



ASSESSING VALUE FOR MONEY IN PUBLIC EDUCATION

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Have you ever wondered how school boards and districts make decisions when it comes to funding? Of course, some decisions seem obvious and face little to no public outcry. Others seem less apparent and generate spirited debate. Most of us who opine the “Value for Money” (VfM) related to certain expenditures tend to focus squarely on the bottom line. Oftentimes the conclusion drawn is based on an emotional reaction to the cost that skips the critical analysis process. In fairness, many times the only discernable data provided by decision makers is related to cost, which does not easily allow for informed analysis. The idea of analyzing the allocation of limited fiscal resources was first applied by the United States government during the 1930s for legislation related to public works, and has since been utilized by countless entities worldwide, including school districts.

DEFINING VfM

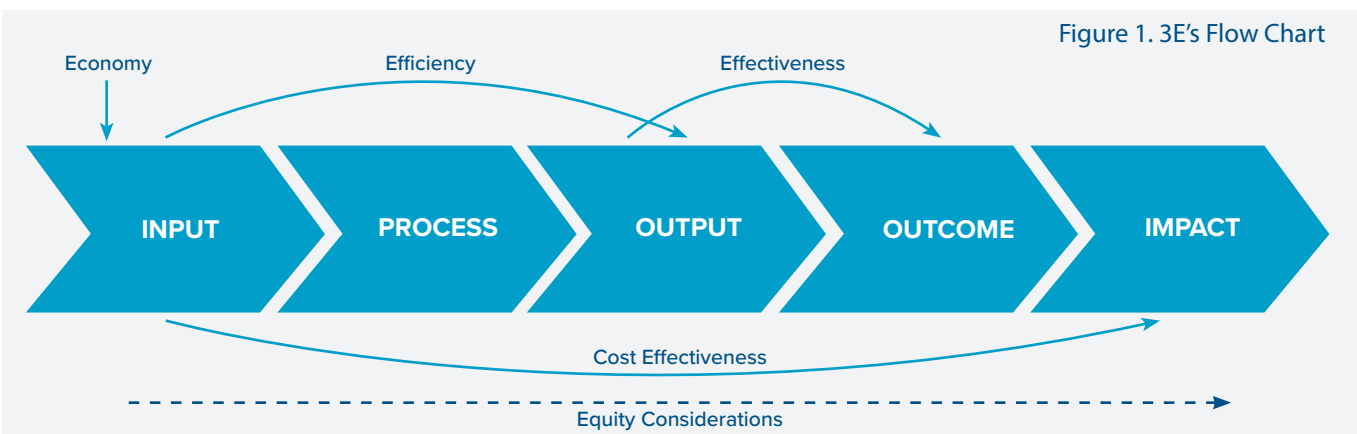
Contrary to what the phrase suggests, VfM for school districts is not exclusively about saving money. Rather it is about maximizing the impact of every dollar spent to improve students’ lives. In measuring VfM, Economy, Efficiency, and Effectiveness, more commonly referred to as the 3Es, are key criteria defined as follows:

Economy: achieving the least cost paid while maintaining quality;

Efficiency: achieving the outputs for the inputs while maintaining quality; and

Effectiveness: achieving the intended outcomes while maintaining equity.

For school districts, it is important to add a fourth aspect, **Equity**. Simply put, equity means ensuring that the benefits are distributed fairly.



VfM METHODOLOGIES

When evaluating cost and determining value, it is imperative to establish methods that guide the analysis. There are multiple methods to evaluate VfM and employ a combination of methods allowing for a better perspective in the decision-making process. The following six methods are often used by organizations charged with the expenditure of public funds:

1

COST EFFECTIVENESS ANALYSIS

This approach involves the evaluation of two or more alternatives, based on the relative costs and outcomes (effects), in reaching a particular goal. It can be used to compare programs that aim to achieve the same goal (Fleming, 2013).

2

COST UTILITY ANALYSIS

This approach involves the evaluation of two or more alternatives by comparing their costs to their utility or value, a measure of effectiveness developed from stakeholder preferences. This method can be used where monetizing outcomes is not possible or appropriate (Fleming, 2013).

3

COST BENEFIT ANALYSIS

This approach evaluates alternatives by identifying the cost and benefits of each alternative while adjusting for time. This method can be used to identify whether a course of action is worthwhile in an absolute sense; that is, whether the costs outweigh the benefits (Fleming, 2013).

4

SOCIAL RETURN ON INVESTMENT (SROI)

This approach involves measuring social, environmental, and economic costs and benefits. Like Cost Benefit Analysis, SROI can be used when comparing programs with different goals or in different sectors (Fleming, 2013).

5

RANK CORRELATION OF COST VS. IMPACT

This approach allows for the relative measurement of VfM across a range of initiatives (Fleming, 2013).

6

BASIC EFFICIENCY RESOURCE (BER) ANALYSIS

This approach involves the evaluation of two or more alternatives by comparing their costs to their utility or value, a measure of effectiveness developed from the preferences of individuals. This method can be used when monetizing outcomes are not possible or appropriate (Fleming, 2013).

Although, any one method can be used to help establish VfM, it is more useful to employ a combination of methods to provide greater scrutiny because each of the six methods is helpful in providing particular data. To understand the method best suited to apply, it is important to first identify which cost-benefit relationships should be considered.

