

# Maryland POLICY REPORT

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## DOLLARS TO THE CLASSROOM OR DOLLARS TO ADMINISTRATION? A LOOK AT PUBLIC EDUCATION SPENDING IN MARYLAND *KIRK A. JOHNSON, PH.D.*

Over the past many years, public elementary and secondary education spending in Maryland and nationwide has been steadily increasing. In the 2001–02 academic year, for example, Maryland's 24 county school districts spent over \$7 billion on current-year operations. While most of this spending was related directly to classroom instruction, an alarming trend has emerged whereby an increasing share of budgetary growth has been related to central administration and other non-instructional uses.

This report analyzes how school districts in Maryland have spent their K-12 educational dollars in recent years, and will address three questions. First, what are the different classifications of local educational expenditures? Second, how has the distribution of expenditures changed over time, and where have the highest levels of growth been? Finally, what are the implications of these findings on the future of school district budgeting?

### WHAT ARE THE CATEGORIES OF EDUCATIONAL SPENDING?

Local K-12 educational budgets fall into two basic categories—capital and current operational

expenditures.<sup>1</sup> Capital expenditures include the purchase of land, construction costs, and instructional and non-instructional equipment. Since the building of a school is often a large one-time expense that can distort annual expenditures, especially in smaller school districts, these expenses are specifically excluded from this analysis.

Current or operational expenditures, then, may be grouped into three basic classifications:

1. **Instructional expenditures:** This category includes salaries for classroom teachers and related instructional staff.
2. **Support expenditures:** This includes expenditures for central office and school site administration, staff support, maintenance, and transportation.
3. **Other expenditures:** This smaller category includes other expenditures not classified into the other two categories. Specifically, this includes expenditures for food services and other “enterprise operations,” whereby the school district itself sells products.

When “administrative expenditures” are discussed here, it should not be taken to mean all sup-

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1. Throughout this paper, the Census Bureau's educational finance classification system is used. For more on this, see U.S. Census Bureau, “Federal, State, and Local Governments: Public Elementary-Secondary Education Finance Data” at <http://www.census.gov/govs/www/school.html>. This is also the database used for the subsequent analyses of public school district educational spending.

port expenditures. “Support” includes a broad range of categories, of which administration is a portion. “Administration” is defined here as business office duties, central office functions, and school site administrators and support spending. In short, administrative expenses only include those managerial, supervisory, and administrative support functions undertaken by districts.

## EDUCATION BUDGET ALLOCATION

Nationwide, K–12 current operational spending exceeded \$360 billion in the 2001–02 academic year, with roughly \$225 billion of that spent in the classroom. As Figure 1 shows, just over 60 percent of current spending nationwide was focused on classroom spending, while about a third was spent on support.

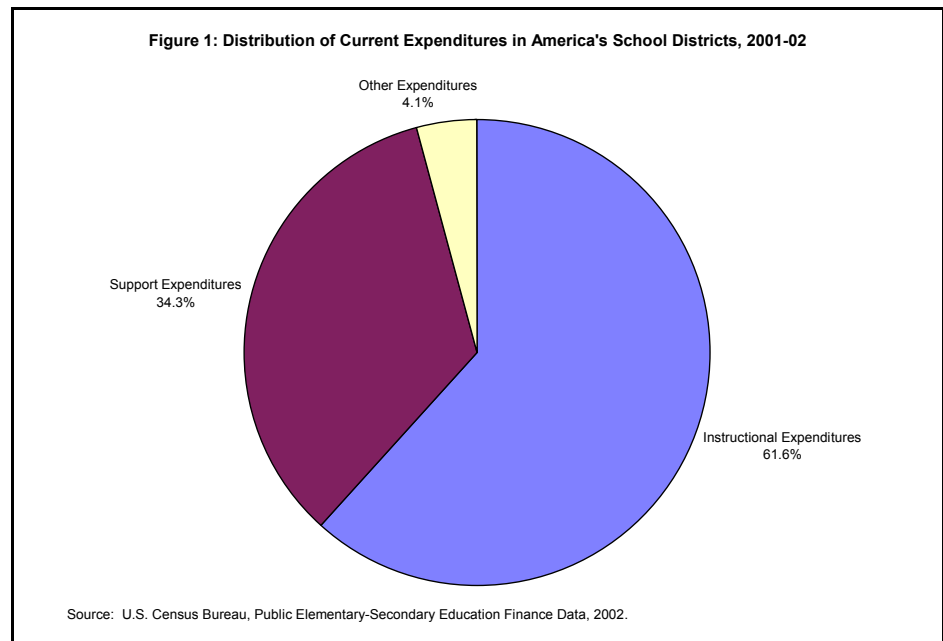
The growth of spending in the support and administration category nationwide has slowly increased over the past several years, causing some alarm in educational circles. While a certain amount of administrative presence is clearly needed for the smooth operation of any school district, it can siphon money away from the overriding purpose of public school: to educate the next generation of Americans.

