



April 2004

Soaring School Spending

By Frederick M. Hess

The United States currently spends a good deal more on education per student than most industrialized nations, yet testing shows that achievement has not kept pace with spending. Nevertheless, school administrators continue to press for greater federal spending and claim that reforms cannot be implemented otherwise.

The Bush administration has recently come under fire for insufficient education spending. Senator Ted Kennedy (D-Mass.) has been savage on the subject, and Democratic candidates have attacked the No Child Left Behind Act as an “unfunded mandate.” Presidential hopeful John Kerry declares in his book, *A Call to Service*, that the Bush administration has “undermin[ed] education funding as part of a larger strategy of directing every available school dollar toward tax cuts for the wealthiest Americans.”

In a surprising turn of events, the Bush team has responded not by calling for more responsible and efficacious education spending but by bragging about its generosity and berating states for leaving \$6 billion in federal education aid unspent.

Increasing Investment, Flat Returns

The administration is factually correct, for what it's worth. Since 2001, the Department of Education's discretionary budget authority has increased by 39 percent. Title I, the main program providing federal dollars to schools serving poor children, has grown 52 percent. In the Bush administration's first two years, Title I spending increased more than during the previous seven years under President Clinton.

In fact, this entire NCLB spending debate is obscuring the fact that American schools are

actually well funded, by any reasonable standard. After inflation, education spending in the United States more than tripled between 1960 and 2000.

It may surprise some to learn that, in fact, we rank at the top of the international charts when it comes to education spending. In 2000 (the latest available data), the Organization for Economic Cooperation and Development (OECD) calculated that the United States spent significantly more than any other industrial democracy, including those famous for generous social programs. In primary education, on a per-pupil basis, the United States spent 66 percent more than Germany, 56 percent more than France, 27 percent more than Japan, 80 percent more than the United Kingdom, 62 percent more than Belgium, and 122 percent more than South Korea. High school figures were similar.

Despite this spending, the United States ranked fifteenth among the thirty-one countries that participated in the OECD's 2000 Program for International Student Assessment (PISA) reading exam. Ireland, Iceland, and New Zealand were among those that outperformed us while spending far less per pupil. The results in math are equally disquieting: on the 1999 Trends in International Mathematics and Science Study, the United States ranked nineteenth of thirty-eight participating countries. Most troubling is that America's standing actually deteriorates as students spend more time in school.

Frederick M. Hess is the director of education policy studies and a resident scholar at AEI. A version of this article appeared in the April 8, 2004, edition of *The Education Gadfly*.

Not only are we investing education dollars without adequate return, but we are actually spending even more than we think. School accounting guidelines would bring smiles to an Enron auditor. Unlike private-sector businesses, public-school bookkeeping systems exclude such major costs as property acquisition and capital construction when computing “current expenditures.”

UCLA business professor Bill Ouchi has calculated that, in New York City in 2001–02, debt service, school construction, and renovation added \$2,298 per pupil to the \$11,994 in reported current expenditure—meaning that the district actually spent upwards of \$14,000 per student. In Los Angeles, the true per-pupil cost in 2001–02 was \$13,074, compared to the \$6,740 reported by the district.

A reasonable estimate is that widely reported per-pupil spending figures represent only 70–80 percent of what the United States spends on education. Harvard economist Caroline Hoxby has estimated that in 2000 we actually spent more than \$9,200 per pupil, compared to the widely reported “official” figure of \$7,392.

From 1995–96 to 2003–04, U.S. public education spending grew by more than 53 percent, from \$287 billion to more than \$440 billion. In California, which for three years has wrestled with massive budget shortfalls, personnel costs outstripped revenue growth in thirteen of the state’s twenty largest school districts between 1996–97 and 2001–02. Sacramento had enrollment growth of 4 percent, revenue growth of 33 percent, and yet increased personnel costs by 41 percent—the result of more employees (many of them non-teachers), more generous salaries, and more opulent benefits. In short, public school personnel costs are out of control. They are even outpacing the constant growth in school revenues. This helps to explain why so many school system officials feel strapped amidst what the rest of the world would regard as ample, rising budgets.

The steady growth of spending in the past decade, as in previous decades, has allowed schools to avoid cutting fat even as other organizations have slimmed down. In 1949–50, schools employed one non-teacher for every 2.36 teachers. By 1998–99, there was one non-teacher for every 1.09 teachers. In Washington, D.C., the school system employs eleven thousand people (for sixty-five thousand students), less than half of whom are teachers. Meanwhile, school systems resist proposals for outsourcing support functions, shuttering unneeded school buildings, terminating ineffective programs, or installing

technology-assisted methods of instruction and assessment that reduce the demand for personnel.

Status Quo School Spending

Dismissing concerns that money is being spent thoughtlessly, educators complain that, until they get even more money, they cannot reasonably be held responsible for helping all students to succeed. Ken Baker, principal at the Wyoming High School in Cincinnati, complained during 2003: “We’re supposed to drive all the kids toward success, and we have to do it with one hand behind our backs. The fact is that there are going to be students left behind.” (In 2001–02, the Cincinnati school district spent \$10,328 per attending pupil.)

Such comments are not the exception; rather, the mindset they represent is pervasive. When asked by Public Agenda about the most pressing issue facing their districts, 27 percent of superintendents agree that “lack of funding is such a critical problem that only minimal progress can be made” in the school systems for which they are responsible.

It is possible that, even if we spent every penny wisely, creating the schools we desire would end up costing more than we are currently spending. However, until we start wringing out inefficiencies and finding ways to use today’s dollars more effectively, there is no way to know. Until we start rethinking how we use education dollars, boosting expenditures is little more than a costly recipe for avoiding hard decisions.

Tough-minded reformers must unapologetically argue that we ought not boost spending on schools until we see proof that money is being spent in a more disciplined fashion. Unfortunately, the Bush administration has permitted the conversation to be framed so that it finds itself proclaiming support for heightened school spending as the way to prove its bona fides on the issue. While the administration’s stance is understandable given election year political pressures, this line of argument weakens efforts to promote radical change and leaves would-be reformers crouched in a defensive posture.

Buying off the status quo is no way to focus the education debate on accountability, choice, flexibility, or results. Rather than brag that they, too, can spend like drunken sailors, reformers should instead demand that educators aggressively pursue efficiencies. The truth is that our schools can do a lot better for the money we currently spend. This fall, elected officials should remember that—and run on it.