



American Association of School Administrators

Committee on Appropriations, Subcommittee on Labor, HHS and Education
March 17, 2010

*Testimony of Dr. Dan Domenech, Executive Director
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Good Morning Chairman Obey, Ranking Member Tiahrt and members of the committee, my name is Dan Domenech and I am the Executive Director of the American Association of the School Administrators. We represent more than 13,000 school superintendents and other local educational leaders nationwide. It is my honor to come before you to today to share the status of local school district budgets nationwide and our thoughts on President Obama's FY 2011 budget proposal. Prior to coming to AASA, I have served as a superintendent in both New York and Virginia, most recently as the superintendent of Fairfax County Public Schools.

School districts across the country are facing some of the worst fiscal situations that they have ever seen. As district superintendents look to complete their budgets for the 2010 – 2011 school year, many are left with no choice but to cut the teachers and programs that their students, families and communities have come to expect. The impact of the state fiscal crisis and the declining property values and foreclosures on local school district budgets have forced them to focus even more on the importance of federal funding in their budgets. We would like to thank Congress for the enormous investment provided by the American Recovery and Reinvestment Act. Without it school districts would have been have in a much worse position.

As we look toward the future federal investment in public education AASA applauds the administration's continued support for and investment in education proposed in President Obama's 2011 budget proposal. In a time of increased fiscal restraint at the federal level, we are pleased to see that investing in education continues to remain a priority. The children across this country, especially those in poverty, deserve this support.

Despite the overall increase, AASA has some general concerns about the budget proposal. Specifically:

- The shift away from formula grants towards competitive grants.
- Level funding for Title I, especially during this economic downturn.

- The lack of funding for IDEA at the promised level, despite budget pressures on local school district.
- The administration's proposal to allow REAP dollars to go out via competitive grants.

Competitive versus Formula Grants

Despite the dramatic increase proposed for education, we have serious concerns that almost all of the new money would go towards competitive grants. AASA has long supported the role of formula grants such as Title I and IDEA to focus dollars on students in need. In addition, by providing formula dollars, districts are able to sustain lasting programs and create staffing investments that could ensure change over time. Especially in this economy, an overreliance on competitive grants will only lead to greater inequality.

Specifically, the President's budget proposal includes a 65 percent increase in the proportion of discretionary education dollars distributed through competition programs, a significant policy decision to shift dollars away from long-time formula grant programs. While the two major K-12 formula programs—Title I and IDEA-- continue as formula programs, there is a major cut in the Educator Quality State Grant, which many districts use to hire teachers, and a proposal to eliminate and redistribute the Enhancing Education through Technology program, which provides formula dollars for technology purchases and professional development to most school districts. For the most part, no new dollars are dedicated to these critical formulas.

With limited local resources, school districts do not have the time or the capacity to develop extensive competitive grant applications in order to be competitive. Relying on competitive grants to distribute federal dollars will take federal dollars away from students in poverty and to districts that have the resources for grant writing teams. Of the 15 states and the District of Columbia announced as finalists in the first round of Race to the Top, nine received grant monies from the Bill and Melinda Gates Foundation to simply complete an application. These funds and grant money could have otherwise gone to programs/personnel that more directly impact student achievement and teacher/leader development.

The majority of school districts in the country are small and rural in nature, with limited capacity. Shifting to use more competitive grants to drive federal dollars will be inherently unfair to rural districts that often lack the capacity and overall expertise to apply for competitive grants. This is precisely why AASA played an instrumental role in the creation of the Rural Education Achievement Program, designed to help compensate for the lack of competitive grants in rural school districts.

While understanding the administration's commitment to rewarding and replicating successful programs and practices, AASA urges Congress to maintain formula grants to provide a more reliable and equitable stream of funding to local school districts. Such a strong emphasis on competition implies that competition alone produces innovation and student achievement. School districts and systems need a certain level of financial stability to undertake the ambitious innovation and reform proposed by the President's budget, a level of reliability and consistency that cannot be achieved through competitive funding.

