

Policy Brief

HOW SCHOOL DISTRICTS CAN STRETCH THE SCHOOL DOLLAR

By Michael J. Petrilli

Three Ways that Districts Can Stretch the School Dollar

1. Aim for a leaner, more productive, better paid workforce.

Redefining the roles of classroom teachers and other staff members provides great opportunities for increased productivity. Districts should consider:

- asking classroom teachers to take on additional responsibility in return for greater pay;
- eliminating some ancillary positions; and
- redesigning its approach to special education.

2. Pay for productivity. Ask fewer people to do more work in order to get better results—but compensate them fairly for it. A redesigned compensation system would have the following elements:

- a more aggressive salary schedule;
- more pay for more work and better results; and
- prioritization of salary over benefits.

3. Integrate technology thoughtfully.

Online and “blended” school models are coming to K-12 education. These can be catalysts for greater pupil engagement, individualization, and achievement. If organized right, they can also be opportunities for cost-cutting.

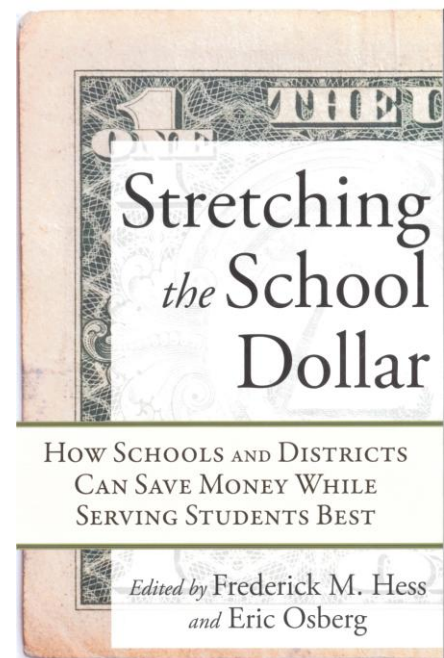
The nation is starting to get some distance from the market crash of 2008 and the Great Recession that followed. The Dow is back to its pre-recession standing, the unemployment rate is finally starting to subside, and some state coffers are beginning to refill.

Yet, for all of this good news, school districts nationwide continue to struggle mightily. This is partly because of the local revenue picture—depressed housing values mean lower receipts from property taxes. And it’s partly because of built-in cost escalators—contractually obligated step increases that keep teacher salaries rising; the ever-growing expense of health insurance; larger bills from state pension systems; and ballooning costs for everything from food to fuel. Marguerite Roza of the Center on Reinventing Public Education pegs these cost escalators at around 4.5 percent per year. Nobody expects economic growth—or education spending—to come anywhere close to that over the next five years. This dynamic produces recurring gaps that demand budget cuts every year—just to keep doing the same old thing.

The long-term outlook isn’t much brighter. Medicaid continues to eat into state budgets, crowding out resources for education. Medicare does the same at the federal level. Higher education is getting more rebellious about the spending cuts it has had to endure, partly to keep the K-12 sector from even more draconian belt-tightening. And if Congress ever gets serious about taming the deficit—either through higher taxes or lower spending or both—it could put additional pressure on the schools. (Federal education funding may dip, and higher federal taxes might put pressure on states and localities to lower their own rates. And regardless, two rounds of federal “stimulus” funding are all but exhausted.)

All of this is to say that the “new normal” of tougher budget times—as Secretary of Education Arne Duncan calls it—is here to stay for

Michael J. Petrilli is a research fellow at Stanford University’s Hoover Institution, executive editor at Education Next, and executive vice president at the Thomas B. Fordham Institute. He would like to thank the Center on Reinventing Public Education’s Marguerite Roza for her input and guidance. Any opinions or errors are the author’s alone.



American K-12 education. So how can local officials cope? (State officials should read Fordham's "Stretching the School Dollar: A Brief for State Policymakers," released in January 2011. Readers can find even more ideas in *Stretching the School Dollar: How Schools and Districts Can Save Money While Serving Students Best*, a 2010 Harvard Education Press book developed by the Thomas B. Fordham Institute and the American Enterprise Institute.)

This policy brief provides some answers. It is based on three key premises:

- >> Solving our budget crisis shouldn't come at the expense of children.** We should do everything we can to protect students' learning opportunities, improve the effectiveness and productivity of their schools (and other providers), and continue to boost their achievement.
- >> Nor can it come from teachers' sacrifice alone.** Depressing teachers' salaries forever isn't a recipe for recruiting bright young people into education—or retaining the excellent teachers we have.
- >> Quick fixes aren't a good answer; we need fundamental changes that enhance productivity.** The reforms—and investments—with the greatest payoff are those that will maximize student outcomes at lower cost. And since education is overwhelmingly a people business—and most of the system's costs are in personnel—the most promising reforms are those that rethink our staffing model: whom we hire, how we pay them, and what we do with their time.

We are well aware that local officials don't have carte blanche to address budget challenges any way they want. Federal and state regulations, collective-bargaining agreements, and plain old local politics make solving these problems extraordinarily challenging.

