

Getting the Most Bang for the Education Buck



The “Would You Rather?” Test

MARGUERITE ROZA

OCTOBER 8, 2019



Papers for this conference can be found at:
www.aei.org/events/getting-the-most-bang-for-the-education-buck/

Draft: Do not cite without permission from the author

On average, U.S. school districts now spend about \$14,000 per student (National Education Association, 2019). Many in education are struggling with how to balance increased demands on schools amidst rising costs. Because schooling resources are inherently constrained, it's incumbent on leaders to consider the costs and benefits of all available options (Chingos & Whitehurst, 2011). Using a “would you rather” test can help.

The classic “would you rather” party game poses two or more equally appealing (or unappealing) hypothetical scenarios and asks players to choose one. It's a common pastime for kids and an icebreaker for adults. Would you rather eat a cup of worms or go a month without bathing? Would you rather have lunch with Prince Harry or Justin Bieber? And so on.

In this piece, I suggest we use the “would you rather” exercise to explore tradeoffs in school spending and think through the value of various cost-equivalent investments. For example, one survey asked teachers whether they prefer a) a reduction in class size by two students, b) the addition of aide support for 20% of the time, or c) \$5,000 cash via pay raise? (More on the results of this survey later). The “would you rather” choices can include options for how a portion of public education funds can be spent. Parents, teachers, and other stakeholders would be invited to weigh their preferences among different cost-equivalent scenarios. Where one option is simply to dole out the cash in lieu of a program or service, those weighing alternatives have a clear view on the cost of the investment options before them.

The time is especially ripe for more “would you rather” exploration of costs and value in large part because of a groundbreaking new federal law requiring financial transparency to the level of the school. By 2020, education leaders nationwide will have access to a treasure trove of per-pupil, school-level spending data for every school in the country. These data should make calculating cost-equivalent options much more attainable—and likely will trigger thorny

Draft: Do not cite without permission from the author

spending debates in local communities. Add to that the financial strain from a potential economic downturn and escalating teacher pension debt and health care costs. These pressures come amidst recent proposals to expand publicly funded schooling—from universal pre-K to free college. Substantial new investments deserve responsible vetting and add urgency to the need for new finance solutions with finite (and possibly shrinking) dollars. Finally, messaging research tells us that the public trusts leaders who talk in terms of cost-equivalent tradeoffs and dollars linked to students—and most systems could stand to build more trust right now.

Education spending always involves choices. Smart choices require understanding value for the dollar.

Any time we spend public funds on one thing, we've essentially chosen not to spend that money on something else. These choices require careful consideration. At its core, “would you rather” offers an exploratory but often missed step that forces us to reflect on our assumptions about how a program or service is best structured, what outcomes it brings, and at what cost. The test is a tool to help us press pause on our inertia-infused thinking around schooling and expose perspectives that can both help students and wrestle with increasing demands amid cost constraints.

This is not a novel idea. In 2011, for example, Goldhaber and colleagues surveyed Washington State teachers with the “would you rather” question above for their preferences among cost-equivalent investments in smaller classes, more aides, or salary increases (Goldhaber, DeArmond & Deburgomaster, 2011).

Draft: Do not cite without permission from the author

Importantly, each option by itself would have roughly the same cost implications for the district. The results showed that an overwhelming majority of teachers

Teachers: Would you rather have
a) two fewer students in class;
b) an aide at 20% time; or
c) a \$5,000/year raise?

(more than 80%) preferred the pay hike. This was surprising, given that other survey research had suggested that teachers preferred smaller classes and improved working conditions over more salary.

The problem with much of the previous research on these kinds of tradeoffs is that it didn't ask teachers to wrestle with *cost-equivalent* options.¹ In fact, most previous work exploring preferences on teacher compensation and working conditions includes no hard numbers at all, leaving it up to the teacher to imagine what magnitude of raise he or she might get when deciding what would influence a decision to stay in teaching—more salary or better working conditions.² But the numbers matter. Whether the raise is \$1,000, \$5,000, or \$20,000 is essential to the decision. Similarly, knowing whether class sizes drop by two students, five students, or more matters too. That's where it becomes important to clarify *cost-equivalent* scenarios to see which strategy offers more value for the stakeholder at a given cost.

At first blush, the “would you rather” test may come across as glib or even irresponsible, particularly where financial leaders worry that stakeholders may make self-interested decisions. What if parents don't spend the money on their children? And shouldn't it be up to system leaders to decide what's best for students anyway? On the flip side, one could argue that parents also have their child's best interest in mind. And giving lower-income families the cash in lieu of the service may be a better way to mitigate poverty's effects.

This back and forth is precisely that discussion about what's the best use of public funding for the beneficiary that makes the discussion worthwhile. The “would you rather”

Draft: Do not cite without permission from the author

exercise offers needed perspective on resource decisions and serves as a mechanism to re-establish the connection between money and the value of the program or service

Parents: Would you rather
a) enroll your 4-year-old child in a publicly funded preschool, or
b) receive a check for \$12,000?
What if the check was for \$30,000?

provided. The goal of the exercise is to inform financial decisions such that they may be modified or strengthened to get maximum value for the dollar.

