



FEDERAL RESERVE BANK *of* NEW YORK

# Regional Economic Press Briefing

January 27, 2012

The views expressed here are those of the presenters and do not necessarily represent the views of the Federal Reserve Bank of New York or the Federal Reserve System.

# Impact of the Great Recession on Public Schools in the Region

Rajashri Chakrabarti, Economist

**How Were School Finances Affected  
During the Recession And  
Federal Stimulus Funding Period?**

# Background

- Economic downturn reduced tax revenues and expanded budget gaps
- Many state and local services affected, schools no exception
- The federal ARRA (American Recovery and Reinvestment Act) education funding started in Fall 2009 to ease budget pressures
  - \$100 billion to states for education
  - \$5.6 billion to New York; \$2.2 billion to New Jersey
  - Funds to be spent by Fall 2011
  - New York won an additional \$700 million under *Race to the Top* Competition
- Main objectives of ARRA spending on education:
  - Save and create jobs
  - Improve student achievement and close achievement gaps

# Outline of the Briefing

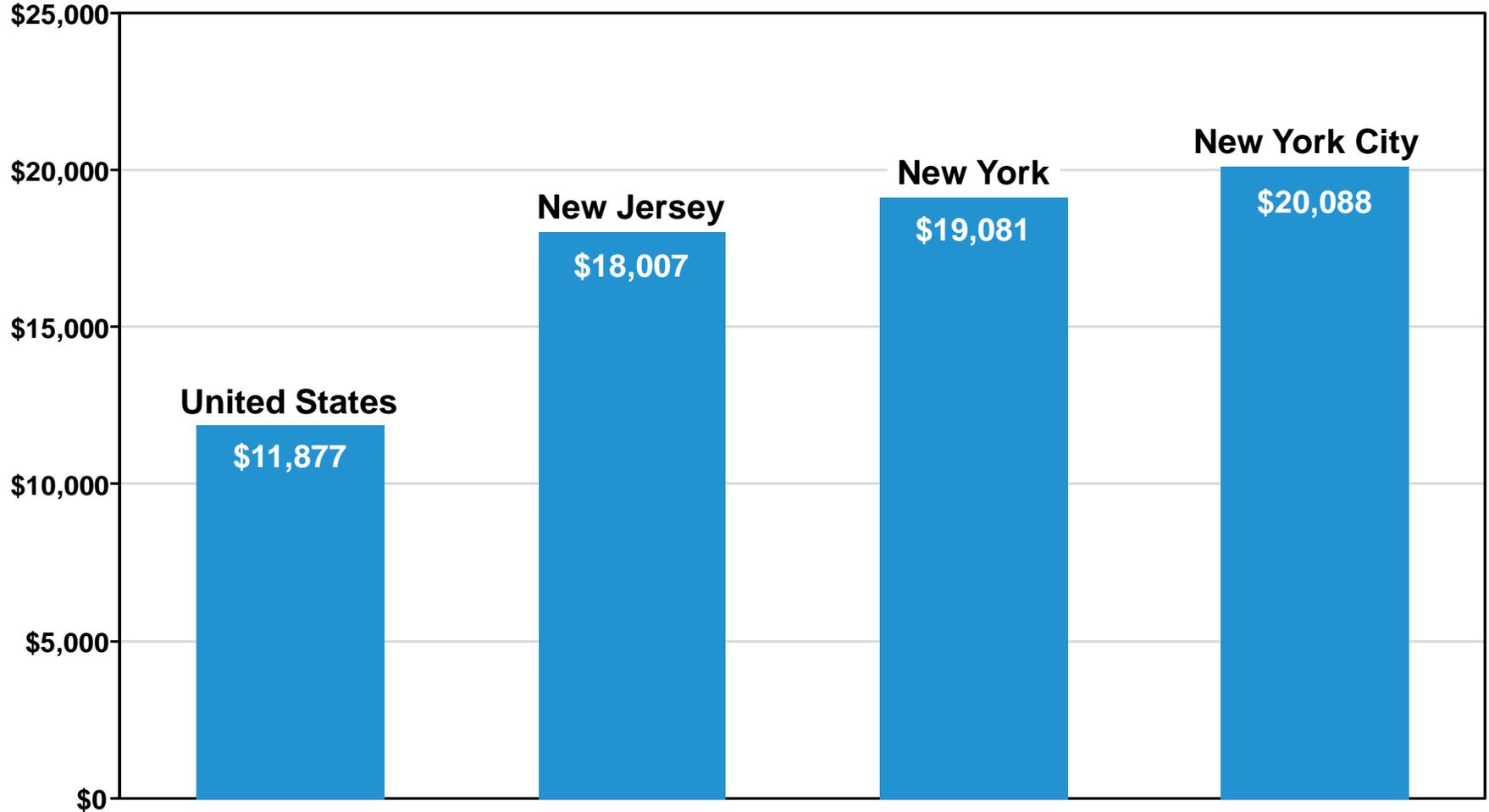
- Examine patterns in overall school finances in NY and NJ
  - Long term trends in school finances
  - Changes during recession and federal stimulus period
  - Differences **between** NY and NJ
- Investigate school finance patterns **within** NY and NJ
  - Variations across Metropolitan areas
  - Variations across poverty status
- Looking forward
  - With the drying up of ARRA funding, how might schools be affected?

# Key Takeaways

- School finances in NJ cut severely; in NY much less so
- Instruction and classroom expenditures were cut less than other categories, especially in NY
- Within states, impacts varied by metropolitan areas and by poverty statuses/incomes of districts
- With ARRA funding drying up, schools in both NY and NJ likely face more tough choices ahead

