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Stimulus Spending on Schools is Inept Public Policy

States and school districts across the country are salivating at the prospect of receiving Federal money from the American Recovery and Reinvestment Act, more commonly known as the stimulus bill. Pennsylvania districts are already being advised by the state Department of Education on how much they can expect and how it is to be used under Federal guidelines.

But in many districts across the state enormous sums of money are already being spent on a per pupil basis (over \$20,000 in Pittsburgh) with only modest or even poor results to show for the expenditures. Why should we accept, simply on the say so of education officials that still more money from the stimulus bill will improve the educational performance of Pennsylvania's students? Moreover, as a promoter of economic growth—presumably a primary reason for the stimulus bill in the first place—pouring money into public education is one of the worst ways possible to help the economy.

For the coming fiscal year, 2009-10, school districts can expect to split \$418 million that will be added to the basic education allocation. The money will be distributed among districts according to the current state formula. The stimulus money is above and beyond their normal allocation in the state budget. In the following fiscal year, the districts will divide another \$735 million in stimulus money. Furthermore, over the next two years, districts will share in other grants to pay for Title I programs (disadvantaged students), Special Education programs (through local Intermediate Units) and Technology upgrades. All told they will divvy up more than \$2.2 billion over the next two years in Federal stimulus money.

According to the guidelines issued by the Department of Education, any increase in the basic education funding up to the rate of inflation can be spent “to pay for ongoing costs of existing programs.” There are restrictions on spending any funds received that represents an amount greater than the rate of inflation, but it can be used for programs such as providing full day kindergarten and reducing class size. They can also use the money to extend the length of the school day as well as add more days to the school year. Teachers' unions will support these measures only if they are accompanied by more teachers and higher pay. And that means renegotiating contracts. Imagine 500 concurrent teacher contract negotiations. A taxpayer's nightmare if ever there was one.

In addition to the increase to the basic education funding mentioned above, districts will also share in grant money for special programs. The Department of Education is providing districts with a menu of options of where this money can be spent. In the list of allowable investment areas is a provision to allow for *recruitment bonuses* for teachers using these grant funds. The Department also instructs districts to use the money “to avoid teacher layoffs...” In this economy when plenty of people are looking for jobs and in light of the flap over AIG bonuses, for the government to permit recruitment bonuses for teachers is ironic and unconscionable. Besides, paying bonuses could create enormous union contractual issues.

What are the likely impacts of the stimulus money? First, considering that Pennsylvania taxpayers already spend nearly \$23 billion per year on public education, the stimulus bill offers a temporary five percent average annual increase in spending. The key word here is temporary. However, school districts are being instructed by the Department of Education to “consider the basic education subsidy increase as being built into the state’s funding base.” If school districts follow that guidance, state taxpayers will be left to pick up the tab for the higher base level spending when the stimulus money runs out. Not a very smart plan at all.

How does this improve education? As we have shown in previous research, simply increasing education expenditures does not translate into better performing students. Take for example the Pittsburgh Public School District. This district has one of the highest per pupil expenditures in the state at more than \$20,000 and a low student-teacher ratio of 13 to 1 in its high schools. Yet only 53 percent of eleventh grade students score at grade level proficiency in reading and only 44 percent are proficient in math. While Pittsburgh is a poster child for excessive spending with inadequate achievement, there are many other less dramatic but still dreadful examples. Pittsburgh is scheduled to get \$43 million to go along with the massive spending already underway.

And by what logic does the stimulus money being allocated to the public education sector improve the economy? Bear in mind that public education employment in Pennsylvania has actually increased during the recession with school districts adding over 3,000 jobs between January of 2008 and January 2009. In the Pittsburgh region 800 new school district jobs were tacked on during the same period—this in a region where many school districts are seeing declining enrollments. Thus, the fiscal stimulus money is going to assist a sector that is generally well funded, enough so that it has increased its employment levels during the national downturn.

At a time when so many jobs are being lost in the private sector, how can it make sense to pump more money into a government sector that is still growing? This is money that would have been better left in the hands of taxpayers in the form of tax cuts rather than borrowed and used to bolster the public sector. Certainly there is no near term boost to private sector productivity and there could even be a drop as more resources are drawn from the private sector and transferred to the public sector.

Public education in Pennsylvania is a sector dominated and ruled by bureaucrats and strong labor unions. Unfortunately, the only lasting effect of the stimulus money will be to empower and enrich these groups even further.

If the goal of the stimulus money designated for public education is to improve the quality of public education, then it would have been much better to use it to facilitate the expansion of charter schools and create scholarships and/or vouchers for students who are seeking a better education. In short, use the money to produce some market force competition to shake the system out of its complacent, arrogant mindset that has dominated public education for 40 years.

Finally, it is worth noting that the national government's decision to bailout state governments, many of whom are in trouble because of irresponsible and profligate spending increases, marks a dangerous precedent. It continues the process of weakening the states relative to the Federal government and it creates the additional moral hazard of encouraging further profligacy through the creation of the expectation that the Federal government will be there to solve budget problems in the future. Neither of these outcomes is healthy for America.

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