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## TRUTH IN SPENDING: The Cost of Not Educating Our Children

All around the country schools are plagued with problems. The bottom line: children are not being educated to succeed or even survive in today's world. They do not graduate high school with the skills to take them successfully on to college or into the job market to become productive, tax-paying citizens. Many within the public school system contend that things won't improve without an increase in funding. However, education experts, and many in the private sector, assert that the solution is not in how much is spent, but in how it is spent.

### Spending More But Educating Less

Regardless of where they come from — poor inner-city districts or upper middle-class suburbs — our publicly schooled children are falling woefully behind in learning even the basics. According to a study by the U.S. Department of Education released in September, 1993, less than 25% of our 4th graders are reading at or above grade level; by the 12th grade, even after many students have dropped out of the system, less than 40% of our students are reading at or above grade level. According to another U.S. Department of Education study released in April, 1993, less than 30% of our 8th graders are at or above their grade level in math, and less than 20% of our 12th graders are proficient. SAT scores have declined consistently over the last thirty years in both the verbal and mathematics sections. Education spending, on the other hand, has tripled, in constant dollars, over the same thirty years.

According to a study published last year by the American Legislative Exchange Council, of the five states with the highest average SAT scores, none were in the top half of states in per pupil spending. Utah, which had the highest pupil/teacher ratio (24 students for each teacher), ranked fourth in SAT scores, 10th in ACT scores and dead last in spending. The District of Columbia, which had the lowest pupil/teacher ratio (less than 12 to 1), ranked second highest in dropouts, 49th in SAT scores, and was fifth highest in spending.

When considering the public school system, study after study has shown that there is little connection between the dollars spent and the achievement of students. In 1989, Eric Hanushek of the University of Rochester looked at

nearly two hundred studies that examine the relationship between inputs (money) and outcomes (student achievement). Overwhelmingly, studies that compared expenditures per pupil and other cost-sensitive inputs (e.g. teacher/student ratio, teacher education or experience, teacher salary, administration, or facilities) to student achievement showed little or no correlation between the two. More recent research in Texas and Arizona reconfirm that there is no significant relationship between spending and test scores.

Many private schools are delivering substantially more education for significantly less money than the public schools. According to the most recent comparative figures available from the U.S. Department of Education, for 1990-1991, the average tuition at a private school was about \$2,600, and at a Catholic school it was less than \$1,800; the average per student cost of public school for that same year was over \$5,200. Yet the national public school graduation rate barely reaches 71%; in some urban areas it's less than 50%; only 63% percent of those who do graduate high school go on to college. However, in the Catholic schools, 95% of their students who enter high school graduate and 83% of those go on to college.

And while the average per pupil expenditure by public schools nationwide is currently about \$5,500, some cities spend substantially more. Jersey City spends over \$9,000 per pupil, and despite additional expenditures of \$100 million in the last four years, dropout rates and test scores have not improved. In Kansas City, Missouri, as a result of a federal court desegregation order, public schools received a infusion of more than \$36,000 per student to create state-of-the-art learning facilities, and achievement scores actually declined in the aftermath of this windfall. These and other court efforts to equalize public school funding put the focus on inputs rather than outputs, and in effect ask judges to rule that more money guarantees better education. None of the equalization efforts to date have in fact resulted in access to better education, and the students on whose behalf these suits are filed are no closer to getting equity or excellence in their schools.

The United States spends more on education than any other advanced nation in the world except Canada. Yet U.S. students, compared to their international peers, continue to fall behind. According to 1992 international test results, American nine-year-olds ranked behind nine-year-olds from all other large countries in math; Korean nine-year-olds are mastering math that most U.S. students don't start learning until ages eleven and twelve. In science U.S. nine-year-olds are more in line with students from other industrialized countries, though still behind Korea and Taiwan, but by the time they reach age thirteen, they have fallen behind almost all of their international peers.

The education establishment continues to attribute poor results to lack of funds and to press federal and state legislatures and taxpayers for more money. Meanwhile, businesses must pick up the slack by spending billions in remedial training, and suffering operating losses that result from a poorly qualified work force. IBM alone spends over \$10 billion on education and training every year.

### **Bureaucratic Bloat**

As achievement in the public schools has plummeted, government and the education establishment have responded by imposing more rules and requesting more funds to implement them. In California, public teachers and schools must comply with more than 7,000 pages of education code. As the regulations have increased, so have the number of administrators needed to oversee them, and teachers have been further removed from the fundamental decision making processes that affect their classrooms. The ratio of teachers to non-teaching staff in the public schools has decreased dramatically over the last several decades — currently teachers make up only a little more than half of public school employees.

