



COMMITTEE ON APPROPRIATIONS

DAVID R. OBEY (WI-07), CHAIRMAN

FACT SHEET

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EDUCATION JOBS FUND – WHY WE NEED IT

States are facing record declines in tax revenue due to high rates of unemployment and falling income and property values. The collapse in revenue is so severe that States are struggling with a cumulative budget gap of \$180 billion for fiscal year 2011.

This fiscal situation has forced states to implement steep tax increases and budget cuts weakening the fragile economic recovery nationwide and bringing harm to vulnerable citizens including children, seniors and the disabled.

Education makes up the single largest item in state budgets so it comes as no surprise that many states have responded to their fiscal crisis with steep cutbacks in education. Despite federal aid through the Recovery Act, which saved an estimated 250,000 education jobs, to date at least 29 states and DC have been forced to cut K-12 spending (in 2008 and 2009).

Without additional federal relief, state action to address their budget deficits has been projected to cost the economy 900,000 jobs next year. Cuts to state services not only harm vulnerable residents but also worsen the recession - and dampen the recovery - by reducing overall economic activity. When states cut spending, they lay off employees, cancel contracts with vendors, reduce payments to businesses and nonprofits that provide services, and cut benefit payments to individuals. All of these steps remove demand from the economy.

The Education Jobs Fund will prevent broad cuts in the education of our children while simultaneously providing a much needed boost to the economy as a whole.

What does the Education Jobs Fund accomplish?

- Provides \$10 billion to help States save or create an estimated 140,000 education jobs for the next school year.
- 98% of the funds will be allocated by States to school districts to prevent massive teacher layoffs that are expected in the absence of such assistance.
- Federal assistance will alleviate the need for damaging cuts in public education such as shortening the school week and cancelling summer and afterschool programs.

Economic and Budget Effects

- Education cuts have already cost jobs in the economy. School districts have already been forced to cut more than 100,000 jobs to close their budget gaps. These job losses – as well as teacher furloughs, salary reductions, cancellation of contracts with private-sector vendors and other budget-cutting measures – also weaken the overall economy by reducing consumer demand.
- This aid is temporary and is only necessary until state budgets begin to recover.

- It is likely that the cost of this investment will be lower as it creates economic growth that increases tax revenue. For example, an economic analysis by the Economic Policy Institute (EPI) argues that the net budget cost when factoring in offsetting benefits (such as increased tax collection and decreased safety net spending) is far less than the total appropriated amount:
 - ✓ A reasonable estimate is that each dollar in state and local government spending will boost overall GDP by \$1.40 in the current economic environment. When applied to the \$10 billion Education Jobs Fund, this multiplier *translates into a GDP gain of \$14 billion.*
 - ✓ The CBO data on deficit reduction suggests that this additional \$14 billion in GDP will lower the deficit by roughly \$5.25 billion. *The net result is a cost of about \$4.75 billion, or less than half of the total Education Jobs Fund appropriation level.*

Why now?

- Recovery Act education funds are running out. As of June 2010, the Department of Education had obligated nearly 90% of amounts in the State Fiscal Stabilization Fund to states and is expected to obligate the rest over the next two months.
- States actually need federal aid to cover a larger percentage of shortfalls than last year because they have already mostly exhausted the reserve funds and other one-time revenue sources they used during the past two years to address budget shortfalls.
- Pink slips have already gone out to thousands of teachers, librarians and other school personnel. Estimates of additional education-related layoffs this summer are as high as 300,000. The result will be large increases to class size and harmful program cuts for the coming school year. As current assistance through the Recovery Act expires, states will continue to be forced to lay off education workers and cut education services further.