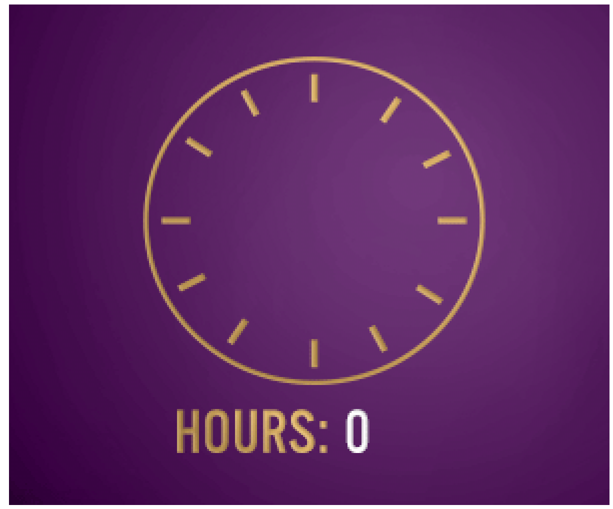
EDUCATION WEEK

How Another Recession Could Test K-12's Resilience

By Andrew Ujifusa

August 23, 2019

Back to Story



If there's one painful experience the nation's schools share from recent history, it's the Great Recession. It's something no educator is keen to relive—but with anxiety rising about an economic downturn in the not-too-distant future, it's possible they won't have a choice.

Forecasting such a change for the economy is notoriously difficult, as is projecting how policymakers and schools would respond. But amid the economic warning signs there's the recognition that a recession, in addition to shrinking K-12 budgets and spending, could upend policies that have developed over the past decade that have prioritized equitable funding and other resources.

And it's unlikely the circumstances and response would be the same as those from more than a decade ago, when Congress and President Barack Obama's administration responded to the Great Recession by directing $100 billion to both K-12 and higher education through the 2009 American Recovery and Reinvestment Act, commonly known as "the stimulus."

"I'm really concerned about a recession," said Sharie Lewis, the director of business services and operations for the Parkrose school district in Portland, Ore.

With a $36 million operating budget, no rainy-day fund, and about 3,000 students in Parkrose, Lewis said she knows that if she had to make significant cuts, she'd have to curtail her high school career-technical education offerings, her athletics programs, and of course, her staff.

"It would have to be teachers, because there's not much else in a district my size," said Lewis, who is also chairwoman of the legislative advisory committee for the Association of School Business Officials International.

The most severe financial crisis since the Great Depression that lasted from 2007 to 2009 had a profound impact on K-12 education. Roughly two-thirds of states cut spending on schools to deal with the loss in tax revenue, leading to cuts in the teacher workforce and shrinking state education departments. The impacts varied based on regional factors. Schools in states where the mortgage crisis hit hardest like Arizona, California, and Nevada were acutely impacted, as were states in the upper Midwest.

In addition to the **$100 billion in stimulus money aimed at shoring up school funding**, the Obama administration later backed and Congress approved the $10 billion Education Jobs Act to stop thousands of educators from getting laid off. Nevertheless, it took many schools years to recover amid a virtually unprecedented period of economic growth. And by one estimate from the progressive Center on Budget and Policy Priorities, **per-pupil expenditures in nearly half of states still haven't recovered**.

"I think everyone has PTSD from the last recession," said Noelle Ellerson Ng, the associate executive director of AASA, the School Superintendents Association. "It might have been 10 years ago, and you might have had three superintendents since then, but a recession of that magnitude leaves an impact."

Changed Landscape

The stimulus represented a "once in my lifetime response to a really dire recession," said Sarah Abernathy, the deputy executive director of the Committee for Education Funding, a Washington group that advocates for the federal government to increase the share of its budget for K-12. But today's economic and political landscape is quite different from a dozen years ago.

Abernathy said the fact of the matter for schools is that, "When there's a recession, the state and local funds are going to be cut."

Concerns about a downturn have grown after a recent shift in Treasury Department bond yields, the direction of which has led many analysts to forecast economic weakening. Still, the severity of any such decline would depend on a variety of fiscal and political factors.

See Also: **Recession-Proofing Tips for Districts**

It's far too soon to say if, or when, such a dip in the U.S. economy might occur. All the same, fiscal realities could make it harder, or at least less attractive, for Washington to use stimulus spending to shore up public services should that take place. Federal interest rates are already relatively low. And as of August, the fiscal 2019 deficit—what the federal government spends versus its revenue—stood at $866 billion, compared to $684 billion a year ago, and the Treasury Department has projected it will hit nearly $1 trillion this year.

Then there are potential political differences between the last crisis and any future downturn.

In 2009, Congress and the White House were controlled by Democrats, who in general (and perhaps particularly during economic downturns) are more open to driving federal resources to public services, including schools. There's no guarantee that would be the case when the next economic tumble occurs.

"The federal government is in a different position now," Abernathy said.

There are also caps on federal spending that have been in statute since 2011 that could factor into any decisions about how to handle another major downturn. In theory, the 2009 stimulus spending would not have been impacted by such caps, since it was a different category of funding. But that was then.

In addition, the partisan control of states—and therefore their responses to any significant financial dip—could also look markedly different in any upcoming downturn than a decade ago.

At the start of 2009, Democrats controlled 28 governorships compared to 22 for Republicans, and 27 legislatures compared to 14 for Republicans (the remainder were split), according to the National Conference of State Legislatures. By February of this year, Republicans controlled 30 legislatures and 27 governorships, compared to 18 and 23, respectively, for Democrats.

'A Matter of Survival'

When she talks with districts about handling their budgets amid major economic slides, Jess Gartner says it can be important for schools to think about one typically painful option: school closures.

Gartner, the CEO and founder of Allovue, an education management firm that helps districts create and plan budgets, acknowledged that conversations about consolidating or closing schools that are significantly below their enrollment capacity are often difficult. But it's better to consider the possibility and do other budget diagnostics in relatively calm circumstances than "trying to do that in the height of a crisis."

"It may well be a matter of survival for the district" she said.

She said it's also important for districts to scrutinize contracts and other expenses every year, instead of letting bureaucratic inertia take over, and to be careful not to use one-time grant or other funding for teacher positions that can't be sustained when circumstances crunch operating budgets. (On a related issue: States and districts had to push to identify new revenue sources when the federal stimulus for schools wound down in 2010.)

Over the last several years, there's been a movement among states in particular to rethink their school funding formulas and to more broadly consider whether the resources provide the biggest impact for schools, especially for at-risk students and those with particular needs. But it remains to be seen if that momentum at all levels of government would dissolve after the impact of a bad economy.

However, Gartner stressed that she hopes schools are past the point where such approaches that emphasize equity are considered a luxury to be discarded in dire straits.

"It's no coincidence that the communities most in need will be hit the hardest" by any major economic downturn, Gartner said.

When she was accounting director for Portland schools (the largest district in Oregon) and slashed close to 200 positions due to the the Great Recession's impact on the district, Lewis noted that the full impact of the economic downturn did not fully hit the school until the 2010-11 school year. That timeline, at least, gave the district a little time to absorb the impact.

RELATED BLOG

Visit this blog.

"You do multiple things to try to prepare," Lewis said.

Vol. 39, Issue 02, Pages 1, 16

Published in Print: August 28, 2019, as **Recession Jitters Revive Memories of Past Downturn**