Title I

AASA is strongly concerned with the proposed level funding of Title I. Level funding is especially problematic in the context of the current economic situation and the resulting increase in the number of children in poverty. FY 2011 will be the first school year that districts will no longer have the funding under the American Recovery and Reinvestment Act. Therefore it is even more critical that the Title I funding level reflect the economic situation of the students being served across the country. Now is not the time to be cutting important services to children in poverty.

As we consider this budget proposal, Congress is considering the extensive overhaul of the Elementary and Secondary Education Act. While I am an optimist and would like to assume that no new requirements will be placed on school districts as a result of this reauthorization, I would probably be mistaken. If reauthorization is completed this year, we need to ensure that Title I funding level accurately reflects all of the new elements of the proposed law and the added expenses at the local school district level. In this economic situation, school districts have little ability to absorb costs for new mandates that could be passed on as a result of the reauthorization process.

With limited federal dollars available to education, we hope that we can capitalize on the role of the federal government to provide equity by providing funding through formulas for those students with the greatest needs.

IDEA

Another area of concern for AASA in the President's budget is the lack of promised funding for special education. Any superintendent across the country would be happy to explain why they need Congress to fulfill its commitment to provide 40 percent of the national average per pupil expenditure for every child in special education. This is the one area of a local school district budget where districts have to spend, regardless of the cost of services or the overall availability or lack of funds. The Individuals with Disabilities Education Act (IDEA) requires school districts to provide a Free and Appropriate Public Education. As a result, school districts

are often forced to take from their general education fund budget to cover the federal shortfall in special education budget. This makes funding for IDEA an issue that impacts an entire school district, not just their special education population.

The Obama administration's budget proposal calls for level funding the federal commitment to special education at 17 percent, less than half of the promised 40 percent. We strongly support Congresswoman DeLauro's statement calling the \$250 million increase to IDEA "budget dust". Level funding the federal commitment fails to take into account the increasing costs of special education and will continue to shift the burden for paying for special education to local districts, forcing school districts to raise local taxes or cut general education programs. In these difficult economic times, this remains an even bigger challenge. Congress must fulfill its commitment to schools and students throughout the country. AASA strongly supports Congress reaching its 40 percent commitment in special education. This single area of funding would provide the greatest amount of economic relief in every school district across the nation.

REAP

AASA has long been concerned about the impact of federal funding on rural school districts. For years, we watched as small rural school districts often received less federal funding than their larger rural, suburban or urban counterparts. In order to combat this equity issue, AASA worked with Congress to develop the Rural Education Achievement Program. REAP helps rural districts overcome the additional costs associated with their geographic isolation, smaller number of students, higher transportation and employee benefit costs, and increased poverty. Funding from this program helps districts increase reading achievement through the hiring of reading specialists, update their technology through the purchasing of computers for students and hire highly-qualified teachers.

President Obama's budget proposal would level fund this important program despite increased need of these districts based on the declining funding of other federal formula grants. In addition, the administration's ESEA proposal would allow the Secretary to set aside an unspecified amount of REAP dollars to provide competitive grants to innovative rural districts. Given that REAP funding has always represented a dedicated stream of formula funding to rural schools, AASA strongly urges Congress to block any attempts to make any component of REAP funding competitive funding. Competing through grants puts unneeded pressure on rural districts' limited resources, in direct conflict with the Secretary's stated desire to help 'rural districts overcome capacity constraints.'

As other federal education programs are cut or eliminated and more dollars are distributed through competitive grants, funding for REAP becomes even more important to help fill the funding shortfall in many districts. An increase in REAP funding would help offset not only the impact of formula cuts for small rural districts, but also the impacts of the increased emphasis on competitive grants for federal education funding.

Impact of the American Recovery and Reinvestment Act

On behalf of school administrators across the country, I would like to thank this committee and Congress for the strong investment they made in education through ARRA. Without that critical investment in funding, local school districts would have been worse off. It helped us save important jobs in local school districts across the country that would have been left with no other option.