That's where the dollar amount matters. Consider another example: Imagine asking parents of qualified preschoolers if they'd rather: a) send their child to publicly funded preschool, or b) get a check for the roughly \$12,000 it typically costs to deliver that service. What if the publicly provided preschool costs upwards of \$30,000 per pupil, as it does in Seattle? (Parsons, 2018). If the "would you rather" tradeoff above were offered, some would rightly point out that \$30,000 is more than twice the city-cited Seattle preschool market rate of \$12,000. The \$30,000 city-subsidized preschool might be higher quality than a \$12,000 market-rate preschool, but is it \$18,000 better? If the city instead gave parents the \$30,000 in cash, some parents might be able to have more time at home, perhaps taking advantage of a low-cost co-op preschool, or use the funds to raise the family's income level out of poverty. Some will ask what's driving the higher costs for the city program, and in the process potentially uncover more productive options for the city's limited resources.

In the lead-up to a 2018 ballot measure asking voters to fund the preschool program, Seattle's estimated per-pupil figures remained a mystery. City leaders had not publicly shared any per-pupil expenses in their plans. As the initiative went to ballot, Shelby Parsons, a University of Washington graduate student, dug into city documents to compute expenses of some \$30,000 per pupil. After doing her analysis, Parsons suggested a tradeoff: Eliminate some

Draft: Do not cite without permission from the author

program bells and whistles to reduce per-pupil cost to \$15,000 (still above market rate) and use the savings to expand the reach of publicly funded preschool to all the city's

Parents and players of high school lacrosse:
Would you rather
a) play on a combined team with a nearby school at no extra cost, or
b) establish a separate team but pay a \$200 fee per player?

three- and four-year-olds from low-income households (Parsons, 2018). Perhaps if Seattle leaders had paused to do a “would you rather” test, they could have surfaced still other options that better leveraged public dollars to meet the desired societal outcomes: making quality preschool widely available and affordable.

The concept works for smaller spending items too. One Pacific Northwest school recently used the “would you rather” approach in deciding among options for the girls’ lacrosse program that would be cost equivalent to the school (School leaders, personal communication). The school had a combined team with another school, but increasingly, players wanted their own school team. A cost analysis indicated that severing the joint arrangement to create two teams would increase annual expenditures by about \$200 per player. Parents and players were asked if they preferred the existing joint arrangement at no cost to the player or the separate team arrangement that carried a \$200 per-player fee. Ultimately, while players preferred separate teams, they decided it wasn’t worth the \$200 if they had to pay it themselves.

School leaders used “would you rather” to gauge the cost and value to those requesting that the school create separate teams. By surfacing the per-player cost, all could attach an incremental price to the effort, and all (including those advocating for the change) could assess whether the positive value was actually worth the cost. School leaders could then incorporate this valuable information alongside other factors (e.g., ensuring equity across athletic offerings) in making their final decisions.

Draft: Do not cite without permission from the author

Is giving out cash a reasonable option?

On a practical level, offering cash as an alternative to a program or service isn't always appropriate as a real-world alternative. And while individuals may be interested in the cash, those individual interests must be weighed against the societal interest in a given policy approach. When it comes to public funds and applying the "would you rather" test, public interest clearly trumps private interest. That said, there may be scenarios where the cash may make more sense in achieving the desired societal outcomes in a financially sustainable way.

To be clear, offering cash isn't some hypothetical ivory tower concept. In philanthropy, efforts to alleviate poverty by giving people money instead of delivering programs or supplies are already underway, with some of the world's foremost researchers of anti-poverty strategies engaged in an independent study of the emerging data (Aizenman, 2017). The GiveDirectly philanthropy, founded by four economics graduate students, is based on the idea that giving cash with no strings attached yields a greater benefit for those experiencing extreme poverty than the traditional approach of offering aid via services (givedirectly.org). The philanthropy's premise is that decisions about what recipients need are best made by the recipients themselves.

In education, leaders seem far more inclined to respond to problems by designing new programs or services than giving out cash. For instance, common proposals to address teacher shortages in specific areas (such as math and science, or in high-poverty schools) include new teacher residency programs, programs to better support and prepare teachers, improved HR practices, loan forgiveness programs, and so on (Podolsky, Kini, Bishop, & Darling-Hammond, 2016). But research suggests that giving direct bonuses to teachers in shortage areas is the most cost-effective option to improve retention (Bueno & Sass, 2018). Yet leaders continue to avoid the

Draft: Do not cite without permission from the author

cash option. Chad Aldeman says as much in his reaction to the California governor’s spring 2019 proposal: “Instead of a convoluted loan forgiveness program,

Parents of kindergartners: Would you rather the school district
a) deposit \$50 in a college savings account for your child, or
b) use the \$50 to augment spending on services for kindergartners?

California should just send the money directly to teachers” (Aldeman, 2019).

But what about students? Could we legitimately consider options that give cash *to students or their families*? The idea here is different from voucher or education savings account initiatives, which tend to be constructed by a separate authority to let public dollars flow outside the public system to a private entity instead. What this piece is considering is whether those *inside* the public system would consider an allocation of their funds directly to beneficiaries of their services as part of their delivery model.

Roland Fryer studied what happens when districts offer direct cash incentives to students to work harder in school. He found that the cash incentives are effective at raising student performance when designed around student efforts (versus outcomes) (Fryer, 2010). More importantly, he found that such cash payments yielded student achievement increases comparable to those linked to successful reforms of recent decades—*but at lower cost* (and without decreases in intrinsic motivation). Despite the cost-efficient results, very few districts use these direct cash incentives to students as part of a broader resource allocation strategy, suggesting an overall reluctance to giving cash to students and families.

