

# **Protecting Academic Programs in Times of Economic Crisis: Evidence from California's Public School Districts**

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## **Abstract**

Whether school districts are being required to eliminate class-size reductions, music, arts, or athletic programs, lay off teachers or other staff, or eliminate basic school supplies, for the vast majority of states, this year's budgetary cuts to school districts coupled with the bad economy are having an enormous impact on schools and their students. As California's public school districts brace themselves for massive, impending cuts over the next few years, this representative study of 16 California school districts provide insight as to how district-level school business officials are responding to mid-year budgetary cuts.

## **Introduction**

California's public schools serve approximately 6.3 million students spanning 1,043 school districts. Californians annually contribute over \$45 billion to the state's public school system (Hansen, 2008). As the national economic crisis worsens, local public school districts across the country are being forced to make difficult financial decisions involving their own school budgets. In California, however, the impact of the national economic crisis on the state's public school system has been especially harsh (Sheffrin, 2004; Brewer & Smith, 2008; Imazeki, 2008). California Governor Arnold Schwarzenegger's proposed 2010-11 budget plans to reduce funding to K-12 education by \$2.7 billion, the equivalent of a reduction of \$432 per student statewide reflects how serious the economic crisis will impact public education (California Budget Project, 2010). As the current national economic crisis worsens, school district officials across California are being forced to make excruciatingly difficult financial decisions resulting in either major reductions or outright elimination of major academic programs and services for students (Loeb, Bryk & Hanushek, 2008; Sonstelie, 2008). This year's passage of the American Recovery and Reinvestment Act (ARRA) of 2009, also known as the federal stimulus package, includes a provision for the allocation of approximately \$140 billion in financial relief targeting the nation's state governments. Unfortunately, the federal government's fiscal relief is expected to cover only approximately 40 percent of the estimated \$350 to \$370 billion in budgetary shortfalls anticipated by states in the ensuing two-and-a-half-years (Johnson, Oliff, & Koulisch, 2009). California's current public school funding woes are at an all-time high compounded by dismal state public school rankings in almost every academic category compared to other states. According to the California Department of Education (CDE), the federal stimulus package will contribute an estimated \$8 billion in education-related funding. This representative study of 16 California school districts provides necessary insight detailing how district-level, school business officials are responding to mid-year budgetary cuts.

## **Purpose of Study**

This study was developed with the purpose of exploring what specific factors influence district-level, budgetary decision-makers when confronted with the financial necessity of mid-year budgetary cuts in a major, national economic downturn. The goal of the study is to provide school leaders with effective budgetary practices adopted by school districts during a dramatic economic downturn.

## **Data Sources and Methods**

Statewide, district-level financial data was gathered through the California Department of Education Ed-Data Standardized Account Code Structure reports from 2004 to 2008. A random sample of California school districts stratified by both size and community wealth yielded a total of 16 public school districts. In the 16 selected districts, a case study approach was used to collect district-level budgetary data and documents related to proposed budget cuts and the process used to determine budgetary changes.

Budget data included the 2008-09 school district budget and the 2008-09 mid-year budget cuts. The documents collected for analysis, included superintendent communications, school board minutes, school board supplementary materials, business official and superintendent presentation materials, budget committee documents and minutes, external budget reports, and the results of community budget surveys. Collectively, these data offer insight into how well prepared school districts were to weather the unexpected mid-year cuts, and the financial process select California school districts engaged in to decide how to gather input on budgetary cuts and eventually make decisions on the final disposition of the budget after cuts were made.

This study uses California public school-district data to address three primary research questions. These three research questions include:

1. How are school districts differently prepared to weather the mid-year budget cuts?
2. When experiencing mid-year, budgetary cuts, how much do districts cut and in what specific areas of the budget did they cut?
3. What process did districts use to protect academic programs and staff?