# Total Funding Per Pupil

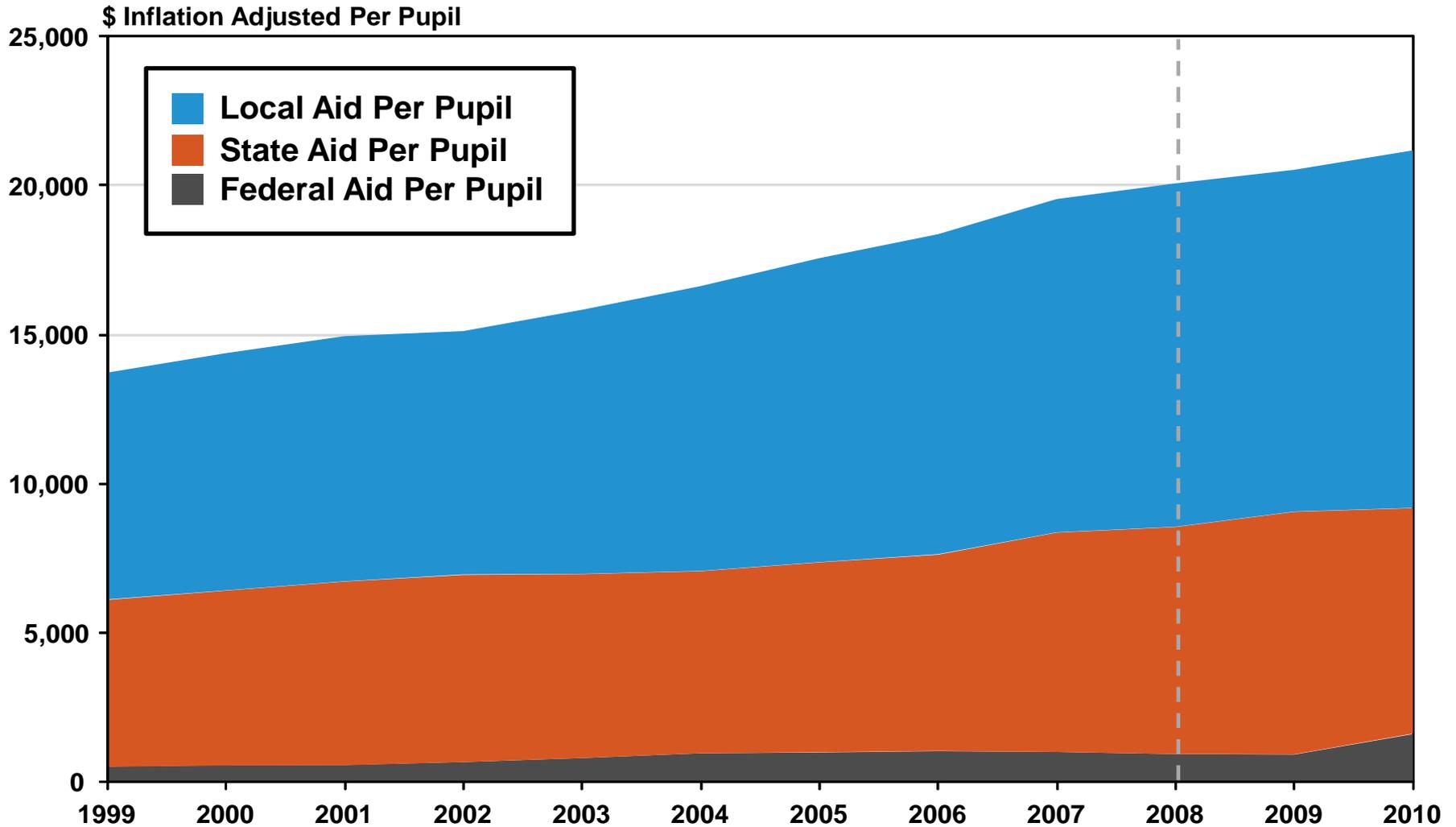
2007-2008



**Long-Term Trends  
In School Finances  
In New York and New Jersey**

# Where Did the Money Come From?

## Composition of Funding in New York

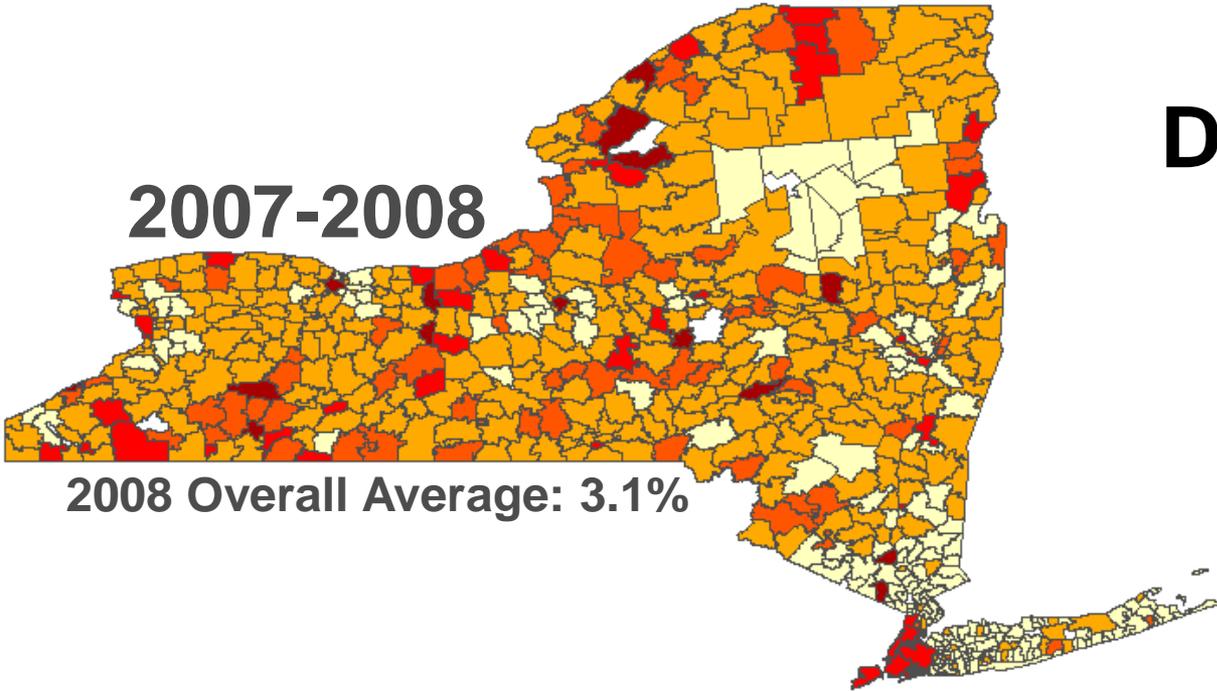


Note: Years represented by Spring Term

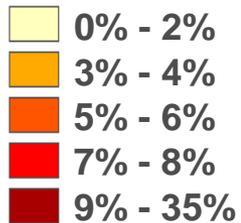
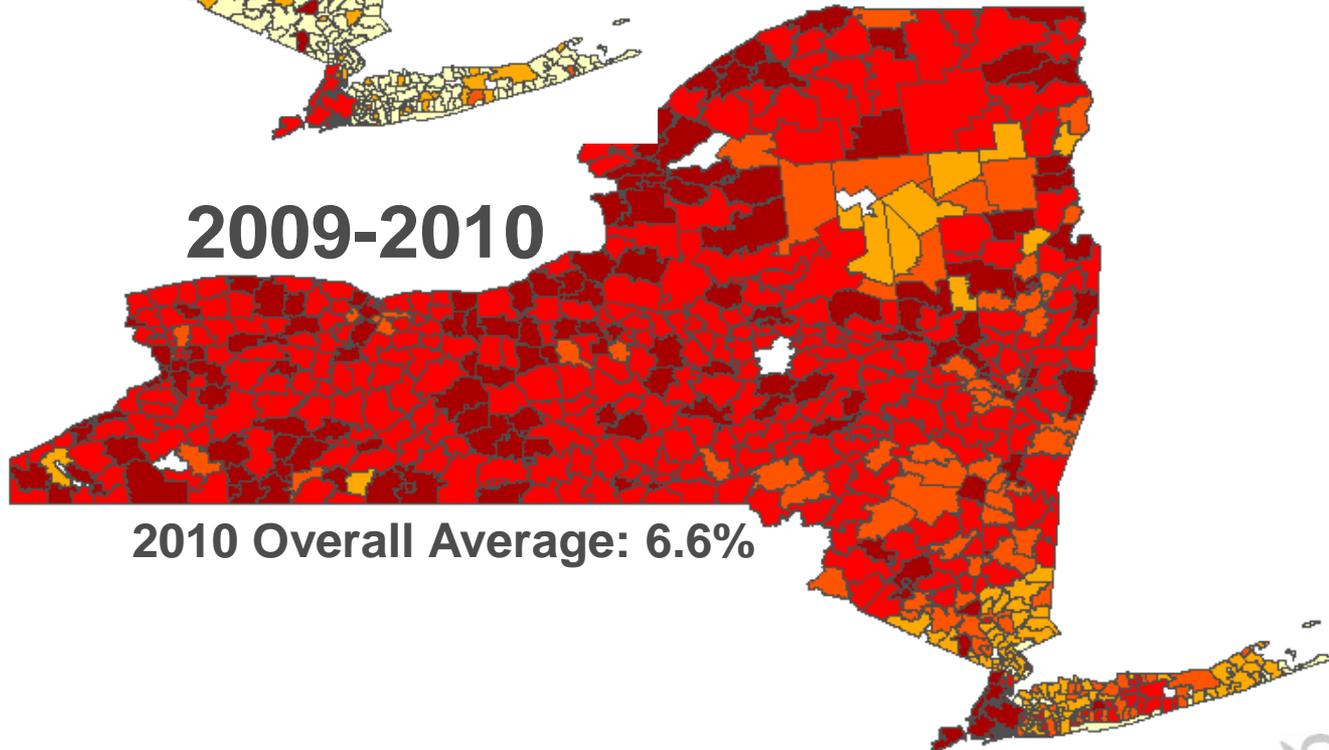
Source: New York Office of the State Comptroller and Authors' Calculations

# Percent of District Funding From Federal Sources

**2007-2008**

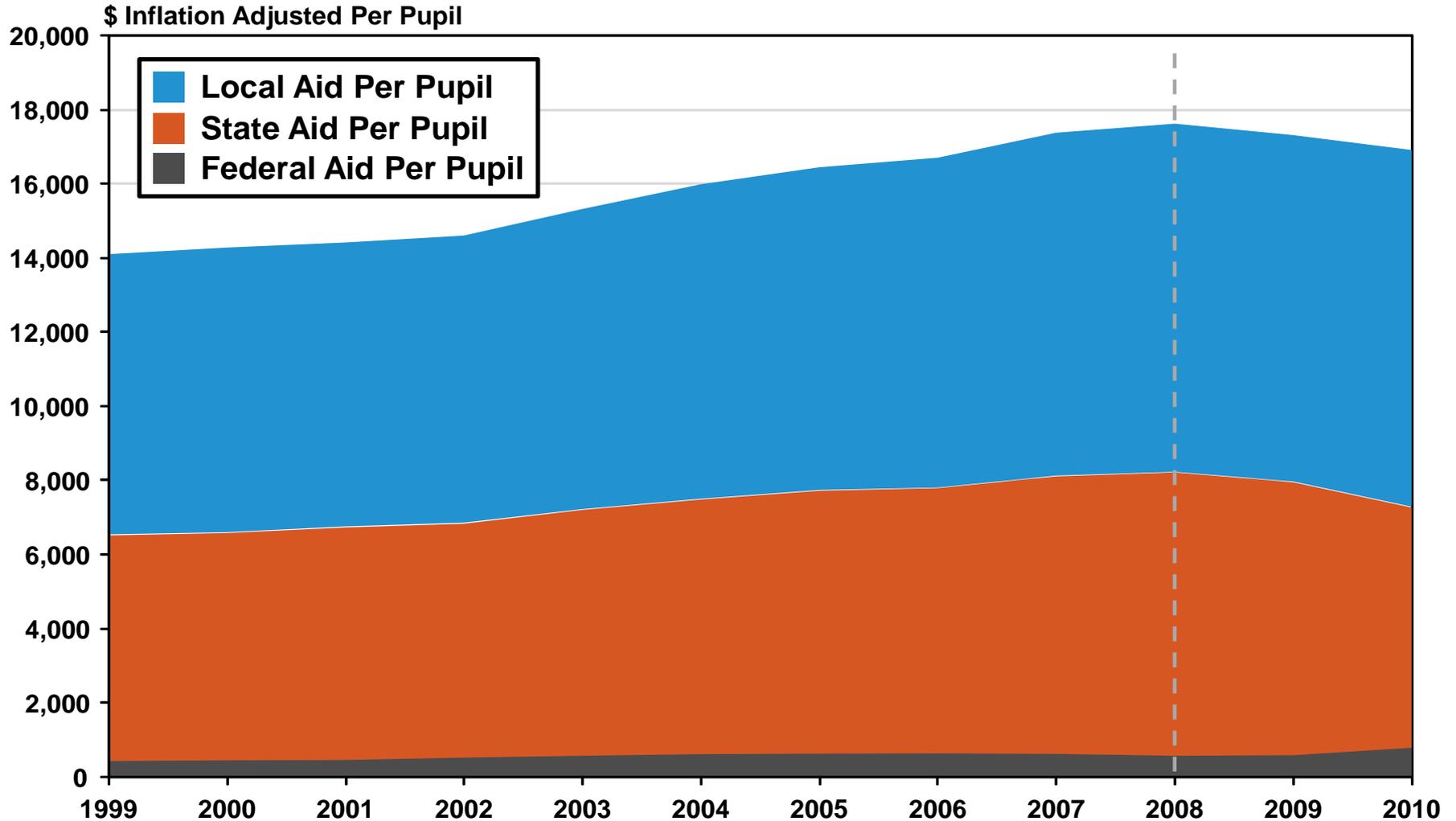


**2009-2010**



# Where Did the Money Come From?

## Composition of Funding in New Jersey

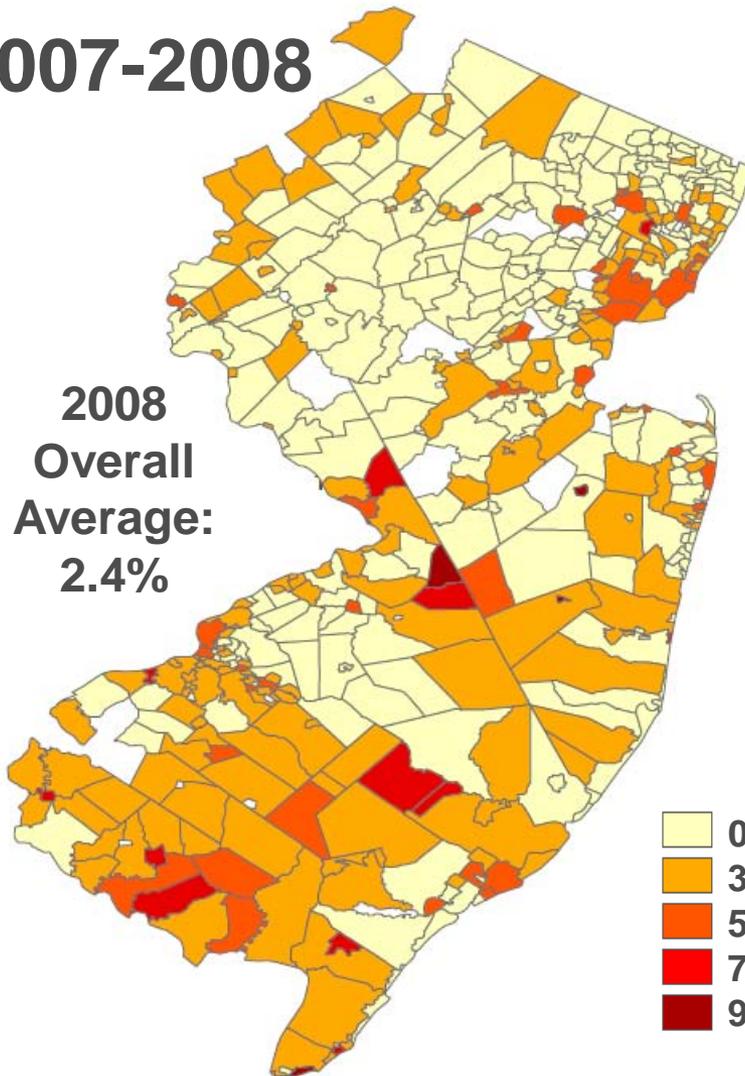


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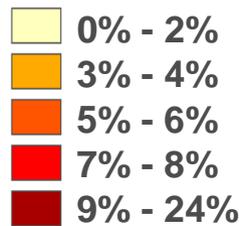
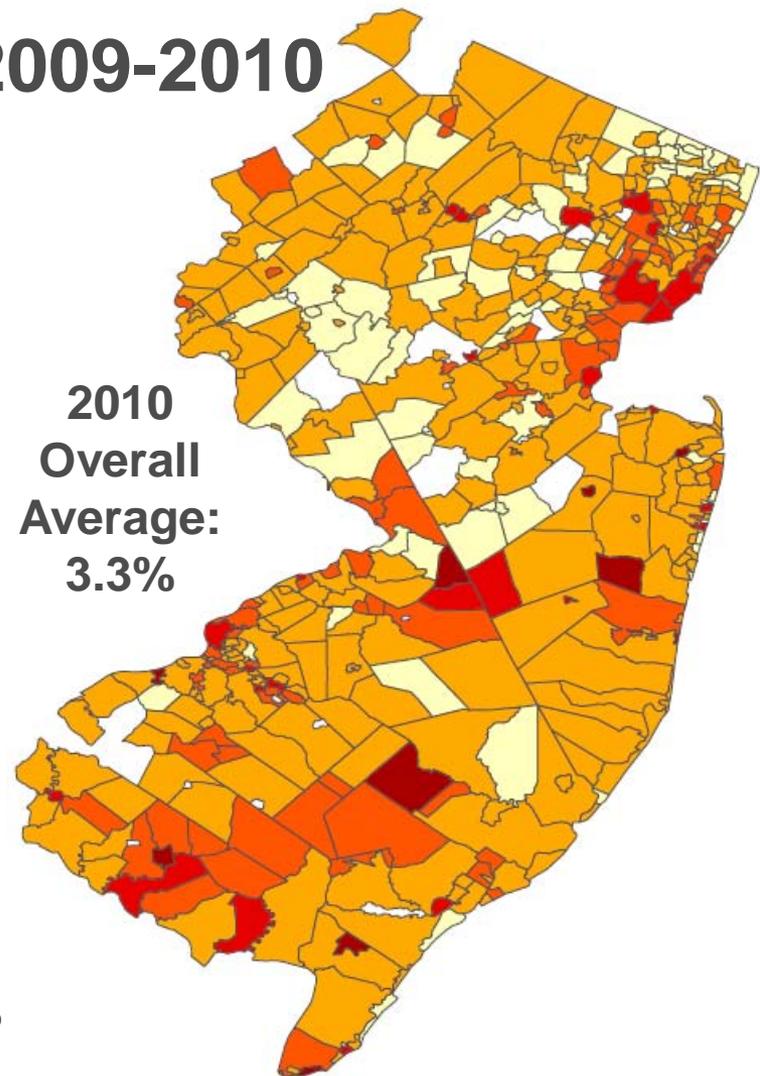
Source: New Jersey Department of Education and Authors' Calculations

