

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.

The Per Unit Cost of Everything in Education

Marguerite Roza

MargRoza@u.washington.edu



January 11, 2010

Converting Costs into Per Unit Terms:

- Conveys relative magnitude.
- Enables districts and schools to look for out-of-whack spending.
- Considers tradeoffs.
- Examines costs across schools as the basis of school budgets.
- Communicates clearly with the public.
- Stabilizes the budgeting process.

Conveying relative magnitude

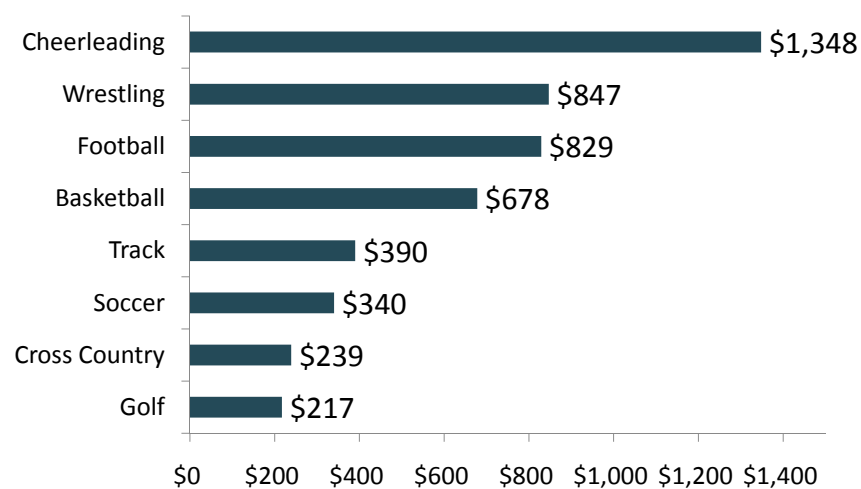
NY budget cut: \$698 million	\$256 per pupil
Alabama budget cut: \$800 million	\$1,082 per pupil
Sarasota County cut: \$ 40 million	\$966 per pupil
District track stadium with 50 year lifespan: \$4.3 million	\$2000 per track student per year
NYC ARIS data system: \$81 million	\$8.11 per pupil per year.

Converting Costs into Per Unit Terms:

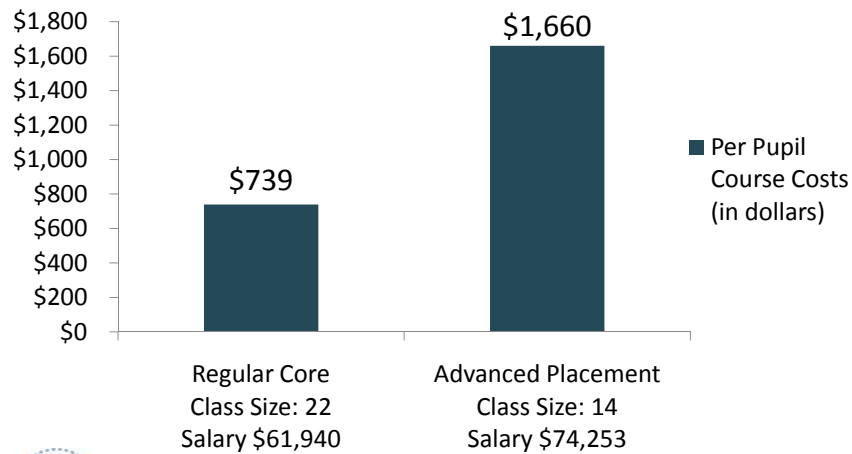
- Conveys relative magnitude.
- Enables districts and schools to look for out-of-whack spending.
- Considers tradeoffs.
- Examines costs across schools as the basis of school budgets.
- Communicates clearly with the public.
- Stabilizes the budgeting process.



