

# **Staring at a decade of budget gaps:**

## How can states finance policy drive productivity gains in education?

**Presented by:**

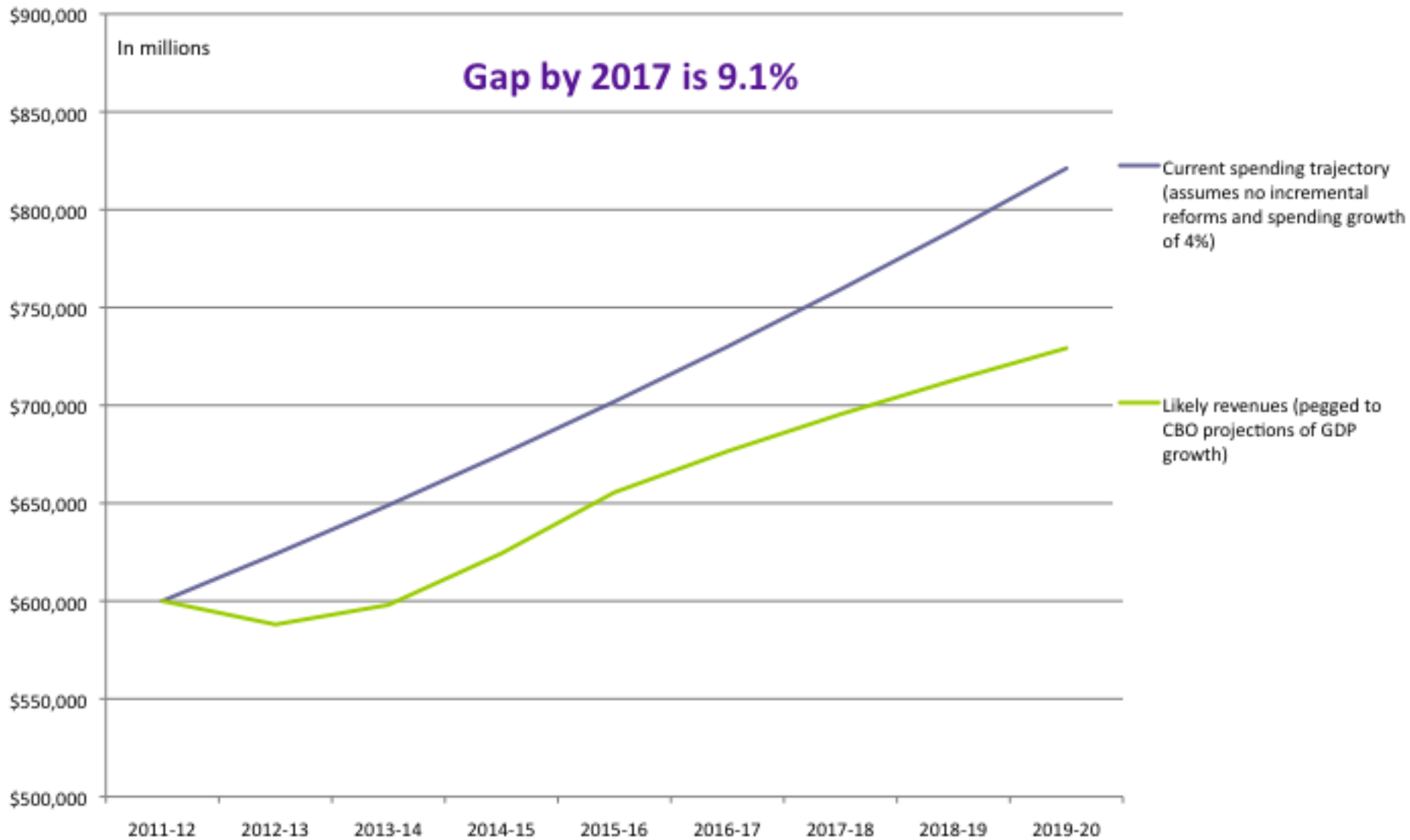
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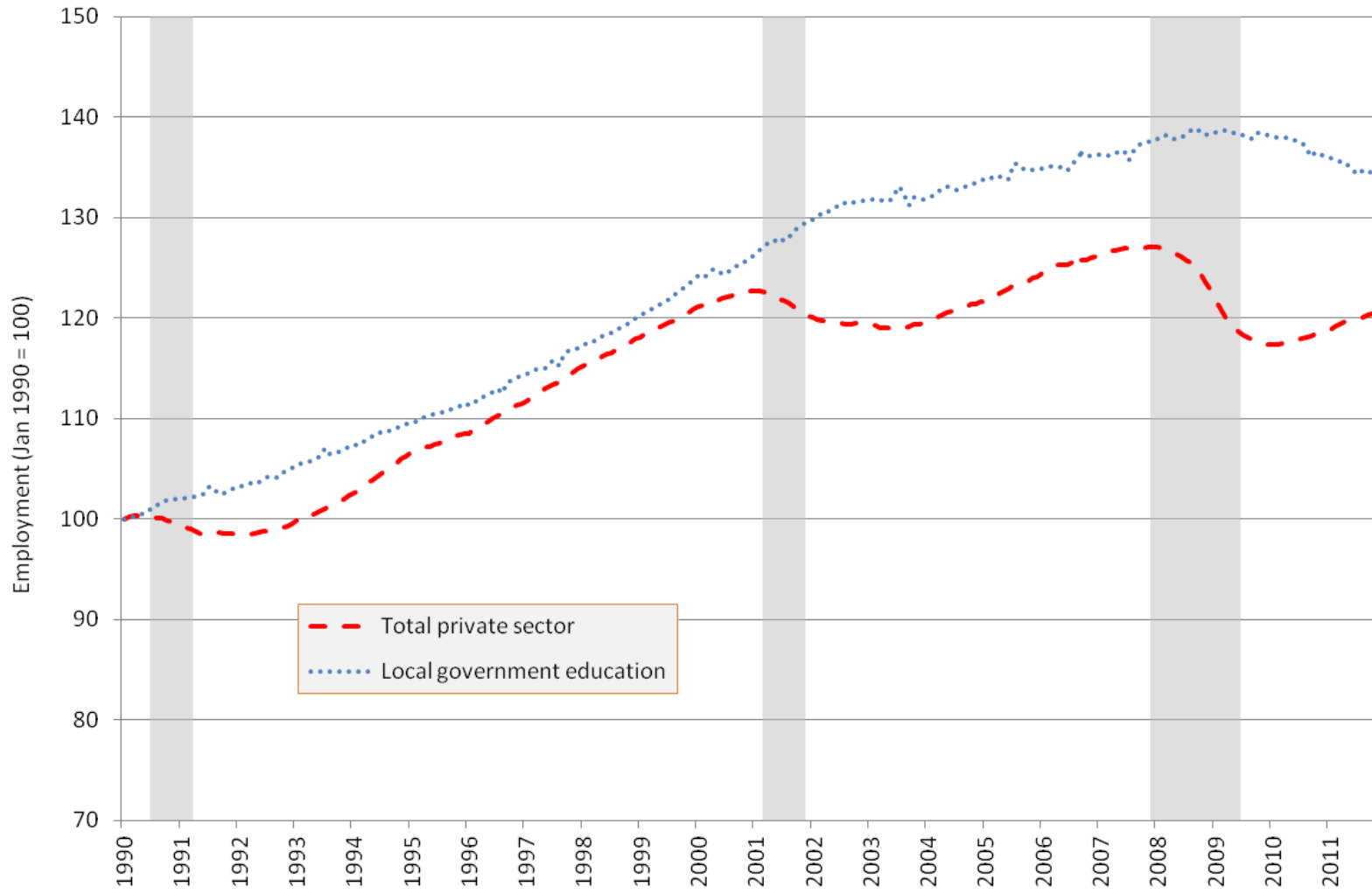
# Built-in cost escalators outpace revenues for K12