# Percent of District Funding From Federal Sources

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**2009-2010**

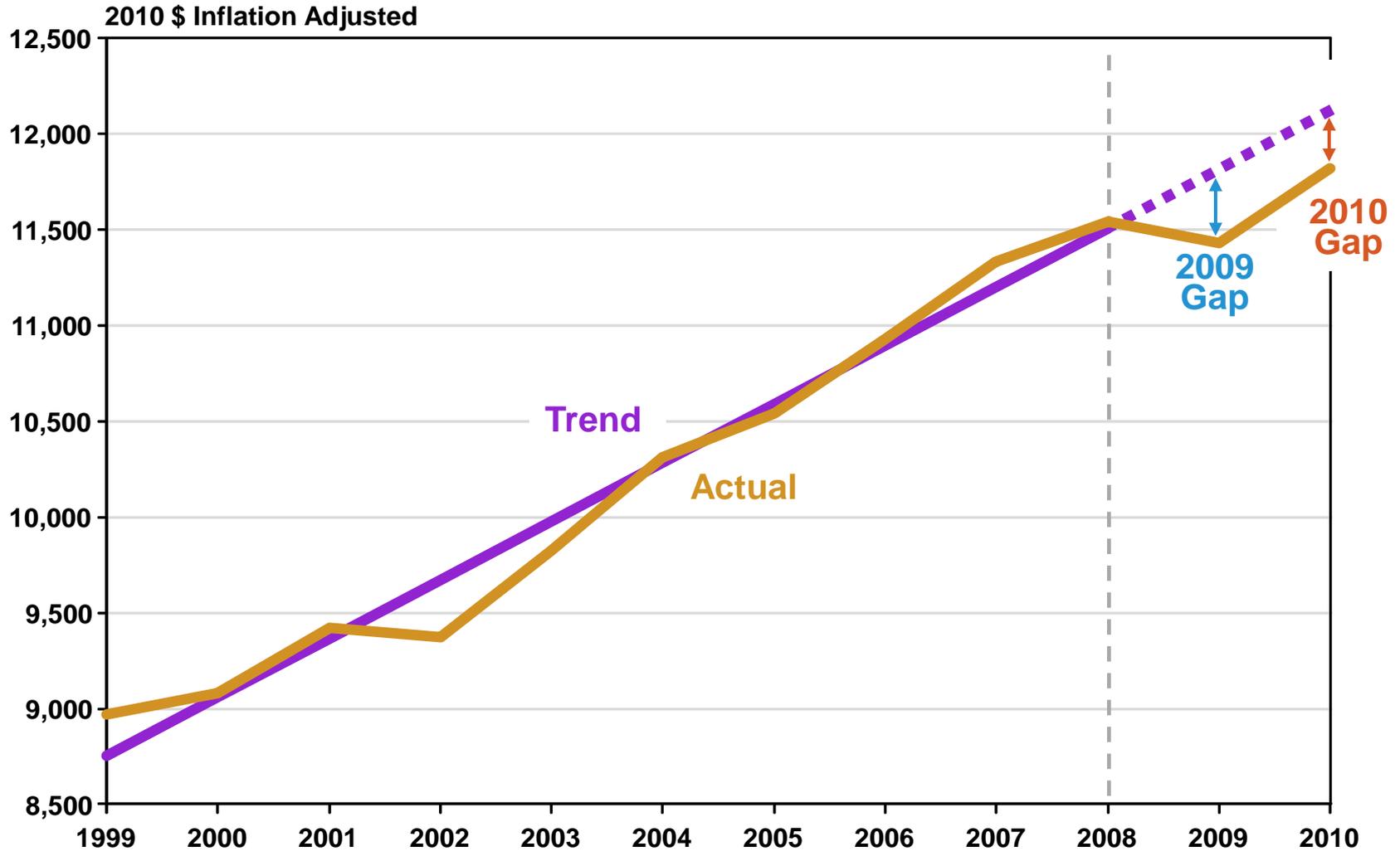


**Zooming in on the  
Post Recession Period:**

**Closer Look at NY and NJ  
School Finances After the Recession**

# Shift From Expected Pre-Recession Trends

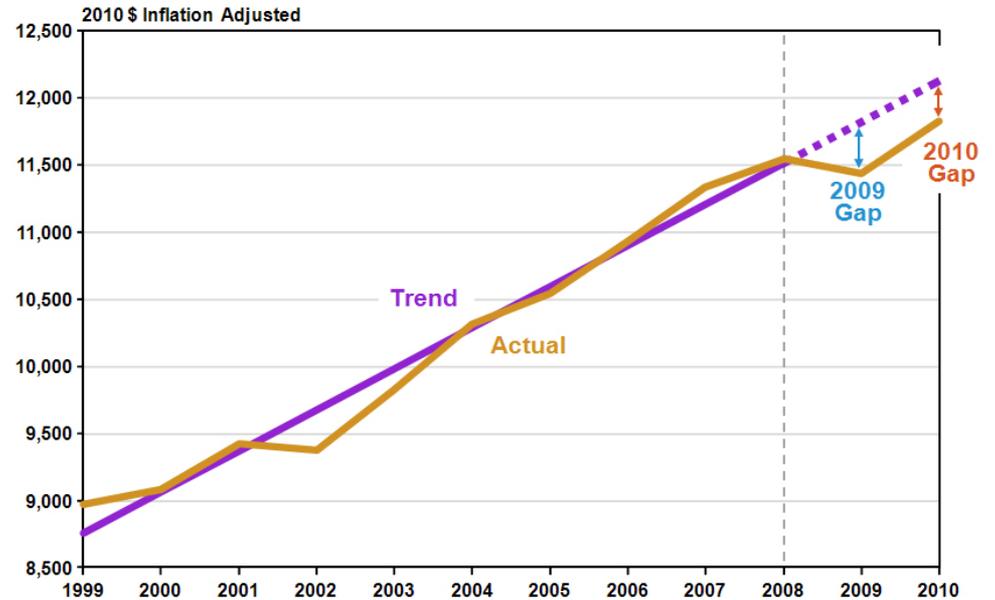
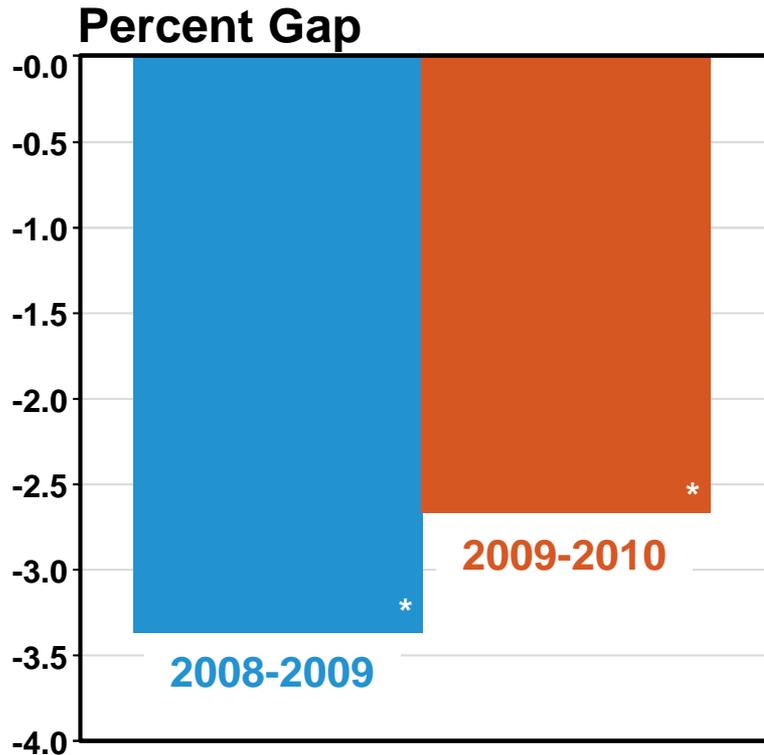
Using New Jersey Local Revenue Per Pupil



Note: Years represented by Spring Term  
Source: New Jersey Department of Education and Authors' Calculations

# Shift From Expected Pre-Recession Trends

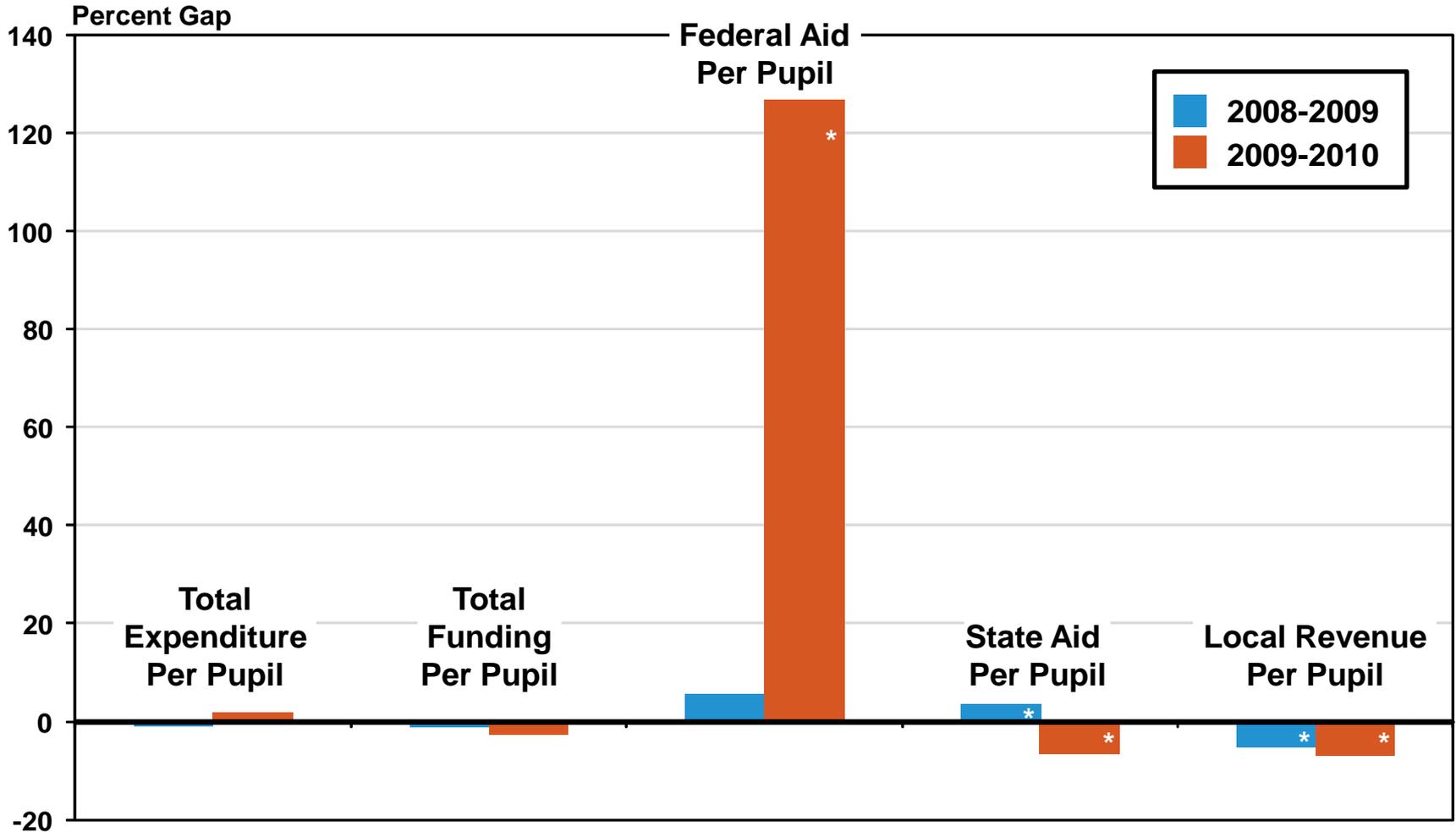
Using New Jersey Local Revenue Per Pupil



Note: Asterisks indicate statistical significance  
Source: New Jersey Department of Education and Authors' Calculations

