

Presentation at Penny Saved Conference
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Thank you very much for the invitation to speak at this important conference. I am Michael Casserly, Executive Director of the Council of the Great City Schools. And my paper is titled “Managing for Results in America’s Great City Schools.”

The paper lays out a new tool that allows the nation’s big city school districts to compare themselves on a large series of key performance indicators and save millions of dollars by improving their operations relative to their peers.

It is a good way to start this conference because this new tool is indicative of how serious the nation’s major urban school systems are about improving their effectiveness and efficiency despite the bad economy. And is entirely in keeping with a series of initiatives undertaken by the Council of the Great City Schools over the last several years to improve our performance—both academically and operationally, including—

- Trial Urban District Assessment of NAEP that will include 21 cities in the 2011 testing
- Key performance indicators that I will be describing here
- Beating the Odds series that lays out annual state test score data for all cities

- Research on why and how some city school systems show faster academic progress than others
- On-the-ground technical assistance on both instructional programming and management systems in the big cities
- And consistent support for national standards. In fact, soon we will be announcing along with the AFT a set of cities that will be the first pilot sites for the new common core.

We have launched these and other initiatives to spur reform and improvement in our big city schools. And the results are paying dividends as our math proficiency rates on NAEP have improved by 45 percent among fourth graders and 50 percent among eighth graders since 2003, and our fourth grade reading proficiency has increased by 30 percent since 2002.

Our Key Performance Indicators project is in keeping with this data-driven focus. It is designed to—

- Improve management and operational efficiencies and effectiveness
- Save money
- Redeploy more resources into the classroom

And it is meant to help us resist the political instinct that is so strong in public institutions of all types to cut spending across the board in the name of equity when more thoughtful choices could be made if better data were available.

This project began some five years ago at meeting of our organization's Chief Operating Officers and Chief Financial Officers, when the districts themselves were looking for tools by which they could measure their non-instructional performance; compare themselves to each other and to other non-education sectors; identify effective management and operational practices; and make better, more data-driven decisions about how to deploy their human and financial capital.

There were no such tools in public education, however, except in very limited niche organizations and nothing like what we were looking for in municipal government. So we have invented the tools ourselves.

The process over the intervening years involved the development and testing of prototypes; brainstorming which indicators added value to the efficiency of the organization; research on indicators in the private sector; development of performance measures for each indicator; and the designing of methodologies for defining, quantifying, and aggregating data on each indicator—all of which were put through a rigorous Six Sigma process.

Work teams from the city school systems were named and data were collected in a way that would ensure comparability.

At this point, we have developed and collected data on some 227 indicators in four major functional areas and 77 corresponding power indicators.

The four functional areas include business services (food services, maintenance and operations, procurement, safety and

security and transportation); finance and budgeting; human resource operations; and information technology. The slide shows the sub-functions and the number of indicators for each.

The power indicators represent areas that superintendents, boards, and other senior policy makers should review to gauge districtwide progress and examine the core health of the organization; and the KPIs or performance indicators are measures that managers and technical staff use to assess work in their respective areas.

The reports we produce include brief descriptions of each indicator; why it is important; how it was calculated; a median value and range of scores from high to low; and what might affect the individual scores.

Let's run through three simple examples so you can see what this looks like and hopefully see its potential and power. And let's start with business services and transportation.

Transportation is obviously important because districts are responsible for getting kids to school on time, so we have indicators that measure the degree of on-time arrival of buses, per pupil costs of transportation, and many other variables. (Parenthetically, we found a dozen ways that districts considered themselves on time—including being 30 minutes late).

You can see from the slide that the per pupil cost of transportation in the major city school districts runs from \$358 per child to \$5,056 per child. Each bar on the graph is a real city. Obviously, this is quite a range and may be due to all kinds of things.

One cost-driver involves the efficiency of a district's use of its bus fleet. This slide shows the percent of buses that are in operation on any given day district by district. The results show the values range from 94.1% to 69.0%. The median is about 85% of all buses in use on an average day.

The potential to reduce costs in this case are fairly obvious. If a district had 100 buses and only 69% were in operation on any given day, it might be able to sell 16 (in order to align with the median number) at the expected rate of depreciation and save \$320,000—enough to hire five extra teachers.

The average large city school district, by the way, could easily have some 500 buses and save some \$1.5 million by moving toward the median. Without indicators like this, however, districts might never know that its fleet was out of alignment.

Let's take another functional area: finance. Financial operations are obviously important because they gauge district handling of tax payer monies.

One important indicator involves general fund balance. This is important because it signals an organization's ability to handle unforeseen contingencies, and GFOA recommends having a balance of between 5% and 15%. One can see that values ranges between a positive 35.5% to a negative -10.6%. The median for urban school districts was 8%--well inside the recommended levels.

