

# BACKGROUND

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## Look to School District Budgets for Better Teacher Pay

*Jonathan Butcher*

### Abstract

*For families and students in West Virginia, Kentucky, Oklahoma, Arizona, Colorado, and North Carolina, spring 2018 will be remembered for public school closures and employee protests that interrupted the school year. The protests were part of a political firestorm involving an otherwise mundane policy topic: public school finance. National teacher unions and district employees in at least four states have signaled their support for strikes to demand more spending on district schools. Before other state lawmakers raise taxes or take more money from the state general fund, policymakers should urge school districts to eliminate wasteful budgeting and poor spending practices in order to make better use of taxpayer resources and spending meant for students.*

For many families and students in West Virginia, Kentucky, Oklahoma, Arizona, Colorado, and North Carolina, spring 2018 will be remembered for public school closures and employee protests that interrupted the school year. The protests were part of a political firestorm involving an otherwise mundane policy topic: district school finance.

“When are the students going to be put first?” Salina Villanueva asked her child’s Arizona school district in an e-mail during the administrator and teacher strikes earlier this year.<sup>1</sup> “It’s a shame high school seniors are being threatened to not have their official transcript released if they do not make up those days...with no regard to summer jobs, summer college, [those who are going to] military boot camp, [or will be] deployed, etc.”

Villanueva’s experience demonstrates how district administrators and teachers politicized school spending. A school tutor asked

### KEY POINTS

- Though school administrators and teachers demanded more money from state budgets for schools, school districts are primarily responsible for school budgets and salaries.
- Districts across the U.S. have significantly increased administrative staff positions (some with large salaries) and wasted money on empty buildings and are riddled with fraud.
- State policymakers should urge districts to make better use of existing resources for teacher salaries and spending meant for students before raising taxes or taking more from the state general fund for K-12 district schools.

This paper, in its entirety, can be found at <http://report.heritage.org/bg3338>

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Villanueva's daughter to help create propaganda in favor of the striking administrators and teachers.

"Whether I support [the group leading the strike] is neither here or there," Villanueva said. "It is my right as a parent to know if my daughter will be told to participate in something that clearly has nothing to do with her without my consent/approval, especially since she's only a 4th grader."

The strikes and school closures that started in West Virginia spread from state to state as lawmakers capitulated to school district administrator and teacher demands. In nearly every case, state lawmakers met the strikers' demands to increase state spending on district schools in order to end the walkouts. Oklahoma and Kentucky lawmakers even raised taxes as part of agreements to end the strikes.<sup>2</sup> In Arizona, school district special interest groups are supporting an education finance proposal that would raise taxes on the wealthiest state taxpayers.<sup>3</sup>

District employees in at least four states have signaled their support for strikes to demand more spending on district schools:<sup>4</sup>

- The president of the teacher union in Indiana said the special interest group will be watching this year's state budget negotiations to determine whether to close schools in protest.<sup>5</sup>

- Louisiana's teacher union polled its members about closing schools and going on strike.<sup>6</sup>

- Nevada's Clark County school board (which oversees Las Vegas schools, among others) called for more state funding for schools and mentioned the strikes in Arizona and Oklahoma as inspiration.<sup>7</sup>

- In Washington State, after legislators increased school funding by 25 percent in 2018 alone—71 percent over the past decade—administrators and school employees are threatening to strike again demanding more money.<sup>8</sup>

Meanwhile, support for strikes and more district school spending from state budgets is still a regular part of national teacher union campaigns. Earlier this year at the American Federation of Teachers' (AFT) annual conference, union President Randi Weingarten praised administrators and teachers that went on strike:

Like so much of the recent activism, the teacher walkouts are stoking a movement for social justice, for workers' rights, for women's rights, for civil rights and children's rights, for decent healthcare and well-funded public schools, for safety—on the streets and in our schools.<sup>9</sup>

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1. E-mail correspondence with Salina Villanueva, May 31, 2018. Used with permission.
2. Reuters, "Oklahoma Approves Tax Hike to Avert Teachers' Strike," March 28, 2018, <https://www.reuters.com/article/us-oklahoma-education/oklahoma-approves-tax-hike-to-avert-teachers-strike-idUSKBN1H50BD> (accessed August 6, 2018), and Bruce Schreiner and Adam Beam, "Teachers in Kentucky Claim Victory as Republicans Reject GOP Governor's Veto," *Chicago Tribune*, April 14, 2018, <http://www.chicagotribune.com/news/nationworld/ct-kentucky-teacher-strike-20180414-story.html> (accessed August 6, 2018).
3. Katie Campbell, "Ballot Measure to Tax the Rich for K-12 Funding Launched," *Arizona Capitol Times*, April 27, 2018, <https://azcapitoltimes.com/news/2018/04/27/arizona-center-for-economic-progress-david-lujan-joshua-buckley-education-funding-ballot-measure-income-tax-hike-for-wealthy-arizonans/> (accessed August 6, 2018).
4. Michael Hansen, "Which States Might Experience the Next Wave of Teacher Strikes?" The Brookings Institution, April 13, 2018, <https://www.brookings.edu/blog/brown-center-chalkboard/2018/04/13/which-states-might-experience-the-next-wave-of-teacher-strikes/> (accessed August 6, 2018).
5. Arika Herron, "Teachers Are Striking Across the Country, but Not in Indiana. Why Not?" *Indianapolis Star*, April 10, 2018, <https://www.indystar.com/story/news/education/2018/04/10/teacher-strikes-2018-across-country-but-not-indiana-why-not/491170002/> (accessed August 6, 2018).
6. John Walton, "Louisiana Teachers Union Conducting Survey About Possible Strike," *ArkLaTex.com*, April 26, 2018, <http://www.arklatexhomepage.com/news/local-news/louisiana-teachers-union-conducting-survey-about-possible-strike/1142891447> (accessed August 6, 2018).
7. Marvin Clemons and Heather Mills, "CCSD Trustees Plead for Marijuana, Room Tax Money to Fix Shortfall," *NBC Channel 3 News Las Vegas*, April 26, 2018, <http://news3lv.com/news/local/ccsd-trustees-plead-for-marijuana-room-tax-money-to-fund-schools> (accessed August 6, 2018).
8. Liv Finne, "Legislature Passes Record-level Education Spending, Even as Many Public School Employees Send Their Own Children to Private Schools," *Washington Policy Center*, March 13, 2018, <https://www.washingtonpolicy.org/publications/detail/legislature-passes-record-level-education-spending-even-as-many-public-school-employees-send-their-own-children-to-private-schools> (accessed August 6, 2018), and Liv Finne, "Coming Teacher Strikes Mean Closed Schools and Higher Property Taxes," *Washington Policy Center*, May 30, 2018, <https://www.washingtonpolicy.org/publications/detail/coming-teacher-strikes-mean-closed-schools-and-higher-property-taxes> (accessed August 6, 2018).
9. American Federation of Teachers, "Hope in Darkness," remarks by AFT President Randi Weingarten, AFT 2018 Convention, July 13, 2018, <https://www.aft.org/press/speeches/hope-darkness> (accessed August 6, 2018).