# NY School Finances

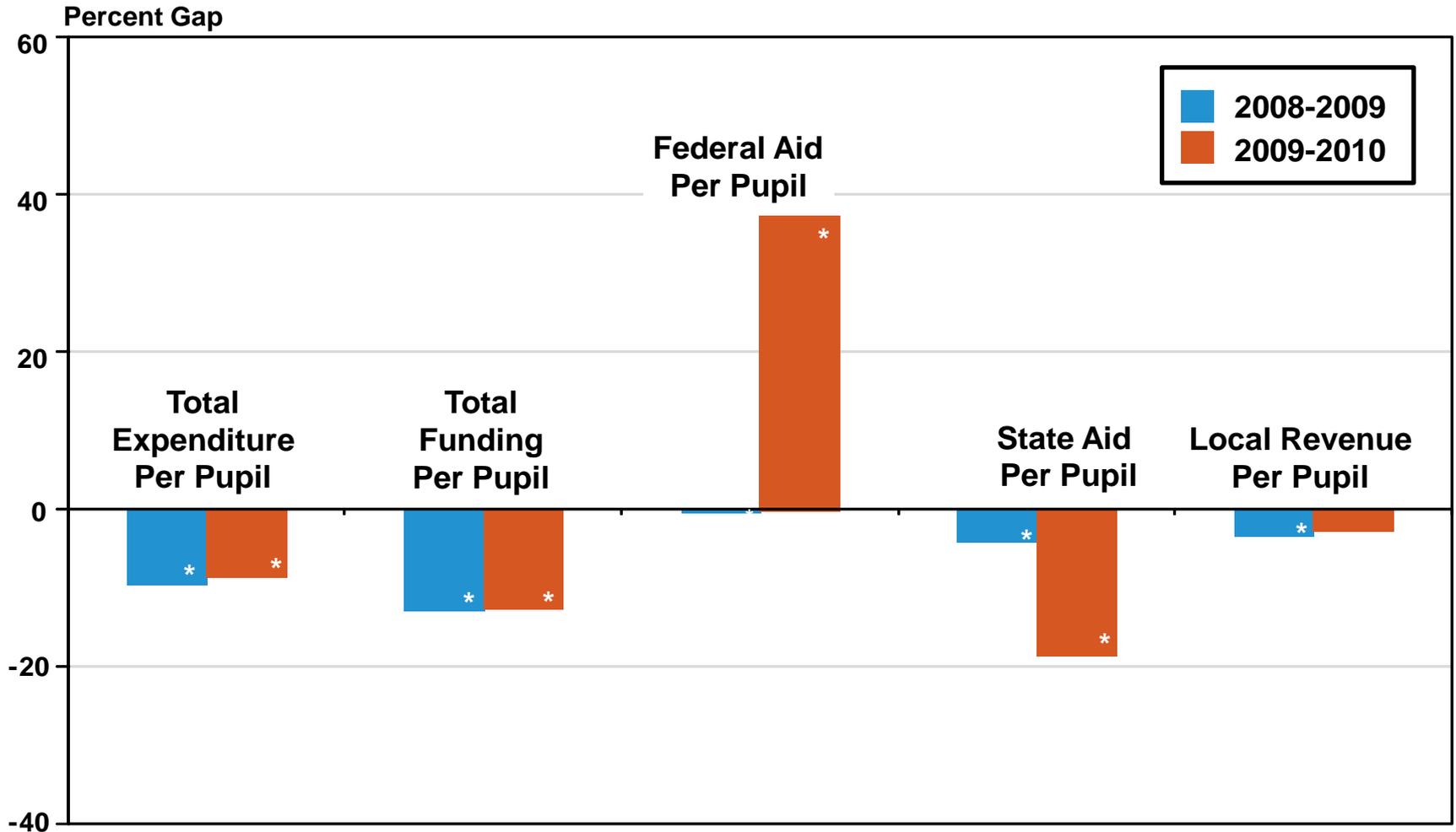
During the Recession and Federal Stimulus



Note: Asterisks indicate statistical significance  
Source: New York Office of the State Comptroller and Authors' Calculations

# NJ School Finances

During the Recession and Federal Stimulus



Note: Asterisks indicate statistical significance

Source: New Jersey Department of Education and Authors' Calculations

# Composition of Expenditures

2007-2008 Expenditures

**Instructional Expenditure**  
Teacher salaries and benefits; classroom supplies

**Instructional Support Expenditure**  
Food service, educational television, library, computer

**Student Services**  
Psychological and health services; school store

**Utilities**  
Heating, lighting, water, and sewage; operation and maintenance

**Transportation**

**Student Activities**  
Athletics and extracurricular activities

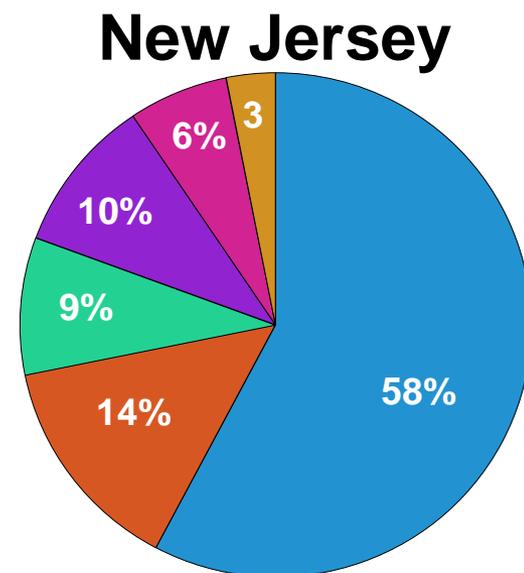
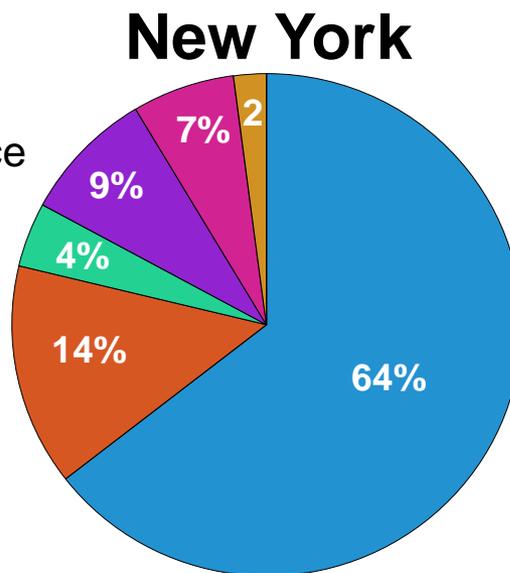
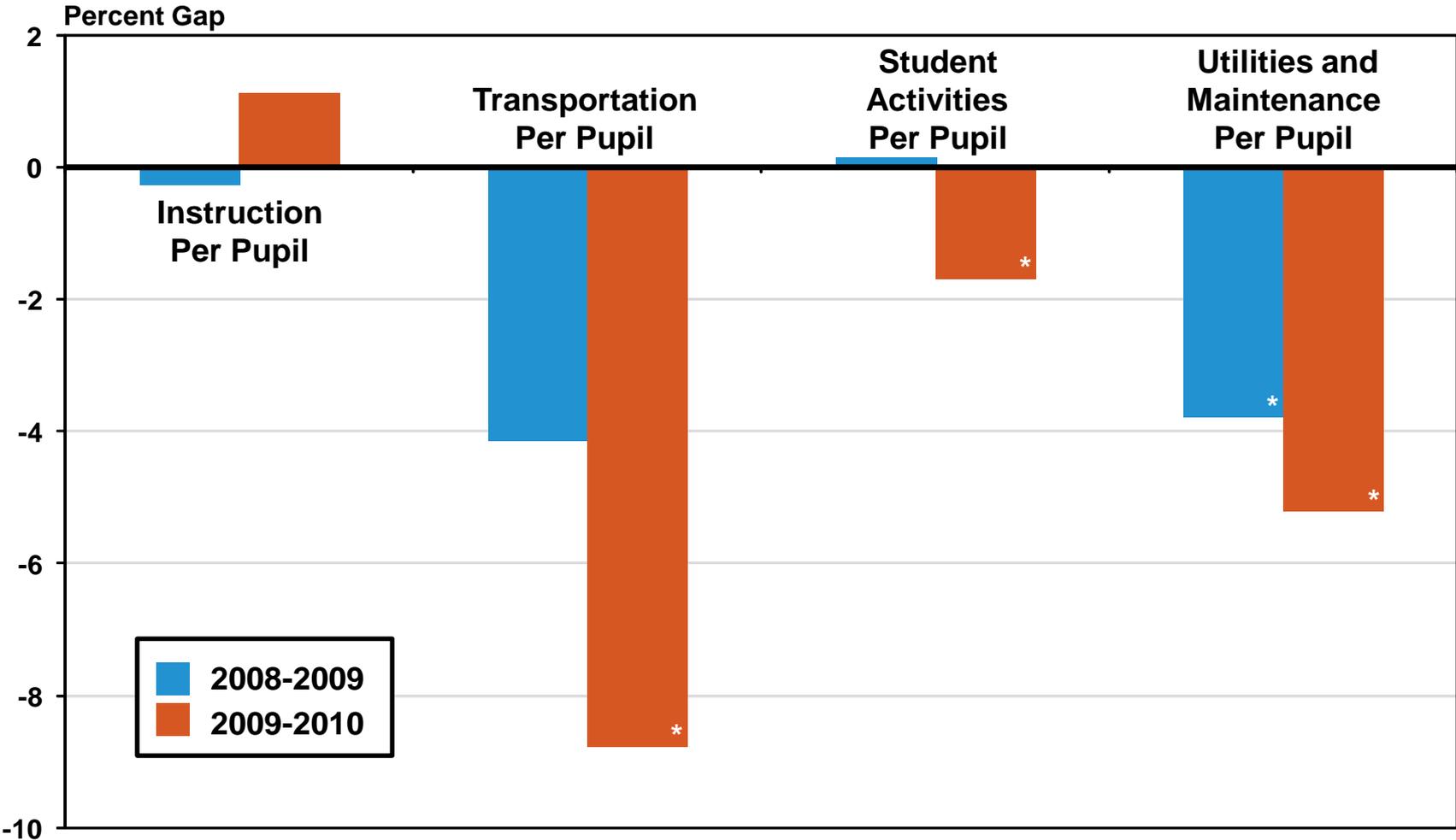


Chart Data Source: National Center for Education Statistics

Notes: **Other** includes small components of support services, enterprise operations, and NCES defined category entitled "other else". Student activities is not represented in these data

# NY Composition of School Expenditures

During the Recession and Federal Stimulus

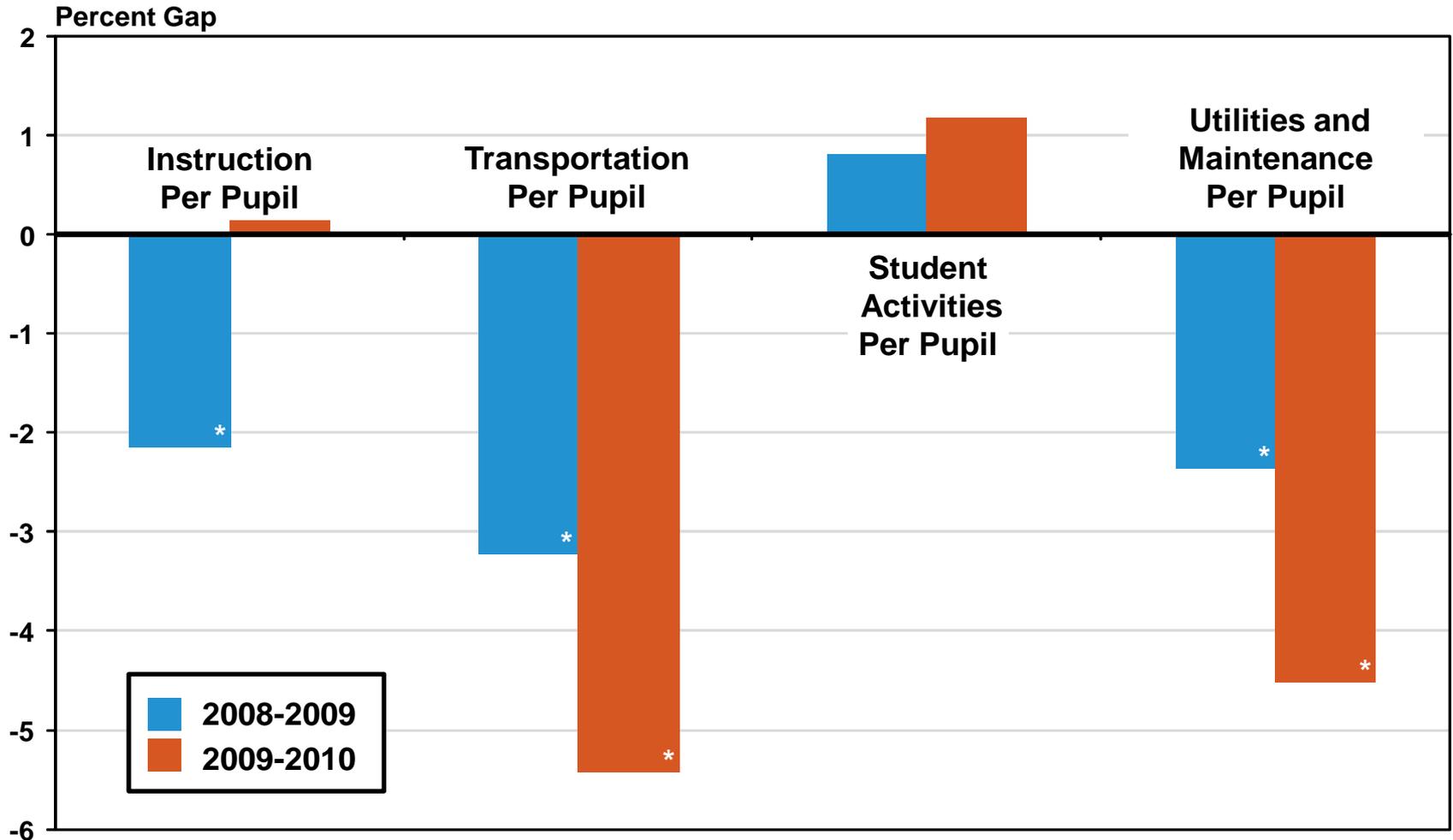


2008-2009  
2009-2010

Note: Asterisks indicate statistical significance  
Source: New York Office of the State Comptroller and Authors' Calculations