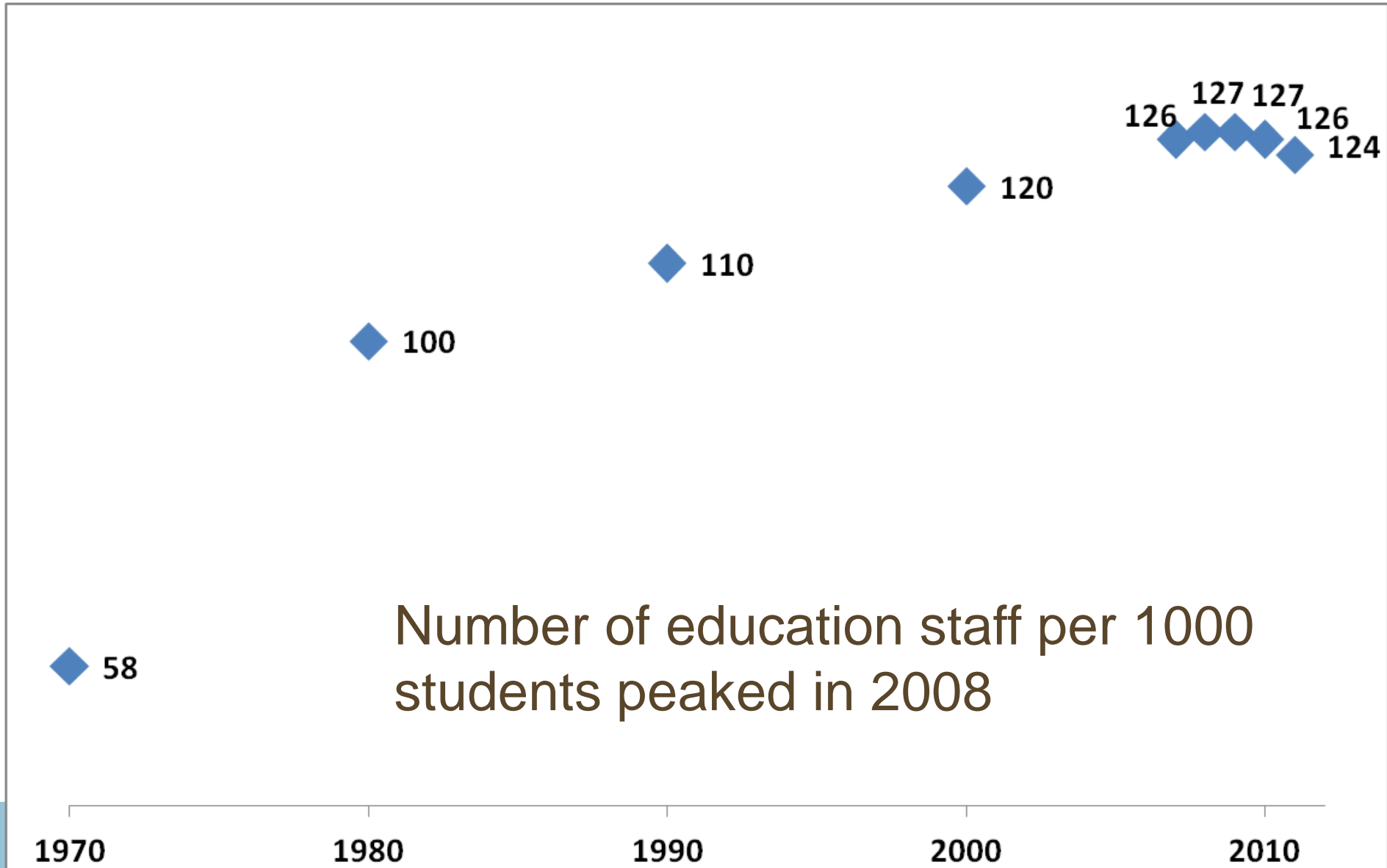
# Three Paths Forward

- **Scenario #1: Slow cuts that work to erode public education**
- **Scenario #2: Tinker around the edges, trying to protect students and learning**
- **Scenario #3: Redesign schooling to improve processes and outcomes, and sustainability**

# Public education staffing had been growing through recessions and is only now starting to fall

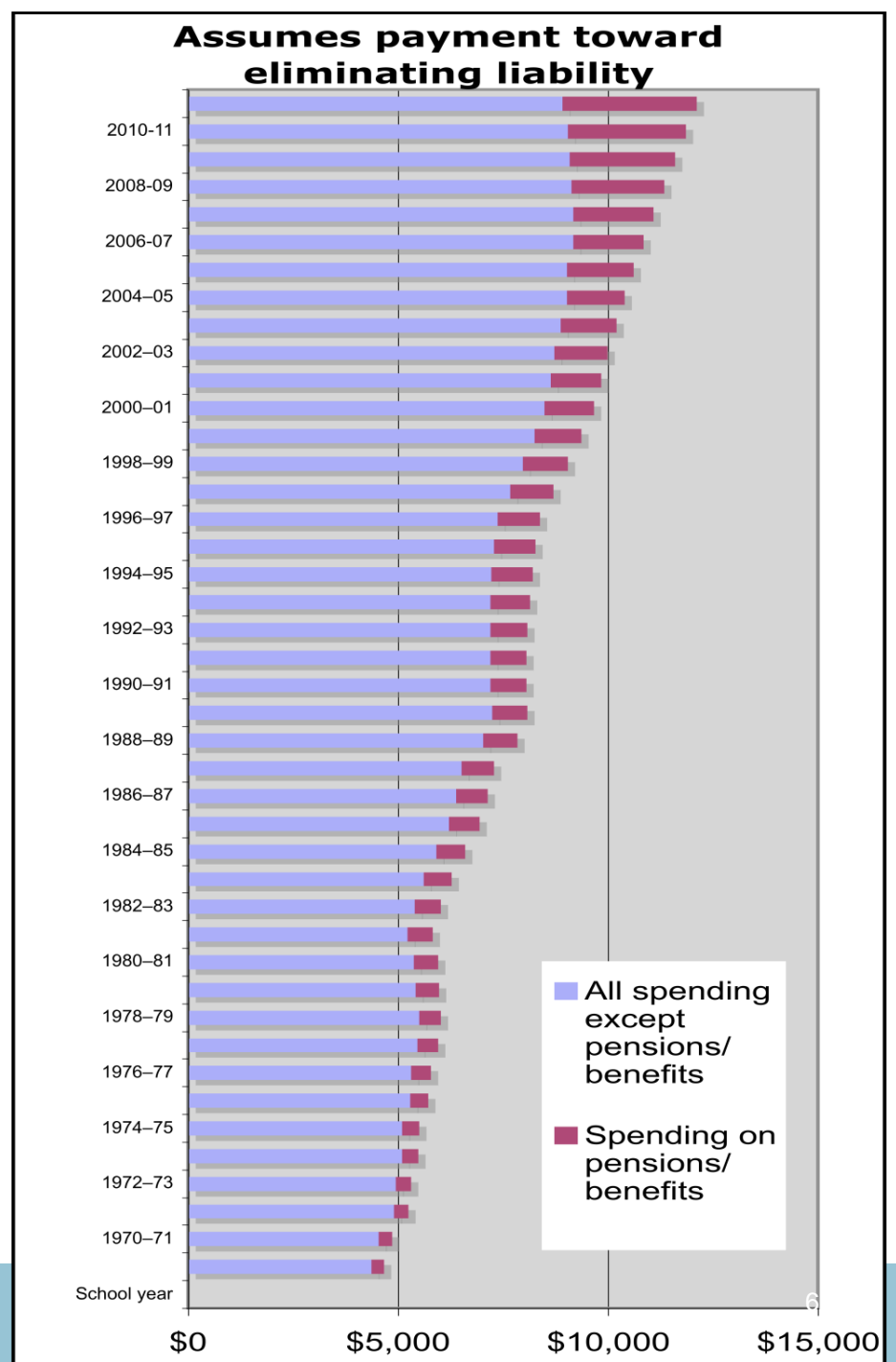


# What will happen to staff in coming years?



# Structural deficit: Benefits consume an increasing share of expenditures

Author's analysis on NCES reported data



# State finance design features to drive change in resource use:

## 1. Fund students, and student types

- Avoid over-funding smaller districts, or hold harmless provisions.
- Remove process constraints or input specification