At the National Education Association's annual meeting, delegates voted to create a teacher strike fund to support future administrator and teacher strikes.<sup>10</sup>

But are increased taxes and state budgets the best place for teachers to turn for more spending? At some point, higher taxes cause high-income businesses and individuals to relocate, as demonstrated in Maryland and Connecticut, to name just a few, over the past decade.<sup>11</sup>

As for state budgets, rising health care costs are demanding more from state general funds, leaving less for other state priorities like education.<sup>12</sup> While Obamacare increased federal taxpayers' share of health care spending in recent years, Medicaid spending is increasing and now accounts for approximately 20 percent to 25 percent of state spending.<sup>13</sup>

Public pensions are also in a crisis. The Pew Charitable Trust reports that states have a total of \$2.6 trillion in pension assets and \$4 trillion in liabilities.<sup>14</sup> Without solutions to solve this imbalance, "the impact on other essential [state] services—and the potential for unpaid pension promises—will increase."

Since 2011, 10,000 Americans have turned 65 every day, making retirement benefits and public health care costs for the elderly a huge fiscal problem for federal and state officials.<sup>15</sup> State lawmakers will not be able to make larger withdrawals from the state general fund every year in perpetuity to increase K–12 spending.

Before rushing to raise taxes and increasing taxpayers' burdens, lawmakers and voters should urge districts to use resources more efficiently for the benefit of students. Likewise, as district administrators and teachers prepare to strike in other states, state policymakers and families should ask what districts are doing in their state with the resources they already have before demanding that state lawmakers find more money in the state budget.

Ultimately, school district offices control school budgets and teacher salaries. District waste, administrative spending, fraud, and poor spending habits keep millions of taxpayer dollars from being used for priorities like salaries and instruction.

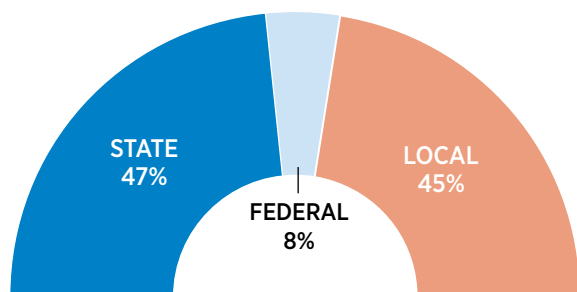
### **How Do Taxpayers Pay for District Schools in the U.S.?**

Before analyzing the spending of school districts involved in the past year's protests, it is helpful to review how taxpayers fund education in the U.S. Traditional district school funding formulas are complicated, opaque systems rarely clear to the average taxpayer, and once taxpayers are informed how much taxpayers spend on average per student, support for increasing funding decreases by 15 percentage points.<sup>16</sup>

10. Madeline Will, "The National Education Association to Establish a Fund for Teacher Strikes," *Education Week*, July 9, 2018, [http://blogs.edweek.org/edweek/teacherbeat/2018/07/nea\\_teacher\\_strike\\_fund.html](http://blogs.edweek.org/edweek/teacherbeat/2018/07/nea_teacher_strike_fund.html) (accessed August 6, 2018).
11. Lynnley Browning and Gillian Tan, "Fund Managers Are Ditching Wall Street for Florida," *Bloomberg*, June 4, 2018, <https://www.bloomberg.com/news/articles/2018-06-04/florida-nabs-money-managers-as-property-tax-cap-boosts-its-pitch> (accessed August 6, 2018), and Wall Street Journal Editorial Board, "Maryland's Mobile Millionaires," March 12, 2010, <https://www.wsj.com/articles/SB10001424052748703976804575114241782001262> (accessed August 6, 2018).
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13. Naomi Lopez-Bauman, "Why Medicaid Work Requirements Are an Important Step Forward," available at the Goldwater Institute In Defense of Liberty blog, January 15, 2018, and Cezary Podkul and Heather Gillers, "Why Are States so Strapped for Cash? There Are Two Big Reasons," *The Wall Street Journal*, March 29, 2018, <https://www.wsj.com/articles/why-are-states-so-strapped-for-cash-there-are-two-big-reasons-1522255521> (accessed August 6, 2018).
14. Pew Charitable Trusts, "The State Pension Funding Gap: 2016," April 12, 2018, <http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/04/the-state-pension-funding-gap-2016#0-overview> (accessed August 6, 2018).
15. Russell Heimlich, "Baby Boomers Retire," Fact Tank, Pew Research Center, December 29, 2010, <http://www.pewresearch.org/fact-tank/2010/12/29/baby-boomers-retire/> (accessed August 6, 2018).
16. For example, surveys conducted in California and Idaho demonstrate that respondents did not understand their state's formula. See Nadra Kareem Nittle, "Why School Funding Will Always Be Imperfect," *The Atlantic*, August 24, 2016, <https://www.theatlantic.com/education/archive/2016/08/will-there-ever-be-a-perfect-way-to-fund-schools/497069/> (accessed August 6, 2018); California Department of Education, "Local Control Funding Formula Overview," <https://www.cde.ca.gov/fg/aa/lc/lcfoverview.asp> (accessed August 6, 2018); Mark Baldassare et al., "PPIC Statewide Survey: Californians and Education," Public Policy Institute of California, April 2016, p. 19, [http://www.ppic.org/content/pubs/survey/S\\_416MBS.pdf](http://www.ppic.org/content/pubs/survey/S_416MBS.pdf) (accessed August 6, 2018); Blake Youde, "Public School Funding Formula Interim Committee Survey Results," Idaho State Board of Education, December 13, 2016, slide 21, [https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2016/interim/161213\\_psf\\_03\\_Survey.pdf](https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2016/interim/161213_psf_03_Survey.pdf) (accessed August 6, 2018); and Education Next, "2017 Education Next Poll: Spending: Estimate vs. Actual," <http://educationnext.org/2017-ednext-poll-interactive/> (accessed August 6, 2018).