One of the few existing family cash incentive examples is San Francisco’s Kindergarten 2 College program, which aims to boost college attendance by simply giving students money (“San Francisco Kindergarten to College Program”). Each child entering San Francisco Unified School District automatically gets a \$50 college savings account. Unlike our philanthropy

Draft: Do not cite without permission from the author

example, here, the cash has strings attached: Families can't withdraw money until the child graduates from high school, and the money can be spent only on postsecondary educational expenses. To be sure, the current allocation is a tiny sum, amounting to less than a half of one percent of the roughly \$13,000 the district spends per pupil, though the governor did propose using state dollars to expand such programs in his 2019-20 budget.

But often, the concept isn't even considered, even when it seems like a potential win-win. A recent story describes how the District of Philadelphia spends near \$60,000 per student to transport some students with disabilities to and from school in taxis with an aide (Wolfman-Arent, 2018). Even at this price, transportation is unreliable and parents are frustrated. Might a better option be to offer parents the cash in return for getting their own student to school? At a \$60,000 price tag for some students, those parents might choose to modify their working hours or quit their job altogether. Instead, the district appears increasingly reliant on the costly program, last year doubling the number of taxis transporting between one and four students to school to more than 400 last year. Where districts reimburse families for transportation, they tend to do it at a much lower cost than what it would cost the district to transport those same students (Nebraska Department of Education, 2017).

Whether or not one ends up supporting the cash option, taking the time to pencil out a range of cost-equivalent options, including a cash transfer, serves to attach a dollar value to the discussion. This act alone can help clarify whether the status quo arrangement is delivering in a cost-effective manner a program or service that is valued by those it serves—and reaping the desired outcomes. If options are presented and teachers, parents, and/or students say they'd rather have the cash, that could be a red flag that something in the current delivery model may

Draft: Do not cite without permission from the author

not be right. Perhaps the service being provided has become too costly or isn't delivering the intended value. Either way, it is a signal that it is time to creatively brainstorm options.

Follow four steps to use the “would you rather” test

Here's how financial strategy works in most districts and states: When revenues are growing (the way they have been for the last several years), leaders identify a desired strategy or investment, and then explore whether they can muster the needed funding. The goal might be to lower class sizes, increase student supports, or expand elective offerings. Financial experts then compute the incremental costs of the effort (say, \$19 million to put a social worker in every school). When times are tight and budgets must be cut, the process works in reverse. A district might reduce librarians for an incremental savings of \$12 million, and so on.

But these approaches miss a critical part of the process: considering various cost-equivalent tradeoffs in terms of the *per-unit* costs and value *to the beneficiary* (e.g., students, families, teachers, and schools). The following four steps can help ensure that a more complete range of options are considered.

Step #1: Put spending in per-unit costs

The way education figures are traditionally compiled and discussed—arranged by “function” or “object” categories like “instruction” or salaries, benefits, or debt service—makes it too easy to miss the forest for the trees. Converting money into “per unit” terms helps put the focus squarely back on the forest. “Per student” is typically the default per-unit used. But the per-unit can also be per-teacher, or per-school, and the like, depending on what begs comparing.

Draft: Do not cite without permission from the author

The process essentially involves breaking down bigger numbers into per-pupil terms using simple division. The denominator is the relevant student group—most

Parents: Would you rather
a) have lower class sizes for all 12 years of schooling, or
b) receive the nearly \$1,800 per year investment (over \$20,000 total) in cash?

commonly those who participate in the program or service. For instance, in the Philadelphia transportation example above, the district spent \$38 million on the taxi service and aides involved in transporting the identified special education students. Dividing \$38 million by the number of students riding solo in taxis gives the cost per-student transported, roughly \$60,000 per student.

Often, the larger the expenditure, the less likely it is for leaders to break it down in per-unit costs. But that's precisely when it is important to compare spending on a relative basis. Take the 2016 Washington State I-1351 ballot initiative for class-size reduction estimated to cost \$1.7 billion per year at full implementation. Class-size reduction is generally popular, but what was missing from the big number was the per-unit piece. Dividing the total cost by the number of Washington State public school students makes clear that the effort would raise spending by nearly \$1,800 per student, per year or well over \$20,000 over 12 years of schooling. While the \$1.7 billion figure didn't get much of a reaction, many of the graduate students in my University of Washington finance course reacted with urgency to the per-student one. They weren't sure that the state's students would realize \$20,000 worth of value from the change.

Without comparable costs, leaders can get distracted by false equivalence. I've heard proposals to fund more teacher planning time with the savings realized from reduced reliance on text books. The problem is that such investments in teacher planning time tend to cost more than four times the per-pupil amount realized from reducing text books (Roza, 2016). A \$425,000

Draft: Do not cite without permission from the author

donation from Acuity Insurance for the naming rights on the Grafton High School Gym seemed like an outsized advantage among Wisconsin districts (Johnson, 2019).

Teachers: Would you rather
a) keep all your sick days for possible future need, or
b) trade any unused sick days for \$100/per day?
What if it was \$200/per day?

Putting the figure in per-pupil terms by dividing the sum across the number of students over the length of the relationship clarifies that the resources amount to \$24 per high school pupil (in a district spending more than \$12,000 per pupil in public funds). While at first blush, \$425,000 seems like a big number, \$24 per pupil seems less relevant.