# NJ Composition of School Expenditures

During the Recession and Federal Stimulus



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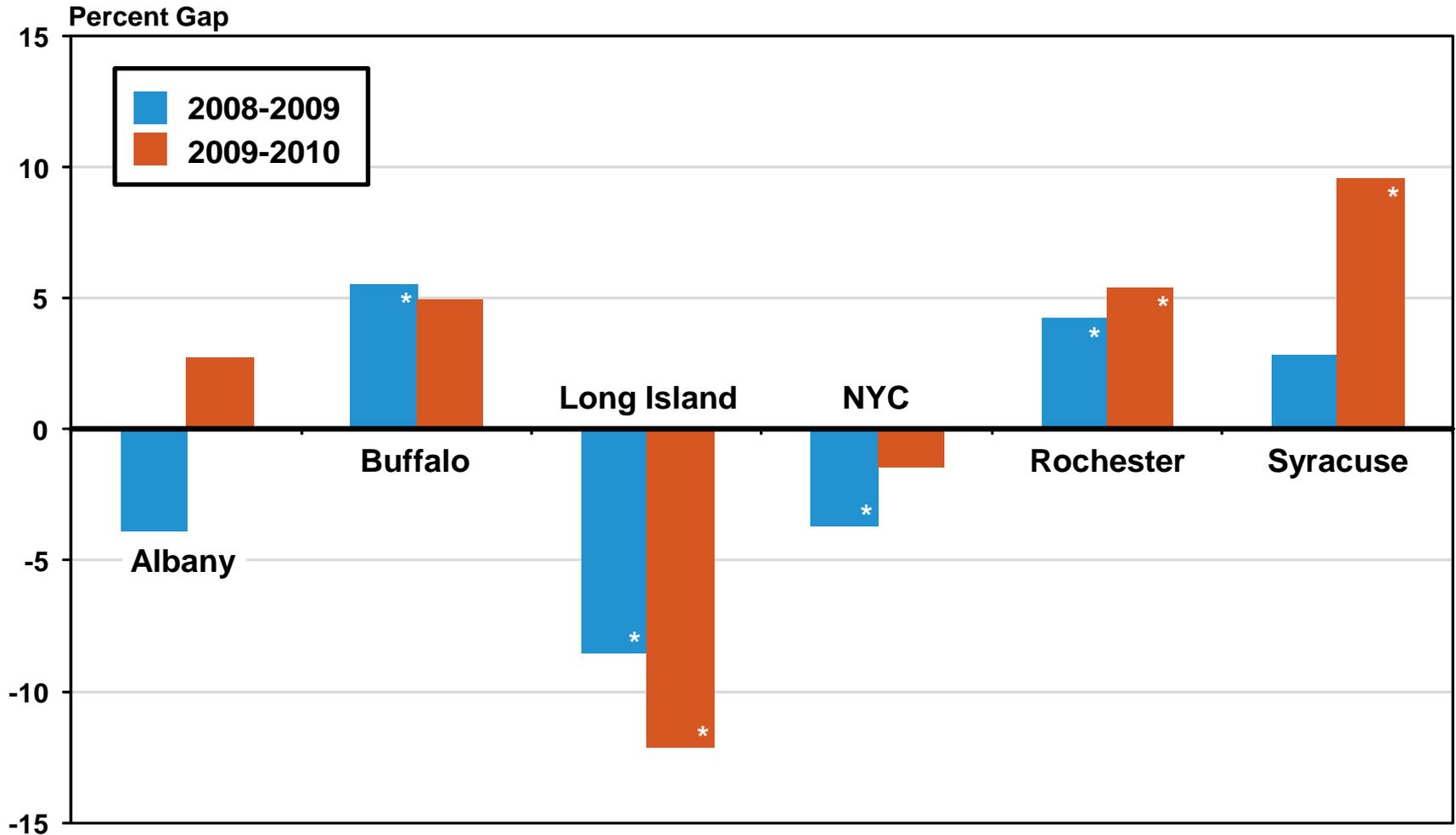
# **Variations in School Finances**

**Within NY and NJ:**

**Variations by Metropolitan Area**

# NY Variations in Total Expenditures

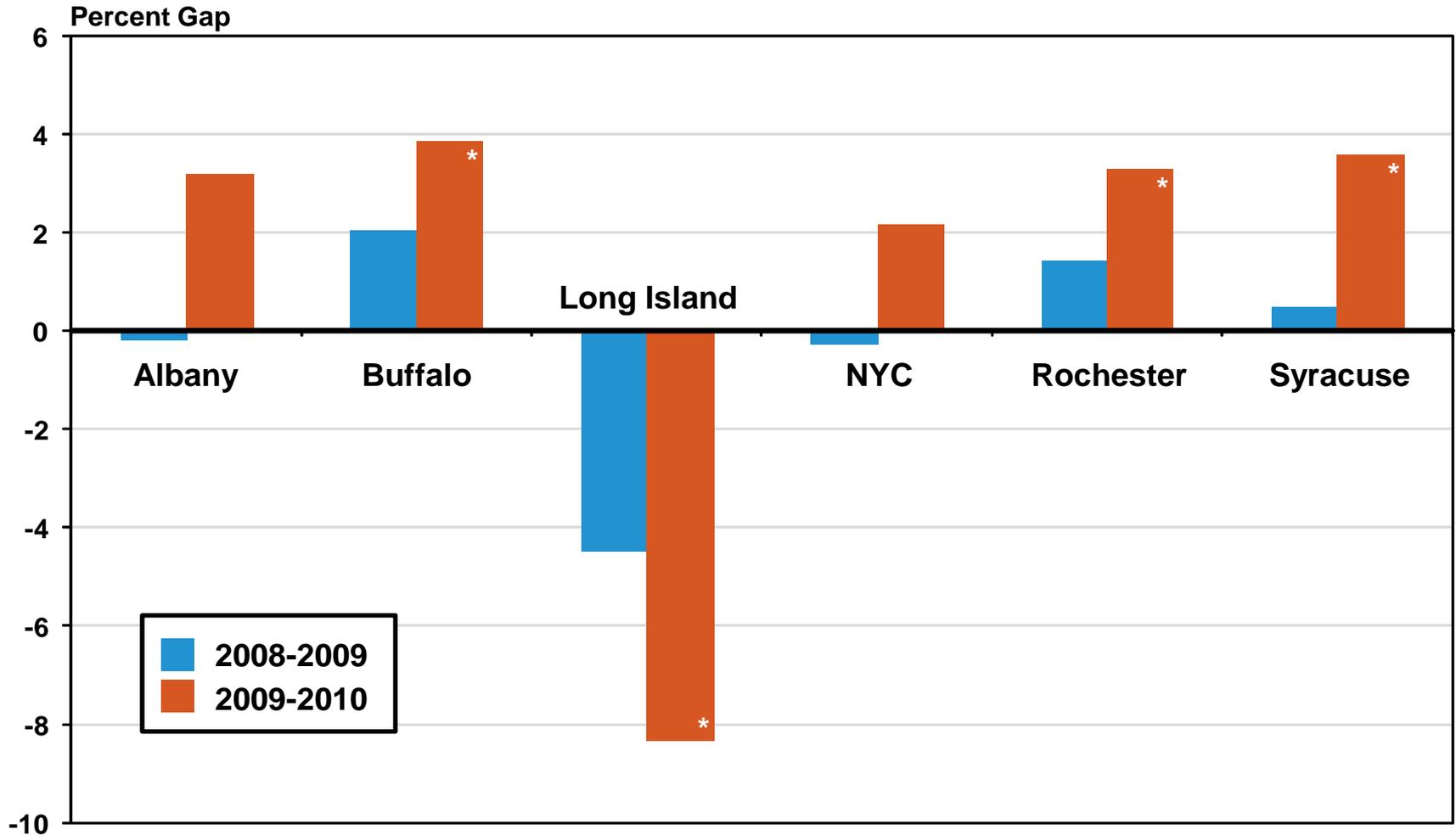
## Total Expenditures Per Pupil by Metropolitan Area



Note: Asterisks indicate statistical significance  
Source: New York Office of the State Comptroller and Authors' Calculations

