

Some Fiscal Issues and School Choice

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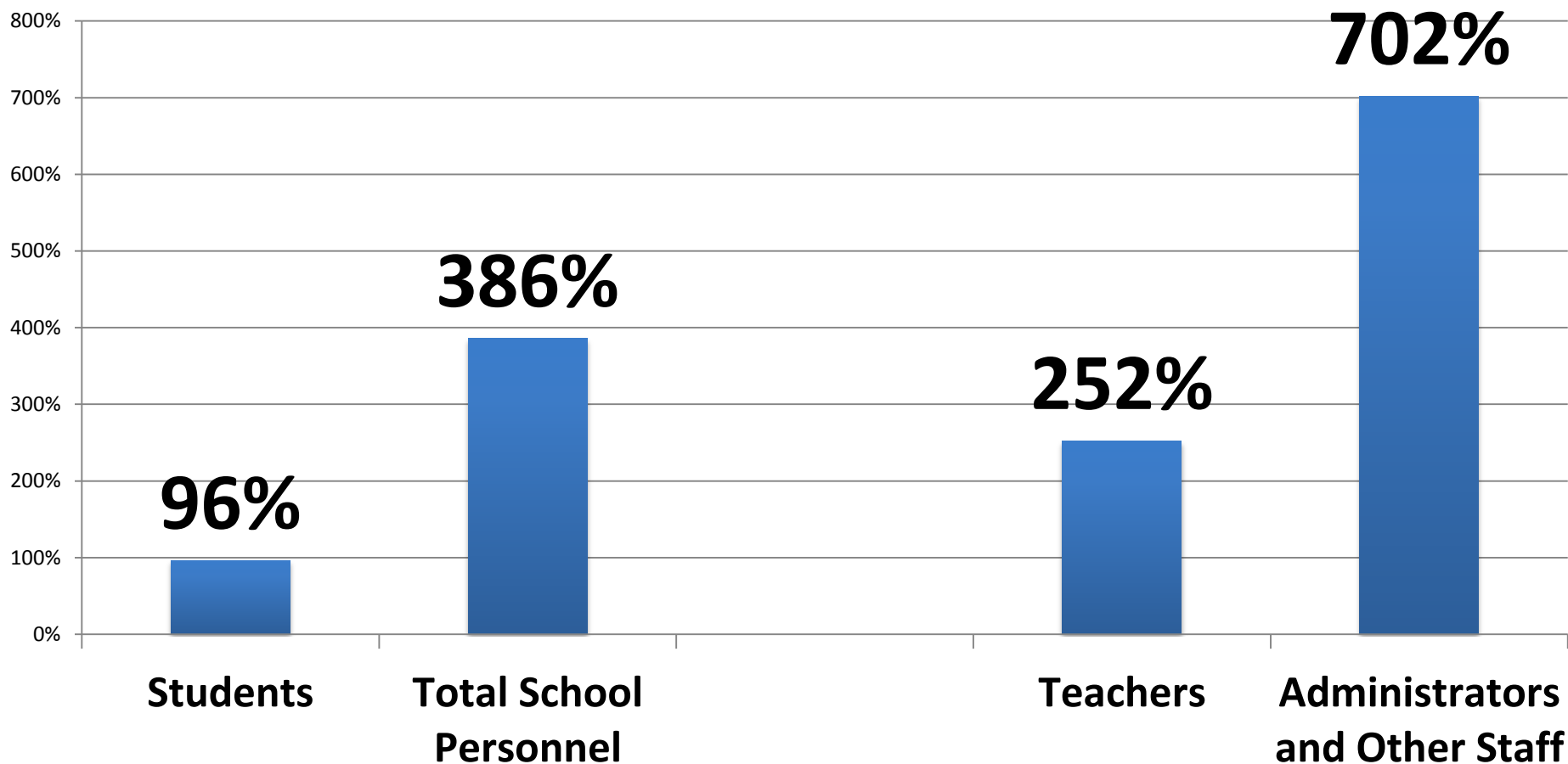
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Roadmap

- **Staffing in Public Schools**
 - U.S.
 - Alaska
 - Opportunity Costs
- **Does School Choice Harm State Budgets?**
- **Does School Choice Harm Budgets of Local School Districts?**

