

*Summary
of Two
Reports
by the
Center on
Education
Policy*

**After the Stimulus Money Ends:
The Status of State K-12
Education Funding and Reforms**

AND

**State Education Agency Funding and
Staffing in the Education Reform Era**

Summary of Two Reports by the Center on Education Policy

The economic downturn of the past few years has taken a toll on state budgets for elementary and secondary education. The \$100 billion for education provided by the American Reinvestment and Recovery Act (ARRA), better known as the economic stimulus package, helped to blunt some of the harshest effects, but these funds have been nearly depleted. Furthermore, although many states have been operating with reduced budgets and without the cushion of the stimulus money, they must still fulfill four education reform-related assurances tied to the receipt of State Fiscal Stabilization Fund grants, the largest of the ARRA education programs. These assurances require states to 1) implement rigorous standards and aligned assessments; 2) establish longitudinal data systems to track students' progress; 3) improve the effectiveness and equitable distribution of educators; and 4) provide interventions to turn around the lowest-performing schools.

What is the fiscal condition of states now that the stimulus funding is coming to an end? What progress have states made in implementing the four reform-related ARRA assurances? What is the status of state education agencies' (SEAs) operating budgets, staffing, and expertise in the wake of ARRA? And do SEAs have the capacity to support key education reforms?

Two reports by the Center on Education Policy (CEP) address these questions. The information in these reports comes from a CEP survey of deputy state superintendents of education or their designees conducted in October through December of 2011. Thirty-seven states and the District of Columbia, which is counted as a state in the tallies in these reports, responded.

The first report, *After the Stimulus Money Ends: The Status of State K-12 Education Funding and Reform*, focuses on the status of funding from state sources, which accounts for about 48% of total revenues for elementary and secondary education, on average. The 44% of education funding that comes from local sources and the 8% that comes from federal sources also have a major impact on the funding available to schools. Thus, the trends discussed in this report represent just one part of the total fiscal picture for K-12 education.

Although state budgets for fiscal year (FY) 2012 are looking somewhat better in several states, as discussed below, this does not necessarily translate into an improved outlook for school districts and schools for school year 2011-12. About 84% of the nation's districts anticipated funding cuts in school year 2011-12, according to a CEP survey of school districts conducted in the winter and spring of 2011 and described in a previous CEP report (*Strained Schools Foresee Bleak Future*). In addition, school districts can no longer rely on federal stimulus money to make up for decreases in local budgets.

The second report, *State Education Agency Funding and Staffing in the Education Reform Era*, focuses specifically on state funding for state education agency (SEA) operations, as opposed to the general trends in state funding for public elementary and secondary education discussed in the first report. In addition, this second report deals only with SEA operational funding from state sources. Our findings do not pertain to any additional funds for state administration that states receive from federal education programs.

Key findings from the two reports follow.

Based in Washington, D.C., and founded in January 1995 by Jack Jennings, the Center on Education Policy is a national independent advocate for public education and for more effective public schools. The Center works to help Americans better understand the role of public education in a democracy and the need to improve the academic quality of public schools. We do not represent any special interests. Instead, we help citizens make sense of the conflicting opinions and perceptions about public education and create the conditions that will lead to better public schools.

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After the Stimulus Money Ends: The Status of State K-12 Education Funding and Reform and *State Education Agency Funding and Staffing in the Education Reform Era* are available on the CEP Web site (www.cep-dc.org) and can be downloaded free-of-charge.

After the Stimulus Money Ends: The Status of State K-12 Education Funding and Reform

Summary: State budget cuts for elementary and secondary education appear to have bottomed out in many states, although some states remain strapped for funds. In this uncertain fiscal environment, states are nevertheless implementing or planning several reform strategies to address the four ARRA assurances.

- **Fewer states anticipated decreases in state funding for K-12 education for FY 2012 than had decreases in FY 2011.** Eight of the 38 states responding to our survey projected decreases in state K-12 education budgets for FY 2012—down from the 17 survey states with decreases in FY 2011. By contrast, 20 survey states anticipated increases in K-12 education funding for FY 2012, up from the 14 states with increases in FY 2011. These tallies are not final, however, because about half the responding states said their projections for FY 2012 may change during the year.
- **The cuts in K-12 education funding that states project for FY 2012 are more modest in size than the cuts made in FY 2011.** Just three survey states anticipate decreases of 5% or more in state K-12 funding for FY 2012, compared with 11 survey states that made cuts of this size in FY 2011. Five states expect decreases of approximately 2.5% in FY 2012, compared with six states that had cuts of this size in FY 2011. Although more states expect funding increases in FY 2012 than had increases in FY 2011, the increases in both years amount to about 2.5% in the majority of states.