Still, it's not impossible. A new book by former Massachusetts superintendent Nate Levenson (*Smarter Budgets, Smarter Schools*), for example, is chock-full of examples of districts taking creative action to stretch the school dollar. And where local leaders' hands are

tied, we hope they will join reform organizations in trying to cut through the red tape.

Now, let's start by recalling the Hippocratic Oath: First, do no harm.

Here's what not to do, and why.

Harmful Cuts

>> Shrinking the workforce by laying off the newest teachers damages the system in myriad ways. Where districts must reduce teaching staff—and this is apt to be the case just about everywhere, considering what a large fraction of district budgets is comprised of their salaries and benefits—layoff decisions should be based primarily on teacher effectiveness. Recent research has illustrated that relying on seniority-based layoffs to close fiscal gaps has the effect of lowering student learning by two-and-a-half to three months when compared with layoffs driven by teacher effectiveness. Using seniority as the basis of layoffs disproportionately hurts high-poverty schools, since they typically have more junior teachers.

Furthermore, "last hired, first fired" policies have pernicious budgetary implications. Younger teachers ordinarily earn lower salaries—meaning that schools have to lay off more young teachers to recoup the same savings they would achieve by laying off ineffective teachers, regardless of age. Moreover, much like Social Security at the national level, school pension and healthcare systems are predicated on having young teachers pay into them while receiving few, if any, benefits from them. Without the young teachers on board, already-stressed pension systems will face even greater pressure and health insurance premiums for schools will climb even higher.

The most promising reforms are those that rethink our staffing model: whom we hire, how we pay them, and what we do with their time.

>> Narrowing the curriculum means students learn less. All children deserve a well-rounded education, yet in tough budget times some districts treat art, music, physical education, foreign languages, and health as “extras.” They sometimes skimp on history and science, too—especially when states unwisely slash or defer student assessments in those areas. Where district leaders balk at the high costs of providing some electives or “specials,” they may assume the only option is to cut them, instead of lowering their cost (through larger class sizes or using private contractors, for example). That’s short-

sighted. If we want students to be college-ready and able to compete internationally, they need much more than just bare-bones basic skills.

>> Furloughs reduce learning time while raising the cost of schooling. Rather than trying to “do more with less,” some schools simply do less with less. Adopting “Furlough Fridays,” shortening the school year, or trimming the school day

will move the United States in the opposite direction from other OECD countries, where teachers already enjoy fewer days off than the eighteen weeks of leave time that is the norm for American teachers. Further, using furloughs as a means to reduce spending is terrible fiscal policy. Escalating salary structures are left intact, but teachers earn less because they work fewer days. This kind of adjustment leaves even higher salaries per working day in place for the following year, which makes it nearly impossible for the system to add back those days. What’s worse, with total benefits now loaded on fewer days of work, the total labor costs of a week’s worth of work are actually higher as a result of the furlough!

>> Shortchanging choice options can work to eliminate the most efficient schools. Some education leaders find it tempting to close gaps by

pulling funding for charter schools and other forms of choice, including within-district options. Some have been denying bus service to their schools of choice, holding up required payments, eliminating parent-information efforts, and so on. Because charter schools typically receive fewer resources than traditional public schools and have more nimble budgets, such efforts are not only bad for kids and families—they also make education more expensive for the taxpayer.

>> Passing the buck to families widens already pernicious gaps between haves and have-nots.

Increasingly, parents are asked to pony up for sports, music, theater, Advanced Placement exam fees, and other extracurricular activities. This has obvious implications for low-income families, and raises questions about the very nature of free “public” schools.

So how can school districts dramatically increase productivity and stretch the school dollar?

Smart Savings

>> Aim for a leaner, more productive, better paid workforce. In a people business like education, it’s next to impossible to cut costs without letting people go. But the answer isn’t just to lay off teachers and let class sizes rise (though, in most grades and subjects, modest increases aren’t the end of the world). In the last two decades, school systems have hired all manner of instructional coaches, teachers’ aides, program administrators, support staff, counselors, psychiatrists, specialists, and so forth. Redefining these roles—and those of classroom teachers—provides great opportunities for increased productivity. None of this is easy, but districts should consider:

- ◆ **Asking classroom teachers to take on additional responsibility in return for greater pay.** Can they do without aides? Handle larger classes (or student loads)? Take on mentoring roles along with classroom instruction? Monitor the lunchroom or playground? Help to run the Advanced

Where district leaders balk at the high costs of providing some electives, they may assume the only option is to cut them, instead of lowering their cost.

Placement or International Baccalaureate program? Lead an after-school or summer-school initiative? Where these additional responsibilities enable the system to operate with fewer staff (even if that means the remaining staff work a longer year), the system can justify higher pay while still realizing savings.