The cost of sick days is a case where exploring per-*teacher* (versus per-student) costs makes sense. Typically, teachers earn and take sick days without knowing their cost implications for the district. In fact, the costs of substitutes range from about \$90-\$200 per teacher per day. Armed with the per-unit costs, some schools have surfaced creative alternatives—such as providing cash incentives (of say \$100 per unused day) to reduce absenteeism—and, ultimately, reduce costly payouts plaguing some districts (Bock, 2011).

Converting dollars into per-pupil or per-teacher terms better conveys the relative magnitude of spending, identifies out-of-whack spending, and helps surface spending tradeoffs.

Step #2: Construct cost-equivalent tradeoffs. Co-production can help.

If the first step is putting spending into per-unit costs, the second step is constructing cost-equivalent tradeoffs, including potentially offering the cash to the intended beneficiary. Often, the most challenging part is coming up with the alternatives.

In our Certificate of Education Finance program at Georgetown, we have

Principals: Would you rather have
a) a vice principal, or
b) enough money to award 24 teachers a stipend of \$5,000 for extra duties of your choosing?

Draft: Do not cite without permission from the author

participants compute a range of cost-equivalent options from the perspective of the

Junior teachers: Would you rather have
a) a 4% pay raise per teacher, or
b) a fixed \$2,400 raise per teacher?

school (“Certificate in Education Finance”). We ask whether their school would rather have a vice principal or offer \$5,000 stipends for 24 of the school’s existing teachers. We ask whether their school would be better off with one full-time reading coach or a summer reading program serving 120 students. And, during a budget cut, we ask whether they’d prefer to eliminate a librarian or raise class sizes in music and PE to 35.

And so on. Importantly, participants have done the math to ensure each option is indeed cost neutral.

Another tradeoff explores the annual cost of living allowance, or COLA—a common fixture in schooling whereby teachers get a fixed percentage increase (say, 4%) for each step on the salary schedule. Converting the percentage raise to a dollar figure across all teachers reveals that it amounts to average of \$2,400 per teacher (assuming an average teacher salary of \$60,000). But, if like most districts, teacher attrition is highest among junior teachers, the fixed percentage may have limited benefit in serving to reduce turnover where it’s highest. For each junior teacher making \$40,000 a year, their raise will yield only \$1,600, versus \$3,200 per senior teacher making \$80,000 a year. A cost-equivalent alternative would be to instead award a fixed *dollar* amount to all teachers (e.g., \$2,400), which uses the same limited pot of money to deliver more to the teachers most likely to leave (Roza, 2015). Denver did just this in 2017, when it awarded a flat \$1,400 per teacher (Denver Public Schools, 2017).

Regardless of whether the financial change involves a new investment or a budget cut, education leaders typically default to a relatively narrow band of options, which tends to boil down to the hiring of new staff or the elimination of existing staff. An emerging concept called

Draft: Do not cite without permission from the author

“co-production” holds promise in opening new ideas for spending. Co-production is essentially a mechanism whereby the beneficiaries participate in the delivery of the services they use. That approach stands in contrast to a transaction-based means of service delivery that is fully and solely executed by public agencies.

Several of the examples described earlier involve co-production, such as having parents receive funding and drive their own child to school or giving a student a cash incentive to read more. With co-production, those benefitting from the service (families and students in this case) are active agents, not passive beneficiaries. Some places have used co-production to pay parents to help with services for students with disabilities (Pillow, 2018).

In a classic example of co-production (but one that does not involve cash transfers to recipients), some districts send text messages to parents about upcoming tests, missed coursework, or attendance. The hope is that a text will enlist parents in the work of supporting and monitoring their students’ learning. One can envision a parent ensuring the child spends some time studying after receiving the text. In other words, the parent is doing some of the work of motivating student behavior. And research suggests that this works. In one study, children whose parents were texted gained one month of additional math progress and had less absenteeism than students whose parents weren't texted (Miller, Davison, Yohanis, Sloan, Gildea, & Thurston, 2016). And the low-cost approach—under \$10 per student a year—garnered more impact on student performance than much costlier, more intensive approaches, researchers found.

The contributions to a child’s savings account in San Francisco are also intended to leverage co-production by triggering parents to help set students on a college track at a young age. Co-op preschools, where parents are expected to supplement paid staff to share in the

Draft: Do not cite without permission from the author

classroom work, use the same idea. Editors of a research volume on co-production suggest that it is because of these new processes that coproduction “can produce major improvements in outcomes and service quality” (Pestoff, Brandsen, & Verschuere, 2012).

When new alternatives are surfaced at lower costs, it’s helpful to include the savings as part of the “would you rather” options—typically as a benefit to the beneficiaries. Would you (employee) rather have our existing benefits plan or a leaner benefits package and more money for salaries? Would you (parent) rather have all students receive tutoring or leverage the lower-cost texting plan (with some tutoring) and more money in the college savings program?

The “would you rather” discussion requires that any freed-up resources be available alongside the cheaper options. If the options represent a cut, the same principle applies. Leaders might need to bundle several smaller cuts to create a dollar-equivalent comparison to a larger cut.

Step #3: When some options can’t work for everyone, consider customized options.