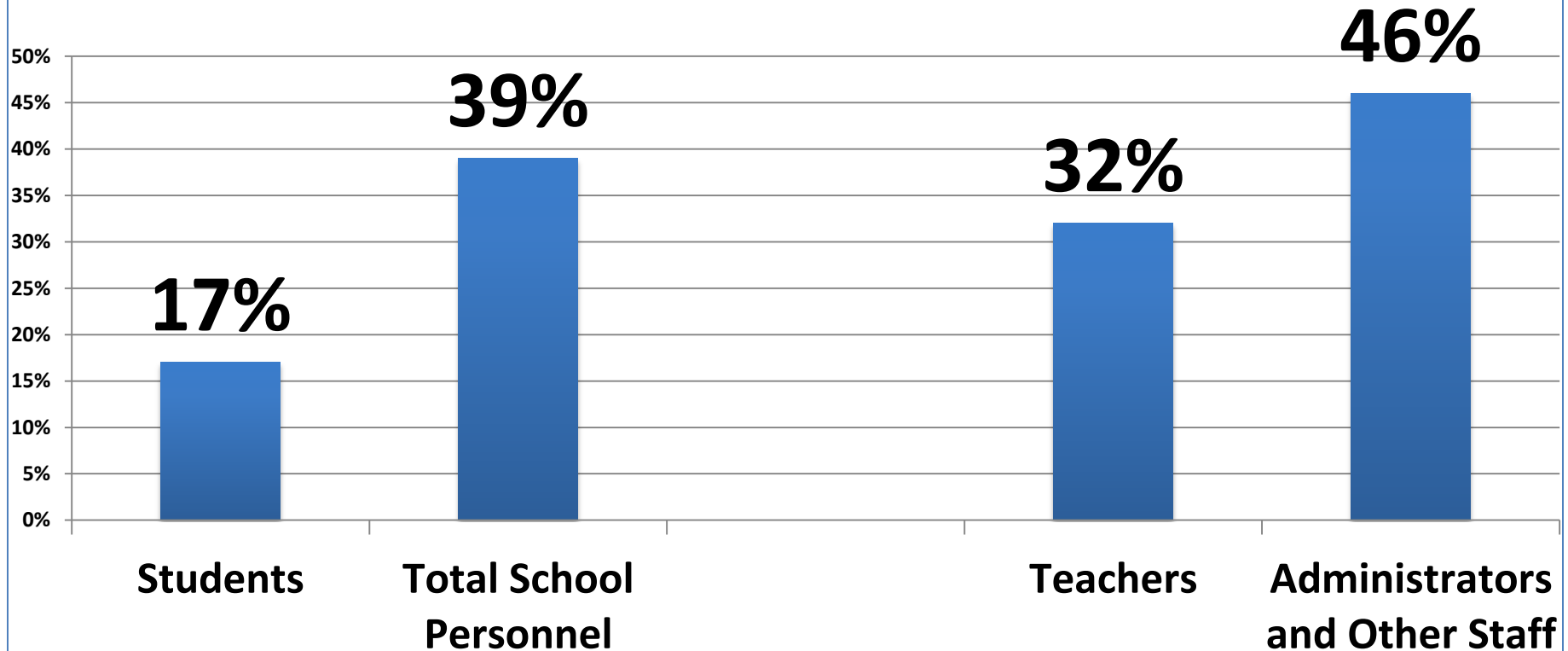
Growth in Students and Public School Personnel United States, FY 1950 to FY 2009



Source: U.S. Department of Education, National Center for Education Statistics 1991 Digest of Education Statistics Tables 39 and 84; 2008 Digest of Education Statistics Table 87

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Growth in Students and Public School Personnel United States, FY 1992 to FY 2009



Source: U.S. Department of Education, National Center for Education Statistics
1994 Digest of Education Statistics Tables 40 and 85;
2010 Digest of Education Statistics Tables 36 and 87

