



Report of Findings
Surviving Sequester, Round One: Schools Detail Impact of Sequester Cuts

August 2013

Noelle M. Ellerson, AASA: The School Superintendents Association

Daniel A. Domenech, AASA Executive Director

© AASA: The School Superintendents Association

This study is the 15th in a series conducted by AASA, The School Superintendents Association on the impact of the economic downturn and related fiscal policies (like sequestration) on the nation's schools. The series was launched in 2008 in response to state budget shortfalls, federal aid and interventions, and a series of additional events characterizing a slowing, stagnant economy. As the economic situation worsened, AASA continued to monitor its impact on schools through a series of surveys of school administrators nationwide. Previous studies in the AASA Economic Impact Study Series can be found online: <http://www.aasa.org/research.aspx>.

The 2013-14 school year—already underway in some districts across the country—represents the first year that school operating budgets will include cuts in federal education funding stemming from the sequester (the automatic, across-the-board cuts stemming from Congressional law and inaction). As school districts across the nation kick off the 2013-2014 school year, school system leaders find themselves opening school house doors unable to provide the same educational offerings as last year. This survey reflects current budget realities for the nation's schools, as reported by 541 survey respondents from 48 states earlier this summer. Top-line takeaways:

- **The cuts of sequestration will translate into reductions in and eliminations to personnel, curriculum, facilities and operations.** Respondents reported that the cuts of sequestration would mean reducing professional development (59 percent), eliminating personnel (53 percent), increasing class size (48 percent) and deferring technology purchases (46 percent). The bottom line is that schools and students continue to pay the price for failed federal spending policy.
- **State/local governments and school districts have very limited capacity to soften the cuts of sequestration.** When asked if their state or local school districts have the ability to soften the impact of sequestration, nearly all respondents replied “No.” Eighty-five percent replied that their state would be unable to absorb or offset the cuts of sequestration, virtually identical to the 86 percent indicating that their district would be unable to absorb the cuts.
- **More than half (53 percent) of respondents reported that their budgets for the 2013-14 school year built-in cuts to offset sequestration.** School administrators report a variety of approaches in planning for sequestration. The annual process of adopting school budgets wrapped up in May, meaning survey respondents were able to indicate how/if their district budget offset the anticipated cuts of sequestration.
- **Bound by the responsibility to pass on-time balanced budgets, superintendents described efforts to offset cuts in 2013-14, but expressed concern about additional sequester cuts in the future.** Through this series of surveys, AASA has documented that budget cuts started at the areas that least directly impact student learning. As further cuts became necessary, school leaders found themselves having to make cuts to areas that most directly affected student learning (teacher jobs). While some states and schools have started to recover from these recession-era cuts—and could offset the impact of the sequester—the reality is that sequestration can reverse this positive economic stability:

*The largest impact in our state was the Head Start Program, which was fortunately mitigated by an increase in state funds. If not for the state funding increase, we would have been required to cut one teacher and one aide, which would have resulted in the loss of 17 slots for low-income children. Crisis averted—for this year. However, we will NOT have any such “fall back” opportunities in the future. **Virginia***

BACKGROUND: Sequestration was designed as a consequence. The priority was for the Super Committee to identify a nuanced plan—one that would arguably combine spending cuts, revenue increases and mandatory program reform—to realize the required savings over the next decade. The true impact of sequestration is now being felt by individuals at the local level. Congress must acknowledge that sequestration is a problem and not a solution. Congress must acknowledge that sequestration is a mistake that derails any hope of long-term, sustained economic well-being and growth. It is the responsibility of Congress to pick up the work of the failed Super Committee and avoid the deep cuts of sequestration.

AASA understands and recognizes the important work of addressing our nation’s budget and the challenges Congress faces in addressing spending, revenues and mandatory programs. AASA firmly believes, however, that the blunt cuts of sequestration run counter to the widely stated and broadly supported goal of putting our nation on the path to economic health and well-being. The blind cuts of sequestration, made regardless of program demand or effectiveness, represent poor, short-sighted policy. More directly related to education, sequestration would harm our nation’s global competitiveness and economic future by completely undermining progress on improving student achievement, closing achievement gaps and increasing high school graduation rates and post-secondary education enrollment.

In the specific context of sequestration, it must be noted that the so-called ‘across-the-board’ nature of sequestration is anything but in schools. Each district has its own operating budget which includes a share of federal education dollars. Through a combination of factors including poverty, local/state budget capacity, and state/local investment in education, the federal dollars represent a varying ‘share’ of the overall budget¹ such that some districts will feel to allegedly ‘flat’ cut of 5.2 percent much more aggressively than other districts. That is, relatively robust districts—where federal dollars represent less than 8 percent of the overall budget—will be applying the sequester cuts to a smaller portion of the overall budget than their higher-poverty districts, where federal dollars can represent upwards of 50, 60 or 70 percent of the operating budget. Five percent of 8 percent, while damaging, is much less harmful than 5 percent of 60 percent. Low-wealth (higher-poverty) districts generally have a larger share of their funding coming from the federal level. The sequester cuts will disproportionately hurt the most vulnerable students in the most vulnerable districts, anything but ‘across-the-board.’

