

# What Impact Did Education Stimulus Funds Have on States and School Districts?

## Credits and Acknowledgments

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The Center on Education Policy receives nearly all of its funding from charitable foundations. We are grateful to the Hewlett Foundation for supporting this project and to the Phi Delta Kappa International Foundation for providing the Center with general support funding that assisted us in this endeavor. The statements made and views expressed are solely the responsibility of the Center.

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To blunt the effects of the economic downturn that began in 2008, President Obama called for, and on February 13, 2009 the Congress passed, the American Recovery and Reinvestment Act (ARRA). This federal economic stimulus package had three primary goals: to save and create jobs, to cultivate economic activity and long-term growth, and to increase accountability and transparency in government spending. Federal appropriations for the ARRA eventually totaled approximately \$840 billion and were directed toward tax cuts, funding for entitlement programs, and investments in infrastructure, health, energy, education, and other programs.

In the area of education, the Act provided economic stimulus funds to states for both K-12 public schools (the focus of this report) and postsecondary education institutions. ARRA also included additional fiscal year (FY) 2009 funding for the Title I program for disadvantaged children and the Individuals with Disabilities Education Act. In 2010, states and school districts received an additional \$10 billion to save or create educators' jobs through the Education Jobs Fund legislation.

The Center on Education Policy (CEP) at the George Washington University has tracked the use of ARRA and Education Jobs funds and the implementation of ARRA-related reforms since these laws were enacted. Between December 2009 and February 2012, CEP released six reports looking at the effects of the ARRA on K-12 education across the United States, all available at [www.cep-dc.org](http://www.cep-dc.org). These six reports were based on survey responses of state and local officials charged with implementing the ARRA and Education Jobs programs. In particular, CEP surveyed state education agency (SEA) officials and governors' staff and conducted nationally representative surveys of school district officials, including superintendents, chief financial officers, and program directors. Responses to all of the surveys were kept anonymous to encourage frank answers.

This summary report synthesizes findings across all six reports and distills themes and conclusions based on a retrospective look at the effects of ARRA on K-12 education.

## Main Conclusions

Several main conclusions can be drawn from CEP's surveys of officials on the front lines of implementing ARRA.

First, ARRA funding helped to blunt the effects of the budget cuts in K-12 education faced by most school districts and many states.

Second, the ARRA largely met its primary purpose of saving or creating K-12 teaching jobs and other education-related jobs.

Third, in addition to saving jobs, ARRA has encouraged states to pursue a common reform agenda centered on the four assurances tied to the receipt of ARRA funds—namely, adopting rigorous standards and assessments, implementing statewide student data systems, enhancing teacher effectiveness, and improving low-performing schools. States and districts have used stimulus funding to implement these priorities and have made progress in carrying

out many aspects of these four reforms. Even so, key activities related to the reforms have not yet been implemented, and in some cases budget cuts have led states and districts to slow or postpone action on the reforms.

Fourth, the funding benefits of ARRA appear, to a large extent, to have bypassed state education agencies, which play a crucial role in implementing the ARRA and state reform agendas. Many SEAs report having experienced funding cuts and staffing reductions over the past few years, which have affected their capacity to improve K-12 education.

The remainder of this report provides background on the ARRA and Education Jobs programs and highlights findings and themes about the impact of these programs.

## Background

Anticipating severe shortfalls in state education budgets due to a worsening economic recession, the ARRA provided approximately \$100 billion in federal money for education, including an incentive grant program (Race to the Top), a fund to spur innovation (Investing in Innovation, or i3, grants), and increased funding for Title I, students with disabilities, educational technology, and other programs.

The largest portion of the ARRA education funding, about \$48.5 billion, went toward the State Fiscal Stabilization Fund (SFSF), which is the focus of this report. This sum was divided into two pots of about \$39.7 billion and \$8.8 billion (U.S. Department of Education, 2009a). The larger pot of SFSF money was intended, as the name implies, to stabilize state support for public schools and help make up for lost revenues. The goal was to restore the total level of public education funding for FYs 2009, 2010 and 2011 to its FY 2008 or 2009 level, whichever was greater. The governor of each state was tasked with determining the shortfall in state spending and distributing the federal funds to school districts to make up for the gap. The smaller pot of SFSF money, the Government Services Fund, was made available to state governors to use for any governmental service, including public education.

SFSF grants could be used to generally support K-12 education costs, including paying educator salaries or modernizing or renovating school buildings. To receive the funds, states had to agree to four reform-related assurances, which required them to (a) make progress toward implementing rigorous college- and career-ready standards and high-quality assessments; (b) establish and use longitudinal data systems to track students' progress from prekindergarten through college or careers and to foster continuous improvement; (c) increase teacher effectiveness and address inequities in the distribution of highly qualified teachers; and (d) provide targeted, intensive support and effective interventions to turn around low-performing schools identified for the latter stages of intervention under the No Child Left Behind Act. Lastly, states were urged to use the money immediately to save or create jobs, foster school improvement and reform, measure and report results, and invest the one-time grant wisely so as not to exacerbate the "funding cliff" that would occur when federal stimulus funds were no longer available (U. S. Department of Education, 2009b). More detailed information on the ARRA grants for education can be found in a 2009 CEP report, *The American Recovery and Reinvestment Act of 2009 and the Public Schools*.

The Education Jobs Fund was enacted in the summer of 2010 amid the threat of massive teacher layoffs. This additional \$10 billion in economic stimulus grants to states was intended to help school districts save or create jobs for teachers and other education personnel.

