CEA
Advocating for teachers and public education

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Testimony of

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Good morning Chairman Lieberman and distinguished guests. Thank you for your invitation to submit testimony at this field hearing on *The American Recovery and Reinvestment Act: Making the Economic Stimulus Work for Connecticut."*

I am Dr. John Yrchik, the Executive Director of the Connecticut Education Association, representing more than 37,000 Connecticut teachers.

I would first like to thank you Senator as well as Senator Dodd and other members of the Connecticut Congressional delegation for your roles in assuring passage of this critical piece of legislation.

The Act's sheer breadth – generating investment in roads, energy, housing, health, small business and job training among other areas – is as promising to short term recovery as it is to the long-term growth and renewal. We commend you and other members of Congress for recognizing the critical role education plays in stimulating our economy and enhancing America's competitiveness in an increasingly complex and interconnected international economy.

The amount of education aid that will flow to Connecticut under the ARRA, excluding competitive grants, is $772 million, representing an unprecedented infusion of federal money into Connecticut's schools. It is unprecedented in two ways: in size and in nature. This is the first time the federal government has ever provided direct support for state aid to municipalities.

NEA Research has estimated that in the absence of ARRA over 600,000 education jobs in 2009 and over 582,000 education jobs in 2010 may well have been lost due to the current funding gaps in many states.[1] Even with the enormous infusion of federal dollars into education in our state, however, several states – Connecticut included – are expected to see layoffs even after utilizing stimulus funds.[2] As is discussed later in my testimony, we believe that additional clarity and guidance on prioritization, particularly with respect to local spending of IDEA dollars, could prevent significant numbers of projected layoffs in Connecticut.

The economic distress experienced in other states has been exacerbated in Connecticut by the high concentration of financial sector jobs. More than 7.5% of Connecticut's jobs are in the financial services sector, a concentration almost 60% higher than the national average. Our state ranks number one in the concentration of insurance jobs, two in the concentration of securities jobs, and third in funds-and-trusts. Jobs in the financial services sector have much higher multiplier effects on the larger economy than jobs in other sectors, making our state especially vulnerable to crises in the financial sector.[3]

Because of the continuing downward economic spiral, Connecticut's projected budget deficit for the next two years (according to the Office of Fiscal Analysis) is $8.7 billion. This has placed stress on every area of state and municipal budgets. It is not an exaggeration to say that assistance provided under the ARRA has averted a meltdown of state and local governments that would be at least commensurate with the meltdown of the larger economy.

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[1] Current Economic Crisis and K-12 Jobs: A State-by-State Analysis; National Education Association, March 3, 2009.
[2] The other states are California, Delaware, Massachusetts, Nevada, New Jersey, and Rhode Island.
[3] Steven P. Lanza, "Financial Meltdown: How Toxic the Fallout in Connecticut," *The Connecticut Economy* (Winter 2009), p 6.

The State Fiscal Stabilization Fund

Connecticut is one of a relatively small number of states that are proposing to use the state fiscal stabilization fund to supplant education aid that the state currently provides to municipalities under its current funding formula. Governors or legislatures in Illinois, Kansas, Michigan, Rhode Island, and Texas are proposing to do the same.[4]

Our state may be alone, however, in using virtually the entirety of the Education Stabilization Fund and the Government Services Fund (that together comprise the State Fiscal Stabilization Fund) to backfill existing state education aid to municipalities with federal dollars. By doing this, the state of Connecticut has effectively reduced its own commitment to basic education grants by 14%.

Connecticut is allowed to use the entirety of the State Fiscal Stabilization Fund to supplant state funds for education because the federal stimulus comes on the heels of an historic increase in state education funding to its 169 school districts. In FY08, the state made great strides by increasing funding to the state's education formula aid to towns (ECS) by 13.42%. Another 4.42% was added for FY 09. These increases represented two steps forward toward the long-held goal of increasing the state's share of local education funding to 50%.[5]

As the Senator is aware, the final Maintenance of Effort provision enacted in the ARRA pegged state education funding baselines at FY06 levels. The 2006 baseline predates Connecticut's earnest movement toward its goal of providing 50% funding to LEAs. The state contributed $1.619 billion to the Education Cost Sharing formula in 2005-06 and $1.889 billion today, a difference of $270 million per year.