CHART 1

## Sources of Public Education Funding



**SOURCE:** National Center for Education Statistics, "Public School Revenue Sources," April 2018, [https://nces.ed.gov/programs/coe/indicator\\_cma.asp#r2](https://nces.ed.gov/programs/coe/indicator_cma.asp#r2) (accessed July 10, 2018).

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A nationally representative survey conducted annually by the journal *Education Next* asked respondents a general question about school spending: How much do we spend per student in district schools? In 2017, the survey found respondents underestimated how much is spent per student on district schools by \$4,000.<sup>17</sup>

Although every state's school finance formula is different, they have two common characteristics. The first is simple: K–12 district schools are governed by district offices that determine school budgets, often negotiating pay scales with teacher unions. The second common characteristic: Most district schools around the country receive taxpayer money from the same three sources: the federal government, local property taxes, and the state general fund. (See Chart 1.)

Data show that, on average, state budgets (which, as discussed above, are increasingly strained) provide less than half of all education spending.

As for turning to the federal government, cushioning local schools is not Washington's responsibility. The two largest federal K–12 education budget items—Title I of the Elementary and Secondary Education Act and the Individuals with Disabilities Education Act—reflect Washington's priorities of helping students from low-income families and children with special needs, respectively.<sup>18</sup> Besides, with baby boomers retiring by the thousands every day, putting federal commitments to Social Security, Medicare, and Medicaid on an unsustainable course, administrators and teachers will have little help from Washington.

Instead of increasing taxes or state or federal funding, disgruntled school employees should take another look at school district budgets.

In some cases, millions of taxpayer resources meant for students and teacher salaries are misdirected due to poor budgeting and spending practices on the part of the school districts themselves. State lawmakers should require that districts clean up the waste, fraud, and abuse.

### Bloated School District Administration

Data from around the country demonstrate that districts and schools have hired far more administrative, non-teaching employees over the past 30 years than teachers.<sup>19</sup> The number of non-instructional administrators and staff has increased by nearly 50 percent since 1992, while the number of students has only increased by 17 percent and the number of teachers by 32 percent.

Some of these administrators make significantly more than teachers. In Jefferson County, Kentucky (JCPS), the state's largest district, a 2014 audit found 150 central office positions with salaries of \$100,000 or more per year.<sup>20</sup> For comparison, Charlotte, North Carolina, a district similar in size to JCPS, has just 53 administrators with salaries greater than \$100,000.<sup>21</sup> The average teacher salary in JCPS is \$63,000.<sup>22</sup>

17. Ibid.

18. National Center for Education Statistics, *2016 Digest of Education Statistics*, Table 401.60, [https://nces.ed.gov/programs/digest/d16/tables/dt16\\_401.60.asp](https://nces.ed.gov/programs/digest/d16/tables/dt16_401.60.asp) (accessed August 6, 2018).

19. Benjamin Scafidi, "Back to the Staffing Surge," EdChoice, May 2017, <https://www.edchoice.org/wp-content/uploads/2017/06/Back-to-the-Staffing-Surge-by-Ben-Scafidi.pdf> (accessed August 6, 2018).

20. Adam H. Edelen, "Management Performance Review of Certain Policies, Procedures, Controls, and Financial Activity of the Jefferson County Public School District," May 2014, pp. 118–126, [http://apps.auditor.ky.gov/Public/Audit\\_Reports/Archive/2014JCPSReport.pdf](http://apps.auditor.ky.gov/Public/Audit_Reports/Archive/2014JCPSReport.pdf) (accessed August 6, 2018).

21. Edelen, "Management Performance Review of Certain Policies," p. 11.

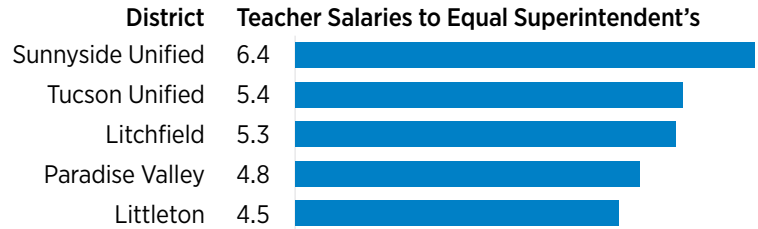
22. Kentucky Department of Education, "District Financial Reporting: School District Personnel Information, Average Classroom Teacher Salaries," <https://education.ky.gov/districts/FinRept/Pages/School%20District%20Personnel%20Information.aspx> (accessed August 6, 2018).

CHART 2

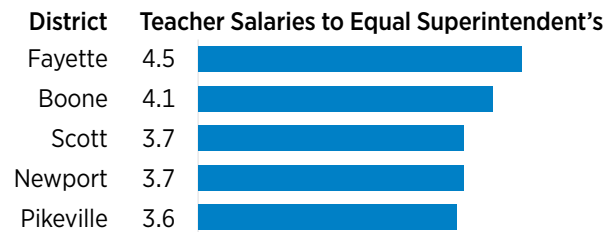
## How Many Teachers Could Be Paid with the Salary from One School Superintendent?

District superintendent salaries often exceed teacher salaries by a wide margin. As shown at right, superintendent salaries can be as much as 7 times greater than the average teacher salaries in their district.