To put this into perspective, between the 1991–92 and 2001–02 academic years, administration expenses grew by some 50 percent, about 20 percent faster than the rate of growth in instructional expenditures.

Educational spending, like many functions of local government, varies considerably from school district to school district, based on local priorities. What has been the experience in Maryland?

## PUBLIC SCHOOL SPENDING IN MARYLAND

As noted above, Maryland’s 24 public school districts spent in excess of \$7 billion on current operations in the 2001–02 academic year. Statewide, about \$4.5 billion was spent on instruction, \$2.5 billion on support and administration, and what



remained on other non-instructional, non-support programs.

Alarming is the fact that the increases in education spending over the course of the decade have not been targeted to classroom instruction or even uniform across the various spending categories. Instead, spending for administration is growing more than 40 percent faster than instructional spending in Maryland’s school districts.

While it is true that the majority of education spending in Maryland goes to instructional activities, increases for administration is an unwelcome trend. With the public demanding better educational outcomes nationwide, especially in terms of academic achievement, dollars flowing to instructional purposes instead of to administration might have a greater likelihood of raising academic achievement.

In the 1991–92 academic year, nearly half a billion dollars per year (in inflation-adjusted 2002 dollars) were spent on administration, defined here as above: business and central office functions, school site-based, and general administrative functions. That figure had grown by nearly 50 percent to \$726 million in the 2001–02 academic year. Direct instructional expenditures, in contrast, grew by just about a third over the same timeframe, again in inflation-adjusted dollars. Therefore, the rate of change in spending on administrative support and overhead grew more than 40 percent faster than the change in spending on direct classroom teaching expenses.

**Table 1: Instructional versus Administrative Expenditures of the 24 Maryland School Districts, 1991-92 to 2001-02 Academic Years**

