

## **What's Happening In The States**

June Kronholz

junekronholz@me.com

**Draft: Please do not cite without permission from the author**

Prepared for the American Enterprise Institute and Thomas B. Fordham Institute conference,  
“A Penny Saved: How Schools and Districts Can Tighten Their Belts While Serving Students  
Better,”

January 11, 2010

The collected papers for this conference can be found at <http://www.aei.org/event/100164>.



Draft: Please do not cite without permission from the author

First, school thermostats were jacked up a couple of degrees. A secretarial spot was left vacant; maybe a junior-varsity sport was dropped or the library budget was trimmed. That was the easy stuff.

As the nation's recession has gathered steam and state tax revenues have withered, school districts almost everywhere have had to look for deeper, wider, more painful cuts to budgets that most of them already felt were stretched thin. In 2009, the National Governors Association reported that 27 of its member governors proposed cutting K-12 spending as a way to close budget shortfalls. In Polk County, Fla., that translated into a 5.36 percent hit to the school system's 2009-2010 budget. In Clark County, Nev., it meant a 6 percent cut, even though 3,000 more children enrolled than the year before.

Superintendents are predicting worse to come, too. Federal stimulus dollars prevented thousands of teacher layoffs for two years, but by the 2011 school year, "We are definitely at the budget cliff," said David Peterson, chief business officer of the Scottsdale, Az., Unified School District.

There's a certainty, too, among many superintendents that they are running out of such often-used options as tapping reserve funds, trimming supply budgets and foregoing academic conferences. When the New York State Council of School Superintendents polled its members about their 2010-11 budget plans, "they all said they'd done the easy stuff," said the council's director, Bob Lowry.

By the 2010-2011 school year "we will have run out of the easier options," added Don Phillips, superintendent of Poway, Calif., United School District, which already has gone from two assistant principals to one in all its elementary schools, cut its custodial staff and now has set up a bridal-type registry where donors can help fill the district's supply cabinet.

Superintendents and chief financial officers in dozens of school districts around the country were interviewed for this chapter—big and small districts, urban and suburban. States particularly hard hit by the recession—Arizona, California, Florida and the industrial mid-west--face massive budget shortfalls and, not surprisingly, their superintendents reported making the most drastic cuts. In farming and mining states, and those where real-estate prices have held steady—Texas, Iowa and Missouri, among others—federal stimulus dollars have averted most of the pain.

Some of the cost-cutting strategies those districts reported using go to the heart of school-improvement efforts, and may end up undercutting student and teacher performance in the long run. Colorado Springs District #11 cut \$1 million from a bonus plan that rewarded schools for improved student achievement. The Paradise Valley, Az., Unified Public School District has just one-half reading specialist for each of its elementary schools, which typically enroll 900 students each.

Other strategies are stopgap, and can't be sustained for very long. In Fairfax County, Va., teachers agreed to forego raises and cost-of-living adjustments rather than face layoffs and larger class sizes. Almost no one plans to buy textbooks any time soon. "We don't have any books that say, 'Some day a man will land on the moon.' I don't know what they say about Pluto," said Poway's Don Phillips.

Still other strategies adopted by superintendents and CFOs take a longer view that may benefit their districts for years to come. Scottsdale has invited private investors to install solar-power installations on the roofs of its schools. Jefferson County, Colo., schools have begun training teachers how to handle bigger classes.

The biggest challenge for school districts is that the overwhelming majority of their costs are in personnel salaries and benefits—and that most personnel are teachers, whose benefits are often protected by union contracts, state legislation or both. Nationwide, personnel costs typically account for at least three-quarters of school-district operating budgets, and even more in some Sun Belt states and inner-city districts. In Scottsdale, salaries and benefits account for 90 percent of spending, with another 6 percent going to utilities. “I have 4 percent for everything else,” said Scottsdale’s David Peterson.

That gives school districts three options for closing their budget gaps:

*Trim personnel.* That’s easier said than done, of course. State mandates, laws and constitutional amendments have cut class sizes in many states, increasing the number of teachers. But “if you can’t do something to reduce the number of teaching positions, you can’t do something to reduce costs,” said Michael Griffith, a policy analyst at the Education Commission of the States. Traci Rainy of the Colorado State Finance Project added, “You either pay teachers less or you pay less teachers.”

*Trim everything else.* Even 10 percent to 25 percent of a multi-million dollar budget amounts to real money. So districts are joining purchasing co-ops, doing more online professional development, beginning more intensive use of buses, and adopting smarter energy management (you think solar power is limited to Sun Belt states? Think again—Milwaukee is trying it).

*Find new sources of revenue.* With sales, property and income tax revenues lagging, school districts are looking at other ways to raise money. Sometimes that means just new and different taxes. But some districts have set up foundations to raise money, have imposed new fees, or have turned to modest entrepreneurial enterprises.

Draft: Please do not cite without permission from the author

There's no silver bullet when it comes to trimming budgets—it's a long, tough slog, with savings often measured in the tens of thousands of dollars, rather than the millions. Arlington County, Va., facing a 2009-2010 budget gap that it estimated would be between \$12 million and \$16.5 million, opted—among many other things—against providing new uniforms for its maintenance staff at a savings of \$20,000.

The bright side of the budget crisis, said Scottsdale's David Peterson, is that "it's making us look at how we operate" and, in that way, may be positioning the most cost-conscious districts for the new realities of public education. Declining enrollment in most big cities and even in high-growth states like Colorado has left districts with unsustainable overhead, but with little political will to close schools. Traditional schools are in stiff competition with charter schools for students and state-paid per-pupil allocations. Years of tough negotiations with unions have saddled districts with potentially crippling retirement and medical obligations: For every dollar Milwaukee pays in salaries, it pays another 63 cents in benefits, about twice most public-sector jobs. Among part-time kitchen workers, benefits tack 81 cents for every dollar in salary.