## 2. Emphasize productivity, create transparency

- State enables data systems to assist districts

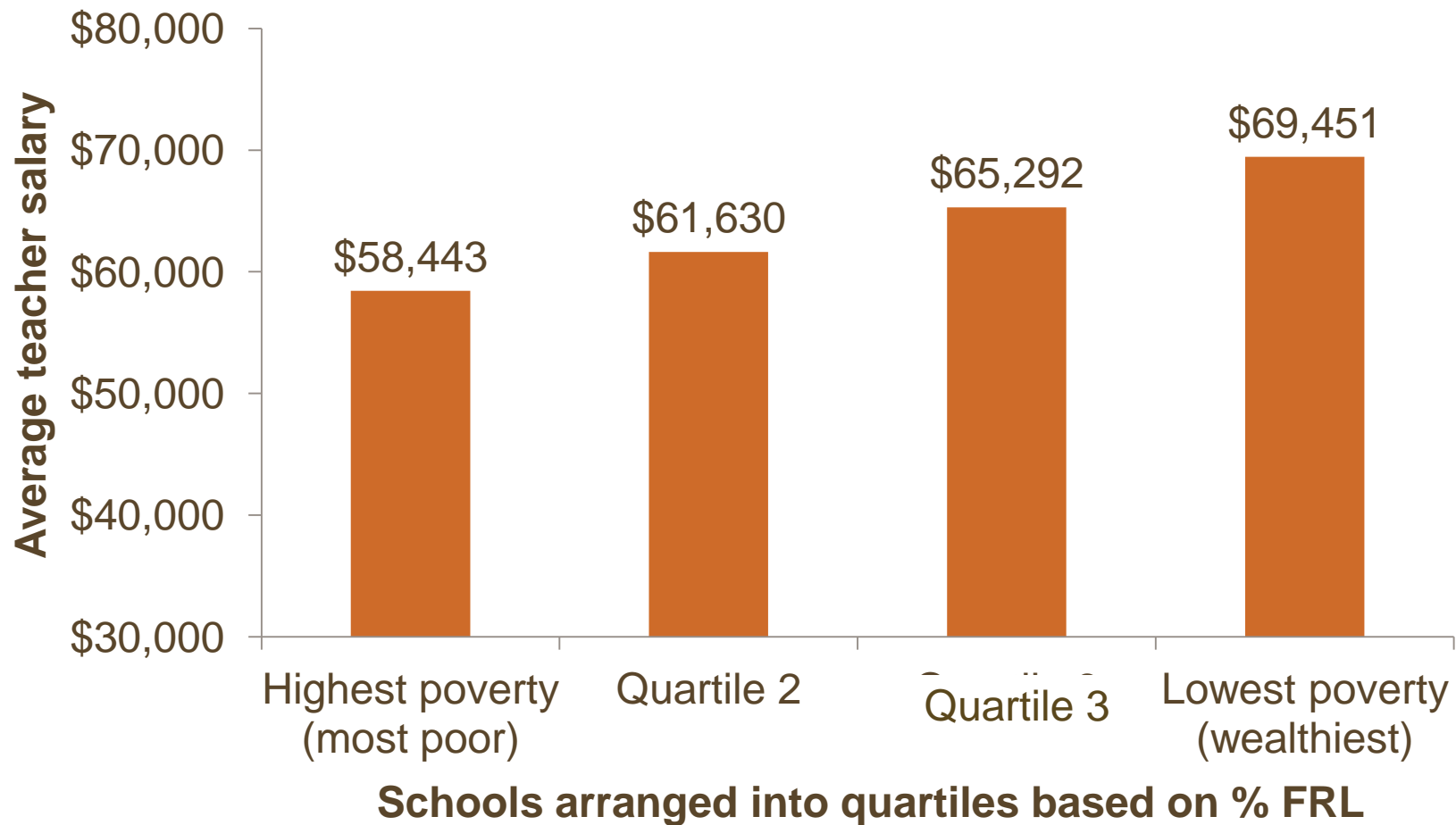
## 3. Incent innovation, ensure variation and options

- Fund innovation for improved productivity, e.g. through competitive grants or innovation zones
- Grow new schools (or program options) in low performing areas

## 4. Augment accountability

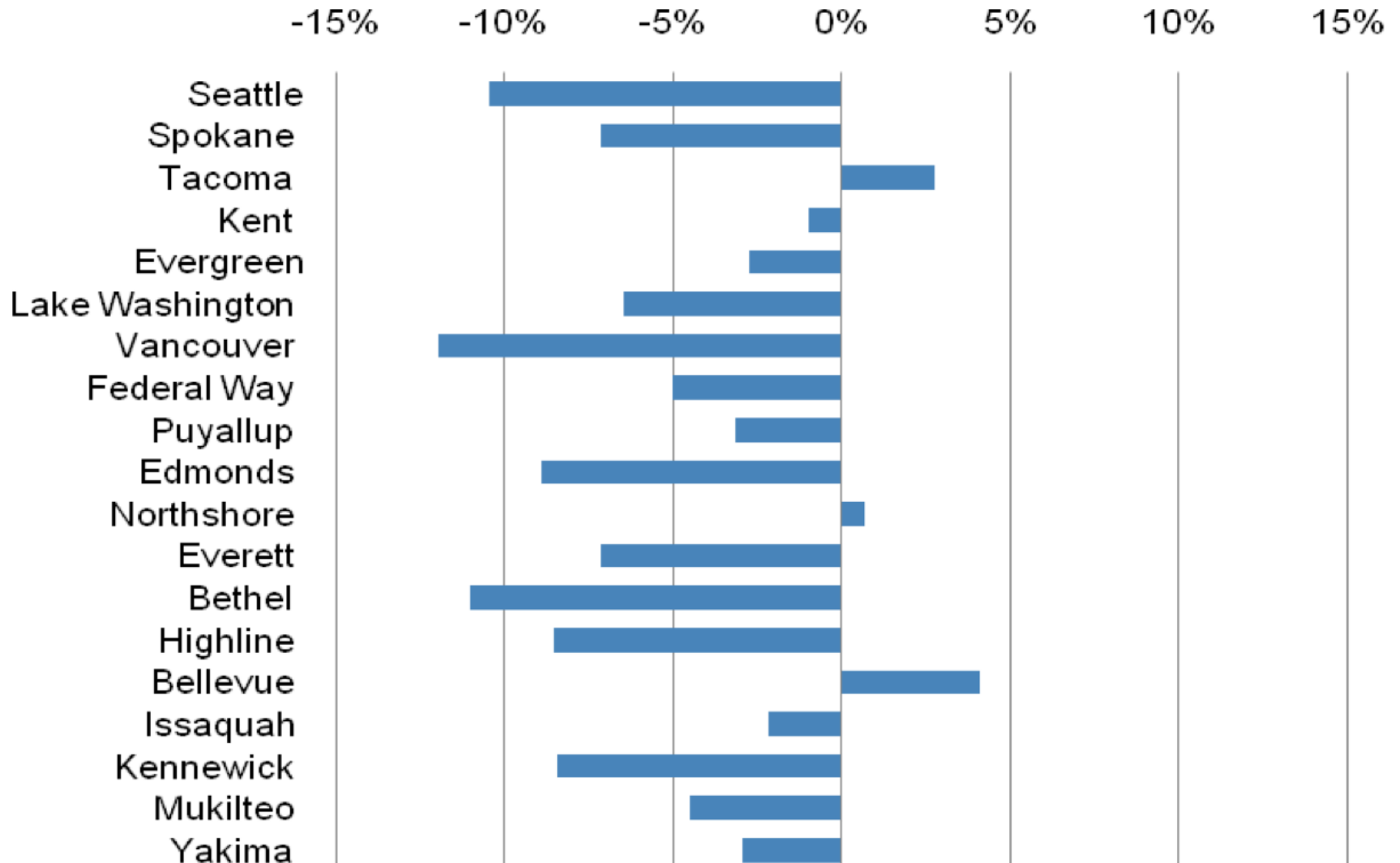
- Student choice and funding portability
- Process for school closure

