

## Coping with New Realities

*Financially, times are still tough for many public schools. Responding with these five steps can help school boards withstand the hard times and even strengthen their districts*

**A**lthough economists claim that the Great Recession that started in 2008 is over, try telling that to school board members. Districts are coping with dramatic reductions in revenues while demands for services, particularly for special education and disadvantaged students, are rising.

In the short term, some states and local districts have used federal grants, such as Race to the Top (RTTT) funds, to maintain educational services and, in a few cases, actually increase them. But with the threat of across-the-board federal budget cuts looming, even promised RTTT funds now may be in jeopardy.

More ominously, declines in real estate values across the nation are already leading to reductions in property tax collections, the financial lifeblood of most school districts. The financial crisis in education won't be resolved by the economists' announcements, but by the tough work of local leaders who must balance revenues and expenses. Class sizes are soaring and support staff has been cut to the bone.

Here are five responses boards can consider as they cope with new financial realities.

### **Generate new revenues**

One Oregon district turned its professional development department into a

revenue source by inviting neighboring districts to participate in its staff development events. This gave the neighboring districts access to world-class staff development for a fraction of the cost they would otherwise pay, eliminated transportation and lodging costs, and gave the host district new revenues.

Many districts are creating formative assessments based on the Common Core State Standards Initiative as a way to help teachers become more familiar with the new standards. With the right level of professional review and support, these assessments are intellectual property owned by the district and could be assembled, published, and sold to other districts. A growing number of schools are developing online courses, and one state requires the use of online learning as a high school graduation requirement.

Why not make these courses available to students in public and private schools around the world? The courses you already have developed could be available to anyone with an Internet connection and a credit card, and your district could increase the return on the substantial investment you already have made in instructional technology. Take inventory of the intellectual property your district

already owns, and you may find it is one of your more valuable assets and potential revenue sources.

### **Lease rather than buy**

With interest rates at historic lows, private companies may be able to own and lease buildings and equipment to districts. The lease option is particularly attractive in technology because of the accelerating pace of obsolescence. Does any enterprise other than schools use five-year-old computers? Shorter-term leases offer schools the ability to respond to changing population patterns and instructional needs and avoid depleting scarce capital resources.

### **Give employees benefit options**

Unfunded pension liabilities are a ticking time bomb for state and local retirement plans. Rather than assume that increased employer contributions are the only answer to this challenge, districts should ask employees directly for opinions on a range of options, including lump-sum distributions and private retirement accounts.

Many district employees qualify for retirement benefits after 30 years of service and remain vigorous in their 50s and 60s. If they would rather start a new business, return to school, or travel the globe, why not give them the option of accessing their retirement funds in a lump sum and reduce risks for both the employer and the employee?

Employers remove the risk of future mandatory contributions to the pension plan due to unfunded liabilities, and employees remove the risk of reductions in benefits by legislators or other political authorities in the future. For a teacher retiring at age 55 with a \$40,000

annual pension paid until age 80, the present value is easily over \$500,000—and much more if there is a liability for future cost-of-living increases.

Both retirees and employers may be better served if employees have a wider range of options than is typical today. Similarly, employees and employers both might benefit from health care options that provide incentives for preventive medicine and good health, savings that could be split by a school system and its employees.

### **Consolidate services**

District consolidations, sometimes mandated by legislators, have created enormous stress and anxiety in sparsely populated areas. Local communities lose schools that have been an anchor and, as boards consolidate, parents and students can become more disconnected from the educational system. Before your community faces the threat of mandatory consolidation, consider ways of consolidating services without losing the voice of local school board members.

### **Win back students**

The sad fact is that the public school

populations are declining while alternatives to public education are growing—by some estimates, as fast as 7 percent annually. When students leave public schools, the financial and political support for those schools declines. It is time for public schools to engage in competition, acknowledge that parents have choices, and take aggressive steps to win back students and families who have left traditional public schools.

Start with conversations with parents and students about why they left. Some will be concerned about safety, others about academic rigor, and others about the social environment of the school. As I wrote in these pages in December 2011, public schools can and must offer choice to compete with the growing number of alternatives available to parents.

Moreover, public schools cannot tolerate conditions that drive parents away—physically unsafe and academically unsound schools. Start with small steps, such as offering a lending library for home school parents and students and inviting students from schools outside your districts to participate in science fairs, academic

competitions, arts festivals, and technology demonstrations.

These are just a few ways you can demonstrate to disaffected families that your district is the right place for them. These solutions are neither perfect nor universally applicable. But no school in the nation will cut its way to greatness. We can increase revenues, operate more economically, and regain students who have left in the past decade. The financial crisis in education will endure for years, and hoping for a return to the good old days is not a sound financial strategy for any board of education. ■

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Douglas B. Reeves (dreeves@leadandlearn.com) is an author and founder of The Leadership and Learning Center, which provides professional development services, research, and solutions for educators and school leaders who serve students from prekindergarten through college. He is the author of *Finding Your Leadership Focus* (Teachers College Press, 2010) and *The Learning Leader* (ASCD, 2006).