### ARIZONA



### KENTUCKY



### OKLAHOMA



#### SOURCES:

- **Kentucky:** Author's calculations based on data from Kentucky Department of Education, "District Financial Reporting: School District Personnel Information, Average Classroom Teacher Salaries," and "Superintendent's Salaries," <https://education.ky.gov/districts/Fin-Rept/Pages/School%20District%20Personnel%20Information.aspx> (accessed July 10, 2018).
- **Oklahoma:** Oklahoma State Department of Education, "2017-18 Superintendent Salaries," <http://sde.ok.gov/sde/documents/2018-04-12/2017-2018-superintendent-salaries> (accessed July 10, 2018), and Oklahoma Watch, "Teacher Salaries, by District," January 6, 2017, <http://oklahomawatch.org/2017/01/06/teacher-salaries-by-district-2/> (accessed July 10, 2018).
- **Arizona:** Author's calculations based on data from Arizona Auditor General, "Arizona School District Spending, FY 2017," March 2018, *Report No. 18-203*, [https://www.azauditor.gov/sites/default/files/18-203\\_Report\\_with\\_Pages.pdf](https://www.azauditor.gov/sites/default/files/18-203_Report_with_Pages.pdf) (accessed July 10, 2018), and Arizona Department of Education, *Annual Report of the Arizona Superintendent of Public Instruction*, Vol. II, Fiscal Year 2016-17, <http://www.azed.gov/finance/reports/> (accessed July 10, 2018).

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In addition to Charlotte, Kentucky's auditors compared JCPS to four other districts with similar enrollment, student demographics, and revenue and spending levels.<sup>23</sup> If JCPS reduced its administrative spending (\$119 million annually) to the average of

these 5 districts (\$108 million), JCPS would be able to use the \$11 million difference to increase all of the salaries for the district's 6,000 teachers by \$1,800 or provide targeted bonuses to higher performing teachers.<sup>24</sup>

23. Edelen, "Management Performance Review of Certain Policies," p. 117. The comparison districts were Austin ISD, Baltimore County, Charlotte-Mecklenburg, Cobb County, and Pinellas County.

24. Edelen, "Management Performance Review of Certain Policies," and author calculations.

Of all school district administrators, superintendents make eye-popping salaries in some cases. In Kentucky, the superintendent of Fayette County schools makes more than \$266,000, four-and-a-half times the salary of the average district teacher. (See Chart 2.) In Scott, Newport, and four other counties, the superintendents make almost four times the average teacher in those districts.

JCPS's problems—from high administrative spending levels to low student performance—have persisted for so long that state officials are considering a state takeover of the district.<sup>25</sup> But Kentucky is not the only state with data such as these. In Oklahoma, the Tulsa superintendent makes nearly \$320,000 in salaries and benefits, seven times the average annual salary and benefit package for Tulsa teachers. (See Chart 2.)

In Arizona, the Sunnyside Unified District superintendent makes more than six times the average district teacher. (See Chart 2.) In Tucson, the superintendent makes more than five times the average teacher.

Tucson Unified School District's (TUSD) superintendent makes more than \$272,000 per year, while the average teacher makes \$50,000 in the district.<sup>26</sup> Yet Tucson has seen enrollment drop by some 14,000 students between 2000–2001 and 2015–2016.<sup>27</sup> While a superintendent's decisions are not solely responsible for declining enrollment, lawmakers and taxpayers should ask how the district is adjusting its spending, what it is doing to improve student outcomes for those who remain, and how it plans to reform teacher compensation to reward successful educators.

News reports suggest that the response of the TUSD superintendent to recent funding increases is surprising. After state lawmakers enacted a budget meant to provide all teachers in the state with raises of 20 percent by 2020, TUSD announced it would not improve teacher pay by this amount.<sup>28</sup> He said “he expects to spread that money around to all ‘educators’ who touch the lives of children—even the janitors,” a surprise since “the governor promised [such raises for teachers] and the state Legislature allocated enough for the district to cover.”<sup>29</sup>

### Vacant and Underused School Facilities

Vacant and underused school facilities are a problem for many school districts across the country. They are a pervasive problem in TUSD, where district high schools operate at just half-capacity, on average, according to state audits.<sup>30</sup>

As a result, the district's plant operating costs per student are one-third higher than comparable districts in the state.<sup>31</sup> When resources are dedicated to maintain empty classrooms, less money is available for teachers and students.

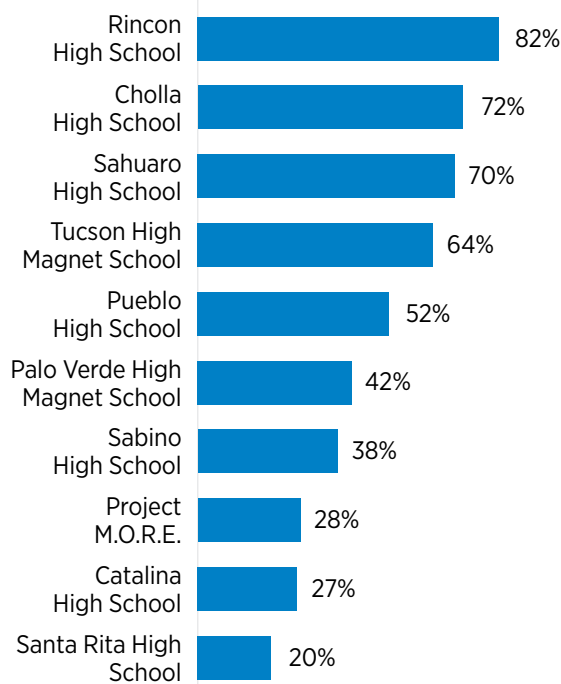
TUSD officials are making it difficult for private and charter schools to purchase vacant district buildings, limiting student learning options. In a move that rebuked state lawmakers, TUSD is rushing to sell a vacant school building this summer so that the district will not be forced to consider offers from public charter schools and private schools.<sup>32</sup> Later this year, a new Arizona law goes into effect

