

Published: January 6, 2005

Making Every Dollar Count

As expectations for schools rise and money remains tight, policymakers face growing pressures to strengthen the connection between K-12 spending policies and academic results.

By Robert C. Johnston

Things might be different if public education had its own Rumpelstiltskin. But with nobody spinning straw into gold for schools these days, educators face increased pressure not only to make do with the money they have, but to do more with that money than ever before.

As schools retool to meet the higher academic requirements of state and federal laws, policymakers and researchers are taking a closer look at how the nation's public schools spend money, and whether the expenditures are connected to their goals.

"We need to do much better with the money in the system," says Tom Vander Ark, the executive director of the education arm of the Bill & Melinda Gates Foundation in Seattle and a former superintendent. "The frustrating conclusion one must reach is that if we more effectively allocated and spent the money we have, we could do a pretty good job of educating students."

Contrary to widespread opinion, shortages in the amount of school aid that reaches classrooms cannot be blamed on administrative bloat, most education finance analysts say. Instead, they strongly argue that educators need to think differently about how they track and spend the nearly \$500 billion that goes toward American precollegiate public education each year.

"The old system is very top-down and prescriptive," says Bruce Cooper, a professor of educational administration at Fordham University. "Now, the thought is that decisions should be made from the bottom up and responsive to the students based on their needs. It's a reverse of the traditional."

The problem is that school spending practices still typically revolve around state and district policies that are rigidly committed to personnel and afford little flexibility to local administrators.

In addition, the accounting practices under those policies often lump spending into broad categories that lack the transparency or level of detail needed to link spending decisions with academic achievement. Here is where finance experts see vast potential for change.

'An Accounting Phenomenon'

One of the biggest challenges facing policymakers and administrators is determining how much is spent on instruction, staffing, and other items at the school level. For example, in 2001, the Chicago-based Cross City Campaign for Urban School Reform found that school-level spending in 10 urban districts consumed anywhere from 38 percent of the district budget in Denver to 95 percent in Milwaukee.

SEE ALSO

See the accompanying item, "[Chart: School-Level Data Collection.](#)"

It's highly unlikely, says one researcher who studied the numbers, that such huge variations accurately reflect the dollars that actually are spent in the schools. "This is an accounting phenomenon," says Lawrence J. Miller, a research analyst at the University of Washington. "A

generally accepted method for budgeting school-level resources does not exist. There needs to be one.”

Over the past century, the United States has seen a steady increase in education spending per pupil, about 2.5 percent a year after adjusting for inflation, according to the Consortium for Policy Research in Education, or CPRE, based at the University of Pennsylvania. On average, \$7,734 was spent per pupil in the United States in 2001-02.

But, over the past 50 years, spending patterns have changed greatly from focusing on classroom teachers to spending larger portions of school budgets on specialists in art, music, physical education, and other areas, as well as on resources for struggling students and on instructional aides.

‘A generally accepted method for budgeting school-level resources does not exist. There needs to be one.’

Lawrence J. Miller,
Research Analyst,
University of Washington

Overall, school expenditures can be divided three ways: core instructional services and administration; instructional and pupil-support services in areas such as art and bilingual services; and overhead, such as transportation and food services.

Traditional reporting systems don’t track expenditures by those categories or at the school level, CPRE concludes.

“We need a more finely grained data system to monitor spending to see if we’re getting the desired effect,” says Allan Odden, a professor of educational administration at the University of Wisconsin-Madison and a co-director of CPRE. “The data we have on how money is used does not really help to answer those questions.”

State Efforts

States are moving to connect performance and spending data, though their efforts are far from uniform. Several states track and publish school- and district-level spending figures along with such performance indicators as test scores, dropout rates, and attendance rates.

For several years, Michigan and Pennsylvania have been partners with Standard & Poor’s, an international financial-consulting company based in New York City, to produce in-depth performance and spending profiles at the state, district, and school levels.

By evaluating schools’ performance on tests and comparing local spending priorities and tax rates, along with overall state aid, Standard & Poor’s has provided detailed snapshots that rate schools against others across those states.

“We have a return-on-spending indicator that is one of a number of indicators that local decisionmakers should look at to at least ask the right questions about ‘Why is this high?’ or ‘Why is this low?’ ” says William Cox, the managing director of Standard & Poor’s School Evaluation Services.