## **Results**

A review of the data revealed emerging trends associated with factors influencing mid-year budgetary cuts of the California school districts examined (*see Tables 1-3*). Not surprisingly, smaller, wealthier school districts were in a better financial condition compared to the other surveyed school districts. The role of the district's school business officer was seen as a significant factor in a district's ability to effectively handle difficult, mid-year financial cuts. Among the districts analyzed, instructional salaries were reduced during mid-year budgetary cuts at a lower rate (between 30-40%) compared to other areas of the district's budget. This preliminary finding reflected the budgetary importance of protecting instructional salaries as much as possible during challenging economic times. Those districts that developed community forums as a means to encourage feedback and suggestions found them to be an effective method of generating ideas for generating alternative revenue.

The 16 California school districts studied in this sample cut an average of 5.7% from their budgets during the 2008-09 school year. Overall, the largest share of the cut came from the layoffs of certified staff, followed by cuts in classified staff and administrative staff. Districts tended to make cuts across the board in proportion to the original budget allocations. The notable exception was among certified staff where costs accounted for over 45% of the original budget, and only comprised under 41% of the total cuts (*see table 1*).

**[Insert Table 1]**

## **Factors Affecting Fiscal Health Prior to Mid-Year Cuts**

While midsized, wealthier school districts were better positioned to negotiate the budgetary crisis, there was wide disparity even within that category of school districts. In addition to some schools simply being more reliant on state funding than others, recent student enrollment patterns and the availability of district reserves going into the 2008-09 school year played a key role in how significantly instructional programs and staff had to be cut.

School districts that had experienced diminishing student enrollment over several years were far less likely to have additional financial reserves available. Although not all school systems are experiencing a loss of students, declining student enrollment is a growing concern throughout California's public school system (California Department of Finance, 2008). In 2005, for example, residents leaving California outnumbered newcomers for the first time since 1994 (Davis & Palmer, 2007). Over half of the California districts examined in this study lost revenue due to decreases in student enrollment over a three year period leading up to the 2008-09 academic year. The primary reasons for decreased student enrollment in California include: demographic shifts, loss of local jobs, growth of charter school options and rising housing costs. Superintendent David Paine of Live Oak School District, (2007) described the fiscal impact of lost student enrollment in a memo to the Live Oak community. Assuming round revenue limit figures of \$5,300 per student, the loss of 30 students equals \$159,000. After recouping the salary and benefits from the layoff of a teacher low in seniority (\$40,000 in salary and \$16,000 in benefits) the school is still down \$103,000 in lost funding to support overhead costs.

### **How and Where did California School Districts Choose to Cut?**

Among the districts examined in our sample, non-administration, certified salaries were reduced during mid-year budgetary cuts at a lower rate (40.83%) compared to the share of the original budget dedicated to certified staff (45.44%). However, efforts to protect certified staff lines in the budget varied greatly ranging from 23% to 68% of the total budget. Three of the sixteen districts examined in this study cut certified instructional staff at a higher rate compared to their share of the original budget. All three were larger districts that opted out of the state's class size reduction incentive program and increased class sizes to the legal maximum. Although this resulted in a loss of class size reduction revenue from the state, the savings from salaries and other overhead costs gained by closing schools or entire programs was noticeably greater. Districts with the lowest relative reduction in certified staff made more aggressive cuts in classified staff, administration, extracurricular programs and special academic programs with traditionally low student enrollment.

All school districts in our sample were forced to implement significant layoffs. Layoffs were determined based on seniority and credentials but only after the district determined how many jobs would be lost within subject areas and grade levels. Many school districts only recognize seniority as time served within a particular district so new and veteran teachers alike received layoff notices in the spring of 2009. The California Teachers Association (CTA) estimated that approximately 18,000 layoff notices were sent by March 13, 2009, which was referred to as "Pink Friday" (Myslinski, 2008). In fact, in some cases, schools were forced to reduce their teaching staff by over two-thirds.

### **Efforts to Save Instructional Programming**

While across the board percentage cuts to administrative and academic programs were difficult, they were not nearly as controversial compared to the mass layoffs of instructional personnel, school closings or shutting down programs. In our study, local political leaders, parents and teacher unions played a critical role in the ultimate success or failure of some of the most dramatic and creative attempts to meet the new budgetary demands. For instance, those districts that developed community forums as a means to encourage feedback and suggestions found them to be an effective medium for gathering feedback on a

particular district's budgetary reductions and ideas for generating alternative revenue sources. Perhaps more importantly, these forums or the use of frequent and detailed communications about district budget projections helped engage key stakeholders early enough in the process allowing time to help district officials become more familiar and eventually accepting of the necessary and deep budgetary cuts required by the state. Districts in this study that did not effectively engage and educate the community-at-large regarding the specifics of the impending budgetary changes were met with increasingly more resistance from both union representatives as well as school board members. In one particular district, for example, a school board refused to adopt a new mid-year budget and district administrators invoked the threat of receivership in communications with the community to put pressure on the school board to act.