District	1992 Instructional Spending (in 2002 \$)	2002 Instructional Spending	% Chg	1992 Administrative Spending (in 2002 \$)	2002 Administrative Spending	% Chg	1992 Enrollment	2002 Enrollment	% Chg
Allegany	\$45,166	\$54,473	20.60%	\$4,764	\$6,206	30.28%	11,198	10,180	-9.09%
Anne Arundel	\$292,246	\$366,244	25.32%	\$49,016	\$67,113	36.92%	66,695	75,081	12.57%
Baltimore County	\$420,651	\$541,812	28.80%	\$84,007	\$90,992	8.31%	89,964	107,212	19.17%
Calvert	\$46,201	\$79,508	72.09%	\$5,820	\$11,141	91.41%	10,999	16,651	51.39%
Caroline	\$18,828	\$25,080	33.21%	\$2,572	\$3,444	33.89%	4,893	5,609	14.63%
Carroll	\$92,342	\$125,978	36.43%	\$11,807	\$18,142	53.65%	22,464	28,127	25.21%
Cecil	\$52,814	\$73,836	39.80%	\$6,587	\$12,276	86.36%	13,255	16,095	21.43%
Charles	\$78,486	\$106,102	35.19%	\$10,212	\$17,779	74.10%	19,203	24,001	24.99%
Dorchester	\$20,655	\$23,578	14.15%	\$2,530	\$3,959	56.48%	4,968	4,884	-1.69%
Frederick	\$119,889	\$173,732	44.91%	\$15,843	\$26,618	68.01%	27,935	38,022	36.11%
Garrett	\$21,071	\$25,301	20.08%	\$2,418	\$2,998	23.97%	5,110	4,869	-4.72%
Harford	\$130,695	\$180,216	37.89%	\$13,615	\$21,323	56.61%	32,868	39,966	21.60%
Howard	\$158,414	\$265,284	67.46%	\$25,406	\$35,630	40.24%	31,599	46,257	46.39%
Kent	\$11,460	\$14,928	30.26%	\$1,855	\$2,858	54.03%	2,614	2,684	2.68%
Montgomery	\$655,159	\$875,453	33.62%	\$87,568	\$121,831	39.13%	107,399	136,895	27.46%
Prince Georges	\$473,679	\$634,105	33.87%	\$71,473	\$112,455	57.34%	111,652	135,039	20.95%
Queen Anne	\$23,761	\$34,363	44.62%	\$3,228	\$4,364	35.21%	5,541	7,232	30.52%
Somerset	\$13,410	\$15,583	16.20%	\$2,056	\$2,318	12.77%	3,400	3,060	-10.00%
St. Mary's	\$55,056	\$70,530	28.11%	\$7,558	\$11,597	53.44%	12,955	15,482	19.51%
Talbot	\$19,009	\$23,424	23.23%	\$2,427	\$2,905	19.68%	4,196	4,516	7.63%
Washington	\$75,838	\$94,628	24.78%	\$9,854	\$15,088	53.11%	18,092	19,961	10.33%
Wicomico	\$54,654	\$69,646	27.43%	\$7,592	\$11,009	45.00%	13,074	14,116	7.97%
Worcester	\$27,994	\$39,411	40.78%	\$3,675	\$5,616	52.81%	5,839	6,884	17.90%
Baltimore City	\$463,549	\$569,594	22.88%	\$60,514	\$118,447	95.73%	110,325	97,817	-11.34%
Statewide	\$3,371,027	\$4,482,809	32.98%	\$492,401	\$726,109	47.46%	736,238	860,640	16.90%

Note: All dollar values are represented in thousands of constant, inflation-adjusted 2002 figures. CPI-U inflation factors used may be found via the "Inflation Calculator" at <http://www.bls.gov>.  
Source: U.S. Census Bureau, Public Elementary-Secondary Education Finance Data, 1992 and 2002.

Table 1 shows how the experiences of various school districts have varied over the course of these 10 years. Most of Maryland's 24 school districts have seen a faster rise in their administration expenses than in their instructional spending; however, there are some noteworthy exceptions.

**A TALE OF TWO SCHOOL DISTRICTS:  
BALTIMORE CITY AND  
BALTIMORE COUNTY**

In terms of total budget and enrollments, Baltimore City and Baltimore County school districts appear to be very similar. In Fall 2001, they each had around 100,000 students (Baltimore City had 97,800 students while Baltimore County enrolled just over 107,000 students). Both districts had about the same total expenditures in the 2001-02 academic year: just over \$1 billion.

The differences end there, however. Over time, for example, the Baltimore City school district has been steadily losing population. In the 10 years

from fall 1991 to fall 2001, the district lost more than 11 percent of its student population. Baltimore County, in comparison, grew by more than 19 percent.

Expenditures by category have seen stark changes over these ten years, especially regarding administrative overhead expenditures. Baltimore City has nearly doubled its expenditures on central office and school-based administration in the course of those ten years, while Baltimore County has experienced the lowest growth in administration expenditures in the state—just 8.3 percent.

In all fairness, in the 1991-92 academic year Baltimore County had some of the highest levels of administrative spending of any school district in the state. However, in contrast to other school districts with relatively high administrative spending in the same year, such as the Montgomery and Prince Georges county school systems, Baltimore County has been able to keep growth in these expenditures low.

