing the quality of those years—but at ever greater expense. Our current Medicare/Medicaid system, however flawed, he suggests, was meant to ensure that no American be denied life-saving care. "Even in the United States," proffers Krugman, "there are limits to how much inequality the public is prepared to tolerate." Meeting the public's expectations for medical care—that is, ensuring that every Ameri-

can and, in particular, every retired American gets essential care—will require a lot of government spending.

Implications for Kentucky. Kentuckians, like most Americans, are experiencing rising health care costs in many forms, from higher insurance rates to higher co-payments and the exclusion of costly, new-generation drugs from the drug formularies of those who are insured and the budgets of those who are uninsured. Many predict that these costs will inevitably lead to higher populations of uninsured. The costs, some argue, are putting lifesaving medications out of reach for the uninsured, including older citizens who depend solely upon Medicare, which offers no prescription drug coverage. To date, 34 states have stepped into this void and either enacted or authorized prescription drug programs of their own, according to the National Conference of State Legislatures (NCSL). In the coming years, steady increases in medical costs that the state already finances will exert increasing pressure on the state budget, and a growing constituency of older Kentuckians will press policymakers for an expansion of those benefits. In turn, the question of whether to modernize the state's tax structure will demand a response.



Cost of College Daunting Debt for Many

Two out of three students must now borrow money to attend college, and four out of ten face unmanageable debts as they finish college and enter the job market, according to a report by the lobbying arm of State Public Interest Research Groups, a nonprofit organization that studies social policy. They found that debt among students doubled between 1992 and 2000 when the average graduate left college owing nearly \$17,000 in educational loans, figures that are not adjusted for inflation which remained low in that period.

The report, based on data from the U.S. Census Bureau and the Department of Education's National Center for Education Statistics, found that the share of students borrowing to finance their education rose substantially, from 42 percent in 1992 to 59 percent in 1996. During that period, federal fi-



nancing through Pell grants shrank as tuition rose. Though Pell grants increased after 1996, the debt of graduating seniors jumped from \$9,188 in 1992 to \$16,928 in 2000. A third of students graduate owing more than \$20,000 in education loans, and nearly half of all student borrowers graduate with credit card debts that average \$3,176. By 2000, 64 percent of students relied on loans to help finance their education.

In a related *New York Times* commentary, Robert M. Shireman, an education adviser to the Clinton administration, reminds readers that poor and middle-class families must spend nearly twice as much of their income today as their counterparts did a generation ago to send their children to four-year public colleges. Members of Congress and state legislators should take heed, he suggests, because federal and state funding for financial aid has lagged behind college costs for years, contributing to a “disturbing” social stratification in our nation’s colleges and universities—public and private. According to the National Center for Public Policy in Higher Education, tuition at four-year public colleges and universities was equal to 25 percent of the average yearly income of a low-income family in 2000. In 1980, the figure was 13 percent. While government must help by investing more in student aid, Shireman chides the practices of elite schools that recruit students from low-income households. “If top-ranked colleges, public and private, really want to encourage upward mobility rather than recycle prestige ... they could begin by advertising their true price.”

Implications for Kentucky. In a disproportionately poor state that needs every first-generation college student it can get, discouraging costs add an economic disincentive to an array of formidable cultural barriers. To achieve the important goal of closing the considerable gap between Kentucky’s college-educated population and those of other states, it is essential that young Kentuckians hear messages—often and early—in school about the availability of state scholarship monies before they form defeatist, often-reinforced attitudes about the exclusivity of higher education.

Obesity, Smoking Exact High Costs

Behavioral risk factors, such as smoking, drinking, and obesity, cause chronic health conditions that in turn drive up health care costs. According to a study published in *Health Affairs*, costs linked to obesity that result in conditions such as diabetes and heart disease are greater than those related to smoking and problem drinking. For obese people, spending on hospital and outpatient care is 36 percent higher, and medication costs 77 percent higher than for people in a normal weight range. For smokers, health care service costs were 21 percent higher, and drug costs were 28 percent higher than for nonsmokers. Cost increases associated with problem drinking were smaller.

About one in three Americans is overweight and one in five is obese based upon the body-mass index (BMI). The BMI, a common measure of obesity, is an individual’s weight in kilograms divided by height in meters squared. Translated into pounds, an individual who is 5 feet 3 inches tall and

weighs 169 or more pounds is obese; so is someone who is 6 feet tall and weighs at least 221 pounds. Between 1991 and 2000, obesity in the United States rose 60 percent while smoking rates were cut roughly in half since 1964, according to government studies. The study found that obesity is associated with an average increase in hospital and outpatient spending of \$395 a year, while smoking is linked with a \$230 annual increase and problem drinking with a \$150 increase.

In a related story reported by *CNN.com*, a study by the Centers for Disease Control and Prevention found that smoking costs the United States \$150 billion a year in health costs and lost productivity, 50 percent more than previously estimated. The analysis put the economic costs of smoking at \$3,393 per smoker per year. That comes to an estimated \$7.18 in medical costs and lost productivity for every pack of cigarettes sold in the United States, researchers said. In 1999, 22 billion packs were sold. The CDC study looked at deaths related to smoking, years of life lost, and economic costs and found smoking continues to be the leading cause of preventable death in the United States. Smoking during pregnancy caused approximately 1,007 infant deaths per year during the 1995-1999 time period examined. In 1996 alone, neonatal medical expenditures were estimated at \$366 million or \$704 per maternal smoker. Every year, an estimated 440,000 Americans died prematurely of smoking. On average, smoking cost men 13.2 years of life and women 14.5 years.

Implications for Kentucky. The irrefutable health consequences and rising estimates of the costs of smoking—and now obesity—continue to mount and make an increasingly compelling case for aggressive public health and public policy interventions. As reported by NCSL, some public health campaigns against smoking appear to be working. When funds for Florida’s aggressive antismoking TRUTH campaign were cut, smoking rates spiked among middle school students. Funds were restored in the following session. The studies cited by here show that substantial health care costs—a significant portion of which are met by taxpayers—are directly linked to smoking and obesity. Consequently, efforts to discourage smoking and encourage healthy diets and exercise not only affect public health but the public purse as well. As our population ages and health care costs mount, the importance of such initiatives will rise accordingly. 



The 2002 Vic Hellard Jr. Award

For service in the interest of Kentucky's future

Nominations for the 2002 Vic Hellard Jr. Award are now being accepted by the Board of the Kentucky Long-Term Policy Research Center. Given annually in memory and recognition of Mr. Hellard's leadership and service to the Commonwealth, this honor recognizes an individual who, by his or her example and leadership, has advanced citizen goals for the future. Nominating letters should explain how the candidate:

- ☞ Demonstrates vision, considering the long-term implications for the public good;
- ☞ Demonstrates innovation, finding new approaches while appreciating history;
- ☞ Champions the equality and dignity of all;
- ☞ Enhances the processes of a democratic society, promoting public dialogue, educating citizens and decisionmakers, and fostering civic engagement; and
- ☞ Approaches work with commitment, caring, generosity and humor.

Letters of nomination must be submitted by September 30, 2002 to:

Dr. Betty Griffin, Chair

KENTUCKY

LONG-TERM POLICY RESEARCH CENTER

111 St. James Court

Frankfort, KY 40601

Or submit your nomination online at: www.kltprc.net/hellardaward.htm

The 2002 award will be presented at the Center's 9th annual conference, November 21, 2002, at the Executive Inn Rivermont in Owensboro, Kentucky. Conference details are on pages 8 and 9.

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