# Within districts, teacher salaries, benefits, pensions disproportionately benefit wealthier students



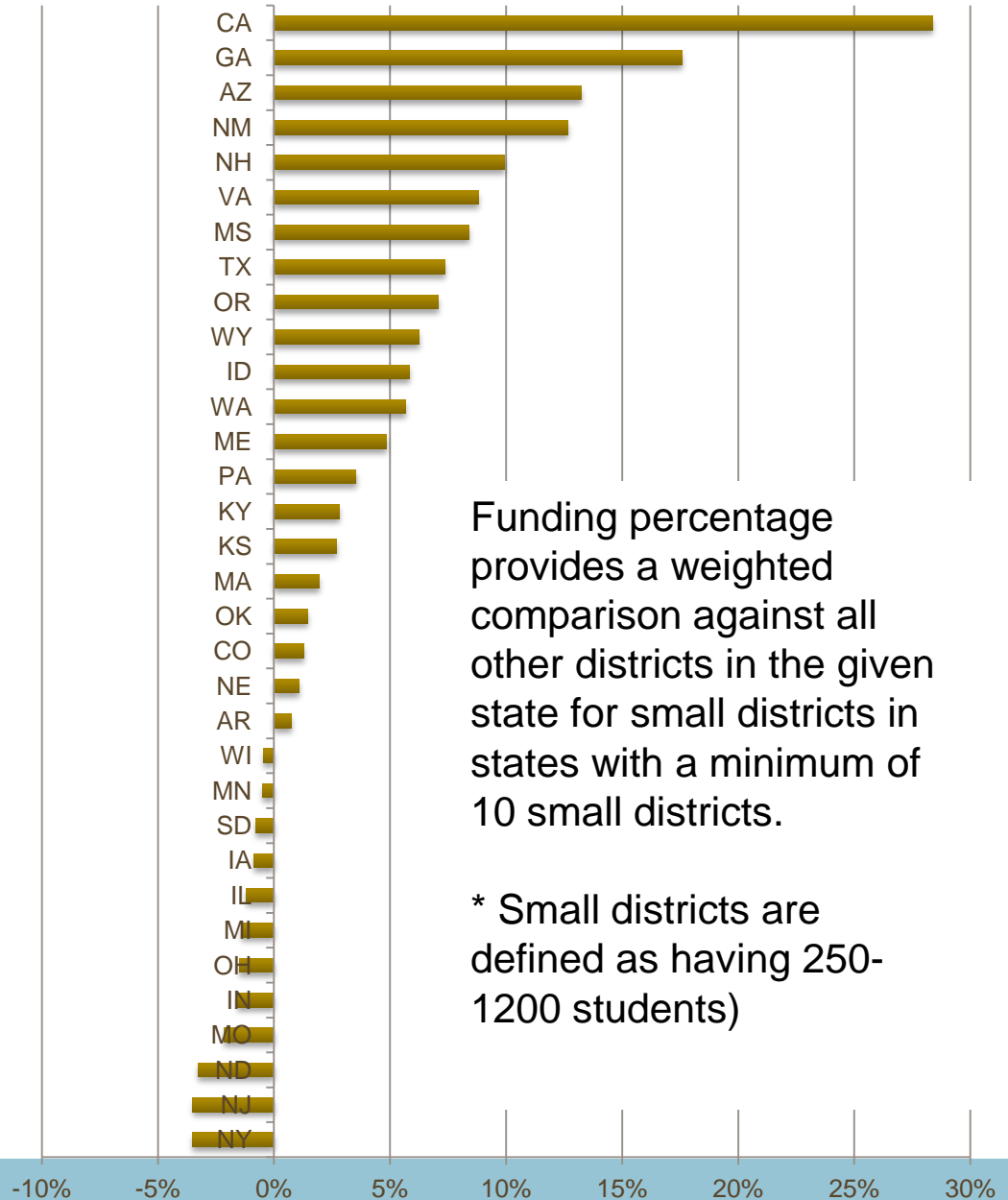


# Math/Science teachers earn less



Small district subsidies vary by state

### Overfunding percentage for small\* districts



Funding percentage provides a weighted comparison against all other districts in the given state for small districts in states with a minimum of 10 small districts.

\* Small districts are defined as having 250-1200 students)

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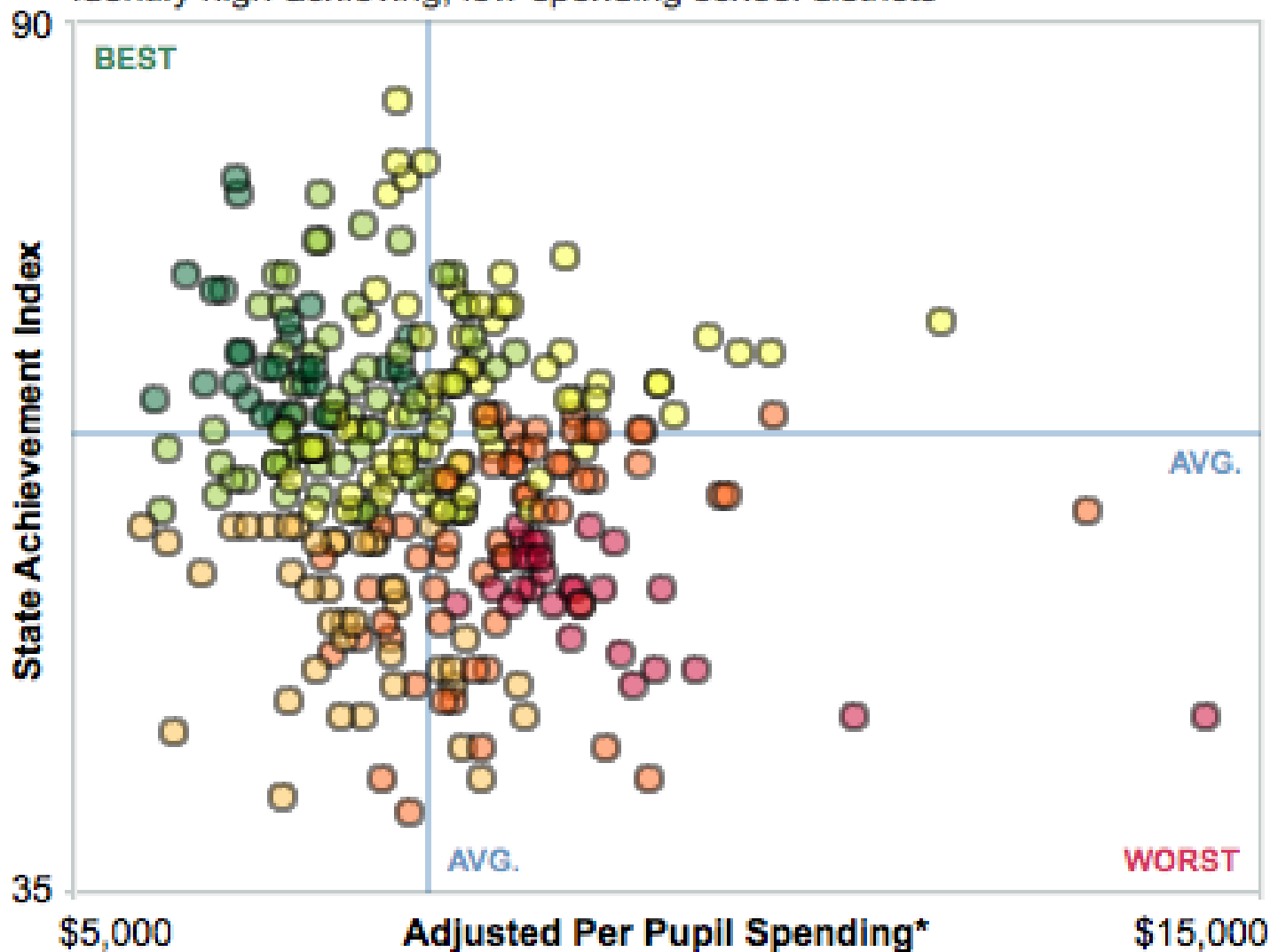
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# Districts within states vary on spending, outcomes, & ROI

