Trading Financial Insolvency for Educational Insolvency: A Hypothesis.

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“Financial Insolvency”

• Well understood – though not common.
• Revenues unable to meet obligations.
“Educational Insolvency”

• A relative term...depending on what we are trying to accomplish.
The Big Squeeze

Population/Enrollment decline
- Increased unit cost

Demographic change
- Poorer
- Minority growth
- ESL
- Special Education

Revenue constraints
- Tax cap
- State aid cap & GEA
- Property wealth concentration
- Income concentration
- RTT Funding and Fed sequester & cuts
% of Revenues from State

0.0% 10.0% 20.0% 30.0% 40.0% 50.0% 60.0% 70.0% 80.0%


Axis Title

- NYC
- Big 4
- Small City
- HN Rural
- Ave Need
- Low Need

38%
Need

• Let’s watch together… [http://pad.human.cornell.edu](http://pad.human.cornell.edu)

• What causes this?

• What are the cost implications?

• What are the implications of insolvency?

• Causal Inference – schools impact poverty || poverty impacts schools
Insolvency

• Financial Insolvency  We thought this would happen
  • Fund Balance gone
  • Obligations exceed revenues

• Educational Insolvency  We fear this is happening
  • Quality of educational opportunity and outcomes legally/socially/technically unacceptable.
Fiscal Insolvency?
Educational Insolvency?

- % Consider Bankruptcy
- % Explore Consolidation
- % Sell Assets
- % Personnel cuts
- % Increased user fees
- % Eliminated Services
- % Reduced Services
- Exhausted Fund Balance

Low Need  Average Need  High Need Rural  Small City
Result

• Slow to restructure contracts
• Most scaled back or cut courses/programs
• Most cut staff
• Many shared services
• Fund balance squeezed but not exhausted
• Spike in merger discussions, but still few mergers (see NYASBO Study)
In short…

• If the aim was to squeeze the districts into merger and Financial insolvency… it failed (thus far)

• Rather, school districts have gutted program & teachers resulting in what we might call educational insolvency.
Options to Avoid Insolvency

• Merger

• “Fundamental financial reform.”

• I disagree. Indeed a good option in some places, but…

• High Tax, Low performance metric – Forced closure?

• Regional High Schools – Enrich academic program for small schools

• Shared Services – much going on.

• Technology – Reduce isolation, enrich program, lower cost
No guessing about impact

• Measurable

• Detailed Data – Access, Performance, Productivity

• We can assess Educational Insolvency based on our expectations of what our schools are for. Identifier? Stratifier? Equalizer?