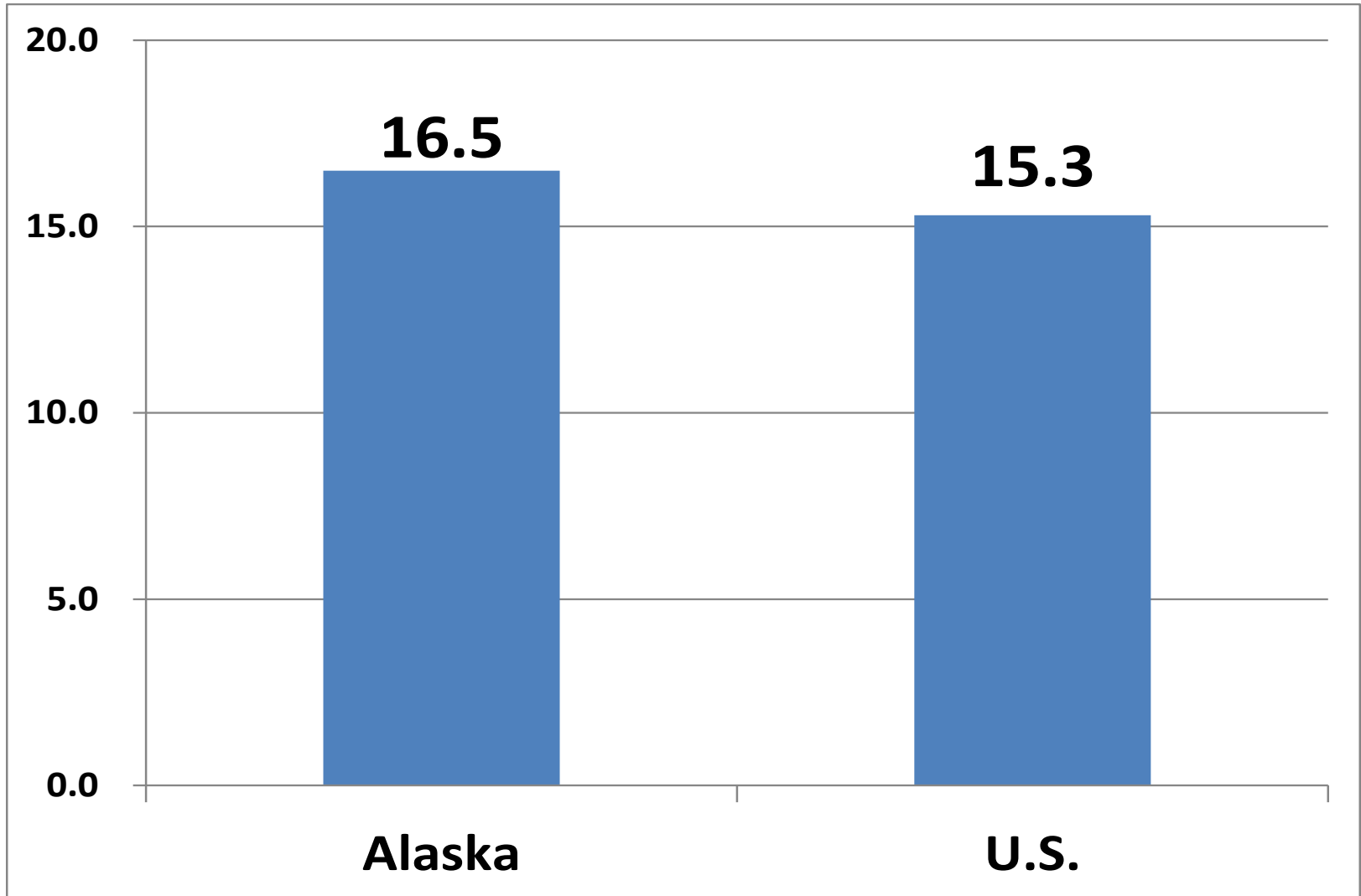
Some Notes About the Public School Hiring Spree

- **Student achievement did not rise between 1970 and 2009.**
- **No evidence the “kids are worse”.**
- **No Child Left Behind did not make us do it.**
- **American public schools are more top-heavy than other wealthy nations.**

What about Alaska?

