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Is the Golden Age of Education Spending Over?

By Andrew J. Rotherham

As America starts to grapple with its out-of-control spending habits, we as a nation really should reckon with our education costs. Few federal education programs were targeted by President Obama's deficit-reduction commission, but that's because most school funding comes from the state and local levels. And that's where the big-time money problem is. According to a report issued jointly last week by the National Governors Association and the National Association of State Budget Officers, when federal stimulus funds run out in 2011, states — and, by extension, schools — will tumble off a fiscal cliff, and even an economic upturn won't bring state funding back up to where it was a few years ago.

The problem, however, is not just the struggling economy. In 1970 America spent about \$228 billion in today's dollars on public schools. In 2007 that figure was \$583 billion. True, some of the increase can be traced back to growing enrollments, better programs, and improved services for special-education and other students, but much of the increase is just a lot of spending without a lot to show for it. And given all the various pressures on state budgets (including our aging population, health care costs and the substantial obligations states and school districts owe for pensions and benefits), the golden age of school spending is likely coming to an end. ([See what makes a school great.](#))

One of the big problems with reforming education spending is that school districts are opaque and often deliberately confusing about how they're using their dollars. When education analyst Adam Schaeffer recently looked at a sample of school districts from all over the country, he found their actual spending was, on average, 44% more than the officially stated amount. Items such as capital costs, meaning buildings and renovations, frequently are considered off-budget so that they are not reflected in the per-pupil spending school districts and states report publicly. Likewise, calculations of how much money is spent at each school often do not include teacher salaries, which account for the majority of spending. These practices further mask the ridiculous spending inequities that exist within many states, leaving poor students — who need more resources — with less than the wealthier kids nearby.

The more general problem with school funding is the lack of attention to productivity, i.e., thinking about output (student learning) in relation to inputs (spending). In education circles, productivity is a four-letter word. Cost and benefits? Never heard of 'em! Elementary and secondary education remains one of the last industries relatively untouched over the past few decades by productivity increases from new technologies. Schools still operate pretty much the same way they did when our parents were student. In fact, rather than becoming more productive, the opposite has happened in education: over the last 30 years, public schools have focused on strategies that *decrease* productivity.

For example, while the private sector gets more work out of each employee, schools have hired more and more teachers to bring down class sizes even though the research is crystal clear that other reforms pack more bang for the buck. What's more, schools lowered class sizes a little across the board rather than a lot for the most at-risk students — and in the key early grades — where it does make a difference. And when teachers are laid off because of declining enrollments or funds, it is almost entirely based on seniority rather than their performance. In Los Angeles, the American Civil Liberties Union is suing to change that practice because of its disproportionate effect on low-income and minority students. That case could ricochet around the country. ([Read "Teachers' \\$500 Billion \(And Growing\) Pension Problem."](#))

There are some promising productivity initiatives underway. Rocketship Education, a charter school network in California, uses a blend of technology and teaching, with students taking some classes online and some in traditional classrooms. Its schools are getting good results at substantially lower costs. In New York City, the Equity Project charter school is using the same amount of public dollars as other schools for its operations but paying its teachers \$125,000 a year by organizing the school differently and cutting out administrative costs. Meanwhile, there is increasing attention to building better performance tools such as video-based evaluations and real-time feedback for teachers. Overall, however, across our 13,000 school districts, this kind of innovation remains the exception, not the rule.

Grinches and tight-fisted conservatives are not the only ones raising questions about the sustainability of educational costs. Several weeks ago Secretary of Education Arne Duncan gave a major speech about how doing more with less is the 'new normal' in American public education. "It's time to stop treating the problem of educational productivity as a grinding, eat-your-broccoli exercise," he told an audience at the American Enterprise Institute. "It's time to start treating it as an opportunity for innovation and accelerating progress."

He must do more than talk about the issue. Despite all the oohing and aahing about the transformative effect of the \$4 billion Race to the Top initiative, in which states competed for federal dollars, an analysis released last week by my organization, Bellwether Education, found that the approximately \$100 billion sent to schools as part of 2009's stimulus bill mostly reinforced the status quo rather than driving any reform. Any new stimulus funding (like the \$10 billion Congress was pressured by teachers' unions into allocating at the end of last summer to keep thousands of teachers from being laid off, despite the suspect data surrounding the scale of the potential pink slips) should have some common-sense requirements attached to it — such as ending seniority-based layoffs or requiring more accurate and transparent accounting standards. ([Read "Who Is Best Qualified to Run a School System?"](#))

Observers in Washington saw the deficit commission's work as a chance for the adults to step forward and make some hard choices. Yet just a few days after the commission adjourned, Congress and President Obama are on the cusp of adding hundreds of billions more to the deficit by extending unemployment benefits and Bush-era tax cuts without offsetting tax increases or spending cuts. So it remains to be seen whether politicians can effectively deal with our school spending problem and, with it, our ability to improve the quality of today's public education system. New international comparisons released this week show just how far we have to go.

Meanwhile, one thing we can all do now is start demanding accurate accounting from our local school districts about how our tax dollars are being spent. For instance, does the rhetoric about closing the achievement gap or improving math and science education match up with where the money is going? Education spending doesn't have to be a dark corner. A few citizens armed with good questions can shed a lot of light. ([Comment on this story.](#))

Disclosure: My Bellwether colleague Kim Smith is on the board of directors of Rocketship.

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