In states where FY07 or FY08 increases are not substantially higher than FY06 levels, the addition of stabilization funds to the FY06 baseline can mean increased formula funding for FY09. In Connecticut, however, where substantial increases were enacted in FY07 and FY08, the comparatively low FY06 baseline means that the Governor can choose to reduce the actual expenditure of state dollars by $540 million over a two year period to

[4] "Michele, McNeill, "State, Local Officials Clash on Use of Stimulus Funds," *Education Week*, April 1, 2009, p. 24.

[5] The state's share of education rose from a low of 38% in FY04 to 43.1% in 43.1% in FY08. If the entire state fiscal stabilization fund is used to supplant state dollars, the state share of education will drop to 39.6% next year.

meet the FY09 levels required by the ARRA.[6] This, in fact, is what our Governor has chosen to do.

Connecticut's governor did have the option of using stabilization funds to exceed the FY09 appropriation. She chose not to do so. By sweeping the $540 million that had previously been allocated to ECS into other parts of the General Fund and using the ARRA stabilization dollars to backfill (supplant) state funding for ECS, the Governor's proposed budget uses 14% fewer state dollars to fund ECS than would have been necessary if not for the ARRA.

With added mandates and increases in standard operating costs, flat-funding actually represents a cut in funding to LEAs. The Legislature's Office of Fiscal Analysis estimates the funding for FY10 current services would require an increase of about 4% over FY09. Coupled with the Governor's 14% sweep of existing state dollars into other areas of the budget, the difference between what the state has committed to ECS and what would be needed to provide ECS at the level of current services next year is about $340 million. This means that next year, the state will be contributing 21% less than what it would contribute if it merely provided an increase sufficient to maintain current services at this year's ECS allocation.

CEA recognizes that due to the relatively large ECS increases since 2006 that Connecticut may represent an anomaly. We are pleased with the federal commitment to stabilizing state education funding and we must note that as difficult as the situation is here now, it would undoubtedly be worse had the ARRA not passed Congress. It is my belief that the ARRA has averted an educational crisis in our state.

By way of illustration, in responding to the Governor's request to cut 10% from its budget, the State Department of Education submitted a budget in January that represented a 12% cut in ECS aid. Had a cut of that magnitude or anything close to that passed in this year's budget, the result in school districts across the state would have been catastrophic. The stimulus provided an immediate reprieve from the dire scenarios that were being spun as a result of the State Board's action. Because the reprieve was granted with one time funds, however, it is important for the state to have a plan to replace the

[6] The entire State Fiscal Stabilization Fund (both components) provides $542 million over a two-year period.

funds when the stimulus runs out in two years. If it doesn't, we have only postponed a day of reckoning.

An additional challenge needs to be met with respect to the State Fiscal Stabilization Fund. As a condition of receiving the funds, governors are requested to make a commitment to four essential areas of education reform: teacher effectiveness, standards and assessments, improving achievement in low-performing schools, and creating systems that track student progress. Governor Rell needs to show in the final biennial budget adopted by the General Assembly that the state is making progress in these areas.

In the Governor's original budget proposal to the General Assembly, she cut all funding for a new teacher mentor program that was designed to replace an ineffective teacher induction program. This was one of the state's principal areas of commitment to effective teaching and its elimination has to be viewed as significant.

In another move, the Governor cut all funding to a promising new program called CommPACT Schools, an unprecedented collaboration of Connecticut's Neag School of Education at the University of Connecticut and six of the state's leading education organizations. This effort was targeted at improving student achievement in some of Connecticut's lowest performing urban schools. Modeled in part after Boston's successful Pilot Schools, CommPACT schools bring together a school's stakeholders to redefine and reform the educational process at the school site. It is both collaborative and research-based.