Perhaps most inauspiciously, taxpayers almost everywhere are letting governments know they aren't willing to shoulder higher public spending. According to the Pew Center on the States, education accounts for 29 percent of state spending in New York, 30 percent in Florida and Pennsylvania and 45.5 percent in Michigan. "We can't afford to keep doing education as we've always done it," said Jeff Weiler, CFO of the Clark County School District. "There won't be a huge infusion of money even when the recession ends. We'll be lucky to get back to where we were."

## **Teacher-led Schools, Team Cleaning, Class Size and More**

Until someone figures out how to automate the classroom—and the bus route, the cafeteria and the coaching staff—a school district’s biggest costs will be in personnel. Districts typically spend from 75 percent to 80 percent of their budgets on salaries and benefits, according to the Education Commission of the States; 65 percent of total education spending goes to teachers, the commission adds.

Union contracts often give districts little flexibility to trim workforces or salaries, though, and state legislatures can frequently add to the problem by approving benefits increases that they pass along to the districts to pay. “The biggest savings are the ones that are the least accessible—salaries and benefits,” said James Langlois, superintendent of the Putnam/Northern Westchester, N.Y., Board of Cooperative Educational Services. “Everything else is picking around the edges.”

That has been tempered a bit by the budget crisis facing most states. The Poway United School District, like many others in California, negotiated a 2.7 percent salary rollback with its teachers to prevent any layoffs. Non-unionized Fairfax County, Va., negotiated an agreement with its school employees’ association that requires teachers to forego \$72 million in step increases and cost-of-living adjustments in the 2009-2010 school year.

Paradise Valley Unified School District, which includes parts of Phoenix and Scottsdale, negotiated salary cuts that will depend on the size of the decline in its state funding. The worst-case scenario would mean a 6.2 percent salary cut, but that could likely be reduced to “the high 4’s” if sales-tax revenues pick up, said Tom Elliott, the district superintendent for business services.

Draft: Please do not cite without permission from the author

Salary cuts or freezes aren't a long-range strategy, though, and that has superintendents and CFO's looking for other, more sustainable ways to trim their personnel costs.

The biggest recurring savings that districts can realize come from closing under-used schools. With America deep in another Baby Boom, it seems hard to imagine under-used schools. But even in fast-growing Colorado, 108 of the state's 178 school districts have declining enrollment, according to the Colorado State Finance Project. Upstate New York districts are losing enrollment at the rate of 1 percent a year. Meanwhile, inner-city districts are seeing steep declines as students move to the suburbs and, increasingly, to charters. Washington, D.C., where more than one in three public-school students attend a charter, closed 23 districts schools in 2008.

The Colorado School Finance Project, a non-profit that has been studying such issues as funding adequacy in Colorado for more than a decade, estimated that Colorado districts can save from \$300,000 to \$400,000 a year by closing an elementary school with fewer than 300 students, and \$400,000 to \$600,000 by closing a middle school. The Pittsburgh, Pa., school district realized \$14 million a year in savings by closing 22 of its 86 schools in 2006. Colorado Springs, Colo., District #11 anticipated savings of \$4 million a year from closing nine schools in a community whose enrollment had fallen by 12 percent, to 28,000 youngsters, in 12 years.

A big share of those savings is in maintenance and building costs, but there are also significant savings in personnel. Lynn Bragga, director of budget and financial reporting for the Richmond, Va., public schools, estimated the district will cut 62 full-time-equivalent jobs in 2010 when it closes a middle school whose enrollment had declined to 300—or about five youngsters for every adult job.

Draft: Please do not cite without permission from the author

A school's staff doesn't necessarily decline with its enrollment—you need a third-grade teacher, even if there are only 10 third graders, after all. As enrollment declines, the number of students per teacher does too, leading to huge staff inefficiencies. In districts that use site-based budgeting—where schools are given a salary allowance based on their enrollment—that also can lead to a hollowing-out of the program. A school paying that third-grade teacher with 10 students and a fourth-grade teacher with just as few might have to forego a music teacher or a math specialist.

Richmond's Lynn Bragga said that is pretty much what happened in the middle school slated for closure. It had already lost its guidance counselors, much of its clerical staff and its assistant principal, and—surprise!—was in the seventh year of failing to meet No Child Left Behind progress goals.

It's painful to close a school, of course, but budget woes can give administrators the political cover and community support to “right size” their infrastructure. Milwaukee calculated four years ago that excess capacity was costing it \$26.5 million a year. The district estimated it would need five years to shed that capacity, and began by closing 19 schools, although it re-opened two as specialized high schools. Those closings shed only enough excess capacity to save \$6.5 million a year, however. “We have a considerable amount more to close,” said Ms. Nate.

Increasing class sizes may be even more unpopular than closing schools, but it can create even bigger savings. Kristen Michael, director of budget services for Fairfax County Public Schools, said the district saved \$9 million a year by increasing its general-education class size by one-half student, which it did in both 2008-2009 and 2009-2010. Countywide, that increased elementary-school classes to an average 21.2 students and middle-school school classes to 24.1

Draft: Please do not cite without permission from the author

students. Of \$150 million in cuts the district planned to make in 2009-2010, about \$20 million of it will come from staff reductions.

Long Beach, Ca., restrained by state mandate from increasing class sizes beyond 20 students in kindergarten through grade three, negotiated a contract with its teachers union that allows classes of up to 35 youngsters in grades four and five, and 31 in grades six through twelve. Elsewhere, though, districts are bypassing class-size requirements that have boosted their personnel costs. Poway Unified, in San Diego County, opted to ignore the state mandate and increase classes to 23 students, with the option of raising it further to 25. Poway will pay \$3.1 million in class-size fines in 2009-2010—that is, California will withhold a percentage of its per-pupil funds for each child in each class that is larger than 20. But that still is cheaper than the \$3.7 million cost of hiring the teachers Poway would need to meet the state 20-to-1 mandate. Moreover, the fine stops accumulating after 25 children per class—there’s no further penalty on the 26<sup>th</sup> child, for example. “We could go to 30 [without adding to the penalties], and we may get there” in 2010-2011, said Poway Superintendent Don Phillips.

