Welcome to Strategy Session #2: Don't Let a Financial Crisis Go To Waste

Moderator: James Guthrie, Senior Fellow and Director of Education Policy Studies, George W. Bush Institute
Don Gaetz, Florida Senate
Hanna Skandera, New Mexico Superintendent-Designate of Public Education

Today's presentations available for download at www.ExcelinEd.org/agenda
Spending Education Money More Wisely:
Here is How

James W. Guthrie
Senior Fellow, George W. Bush Institute
Professor of Public Policy and Education, Southern Methodist University
Historical Per Pupil Spending

National Public K-12 Current Expenditures Per Pupil (1920-2008)

Source: National Center for Education Statistics’ Common Core of Data.
Notes: Values in 2007 and 2008 represent straight averages across states; finance data expressed in real 2008 dollars.

Current Expenditures Per Pupil (Real)  Current Expenditures Per Pupil (Nominal)

Private and Public Sector Productivity Compared

Cumulative Percent Change in Private Business Sector Output/ Hour, Pupil-Teacher Ratio, and Reading and Mathematics NAEP Scale Scores

Sources: Bureau of Labor Statistics; National Center for Education Statistics’ NAEP Data Explorer and Common Core of Data.
- NAEP - Reading - Grade 08
- NAEP - Math - Grade 08
- Private Business Sector Output/ Hour
- Pupil-Teacher Ratio
Education Productivity Relative to Entire American Economy

Nine-year old students' NAEP reading point per current per pupil expenditure and cumulative percent change of output per hour in private business sector over 20 years.

Sources: Bureau of Labor Statistics; National Center for Education Statistics’ NAEP Data Explorer and Common Core of Data.
Note: Finance data expressed in real 2008 dollars.

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National Context: Pupil Teacher Ratio


Source: National Center for Education Statistics’ Common Core of Data.

Per-Pupil Teacher Ratio (Projected) Per-Pupil Teacher Ratio (Actual)

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Proportion of Education Spending on Faculty and Staff Salaries (OECD)

Importance of Exploring Teacher Effectiveness

Math Test Scores

Much More Variation in Teacher Effectiveness within Groups of Teachers than Between Groups of Teachers

STUDENT ACHIEVEMENT OVER TIME

Trends in NAEP Average Scale Scores in Reading for Students 9, 13, and 17 Years Old (1971-2008)

Source: National Center for Education Statistics' NAEP Data Explorer.
- Red: Avg Scale Score - Age 13
- Blue: Avg Scale Score - Age 9
- Green: Avg Scale Score - Age 17

INTERNATIONAL COMPARISONS: MATHEMATICS

Program for International Student Assessment (PISA)
Average Scales Scores for OECD Countries in Mathematics (2006)

Source: National Center for Education Statistics' International Data Explorer.
DECLINING EDUCATION PRODUCTIVITY
(COST OF EACH NAEP POINT IS DOUBLING)

Average Dollar Cost Per NAEP Scale Score Point
in Reading for Students 9, 13, and 17 Years Old (Select Years: 1971-2008)

Source: National Center for Education Statistics' NAEP Data Explorer and Common Core of Data.

- Age 9
- Age 13
- Age 17

BENDING THE CURVE OF PAST PER PUPIL SPENDING

Current expenditures per pupil in public elementary and secondary schools: Actual and forecast, 1970 through 2020

- Spending: Actual and forecast
- Upper bound of 99% interval
- Lower bound of 99% interval
Education’s Favorable Fiscal Trend Likely Cannot Overcome the Following Emerging Conditions

- Centralization of Revenue Sources
  - Erosion of Education’s Protected fiscal Status
- Intensified Resource Competition
  - Politically Attractive Physical Infrastructure and Social Service Demands
  - Mounting National Debt ($13.5 Trillion and Growing)
  - Underfunded State and Federal Social Security, Medicare, Prescription Drug, Public Pension and Health Liabilities ($100 Trillion and Growing)

Education’s Favorable Fiscal Trend Likely Cannot Overcome the Following Emerging Conditions (cont.)

- Issues of Productivity
  - Undiminished Labor Intensity
  - Inability to Augment Labor with Capital
- Discouraging Demographic Dynamics
  - Fewer Households with School Age Children
- Public Concern for Education System Performance
  - Stagnant Achievement No Longer Acceptable
CONCLUSIONS

- Era of Favorable Fiscal Growth is Over
- Quests for Productivity Will Intensify
- Operational Belt-Tightening is a Short Run Fix
- Education’s Long Term “Big Money” is in People

CONCLUSIONS (cont.)

- Productivity to be found in:
  - Eliminating Dysfunctional Remuneration Practices
    - Replacing Single Salary Schedule with performance incentives
    - Coordinating salary and fringe benefits
  - Augmenting Labor with Capital
    - Expanded Deployment of Technology
  - Deriving the Most from Accountability
    - Empowering Principals
  - Operational Efficiency
    - Activity Based Cost Accounting (classes not schools)
    - Incentives for operating efficiently
  - Constructing Virtuous Circles of Conscious Experimentation, Objective Appraisal, and Fast Failure
  - Competition?
SPENDING PUBLIC SCHOOL MONEY BADLY
TEN ILLUSTRATIONS

- Paying educators for out-of-field MA Degrees and annual salary premiums for experience
- Reimbursing districts 100% for special education costs
- “LIFO” Personnel provisions
- Relying on regular classroom instructional aides
- Mandating class size maxima
- Legislatively precluding outsourcing
- Requiring spending “supplement not supplant”
- Prohibiting end-of-budget year surplus carryover
- Maintaining unnecessary and overly subsidizing necessary small school
- Sustained supplements for stealth students

SPENDING PUBLIC SCHOOL MONEY WISELY
TEN ILLUSTRATIONS

- Adopting “Activity Based Cost” (ABC) Accounting
- Augmenting labor with capital (technology)
- Empowering principals as school level CEO
- Performance-based dollar distribution formulas
- School level financial budgeting
- Capitivating high incidence (low cost) and centralizing low incidence (high cost) special education
- Implementing teacher career ladder and performance pay
- Incenting technology, labor reductions, and utility conservation
- Centralize health insurance at the state and outsource local services (where proven to save money)
- Internal performance guarantees (e.g., K-12 districts pay community college remedial course costs)
Up Next... Strategy Sessions
10:45 -- 12:00 pm

Strategy Session #4: How Can Locally-Controlled Education Fuel a Global Economy?
*Gold Ballroom*

Strategy Session #5: R U Ready, Grads?
*Twin Peaks*

Strategy Session #6: Fed Up With Failure?
*Presidio*