Number of states in which state K-12 education funding decreased, stayed the same, or increased for fiscal years 2011 and 2012

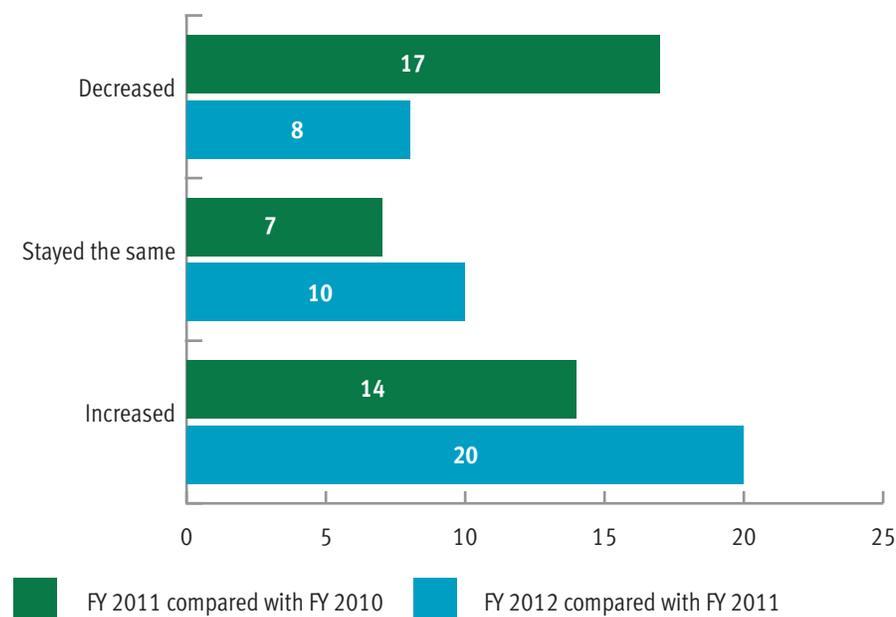


Table reads: Seventeen states indicated that state funding for elementary and secondary education decreased in fiscal year 2011 compared with fiscal year 2010, 7 states said funding had stayed the same, and 14 said it had increased.

- **Funding cuts in FY 2011 have adversely affected education reform efforts in school year 2011-12 in some states.** Five of the 17 states with FY 2011 decreases in state funding for elementary and secondary education said these cuts have slowed progress on their major reforms planned for school year 2011-12. Three states reported that funding cuts have led them to postpone or stop some or all of their planned reforms. Four states said funding decreases had little or no impact on progress in implementing reforms, while three states said it was too soon to tell what the impact would be.
- **The four ARRA reform-related assurances appear to have had a positive impact on education reform in many states.** Twenty states indicated that addressing the assurances had accelerated the pace of reform in their state, and 18 said the assurances had broadened the scope of reform. About one-third of the responding states, however, did not feel that ARRA had accelerated or broadened their reforms.
- **Most of the states surveyed are carrying out numerous strategies to address the four ARRA assurances.** The vast majority of survey states—33 states or more—are implementing or planning a range of activities to put in place rigorous standards and assessments, and similarly large majorities are taking multiple steps to establish statewide longitudinal data systems. To improve educator effectiveness, a sizable majority of survey states (31 or more) are establishing data systems to track the achievement of students taught by individual teachers, developing alternate pathways into the teaching profession, and creating teacher and principal evaluation systems based on student achievement. To improve low-performing schools, most survey states (32 or more) are providing direct funding and professional development to these schools and sharing successful school intervention practices.
- **Federal funding to save or create teaching jobs provided through the ARRA and the “EduJobs” program had a positive impact on elementary and secondary education in most states.** Thirty-one of the 34 states responding to a question about the impact of ARRA/EduJobs funds reported that these funds saved teaching jobs, and 27 states said these funds helped to save other district and school-level jobs. Twenty-five states indicated that ARRA/EduJobs funds helped to continue progress on education reform in their state.

State Education Agency Funding and Staffing in the Education Reform Era

Summary: State funds for state education agency operations are being cut or level-funded in most states, despite an improved outlook for overall education spending at the state level. To make up for the loss in this operational funding, most state education agencies are reducing their staffing costs. However, many states are maintaining, and sometimes increasing, state agency staff assigned to school reform efforts.

