

## EDUCATION WEEK

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### **Financial CRISIS**

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#### COMMENTARY

## Without a Penny More

By **Ron Steiger**

Before the federal government doles out the remaining billions in stimulus dollars for education, it wants America's school districts to prove that they can do more with less. This may seem a steep goal, with state and municipal budgets around the country effectively decimated. But even with cutbacks in the past year, our district, the Miami-Dade County public schools in Florida, has been able to free up millions of central-office dollars and reallocate them to the classroom. Others can as well.

Two factors have been dominant drivers of school district finances nationally: student enrollment and property taxes. Earlier this decade, enrollment in most large districts decreased substantially. At the same time, local property-tax collections soared, as did property values. Although the net effect of these opposing forces varied by district and state, there was one theme common to all: The real estate bubble's expansion mitigated the financial hit that districts would otherwise have taken because of the loss of students.

In an echo of the earlier Silicon Valley experience, however, the bubble eventually popped. The widespread fallout of the real estate market's collapse handed us the "Great Recession" and meant an unprecedented financial squeeze on school districts.

As a school administrator, I am expected at this point in the story to decry how little funding we receive. Yes, in a state like Florida, with one of the lowest per-pupil-expenditure rates in the country, we must continue to aggressively seek an increase in the investment made toward our children's education. Even so, there are important steps that districts can take to effectively squeeze juice out of a rock—to free up millions of existing yet misallocated dollars and redirect them to teaching and learning.

A former business consultant, I joined the Miami-Dade County schools in 2005 through the Broad Residency in Urban Education, a program that places private-sector managers with M.B.A.s and other advanced degrees, as well as experience in helping organizations run efficiently, into public school systems.

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In the past year, like many other district managers nationwide, my colleagues and I have had to solve chronic problems with far fewer resources. Miami-Dade's total district budget shrank from \$5.9 billion to \$4.8 billion over the past two years. We ended the 2007-08 school year a mere \$5 million, just a fraction of a percent, in the black.

A century of organizational growth had left the district with some procedures that, though sensible at one time, had become unnecessary over the years. For example, the district had developed a poor process for getting employees off the payroll when their positions were no longer funded, because in the past there had always been other funded positions they could fill. When enrollment declined, this was no longer the case. Such inefficiencies pushed us to the brink of financial insolvency.

**To create districts that can flexibly streamline during financial crises, we must start with open and honest conversations about where dollars are being spent, and why.**



Last year, a new superintendent, Alberto M. Carvalho, sat down with selected staff members and had a very frank conversation. For our students to receive a world-class education, he said, we had to first get our financial house in order. That meant significant changes in how the district was structured and how it operated. But most importantly, it meant throwing out old assumptions and looking ahead with openness and simple common sense.

Once we agreed to be fundamentally transparent across departments and to look realistically at our structure and processes, we brought in highly respected chief financial officers and business leaders from around the state to examine our budget. Before long, we began to uncover numerous central-office redundancies and untapped ways to use dollars more flexibly.

We overhauled our organizational charts and moved the vast majority of central-office staff members serving in duplicative roles to the classroom. We benchmarked ourselves against other large districts, and made changes that saved millions on transportation, food service, and school administration. We drastically cut overtime and nonessential spending on supplies.

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By being honest about the redundancy within our organization, we were able to shrink our central office by more than 25 percent and cut some 400 top-heavy positions. Then, by relocating these staff members to the classroom, we were able to save jobs, bolster direct support for students, and reduce class size. In effect, we increased classroom resources

without spending more money.

Although the state cut our budget by \$50 million at midyear, we were able to increase our contingency reserve more than tenfold during the worst economic conditions in decades.

We have not been immune from having to make difficult budgetary decisions. But the smallest cuts made have been to direct classroom instruction. And though our financial challenges are far from over, in this recession our district is in its strongest financial position in a decade.

It is a common misperception—and one I used to share—that American school districts are plagued by rampant financial inefficiencies and can easily save money with simple financial controls. While this is true in some districts, it is also true to some degree in the private sector. The budgets with which the education sector struggles are complex, to be sure. But, most often, it is a district's very structure and outdated controls that make the school bureaucracy difficult to navigate, whether we are parents, business partners, or even employees.

To create districts that can flexibly streamline during financial crises, we must start with open and honest conversations about where dollars are being spent, and why. That conversation is difficult and requires a great deal of political will, which, in our case, the superintendent and school board had.

U.S. Secretary of Education Arne Duncan has indicated that school districts that spend their resources wisely will be more likely to tap in to additional federal stimulus dollars. If that is the case, it would behoove districts to stop allocating resources for short-term goals and instead spend existing dollars in a manner that best serves students and teachers, directly. The districts then will be better positioned to save teachers' jobs and develop students' minds. And best of all, it won't cost a penny.

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*Ron Steiger is the assistant chief budget officer for the Miami-Dade County school system, in Miami.*

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