Strategic Spending
in the Current Fiscal Climate

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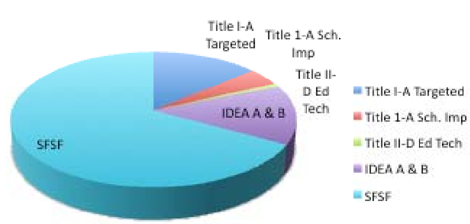
The current fiscal climate creates an imperative to redesign district budgets

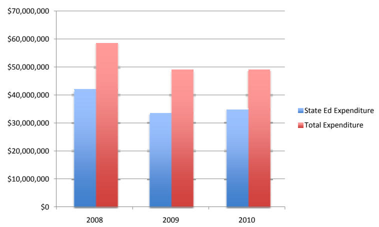
1. Revenue sources have changed.

Funds cut. Some replaced with federal stimulus
Pie shows CA's share of ARRA, by grant type



SFSF – went into general state revenues.
=>Title I and IDEA – have restrictions. Must redesign budgets so that these funds can work to free up unrestricted funds.

2. Revenues are more difficult to predict.



Our projections for CA suggest biggest cliff has already occurred.

- Budgets driven by "fixed costs."
- Many built-in cost escalators.

⇒Need more nimble, responsive budgets

3. Built-in cost escalators continue to squeeze spending

- The avg teacher's salary rises 3.16% per year as teachers move along schedule, with no COLA
- Benefits costs escalating (increase of 30% in constant dollars over last decade).

4. Seniority based layoffs have exceeded their useful life

Poor and minority students disproportionately suffer.
More layoffs than gaps would imply.

	Layoffs needed as a percent of workforce	
To reduce salary expenditures by:	Seniority-neutral layoffs	Seniority-based layoffs
1.0%	1.0%	1.6%
2.0%	2.0%	3.1%
3.0%	3.0%	4.6%
4.0%	4.0%	6.1%
5.0%	5.0%	7.5%
6.0%	6.0%	9.0%
7.0%	7.0%	10.4%
8.0%	8.0%	11.8%
9.0%	9.0%	13.0%
10.0%	10.0%	14.3%

Two other routes to shrinking salary expenditures:

⇒Exit teachers based on effectiveness

Requires better use of teacher evaluation)

⇒Keep teachers, but constrain salaries via:

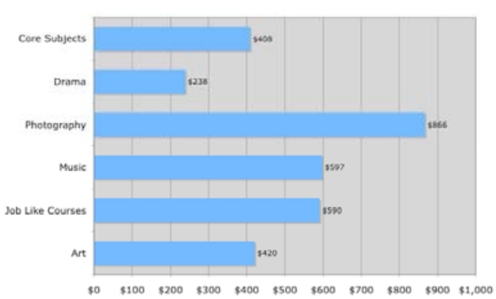
a) Furloughs, reduction in time for selected staff

b) Wage modifications, (forgo COLA, freeze, cuts, give-backs).

5. Long term revenue outlook is bleak so can't afford to keep status quo

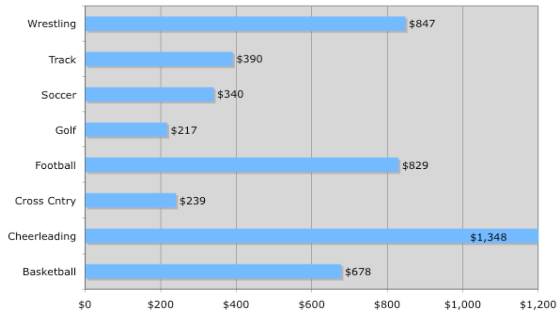
- Compensation linked to master's degrees (2% of total spending in CA, $187 per pupil).
- Class size limits for all subjects (PE, electives, etc.)
- Traditional models for some services may be too costly.

Some subjects may need to be redesigned such that they are offered at lower per pupil expense.



Results from a set of western districts. Analysis from CRPE (2009).

Some activities may need to be redesigned such that they are offered at lower per pupil expense.



Results from a set of western districts. Analysis from CRPE (2009).

6. The public understands trade-offs.

Consider 4 cost equivalent options:

- $5,500 salary raise per teacher
- 2 fewer pupils per classroom
- 1/5 of an aide per teacher
- 3 hours of prep time per week

7. Innovations pose new options for service delivery

Digital learning

Digital content

Varied class sizes

Data-driven human capital policies

=> Nature of stimulus funding calls for investing now to save later

Districts must:

- ✓ Design budgets around services for students
- ✓ Consider alternatives to costly services
- ✓ Reduce reliance on long term commitments
- ✓ Tackle “inefficient” expenditures
- ✓ Consider how innovations can affect spending
- ✓ Consider upfront investments that will reduce spending later.