# NY Variations in Instructional Expenditures

## Instructional Expenditures Per Pupil by Metropolitan Area

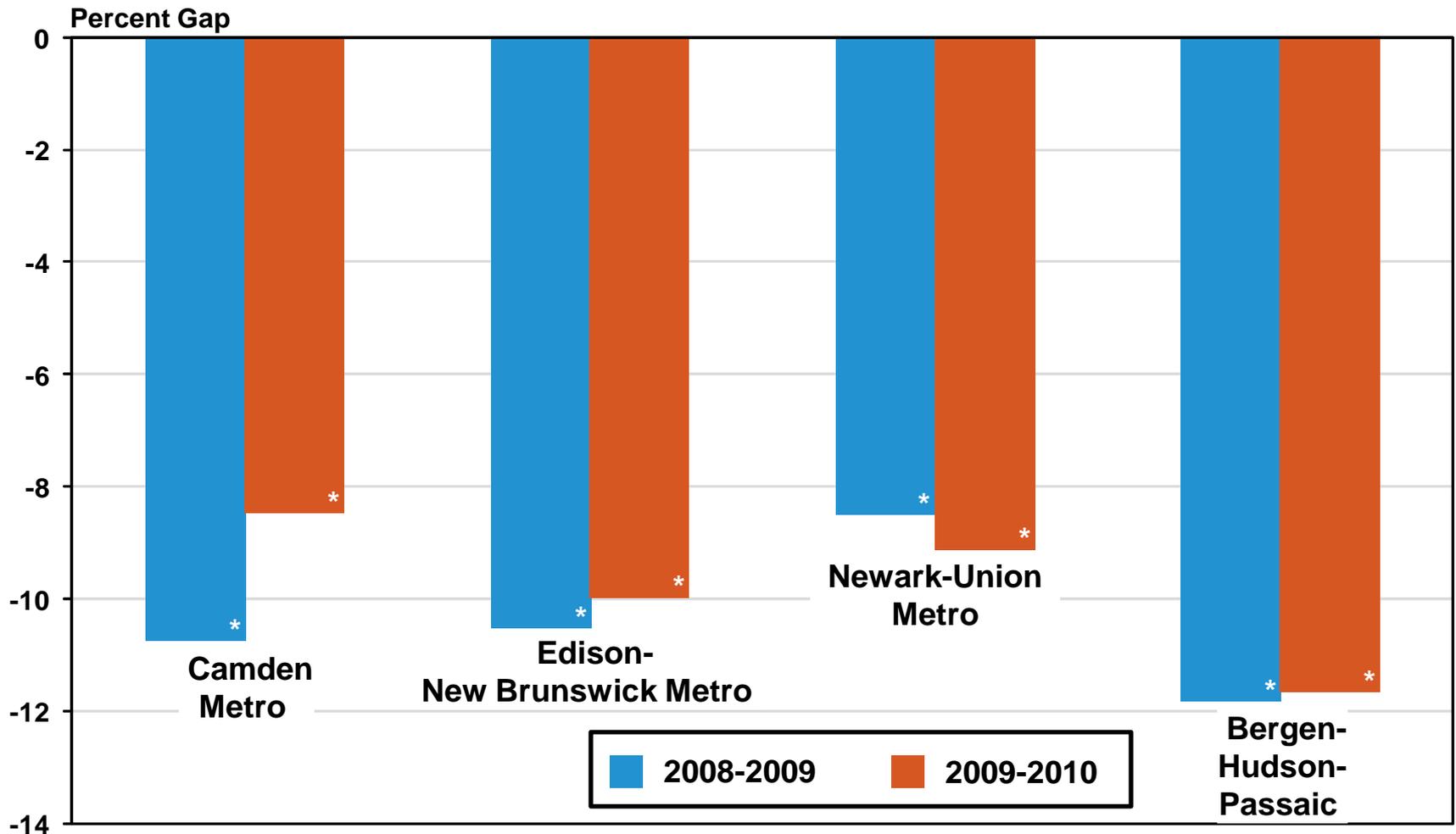


Note: Asterisks indicate statistical significance

Source: New York Office of the State Comptroller and Authors' Calculations

# NJ Variations in Total Expenditures

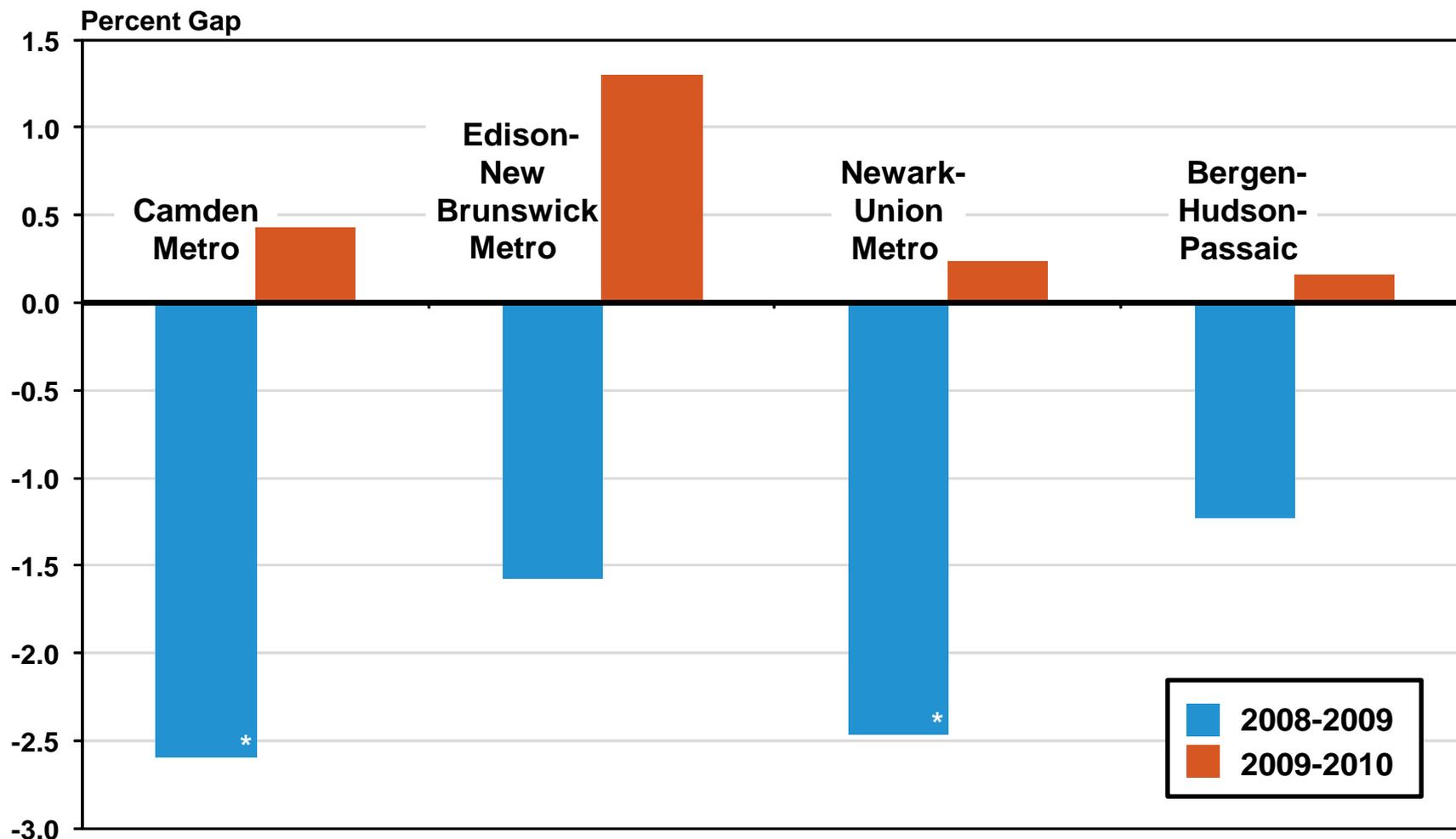
## Total Expenditures Per Pupil by Metropolitan Area



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# NJ Variations in Instructional Expenditures

## Instructional Expenditures Per Pupil by Metropolitan Area



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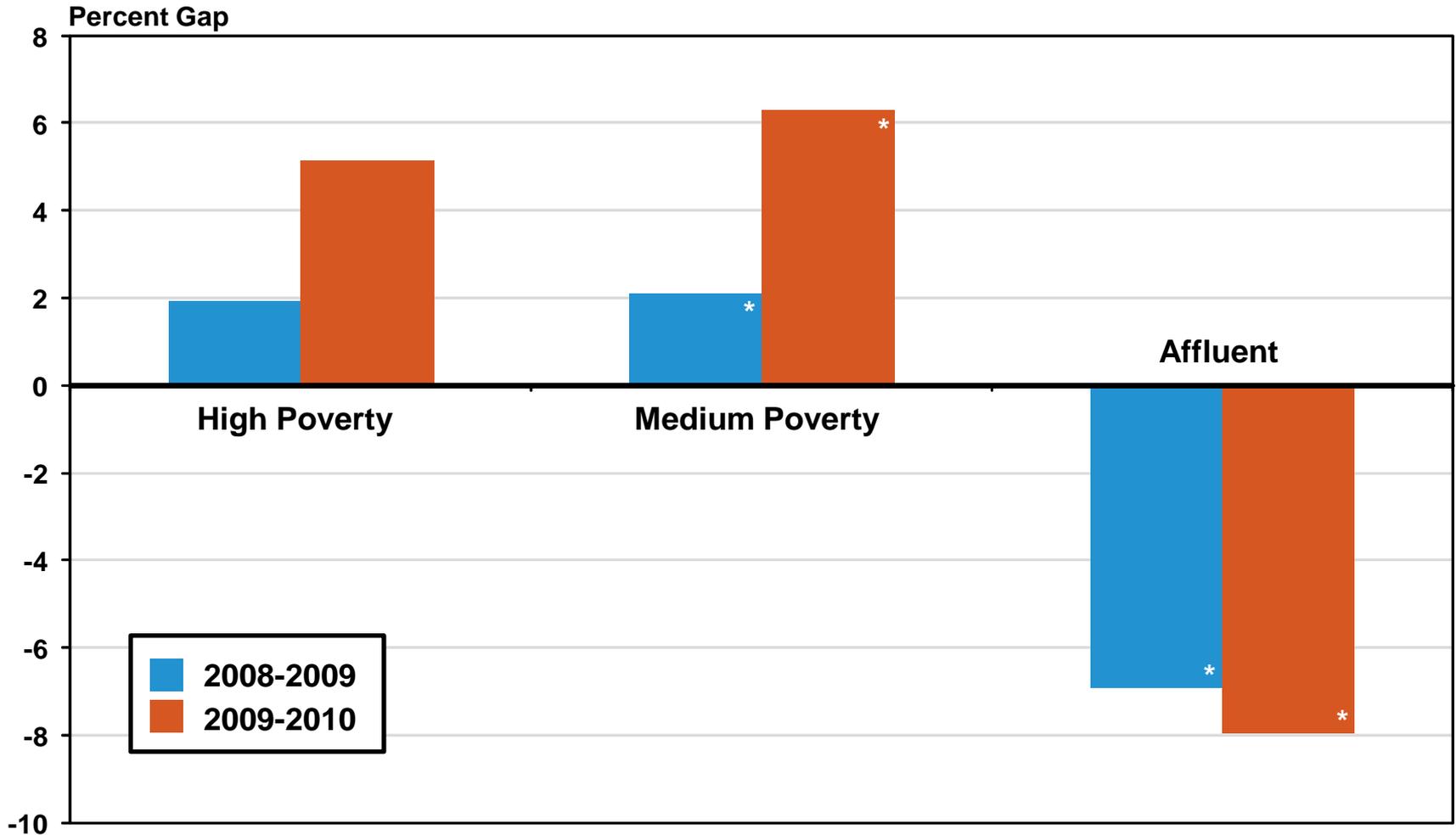
# Variations in School Finances

Within NY and NJ:

Variations by Poverty

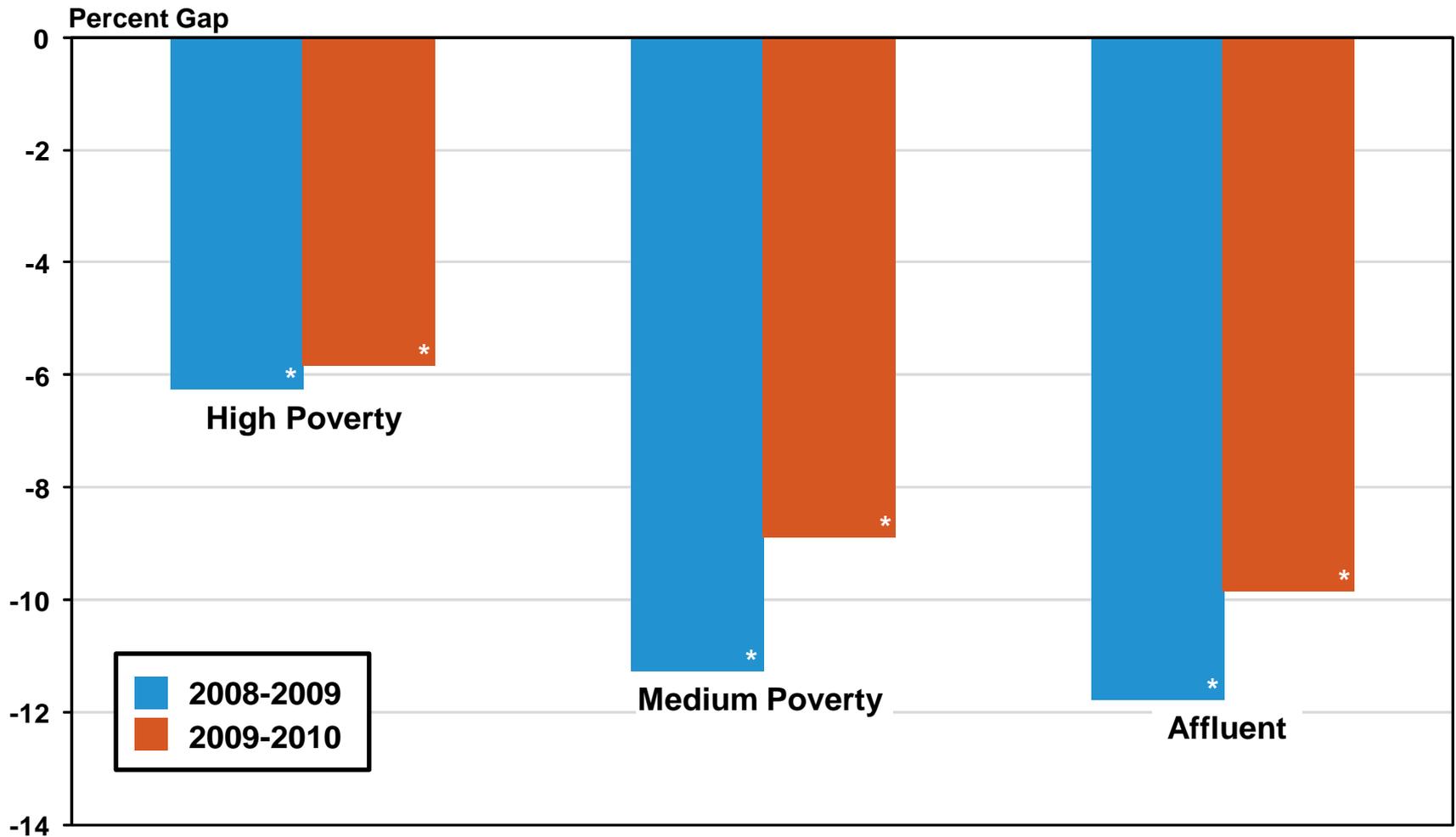
# NY Total Expenditures by Poverty

## Total Expenditures Per Pupil by Poverty



# NJ Total Expenditures by Poverty

## Total Expenditures Per Pupil by Poverty



# Bottom Line

- Both NY and NJ school finances were affected by the recession, but NJ took a bigger hit
- Federal stimulus helped, but did not fully compensate for loss of state and local revenues
- The key expenditure category (instruction) not much affected in NY, much more so in NJ
- Non-instructional categories were cut sharply in both NY and NJ
- There was considerable variation within both states
  - By Metropolitan Areas (In NY, Long Island lost the most)
  - By Poverty Status (affluent districts saw largest cuts in total expenditure; high poverty districts saw largest cuts in instructional expenditures in NJ)