Having posed the “would you rather” test to numerous audiences, a common reaction we see is to call out outlier cases where the tradeoff can’t work. The worry is that the texting program isn’t viable since it won’t help parents without cell phones or parents with too many competing demands to supervise homework. Or that offering cash instead of transportation isn’t fair to parents who don’t have the flexibility to take on transporting their own children. And it’s true, many of the options offered here won’t work for some beneficiaries, or in some locales. But that reminds us that we do not need to view these approaches as an all-or-nothing proposition.

It’s exactly that risk-averse thinking that often leads to reliance on the expensive one-size-fits-all models that may need retooling. There are times that school leaders can and should offer a range of services that includes some intended specifically for those not able to benefit

Draft: Do not cite without permission from the author

from other existing options. Built into the texting program might be resources for students not benefitting from the texting initiative (e.g., tutoring services, after school supports, etc.)

Teachers: Would you rather have
a) \$14,000 to apply to benefits of your choosing, with any savings added to your salary, or
b) an equivalent \$14,000 spent on a set of district-chosen benefits?

Everyone does not need to receive the same services in the same way: We can have different delivery models for different people and their different needs.

As benefits costs skyrocket, district employees get few choices about health, life, and dental insurance plans. In most cases, the only options are whether to include family members on the plan, or to opt out altogether. So, should all benefits be designed to maximize value for a second-year teacher without a family or a 15-year veteran with three kids? Presumably, the second-year teacher might make different choices regarding health insurance, life insurance, and sick days than the veteran. Just because one employee needs more life insurance doesn't mean they all do. But the status quo doesn't reflect this reality and instead gives everyone a standard package regardless of whether they'd prefer leaner benefits and more salary.

One analysis shows how districts can contain costs and maximize value to employees (Wepman, Roza, & Sepe, 2010). Instead of a fixed plan, districts might offer a fixed *dollar* amount, say \$14,000, toward a range of benefits choices. Teacher can then choose the benefits that carry the most value to them knowing that they can keep any unused benefits funds. If an employee chooses a leaner set of options, totaling \$9,000, she keeps the remaining \$5,000 as salary. A teacher selecting benefits totaling \$13,000 pockets only a \$1,000 differential. If a teacher wants more than the allotted total, she can take a salary deduction to support that choice. In short, the idea is to allow employees to select the mix of benefits and salary that delivers the maximum value *to them*.³

Draft: Do not cite without permission from the author

But to take advantage of the “would you rather” test, we need to curb the tendency to overreact to the outlier scenario. Co-production can still succeed even if not all actors (e.g., parents) are willing or able to co-produce.

Step #4: Explore the value to those on the receiving end.

Ideally, the “would you rather” test works as a forcing mechanism for getting to the heart of what matters, but only if we make that last step of weighing the alternatives from various perspectives. Without this step, we run the risk of assuming we understand what matters most to different beneficiaries and continue operating our systems (and making investments) based on faulty assumptions about what teachers, parents, and students value. Ideally, beneficiaries get a chance to weigh the costs and consider whether the service in its current form makes sense as compared to some alternative.

There are ways to get feedback without making promises. Facing a \$59 million budget cut (amounting to roughly \$600 per pupil), San Diego Unified launched an online survey for parents that shared a range of budget items and, notably, their costs (Saunders, 2018). Parents could choose among higher and lower priorities, including reducing landscaping services, music, library hours, central services, and the like to identify the needed \$59 million cut. By including the dollar costs of each option, parents could consider their relative costs and value.

Where leaders are worried about presenting false choices, they might pose the question as a clear hypothetical and ask beneficiaries what they’d do if the money belonged to them. Even if a cash alternative doesn’t seem viable, simply engaging in the mental test of weighing a set

Parents: Would you rather have your child
a) in a class of 27 students taught by one of the district’s most effective teachers receiving a \$10,000 bonus, or
b) in a class of 22 students taught by a teacher of unknown effectiveness and receiving no bonus?

Draft: Do not cite without permission from the author

of cost-equivalent alternatives from the beneficiary's view can help put choices in perspective.

Sometimes, research has already identified potentially viable cost-equivalent tradeoffs. The earlier cited Goldhaber research establishes that teachers generally prefer more salary over cost-equivalent investments in other supports (such as smaller class sizes and more aides or prep time). Farkas and Duffet surveyed parents to choose among cost-equivalent options: Would they rather their child be placed in a class of 27 students “taught by one of the district’s best performing teachers” or in a class of 22 students “taught by a randomly chosen teacher”? Interestingly, 73% of parents opted for the larger class if it came with a teacher proven to be effective, suggesting that parents will tolerate larger classes if accompanied by more effective teachers. Adding a bonus for those effective teachers taking on larger class sizes turns the tradeoff into a cost equivalent one.

The Farkas and Duffet survey also presented options to cut costs in challenging times. They find more support for closing schools, raising class sizes in music and PE, and freezing salaries and much less support for shortening the school year, charging student fees, or relying more heavily on virtual learning.

An important caution about surveys: The results are much less useful for the purposes of a “would you rather” test if they don’t present cost-equivalent options.⁴ And existing surveys rarely do. In fact, even most research on the effectiveness of various investments or interventions doesn’t document the cost, and thus misses that last step of informing practitioners about the approach’s cost-effectiveness (Molnar, 2018). That’s likely to change going forward as the Institute of Education Sciences is now requiring cost-effectiveness analysis for federally funded projects (Schneider, 2018).

