

# Managing Hysteresis: Three Cornerstones to Fiscal Stability

*Districts are in a better position to manage expenses than revenues in today's economic climate.*

By Richard Weeks, RSBA



**T**he effects of the Great Recession of 2007–2009 continue to challenge school business officials and other education leaders as they strive to prepare students for the global workforce. Economists have borrowed a word from chemistry to describe this state of affairs: hysteresis—the lingering effects of the past on the present.

Today's SBOs are experiencing hysteresis on the revenue and expense sides as they prepare their upcoming budgets. Revenues are expected to be elusive and dysfunctional based on how states collect and distribute funds. In California, for example, available state revenues depend on personal income and capital gains taxes. In Florida, Texas, and Washington, school funding depends on property taxes.

SBOs are in a better position to manage hysteresis with respect to expenses. The key is to focus on three cornerstones: consolidation, technology, and outsourcing. In the private sector, our executive counterparts have turned to these three areas to restore profitability to their companies. Perhaps we can improve fiscal stability in our districts by using some of the same methods.

## Consolidation

In her 2011 book *Warren Buffett Invests Like a Girl: And Why You Should, Too*, author LouAnn Lofton

quotes Buffett as saying, “Rule No. 1: Never lose money. Rule No. 2: Never forget Rule No. 1.”

Consolidation is one means to limit the loss of money. For example, if your district has multiple leases on fax machines, old phone systems, photocopiers, and technology hardware, consider working with vendors to consolidate leases and eliminate older equipment, opting instead for fewer leases on new equipment. The same applies to motor vehicles. Do you fully use all of those vans, cars, or trucks? Are the older vehicles still being leased? Could you downsize and cost-share some vehicles with your municipality or county?

Consolidating schools with small enrollments into larger schools may also be a productive strategy. Many states are aggressively promoting school district regionalization through financial incentives. For example, some states will pay for most of the new, consolidated school buildings, administrative and maintenance centers, and athletic facilities.

## Technology

Private-sector companies have discovered that improved use of technology allows them to reduce their workforce and thus their payroll. Although public schools are unlikely to replace many employees with technology, technology can reduce the amount of time some employees require to complete tasks, thus reducing the need for additional workers or paid overtime.

The introduction of the tablet computer in 2010 is affecting district finances as well. Textbook publishers are beginning to discontinue printing expensive hard-cover books and instead are offering the content as software downloads. For example, a district may pay a licensing fee of \$10 per textbook download per tablet per academic year. SBOs whose districts are taking this route can anticipate reducing line-item funds for hard-cover texts and increasing funds to purchase the tablets and licensing fees. Some districts may need to hire additional personnel to oversee this arrangement.

Online cash management has decreased the chance of theft or mismanagement, as well as the time necessary to count cash and make bank deposits. Parents can now prepay for their children's school lunches online by a credit card transaction with an online vendor contracted through the school district.

## Outsourcing

Outsourcing is the assignment of specific work to a third party for a specified length of time with an agreed-on price for performance. School districts and businesses that successfully outsource services have two things in common: cost analysis and use of consultants.

Districts begin the process with a thorough cost-benefit analysis to see if a third party can deliver services more effectively and more economically than public school employees. They frequently hire an independent consultant who can provide expert advice, assist in preparing requests for proposals for public bidding, review and recommend proposals for acceptance, and evaluate the work of the outsourcing vendor during the contract period.

Busing, custodial and maintenance, and food service programs are commonly outsourced. A cost-benefit analysis for each of these areas will most likely show that labor costs can be reduced by transferring employee wages and benefits to the private vendor. The purchasing power of national companies makes the basic

commodities of school buses, maintenance supplies, food, beverages, and paper supplies more affordable. School districts should be able to realize more savings by reducing the need for middle management to supervise these ancillary services.

Realize that some people may view outsourcing as an attack on your district's employees. Many states have statutes that require school districts interested in outsourcing to negotiate contract concessions with unions before the privatizing occurs.

No matter how cost-effective your outsourcing proposal sounds, your constituents may find it not worth the grim prospect of laying off single-parent special-education paraprofessionals, senior citizen cafeteria workers, and recently discharged Afghanistan War veteran bus drivers. Use your consultant as your spokesperson and direct the media and angry employees his or her way.

## New Outlooks

With hysteresis at play, the past affects the present. Our prerecession ways of doing business are not sustainable today. Good luck with these cornerstones for bringing stability to your district.

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## PDK/GALLUP POLL RESULTS: AMERICANS TALK ABOUT EDUCATION

Americans clearly have something to say about the many education issues facing the country, according to the 2012 PDK/Gallup Poll of the Public's Attitudes Toward the Public Schools. And, they have much to say about financing and overseeing education. For example,

- Parents cited lack of funding was the No. 1 challenge facing schools.
- Sixty percent of Americans believe balancing the federal budget is more important than improving the quality of education, even though they said funding is the biggest problem facing public schools.
- Ninety-seven percent of the public agrees that it is very or somewhat important to improve the nation's urban schools, and almost two of three Americans (62%) said they would pay more taxes to provide funds to improve the quality of urban schools.
- Americans believe that it is important to close the achievement gap between white students and black and Hispanic students; 84% of them believe this gap can be narrowed while maintaining high standards for all students.
- Parents want more control over failing schools. Seventy percent of Americans favor giving parents whose children attend a failing school the option to mount a petition drive requesting that the teachers and principal be removed.
- Americans view their local schools more favorably than the nation's schools as a whole. Consistent with recent years, almost half of Americans give the schools in their community a letter grade of A or B, while almost 50% give a C to the nation's schools.
- Three of four Americans believe that bullying prevention should be part of a school's curriculum, and 58% believe schools should investigate and discipline students when bullying occurs outside of school, including over the Internet.

More poll data is available at [www.pdkpoll.org](http://www.pdkpoll.org)