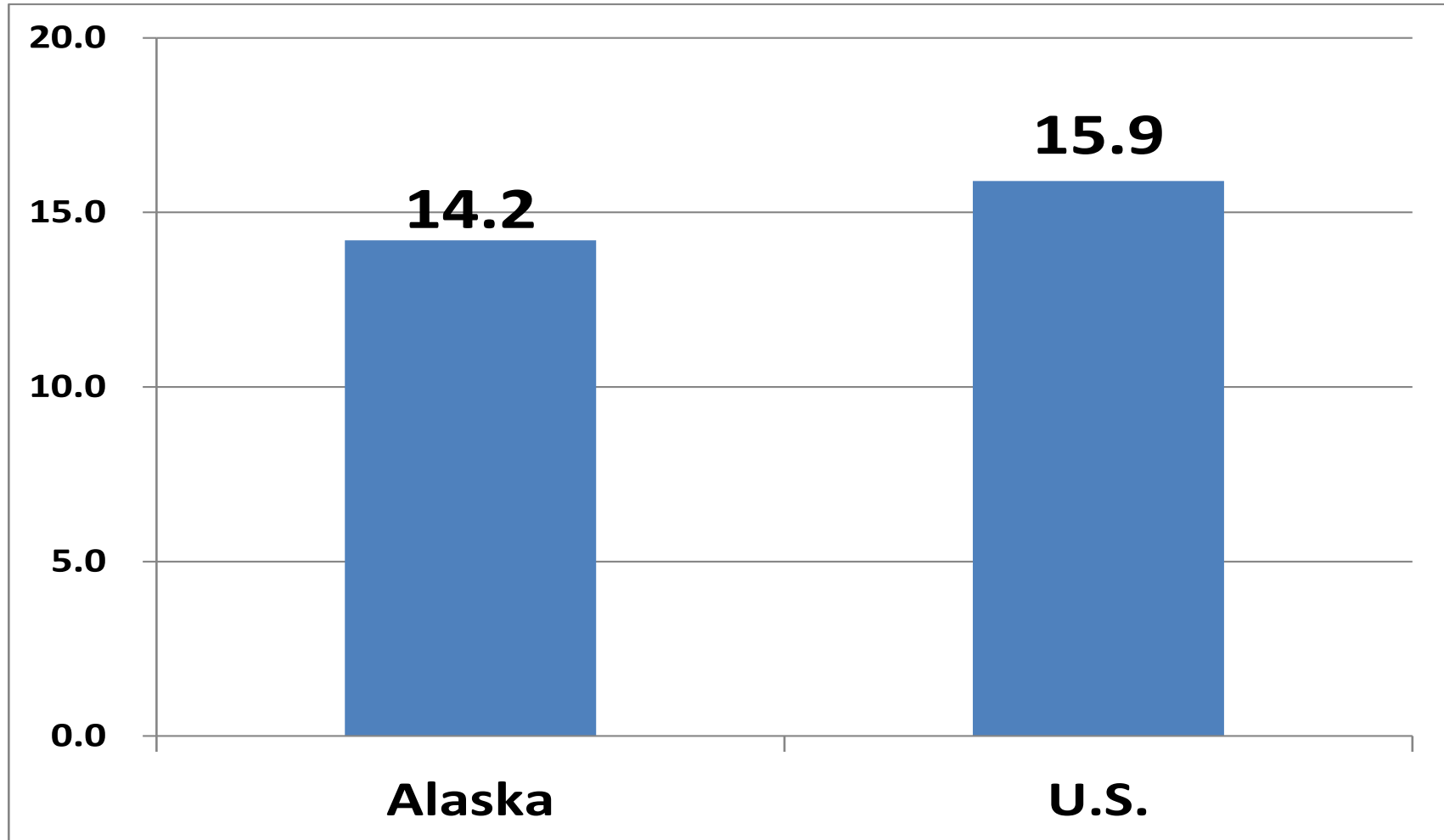
Student-Teacher Ratio

(Source: 2010 Digest of Education Statistics, U.S. Department of Education)