Florida is granting waivers to a state mandate that eventually would have reduced classes to 18 students in elementary school, 22 in middle school and 25 in high school. That plan was to have been phased in, starting with the lowest grades. But after meeting earlier targets, “we won’t go to the next level,” said Polk County Public Schools finance officer, Audra Curts-Whann.

Superintendents are looking beyond increasing class size in an effort to cut their personnel, of course. The most endangered job in education may be the assistant principal, as districts opt to cut jobs in the office rather than the classroom. Long Beach will have 56 vice principals in 2010, down from 71 the year before, while Richmond, Va. has eliminated the second assistant principal in all of its elementaries.

Draft: Please do not cite without permission from the author

School librarians are vulnerable too: Many are being cut back from full-time to part-time. Poway is offering just two languages instead of four in its high schools—Spanish in each, plus Mandarin in its newest high school and German in two others where the program was particularly strong. Blind Brook-Rye Union Free School District in New York dropped French.

The Littleton, Colo., schools are trying to share a chemistry teacher with a nearby district, according to the Colorado School Finance Project, and tiny Woodlinn, Colo., has hired a part-time superintendent. Among other things, his reduced salary offsets the perception in a poor community that school leaders are too highly paid.

In Milwaukee, where schools have wide latitude over their hiring, a few schools are sharing a principal and a few others are teacher led. In those schools, a teacher-leader does the administrative work and a neighboring principal does the evaluations. The arrangement saves a salary, which the school can use for other purposes.

Clark County, Nev., meanwhile, has eliminated block scheduling, which district CFO Jeff Weiler said cost \$500,000 per school in extra staffing costs, or about \$11 million for the district. Block scheduling created additional time for students to take non-core classes like music—on non-block days, they could squeeze in two classes in a two-period block. Now, the district is offering core classes, for a fee, on Saturdays so students can stay in their weekday enrichment courses. Taking another tack, Hillsborough Co., Fla., estimated it would save \$38 million a year by having high school teachers teach six periods a day up from five.

James Langlois of Putnam/Northern Westchester Board of Cooperative Educational Services in New York said he is advising member schools of his co-op about other ways to reduce personnel. Hire technicians to run science labs, freeing higher-paid teachers to teach another period each. Pay department chairs a stipend instead of giving them the typical two

Draft: Please do not cite without permission from the author

periods of release time. Schedule larger phys-ed, art and music classes. Consider if there is anything that teachers are doing after or before school, for extra pay, which they could be doing during the school day. And think about the one-on-one aids that have become increasingly common in special education. The reason most special-education children have aids is to help them become more independent, “but the opposite is happening. The child becomes dependent on the aid” to help him or her control behavior, Mr. Langlois suggested. He proposes an annual review of each child to determine if he or she still needs an aid.

Many urban districts still have paper-based systems to keep track of purchases, work orders and the like because they have found it politically difficult to eliminate white-collar jobs in high-unemployment inner cities. But those systems are ripe for automation. Pittsburgh has turned its old three-part forms—which were filled in manually by anyone seeking a repayment or a leave request—into interactive computer PDF files. Its work-order system, also paper based, will be online in 2009-2010.

Milwaukee also put its purchasing system online, eliminating seven jobs; under the old purchasing system, schools called in their orders to a central-office staffer who filled in a form. Seattle Public Schools CFO Donald Kennedy said he is doing an analysis of the district’s business office with the aim of automating more of its functions and has already eliminated 29 jobs.

Automation is also likely to eliminate some waste: Richmond’s Lynn Bragga said the district spends \$52 million a year for supplies but has no central database, and added that half of its purchases are documented only by paper receipts. An audit found some schools paying \$1 for a box of paper clips that could have been purchased for under 30 cents under a centralized contract, she said.

Draft: Please do not cite without permission from the author

Under pressure from taxpayers and tech-savvy parents, suburban districts have already automated many clerical jobs, but apparently there's still room for more. School co-ops in St. Louis and New York operate online placement services where teachers can post their resumes and schools can post their job openings, saving districts advertising dollars, paperwork and time.

Some jobs can't be automated, of course, so districts are finding ways to redefine them. Colorado Springs District #11 reduced the number of workers who manage the heating, air conditioning and ventilation systems at each of its buildings from two to one, but set up a team of "floaters" who can respond to emergencies around the district. Long Beach Unified eliminated 35 custodial jobs and saved \$1.6 million by switching to "team cleaning." Instead of assigning a custodian to each school, Long Beach assembled cleaning teams that each tackle four schools a night.

Districts are also looking at their use of substitute teachers. In Scottsdale, Az., all administrators and curriculum writers are now obliged to substitute teach five days a year. That will save only \$100,000 out of the district's \$1.4 million substitute budget, but "it helps" and "it's good for everyone to see what it's like in a classroom," said David Peterson, the chief business officer, who plans to teach math, chemistry and physics.

Grand Rapids, Mich., Public Schools has contracted with a private company for substitutes. The arrangement saves the district human resources chores like payroll processing, said superintendent Bernard Taylor Jr. And most schools are rethinking the practice of hiring substitutes so that teachers can attend meetings, crunch test-scores or design professional development presentations. New hand-held computers can do the number crunching and keep teachers in their classrooms—if districts can afford the technology, of course. As for relief time, "We won't have the money for that," said Poway's Don Phillips.

Draft: Please do not cite without permission from the author

The need to cut staff—as well as fuel and equipment costs—is forcing schools to take a good look at their bus schedules, too. Fairfax County, Va., Public Schools will save \$4.7 million in 2009-2010 by having each bus and driver complete three runs in the morning and evening instead of two. Seattle expects \$2.2 million in savings by centralizing school start times and eliminating 49 buses in 2009-2010.