Computing per player costs clarifies relative costs of athletics



Smaller classes and higher salaries drive up AP course costs



center on **reinventing** public education

Converting Costs into Per Unit Terms:

- Conveys relative magnitude.
- Enables districts and schools to look for out-of-whack spending.
- **Considers tradeoffs.**
- Examines costs across schools as the basis of school budgets.
- Communicates clearly with the public.
- Stabilizes the budgeting process.

center on **reinventing** public education

How a \$4,500 Cost Cut Stacks Up Per Teacher

	Cost Equivalent Cut
Teacher salary	\$4,500 Pay Cut
Pupils Per Class	2 Added
Teacher Aides	1/6 Eliminated
Preparation Time Per Week	2.5 Hours Added



Salary decisions can determine layoffs and class sizes

Balancing Salary Changes and Layoffs to Meet a 5% Reduction in Teacher Salary Expenditures (After Attrition)

Options re: Teacher Salaries	For Continuing Teachers, Average Change in Salary	Layoffs Per 1000 Teachers	Percentage Increase in Class Size
1. Continue with "modest" increases to overall salary schedule.	5.16%	143	16.7%
2. Freeze current salary schedule.	3.16%	119	13.5%
3. Freeze all current salaries.	0%	75	8.1%
4. Roll back salary schedule by 5%.	-1.84%	47	4.9%
5. Roll back salary schedule enough to avert layoffs while allowing for step changes.	-5%	0	0.0%

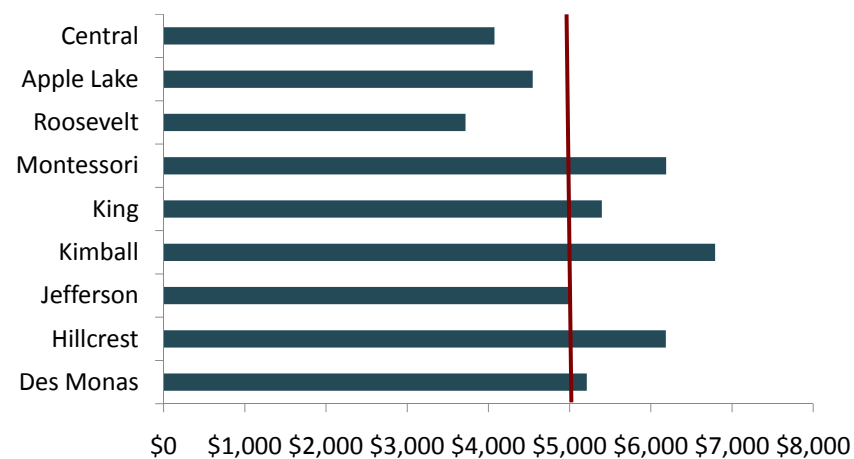


Converting Costs into Per Unit Terms:

- Conveys relative magnitude.
- Enables districts and schools to look for out-of-whack spending.
- Considers tradeoffs.
- Examines costs across schools as the basis of school budgets.
- Communicates clearly with the public.
- Stabilizes the budgeting process.



Deviations from the district-wide average of \$5,000 per regular education student



Converting Costs into Per Unit Terms:

- Conveys relative magnitude.
- Enables districts and schools to look for out-of-whack spending.
- Considers tradeoffs.
- Examines costs across schools as the basis of school budgets.
- **Communicates clearly with the public.**
- Stabilizes the budgeting process.



Personnel Layoffs Under Seniority-Neutral and Seniority-Based Policies

To Reduce Salary Expenditures By:	Layoffs per 1000 teachers		
	Using Seniority- Neutral Layoffs	Using Seniority- Based Layoffs	Difference (Layoffs Attributed to Seniority)
2.0%	20	31	11
5.0%	50	75	25
10.0%	100	143	43



Converting Costs into Per Unit Terms:

- Conveys relative magnitude.
- Enables districts and schools to look for out-of-whack spending.
- Considers tradeoffs.
- Examines costs across schools as the basis of school budgets.
- Communicates clearly with the public.
- **Stabilizes the budgeting process.**



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.