25. Mandy McLaren, “State Takeover of JCPS: What the Audit Says and the District Has Done,” *Louisville Courier Journal*, May 7, 2018, <https://www.courier-journal.com/story/news/education/2018/05/07/kentucky-jcps-takeover-audit-findings/569640002/> (accessed August 6, 2018).
26. Arizona Auditor General, “Arizona School District Spending, FY 2017,” March 2018, Report No. 18-203, [https://www.azauditor.gov/sites/default/files/18-203\\_Report\\_with\\_Pages.pdf](https://www.azauditor.gov/sites/default/files/18-203_Report_with_Pages.pdf) (accessed August 6, 2018); Arizona Department of Education, “Annual Report of the Arizona Superintendent of Public Instruction,” Vol. II, Fiscal Year 2016–2017, <http://www.azed.gov/finance/reports/> (accessed August 6, 2018); and author calculations.
27. National Center for Education Statistics, Common Core of Data, <https://nces.ed.gov/ccd/elsi/tableGenerator.aspx> (accessed August 6, 2018), and author calculations.
28. Richard Ruelas, “Teacher Pay Plan: Some Arizona Districts Won’t Get Enough for 20 Percent Raises,” *Arizona Republic*, May 1, 2018, <https://www.azcentral.com/story/news/politics/arizona-education/2018/05/01/arizona-teacher-strike-ducey-plan-would-not-provide-enough-20-percent-pay-raise-all-teachers/570818002/> (accessed August 6, 2018).
29. Hank Stephenson, “At TUSD, Teachers Won’t Get the Whole 9% raise #RedforEd Got in Arizona Budget,” *Daily Star*, May 8, 2018, [http://tucson.com/news/local/at-tusd-teachers-won-t-get-the-whole-raise-redfored/article\\_7a53ce72-9385-500e-909f-5b565415d859.html#tracking-source=home-top-story-2](http://tucson.com/news/local/at-tusd-teachers-won-t-get-the-whole-raise-redfored/article_7a53ce72-9385-500e-909f-5b565415d859.html#tracking-source=home-top-story-2) (accessed August 6, 2018).
30. Arizona Auditor General, “Performance Audit: Tucson Unified School District,” March 2018, Report No. 18-204, [https://www.azauditor.gov/sites/default/files/18-204\\_Report.pdf](https://www.azauditor.gov/sites/default/files/18-204_Report.pdf) (accessed August 6, 2018).
31. *Ibid.*
32. Hank Stephenson, “TUSD Racing to Sell Closed School in Effort to Avoid Sale to Charter, Private Schools,” *Arizona Daily Star*, May 11, 2018, [http://tucson.com/news/local/tusd-racing-to-sell-closed-school-in-effort-to-avoid/article\\_a8455077-1b93-5f45-a905-0c8610344d3d.html](http://tucson.com/news/local/tusd-racing-to-sell-closed-school-in-effort-to-avoid/article_a8455077-1b93-5f45-a905-0c8610344d3d.html) (accessed August 6, 2018).

CHART 3

## Tucson Unified School District Building Use, 2016

PERCENTAGE OF CAPACITY USED



**SOURCE:** Arizona Auditor General, “Performance Audit: Tucson Unified School District,” March 2018, Report No. 18-204, [https://www.azauditor.gov/sites/default/files/18-204\\_Report.pdf](https://www.azauditor.gov/sites/default/files/18-204_Report.pdf) (accessed July 10, 2018).

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that says school districts cannot accept an offer on a vacant school building lower than an offer made by a public charter or private school.<sup>33</sup>

A school board official was quoted in local media saying, “And I’ll just come out and tell you, if we are going to sell a property, I would rather have that land used to bring more students into our district rather than sell that property to a charter that will take students out of our district.”<sup>34</sup>

Tucson is not unique.

Arizona state auditor reports have also found that Scottsdale Unified School District (SUSD) uses 66 percent of its building capacity.<sup>35</sup> The district could have saved \$3.8 million if it had maintained space commensurate with the average square footage of “peer districts” (districts similar in size and location). If buildings had been sold, leased, or otherwise repurposed and these funds applied to teacher salaries, the district could have given a \$3,000 bonus to each of the district’s 1,300 teachers—or provided higher bonuses to exceptional teachers.<sup>36</sup>

In Oklahoma City, Oklahoma’s largest district, the district spends \$2.4 million annually to maintain 1,000 empty classrooms.<sup>37</sup> The district reports that nearly 40 percent of elementary school seats are empty and nearly one out of four seats in middle and high schools is empty—resulting in one-third of all “instructional space” going unused.<sup>38</sup> In fact, the Page Wilson High School building sat empty for more than 20 years, “a magnet for the homeless, as well as ghost hunters,” according to the *Oklahoman*.<sup>39</sup>

If the \$2.4 million were redirected to teacher salaries for the district’s 2,600 teachers, these teachers could see raises of nearly \$1,000 each per year just from better use of district facilities.<sup>40</sup>

33. *An Act Amending Section 15-189, Arizona Revised Statutes; Relating to Charter Schools*, H.B. 2460, 53rd Arizona Leg., 2nd Reg. Sess., 2018, <https://apps.azleg.gov/BillStatus/GetDocumentPdf/461202> (accessed August 6, 2018).

34. Stephenson, “TUSD Racing to Sell Closed School.”

35. Arizona Auditor General, “Performance Audit: Scottsdale Unified School District,” May 2015, Report No. 15-206, [https://www.azauditor.gov/sites/default/files/Scottsdale\\_USD\\_Report\\_0.pdf](https://www.azauditor.gov/sites/default/files/Scottsdale_USD_Report_0.pdf) (accessed August 6, 2018).

36. Arizona Auditor General, “Performance Audit: Scottsdale Unified School District”; Arizona Department of Education, “Annual Report of the Arizona Superintendent of Public Instruction,” Vol. II, p. 1-131; and author calculations.

37. Tim Willert, “Board Discusses Future of School Facilities,” *The Oklahoman*, January 23, 2018, <https://newsok.com/article/5580493/board-discusses-future-of-school-facilities> (accessed August 6, 2018).

38. Willert, “Board Discusses Future of School Facilities.”

39. Brianna Bailey, “Renovations Are Bringing Oklahoma City’s Page Woodson School Back to Life,” *The Oklahoman*, July 24, 2016, <https://newsok.com/article/5510862/renovations-are-bringing-oklahoma-citys-page-woodson-school-back-to-life> (accessed August 6, 2018).

