

A Penny Saved

How Schools and Districts Can Tighten
Their Belts While Serving Students Better

American Enterprise Institute

Thomas B. Fordham Institute

January 11, 2010

The collected papers from this conference are available online at
www.aei.org/event/100164.

Investing in Performance: Strategy and Resource Allocation in Public School Districts

Stacey Childress
Harvard Business School
January 11, 2010

Superintendents rarely have an integrated view of strategy and resources

- Results in layering of activities
- Rational in the short term
- Constrains long-term performance
- Unsustainable in current economic environment

Spending slowed and then began to shrink relative to inflation

	CAGR of per student spending	U.S. Inflation*
SFUSD ('02-'06)	0.14%	2.89%
MCPS ('00 – '08)	3.06%	2.83%
NYCDOE ('02-'08)	2.81%	3.04%

*Inflation is determined by calculating the CAGR of the Consumer Price Index over the relevant period

Sources: U.S. Census Bureau, NYC Independent Budget Office, Montgomery County Public Schools, Bureau of Labor Statistics, author analysis

The current challenge

- Increased performance pressures, decreased revenues
- No habit of weighing the comparative effectiveness of spending options against overall strategy
- Weak knowledge base about managing complex multi-site organizations as an integrated system

For instance, the decentralization dogma

- Large multi-site organizations are more complex than the theory allows.
- Districts are integrated systems with an overall accountability mandate, not a collection of disconnected units that stand or fall on their own.
- Bower: "The problem of shaping a bottom-up pattern of committing scarce capital to a purpose formulated by top management [taxes] the leadership of private and public organizations of all shapes and forms."

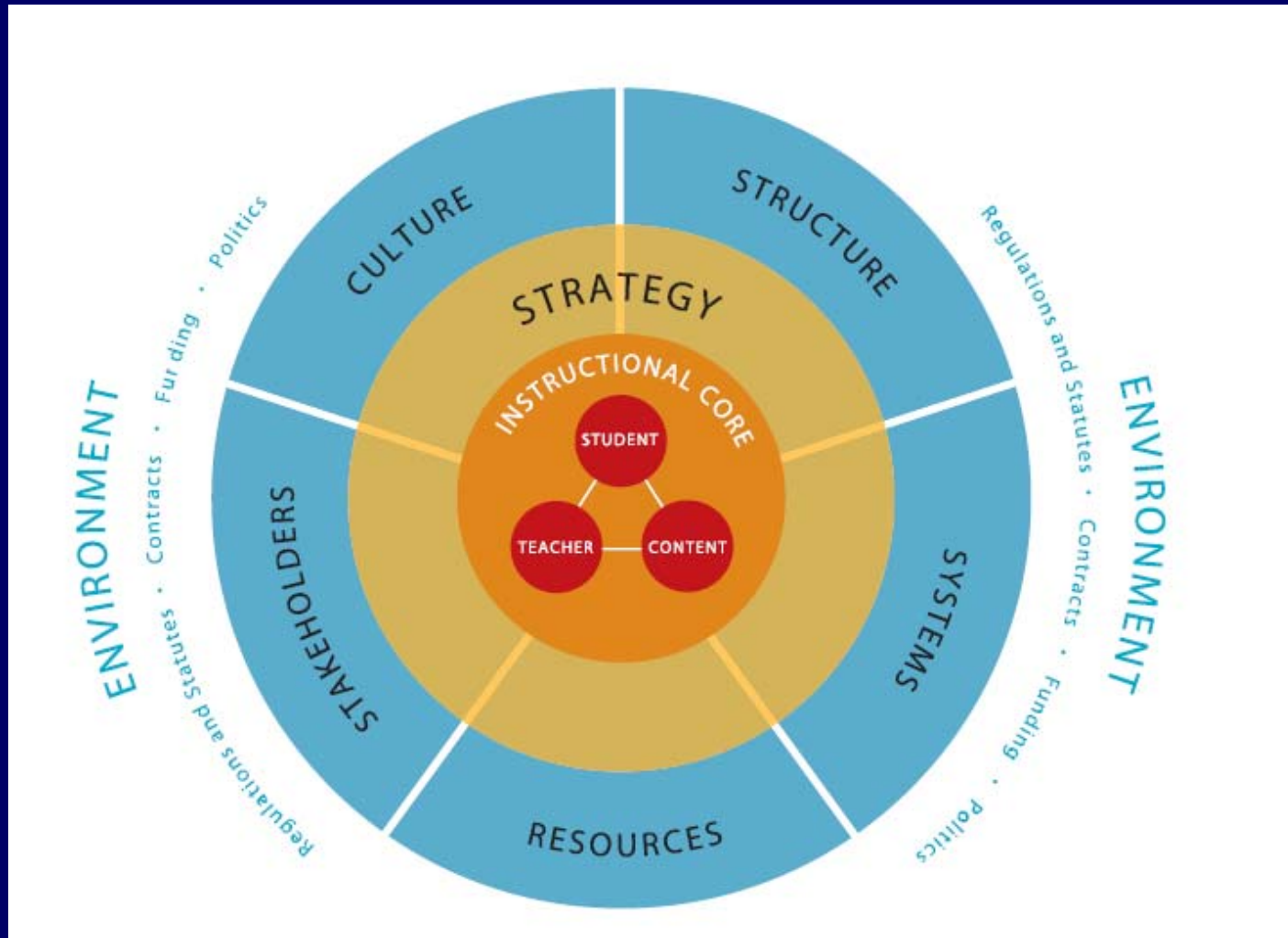
Three circumstances that require smart centralized spending:

- The cost of an opportunity that will benefit the whole organization is larger than the budget authority of frontline or middle managers.
- Current investors and customers like things as they are and therefore have few incentives to provide additional resources for new activities.
- Disinvestment from existing activities is required, but meaningful incentives exist for decentralized decision-makers to continue funding them.

Case examples

- San Francisco – STAR Schools initiative
- Montgomery County, MD – Red Zone/Green Zone
- New York City – Autonomy-Accountability exchange

An overarching strategy based in solid cause-and-effect logic helps frame choices about resources



Additional lessons from the cases

- If your strategy doesn't have an integrated resource plan, you don't have a strategy.
- Don't get trapped by the decentralization dogma.
- If your strategy requires Robin Hood, don't alienate those you rob in good times.

A Penny Saved

How Schools and Districts Can Tighten
Their Belts While Serving Students Better

American Enterprise Institute

Thomas B. Fordham Institute

January 11, 2010

The collected papers from this conference are available online at
www.aei.org/event/100164.