Draft: Do not cite without permission from the author

Also important when seeking input is to ensure that the beneficiaries are appropriately segmented to yield maximum insight. Sometimes it will make sense to query all teachers, but if the goal is to retain more junior teachers, that might be a time to zero in on how junior teachers in particular value different options. Similarly, it doesn't make sense to ask parents of typically developing students how they value expenditures for students with disabilities. But, given that the costs of special education have grown steadily, it may be a great time to explore how parents of students with disabilities value their services relative to alternate options.

Some cautions when considering tradeoffs

As discussed above, some cost-equivalent tradeoffs that involve doling out cash have limitations, particularly if the public's interest isn't aligned with the private interest. Beyond that conflict, public leaders may have other worries about engaging in the kinds of tradeoffs mentioned here.

Many of these concerns only manifest themselves if the cost-equivalent alternative is seriously considered for implementation. For instance, some have rightly noted that, while the alternatives might be cost-equivalent, the transition costs should also be factored in before any decision to switch is made. Also worth considering is what happens if the new alternative doesn't prove successful. When cash is involved, will beneficiaries become reliant on their new cash alternative and be reluctant to switch back? If the tradeoff involves beneficiaries owning some part of the service, will we be relying on people who may not have the technical expertise that professionals have? Or could monetizing some services erode intrinsic motivation for important efforts that don't come with funding?

This kind of thinking assumes leaders go a step further than this proposal suggests. The "would you rather" thinking described here urges leaders to *explore* the alternatives as part of

Draft: Do not cite without permission from the author

considering cost and value. In many cases, one or more of the alternatives may not be politically, legally, or practically feasible at all. Only where leaders are seriously considering an alternative should they more fully consider the transition costs, contingencies, various implementation effects.

Why now is a particularly great time to apply “would you rather” thinking.

School finance is likely to stay in the spotlight for the foreseeable future as education leaders begin grappling with an unprecedented level of school-by-school financial necessitated by the federal Every Student Succeeds Act (ESSA). Of course, it’s not just school systems and policymakers that will have access to more per-pupil data than ever before—so will parents, the media, advocacy groups, and the community at large. That means education leaders may increasingly face thorny questions about their spending decisions and practices: Who gets what finite resources, why, and to what effect? Leaders have a timely opportunity to apply “would you rather” thinking to engage and build trust with their community. Decisions about how best to spend education funding deserve careful attention, especially as budgets become more austere. Toward that end, education leaders have timely opportunities to use the test to:

Creatively grapple with education’s built-in cost escalators

Most public education systems face built-in cost escalators and constrained resources, and with the shadow of an economic downturn looming, these constraints may worsen. Thus far, engaging beneficiaries in addressing challenges like ballooning pension debt and retiree health care costs has proven difficult. Using the “would you rather” test to develop cost-equivalent scenarios may help break the gridlock.

Draft: Do not cite without permission from the author

For instance, Maria Fitzpatrick’s work demonstrates that Illinois teachers value

Teachers: Would you rather have
a) \$1,000 in pension benefits (today’s value), or
b) some or all of that cash today?

salary more than comparable investments in their pensions—so much so that they’d accept on average 20 cents in salary increase for each dollar increase in retirement benefits (at present value) (Fitzpatrick, 2015). This “would you rather” option could be the basis of new, real-world retirement benefit alternatives that are more financially sustainable in the long run.

In Shelby County Schools, Chief Operating Officer Lin Johnson has proposed swapping retiree health benefits for college debt relief as a way to address crippling costs of retiree medical benefits (Kebede, 2019). The first two proposals for cuts in retiree health benefits fell flat, but this third attempt came with a “would you rather” alternative, and it seems to be gaining traction.

Properly vet expansive proposals for new investments

Among the many larger proposals swirling are universal pre-K, free college, dual enrollment, college debt relief, expanded STEM offerings, teacher housing, and social-emotional learning. But without rigorous exploration at the front end, we risk building costly new systems that may not deliver their intended value and yet, once established, are very difficult to redirect.

When presented as ideas, most of these expansion proposals tend to be popular. But reactions are more nuanced when the costs and alternatives are weighed. My team found this when we computed the cost to states of subsidizing excess credits at public universities. Many students and faculty initially favored subsidizing courses that went beyond the degree requirements (Jacobson, 2014). Our research showed that the excess credit subsidies in both Georgia and New York could instead be

State legislators: Would you rather
a) subsidize excess credits for all students in public higher education, or
b) expand higher education access to 10,000 more students, producing 2,000 degrees per year in your state?

Draft: Do not cite without permission from the author

used to support an additional 10,000-plus students, resulting in the production of 2,000 more degrees per year in each state (Kinne, Blume, & Roza, 2013). This and similar research has worked to focus attention on how best to apply state subsidies to maximize collective benefit (Complete College America, 2011).

As officials weigh any new investment, it makes sense to consider whether the proposed investments are, dollar for dollar, the best way to leverage a given amount of public money (particularly compared to other ways to spend the funds, including simply doling out cash).

Engage the public around tradeoffs in a way that improves trust

Done thoughtfully, the “would you rather” test actively involves the recipients of a program or service—teachers, parents and students, among others—in the decision-making process. This can increase community engagement and public trust in the system.