**How Are Schools Being  
Affected More Recently?**

**And**

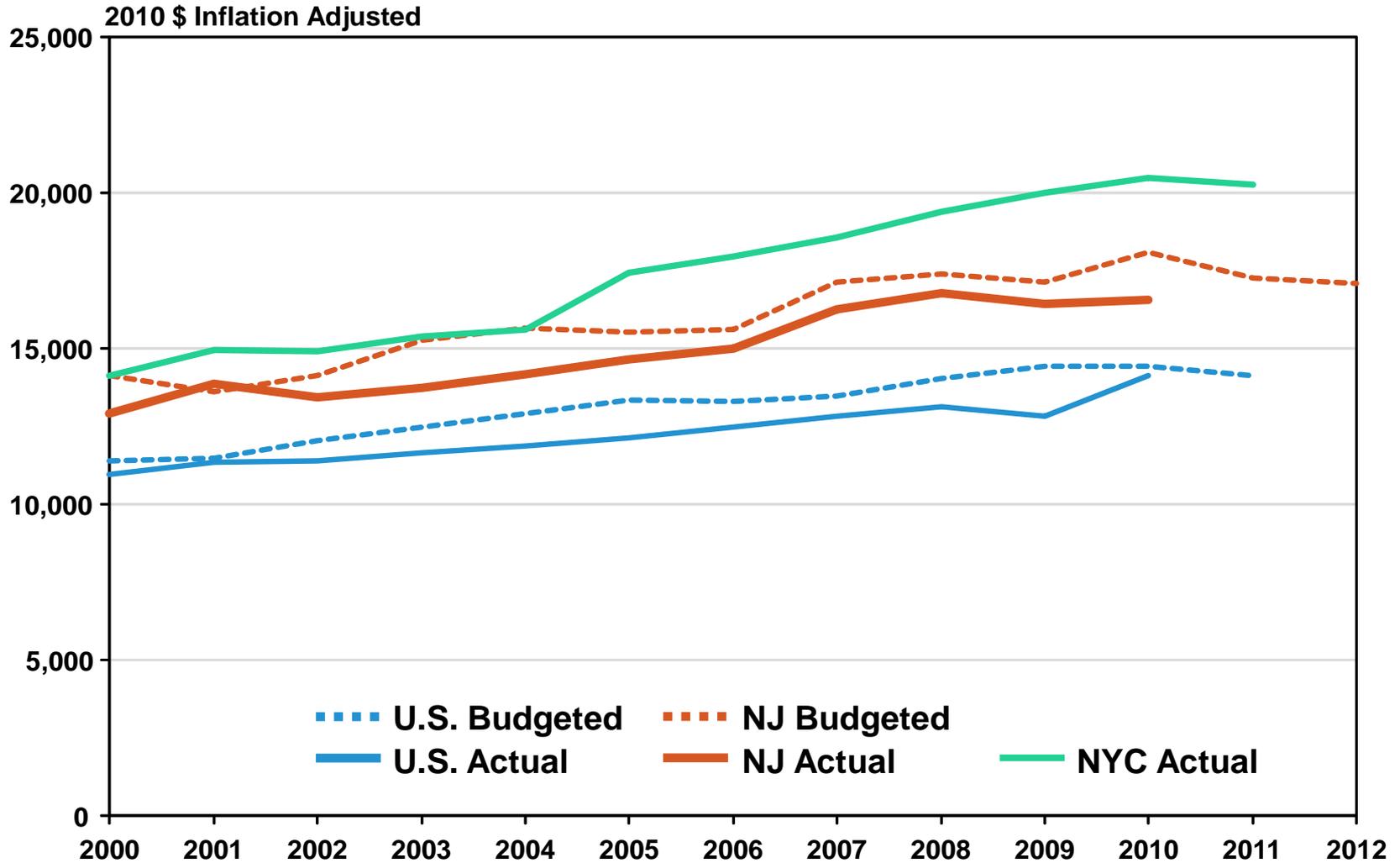
**How Might They Be Affected in  
the Near Future?**

# How Are Schools Being Affected More Recently? Prospects for the Future?

- ARRA funding was applicable only through Fall 2011
- Most of the ARRA funding was used up in 2009-10

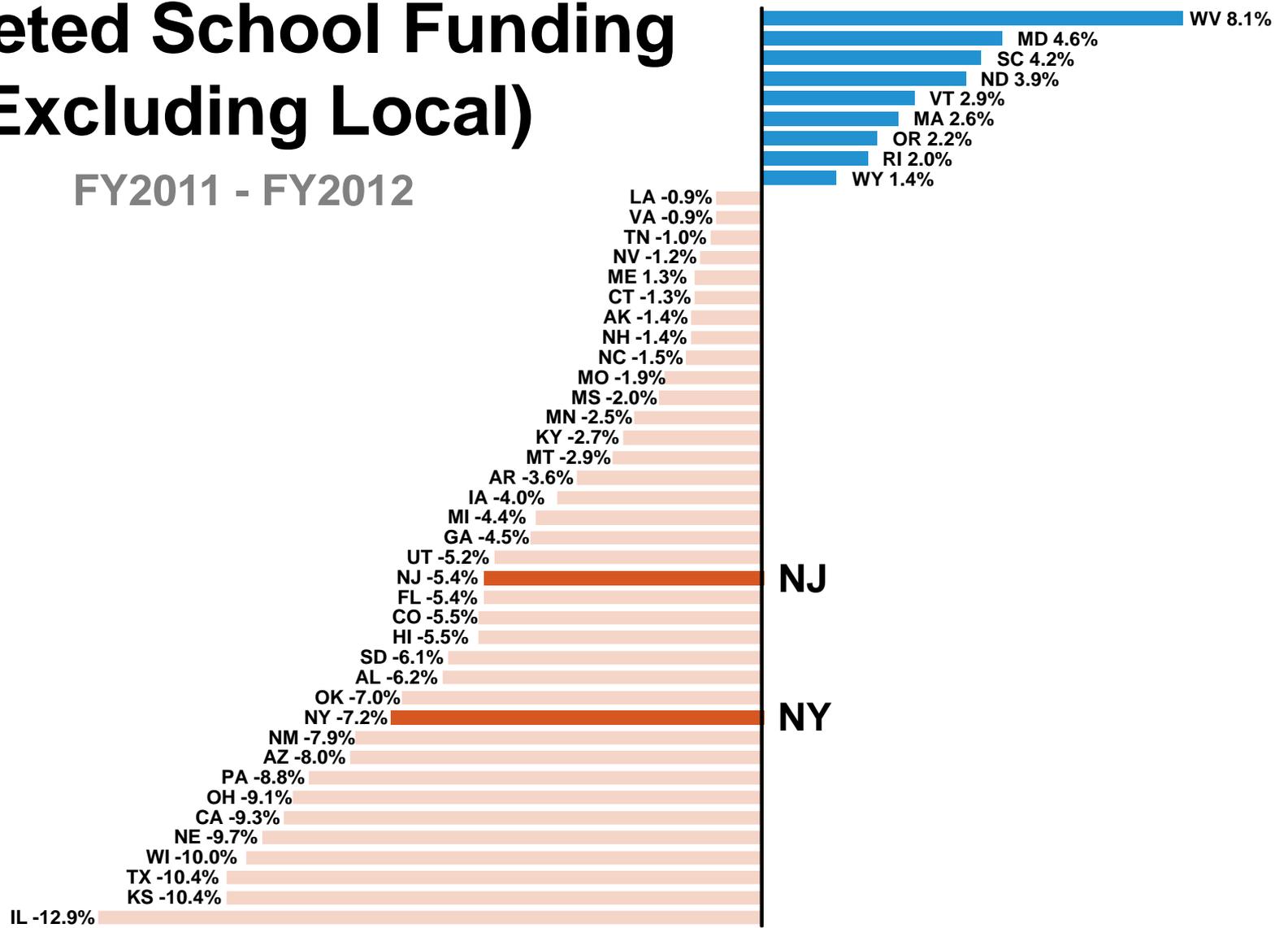
# Total Funding Per Pupil

## What Happens Next?



# Percent Change in Budgeted School Funding (Excluding Local)

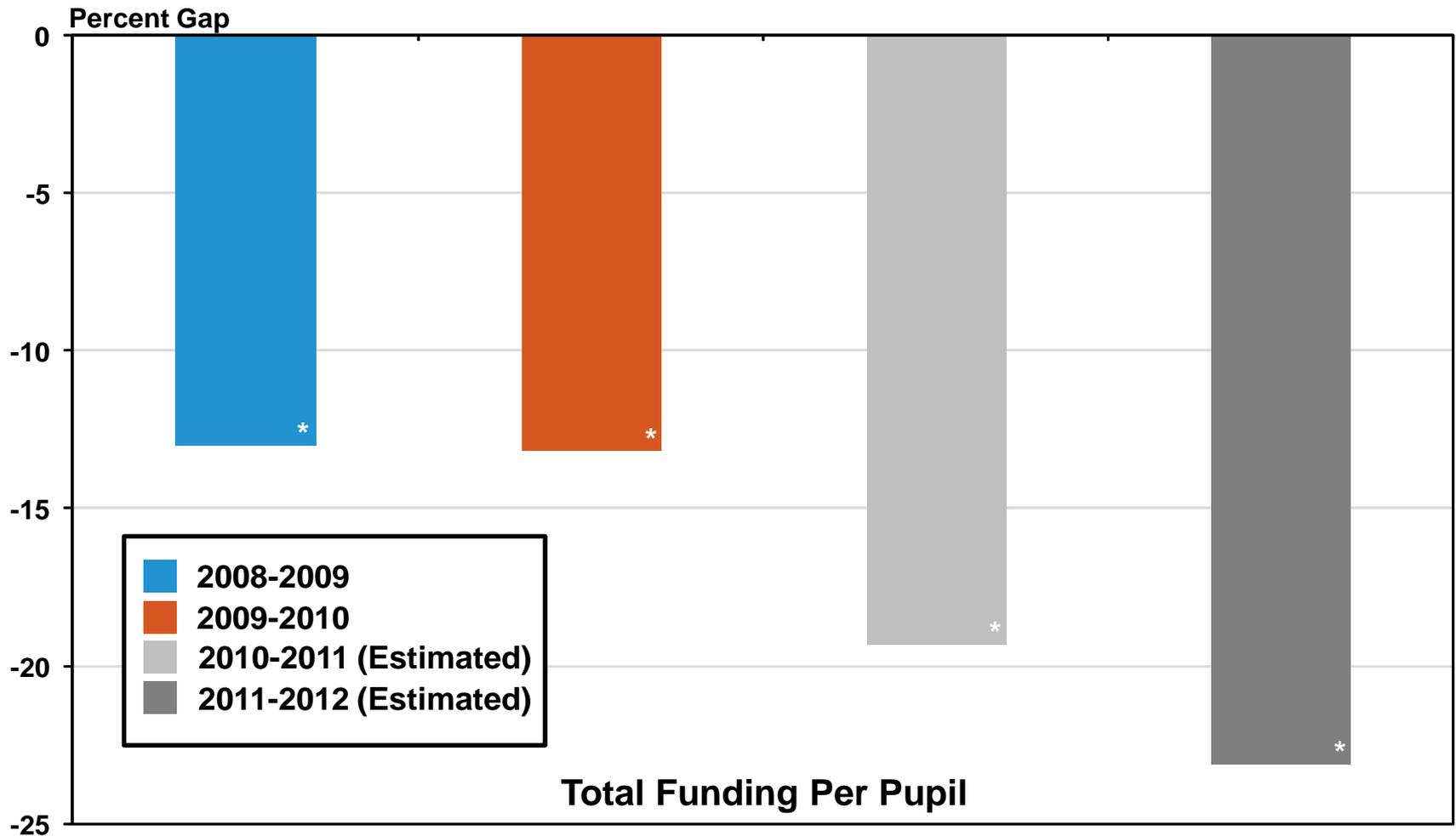
FY2011 - FY2012



Note: Data are inflation adjusted by CBPP. Data do not include any local property tax revenue or any other source of local funding. Source: Center on Budget and Policy Priorities, Based on State Budgets