40. National Center for Education Statistics, Common Core of Data, [https://nces.ed.gov/ccd/districtsearch/district\\_detail.asp?Search=1&InstName=oklahoma+city&State=40&DistrictType=1&DistrictType=2&DistrictType=3&DistrictType=4&DistrictType=5&DistrictType=6&DistrictType=7&DistrictType=8&NumOfStudentsRange=more&NumOfSchool](https://nces.ed.gov/ccd/districtsearch/district_detail.asp?Search=1&InstName=oklahoma+city&State=40&DistrictType=1&DistrictType=2&DistrictType=3&DistrictType=4&DistrictType=5&DistrictType=6&DistrictType=7&DistrictType=8&NumOfStudentsRange=more&NumOfSchool) (accessed August 6, 2018), and author calculations.

Northeast of the state capital, in Tulsa, officials sold, leased, or repurposed six buildings between 2005 and 2012, but another eight were on the market as of 2013.<sup>41</sup> To the district’s credit, it hired a real estate broker “after limited success marketing the buildings on its own.”

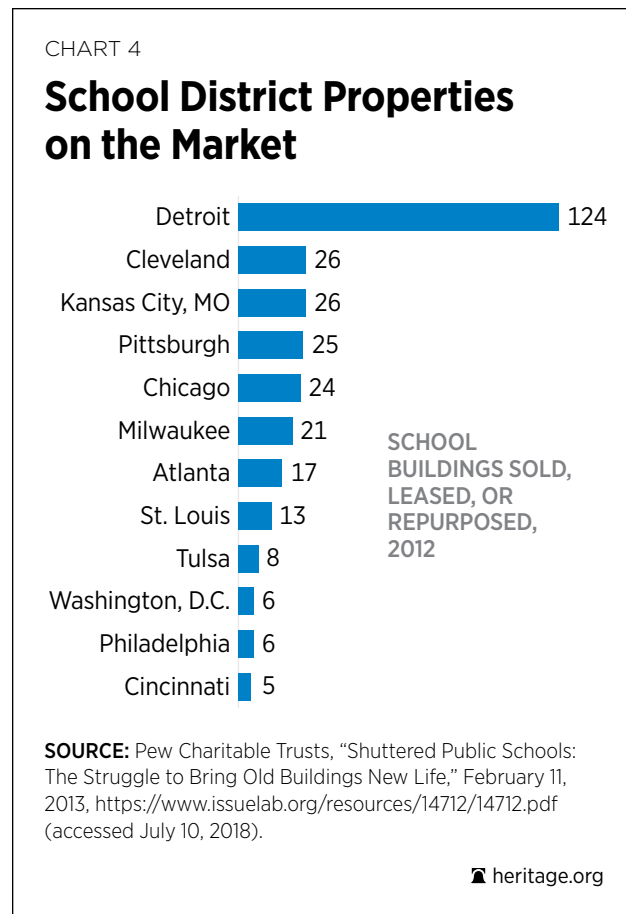
In Gary, Indiana—a city in a state where unions are considering a strike next year—23 school buildings are vacant.<sup>42</sup> The vacant buildings were in the news recently when the body of a homicide victim—a teenage girl—was found inside one of the facilities.<sup>43</sup>

Research finds that districts around the country have similar choices on whether to try to sell or repurpose vacant or underused facilities or maintain the buildings.<sup>44</sup> In a study of 12 urban areas, Pew research found substantial numbers of empty or underused buildings. (See Chart 4.) Researchers say that some of these properties have been vacant and on the market for more than a decade, and “these statistics do not include several dozen closed facilities that a number of districts have chosen to hold onto, a practice known as mothballing.”<sup>45</sup>

Empty or nearly empty district school buildings are a problem for taxpayers and neighborhood residents around the country. Vacant buildings are expensive to maintain and often attract vandals.<sup>46</sup> And such facilities become a problem for students when districts stall the sale of these buildings, preventing other school operators from creating new schools.

### School Fraud

Fraudulent use of taxpayer spending meant for students is a recurring problem in districts across the U.S. and can generate spectacular headlines:



- “Former Strongsville City Schools Employee Indicted for Stealing High-priced Items, Including a Barn”;<sup>47</sup>
- “Alternative-school Chief with Ties to Fattah Jr. Guilty of Embezzling \$800K in Philly School Funds”;<sup>48</sup>

41. Pew Charitable Trusts, “Shuttered Public Schools: The Struggle to Bring Old Buildings New Life,” February 11, 2013, pp. 3-4, <https://www.issuelab.org/resources/14712/14712.pdf> (accessed August 6, 2018).

42. Lauri Harvey Keagle et al., “Teen Found Slain in Abandoned Gary School Building Identified,” *Northwest Indiana Times*, June 8, 2018, [https://www.nwitimes.com/news/local/lake/teen-found-slain-in-abandoned-gary-school-building-identified/article\\_8fa332c4-d226-5157-893a-d7156c6bdf9e.html](https://www.nwitimes.com/news/local/lake/teen-found-slain-in-abandoned-gary-school-building-identified/article_8fa332c4-d226-5157-893a-d7156c6bdf9e.html) (accessed August 6, 2018).

43. Ibid.

44. Pew Charitable Trusts, “Shuttered Public Schools: The Struggle to Bring Old Buildings New Life.”

45. Ibid.

46. See, for example, Breaking News Staff, “Vacant School Target of Vandals in New Carlisle,” *Dayton Daily News*, July 7, 2016, <https://www.daytondailynews.com/news/local/vacant-school-target-vandals-new-carlisle/khAcjrWB5AdQVbe6Zteybl/> (accessed August 6, 2018), and Phil Rogers and Katy Smyser, “Taxpayers Shell Out Millions Every Year for Dozens of Abandoned School Buildings,” Chicago NBC Channel 5, September 7, 2016, <https://www.nbcchicago.com/investigations/Taxpayers-Shell-Out-Millions-Every-Year-for-Dozens-of-Abandoned-School-Buildings-392652261.html> (accessed August 6, 2018).