- ◆ **Eliminating some ancillary positions.** Can the district manage with fewer specialists, instructional coaches, teachers' aides, support staff, and the like? As stated above, can classroom teachers take on some of these jobs? Alternatively, can some roles—like librarians or art teachers—be shared across schools? If so, not only will such actions save on salaries (some of which could be reallocated to bonuses or salary enhancements for classroom teachers), they will save dramatically on benefits. Because public education's benefits ratio is so high (often 40 percent of an employee's salary or higher), this is where the real savings are.

- ◆ **Redesigning its approach to special education.** Many of the specialists that districts have hired in recent decades serve special populations—mostly students with disabilities but also English language learners. Districts

should consider whether their approaches to educating these high-need students are as cost-effective as they could be. (That doesn't mean cheap—it means effective, at a reasonable cost.) For example, if the district uses a "co-teaching" model with regular teacher and a special education teacher in the same classroom—which is hugely

Districts should consider whether their approaches to educating high-need students are as cost-effective as they could be.

expensive—could it try a pull-out approach instead? Or if the best model has these students staying in the classroom, could the extra services be provided over the summer, or after

school? If many students are being identified as learning disabled, might the district invest in high-quality Response to Intervention approaches to address the issue at its source, saving a ton of money downstream? Is it sending more students to speech therapy, or occupational therapy, or other special services than truly need them? Could it provide better service at a lower cost by contracting out these services, rather than having specialists on staff? Might it even offer some of these services online?

➤➤ **Pay for productivity.** As explained above, the key way to increase productivity is to ask fewer people to do more work in order to get better results. And they should be compensated fairly for it. A redesigned compensation system would have the following elements:

- ◆ **A more aggressive salary schedule.** Today, in most school districts, teachers get decent starting salaries and then paltry raises over a fifteen- or twenty-year period. The only way to increase their take-home pay is by amassing graduate school credits. None of this is related to productivity, however. (Master's degrees in education are a particularly questionable investment, as the evidence indicates that they don't enhance effectiveness at all.) Teachers improve dramatically in their first two to three years on the job, and their salaries should rise dramatically along with their effectiveness—reaching the maximum base salary much sooner than is now the case. This would help boost retention of young teachers—a huge opportunity for saving money (on training, recruitment, etc.) and for raising student achievement. Redistributing earnings so that they are more level across one's career could offer the same earnings, but without the spiked pay at the end of a career that drives up pension obligations.

- ◆ **More pay for more work and better results.** Additional pay should then be earned by taking on additional work, as outlined above (via new

roles, larger class sizes, and so on). Districts should pay highly effective teachers higher salaries, too.

- ◆ **Prioritization of salaries over benefits.** It's no secret: School districts have to get their health care costs under control. This is a challenge in every sector of the American economy, but the public schools have historically been particularly generous on this front. But every dollar going into health insurance is a dollar that can't go into higher salaries. Plans should be redesigned so that employees have more skin in the game—and incentives to keep their own healthcare costs down. Co-pays, employee premiums, out-of-network fees, and the rest should be brought into line with what workers in the private sector expect.

➤ **Integrate technology thoughtfully.** Online and “blended” school models—where students spend all or part of the day learning online—are coming to K-12 education. These can be catalysts for greater pupil engagement, individualization, and achievement. If organized right, they can also be opportunities for cost-cutting. Why couldn't students learn foreign languages via Rosetta Stone, for example, instead of in a traditional classroom? Could they receive online tutoring from low-cost college students rather than pricey teachers or aides? Technology also allows schools to “differentiate instruction” in creative ways. For instance, classes can be divided in half, with some students learning online at any given time and the others receiving customized instruction from a first-rate teacher. Alternatively, three elementary teachers can be stretched across four classrooms by having students rotate through an online learning lab, staffed by an aide. Done right, this can boost achievement and save a substantial amount of money.

Conclusion

Many districts continue to face budget challenges of historic proportions. Decisions made in the coming

months will carry significant repercussions for years to come. The path of least resistance is to slash budgets in ways that erode schooling. In this scenario, important reforms are left behind, overall services are diminished, innovations are scrapped, and the system settles for doing less with less. Worse still, cuts are made in ways that make the system unsustainable for the long term, virtually guaranteeing a multi-year cycle of educational erosion and decay. A more proactive and thoughtful approach has the potential not only to protect the existing quality of schools, but also to unlock commitments, policies, practices, and habits such that available education dollars can be used differently to serve students better. In other words, smart leaders can turn this budget crisis into an opportunity.

To be sure, the recommendations in this paper aren't meant to be comprehensive. For instance, this brief does not touch upon the myriad ways that the business side of the house could spend less or raise new revenue, such as by renting school facilities after school or on the weekend; merging back-office operations with other districts; outsourcing food, custodial, busing, or maintenance services; closing underutilized schools; reducing energy costs; and more. And some of these could certainly help the bottom line, at least at the margin.

But let us return to a key premise: Most of the school dollar goes toward instructional staff and the people who manage them. Rethinking who we hire, what they do, how we pay them, and how to incorporate technology—that's where the big payoff is.

In other words, local officials need to reconsider the core business of schooling—and get key stakeholders to buy into a new, more cost-effective, more productive vision. That's no small thing. Are you up to the challenge?