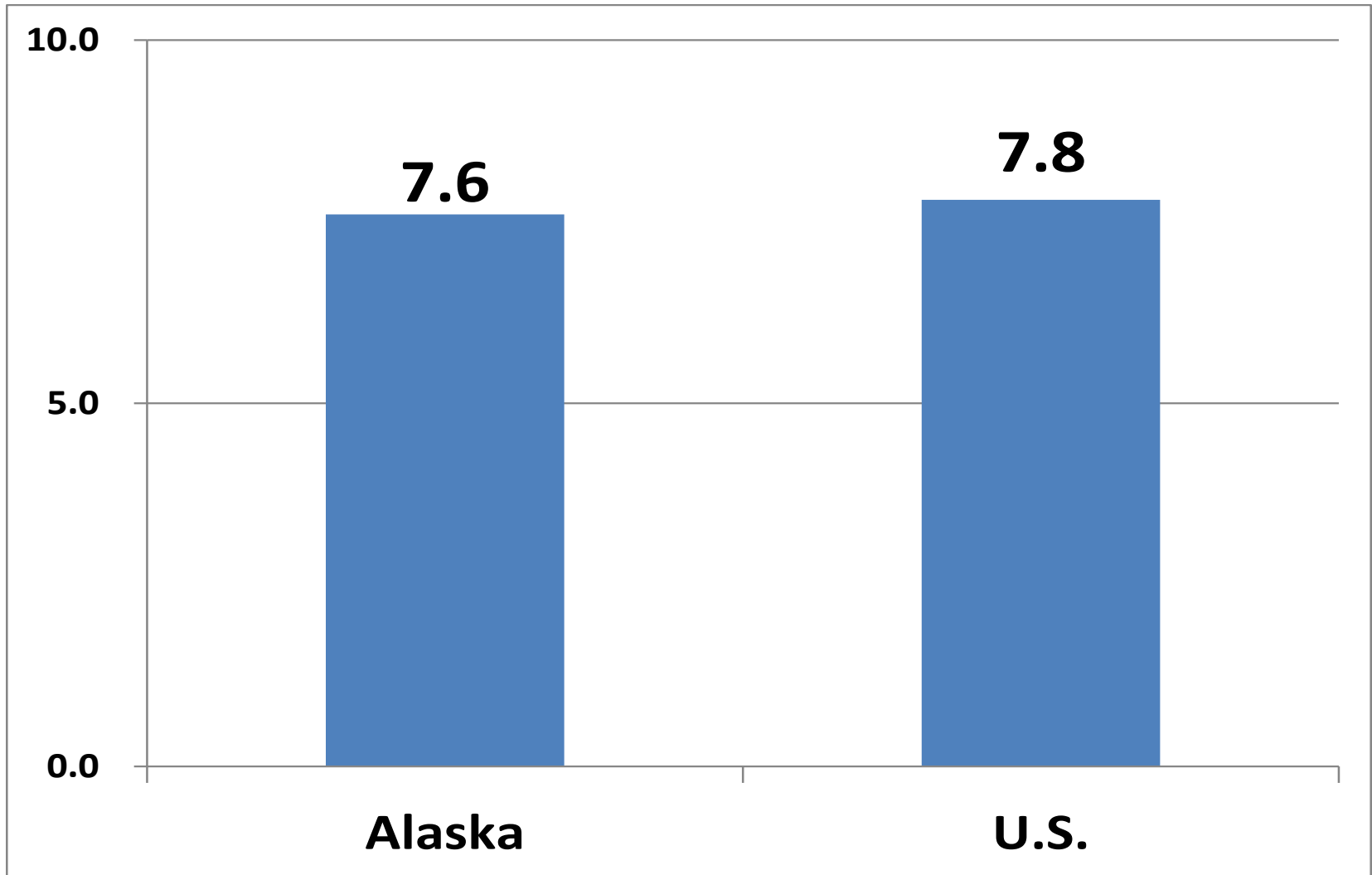
Ratio of Students to Administrators and Other Non-Teaching Staff

(Source: 2010 Digest of Education Statistics, U.S. Department of Education)