Funding for both of these programs has since been restored in the latest budget proposal from the General Assembly. In my reading of the federal government's conditions attached to the stimulus package, it would appear important that these programs remain intact as a condition of the state's receiving its full share of Phase II funding under the State Fiscal Stabilization Program.

Lastly, with respect to transparency, we believe that our SEA's current reporting and audit requirements (referred to as the ED001 report) are comprehensive. However, since the stabilization funds pass to schools via the ECS grant, we also believe that recipients of ECS funds, which are the municipalities, should report the major components of how these funds were allocated. We want to ensure that they are used for the exclusive purpose of education and not to provide tax relief or serve other purposes at the municipal level. The federal government should be provided with assurance that the stabilization funds were directed to their stated purpose of supporting education and permit the state to monitor whether municipalities have been complying with statutory non-supplant requirements.

IDEA

While the Governor of Connecticut has shown almost breathtaking willingness to supplant state education dollars with federal dollars, by contrast, local school boards and superintendents have been remarkably inflexible to date in maximizing the use of ARRA funds to prevent layoffs and positions. This has become a serious concern.

The stimulus bill will provide Connecticut an additional $133 million for IDEA, Part B. Under the latest reauthorization of IDEA, an LEA can use up to 50% of an increase from the previous year to supplant what it is spending on special education from its own share of state and local funds. The funds thus freed up can be used for any ESEA purpose, which means virtually any educational purpose. They certainly can be used for salaries and other personnel-related costs.

However, to date, many Connecticut superintendents have exhibited a reluctance to use a portion of the IDEA increases to reduce layoffs and reductions in education jobs. Some have indicated an interest in purchasing Smart Boards and iPods and making other one-time expenditures. This is permitted under IDEA. While one time-expenditures such as assistive technology can be beneficial, making such expenditures at the expense of jobs runs contrary to the primary goal of the ARRA and compromises the current level of quality of educational services.

Connecticut's State Department of Education (SDE) bears some responsibility for this state of affairs. At a March 17th meeting of superintendents on the stimulus, the SDE provided guidance on the use of IDEA funds. It included no mention of the provision of IDEA that would allow 50% of any increase to supplant local special education expenditures.

Under Section 613(a)(2)(C) of IDEA, school districts can reduce their local share of spending on special education by 50% of the increase they receive in federal IDEA funds. This "freed-up" money can be used to prevent layoffs, to hire new employees, or program improvements and expansions (purposes that meet the broad conditions of federal education funding uses permitted by the "Elementary and Secondary Education Act").

Only recently has a letter gone out from Connecticut's Commissioner of Education stating that in fact 50% of any increase in IDEA funds can be used to retain staff. It does not, however, indicate that retaining jobs is the priority of the funds provided in the ARRA and actually discourages districts from using funds to bolster funds available for personnel. While acknowledging the using that freed up funds "will allow districts to address possible budget losses with freed up funds from one's own special education budget," the letter goes on to say:

> The disadvantage of this strategy, however, is that when the ARRA IDEA funds disappear in two years, one's local special education budget line item will have been reduced by the amount spent on ESEA activities. This will remain a hole in the budget unless it is made up thereafter by increases to one's local special education budget."[7]

In the first place, if a district chooses to use 50% of an IDEA increase to prevent layoffs or retain positions, its maintenance of effort requirement under IDEA is reduced accordingly. While it is true that if the increased funds disappear after two years (a condition that is by no means certain to come to pass), a district will have to replace those funds with local funds in order to keep the positions. At the same time, the need to avoid the immediate deleterious effects associated with a reduction in teaching positions would seem to outweigh any problems associated with uncertainties about how the funds will be replaced. The Governor appears to have made precisely such a calculation with respect to the use of the State Fiscal Stabilization Fund.