## Minnesota

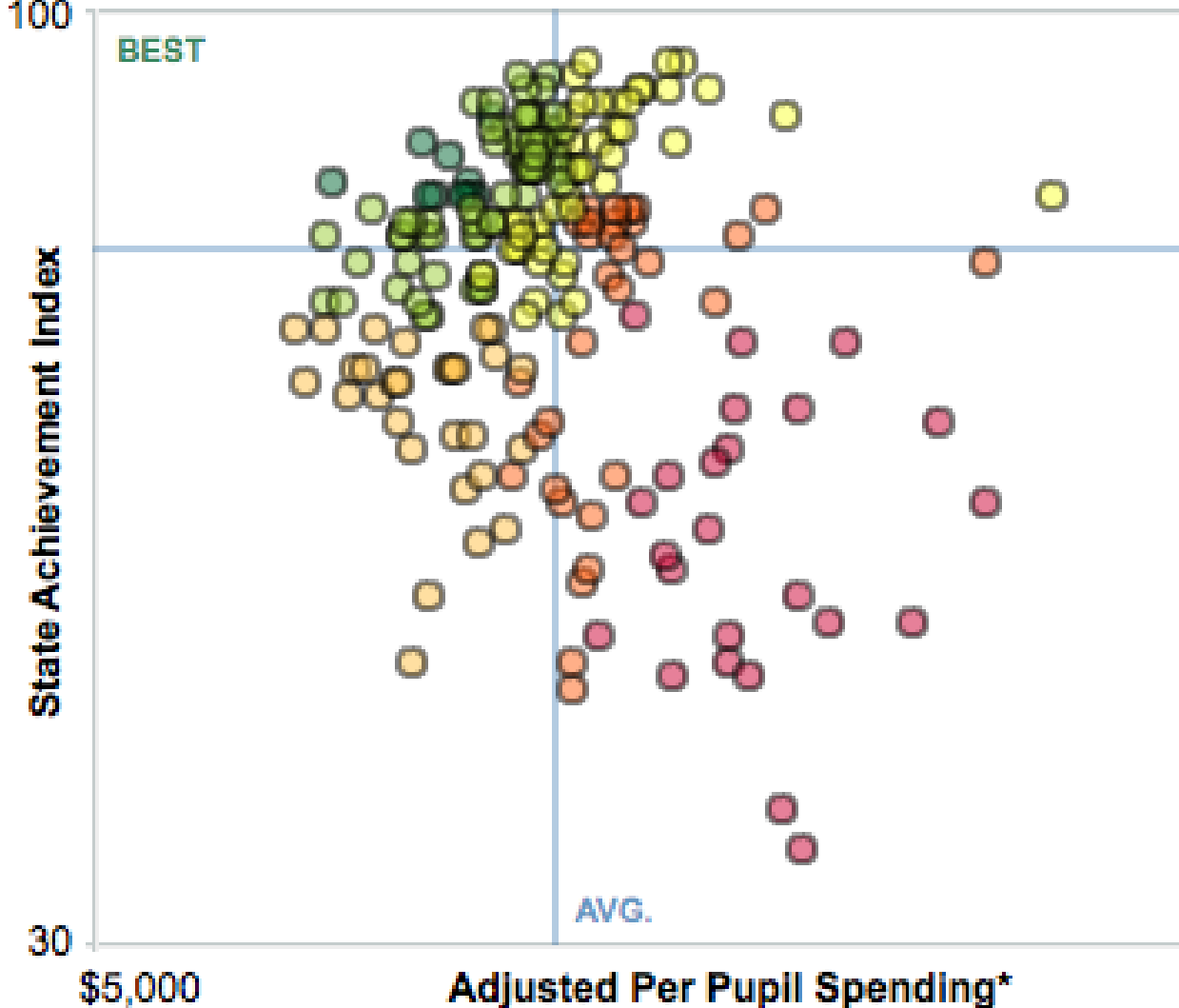
Identify high-achieving, low-spending school districts



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## New Jersey

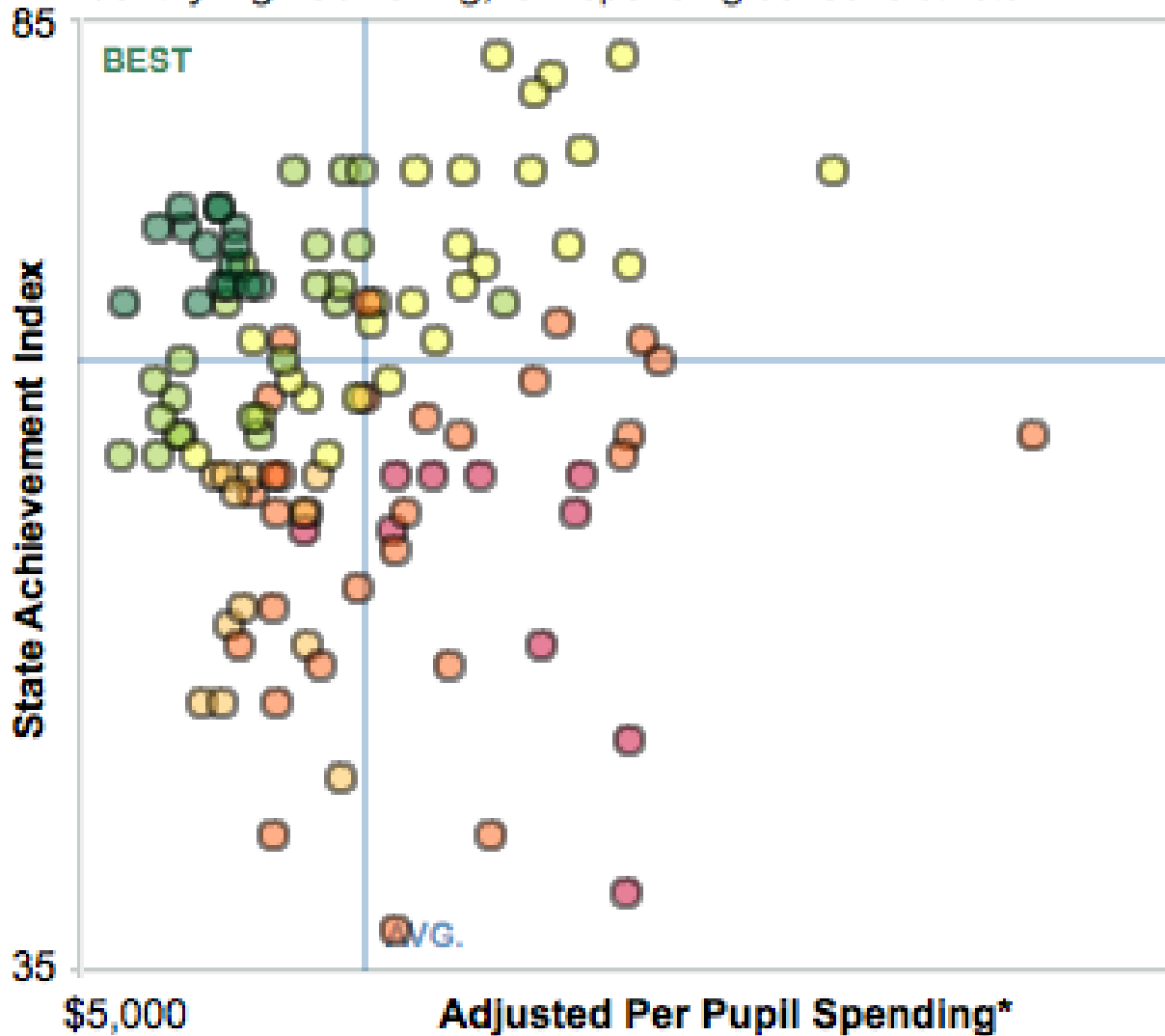
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## North Carolina