We know from messaging research that the public trusts leaders who talk in terms of cost-equivalent tradeoffs and dollars, with numbers clearly linked to students and what the dollars will do for students (Council of Great City Schools; Roza & Anderson, 2019). In other words, leveraging the “would you rather” format to engage teachers, parents, and students to collectively make the system stronger works as a communications strategy as well.

So, would you rather that your leaders a) continue making financial decisions as usual, or b) do the hard work of fully exploring financial tradeoffs?

Public schooling comes with layers of rules, regulations, grant requirements, and the like that can wind up promoting a compliance mindset around spending decisions. Coupled with the inertia typical of bureaucratic organizations, this can keep education leaders on a spending path even

Draft: Do not cite without permission from the author

when the costs and value no longer justify it. Used as an ongoing part of routine budget and finance deliberations and functions, “would you rather” thinking lets leaders pause to examine the services have been built (or are proposed), at what cost, for what value, and to whom. It can help leaders think more flexibly toward leveraging dollars to do more for students. And it offers leaders a chance to rethink approaches to common challenges.

The “would you rather” approach may well prompt discomfort among education leaders, who generally are not accustomed to monetizing services. But skirting cost discussions can breed distrust and inaccurate assumptions about what real-world tradeoffs exist. Rather, if costs are clear, and the invitation is open for ideas on how to make the money work harder, communities can deliberate and decide how best to apply the limited resources to do the most for students.

That’s a game worth playing.

Notes

¹ For example, TeachPlus, 2012.

² For example, Futernick, K., 2007.

³ With cafeteria plans, districts and unions negotiate the district's contribution of total benefits per teacher, rather than the level and type of each benefit. Unions might work to arrange a larger set of health plans or other benefits, thereby ensuring that members have access to customized compensation packages that can attract and retain educators.

⁴ While helpful in providing teachers feelings on various topics, surveys like the 2018 E4E survey don't quantify options when they ask about stipends, higher salaries, retirement options, etc. See Educators for Excellence, 2018.

References

- Aizenman, N. (August 7, 2017). How to fix poverty: Why not just give people money? NPR. Retrieved from <https://www.npr.org/sections/goatsandsoda/2017/08/07/541609649/how-to-fix-poverty-why-not-just-give-people-money>.
- Aldeman, C. (May 13, 2019). Money > complicated loan forgiveness programs. Bellwether Education Partners. Retrieved from <http://www.eduwonk.com/2019/05/money-complicated-loan-forgiveness-programs.html>.
- Bock, J. (November 13, 2011). \$100,600 • \$79,558 • \$63,671 lottery jackpots? Nope. Sick day payouts for teachers. *St. Louis Post-Dispatch*. Retrieved from https://www.stltoday.com/news/local/education/lottery-jackpots-nope-sick-day-payouts-for-teachers/article_272cf07c-780c-5c08-bbf4-b737b67e18bb.html.
- Bueno, C. & Sass, T. (May 1, 2018.) The effects of differential pay on teacher recruitment and retention. Andrew Young School of Policy Studies. Retrieved from <https://ssrn.com/abstract=3296427>.
- Chingos, M. & Whitehurst, G. (May 11, 2011). Class size: What research says and what it means for state policy. Brookings Institution. Retrieved from <https://www.brookings.edu/research/class-size-what-research-says-and-what-it-means-for-state-policy/>.
- Complete College America (September 2011). Time is the enemy. Retrieved from <https://www.luminafoundation.org/files/resources/time-is-the-enemy.pdf>.
- Council of Great City Schools (n.d.). Supporting effective teaching: Communications resources for implementing new systems for teacher development and evaluation. Retrieved from https://www.cgcs.org/cms/lib/DC00001581/Centricity/Domain/90/Effective_Teaching_Comms_Resources.pdf.
- Denver Public Schools (September 1, 2017). DPS, DCTA reach agreement on contract. Retrieved from <https://www.dpsk12.org/dcta-dps-reach-agreement-on-teacher-employment-contract/>.
- Educators for Excellence (2018). Voices from the classroom: A survey of America's educators. Retrieved from https://e4e.org/sites/default/files/2018_voices_from_the_classroom_teacher_survey.pdf#page=13.
- Fitzpatrick, M. (November 2015). How much are public school teachers willing to pay for their retirement benefits? *American Economic Journal: Economic Policy* 7(4), 165-88.
- Fryer, Jr. R. (April 2010). Financial incentives and student achievement: Evidence from randomized trials. (Working paper 15898). National Bureau of Economic Research. Retrieved from <https://www.nber.org/papers/w15898.pdf>.
- Futernick, K. (2007.) A possible dream: Retaining California teachers so all students learn. California State University. Retrieved from <https://www2.calstate.edu/impact-of-the-csu/teacher-education/educator-quality-center/Documents/Futernick%202007.pdf>.
- Georgetown University. Certificate in education finance. Retrieved from <https://mccourt.georgetown.edu/execed/certificate-in-education-finance>.