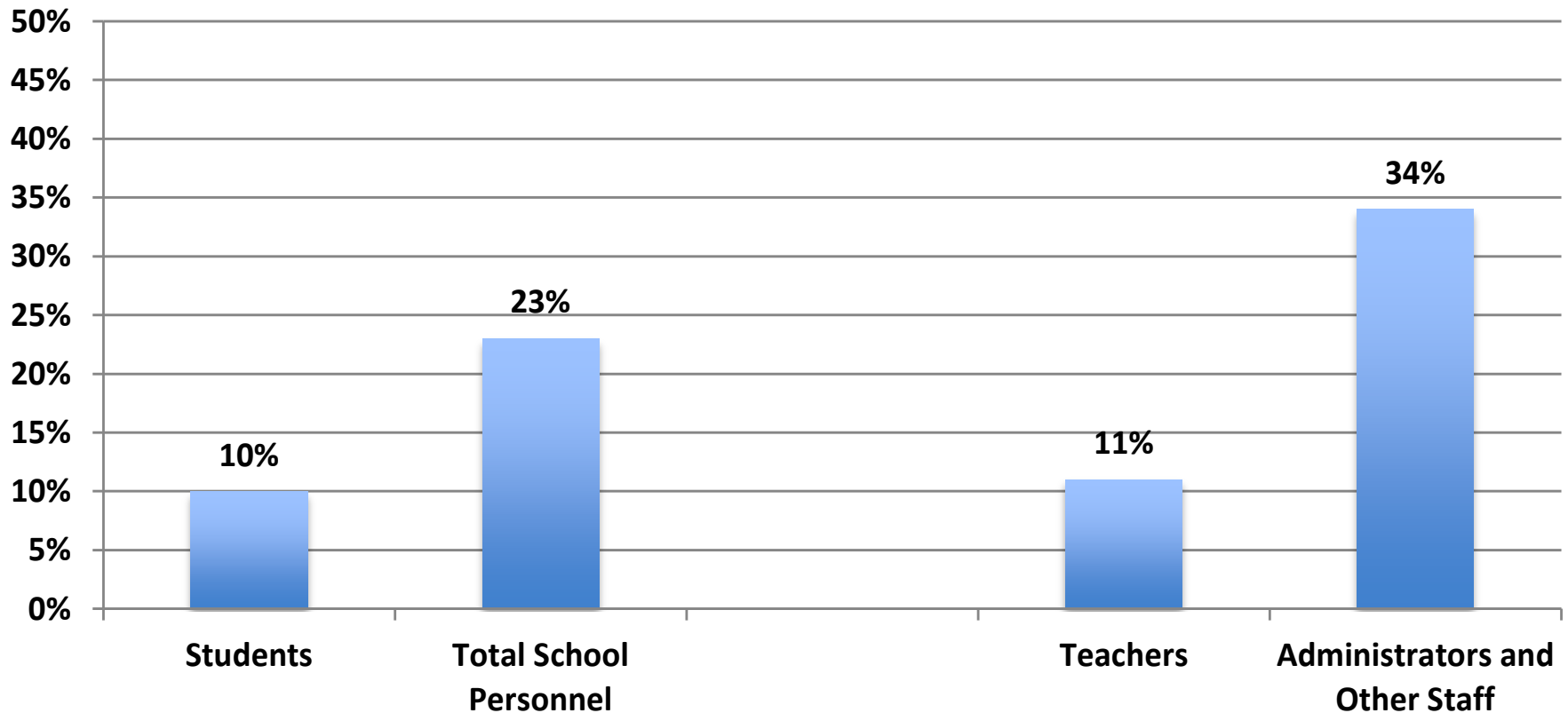


Ratio of Students to Public School Employees

(Source: 2010 Digest of Education Statistics, U.S. Department of Education)



Growth in Students and Public School Personnel Alaska, FY 1992 to FY 2009



Source: U.S. Department of Education, National Center for Education Statistics, 1994 Digest of Education Statistics Tables 40 and 85; 2010 Digest of Education Statistics Tables 36 and 87

**Between FY 1992 and FY 2009,
Alaska Public Schools Hired
Administrators and Other Non-
Teaching Staff at Almost 3.5 Times
the Rate as Their Increases in
Students and Teachers**

What if Alaska had increased non-teaching staff at the same rate as its increase in students?

- **Would have saved Alaska public schools \$66,600,000 per year in annual recurring savings.**
- **What could Alaska public schools do with \$66M per year?**
 - **Spend more than \$12,700 per classroom of 25 students**
 - **Give every Alaska teacher a \$8,400 raise**
 - **Reduce state or local taxes**
 - **Offer children scholarships to private schools, etc.**

Alaska is among 21 “Top-Heavy” States

- **Alaska public schools employ more administrators and other non-teaching staff than teachers.**
- **Alaska public schools employ 1,306 more administrators and other non-teaching staff than teachers (FY 2009).**

Fiscal Effects of School Choice on State and Local Budgets

It is straightforward to design a school choice program that saves the state money ...

Make state funds that follow the child less than average state spending per student.