The information was a strong force in the transformation of the 2,000-student Tyrone, Pa., public schools, where 35 percent of students are from low-income families and nearly one in four is in special education.

In the five years that it has used the data, the district has identified strong schools and then borrowed ideas from them, raised teacher salaries to the county average, and regularly shared performance data—and tips for improvement—with students. According to S&P's Performance Cost Index, as of July 2004, only 7.4 percent of Pennsylvania school districts had a more favorable relationship between spending and student performance.

States are moving to connect performance and spending data, though their efforts are far from uniform.

Florida has moved forward on its own to rate schools on its new "Return on Investment" index. Using a formula to relate financial resources spent at the school level with measures of student performance, the state generates a percentile ranking of a school's efficiency and effectiveness.

The system was unveiled in June of last year. Parents, researchers, and anyone else who is interested can even find a color-coded meter with a dial that registers the school's return on investment as low, medium, or high.

For example, Castle Hill Elementary School in Broward County received a low ranking for the 2001-02 school year. Even though it was in the middle third of the state for learning gains, it was in the upper third of all elementary schools in the state for per-pupil spending. Castle Hill was spending \$6,125 per pupil, compared with the state average of \$4,677.

"It may take a while for all users to become familiar with the site and its capabilities," Florida state education officials say in an e-mail response to questions about the system. "However, schools and districts have expressed their interest."

More Information Ahead

School finance experts lament that more school-level budget data are not available. Today, only 22 states and the District of Columbia collect some school-level financial data, according to *Education Week's* survey of state education agencies.

"When we talk about productivity, we need to talk about major infrastructure changes," says Steve Smith, a former school finance expert with the Denver-based National Conference of State Legislatures.

Soon, though, the same kind of information available in Florida, Pennsylvania, and Michigan will be available for every public school nationwide.

Early this year, the Council of Chief State School Officers is expected to go online with the first phase of the Data Partnership, a three-year, \$45 million effort to provide a Web site that will eventually combine academic, demographic, and financial data for schools in all 50 states, the District of Columbia, and Puerto Rico.

But state Rep. Ken Grusendorf of Texas, a Republican and a member of the House's committee on public school finance, argues that it will take more than good data to give policymakers and school leaders the flexibility they need to make the most efficient personnel decisions possible.

Because districts are so labor-intensive, uniform pay scales and across-the-board raises do not provide the best return on investments in education, he says. "We need to treat educators like professionals, which means you must identify the best and pay them more," he argues. "You'll never maximize efficiency in education until you address that problem."

The recipe for smarter spending decisions starts with a clear understanding of current policies and practices.

When Karen Hawley Miles, a school finance researcher and consultant, reviewed the budget for the 85,000-student Albuquerque, N.M., school district, for example, her analysis showed that \$460,000 was spent on strategic professional development.

But when the costs for teacher time and salaries for training were added in, the training costs exploded. They grew even more when the salaries for instructional coaches at low-performing schools were counted as a professional-development cost.

Ultimately, the district found that it was spending more like \$20 million on professional development. At that point, local officials decided they needed a strategy, Miles recalls.

By looking at that much larger pot, the district found ways to distribute more resources to the lowest-performing schools, hire literacy coaches, make curriculum changes, and establish a supervisory structure that called on the most talented teachers to instruct other teachers.

Miles, the president of Education Resources Strategies, a Wayland, Mass.-based consulting group, says Albuquerque's situation may have been extreme, but she adds, "Every time we do this, we see all of these well-meaning efforts which, if pulled together, could give schools extra support around literacy or whatever."

Miles likes to make the point that districts and schools must define student-performance priorities, organize around meeting those goals, and move money to help make the desired improvements happen.

"There is this image that there is all this administration around, but I haven't found it," Miles continues of school districts. "But, are they spending as strategically as they can to meet the high standards we are setting for kids? Absolutely not."

Researchers at the Consortium for Policy Research in Education have developed a school-level expenditure structure that provides two distinct, yet related, sets of information about school resources and education strategies.

First, the model provides a list of data such as student enrollment and percentages of students who are from low-income families or enrolled in special education. There's also information on class sizes, areas of special academic focus, and length of class periods.

Second, the model consists of expenditures in nine core educational areas, including how much is spent on core academic teachers, teachers of special education and electives, extra help for students, professional development, and administration.

