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Creating a Crisis: The Squandered \$100 Billion Education Stimulus

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Congress will soon consider a \$23 billion spending measure for public education. This money comes on the heels of the 2009 American Recovery and Reinvestment Act (ARRA)—the so-called stimulus bill—which contained \$80 billion in K–12 education funding. Further, President Obama’s fiscal year (FY) 2011 budget request seeks to increase discretionary education spending by 10 percent.

Since ARRA was enacted, states have continued to increase both teaching and non-teaching staff positions and have funded numerous infrastructure and school maintenance projects. Yet the Obama Administration claims that more federal spending is needed in order to prevent “catastrophic” teacher layoffs. Another education bailout from Washington would permit states to spurn fiscal prudence with the knowledge that the federal government will award them more taxpayer dollars during difficult budgetary times.

Why \$23 Billion More?

Unspent Stimulus Funds. A portion of stimulus funding known as the State Fiscal Stabilization Fund (SFSF) was designed specifically to prevent public education layoffs and to backfill state budget deficits. The SFSF must be used by states to “help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services.”¹ To date, states have spent just \$28 billion out of \$48.6 billion available through the SFSF.² While some states’ phase 2 SFSF applications are still under review, it is unclear why many states report that significant lay-

offs will be required in the near-term without more federal funding from Washington given that over \$20 billion in the SFSF remains unspent.

Creation of New Staff Positions. In May, Christina Romer, chair of the White House Council of Economic Advisers, stated that “hundreds of thousands of public school teachers are likely to be laid off over the next few months.”³ Education Secretary Arne Duncan echoed that warning, arguing that another \$23 billion in federal funding is needed to save more than 250,000 teaching jobs.

Reports by states to the Department of Education (DOE), however, indicate that many states have used ARRA funds to create entirely new staff positions, a large number of which are non-teaching positions. In some cases, it is evident that positions “created” by states exceeded those retained by states.

For example, Georgia’s second quarter report shows that ARRA Title I grants were used to retain 608 teachers and hire 276 new ones, to retain three high school counselors and hire 28 new ones counselors, and to retain 82 administration positions and fill 114 new ones.⁴

Nationally, the number of non-teaching staff positions has increased 83 percent since 1970—

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more than 10 times the rate of student enrollment growth.⁵ States are using stimulus funds to fill positions such as Web site coordinators, directors of planning and research, janitorial staff, school support personnel, professional development positions, education coaches, homeless liaisons, IT support, transition coordinators, food service, office staff, family center coordinators, school psychologists, central administration staff, career specialists, behavior specialists, curriculum coordinators, technology coordinators, district coordinators, recess aides, consultants, directors of student attendance, athletic directors, and federal program directors.⁶

Increased Spending on Infrastructure. States are also using stimulus funds for extensive infrastructure projects. For example, Wyoming has not yet drawn down any of its \$45 million in SFSF education grants but reported that “stabilization dollars will be used to fund top educational priorities for which shortfalls exist, i.e., library acquisitions and instructional excellence.... A large amount of these funds will be used for modernization, renovation, or repair of facilities dedicated for instruction or research.”⁷

Expanding Non-Essential Programs. The DoED has required that a portion of stimulus dollars be used specifically for Title I programs for disadvantaged students. For some districts, Title I funding allocated through the ARRA doubled their regular appropriation. School districts must obligate at least

85 percent of this Title I stimulus money prior to September 30, 2010—that is, they must determine how funds will be appropriated among various programs prior to that deadline. In some instances, districts have found it difficult to spend money quickly enough, and others feel “frozen” by the attached federal regulations.⁸

In other cases, school districts are using this funding to create entirely new education programs. The San Juan Unified School District was concerned that it would not be able to spend ARRA funding quickly enough, so district administrators created a large new literacy program to keep school libraries open for six weeks during the summer. As a part of the program, new literacy coaches were hired for district-wide professional development. Portland, Oregon, now provides a five-week cultural enrichment program to Native American students, and the Bassett Unified School District in California used the new funding for technology training for parents.⁹ Regardless of the worth of these programs, the dire situations of state budgets and emergency appeals to Washington for additional funding demand increased prioritization of essential needs *before* funding new optional programs.

Inefficient Job Creation. The proposed bailout is no model of efficiency itself. The Obama Administration estimates that another \$23 billion in taxpayer money would save between 100,000 and

1. U.S. Department of Education, “State Fiscal Stabilization Fund,” May 7, 2009, at <http://ed.gov/policy/gen/leg/recovery/factsheet/stabilization-fund.html> (June 15, 2010).
2. U.S. Department of Education, “American Recovery and Reinvestment Act of 2009—Spending Report by Program,” May 28, 2010, at http://www2.ed.gov/policy/gen/leg/recovery/spending/program.xls#State_Fiscal_Stabilization_Fund (June 15, 2010).
3. Christina Romer, “How to Prevent Huge Teacher Layoffs,” *The Washington Post*, May 28, 2010, at <http://www.washingtonpost.com/wp-dyn/content/article/2010/05/26/AR2010052604597.html> (June 15, 2010).
4. U.S. Department of Education, “American Recovery and Reinvestment Act: Section 1512, Quarterly Reporting through December 31, 2009—by state,” January 30, 2010, at <http://www2.ed.gov/policy/gen/leg/recovery/spending/arra-program-summary-2-state.xls> (June 15, 2010).
5. Lindsey M. Burke, “Creating a Crisis: Schools Gain Staff, Not Educational Achievement,” Heritage Foundation *WebMemo* No. 2914, May 26, 2010, at <http://www.heritage.org/Research/Reports/2010/05/Creating-a-Crisis-Schools-Gain-Staff-Not-Educational-Achievement> (June 15, 2010).
6. U.S. Department of Education, “American Recovery and Reinvestment Act: Section 1512.”
7. *Ibid.*
8. Sarah D. Sparks, “Districts Use Summer Programs to Leverage ARRA,” *Education Daily*, June 8, 2010.
9. *Ibid.*

300,000 public education jobs.¹⁰ If that is the case, then 300,000 education jobs would cost taxpayers \$76,000 each—exceeding the average teacher salary by nearly \$30,000. If 100,000 jobs were saved, each one would cost taxpayers \$230,000.¹¹

Long-Term Solutions Needed. If Congress appropriates another \$23 billion in federal aid to states' education budgets, \$103 billion will have been expended in the past 16 months on K–12 education. This is *in addition to* the federal government's annual discretionary appropriations for K–12 programs through the DOE, amounting to \$50 billion for FY 2011 alone.

Long-term budgetary solutions are needed. Continuing to raise taxes and rely on more federal funds is an unsustainable plan for fixing state budget shortfalls and improving education. States along with the federal government have room to cut spending without jeopardizing teacher jobs or compensation. Instead of seeking another federal bailout from Washington, states should ensure that current funding is being efficiently spent on schools' essential educational needs.

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10. Secretary Arne Duncan, "Keep Teachers Teaching, Students Learning and Our Economy Growing," *The Hill*, May 18, 2010, at <http://thehill.com/special-reports/education-may-2010/98477-keep-teachers-teaching-students-learning-and-our-economy-growing-> (June 15, 2010).

11. Frederick Hess, "\$23 Billion Equals How Many Jobs?," *Education Next*, May 28, 2010, at <http://educationnext.org/23-billion-equals-how-many-jobs> (June 15, 2010).