It's possible no city has a more complicated busing problem than Milwaukee, which has long allowed youngsters to attend the schools of their choice, with the city providing transport. That has resulted in buses criss-crossing the city and a \$27 million general-education bus budget. At the suggestion of parents, teachers and other community members, Milwaukee has begun limiting how far it will bus students, and has started to offer door-to-door van service to students who return to neighborhood schools in high-crime areas, forsaking schools in safer, but more distant, neighborhoods.

Cutting transport isn't painless, though. Centralizing bell schedules takes away some of the autonomy that districts allow their best schools, for one thing. Clark County's magnet and "empowerment" schools formerly kept to a different schedule than the rest of the district, with longer hours on some days and bus service to accommodate their needs. Now, the county has adopted a uniform bell schedule aimed at cutting bus runs and transport costs.

Other districts are debating widening the busing radius—typically, eliminating bus service for anyone living within a three-mile radius of school rather than a two-mile radius—or eliminating busing altogether, where state law allows. But that creates safety issues in neighborhoods without sidewalks and could raise dropout rates among youngsters who already may have little motivation to go to school. Moreover, general-education busing helps underwrite the costs of special-education busing. Poway Unified saved \$1 million in 2008-2009 by cutting

Draft: Please do not cite without permission from the author

underused bus routes and reducing ridership to 4,000 from 6,000 students, each of whom pays a transport fee. But those fees help pay for the mechanics, schedulers and others who maintain Poway's special-education transport system, which is free. "If we went to no [general ed] ridership, that would increase our [special ed] costs," said Poway's Don Phillips.

### **Health Fairs, Early Retirement and Workmen's Comp**

Benefits add a third or more to most compensation packages—and require equal creativity to trim. Union contracts in Milwaukee are so sacrosanct, for example, that the district is required to deliver or mail paper paychecks to 4,000 employees who refuse direct deposit of their paychecks and online notification. Postage for those workers costs \$80,000 a year, said CFO Michelle Nate—not a lot in the scheme of things, "but a teacher costs \$90,000." Still, districts have begun nibbling around the edges of worker benefits, sometimes achieving substantial savings.

Retirees' benefits seem the most vulnerable in this economic climate. Palo Alto Unified School District, among many others, pays medical benefits for retirees for five years or until they reach age 65—a benefit that currently costs the district \$500,000 a year, said Superintendent Kevin Skelly. In 2008-2009, Palo Alto renegotiated its union contract to drop that benefit. The district's 1,100 current workers are still eligible for the benefit, which means it will run for another two decades or so, but new hires are excluded. One upside of the recession, Skelly added, is that fewer workers are taking early retirement, and the district is paying medical benefits for a smaller number of retirees for a smaller number of years.

Pittsburgh had a similar arrangement that required retirees to pay 5 percent of health-insurance premium costs and 20 percent of any year-to-year premium increase. Because workers could retire at age 55, the district was committed to covering up to seven years of medical

Draft: Please do not cite without permission from the author

premiums. The district has increased retirees' share of medical costs to 5 percent of the premium from nothing, and 50 percent of any premium increases. One early result of the change: The cut in potential benefits "scared" a lot of workers into early retirement, enabling the district to shed a substantial number of jobs, said CFO Christopher Berdnik.

Milwaukee has had less success negotiating a change in retiree benefits, which suggests the peril at hand. The district pays full health-care benefits and 100 percent of the premium cost for all of its employees, including part-timers, who can retire as early as age 55. The district currently faces a \$2.2 billion liability for retiree health-care benefits, and because the district failed to win any relief in arbitration, that liability will grow to \$4.9 billion in 2013, said CFO Michelle Nate. It's "going to eat us alive," she said.

A few years ago, retirement incentive plans seemed a good way to shed high-salary veteran teachers. But in the light of budget gaps, that now seems an expensive benefit that districts are trying to eliminate. Richmond, Va., for example had an incentive plan that paid teachers 35 percent of their salaries for five years or 25 percent for seven years to retire early. But the benefit cost the district about \$4 million a year, and didn't attract the teachers that the district most want to shed—high-salary veterans. Even after the district shut down the program, employees who took the option will retain their payouts, eventually costing the district \$28 million. Clark County, Nev., similarly dropped an early-retirement program that had been in place since the 1980s, and expects savings of \$2.5 million a year from the move, said CFO Jeff Weiler.

Arizona—facing huge growth and a shortage of public-sector workers—has long allowed retired teachers and other state employee to return to work, and collect both a salary and full retirement benefits. That benefit is changing in the new economic environment, though. In

Draft: Please do not cite without permission from the author

Paradise Valley, 300 of those retirees were the first teachers let go as the district struggled to close its budget gap.

Districts are taking back or reducing benefits for current employees too. Palo Alto had long allowed its administrative staff to accrue unused vacation days and take a cash payout at retirement. That created a liability of \$450,000 in unused vacation days—“not a huge amount” in a \$150 million budget, said the district’s Tom Skelly. But eliminating it also solved a bookkeeping nightmare. “I didn’t know how that time built up,” Skelly said.

Almost everywhere, districts are asking employees to shoulder a bigger share of medical premiums or pension contributions, although many increases are fairly marginal because of union contracts. The Education Commission of the States estimates that health-care costs are rising by 7-10 percent a year for teachers, even while education spending is flat or in decline. In Polk County, Fla., the union contract still requires the district to pay 100 percent of health-care premiums.

But other districts are increasing co-pays or deductibles. Jefferson County Public Schools in Golden, Colo., allocates each employee \$515 a month to purchase benefits. It formerly paid the balance to anyone who didn’t spend the full \$515, but now has withdrawn that perk. Ann Arbor, Mich., Public Schools announced plans to pay up to 5 percent in health-care premium increases, but no more.