As of April 1, a statutory deadline for Boards of Education to issue non-renewals of non-tenured teacher contracts, 1,424 teachers had received layoff notices across Connecticut. More than 600 additional layoffs are threatened in other districts.

The impact is not just an urban or rural phenomenon – teachers in wealthier districts have not been immune. Weston, the state's 6th wealthiest town issued 12 layoff notices. Guilford, which is the state's 38th wealthiest town, issued 68. Cheshire (ranked 62nd in

[7] Letter from Commissioner of Education Mark McQuillan to Connecticut superintendents, March 27, 2009.

wealth) issued 85. Bethel (65th) initially issued 108, representing 42% of its teaching force, before recalling 58 of them. In all instances of layoffs, the uncertainty such actions brought to teachers' lives is palpable.

The related economic impact of these layoffs is significant. Not only would the Connecticut economy keep an estimated $59 million in teachers' salaries if these teachers were retained, but according to NEA research restoring the more than 1,424 layoffs would generate over $33 million in additional personal income beyond that.

We continue to urge Superintendents and Boards of Education to use ARRA funds to save jobs and programs for students. Spending these funds on goods, not people, will smother the effects of the federal stimulus in our communities.

We believe stronger direction from the US DOE and Congress could result in IDEA funds being utilized to offset these layoffs. The cost of restoring one teacher's job is about $53,914,[8] including roll-up (or overhead) costs.[9] If LEAs are urged to redirect IDEA money equal to 50% of the supplemental funds, as they are permitted to do by law, $66.5 million could be targeted to preventing layoffs. This alone would save 1,233 of the potential layoffs over two years (over 600 jobs per year).

<u>Title I, Part A</u>

Connecticut will receive $97 million is Title I, Part A funding. Of this $72 million will go directly to school districts and $25 million will be used for school improvement activities. To put this into perspective, in FY 09 Connecticut received $102 million in

[8] Layoffs impact teachers across the experience spectrum, but fall disproportionately on newer, younger, and non-tenured teachers. To estimate the average salary cost of a displaced teacher, the average second salary step in Connecticut was chosen as a baseline ($41,684). The average total cost to the Connecticut districts for health insurance coverage is $11,517 per teacher. Including workers compensation and Medicare contributions, the total salary cost to a district, including roll-up or overhead is about $53,914.

[9] Insurance rates for single, family and Plus 1 coverage derived from actual district insurance data collected March 2009 and are inclusive of Rx. Usage weights of .33 (Single) .25 (Plus 1) and .42 (Family) were derived from a sample of 14 districts an applied to generate a weighted average insurance cost of $13,649 per teacher. This amount, which represents the total cost, was reduced by the average premium cost share paid by the employee of 15.77%. Total cost includes Medicare at 0.0145% of salary and workers compensation costs of roughly $130 per teacher. Adequate data on the cost of dental plans was not available at this time.

Title I funding from the federal government. The infusion of funds under ARRA almost doubles our current level of funding.

A perennial criticism of No Child Left Behind has been that it was all mandates and no resources. In a law with many problems, the inadequacy of Title I funding was one of the most obvious and severe. With the near doubling of funding in this category and the large amount of funding available for school improvement efforts, it would appear that we are closer to our original goal of properly funding the law.

As noted earlier, however, these are not ordinary times. The failure to maintain ECS at its current services, a reluctance of school administrators to use additional IDEA funds to prevent layoffs, the slashing of municipal budgets, the widespread layoffs of teachers, the elimination of teaching positions, and the elimination and/or reduction of programs provides a grim context for the infusion of new Title I funds.

These resources enter schools precisely when people and programs are vanishing as a result of reduced budgets. If almost $100 million in new Title I money came into schools when other funding streams were also increasing as was the case in previous years, it would undoubtedly have an enormous positive effect in producing new professional development programs, pre-K opportunities, tutoring, school-based literacy efforts, and other programs that we know improve student achievement.

In the present setting, however, when many core educational programs are being challenged or eliminated, it is difficult to assess whether the additional Title I funding will be able to compensate for the losses elsewhere. The jury is out on this question.

