EDUCATION WEEK

QUALITY COUNTS 2011
UNCERTAIN FORECAST Education Adjusts to a New Economic Reality

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# Recession's Toll on K-12 Budgets Both Wide and Deep

By **Alyson Klein**

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In its impact on state and local education budgets, the Great Recession of 2007-09 was like a vicious storm that swept across the landscape and left a broad—but far from uniform—trail of wreckage in its wake.

Though nearly every state felt the sting of what has been called the worst economic crisis since the Great Depression, a complex and varied set of regional factors amplified the fiscal damage for states already struggling with budget pressures, while leaving a handful of others virtually unscathed.

But with education typically making up at least half of a state's overall spending mandate, K-12 suffered in most states—and badly.

The economic situation was particularly dire in states that bore the brunt of the foreclosure crisis in the housing market—including Arizona, California, Florida, and Nevada—with a corresponding impact on precollegiate education owing to the close linkage between property-tax revenues and school funding.

***Quality Counts 2011*: Uncertain Forecast**

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And in Illinois, Indiana, and Michigan, Rust Belt states long squeezed by the slowdown in manufacturing, an already-challenged economic climate turned even bleaker as the national economic boom that had virtually passed them by went bust.

The situation proved somewhat less rough in a few states with more agrarian economies, including Nebraska. Those states "never had the sort of rapid increases in spending and demand for services that some other places [experienced]," says Stacey Mazer, a senior staff associate at the National Association of State Budget Officers, in Washington. That shielded them to some degree from the funding effects of the economic decline, she says.

And some states with relatively small populations and energy-based economies—among them Alaska, Montana, North Dakota, and Wyoming—came through the recession in fairly solid fiscal shape and, in some cases, in a position to boost education spending.

But such bright spots are conspicuous exceptions.

"One of the hallmarks of this recession is that it's just been enormously widespread," says Phil Oliff, a Center on Budget and Policy Priorities analyst. "I don't think there's any region of the country that has been unscathed, there are [just] differences in degrees."

**In Crisis**

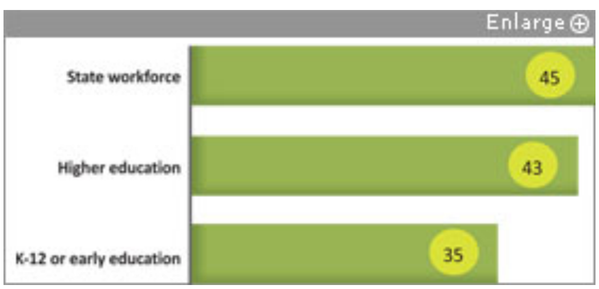
In no state was the confluence of underlying economic problems and national recessionary pressures more acute than Michigan. The Wolverine State, home to the long-ailing auto-manufacturing sector, was one of the first to feel the pinch of the economic downturn. And, experts say, it's likely to be one of the last to recover.

The state's K-12 reductions, which began in 2007, "started out being very cosmetic and ended up being extremely aggressive cuts [targeted] at the classroom," says Brad Biladeau, the associate executive director of government relations for the Michigan Association of School Administrators.

Most districts have increased class size, resulting in classes of more than 30 at the elementary school level in a number of places, he says.

### Most States Have Cut Public Services Since 2008

According to recent data from the Center on Budget and Policy Priorities, 46 states and the District of Columbia have made cuts in public services since 2008. State workforces and higher education programs have been hit hardest, with more than 40 states making reductions in those expenditures. At least 34 states and the District of Columbia cut K-12 or early education.




SOURCE: Center on Budget and Policy Priorities, 2010

And the pressures have continued, as state officials sliced Michigan's education funding in fiscal year 2011 by about $154 per student, to $7,162 per student, according to Jan Ellis, a spokeswoman for the state department of education. However, as of Dec. 1, 2010, it appeared that funding from the **Education Jobs Act** would reduce those losses in most districts, and even provide an increase for some.

On top of that, says Biladeau, the state is facing rising health-care and pension costs. "Our revenues can't keep pace with our expenses," he says.

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**Nevada Housing Bust**

If Michigan illustrates the plight of a state with underlying structural problems in its economy, Nevada provides a prime example of the effect the housing crisis had on school funding. Nevada experienced one of the biggest housing booms; and it remains in the midst of a devastating bust that has squeezed revenues.

Keith W. Rheault, the state superintendent of schools, anticipates that there could be a cut of at least 10 percent in the fiscal 2012 and 2013 budget cycle. (Nevada has a biennial budget.) The state is facing about a $3 billion gap in a $6.4 billion statewide budget for that cycle.