Districts are seeking to rein in benefits in other ways. Arlington, Va., Public Schools will cut its pensions contribution to 0.2 percent of an employee’s salary in 2009-2010 from 2.3 percent in 2008-2009, saving an anticipated \$3.7 million. Nevada raised retirement contributions—they are now equal to 21.5 percent of salary, up from 20 percent. But employees will have to pay 0.5 percent of the 1.5 percent increase.

Arlington, Va., has begun hiring teachers on so-called “terminating contracts” that typically expire at the end of the year and save the district from becoming over-staffed. Richmond ended a tuition-reimbursement plan that offered teachers up to \$1,000 a year in education benefits and non-teachers up to \$500. There will be some education vouchers available this year, but they will be first-come-first-served, and redeemable only for courses needed for teacher certification. Pittsburgh has added an additional step in its pay schedule: There’s now a step 10A and a step 10B, so that teachers will need an additional six months to reach the highest step and pay level—a six-month saving in salary for the district .

Pittsburgh’s CFO, Christopher Berdnik, has developed two other programs that promise far-reaching savings. In 2008, the district began to self-insure its own catastrophic-illness medical plan and, at year-end, found itself with a surplus in the fund. The district’s Health Care Cost Containment Committee—a joint effort of the teachers union local and management—recommended putting \$200,000 of the surplus into a health fair that offered cholesterol counting, bone-density screening, blood tests for prostate cancer and diabetes, and other tests that could point out potential health problems. Some 70 percent of the district’s teachers participated. “We’re planting seeds that will pay rich fruit” both in employee wellness and reduced health-care costs, Berdnik said.

Similarly, Berdnik stepped up efforts to reduce the district’s workmen’s compensation claims, which were approaching \$20 million. The district more thoroughly investigated injury claims. It aggressively litigated some claims, and it moved the processing of claims from the personnel office to the finance office, which took a closer look at costs. At the same time, the district became more aggressive on safety. The local electricians’ union sponsored a week-long course on worker safety—including such topics as first aid and scaffolding training—that at least

Draft: Please do not cite without permission from the author

one representative from each school attended. The district also solicited a donation of defibrillators—one for each building—and trained 2,000 employees in their use. A defibrillator saved one life in 2008-2009; meanwhile, the value of outstanding workmen’s comp claims dropped by half. “We won this fight by winning a thousand skirmishes. That’s how you gnaw away at a structural gap,” Berdnik said.

### **There Goes the Planetarium**

After paying their personnel bills, superintendents and CFO’s typically have only 10 percent to 25 percent left in their budgets to pay for fuel, buses, computers, books, utilities, professional development, office equipment, supplies, cafeteria operations, transport for the band to Friday night’s big game and everything else it takes to run a school district.

With teacher salaries and benefits often untouchable, most districts have turned first to this “everything else” category when they’ve gone looking for budget cuts. Around the country, bus and computer purchases have been shelved. Thermostats have been turned up or down and even off. Glenn Gustafson, CFO of Colorado Springs District #11, predicts his 28,000-student district will save \$250,000 in 2009-2010 by dialing down the heat to 66 degrees from 68 degrees in the winter, and jacking up the air conditioning to 74 degrees from 72 in the summer.

Scottsdale Unified, like many districts, cut back to a Monday-through-Thursday workweek for central-office staff in the summer and saved \$500,000 on utilities, said David Peterson, the district’s chief business officer. Peterson was catching up on work one Friday in August 2009 when he reported that the temperature in his office was “in the high 90’s. Most people don’t come in,” which seemed hardly surprising.

Almost everywhere, textbook purchases have been put on hold. California is allowing districts to shift money from their state-funded textbook budgets into their general operating funds and stretch out textbook adoptions, which currently are every seven years in math and reading. That will save Poway Unified School District in San Diego County \$1.8 million in 2009-2010 on new science textbooks for its 33,000 students, who now aren't likely to get new science texts for another three years, said superintendent Don Phillips. Some reading texts in Long Beach will be 12 years old by the time the district buys new ones in 2013, said superintendent Chris Steinhauser, who calls the state-mandated adoption cycle "one of the biggest areas of waste." The district will save "at least" \$5 million by stretching out the cycle by a few years, he said.

Summer school, Saturday academies, after-school programs and test-prep courses all are vulnerable, although districts have looked for ways to lessen the effects those cutbacks could have on student achievement. Long Beach Unified eliminated remedial summer school for elementary students, but will require that those children attend after-school tutoring. Poway kept its remedial summer-school programs for high schoolers needing credits to graduate or meet state college entrance requirements. But it eliminated summer classes for youngsters who want to accelerate; the district gave them the names of local adult-education and community-college programs instead.

Richmond cut its summer-school budget by 25 percent by consolidating classes at 14 schools rather than running them at 28 schools as it has done in the past. The move raised transport costs, but saved on building costs and personnel.

Most districts also have taken a closer look at their sports and activities budgets—playing teams closer to home to save on transport, dropping a junior-varsity or junior-high sport or two,

Draft: Please do not cite without permission from the author

combining boys' and girls' track, sending the marching band to fewer away games and the orchestra to fewer festivals. Clark County, Nev., will cut its sports and activities budget by 15 percent, or \$1.7 million, in 2009-2010.

Almost everywhere, districts are dropping little luxuries. Fairfax County, Va., Public Schools has cut the planetariums at nine high schools at a savings of \$350,000. It will use online resources instead, said Kristen Michael, the director of budget services. Paradise Valley, Az., will consolidate evening programs and meetings at a few schools, rather than keep the air conditioning churning in every building to accommodate parent and community groups. That and other energy economies are expected to save \$1.5 million a year.

But along with cutting their budgets, many districts are looking at new—and potentially cheaper, faster, smarter—ways of doing things. Colorado Springs District #11 used \$6 million of a \$150 million bond issue passed by voters in 2006 to build a fiber-optic “ring” around the district. The new fiber-optic system replaces Internet lines that the district formerly leased from a commercial provider for \$550,000 a year.