For all 50 states, as well as the large share of school districts, overall FY13 spending (funds available for the 2013-14 school year) remains below pre-recession levels². The continued suppression of real spending levels in 2013 illustrates that state budgets continue to struggle to grow quickly enough to compensate for recession-induced declines and inflation. Any growth states are experiencing stands to be reversed by sequestration. The across-the-board cuts pull the rug out from under state and local economies that are still emerging from the recession. In those cases where state and local budgets could cover for this round of sequester cuts, the reality is that the sequester could be not one, but up to 10 consecutive years of these cuts, something that no state or local budget can fully absorb.

*In 1966 Congress accepted and endorsed the Coleman Report—concluding that poor children are destined to remain poor. This endorsement created a nationwide smog of low expectations for poor students lasting for decades. While our federal government now proclaims a commitment to eliminating poverty through education, the current sequestration of federal funding for poor students demonstrates that our legislators still endorse the Coleman Report of 1966. Actions speak far louder than words. **Kentucky***

¹ AASA’s [Fiscal Cliff Toolkit](http://proximityone.com/sdfa_cd.htm#us) includes a map detailing the share of federal dollars in schools districts across the nation. You can find this map online (http://proximityone.com/sdfa_cd.htm#us) and at the end of this report (*Figure 1*).

² National Governor’s Association and National Association of School Business Officials (May 2013). “The Fiscal Survey of the States.” Washington, DC: NGA and NASBO. <http://www.nga.org/cms/StateFiscal>

SURVEY FINDINGS:

- The large majority (85 percent) of respondents reported that their states were unable to soften the impact of the sequester cuts, meaning that local education agencies absorbed the full cut.
- The large majority (86 percent) also reported that their districts were unable to absorb the federal cuts, either, meaning that schools were left to decide what combination of job cuts, program elimination, and other budgetary reductions would least impact student learning. These cuts manifested themselves in a variety of ways, detailed below.
- School districts, unlike Congress, have to pass on-time balanced budgets every year. The sequester didn't sneak up on schools, and superintendents worked with boards and their larger communities to plan accordingly. Asked to describe how their district planned for the sequester:
 - More than half (53 percent) of respondents replied, *We built the full cut (5 percent) into our budget for the 2013-14 school year.*
 - One-quarter (22 percent) of respondents replied, *We did not build the cut in to our budget for the 2013-14 school year BECAUSE OUR DISTRICT BUDGET DOESN'T HAVE THE CAPACITY TO ABSORB THE CUTS.*
 - A smaller share (14 percent) of respondents replied, *We built in a portion of the cut (<5 percent) into our budget for the 2013-14 school year.*
 - A very small share (5 percent) of respondents reserve some hope for Congress and responded, *We did not build the cut in to our budget for the 2013-14 school year BECAUSE WE ANTICIPATE CONGRESS WILL ACT TO RESTORE THE CUT.*
- The Cuts: Unsurprisingly, the top areas that superintendents reported as impacted as a result of the sequester bear strong resemblance to the projections made last summer. Asked how the sequester cuts will impact their district, respondents reported:

Reducing Professional Development	59%
Personnel Layoffs/Eliminating Positions (instructional staff)	53%
Increased Class Size	48%
Personnel Layoffs/Eliminating Positions (non-instructional staff)	47%
Deferring Technology Purchases	46%
Deferring Maintenance	38%
Reducing Academic Programs (academic interventions and Saturday classes)	33%
Deferring Textbook Purchases	32%
Reducing Non-Academic Programs (after-school and Saturday enrichment programs)	24%
Eliminating Summer School Programs	22%
Reducing Elective Courses Not Required for Graduation	19%
Reducing Extra-Curricular Activities	19%
Shift Funding of Extracurricular Activities to Families/Community/Boosters	17%
Cutting Bus Transportation Routes/Availability	12%
Reducing High-Cost Course Offerings (occupational education)	8%
Personnel Furloughs	6%
Closing/Consolidating Schools	6%

CONCLUSION: AASA's *Economic Impact Survey Series* has provided the only long-term snapshot of how the nation's schools have responded to and been impacted by the nation's recent economic downturn and resulting fiscal policies, including sequestration. State and local budgets continue to work their way back to pre-recession levels. School administrators continue to find themselves in the tough position of having to cut the academic programs and instructional personnel that are critical to supporting quality public education, improving student learning and giving students the best educational opportunities available. Even as the recession ended and state and local economics began to not only stabilize, but to grow, education funding faced threats stemming from federal policies and inaction, including sequestration. *Surviving Sequestration* is the first AASA survey to be conducted after schools had completed a post-sequestration budget process, providing a unique glimpse at how federal inaction is negatively impacting students and schools. If nothing else, these findings should be a clear illustration of the important work Congress must focus on, picking up the work of the failed Joint Committee to identify an approach that avoids the blunt cuts of sequestration while addressing the nation's debt and deficit.

AASA looks forward to the time when the newest *Economic Impact Survey* details economic stability and increased investment in education. The unfortunate reality, however, is that state and federal budgets will continue to be hard-pressed to recover and reinstate the billions of dollars cut from operating budgets during the recession and sequestration. School districts will continue to grapple with tight operating budgets and federal policies such as sequestration that simply compound an untenable situation. Schools will continue to operate and open their doors because students will continue to show up. School administrators will continue to address their fiscal reality with a sense of pragmatism and look to Congress and the administration to pursue a similarly pragmatic approach to sequestration.

Figure 1: AASA Fiscal Cliff Tool Kit Map

The following chart illustrates the share of federal dollars in school district operating budget.