California public school districts used a variety of methods to preserve instructional spending and teacher jobs but at the end of the budgetary cut process, the percent allocated for instruction, administration and maintenance (three activities that collectively make up over 87% of the total district budget) remained remarkably similar, just as it has during the last 4 years of fiscal stress in California leading up to the 2008-09 school year (*see table 2*). More specifically, Table 3 details California school districts in our sample with state apportionment reductions of over \$2000 per pupil. As Table 3 illustrates, districts experienced state apportionment reductions of over \$2000 per pupil regardless of student enrollment size or per pupil spending levels.

Beyond staff layoffs, strategies districts used in meeting new budgetary demands included:

1. Moving to a 4 day school week with an additional hour added to each day
2. Closing and consolidating schools within districts
3. Furloughs
4. Shutting down non-academic programs
5. Charging utilities and supplies for facility use
6. Increasing fees for non-academic programs
7. Suspend retiree trust payment
8. Eliminate stipends ((sports, band, etc.)
9. Eliminate offerings (e.g., elementary school music)

**[Insert Table 2]**

**[Insert Table 3]**

While across the board percentage cuts to administrative and academic programs were difficult, they were not as controversial as mass layoffs of instructional personnel, school closings or shutting down programs. Our analysis indicates both successful and unsuccessful strategies used by school leaders to gather the support of key constituents to implement these cost cutting measures. Local political leaders, parents and teacher unions played a critical role in the success or failure of some of the most dramatic and creative attempts to meet the new budget demands.

## **Conclusion**

Understanding how public school districts prioritize academic programs in times of economic crisis has direct implications for educational policy, practice, and research. This study details specifically how district-level, budgetary decision-makers, such as school business officials significantly influence the budgetary process through the implementation of innovative, budgetary resource allocation practices. There are also implications in this study detailing the underestimated importance of the role community-based forums play in informing, and even significantly shaping, the district-level budgetary

debates The combined significance of skilled school business officials combined with active community involvement in the budgetary process of funding public schools are significant factors in the protection of academic programs in an economic crisis. This study uncovered both successful as well as unsuccessful strategies used by district-level budgetary decision-makers to gather the support of key constituents to implement cost cutting measures. Local political leaders, parents and teacher unions played a critical role in the success or failure of some of the most dramatic and creative attempts to meet the increasingly difficult budgetary demands placed on districts.

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**Table 1**

**Percentage of total budget cut compared to percentage of previous budget in sample**

Budget Object	% of Cuts	% of budget	Difference
Certified staff	40.83	45.44	-4.61
Classified staff	14.31	13.61	0.70
Administration	4.44	5.62	-1.18

**Table 2**

**State average spending by activity 2003-4 and 2007-08**

Activity	2003-04 per ADA	2003-04 pct. of budget	2007-08 per ADA	2007-08 pct. of budget
Instruction	3763	62.02%	5574	61.63%
Administration	1198	16.41%	1478	16.34%
Maint./operations	665	9.12%	858	9.48%

**Table 3****Districts with state apportionment reductions over \$2000 per pupil**

District	District K-12 Apportionments	State Apportionment Reductions Per Student	ADA	2008 \$ per pupil
Pacific Unified	79,000	4,298	16.7	50,816
Taft Union High	3,921,000	3,882	1065.8	29,988
Mineral Elementary	18,000	3,636	111.4	61,610
Mattole Unified	112,000	2,614	831	40,442
Panoche Elementary	17,000	2,394	7.3	23,558
Death Valley Unified	137,000	2,000	59.1	26,015
<b>State Totals</b>	<b>4,341,717,000</b>	<b>759</b>		<b>9045</b>