A Light at the End of the Tunnel
By Michael Griffith
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“Money does not make you happy but it quiets the nerves.”
Sean O’Casey, Irish Playwright

It appears that the nation’s economy is on the mend. For example, a recent report from the United States Federal Reserve points out several signs of a recovery. However, the speed of the recovery is still in question and it is hard to predict how quickly education spending, in particular, will recover. Remember, there is a natural progression from a positive or negative impact on the national economy and its eventual impact on school districts’ budgets. The economic flow chart for education spending looks like this (click on the titles for information about each):

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National Economy
↓
State Economies
↓
State Tax Revenue
↓
State Budgets
↓
State Education Funding
↓
School District Budgets
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Between each of these stages exists a lag time, which varies depending on a number of factors. After the events of 9/11, it was only a matter of weeks before the national economy was impacted and school district budgets were cut. However, in some cases, it has taken months or even years for a national economic upturn to lift school budgets. The general rule of thumb is that there is an 18-month lag between improvements in the national economy and state budgets and subsequent improvements in state education spending.

States Are Not Impacted in the Same Way

Changes in the national economy impact states in different ways. While all states are currently facing some form of budget difficulties, the challenges vary greatly from a state like Wyoming where the budget is still growing (albeit slowly) to California, a state that has been forced to make major budgetary reductions. Just as a downturn in the economy impacts states in different ways, so does an economic recovery. Some states could see immediate positive changes in their budgets, while other states may see little or no change in their economic fortunes for awhile.
What Options Exist For Policymakers?

As states wait for the economy to improve, policymakers can take some steps to ensure students receive the best possible educational experience.

A Reminder: Student Growth is Always the Goal

The period after an economic recovery is an excellent time to refocus your state’s education system. While your state may not have additional funding now to implement new educational programs, you can begin a planning process for changes aimed at improving student’s educational growth.

Organizations like A New Day for Learning have been working with policymakers to develop a 21st century vision for learning that builds on a foundation of core academics. By leveraging community resources they are helping practitioners incorporate strategies such as hands-on learning, working in teams and problem solving. A report from A New Day for Learning identified five elements that need to be part of any plan to redevelop a state’s learning system:

1. Redefinition of student success
2. Use of knowledge about how students learn best throughout the day, early to late — and year round
3. Integration of various approaches to acquiring and reinforcing knowledge
4. Intentional collaboration across local, state and national sectors
5. New leadership and professional development.

ECS has a wealth of resources to help state policymakers devise new ways that improve student learning - whether you are thinking about reforming your high schools, making changes to your early learning programs or creating a more cohesive P-16 system.

Funding Changes That Can Save Money and Improve Quality

- **Promote school district purchasing cooperatives.**
  A study conducted on behalf of the Leadership for Education Achievement in Delaware Committee found that if school districts pooled their purchasing power, they could reduce their costs from 8% to 14%.

- **Encourage districts to work together to educate high-need special education students.**
  Studies have found that if districts work together to educate certain high-need special education students, they can both improve the quality of education and reduce costs.

- **Streamline the state’s funding system with an eye toward efficiency.**
  Starting in the 2007-08 school year, the state of New York consolidated approximately 30 smaller funding programs into a new foundation aid formula. This change was made with the hope that the new streamlined funding system would help reduce administrative costs while making the system easier for districts to comprehend.
Once the Economy Improves —
Consider Funding Changes that Could Help Stave-off Future School Funding Cuts

- **Look for efficiencies at both the state and local level.**
  In good times or bad, it is always important to ensure you are using your education funds as efficiently as possible. New Jersey just completed a review of education spending with the aim of increasing the efficiency of future education spending in the state.

- **Create or expand a “rainy day” fund for education.**
  Once additional revenue does start to arrive, think about allocating some of that additional revenue in an Education Rainy Day Fund, to create a financial cushion for bad years. A recent report from the Governor’s “Committee on Education Excellence” in California recommended this action.

- **Diversify the taxes that are used to pay for the state’s share of education.**
  This option might not always be possible for fiscal, political or legal reasons, but moving away from relying on a single funding source for education, (e.g. sales, income or “sin” taxes) could create a hedge against bad economic times.

You can find additional information about state school funding policies on the ECS School Finance Web page or by contacting Michael Griffith, ECS school finance analyst, at mgriffith@ecs.org

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