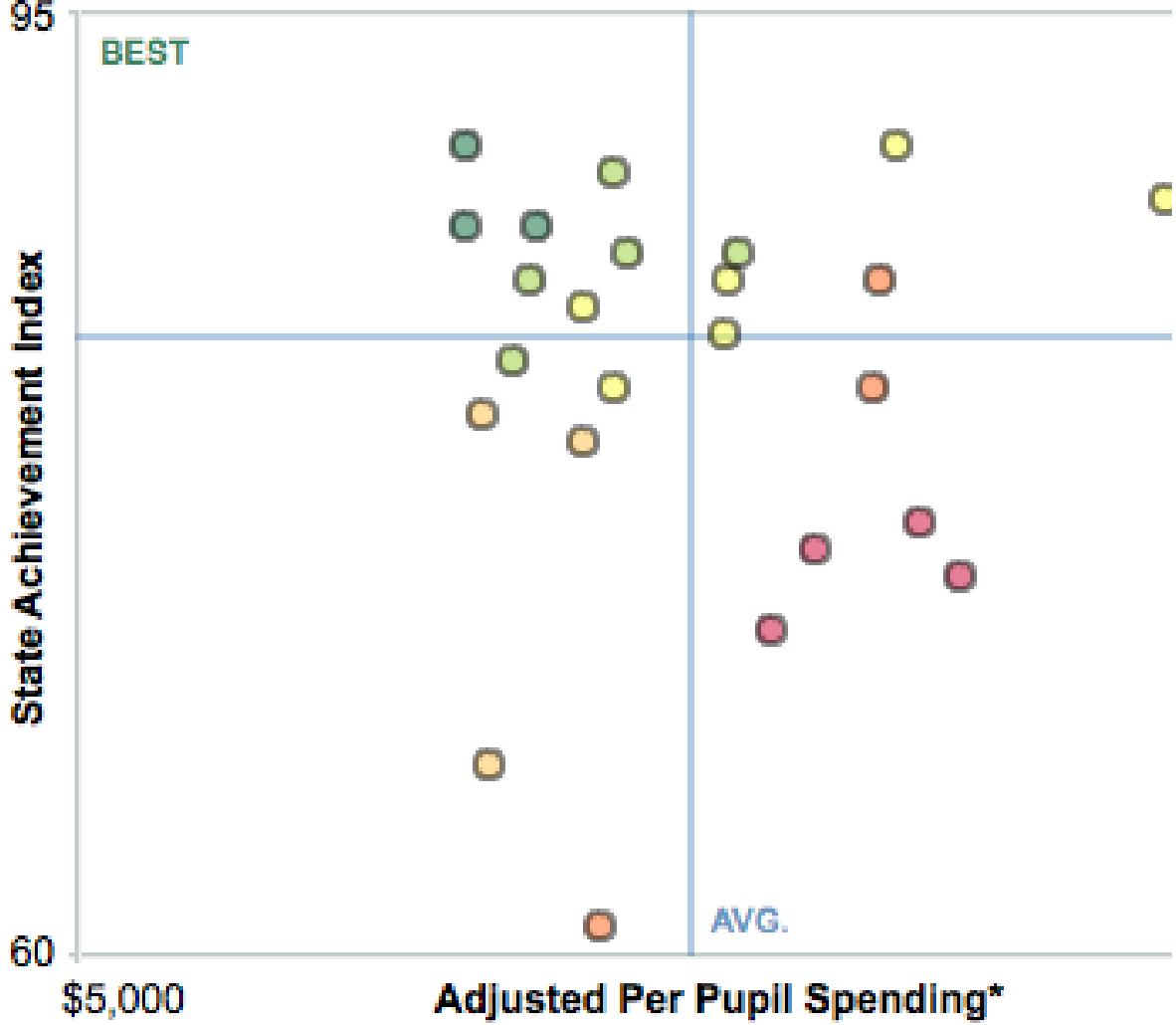
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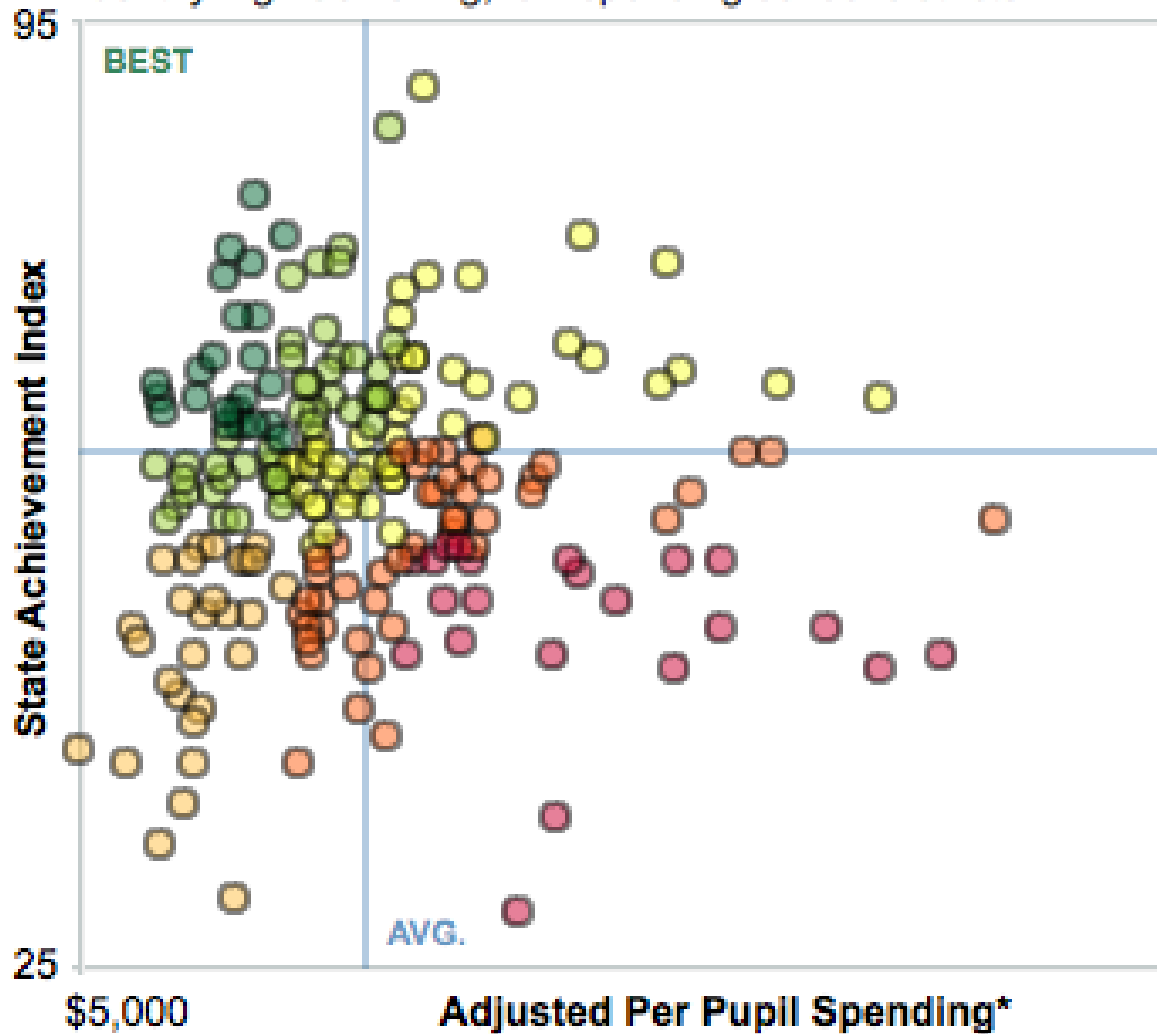
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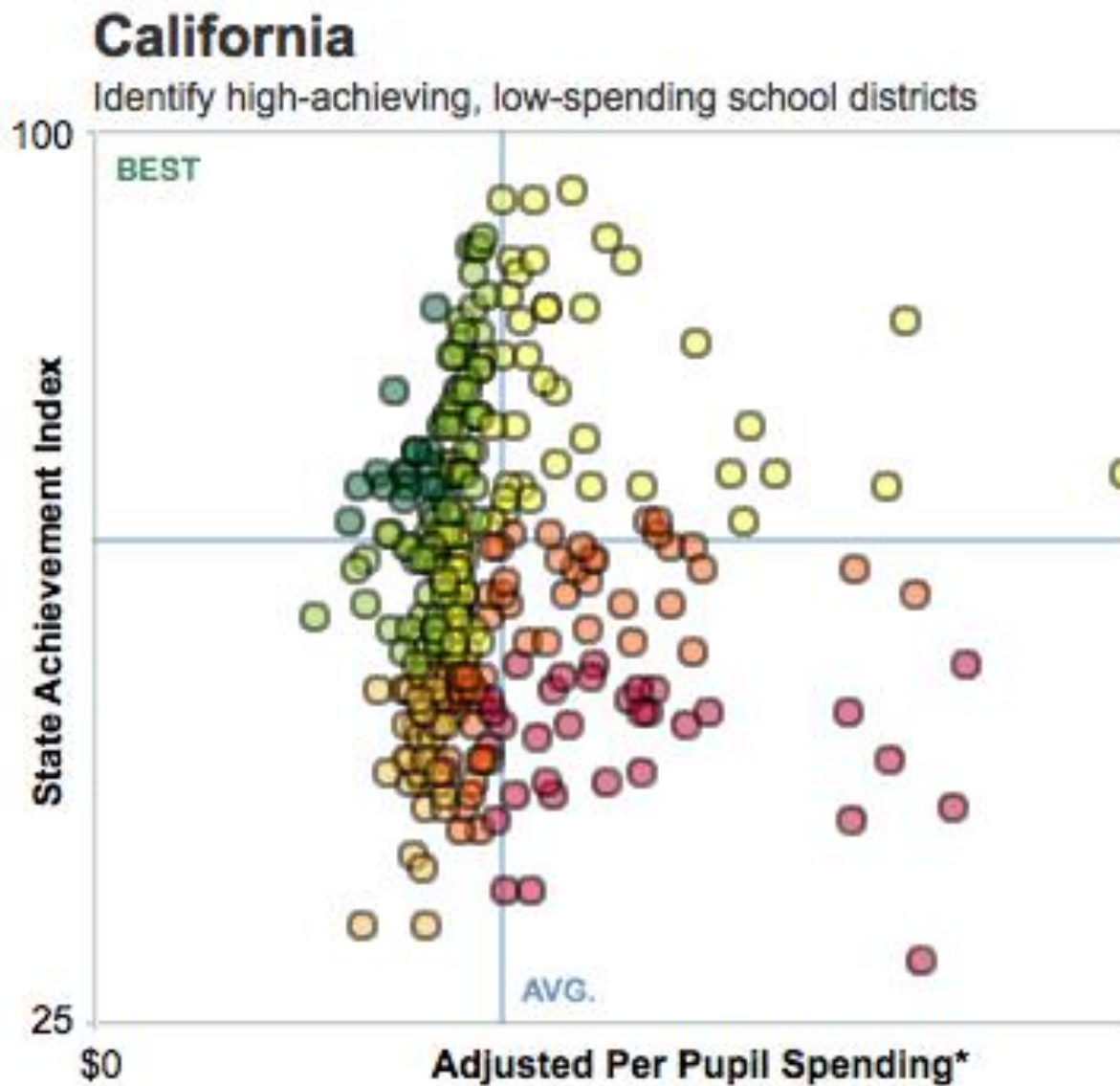
## Washington