47. Kaylyn Hlavaty, “Former Strongsville City Schools Employee Indicted for Stealing High-priced Items, Including a Barn,” News 5 Cleveland, May 15, 2018, <https://www.news5cleveland.com/news/local-news/oh-cuyahoga/auditor-strongsville-city-school-employee-fraud-investigation> (accessed August 6, 2018).

48. Jeremy Roebuck, “Alternative-school Chief with Ties to Fattah Jr. Guilty of Embezzling \$800K in Philly School Funds,” *The Inquirer*, May 8, 2018, <http://www.philly.com/philly/news/pennsylvania/philadelphia/chaka-chip-fattah-jr-david-shulick-alternative-school-chief-guilty-embezzling-800k-philly-school-funds-20180508.html> (accessed August 6, 2018).



- “Former Orange Schools IT Worker Makes \$45,000 Restitution on Cellphone Swindle”;<sup>49</sup>
- “Kentucky School Employee Says She Was Fired for Reporting Fraud”;<sup>50</sup> and
- “Scottsdale Schools’ Ex-CFO Indicted on 11 Felony Charges of Fraud, Conflicts of Interest.”<sup>51</sup>

And these examples are just from May 2018.

**Arizona.** Arizona’s state auditor has records of school district fraud dating back nearly 30 years. In fact, an auditor’s investigation led to the Scottsdale headline cited above.<sup>52</sup> In this case, a woman hired as chief financial officer for Arizona’s Scottsdale Unified School District was also working for and owned shares in a consulting company that provided “consulting services to Arizona schools and public entities”—and did not tell the district.<sup>53</sup> Reports allege that she “increased the district’s purchases from the consulting company by more than \$16,000 and she also authorized six purchase orders totaling nearly \$44,000.”<sup>54</sup>

Also in Arizona, last summer, a Topock Elementary School District employee misused more than \$236,000 in district funds for personal expenses. The accused made nearly 1,000 credit card purchases with district cards for things like auto loan payments,

patio furniture, and alcohol. The auditor reports, “Over the past 10 years, the District has rarely complied with the Uniform System of Financial Records (USFR) because they did not submit audit reports to our office or they had significant internal control deficiencies identified in audit reports.”<sup>55</sup> Such practices suggest the district’s sloppy recordkeeping is at least partly to blame for the extensive misuse of spending meant for students.

Topock is a small district located near the California border and operates one school—with four teachers. The stolen money is equivalent to the amount the district budgets for teacher salaries each year.<sup>56</sup>

**Oklahoma.** Oklahoma students and teachers have also been the victims of financial malfeasance by district employees. In Crooked Oak Public Schools, one district maintenance employee was paid some \$60,000 more than his salary called for, and “[no] approvals or contracts could be provided for any of the additional compensation paid.”<sup>57</sup> The auditor reports that this employee was working two public jobs and reported 40-hour workweeks with the Town of Spencer for six of the months during which he was overpaid by the school district.

In Oklahoma’s Yukon Public Schools, a food service company overcharged the district for four years and took \$700,000 more than the company was owed.<sup>58</sup> The company settled with the district for an

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49. Thomas Jewell, “Former Orange Schools IT Worker Makes \$45,000 Restitution on Cellphone Swindle,” *Cleveland.com*, May 3, 2018, [https://www.cleveland.com/chagrin-valley/index.ssf/2018/05/former\\_orange\\_schools\\_it\\_worke.html](https://www.cleveland.com/chagrin-valley/index.ssf/2018/05/former_orange_schools_it_worke.html) (accessed August 6, 2018).

50. Hannah Sparling, “Kentucky School Employee Says She Was Fired for Reporting Fraud,” *Cincinnati.com*, May 24, 2018, <https://www.cincinnati.com/story/news/education/2018/05/24/whistleblower-employee-files-two-lawsuits-against-northern-kentucky-school/640344002/> (accessed August 6, 2018).

51. Yihyun Joeng, “Scottsdale’s Schools Ex-CFO Indicted on 11 Felony Charges of Fraud, Conflicts of Interest,” *Arizona Republic*, May 14, 2018, <https://www.azcentral.com/story/news/local/scottsdale/2018/05/14/laura-smith-scottsdale-schools-ex-cfo-indicted-11-felony-charges/609671002/> (accessed August 6, 2018).

52. Arizona Auditor General, “Scottsdale Unified School District, Criminal Indictment: Conflict of Interest,” Report, May 2018, [https://www.azauditor.gov/sites/default/files/Scottsdale\\_USD\\_Report\\_5-14-18.pdf](https://www.azauditor.gov/sites/default/files/Scottsdale_USD_Report_5-14-18.pdf) (accessed August 6, 2018).

53. *Ibid.*

54. Associated Press, “Ex-Scottsdale School District CFO Pleads Not Guilty to Fraud,” June 7, 2018, <https://apnews.com/Obb17bbbe7694172b9aac6829391974b> (accessed August 6, 2018).

55. Arizona Auditor General, “Topock Elementary School District: Theft of Public Monies,” Report: Financial Investigation, August 2017, [https://www.azauditor.gov/sites/default/files/17-403\\_Report.pdf](https://www.azauditor.gov/sites/default/files/17-403_Report.pdf) (accessed August 6, 2018).

56. *Ibid.*; Arizona Auditor General, “Arizona School District Spending: Fiscal Year 2017,” p. 386, [https://www.azauditor.gov/sites/default/files/18-203\\_Report\\_with\\_Pages.pdf](https://www.azauditor.gov/sites/default/files/18-203_Report_with_Pages.pdf) (accessed August 6, 2018); and Arizona Department of Education, “Superintendent’s Annual Report, 2017,” p. I-153, <http://www.azed.gov/finance/reports/> (accessed August 6, 2018).

57. Oklahoma State Auditor and Inspector, “Crooked Oak Public Schools,” September 20, 2016, <https://www.sai.ok.gov/Search%20Reports/database/CrookedOakWebFinal.pdf> (accessed August 6, 2018).