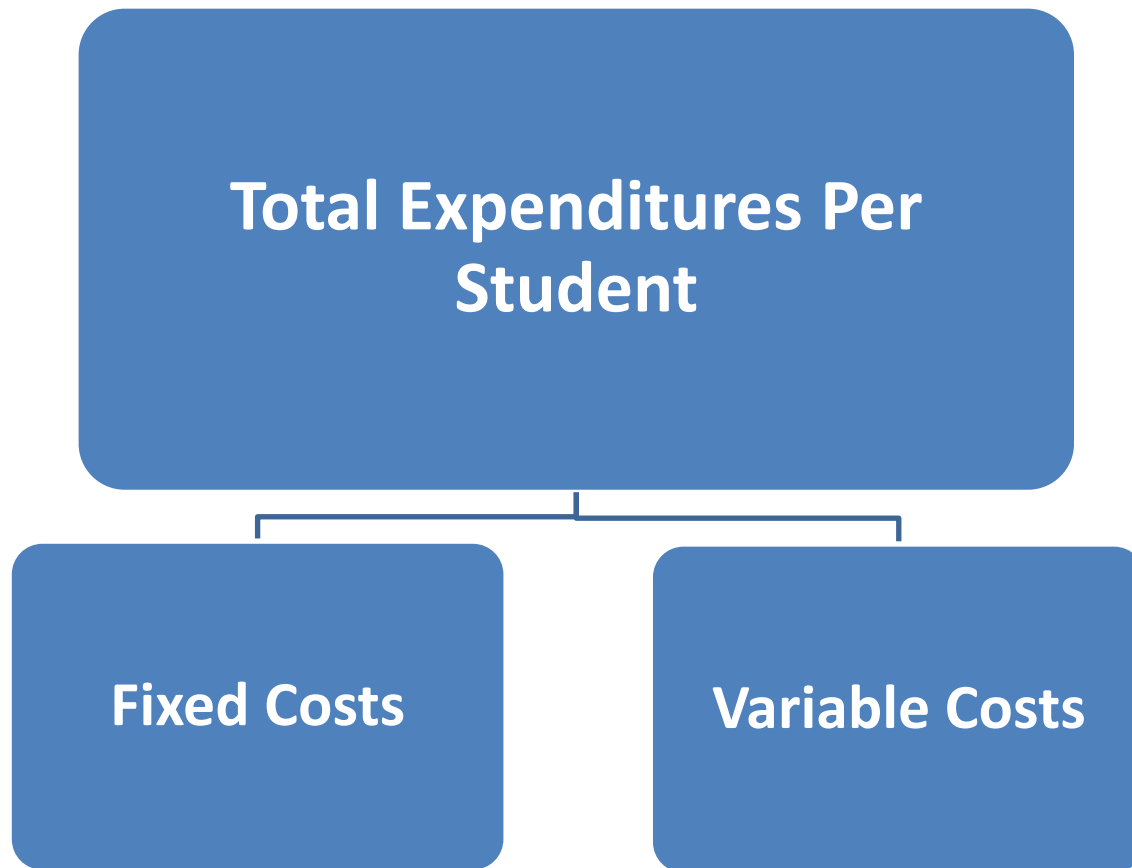
The Fiscal Effects of School Choice Programs on Public School Districts

When some students leave traditional public schools via school choice, are students who remain in public schools harmed?

- They are not harmed academically, and they may benefit academically.
- However, do students who remain in traditional public schools have fewer resources available for their education?

- The fiscal effect of a given school choice program on local school district budgets is more complicated than it is for state budgets.
- Specifically, school choice programs that allow school districts to retain funding for any fixed costs would not harm the fiscal health of public schools or decrease resources available to students who remain in public schools.

All Costs are Either Fixed or Variable



- Capital Expenditures
- Interest
- General Administration
- School Administration
- Operations & Maintenance
- Transportation
- "Other" Support Services
- Instruction
- Student Support
- Instructional Staff Support
- Enterprise Operations
- Food Service

How to Divine Which of These Costs are Fixed?

- If a significant number of students left a public school district for any reason from one year to the next, is it feasible for the district to reduce the costs of these items commensurate with the decrease in its student population?
- Using 4 school districts in Georgia, I analyzed how they were able to reduce expenses when they lost students for reasons not related to school choice.

Fixed Costs (in short-run)


- Capital Expenditures
- Interest
- General Administration
- School Administration
- Operations & Maintenance
- Transportation
- "Other" Support

Variable Costs (in short-run)

- Instruction
- Student Support
- Instructional Staff Support
- Enterprise Operations
- Food Service

