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With Federal Stimulus Money Gone, Many Schools Face Budget Gaps

By **SAM DILLON**

Federal stimulus money has helped avoid drastic cuts at public schools in most parts of the nation, at least so far. But with the federal money running out, many of the nation's schools are approaching what officials are calling a "funding cliff."

Congress included about \$100 billion for education in the stimulus law last year to cushion the [recession](#)'s impact on schools and to help fuel an economic recovery. New studies show that many states will spend all or nearly all that is left between now and the end of this school term.

With state and local tax revenues still in decline, the end of the federal money will leave big holes in education budgets from Massachusetts and Florida to California and Washington, experts said.

"States are going to face a huge problem because they'll have to find some way to replace these billions, either with cuts to their K-12 systems or by finding alternative revenues," said Bruce Baker, an education professor at [Rutgers University](#).

The stimulus program was the largest one-time infusion of federal education dollars to states and districts in the nation's history. As the program took shape last year, Education Secretary [Arne Duncan](#) and other officials repeatedly warned states and districts to avoid spending the

money in ways that could lead to dislocations when the gush of federal money came to an end.

But from the start, those warnings seemed at odds with the stimulus law's goal of jump-starting the economy, and the administration trumpeted last fall that school districts had used stimulus money to save, or create, some 250,000 education jobs.

Now the new studies point to the problems likely to beset thousands of school districts when the federal money runs out.

One study, which Dr. Baker wrote with David Sciarra and Danielle Farrie of the Education Law Center in Newark and which is to be presented on Monday at a conference at Teachers College of [Columbia University](#), examines how 11 states have used their education stimulus money. The 11 states received amounts from the stabilization fund ranging from \$234 million (Nebraska) to \$2.5 billion (New York).

Nine of the 11 states had already allocated most of that money for this school year and last, the study found, leaving a third or less of their federal money available for the 2010-11 school year.

Another bigger study, also to be presented at the conference, found that some states facing pressing financial problems last year as the stimulus program emerged decided to use 100 percent of their education stimulus money almost immediately.

Of the 20 states in the study by Michael A. Rebell, a professor at Teachers College, and two colleagues, Jessica Wolff and Dan Yaverbaum, six of them — Alabama, Arizona, Georgia, Nevada, New Jersey and Washington — had allotted all of their education stabilization money to schools for this school year and last, leaving zero to spend on the school term beginning this fall.

The two new studies based their findings on data supplied by the states last year to the federal [Department of Education](#) on their applications for stimulus money, as well as on other financial reports that have allowed the scholars to document states' actual expenditures on public schools. Professor Rebell's study also involved phone interviews with state and local school officials in the 20 states, he said.

The new studies align with results of a broader, 50-state survey on the stimulus program carried out by the National Conference of State Legislatures. The conference's survey, based solely on an examination of the states' stimulus applications, found that 20 states said when applying that they intended to spend 100 percent of their stabilization funds in the 2008-9 and 2009-10 school years.

The 20 states were Alabama, Arizona, California, Florida, Georgia, Hawaii, Idaho, Illinois, Michigan, Minnesota, Nevada, New Jersey, North Dakota, Oregon, Rhode Island, South Carolina, Utah, Virginia, Washington and Wisconsin.

But Dan Thatcher, who conducted the conference's survey, said that Idaho, and perhaps others among the 20, had reconsidered those plans, deciding to reserve some stimulus money for the coming school year.

On average, according to the conference's survey, states allotted 38 percent of their stabilization money to the 2008-9 year and 48 percent to the current school year, leaving only 14 percent for the school term that begins this fall.

About \$65 billion of the \$100 billion in education stimulus money went to states in three pots: \$39.5 billion as part of a stabilization fund intended to bolster the finances of state public

education systems, \$13 billion for the federal program for poor students known as Title I, and \$12.2 billion for students with disabilities. Congress directed the rest of the \$100 billion to smaller initiatives, including \$4.3 billion to a school improvement grant program the Obama administration calls Race to the Top.

Professor Rebell's study examined in some detail how school districts have used the stimulus money they received under the federal programs intended for poor and disabled students. Many districts have chosen to spend much of the money they received for students with disabilities on things like lift buses, handicap-accessible vans and renovated bathrooms.

"This was a godsend, and the investment will last for years," Professor Rebell said. "In most cases, districts didn't put people on the payroll that they would now have to lay off."

But many school systems have not been so prudent in their use of Title I money.

"The need to spend these funds quickly has led districts to add large numbers of temporary staff positions," Professor Rebell's study says. "In most states that we studied, some school districts appear to have spent a considerable amount of their Title I funds to save jobs formerly paid for through state and local funding that were threatened as a result of cuts in that funding."

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