As with IDEA, we need clear guidance on the ability of districts to use the Title I money to supplant existing district funds. Supplanting is more difficult under Title I than IDEA, but U.S. Department of Education Guidance suggests that it is possible. An LEA may generally not use Title I, Part A funds to pay for activities that it would have conducted in the absence of Title I funds. However, it can overcome the presumption that it would have conducted the activity anyway without the funds if it can "demonstrate that there was a reduction in the amount of non-Federal funds available to the LEA to pay for the activity previously supported by non-Federal funds or the LEA can demonstrate that its educational priorities with respect to its use of non-Federal funds have changed."[10]

In the area of Title I, there is a need for further clarity from the U.S. Department of Education about the potential use of waivers to supplant Title I funds when appropriate to maintain local education programs. Left to be worked out is whether state departments of education will have the right to grant waivers of Title I's maintenance of effort requirement and whether districts will have the option of appealing directly to the U.S. Department of Education in the event that waivers are not granted within a state. Also needed is clarity from the U.S. Department of Education on the process for both states and school districts to gain approval from the Secretary to use State Fiscal Stabilization Funds to meet maintenance of effort requirements under Title I and IDEA.

We hold that since the infusion of supplemental funds is anticipated to lapse after 2010, funds associated with IDEA and Title I, Part A these funds can and should be used to bridge the gaps in local budgets for two years with the expectation that revenue streams will show recovery by 2011. We would also strongly urge the President and Congress to continue their support for additional allocations for IDEA and Title I, Part A past 2010 to help states address the continuing unmet needs.

Foremost among our needs at this time, however, is the need for clarity regarding the use of these funds to prevent job losses. It is our hope that with the recent clarification from the US DOE and some sort of expedited process for waivers to be granted for the use of Title I funds, LEAs will target available funds toward preventing job losses and retaining positions.

Finally, we recognize that with such an infusion of taxpayers' dollars comes the need for ensuring transparency. We all share a stake in the effectiveness of the stimulus funds and ensuring that they are appropriately targeted and spent. I believe that our State Department of Education is at work on form that will ensure that reporting requirements are met and districts are not overburdened administratively. It is especially important that smaller school districts not be given reporting requirements that overwhelm their administrative capacity.

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[10] U.S. Department of Education, *Guidance: Funds under Title I, Part A of the Elementary and Secondary Education Act of 1965 Made Available under the American Recovery and Reinvestment Act of 2009,* April 2009, p. 28.

Involvement of Educators

In order to make all of this work, and ensure that the funds provided under ARRA are used efficiently and in a coherent and coordinated manner, it is critical that the Governor and Commissioner work closely with CEA and that district superintendents work closely with our local affiliates. Ensuring that classroom educators have a voice in the process for determining the best use of the funds and are involved in the implementation and evaluation of programs and services that are paid for with these funds, will increase the chances that the ARRA funds achieve their twin goals of creating and saving jobs, on the one hand, and advancing education reforms, on the other hand.

Conclusion

The overall result of almost $800 million in new federal education funding for our state is unreservedly positive and we again commend Congress and the President for their historic support for education. Without a doubt, education would have been funded less well without the ARRA. How much less would have been provided to it is diffcult to determine with any precision.

We believe that the promise of ARRA is great. A Congressional Research Service report notes that "in 2010, CBO projects that the ARRA would boost … employment by a range of 1.2 million to 3.6 million in 2010 compared to what it otherwise would have been."[11]

As noted in this testimony, however, it is our strong conviction that in order to achieve the upper bounds of the CBO's estimate, creativity and flexibility will be necessary. The Connecticut education context I have shared with you today is but one example of what could be achieved with these stimulus funds. On behalf of the CEA and the NEA, we very much appreciate your effort to hear our stories and to work with us toward economic recovery.

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[11] Congressional Research Service, *Economic Stimulus: Issues and Policies*. 2/27/09 P. 10