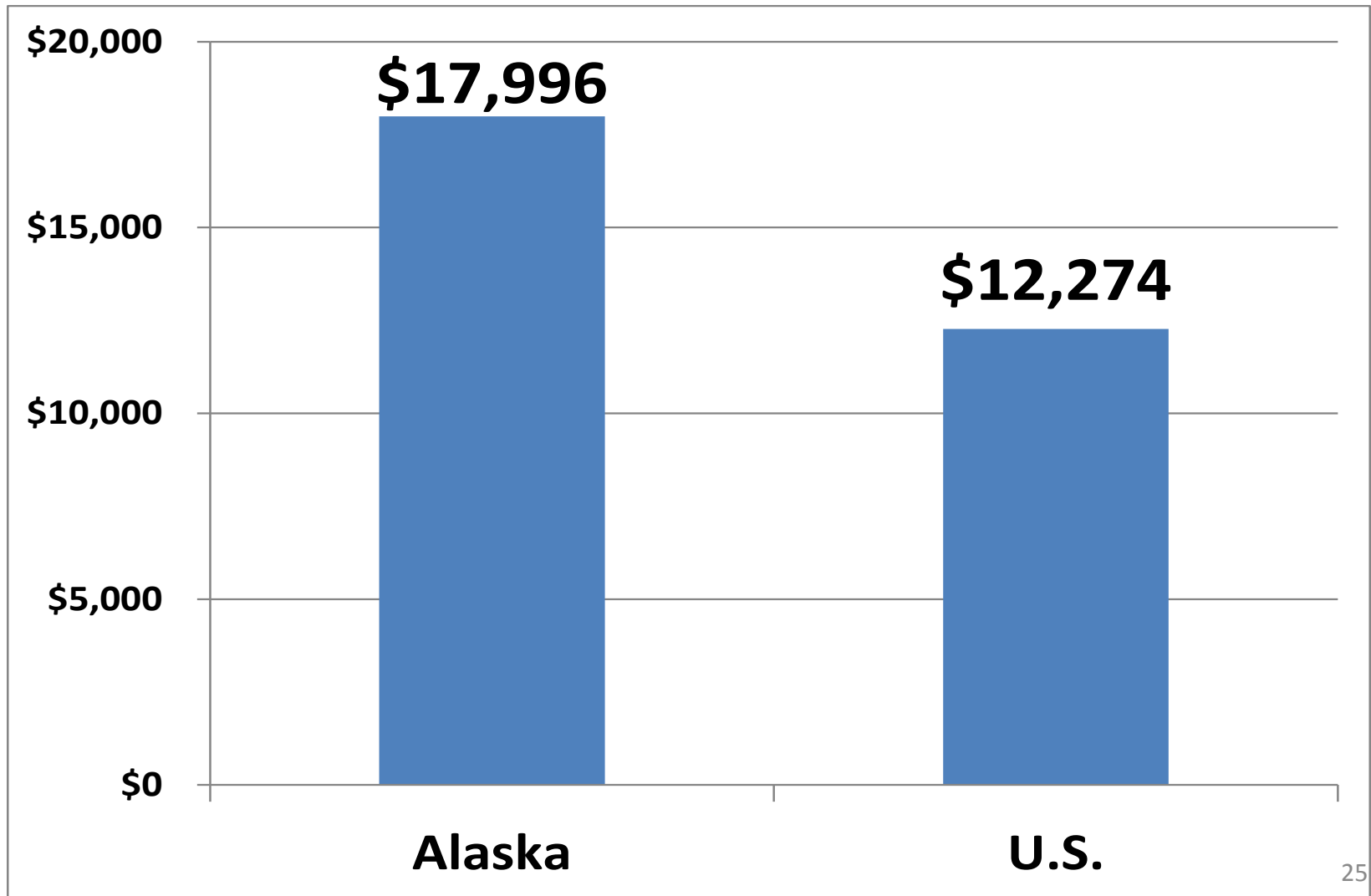
Money that follows the child that is less than this amount improves the finances of school districts--even in the very short-run.

If school districts say they cannot reduce costs when they lose students, then...

- **They are suggesting that all of their costs are fixed. Thus ...**
- **They should not get extra funding when they add students—because all of their costs are fixed.**
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Spending Per Student in Fall Enrollment

(Source: 2011 Digest of Education Statistics, U.S. Department of Education)



What about Alaska?

- In FY 2009, Alaska public schools spent an average of \$17,996 per student.
- Using the methodology in my report, 61.9% of this \$17,996 are short-run variable costs (\$11,140).
- The other \$6,856 per student are short-run fixed costs that the state could let school districts retain when they lost students via school choice.
- In the long-run, all costs are variable.

Thus, any school choice program in Alaska where \$11,140 per student or less follows a child to the school of his or her choice improves the fiscal situation of a public school district, on average. And, students who remain in public schools would have more resources devoted to their education.