We applaud the steps that the House of Representatives took in passing the Jobs for Main Street Act and including the \$23 billion extension of the State Fiscal Stabilization Funding to help local districts save jobs. State budgets tend to lag in recovery 18 months behind the national picture. Right now our districts are in a tough spot with drastically reduced funding and trying to make difficult choices. We have been making visits on the Senate side, along with our colleagues testifying here today, pushing them to support the House efforts in this area and provide this funding school districts so sorely need. We hope that Congress would be willing to include language that would prevent states from supplanting their effort in education with this money.

Over the past year, AASA has conducted a series of seven snapshots to determine the impact of the economic downturn on school district budgets and decision making. The current economic downturn and the historic infusion of federal assistance through ARRA have impacted the fiscal situation of many school districts. We are currently in the field with our most recent survey and have preliminary data but we will be sure to share the full results as soon as they become available.

So far this is what we have learned from our surveys, including the preliminary data from our most recent survey:

School districts in every part of the country are subject to the realities of the economic downturn. The financial crisis continues to threaten and impact the progress schools have obtained and the stability they have enjoyed in the past. America's schools were not insulated from the immediate economic downturn experienced in the fall of 2008 and the impact continues to hamper district operation. Looking forward, the 2010-11 and 2011-12 school years

will be challenging. Districts and school administrators will be answering tough questions about items, programs and personnel that can be cut, while trying to figure out what—if any—economic recovery is in store at the state and local level while also contemplating the anticipated end of the ARRA funds. This all demonstrates the critical need for Congress to provide additional SFSF funding sooner rather than later.

- Two-thirds (66 percent) of respondents reported having to eliminate positions for the 2009-10 school year. An overwhelming 83 percent anticipate having to eliminate further positions in 2010-11. Respondents identified 13,422 positions slated for elimination in the 2009-10 school year, an average loss of 15 positions per respondent in the 2009-10 school year. They identified 9,641 potential personnel cuts in 2010-11, an average of 11 positions per respondent.
- Our preliminary data shows that ARRA saved approximately 9.4 jobs per respondent. That means that districts are losing positions (12.1 positions per respondent) at a greater rate than they saved positions under ARRA.

In addition to the data on the downturn, we worked to gather information on the impact of the ARRA funding on local school district budgets. When speaking about the ARRA funding, it is important to break it down into two major categories: the Title I and IDEA funding and the State Fiscal Stabilization Funds. When districts think of ARRA funding, the first thing that comes to their mind is the SFSF funding. Many districts are still very frustrated that their states supplanted their state effort for education with the new federal funding, meaning most districts did not feel a net increase impact from the main ARRA funding. This is why we are asking for protections against state supplanting their effort in education with any new SFSF funding.

- A strong majority (88 percent) of respondents reported that ARRA dollars did not represent a funding increase in state/local revenues. More specifically, only 10 percent reported that the ARRA dollars represented any increase above state and local funding levels. The data illustrate a “shell game” in which state budgets were cut only after it was known that ARRA included money for education. Thirty-six percent of districts were facing state and local cuts that were only made deeper by the so-called “shell game.”

While the Title I and IDEA dollars provided increases for every district that received them, they presented some challenges for districts that knew that the money would not continue. In Title I, districts across the country expanded programs, bought new materials and in some cases

hired new staff; but given the current economic situation, few districts will be able to continue those initiatives after the stimulus dollars run out over the next year.

IDEA presented even a greater challenge. Because districts have to provide special education services regardless of cost, they had to be careful to not use the ARRA funding to expand or enrich services to students with disabilities. This is not because they did not want to provide additional services, but because under the law, districts would have been required maintain that level of service even when the federal funding went away. They would have to find the local dollars to cover the costs. If this was not done, the parent of that student would have standing to take the school district to court and sue for those services. No school district wanted to put themselves in that situation, given their knowledge that the ARRA funding was only for two years. Instead, administrators are still making the case that Congress must increase funding for IDEA in a more sustained manner so that services to students with disabilities could be expanded and not come at the expense of the general fund balance.

We still have a lot to learn and school districts still have financial obstacles in their way. But across America educators are coming together to work to ensure the best possible public education for our next generation of students coming through the door.

Thank you for your time today and I would be happy to answer any questions.