Scottsdale in 2009-2010 was scheduled to launch a solar-power system to power its buildings. The school district didn't have the capital to build the solar system, but CFO David Peterson saw a boon for investors, who can realize generous tax credits from investments in alternative power. Under Peterson's plan, which is seen in Arizona as a template for other school districts in the state, investors would build solar-power collectors on school roofs and covered parking lots. The systems would heat, cool and light the schools during the day and potentially feed power into the electricity grid on weekends and during the summer.

The benefit to investors is tax credits of up to 50 percent in the first year of their investment, Peterson calculated; that includes federal alternative-energy tax credits and rapid

Draft: Please do not cite without permission from the author

depreciation. The benefit to the district is a steady energy price: Peterson said he has locked in a rate to the investors of 11 cents per kilowatt hour for the next 20 years, compared to 12 cents the district is currently paying the local utility in peak hours. There's another bonus, too. Peterson plans to charge students and staff up to \$400 a year to park in the new covered lots, up from the \$100 they pay now for an uncovered parking spot.

Alternative energy doesn't have to be limited to Sun Belt states either. In Milwaukee—yes, up there in the grey upper-Midwest—one elementary school is already running on solar power, and a high school will begin solar generation in 2009-2010. The district's Michelle Nate said the high school power system is being funded with federal stimulus money and will be used by the school as part of a "green" curriculum. State regulators shot down another school's proposal to build wind-power system, but the district is using wind turbines to partially power the milking machines at its experimental farm.

Careful monitoring of energy—"green" or conventional—can produce huge savings too. Clark County, Nev., launched an energy-use incentive program that saved \$9 million in energy costs in 2008-2009. Of that, the district returned \$500,000 in bonuses to schools that cut their energy use. The \$9 million "is money we don't have to spend on electricity or gas, so we're spending it on teachers," said CFO Jeff Weiler.

Other districts are rethinking how they deliver services. Pittsburgh recentralized its printing operations in 2004, outfitting a new print shop with copiers that were more expensive than individual schools could afford, but more efficient too. Now, teachers email their printing jobs to the shop, which sends back the finished copies on the district's food-service trucks. The district saves in printing costs and manpower: The print shop can produce color images for about 10 cents a page, compared to about 25 cents if the same page were produced at the school or a

Draft: Please do not cite without permission from the author

commercial printer, said CFO Christopher Berdnik. Moreover, low-skill workers do the job instead of higher-paid teachers, who otherwise might have to give up planning time to stand in front of a copier.

The bigger bonus, though, is what it means for the classroom. “We’re rewriting a lot of the curriculum, so we had to replicate and distribute it,” said Berdnik. The district’s print shop “allows us to do real-time curriculums and lesson plans,” he added.

Milwaukee, meanwhile, is rethinking books. In 2007, the district began a pilot project to give \$400 laptops to its sixth graders. The district is paying for the computers with \$24 million that class-action plaintiffs in the federal anti-trust case against Microsoft failed to claim and that Microsoft offered the district in the form of vouchers. The computers would allow teachers to use so-called “open source” books instead of texts—that is, books and other online material that is “open” to the public to download or otherwise use.

There are plenty of problems with open-source books, which many legislators and others see as an avenue around the high cost of publishers’ texts. If open-source books or chapters are merely downloaded and printed out for everyone in class, printing can soon exceed the cost of a text that’s reused for years. The other option, providing a computer or text reader to everyone, is even more expensive and would require technicians to support it. But in districts like Milwaukee, where the technology already exists and where the yearly textbook budget is \$7 million to \$8 million, “we could save some significant money,” said CFO Michelle Nate.

Milwaukee and other districts also are rethinking their food service. In 2009, McKinsey & Co., a management consultant, produced a massive study of Milwaukee’s non-academic operations and identified \$103 million in potential savings. Among them, McKinsey proposed the district switch to bagged lunches, which can be assembled at a central kitchen instead of

Draft: Please do not cite without permission from the author

prepared on-site. “Kids love them” and the centralized system helps with portion control, said Nate. But the real savings are in labor costs: Kitchen workers, although they are part-time, receive full-time benefits. Milwaukee rejected another McKinsey recommendation—that it use cheaper food. Nate said the district will continue to provide fresh fruit rather than fruit cups.

Seattle, too, is centralizing its kitchens, moving all of its elementary kitchens to a site in the central-office complex; the secondary-school kitchens are next. The district’s food service still isn’t self-supporting, but the new arrangement is saving \$600,000 a year so far, said CFO Don Kennedy.

Fairfax County, Va., services its school vending machines instead of contracting with a supplier, and splits the profits between its cafeteria operations and the schools. The county also hires the district’s food service to provide snacks for county-funded senior-citizen and after-school programs. With the added revenue, the district’s food service is self-supporting. Richmond, whose food service was \$1 million in the hole in 2007, hired a new manager who started a profitable catering service for in-house meetings and other gatherings.

Technology offers some cost-control promise, although so far not nearly as much as state legislators and community activists seem to think. Virginia, South Carolina and Texas, among others, are moving their standardized tests online, which saves printing and delivery costs, and should speed up grading and the analysis of results. Grand Rapids, Mich., Public Schools in 2009-2010 began piloting an online curriculum for students in its alternative-education center. In a summer-school trial, the program saved on staff: Classes were as large as 40 students, and hourly-paid tutors provided additional help. Next, “we want to see if there’s applicability to general ed,” said Superintendent Bernard Taylor Jr.

