

**Center for Financial Accountability and Productivity in Public Education**

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## Center for Financial Accountability and Productivity of Texas Public Education

### Introduction

Since the publication of "A Nation At Risk" in 1983 by the National Commission on Excellence in Education, warning us of the deficiencies in our K-12 public education system, Texans along with the rest of the U.S. have made concerted efforts to reform and improve that system. Today, appraisals of those efforts might show some positive results, but the strong consensus is that much more work needs to be done to avoid an even worse outcome. Fiscal strains now being felt at all levels of government create a crisis environment for public education in America.

In the simplest terms, the reforms of the last two decades shifted the policy focus in public education from making decisions primarily based on inputs---spending---to measuring and demanding certain outcomes---academic results. Clearly, while this shift in focus has been constructive, there is also *something seriously missing in the policy spectrum*. What exists today is unacceptable. Just refining the current policies is not likely to be successful. New policy elements are sorely needed.

The following policy proposal is based on the conclusion that *a major gap exists in the structure of public education: There is no direct connection between decisions about how financial resources are used and the specific academic outcomes desired or achieved. In other words, both policy makers and the managers in the system usually decide what to spend without knowing what the outcomes on student learning will be. Individual elements of the school structure---such as human resources, facilities, food service, information technology, transportation, curriculum and safety---are not well integrated into a unified operating system. This results in an inefficient and wasteful structure, far removed from a modern organizational model.*

What is missing is a system of *financial accountability*, a system which identifies and measures as a matter of course *what is achieved in educational outcomes for the money expended*. This, in simple terms, is *cost effectiveness*. Or this, in economic jargon, is *productivity*, a measure of *output per unit of input*.

Policy makers in public education have tended to focus *either* on technical issues of defining and measuring outcomes (reformers) *or* how much more money to spend (traditionalists). There has been very little systemic development common in business organizations and aimed to improve financial productivity such as best practices, process management, performance based spending or optimization of capital resources.

The specific policy proposal that follows is an attempt to effect powerful and positive change in the current organizational dynamics in public education in Texas, and in turn get the most for the taxpayers' dollars.

## **Proposal: Center for Financial Accountability and Productivity**

The State of Texas should create a new, independent policy center, the Center for Financial Accountability and Productivity in Public Education (the Center), whose *objective* would be to provide taxpayers, policy makers and managers of public funds information and policy recommendations which can improve the cost effectiveness and productivity of public education. The Center would be *dedicated* to the design and development of data systems and reports, collected from a wide variety of sources, which study, measure, analyze and recommend actions for such improvement.

Techniques would be developed which could determine the effectiveness of specific financial strategies, specific spending decisions and specific resource allocation choices in terms of producing various outcomes such as student academic performance and fiscal efficiencies and financial productivity among school districts.

Information generated would be distributed widely and publicly in a straightforward and transparent format. Comparisons and rankings of school districts on many broad and detailed factors could be accomplished easily. Current best practices would in this way be identified and made available for other districts to adopt.

The initial structure and funding of the Center would focus on *promptly* developing information and proposals for policies which would improve and optimize the use of funds dedicated to public education from federal, state and local sources. *Early and effective action could be expected to reorient and improve public spending by many multiples of the cost of the center.*

The TEA, Regional Service Centers, and school districts would be required to provide all available data as reasonably requested on a timely basis and at minimal cost to the Center. The Center would be authorized and expected to contract with independent private suppliers and vendors for data and services. Staffing would be expected to be relatively small with built-in flexibility to find and acquire effective skill sets as they are developed in the market place. The Center would be required to adhere to its own organizational goal of being financially productive by locating and bringing forward the best ideas with the lowest cost from whatever source.

The Center would, in turn, provide State policy makers, the system, and taxpayers with information, analysis, advice and recommendations which might be utilized to improve productivity and cost effectiveness.

The creation of the Center should provide State policy makers the resources and the opportunity to institute formal financial accountability measures to assure specific, continuous and serious actions by the K-12 districts in improving productivity and cost effectiveness, potentially building a State of Texas *financial accountability system* which parallels the academic accountability system.

### **Rationale for the Center for Financial Accountability and Productivity:**

In the exceptionally difficult fiscal situation of the State of Texas and local school districts, currently and likely in the intermediate future, there is an *urgent* need to assure that all public funds expended are utilized in the most *cost effective and productive* manner possible.

The public has the right to expect and believe that every dollar spent be used in the most financially sound manner and that neither the current level of funding, nor any future increase in funding, is justified without that clear understanding.

Systems today in public education are not adequately designed to allow policy makers or the public to know the real effects of spending decisions. Often school boards and managers are in the dark when it comes to determining the best way to utilize their funding and especially learning from other managers and districts the best practices and optimal management for the needed outcomes.

Senior managers of school districts typically have been trained in education practices, not in finance or organizational management. Experience is usually limited to what has been done in the past and improvements are made on the base of the existing system. Bureaucratic structures are designed in many ways to limit change. Policy makers and taxpayers are just left to believe, with little evidence provided, in the *financial effectiveness* of most policies.

A huge amount of the State of Texas budget, as well as local tax dollars, is consumed by public education. During the 2010-2011 biennium, more than \$35 billion of the state's general revenue funds are to be consumed by public education. An additional \$43 billion comes from local property taxes, and the federal government funds nearly \$15 billion. Public education is the single largest state appropriation in Texas, representing 44% of the entire general revenue budget.

With a small expenditure for the funding of the Center, it would be possible to find cost or productivity savings in the hundreds of millions of dollars, and probably much more. Over time, such savings would allow more money to be used for the direct benefit of school children, could reduce the need for new taxes, and would give the public confidence to provide more funds when they are clearly needed. *The return on investment in the Center could be enormous.*

### **Urgency for Taking immediate Action**

**The fiscal crisis in the U.S. and world economy is also affecting Texas and will create serious financial problems. Unless addressed directly, the situation will create major dislocation of needed public services. The Center would allow policy makers to avoid "across the board" cuts or increases and to target spending productively. Considering the size and importance of K-12 state and local funding, an emergency exists in January 2011 in Texas and requires immediate legislative action.**

### **Conclusion**

**Public education is by far the most important and financially the largest of all state and local functions and represents the most likely opportunity for improvement. *A dedicated, significant effort to enhance the productivity of K-12 schools is not only common sense public policy but it is essential to a better future for Texas.***