- **Although the state funding outlook for SEA operations appears slightly better in school year 2012-13 than in school year 2011-12, very few states expect increases in their SEA funding for 2012-13.** Thirteen of the 38 states responding to our survey project decreases in the state portion of their SEA operating budgets for 2012-13, half as many as had decreases in 2011-12. But just four survey states anticipate increases in state funding for SEA operations in 2012-13, fewer than in 2011-12. Twenty-one states—the majority of those surveyed—expect their SEA operating budgets to remain the same in 2012-13.
- **Many states are looking at two consecutive years of decreases in state funds for SEA operations.** Of the 26 states that experienced cuts in their SEA operating budgets in school year 2011-12, 13 also anticipate cuts in school year 2012-13; the other 13 expect these budgets to stay the same.

- **State cuts in SEA operating budgets projected for school year 2012-13 tend to be somewhat smaller than those made in school year 2011-12.** Nine survey states made cuts of more than 5% in their SEA operating budgets for 2011-12, but no responding state expects cuts of this size in 2012-13. Rather, cuts anticipated for 2012-13 tend to be in the 2.5% to 5% range.
- **Most of the 26 survey states that cut their SEA operating budgets for school year 2011-12 are compensating by reducing SEA staffing costs in various ways; fewer states are cutting services to school districts.** Twenty-four of these 26 states responded to survey questions about how they were making up for 2011-12 cuts in state funding for SEA operations. All 24 are taking one or more of the following actions to reduce personnel costs: leaving vacant SEA positions unfilled, terminating or furloughing SEA staff, or offering early retirement to staff. Seventeen of the 24 responding states are reducing or eliminating professional development and/or technical assistance services to school districts in one or more of six areas, and 8 or fewer states are reducing other types of school district services.
- **States appear to be making an effort to maintain, and in some cases increase, SEA staff assigned to carry out key education reforms.** In the past year, most responding states maintained or increased the level of professional and technical staff assigned to such key reform areas as assisting low-performing schools, developing educator evaluation systems and statewide data systems, or

implementing new content standards. In the coming year, the majority of survey states expect to maintain SEA staffing in these areas, although fewer states anticipate staffing increases than in the previous year.

- **More states reported having adequate SEA expertise to carry out key reforms than had adequate staffing levels or fiscal resources for these activities.** Between 20 and 28 survey states reported having adequate SEA expertise to develop and/or implement internationally benchmarked standards, longitudinal data systems, new assessments, and new educator evaluation systems, and to support efforts to improve low-performing schools. But fewer states said they have enough staff or fiscal resources to carry out these responsibilities.

Number of states reporting decreases, flat funding, or increases in state funding for SEA operations in school years 2011-12 and 2012-13

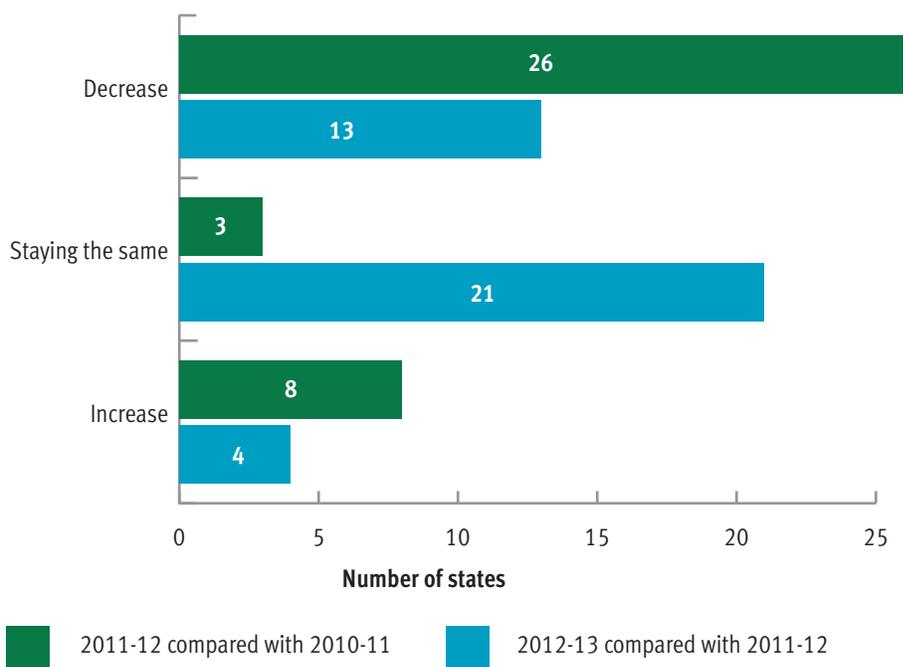


Figure reads: In 26 of the states responding to a CEP survey, state funding for SEA operations decreased for school year 2011-12. Thirteen states anticipate a decrease in state funding for SEA operations in school year 2012-13.

Note: Not every state that participated in the CEP survey responded to this question.