## Themes and Impact of ARRA

Several themes appeared consistently in our review of four years of survey results on the effects of the State Fiscal Stabilization Fund and the Education Jobs Fund:

- **Almost half of the states and a large majority of the nation's school districts experienced cuts in K-12 education funding or stagnant funding during the period of our surveys.** In FY 2011 (roughly coinciding with school year 2010-11), 17 of the 38 states surveyed made cuts in K-12 education funding, while 7 states experienced level funding. For school year 2010-11, an estimated 70% of districts experienced funding decreases; for school year 2011-12, about 84% of districts expected cuts.
- **ARRA grants helped to stabilize school districts' budgets at a time of shortfalls in state and local funding.** In roughly 52% of school districts with funding decreases for 2009-10, State Fiscal Stabilization Fund grants compensated for a majority of the decrease; in another 45% of these districts, SFSF money compensated for at least a portion of the decrease.
- **ARRA saved educators' jobs and reduced funding shortfalls in K-12 education.** In 2010, approximately 69% of districts reported that they used SFSF funds to save or create jobs for teachers and other school personnel. In 2011, 31 of 35 states surveyed reported that ARRA and Education Jobs funds saved teaching jobs, and 27 reported that these funds saved other district and school-level jobs. In addition, the majority of districts receiving ARRA supplemental funds for the Title I and IDEA programs reported using at least some of those funds to save or create jobs.
- **To make up for funding shortfalls not covered by ARRA funds, most districts cut educator jobs.** In school year 2010-11, an estimated 85% of districts with funding decreases cut jobs for teachers and other education staff, even with the cushion of SFSF and Education Jobs funds. In school year 2011-12, about 61% of districts with budget decreases planned to cut teaching and other staff jobs.
- **The one-time nature of the stimulus funds influenced how districts spent those funds.** Two-thirds of districts that received SFSF grants indicated that their spending choices were influenced to a great extent by the fact that these funds represented one-time resources. This was consistent with Secretary of Education Arne Duncan's caution to spend the funds in ways that minimize ongoing costs once the funding expires (U.S. Department of Education, 2009c).
- **Cuts in state K-12 budgets appeared to have bottomed out in most states for FY 2012, but funding for state education agency operating budgets continued to be reduced.** For FY 2012, 20 states expected K-12 funding increases, and only 8 expected decreases. However, operating budgets for SEAs were expected to remain the same or decrease in all but 4 of the 37 states surveyed. For many SEAs, 2012-13 will be the second consecutive year of cuts. Nearly all of the SEAs with decreased operating budgets for 2011-12 reduced staff costs—by terminating, furloughing, or offering early retirements to staff or by leaving vacant positions unfilled.
- **ARRA created a common school reform agenda for the states, but many of the activities related to the ARRA reforms have yet to be fully implemented.** States participating in CEP's 2009, 2010, and 2011 surveys indicated that they were taking steps to adopt or create internationally benchmarked standards and assessments, establish statewide longitudinal data systems to track individual student progress, develop teacher evaluation systems, and intervene in low-performing schools. These four reform priorities have been further emphasized in two other Administration initiatives: the ARRA-funded Race to the Top program, which rewards states for creating the conditions for education innovation and reform; and the Secretary of Education's decision to waive key provisions of the No Child Left Behind Act for states that agree to comply with certain

reform-related requirements. However, unpublished data from our fall 2011 report indicate that although activities related to the four reforms were underway in most states, few states had fully implemented them.

- **Most states surveyed credited ARRA with encouraging them to continue progress on education reforms, but some states and many districts reported that state and local funding cuts had slowed their progress on reforms.** In our 2011 survey, 20 states said that working on the ARRA reform requirements *accelerated the pace* of reform in their state, and 18 states said it had *broadened the scope* of reform. However, 5 of the 17 states that reported K-12 funding decreases in FY 2011 said that state cuts had slowed progress on their major reform initiatives planned for school year 2011-12. Similarly, in 2011, two-thirds of the districts with funding decreases in school year 2010-11 reported either slowing or postponing progress on reforms.
- **To comply with the ARRA reform assurances, the vast majority of states surveyed are undertaking a variety of strategies to implement rigorous standards and assessments and statewide longitudinal data systems.** A majority of survey states are also taking steps to tie teacher and principal evaluations to student achievement and provide various supports to low-performing schools. Fewer states, however, are undertaking certain other reforms related to teacher effectiveness or low-performing schools, such as adopting incentives to attract highly qualified teachers and principals to struggling schools. This is likely because in most states these types of reforms are traditionally carried out at the local rather than the state level.
- **The capacity of state education agencies to implement the four ARRA reform assurances has suffered due to staffing and funding shortages.** Most SEAs report that they have enough expertise to carry out the desired reforms, according to our 2011 state survey, but fewer reported having enough staff to implement these reforms, and even fewer reported having enough financial resources. SEAs that cut staff to make up for funding shortfalls appear to have done so strategically, often cutting positions not related to the four reforms.
- **States and school districts report being better off for having received ARRA and Education Jobs funds.** In 2010, 83% of districts agreed that they were better off for having received these funds, while just 7% disagreed. By 2011, 89% of districts agreed with this sentiment and 4% disagreed. In 2011, officials in 30 of 34 responding states said their SEA was better off for having received ARRA education funds, while those in 3 states disagreed.

## Concluding Observations

Federal economic stimulus funding helped states and school districts alleviate some of the effects of declining budgets and save education jobs. The ARRA also reinforced a reform agenda based on rigorous standards and assessments, longitudinal student data systems, effective teaching, and improvement of low-performing schools. Following through on this agenda will be a challenge, however, since many states and districts are still strapped for funds. Key activities related to the ARRA reforms have not yet been implemented, and state education agencies in particular face ongoing funding problems that could slow their capacity to lead implementation of the ARRA reforms.

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