Clark County, Nev., is looking at a similar program for students needing to repeat classes to graduate. The courses are cheaper than conventional classes, and popular with students because they can take them at night or on weekends, said CFO Jeff Weiler. Some districts in northeastern Colorado have joined an instructional-television collaborative that broadcasts lessons to small or rural schools that can't afford, say, a physics teacher. But the project is hard to replicate in other low-population parts of the state, where valleys and mountains make broadcast reception poor, said Tracy Rainy at the Colorado School Finance Project.

Indeed, technology seems more likely to add to or improve education, rather than make it less expensive. It can provide virtual science labs and offer long-distance AP courses that a school otherwise might not be able to afford. But it also requires schools to buy licenses and updates and to hire techies and systems managers. "I see progress; I don't see savings," said Polk County, Fla., finance officer Audra Curts-Whann. Her district uses a computerized program for credit recovery, but licensing and other fees make the course no cheaper than one that uses a teacher and textbooks, she said.

Cooperative ventures among school districts, or between school districts and other government departments, also offer some promise of cost savings—but again with limits. Boards of cooperative educational services or BOCES have flourished in many states for decades, providing member districts with everything from technology training and accounting services to access to purchasing, medical insurance and investment consortia. The Cooperating School Districts, a non-profit consortium in the St. Louis, Mo., area, also lobbies the state legislature on behalf of its 65 members, guides districts through federal stimulus-fund red tape, offers public-relations advice to districts asking taxpayers to pass bond issues and manages a natural-gas purchasing consortium.

Among other things, the co-ops give districts access to higher-level professionals than they could afford alone: A CFO instead of a bookkeeper, for example. The Putnam/Northern Westchester BOCE runs an investment pool where districts can park their reserves; with assets of \$1 billion, the pool gets a better interest rate than districts could expect individually, said its superintendent, James Langlois. And districts get better rates on their medical-insurance policies because of the purchasing power of the consortium.

Larger districts, meanwhile, are working cooperatively with city governments to leverage better prices for their purchases. Pittsburgh's school bid jointly with the city and county on natural gas, office supplies and even rock salt for the roads. A committee of the three jurisdictions meets monthly to coordinate contracts. The Fairfax schools and county do joint fuel purchases; the county maintains its own buses and those of the district as well.

But there are limits to the cooperation. Few neighboring districts can agree on a common textbook, which reduces their ability to negotiate discount prices. Richmond's school district has asked for bids on a plan to combine its finance department with the city's. But the two have different computer systems, and there is "bad blood" between employees of the two jurisdictions, who fear layoffs, said the district's Lynn Bragga. Moreover, small districts fear that cooperation, if it appears too successful, would encourage state legislatures to demand more district consolidation as a cost-saving measure. "We've been through that," said Michael Griffith of the Education Commission of the States. Small town residents worry that losing a district will mean losing a school, and ultimately the slow withering of their community.

## **A Bridal Registry, and Recovering Tax Liens**

Cutting money for schools is tough; raising it may be even tougher. Still, some superintendents and CFO's are finding ways to raise their revenues to fill in budget gaps.

The most direct, of course, is to ask voters for more money. Dozens of California schools are doing that by asking voters to pass so-called parcel taxes, which are levies on individual parcels of real estate. The taxes were first proposed in the 1980's, a few years after California voters passed Proposition 13, which severely limited the ability of local jurisdictions to raise property taxes.

Parcel taxes require approval by a two-thirds majority of voters to pass, typically must be renewed every three to eight years and levy from \$50 to \$200 on each parcel in the jurisdiction, regardless of the property's value. The ballot measures have a fairly successful record: 17 of 21 parcel taxes up for a vote in November 2008 passed, as did 11 of the 17 on California ballots between March and June 2009, according to ballotpedia.org, which tracks election results. The measure put on the June 2008 ballot by the Los Gatos, Calif., Unified School District, for example, promised it would "support high academic achievement for local students by retaining quality teachers, keeping small class sizes, and maintaining science, literacy, art, music and other programs." It passed, for the fifth time since 1990.

Colorado districts, similarly constrained from raising taxes by a Taxpayer Bill of Rights or TABOR, have gone to voters for so-called tax overrides. Those overrides allow districts to raise taxes temporarily, typically for four or five years, to generate a pre-determined sum of money. Denver voters agreed to an override to pay for the district's performance-based compensation plan for teachers, and Jefferson County passed a \$35 million override that, among other things, is protecting the district's innovation budget. But voters in the Douglas County,

Draft: Please do not cite without permission from the author

Colo., School District voted down an override that would have funded a performance-based pay system, and some Arizona districts reported a similar lack of success at the polls.

In Missouri, the Cooperating School Districts—a consortium of 65 districts in the St. Louis area—is taking a different tack. The group compiled a report in 2009 on the effect that tax abatements and holidays, such as those given to big developments, were having on school revenues. The consortium is using the report to lobby legislators to rethink Missouri’s tax structure, said John Urkevich, the group’s director.

Taxes aren’t the only way to raise revenues, however. In the mid-1990s, Pittsburgh’s city government, school district and water authority packaged their outstanding tax liens and sold them to a debt collector. The three jurisdictions got cash for the liens, “but nothing happened to the properties,” said schools CFO Christopher Berdnik. So in 2006, Pittsburgh Public Schools bought back its tax liens for \$2 million, or what Berdnik called “pennies on the dollar.” The district began its own tax collection and, in two years, recouped its \$2 million, Berdnik said. Using the city’s enforcement powers, the district got some property owners to pay up and forced others into treasurer’s sales, with any proceeds going to satisfy the tax liens. Those properties bought by new owners are now back on the tax roles. “It’s like the gift that keeps giving,” said Berdnik.

Monitoring school attendance can raise money too. In California, districts receive state funding based on how many days each student actually attended school the previous year, rather than on how many were merely enrolled. That comes to \$40 a day when a student attends—and nothing when he doesn’t. Long Beach Unified in 2009-2010 will shift 10 of its social workers and counselors into a new truancy strike force that will identify and work with frequent truants.