As a result, the money the public is setting aside for the education of our nation's children, in the form of taxes, is being consumed by bureaucracies before it ever gets to the classroom. One study of the New York City Public Schools, released in June 1990 by Bruce Cooper and Robert Sarrel at Fordham University, found that only 33 cents of every education dollar actually made it to the classroom, in the form of teacher salaries, books and classroom supplies and materials. A similar study of the Milwaukee Public School District found that only 26 cents of every dollar reached the classroom. The rest was soaked up in bureaucratic bloat. And as more staff, more time and more money are devoted to the non-educational oversight of the public schools, the children in the classroom lose out.

### **Putting the Dollars Back into the Classroom**

Recent reforms have helped to recapture public education funds and put them back into classroom instruction and materials. Charter school legislation in eight states has made it possible for teachers and parents to design and direct schools that will best address the needs of their community, unfettered by unnecessary regulations. Funding — a percentage of the district's per-student costs — goes directly to the charter school, cutting out administrative levels along the way.

In addition, fewer restrictions are placed on charters about how and where they spend the funds they receive, encouraging competition and efficiency across the board — although not without opposition. For example, when Bowling Green Elementary, a California public school that went charter last September, found a private supplier to provide paper below Sacramento City Unified School District prices, the District countered with a drop in its own prices — benefiting all the public schools supplied by the district. However, when Bowling Green found a private contractor that would carpet its special education building at less than half the cost of the district's bid, the two district departments that were going to fund the material and installation balked, claiming the private contractor was providing an inferior product, despite indications to the contrary. Bowling Green is going without new carpets for the time being. However, Dr. Dennis Mah, the charter school's principal, has been able to make other spending choices that directly benefit teachers and students. Savings achieved by trimming custodial and secretarial services have been used to reduce class sizes.

The use of private contractors, particularly for support services, has become increasingly popular among public schools who want to reduce costs, eliminate waste and concentrate more resources on actually educating children. According to a report by the Reason Foundation, noninstructional and support services eat up more than 40% of public-education spending nationwide. The superintendent of the Piscataway, NJ, public school district recently began contracting for bus and food service, saving \$2 million a year. And the competition is leading to cost reduction of district services as well. The Peoria Unified School District in Arizona saved about \$250,000 when it first started contracting for custodial services in 1991, and enjoyed cleaner schools as a result. And public custodial services for the district, which used to cost at least 25% more, have brought their service costs within 5% of private contractors. Public school systems are also experimenting with contracting freelance teachers and educational services to handle both remedial and classroom teaching.

Some districts have gone a step further and contracted with private companies to take over part or all of a school system, with the aim of improving both academic and financial management of the public schools. Baltimore City Public Schools, for example, contracted with Education Alternatives, Inc., to manage nine of its public schools, a move which has resulted in better maintained, better attended schools. EAI says they've been able to reduce administrative and overhead expenditures by 25%; as a result, although EAI and other schools receive the same amount of funding from the district, about \$5,918 per student, EAI is able to spend \$1,100 more per student

directly in the classroom. In one EAI school, the attendance rate has hit 98%, up from 90% the previous year, and now above the districts 92% average.

A number of school districts contract with private companies to provide complete educational services to at-risk students who can no longer be handled successfully within the public school system. For example, Ombudsman Education Services contracts with districts in five states to educate students who are in danger of dropping out of the system for academic and behavioral reasons. Ombudsman receives \$3,000 to \$4,000 per enrolled student — well below the average \$5,000 to \$8,000 per student these states spend in the public schools — yet boasts an 85% success rate with the district's most difficult students. Over the course of the year, Ombudsman enrolls over 3,000 at-risk students from more than 100 school districts.

### **Conclusion**

Clearly, the cry for more money is misdirected at best. The money is there, in the system, to get America's public schools back on track. And more and more schools are reclaiming control of their funds and putting them back to work where they will do students, teachers, business, taxpayers and the community the most good — in the classroom. But billions of dollars continue to be wasted, absorbed by layers of administration and countless regulations that serve to stifle dynamic innovation and school-level reform.

— Angela Henkels  
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For more information about spending and other education reform issues, please contact The Center for Education Reform at (202) 822-9000.

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