## OTHER NOTEWORTHY SCHOOL SYSTEMS

Besides Baltimore County schools, a small handful of school systems in Maryland have been able to keep the growth of their administrative spending in check. For example, Somerset, Talbot, Howard, and Queen Anne school districts have grown their instructional spending faster than their administrative spending. The first two school districts, however, have only small enrollment changes, which by itself questions the need for more administration. Other noteworthy districts include Caroline and Garrett districts, which were able to keep the growth of administrative spending roughly in line with the growth in instructional spending.

Most school districts in Maryland saw the growth of their administrative expenditures dwarf the growth of their instructional expenditures. Baltimore City, as noted above, is the most egregious example of this trend, but it certainly is not alone in this regard. A number of Maryland's school districts had a sizable difference between the rate of growth of administrative spending versus instructional spending. Washington County, for example, saw its administrative expenditures grow by more than 53 percent between 1991-92 and 2001-02, while in contrast its instructional expenditures grew by about 25 percent. Similarly, both Cecil and Charles counties had a large gap between their administrative and instructional spending growth; in both cases, the rate of change for administrative spending was more than 100 percent of the growth of instructional spending.

Besides Baltimore City, which experienced the highest dollar increase in administrative spending between 1991-92 and 2001-02, the Prince Georges County school system experienced the highest dollar change in their administrative spending. Prince Georges County spent, in inflation-adjusted 2002 dollars, in excess of \$40 million more in administration in 2001-02 as they did in 1991-92.

## DISCUSSION

To this point, a discussion of the normative aspects of educational spending has been avoided. Too many educational analysts and interest groups have valued the inputs to education (i.e. money) higher than educational outputs (i.e. rising academic achievement). The link between money and academic achievement is tenuous to say the least—students in relatively low spending states such as Colorado tend to do comparatively well on academic achievement tests, while students in very high spending areas such as the District of Columbia have some of the lowest achievement in the nation.<sup>2</sup>

Maryland has seen its spending on K-12 instruction rise by about a third, nearly twice as fast as the overall student population. In comparison, administrative spending in Maryland has increased by nearly 50 percent. Certainly, important educational outcomes, such as academic achievement, will have considerable difficulty improving if money is flowing more quickly to administrative overhead, rather than into the classroom.

## CONCLUSION

Maryland's school districts, as a whole, are becoming increasingly top-heavy, with ever-increasing amounts of their budgets being dedicated to administrative overhead, rather than to the classroom. Central, business office, and school site administration spending has grown more than 40 percent faster than instructional spending statewide between the 1991-92 and 2001-02 academic years, according to annual survey data from the U.S. Census Bureau. While there were a few noteworthy exceptions to this trend, most of the 24 local school districts in Maryland saw spending growth for administration outpace spending growth for instruction over those 10 years.

School systems should begin to consider whether or not the growth of administrative spending has benefited student learning. Or, has it simply made primary and secondary education more expensive? Especially when school districts nationwide are clamoring to find ways to balance their budgets, instructional budgets should not suffer in favor of

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2. See, for example, Johnson, Kirk A. and Kafer, Krista "Why More Money Will Not Solve America's Education Crisis," Heritage Foundation *Backgrounder* No. 1448 (11 June 2001) accessed at <http://new.heritage.org/Research/Education/BG1448.cfm>.

administration.<sup>3</sup> Key opportunities now exist for Maryland's school districts to reassess their budgets, and to fund what is most important: student instruction.

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tute. His analysis and commentary has been featured in numerous prominent media sources, including the Los Angeles Times, Forbes, Chicago Tribune, Washington Post, and the Fox News Channel. Dr. Johnson holds a doctorate in public policy from George Mason University.

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3. For some ideas on how to cut administrative overhead, see Johnson, Kirk A. and Moser, Elizabeth, "The Six Habits of Fiscally Responsible Public School Districts," *Mackinac Center for Public Policy*, December 2002, accessed at <http://www.mackinac.org/s2002-06>.