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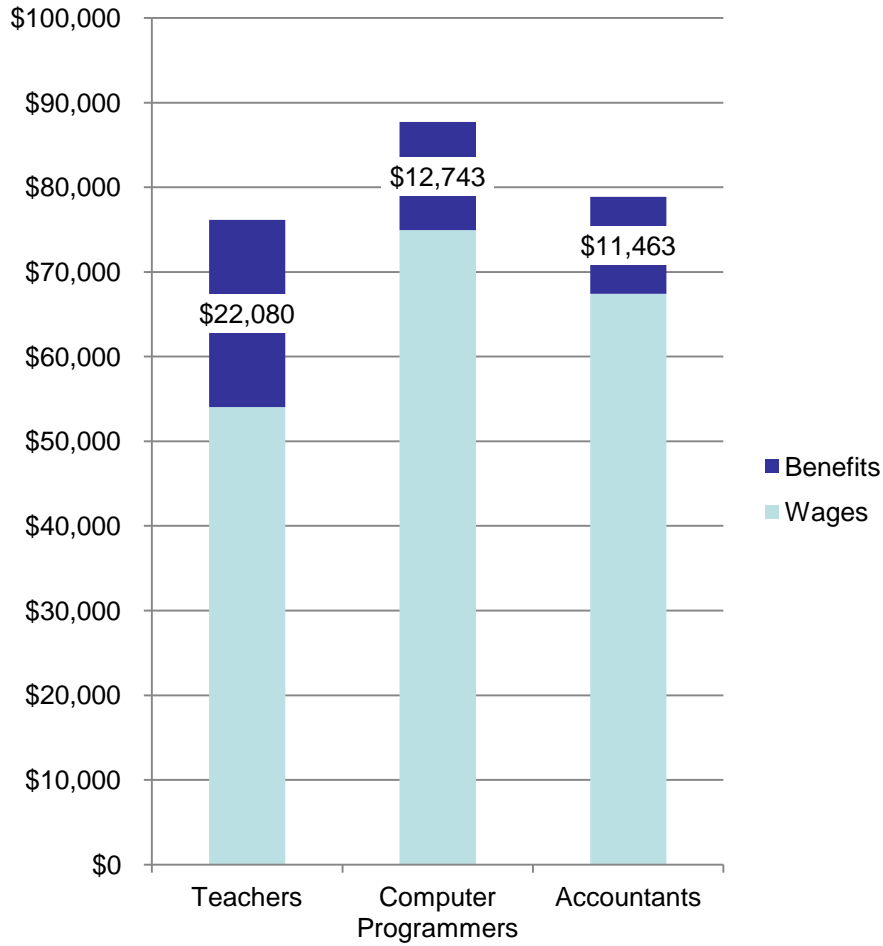
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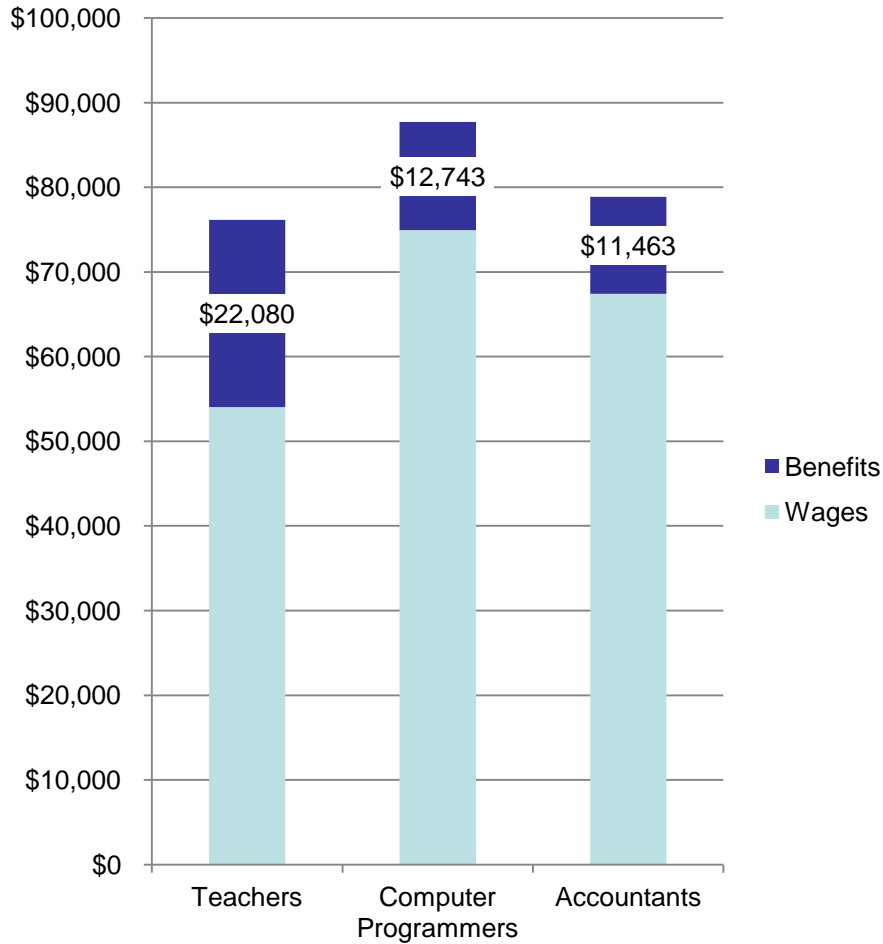
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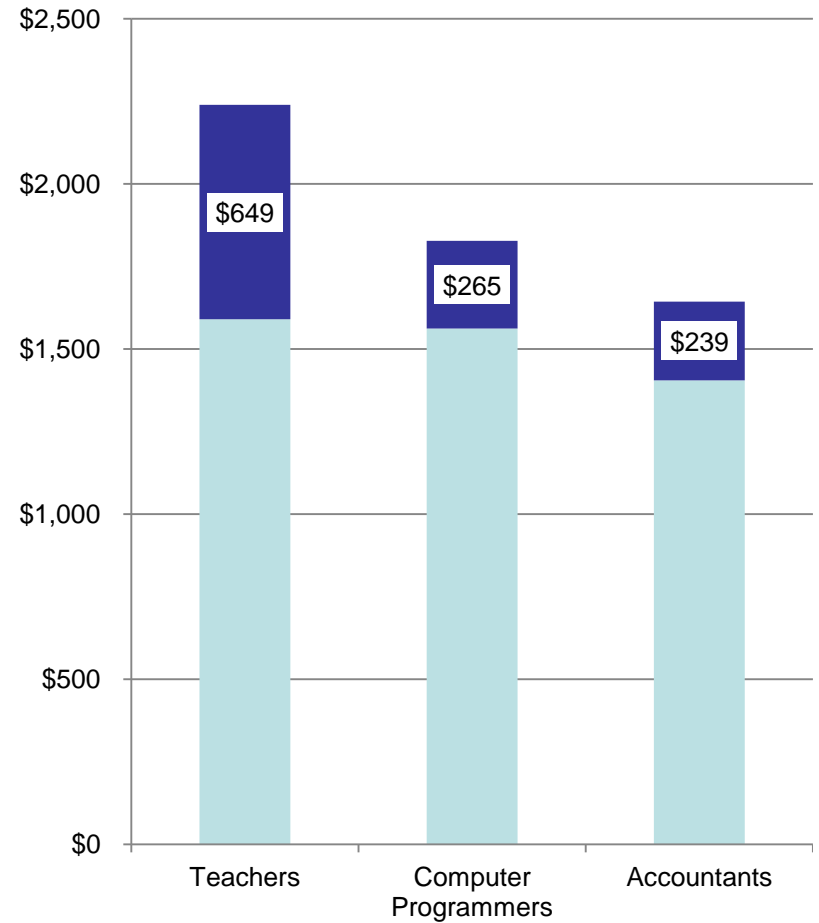
# Per year