The recipe for smarter spending decisions starts with a clear understanding of current policies and practices.

That breakdown, according to a report on the model, "provides a powerful analytical tool for comparing resource use and deployment across schools."

Likewise, a research paper in the works last fall by the Center on Reinventing Public Education, located at the University of Washington in Seattle, complements the school-based work of Odden by focusing on district budgets. Specifically, the work looks at ways to more precisely identify "shared district resources," or those funds that are counted at the district level but sent to individual schools.

For example, services for non-English-speaking students or those identified as gifted and talented are often controlled and budgeted centrally, with no clear delineation of school-by-school spending.

To Miller, the research analyst at the University of Washington who helped write the paper, such data provide powerful information about spending equity and efficient use of resources.

"When shared district resources are factored in [as part of school spending], the school we thought was getting less is getting more," he says. "That has to come back and connect to expectations for academic performance."

Public Opinion

In addition to steering money where it is needed, policymakers and school administrators have another incentive for coming up with efficient and transparent budgets: public relations.

Experts who have scrutinized school budgets from every possible angle tend to agree that yes, there are isolated spending excesses—fancy sports facilities, hefty cost overruns on construction projects, and even corruption. But, by and large, they say that spending on administration is lean, and that school systems do a pretty good job of stretching the money they have.

The problem is, the public doesn't see it quite that way.

Last summer, the polling organizations of Peter D. Hart and Robert M. Teeter asked 1,309 adults for their opinions on a host of school funding issues for the Educational Testing Service.

Up to 42 percent of the respondents believe that "a great deal" or "quite a bit" of money is being wasted in education, the poll found, and an additional 34 percent believe that a "fair amount" is wasted. The source of that waste, according to 78 percent of the respondents, is "centralized administration."

The difference between how the public and education policymakers feel couldn't be more striking: Nearly half, or 46 percent, of the latter believe that money is not wasted in education—a belief that just 6 percent of the public shares.

"If I were in school administration, I'd take this as notice that we need to do a better job communicating how much or how little is spent on administration," says Les Francis, the vice president of communications and public affairs for the Princeton, N.J.-based ETS. "The public has a position, but that doesn't mean it's right."

Public Understanding

Survey-based research shows that parents welcome an emphasis on clear and available school-based performance data, Francis says. Strong results, he adds, are a selling point for school administrators.

The ETS poll also found that the largest proportion of all adults responding, 37 percent, believes that the average spent per public school student by the local, state, and federal governments is between \$1,000 and \$5,000. A smaller proportion, 28 percent, put that figure between \$5,000 and \$10,000 per pupil—which is much closer to the actual national average of \$7,734 in 2001-02.

'We're going to end up robbing Peter to pay Paul. I don't know, quite honestly, whether our public understands or is ready for that.'

Jack E. Dale,
Superintendent of Schools,
Fairfax County, Va.

Overcoming mistaken public perceptions is one of the biggest, and most important, challenges facing Jack E. Dale, the superintendent of the Fairfax County, Va., schools, whose budget must be approved by a skeptical county board of supervisors.

"Initially, we try to use comparative data versus other districts," Dale says. "What you end up with is a sense from the public that you are comparing two large entities and both are bloated."

But Dale has a couple of factors working in his favor. His sprawling, 166,000-student district in the suburbs of the nation's capital enjoys a solid academic reputation. And the district's \$10,113 per-pupil spending amount falls in the middle of the pack regionally. Arlington County, Va., spends \$13,950 per student to lead the region, while Prince George's County, Md., is at the low end at \$8,014 per student.

"We are the 12th-largest district in the country, and by every measure, we are doing well," acknowledges Gerry Connolly, the president of the Fairfax County Board of Supervisors. "The district is a jewel in the crown of Fairfax County." But the Democrat still wants to see the district do more to rein in its spending—even as Dale argues that the budget is as lean as it can get.

"When you have an entity with a \$1.6 billion budget, you can't say with a straight face that there isn't a way to cut back," Connolly says. "We have to discipline ourselves."

If Dale is reading the tea leaves correctly, there won't be big infusions of dollars in the coming years.

"I think this will force us to decrease our resources for some programs and services, and increase our resources for children not being successful in school," the superintendent predicts. "We are going to end up robbing Peter to pay Paul. I don't know, quite honestly, whether our public understands or is ready for that."