Draft: Please do not cite without permission from the author

A 2 percent increase in attendance in 2009-2010 would translate into an additional \$3 million in state support in 2010-2011, said superintendent Chris Steinhauser.

Similarly, Jefferson County, Colo., is funding a dropout prevention program that benefits students but also protects the district's per pupil state allocation. Many districts are also becoming aggressive about protecting their enrollment from an assault by charter schools, and about attracting students back. Ann Arbor Public Schools (Mich.), in a budget presentation to the community, said it planned to increase enrollment by 200 students in 2009-2010, which would increase revenues by \$1.9 million.

Grand Rapids Public Schools, among other districts, is rethinking special education. It is providing tutoring and counseling when problems first appear so that youngsters with only a reading difficulty or a behavior problem aren't channeled into expensive special education classes and services. "Special ed is such a regulations-driven endeavor that the only opportunity to save money is dependent on how many students are identified as being in need," said superintendent Bernard Taylor Jr.

Schools are looking everywhere for new fee income, too. Fairfax County, Va., Public Schools is raising student parking fees to \$200 a year from \$150, a move that will bring in an additional \$250,000. Paradise Valley, Az., Unified is offering to sell advertising on its buses: \$7,200 a year for one side of a bus, with a 30 percent discount for 75 buses or more. Clark County, Nev., is piloting similar ads on its food service trucks. "We're not ready to do it on buses, but that's not off the table," said CFO Jeff Weiler, who projected potential revenue of "several" million dollars a year.

Many districts are levying—or at least considering—sports fees. Those are controversial because of their potential to exclude low-income youngsters from participating; many districts

Draft: Please do not cite without permission from the author

offer scholarships, but worry that students who need them won't apply. The fees may run afoul of state laws guaranteeing free public education, but "No one tests them in court because they're afraid the school would cut the activity instead," said Dan Raisch, coordinator of the Department of Educational Leadership at the University of Dayton.

Arizona schools have found perhaps the surest way around those concerns. The state legislature gives families a tax credit to pay for extracurricular activities. When Paradise Valley raised its fee to \$200 per sport from \$180, the move "went off without a blink," said Tom Elliott, assistant superintendent for budget services.

Districts also have begun to rely on community-funded foundations to help them fill in budget gaps. Poway, Calif., Unified and its teachers' federation set up a bridal-type registry with local stores after the district cut its supply budget by 30 percent in 2008-2009. Parents and other community members can go online to order goods from a wish list compiled by each teacher. The teacher gets the name of the donor so she can send thanks; the donor gets a receipt for her tax records.

In Long Beach, a sprawling district with 91 buildings, foundations at the elementary schools raise "easily \$1.5 million" each a year, while a separate district-wide foundation raises another \$1 million a year, said superintendent Chris Steinhauser. Together, they pay for extra science, computer and language teachers, and enabled the district to reduce class sizes in grades four and five. Meanwhile, the business community donates money to hire tutors for Algebra I and II students.

**Yes to libraries; No to educational TV**

It's not easy cutting school funding, which is why districts increasingly are enlisting parents, taxpayers, the unions, teachers, school staffers and anyone one else who is interested to help. Those additional voices can come up with money-saving idea and give the school district some sense of a community's priorities, superintendents say. Just as importantly, it can give a school district political cover when it has to make unpalatable choices.

Clark County, Nev., compiled a six-page list of potential cuts that it presented to the community in a series of meetings and surveys as it was preparing its 2009-2010 budget. "There wasn't much consensus," except that the central office should take the brunt of the cuts, said CFO Jeff Weiler. But the process "allowed people to own the problem and understand it."

Long Beach Unified conducted an online survey in three languages, including Cambodian, asking community members to rank order what was most-to-least important to them in the elementary, middle and high schools. The survey generated 7,000 online responses and another 2,500 that were mailed in. Among the findings: Counseling and sports were the highest priorities in high school; assistant principals were among the lowest. Libraries were the highest priority in elementaries; instructional television was in the cellar.

Colorado Springs asked a budget committee that included parents and community members for help in identifying \$4 million in cuts from a three-page list of possibilities compiled by the CFO. The group rejected such ideas as eliminating a school directory that cost \$7,000 to print and reducing the cleaning budget by \$225,000 (the district made both cuts anyway). But they gave the administration support for other unpopular cuts, including eliminating \$1 million in bonuses to schools based on student achievement, attendance and graduation rates.

Draft: Please do not cite without permission from the author

Jefferson County, Colo., increased its technology purchases in 2009-2010 while cutting teaching jobs—a “controversial” move, said superintendent Cindy Stevenson. “What protected us,” she added, was that a “budget working group” of community members endorsed the idea before sending it to her own budget committee for review.

Paradise Valley Unified established a committee with representatives of the parents’ council, the teachers union, classified employees and the administrators’ association. The committee helped compile a “huge list” of budget recommendations, and was “another filter to run our decision-making process through,” said Tom Elliott, the assistant superintendent. Elliott said his budget writers also “met with everyone a lot more” than usual as the budget process developed. “We want to be sure everyone knows what’s going on. We don’t want anyone to say, ‘We didn’t know what’s happening,’” he added.

Fairfax County held 20 “community dialogue meetings” where attendees were asked to break into small groups and discuss what the district shouldn’t cut, what it could and what services it should eliminate. Community members proposed cutting bus service, raising student parking fees, charging for sports and shifting the charge for AP and IB tests to families. The school board accepted the first two and rejected the next two.

Indeed, the recession is making taxpayers acutely interested in their schools, which may be one of the few bright spots in a grim economic situation. James Langlois of the Putnam/Northern Westchester, N.Y., Board of Cooperative Educational Services predicted that new interest may cause parents and community members to push for such innovations as student-achievement benchmarking and differentiated pay that the teachers’ unions now resist. “The goal shouldn’t be just to cut dollars, it should be to use them more wisely,” he said.

Who could argue with that?