- Goldhaber, D., DeArmond, M., & Deburgomaster, S. (2011). Teacher attitudes about compensation reform. *ILR Review*, 64(3), 441–463.
- Jacobson, S. (October 13, 2014). UCF students protest higher tuition for ‘excess’ classes. *Orlando Sentinel*. Retrieved from <https://www.sun-sentinel.com/news/education/os-ucf-excess-credit-hours-surcharge-20141009-story.html>.
- Johnson, A. (May 1, 2019). Acuity insurance gets naming rights to the Grafton High School gym. *Milwaukee Journal Sentinel*. Retrieved from <https://www.jsonline.com/story/communities/northshore/news/grafon/2019/05/01/acuity-insurance-donates-425-000-grafon-school-district-district-grants-naming-rights-grafon-hs-gy/3615662002/>.
- Kebede, L. (April 18, 2019). To slow rising costs, district wants to help new Memphis teachers pay for college debt instead of retiree benefits. *Chalkbeat*. Retrieved from <https://www.chalkbeat.org/posts/tn/2019/04/18/to-slow-rising-costs-district-wants-to-help-new-memphis-teachers-pay-for-college-debt-instead-of-retiree-benefits/>.
- Kinne, A., Blume, G., & Roza, M. (May 2013). The high price of excess credits: How new approaches could help students and schools. Edunomics Lab. Retrieved from https://edunomicslab.org/wp-content/uploads/2013/05/Edunomics-Lab_RR_Excess-Credits.pdf.
- Miller, S., Davison, J., Yohanis, J., Sloan, S., Gildea, A., & Thurston, A. (July 2016). Education Endowment Foundation. Retrieved from <https://files.eric.ed.gov/fulltext/ED581121.pdf>.
- Molnar, M. (August 27, 2018). What works clearinghouse looking at costs of implementing interventions. *EdWeek Market Brief*. Retrieved from <https://marketbrief.edweek.org/marketplace-k-12/works-clearinghouse-looking-costs-implementing-interventions/>.
- National Education Association. (April 2019). Rankings of the states 2018 and estimates of school statistics 2019. Retrieved from <http://www.nea.org/assets/docs/2019%20Rankings%20and%20Estimates%20Report.pdf>.
- Nebraska Department of Education. (August 9, 2017). Frequently asked questions: Pupil transportation. Retrieved from <https://www.education.ne.gov/fos/pupil-transportation/frequently-asked-questions/#reimbursement>.
- Office of Financial Empowerment. San Francisco kindergarten to college program. Retrieved from <https://sfgov.org/ofe/k2c>.
- Parsons, S. (October 8, 2018). Seattle should do better on pre-k funding. *Crosscut*. Retrieved from <https://crosscut.com/2018/10/seattle-should-do-better-pre-k-funding>.
- Pestoff, V., Brandsen, T., & Verschuere, B. (2012). *New public governance, the third sector, and co-production*. New York, NY: Routledge.
- Pillow, T. (September 5, 2018). For Brandon: How one family’s struggle can help us imagine an education system that does better by exceptional children. CRPE. Retrieved from <https://www.crpe.org/thelens/brandon-one-familys-struggle>.
- Podolsky, A., Kini, T., Bishop, J., & Darling-Hammond, L. (September 2016). Solving the teacher shortage: How to attract and retain excellent educators. Learning Policy Institute. Retrieved from <https://learningpolicyinstitute.org/product/solving-teacher-shortage-brief>.
- Roza, M. & Anderson, L. (May 21, 2019). Understanding school finance is one thing. Being effective in communicating about it is another skill entirely. Learning Policy Institute. Retrieved from <https://learningpolicyinstitute.org/blog/understanding-school-finance-one-thing-being-effective-communicating-about-it-another-skill>.
- Roza, M. (2016). Will public education be able to afford reforms? (Presentation at Rice University).
- Roza, M. (November 23, 2015). Districts steer disproportionate funds to a small segment of the teaching force. Brookings Institution. Retrieved from <https://www.brookings.edu/blog/brown-center-chalkboard/2015/11/23/districts-steer-disproportionate-funds-to-a-small-segment-of-the-teaching-force/>.
- Roza, M., 2015. Districts steer disproportionate funds to a small segment of the teaching force. Brookings Institution Brown Center Chalkboard, November 23, 2015. <https://www.brookings.edu/blog/brown-center-chalkboard/2015/11/23/districts-steer-disproportionate-funds-to-a-small-segment-of-the-teaching-force/>

Draft: Do not cite without permission from the author

- Saunders, M. (January 18, 2018). San Diego Unified asks parents what services should be cut due to budget shortfall. ABC News San Diego. Retrieved from <https://www.10news.com/news/san-diego-unified-asks-parents-what-services-should-be-cut-due-to-budget-shortfall>.
- Schneider, M. (September 5, 2018). Message from IES director: Changes are coming to research competitions. Institute of Education Sciences. Retrieved from <https://ies.ed.gov/director/remarks/researchcomp2018.asp>.
- TeachPlus, (2012). Great expectations: Teachers' views on elevating the teaching profession. Retrieved from https://www.classsizematters.org/wp-content/uploads/2012/11/1350917768_Teach-Plus-Great-Expectations-1.pdf.
- Wepman, N., Roza, M., & Sepe, C. (December 9, 2010). The promise of cafeteria-style benefits for districts and teachers. CRPE. Retrieved from https://www.crpe.org/sites/default/files/rr_crpe_Benefits_Dec10_0.pdf.
- Wolfman-Arent, A. (September 24, 2018). Philly's \$40,000 cab ride, and what it says about modern, urban education. WHYY Radio. Retrieved from <https://whyy.org/articles/phillys-40000-cab-ride-and-what-it-says-about-modern-urban-education/>.



1789 Massachusetts Avenue, NW
Washington, DC 20036
202.862.5800
www.aei.org