Still, there are cost implications for individual districts. One of the school districts had a fund balance of 9.1%. If it reduced it slightly to the median of 8%, it could redirect some \$6.8 million

into the classroom. In another case, a district had a fund balance of 35.5%. By reducing this amount to the median, it could save over \$79 million.

Another power indicator we use involves the average cost of processing invoices—the second most commonly used accounts-payable indicator in the private sector. The data (not shown) indicates that values ranged from \$65.39 per invoice to \$1.70—an enormous spread. The median was \$5.19.

Again, the cost savings implications are substantial. A district with an average cost per invoice of \$18.70 could save \$136,000 for every 10,000 invoices processed if it moved to the median of \$5.19 per invoice. A district with some 250,000 students could easily process 315,000 invoices per year—meaning a savings of over \$4.0 million.

One final example so I don't overwhelm everyone with numbers: human resources. This function is obviously important because education is a people business and it relies on having appropriately trained talent who shows up.

One power indicator in this area involves the number of lost instructional days due to teacher absenteeism. One can see that absenteeism rates from pretty close to zero to some 11.1%. The median is about 6%.

There are obviously implications for student achievement here along with cost implications associated with this indicator. On the financial side, a district with 10,000 FTE teachers and an absenteeism rate of 11.1% could save about \$230,000 each year by lowering its rate to the median. (This would include the cost of the teacher and the cost of the substitute.) A district with

50,000 teachers could save \$1.1 million or more each year by cutting its absenteeism rates.

We have many, many more examples in each of these areas and other functions—again some 227 indicators in all that you can find at www.cgcs.org.

It is a little hard to calculate the potential for total savings, but we estimate that a district with about 36,000 students that was consistently in the bottom quartile of its peers could save between \$20 and \$50 million a year by moving closer to median performance. A larger district might be able to save between \$50 and \$100 million by pursuing these targeted strategies—or about 5% of budget.

One has to be cautious with these data, however, because districts will sometimes rate poorly on one indicator or another for reasons that have nothing to do with efficiency. For instance, a district could have high spending on transportation because it is geographically spread out, or has lots of one-way streets and bad weather, or serves lots of disparately spaced magnets schools. The point is that these indicators compel districts to ask why their numbers look like they do, and what can we do to improve them.

All of this is more than just an interesting academic exercise to see if we could develop these indicators much less collect data on them from a large number of cities.

City school systems are now beginning to put this tool into use to improve efficiencies and save money. Obviously, it couldn't have come at a better time given the economy.

Boston now uses the KPIs as part of its annual budget process. Los Angeles used them to deploy some \$75 million in bond funds for bus replacements. Philadelphia is building the food service indicators into its district report cards. Albuquerque has used the information technology data to better track and improve its customer call centers. More importantly, this tool has prompted an important discussion within our districts about how to use scarce resources more efficiently.

We are pleased in many ways by our ability to get this far in the process, particularly since this work was done *pro bono* with no financial support from any business, foundation, or agency of any type. Still, we know that we have created something unique, cutting edge, and enormously powerful.

We also know that we have much further to go. Our next steps include—

- Fine-tuning our power indicators and performance indicators to make sure that we really have the right ones. If anyone here has ideas about indicators we ought to include, please let us know.
- Extending the indicators into instructional operations, special education, afterschool programming and the like.
- Delineating more clearly between leading and lagging indicators.
- Tracking trends on the indicators to see if we are making progress, how and where. We can already do this on many of the indicators and I have examples in the paper.

- Developing standards for each indicator so the participating urban districts know where they stand relative to an external standard rather than just among their peers.
- Benchmarking our operations and performance against other sectors like the military, health care, airlines, commercial services, and large corporations. We have already done some of this.
- Automating the data in such a way that districts can determine quickly where they lead and where they lag; and so they can develop their own operational dashboards and scorecards.
- Conducting case studies of the operational practices underneath the indicators that allow some districts to show consistently good results.
- Configuring the data in such a way that we can “war game” various “what/if” policy and operational scenarios to see what results might look like before program implementation.

We are now getting support from the Hewlett Foundation to help us with these next steps.

We also know that there are important policy and strategic questions that Marguerite and others are asking from their research about our general deployment of resources, staffing patterns, and pay structures. We have our eye on this research, as well, and are trying to design the next generation of indicators to address their findings.

Finally, we are proudest of the fact that we have done this work ourselves. Urban schools are not sitting around waiting for someone else to reform us. We know that we under enormous pressure to improve, and we are doing everything we can to rise to the occasion, respond to the pressure, operate more efficiently, and teach our kids to the highest standards in these difficult economic times.

The fact that we are doing so makes me very optimistic about the future.