58. Associated Press, “Oklahoma School District Settles Fraud Lawsuit,” *U.S. News*, February 26, 2018, <https://www.usnews.com/news/best-states/oklahoma/articles/2018-02-26/oklahoma-school-district-settles-fraud-lawsuit> (accessed August 6, 2018).

undisclosed amount, but had better care been taken with the contract, those funds could have provided the district's 400 teachers with bonuses of \$1,800 each.<sup>59</sup>

In Swink Public Schools, the district treasurer and a clerk embezzled some \$235,000 and used the money to buy alcohol and write checks to relatives.<sup>60</sup> The theft had been occurring for at least five years before the perpetrators were stopped. Like Arizona's Topock district, Oklahoma's Swink Public School District is a small district with 9.6 full-time-equivalent teachers.<sup>61</sup> Had the funds been used for teacher salaries, each teacher could have been paid approximately \$5,000 more in each of the five years the theft went undetected.

**Fraud in Districts for Potential Strike in 2019.** What about districts where unions or other interest groups have indicated they may strike next year? In Louisiana, a former district employee stole \$260,000 from the Caddo Parish schools and used the money for Visa gift cards and car parts.<sup>62</sup> The audit blamed the school district board for operating with poor financial oversight and not catching the problem sooner. (The perpetrator stole funds for over two years.)

In the Ouchita Parish school system, a school custodial supervisor used school credit cards to pay for personal gas mileage over three years, stealing nearly \$11,000 from the school district.<sup>63</sup> Again, the auditor reported that the district did not have proper fraud prevention procedures in place.

These colorful examples are just a few incidents in recent years of school district fraud resulting in lost taxpayer money meant for students and teacher salaries. Theft and fraud are an unfortunate, regular occurrence in districts around the country and

could be prevented by more careful financial oversight in district offices.

## Policy Recommendations

**Pay Teachers According to Job Performance.** In states such as Arizona and Oklahoma where administrators and teachers closed schools earlier this year, lawmakers approved raises for all teachers, irrespective of a teacher's success. But teachers should be rewarded the same way employees in other industries are rewarded—according to performance. Once districts resolve poor spending practices, districts should use the redirected money to treat teachers as the professionals they are and award them with raises based on how well they do their jobs.

More research is needed on effective teacher evaluations, but district officials should demonstrate they value hard-working professionals through salary increases. Across-the-board raises do not treat teachers as individuals and may reward ineffective teachers for doing little more than is required for a class of students.

**Vacant Buildings.** Policymakers should not only require school districts to consider charter school and private school offers to lease or buy empty or underused buildings, but also make sure districts do not try to get around such legislation.

For example, state lawmakers should enact laws that require school districts to list the buildings available for purchase or lease each year and make such documents available to the public. State auditors should have the authority to check the lists and make site visits to make sure the lists are accurate. Arizona and South Carolina have policies such as these.<sup>64</sup>

59. Jennifer Palmer, "Teacher Salaries, by District," *Oklahoma Watch*, January 6, 2017, <http://oklahomawatch.org/2017/01/06/teacher-salaries-by-district-2/> (accessed August 6, 2018), and author calculations.

60. SDEMedia, "State Board of Education Creates Task Force to Examine Financial Controls Amid Alleged Fraud in Swink District," Oklahoma State Department of Education, November 12, 2015, <http://sde.ok.gov/sde/newsblog/2015-11-12/state-board-education-creates-task-force-examine-financial-controls-amid-alleged> (accessed August 6, 2018).

61. Palmer, *Oklahoma Watch*, "Teacher Salaries, by District."

62. Melissa Kakareka, "Audit Alleges Fraud, Says CPSB Should Have Caught it Sooner," *KSLA News 12*, February 27, 2017, <http://www.ksla.com/story/34618180/audit-alleges-fraud-says-cpsb-should-have-caught-it-sooner> (accessed August 6, 2018).

63. Bonnie Bolden, "OPSB Audit Finds Employee Fraud," *The News Star*, March 6, 2017, <https://www.thenewsstar.com/story/news/education/2017/03/06/opsb-audit-finds-employee-fraud/98807318/> (accessed August 6, 2018).

64. South Carolina Code of Laws, Title 59: Education, Chapter 40: Charter Schools, <https://www.scstatehouse.gov/code/t59c040.php> (accessed August 6, 2018), and Arizona Revised Statutes, Title 15, Chapter 1, Article 8, 15-189, <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/15/00189.htm> (accessed August 6, 2018).

Furthermore, state lawmakers should specify that districts cannot take a building off the market just because a charter school or private school is the highest bidder, similar to an Arizona proposal Gov. Doug Ducey signed in 2018.<sup>65</sup>

**School Fraud Prevention.** District schools should be held to the same high standards that are applied to education choice options available to parents around the country. Now law in six states, education savings accounts are the nation's most flexible, transparent, and innovative education choice opportunity. With an account, the state deposits a portion of a child's funds from the state funding formula in a private account that parents use to buy education products and services for their children.<sup>66</sup> Parents can buy textbooks, pay for a personal tutor for their child, and pay private school tuition, simultaneously, if they choose.

But if a parent misuses their child's account, the account is suspended until the funds are recovered or the account is closed.

Similar measures should be applied to school districts, especially in states where lawmakers increased taxes or agreed to striking school administrator and teacher demands for more money from the state budget. In districts where fraud has occurred

or in which auditors report that the district does not operate with proper accounting measures, the district should not see spending increases until financial procedures are updated or fraudulent claims are resolved.

## Conclusion

More school closures due to administrator and teacher strikes may be on the horizon for the 2018–2019 school year. Parents, taxpayers, and lawmakers affected by the strikes should consider the poor school district budgeting practices of other states as school personnel demand more money from the state general fund.

In every region of the U.S., there are districts with excess administrative spending, vacant buildings supported by taxpayer resources, fraud, and theft—all of which reduce the amount of spending available for teacher salaries and student learning. State lawmakers should require school districts to clean up the books before policymakers look for ways to spend more from the budget on K–12 district schools.

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65. *An Act Amending Section 15-189, Arizona Revised Statutes; Relating to Charter Schools*, H.B. 2460.

66. Jonathan Butcher, "A Primer on Education Savings Accounts: Giving Every Child the Chance to Succeed," Heritage Foundation *Backgrounder* No. 3245, September 15, 2017, <https://www.heritage.org/sites/default/files/2017-09/BG3245.pdf>.