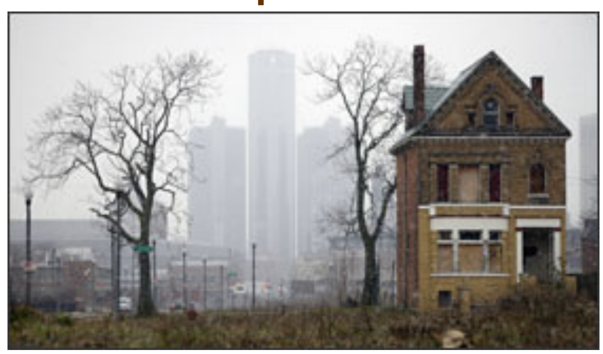
But nearly all districts in Nevada have already taken drastic action. For instance, the largest district in the state, the Clark County school district, which includes Las Vegas, laid off more than 500 school employees last year. Many districts have cut after-school, art, music, and drama classes, says Dotty Merrill, the executive director of the Nevada School Boards Association. Of the state’s 17 school districts, eight have shortened the school week to four days in at least some schools, she says.

At the state level, programs that embrace education redesign priorities prized by the Obama administration were among the first to go.

For instance, Nevada scrapped a $10 million program aimed at helping districts create pay-for-performance programs for teachers. And the state eliminated a $90 million program that helped districts finance school improvement efforts that offer mentoring, after-school programs, and other extra services. That program had shown great promise, Rheault says.

Nevada may also have to delay implementation of a law it passed to revamp its teacher-evaluation system, tying teachers’ ratings in part to their students’ performance. The state doesn’t yet have an assessment system in place that will enable such a linkage. That may have to wait for the common-assessment system being developed by a consortium of states, including Nevada, with funds provided under the federal economic-stimulus program.

**Economic Snapshots**



—Brian Widdis for Education Week

Slideshows and accompanying statistics from seven states offer a visual glimpse of the nation's economic pulse. **View these snapshots.**

In neighboring California, which has been wrestling with massive deficits for several years, schools have been tightening their belts since the 2008-09 school year, says Rick Pratt, the assistant executive director for governmental relations for the California School Boards Association.

Nearly half of districts cut positions for counselors, nurses, and school psychologists, according to a survey conducted by the California Department of Education and published in June 2010.

Initially, California districts mostly were forgoing cost-of-living increases for staff members, but over the past year, “they’ve actually had to start hacking away at programs,” Pratt says. Forty-eight percent cut art, music, and drama programs, according to the state survey. The survey asked school officials about the 2008-09 and 2009-10 school years. Forty-five percent of districts responding had reduced certified staff positions, and 34 percent had dropped some electives for students. School library budgets were cut by more than a third.

**Dodging the Bullet**

By contrast, natural resource-rich Montana was able to increase education spending by 3 percent in fiscal 2010 and make a $15 million annual investment in school facilities.

Education remains a top priority for funding in Montana, along with health and public safety, says Dan Villa, the education policy adviser for the governor.

And in Wyoming, the state has been able to keep its funding commitment to schools, says Kathryn Valido, president of the Wyoming Education Association, a 7,000-member affiliate of the National Education Association.

Some Wyoming school districts have asked their employees to contribute more to their health or retirement plans, but some of those cuts in district spending could be restored through the one-time federal education jobs money approved by Congress last summer, Valido says.

She acknowledges that such aid wasn't enough to stave off layoffs in other states.

"We didn't lay off any teachers in this state. ... I would compare the options we have with that money to [the difficult situation in] California," Valido says. "We feel really fortunate."

**Federal Leverage**

Indeed, for most states, the prospects for education funding remain worrisome, especially as federal aid from the **American Recovery and Reinvestment Act**—the $787 billion economic-stimulus package adopted in February 2009—dries up.

The recovery act provided some $100 billion overall for education, including $53.6 billion to stabilize state budgets. That one-time aid covered only federal fiscal year 2009 and fiscal year 2010, which ended Sept. 30—confronting state and local officials with what has been dubbed a post-stimulus "funding cliff."

Cash-strapped districts got a bit of a reprieve when Congress provided additional aid to states last year through a more targeted, $10 billion measure aimed at staving off education layoffs in the 2010-11 school year. But the prospects of another such package gaining traction in a new, more conservative Congress are considered dim.

Against that backdrop, the remaining pots of stimulus-related funding carry even more leverage. Chief among them: the $4.35 billion in federal money under the **Race to the Top Fund**.

Under that program, 11 states and the District of Columbia split $4 billion in competitive grants to help them develop comprehensive education overhaul plans. Separately, 45 states and the District had, as of late last year, joined one of two consortia that received a total of $350 million to devise and implement better assessment systems.

The almost uniformly grim fiscal circumstances have helped turn those initiatives into national movements, says Kim Rueben, a senior fellow at the Urban Institute, a Washington-based research organization. The difficult economy "makes that federal money much more powerful—people are trying hard not to lose it," she says.

Still, some precollegiate leaders in states that have been hit particularly hard by the recession say that education overhaul efforts may be pursued at a slower pace.

For instance, in the past legislative session, California lawmakers had to resolve a $19 billion deficit in a fiscal 2011 budget of $82 billion. That left little room for reform-related investments such as new data systems for school districts, in the view of Jack O'Connell, who retired this month after two terms as the state superintendent of public instruction.

"New initiatives are difficult in this financial climate," says O'Connell. "Folks are trying to hang on to programs that we have today that we know are working."

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