For example, if the desire is to compare alternative programs that have the same goal, then a Cost Effectiveness Analysis method would be best suited. However, if the objective is to compare alternative programs that have different goals, then a Cost Benefit Analysis is most appropriate. Oftentimes several aspects will be under consideration at once, such as understanding individual preferences while ensuring the benefits outweigh the costs. In such an example, applying both the Cost Benefit and Cost Utility analyses would be the best solution.

CASE STUDY

LEGACY STADIUM | KATY ISD

IN ASSOCIATION WITH HKS



Some have likened the latest trend of Texas school districts building stadiums with capacities that rival those at the collegiate level as an arms race, nothing more than another example of “keeping up with the Joneses.” And yet others feel that this trend is a disturbing case of wasting taxpayers’ money. Regardless of the arguments, building large capacity stadiums will continue in communities that are willing to pay for such facilities. This highly contentious issue provides the backdrop for Katy ISD’s Legacy Stadium. At a cost of over \$72 million, does Legacy Stadium demonstrate good value for money? There have been many articles and opinions expressed about the Value for Money related to the stadium. Critics focus on the cost while proponents emphasize civic pride.

CONTEXT/BACKGROUND

Before progressing further with the question of whether or not Legacy Stadium demonstrates good VfM, it is important to point out that there was a compelling need for another large stadium. At the time, the district faced capacity issues by trying to accommodate the district’s seven high schools at the existing 9,768-seat Rhodes Stadium. The need for an additional stadium was real, but was a mega-stadium the best fiscal solution?

VfM PROCESS

In the case of Legacy Stadium, the two best methods that addressed the argument of wasteful spending and the assertion of civic pride are Cost Benefit Analysis and Social Return on Investment. Additionally, the Cost Effectiveness Analysis is a useful method to interpret the value of the stadium size/capacity.



IMPLEMENTING COST EFFECTIVENESS

Choosing an appropriate measure of effectiveness is the first step of implementation. A valid and reliable measure to judge effectiveness for the Legacy Stadium is determining the cost per seat. Determining the cost per seat allows for multiple side-by-side comparisons of alternates that meet the fundamental need for an additional stadium. For example, is it more cost effective to build a stadium that seats 12,000 versus a more modest option that seats 3,500? The average stadium seating capacity in the state is 3,527 (McSpadden, 2019). The next step requires a gathering of cost data. Regardless of the capacity of the new stadium, the fixed infrastructure cost was approximately \$12 million. The average cost per seat at the time was estimated to be \$5,000. Finally, to determine the cost effectiveness of each stadium option, the total cost needs to be divided by the seating capacity as illustrated in the table below.

Table 1. Cost Effectiveness Methodology Calculation

	Infrastructure (a)	Seating \$5,000*d = (b)	Stadium a + b = (c)	Seating Capacity (d)	Cost per Seat c/d = (e)
Modest Stadium	\$12,000,000	\$17,500,000	\$29,500,000	3,500	\$8,428 / seat
Mega-Stadium	\$12,000,000	\$60,000,000	\$72,000,000	12,000	\$6,000 / seat

The result is that it was more cost effective to build the mega-stadium in terms of cost per seat. However, at a cost of \$72 million, it is important to consider other aspects.

IMPLEMENTING COST BENEFIT

A cost benefit analysis is the next useful method in determining VfM. In the case of Legacy Stadium, the assumption was that the benefit for the district outweighed the costs. Determining the monetary value of outcome (i.e. cost) was the first step in the process. The district then had to determine the maximum amount each individual (e.g. community representatives) was willing to pay in order to achieve the desired outcome. The initial amount was established by the voters who approved the bond that earmarked money for the stadium. Subsequent monetary increases were approved by the Board of Trustees that represent the taxpayers of the community. This approach of determining the value of the outcomes is known as close-ended iterative bidding.

The next step is to assign a monetary value to the perceived benefits. The benefits can be both tangible and intangible. For the purposes of simplicity, the benefits for Legacy Stadium are tangible in nature; specifically the savings realized in avoiding future costs while meeting the inevitable needs of the district. The Legacy Stadium approach offered the district savings by avoiding the building of at least two modestly sized stadiums to address

growth and seating capacity needs, the increased construction cost of any future stadium due to inflation, the increased maintenance budget since more stadiums means more facilities to maintain, and the cost of purchasing additional land for the stadiums. Therefore, when considering the cost to build a 12,000-seat capacity stadium versus the cost to build multiple smaller seat capacity stadiums over an extended period of time in order to achieve the same total seat capacity, there was a cost benefit in building a single mega-stadium.

IMPLEMENTING SROI

Lastly, the Social Return on Investment (SROI) method for measuring value helps identify how effectively capital is used in creating value for the community. For Katy ISD, Legacy Stadium allowed the district to communicate the level of success it has achieved. Although it can be difficult to establish the actual monetary value of a project's social impact, there are four elements that allow for a quantitative measurement of SROI: inputs, outputs, outcomes and impact. For Legacy Stadium, the input was a \$72 million investment in a new stadium. The output was that more games could be played, thus eliminating the need for Thursday night games and achieving greater attendance. The outcome was an improved quality of life for the student athletes and fine arts students while eliminating the need for the district to rent stadiums. The impact is that Katy ISD continues to have higher growth than other Houston area school districts. So back to the question: "Does Legacy Stadium demonstrate good value for money?" The school district and community believe so.



REFERENCES

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