# Per year



# *Per week!*



# Innovations provide insight into productivity improvements: Rocketship

Classroom #1	Classroom #2	Classroom #3	Classroom #4
Humanities teacher #1	Math/sci teacher	Humanities teacher #2	Tech lab
	Tech lab		Math/sci teacher
Math/sci teacher	Humanities teacher #1	Tech lab	Humanities teacher #2
Tech lab		Math/sci teacher	

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State	Total change in # of teachers	# of additional lab aides	Added # of new jobs	Funds available to reinvest	Funds available per elementary student
USA	-232,564	263,674	31,110	-\$9,805,828,613	-\$531

# *What do you prefer?* (survey by Goldhaber & DeArmond)

**\$5K bonus**

**83%**

**or**

**2 fewer students in  
each class you  
teach**

**\$5K bonus**

**88%**

**or**

**1/5 of an aide**

**\$5K bonus**

**69%**

**or**

**3.5 hours more prep  
time per week**

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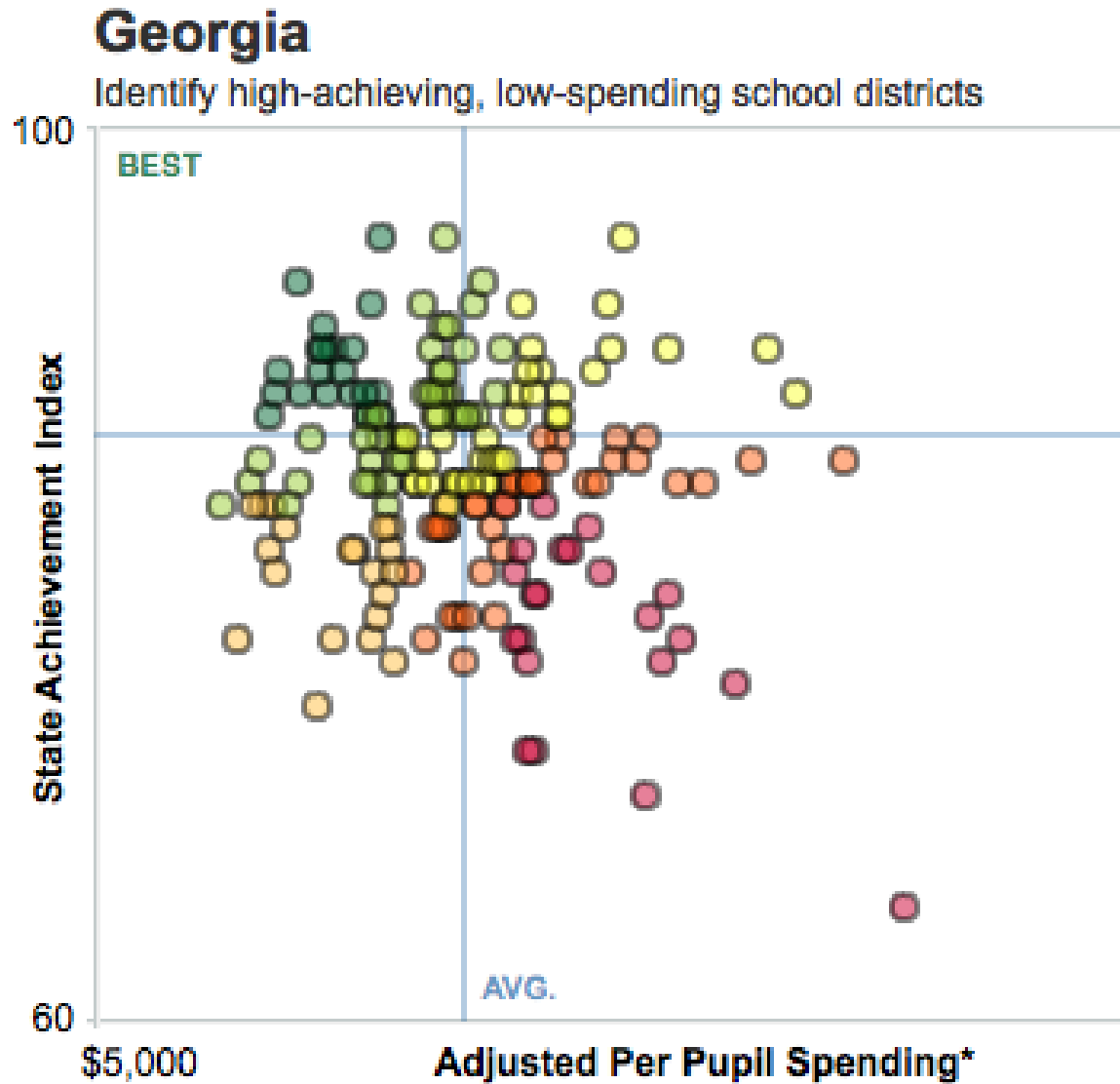
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# Factors that affect pension liabilities

- Wage growth (particularly in years just prior to retirement).  
(Better to give level \$ raises not % raises. Also, eliminate policies that enable spikes in pay to late career staff).
- Pension COLAs (Generally not in the contract and can be altered to reflect economic conditions).
- Employee contributions (Increasing employee contributions to pensions lowers liability).
- Retiree health benefits (and retiree contributions to those). (Also generally not included in contractual obligations).
- What counts as a vesting “year”? (Pension accrual should be tied to actual days worked, vs furlough days, etc.)
- Arrangements for new entrants