# NJ School Finances

## Following the Recession



Note: Asterisks indicate statistical significance

Source: New Jersey Department of Education, New Jersey Department of the Treasury, and Authors' Calculations

# Where Do We Stand?

- NY and NJ cut spending not only through 2010, but also after
- New York State
  - 2011-12: 5% of teacher positions reduced; over 4% of school administrators laid off
  - 2011-12: 23% fall in afterschool program funding in NYC, more cuts expected in 2012-13
- New Jersey
  - 2009-10: 4,700 fewer teachers, 600 fewer administrators (include positions not replaced)
  - 2010-11: Special education received cuts; funding for adult education was discontinued
  - 2010-11: Full- and part-time teachers dropped by 4%; administrators dropped by 7%
  - 2010-11 and 2011-12: Pre-school program was frozen
- Outlook for school finances in NY and NJ does not appear to be bright
- Without recovery of economic activity and significant income and employment growth, both states will face more tough choices in the near term

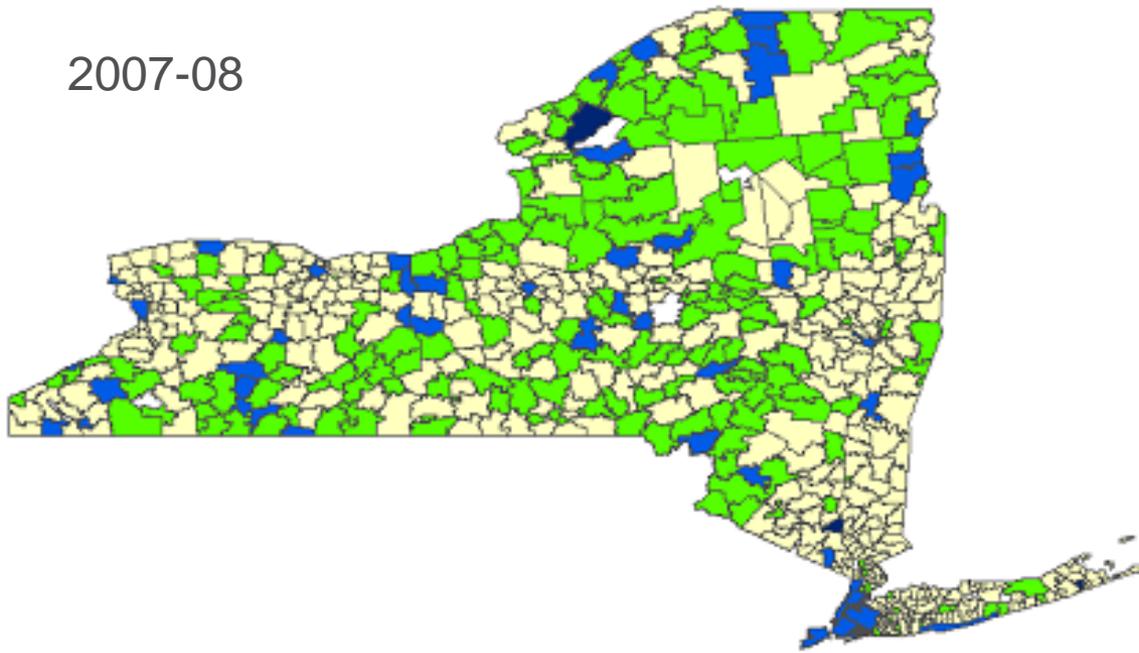
# For More Information

- ***The Impact of the Great Recession on School District Finances: Evidence from New York***
  - Federal Reserve Bank of New York Staff Report #534, December 2011
  - Authors: Rajashri Chakrabarti and Elizabeth Setren
  - [http://www.newyorkfed.org/research/staff\\_reports/sr534.pdf](http://www.newyorkfed.org/research/staff_reports/sr534.pdf)
- ***Precarious Slopes? The Great Recession, Federal Stimulus, and New Jersey Schools***
  - Federal Reserve Bank of New York Staff Report #538, January 2012
  - Authors: Rajashri Chakrabarti and Sarah Sutherland
  - [http://www.newyorkfed.org/research/staff\\_reports/sr538.pdf](http://www.newyorkfed.org/research/staff_reports/sr538.pdf)
- ***How did the Great Recession Affect New York State's Public Schools?***
  - Liberty Street Economics Blog upcoming post on January 30, 2012
  - Authors: Rajashri Chakrabarti and Elizabeth Setren
  - <http://libertystreeteconomics.newyorkfed.org/>
- ***Tough Decisions, Depleted Revenues: Analysis of New Jersey Education Finances during the Great Recession***
  - Liberty Street Economics Blog upcoming post on February 1, 2012
  - Authors: Rajashri Chakrabarti and Sarah Sutherland
  - <http://libertystreeteconomics.newyorkfed.org/>

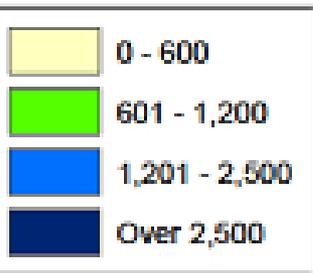
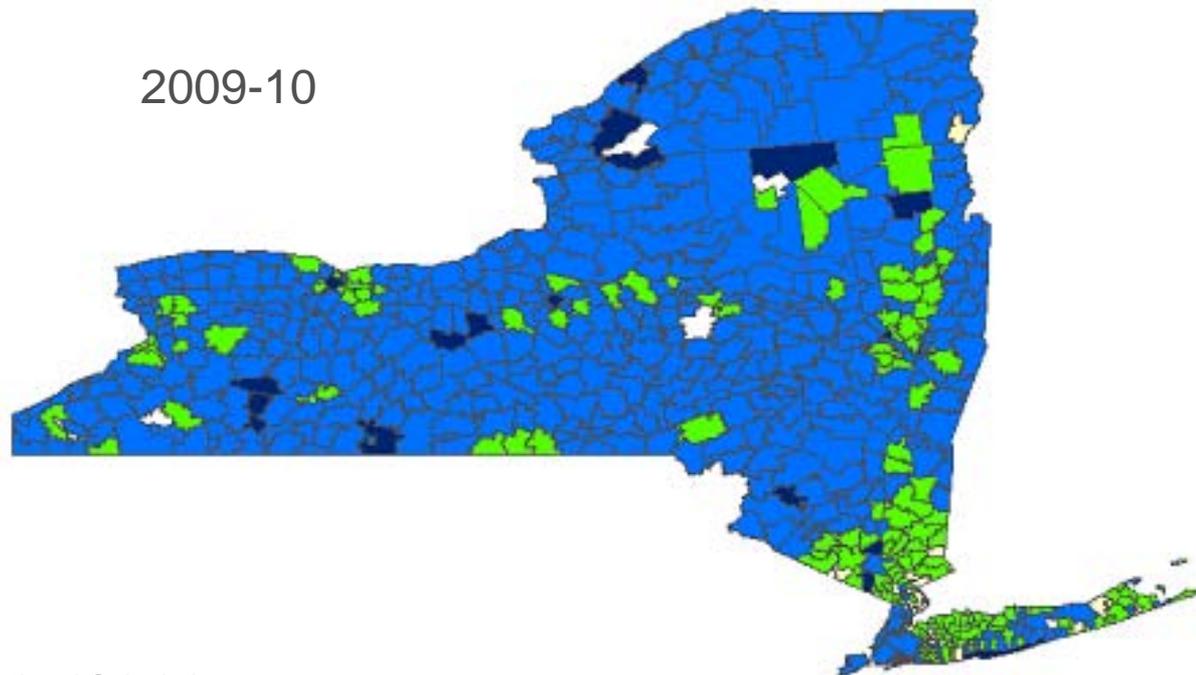
# Appendix

2007-08

# Federal Funding Per Pupil



2009-10



All data in 2010 dollars.

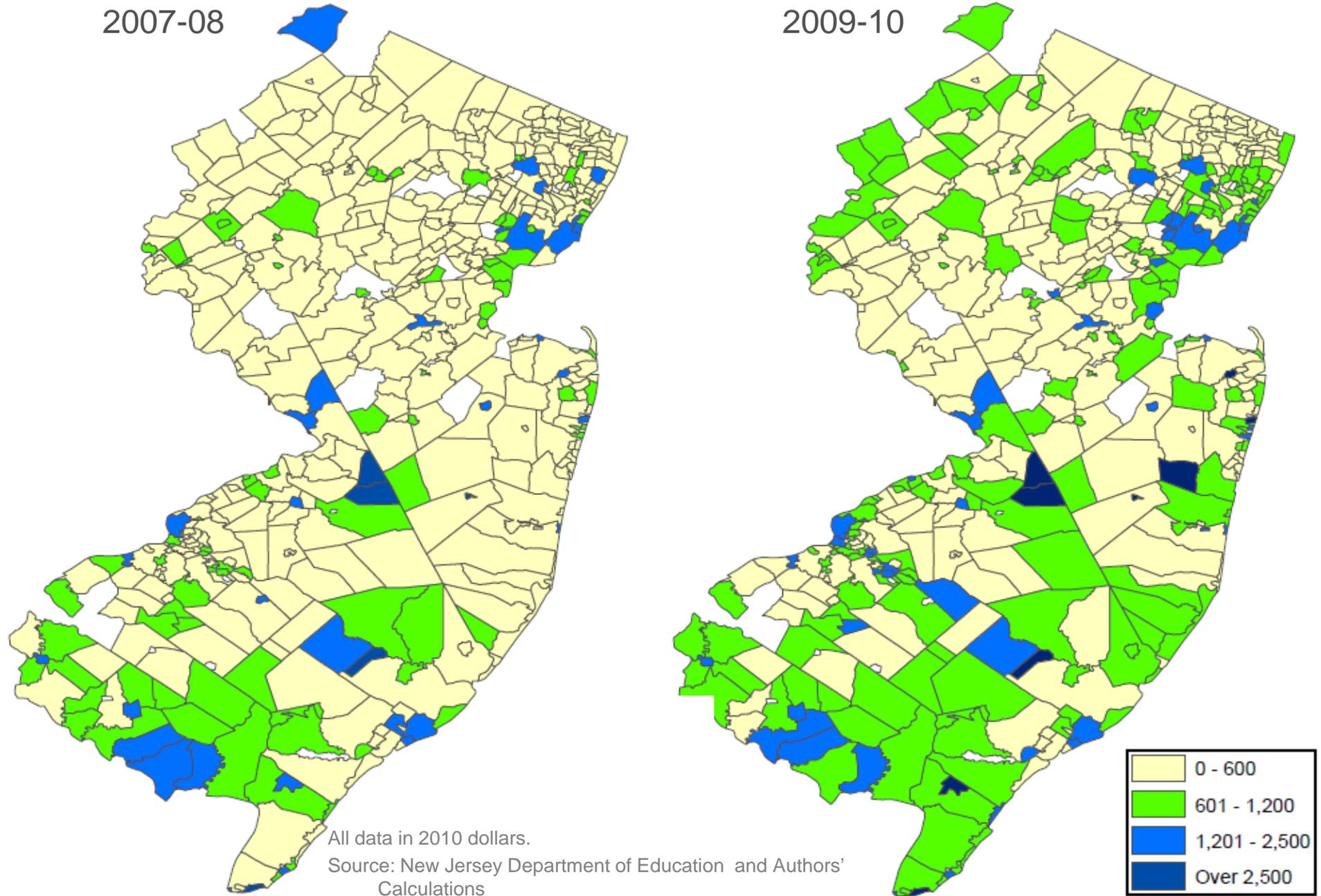
Source: New York Office of the State Comptroller and Authors' Calculations



# Federal Funding Per Pupil

2007-08

2009-10

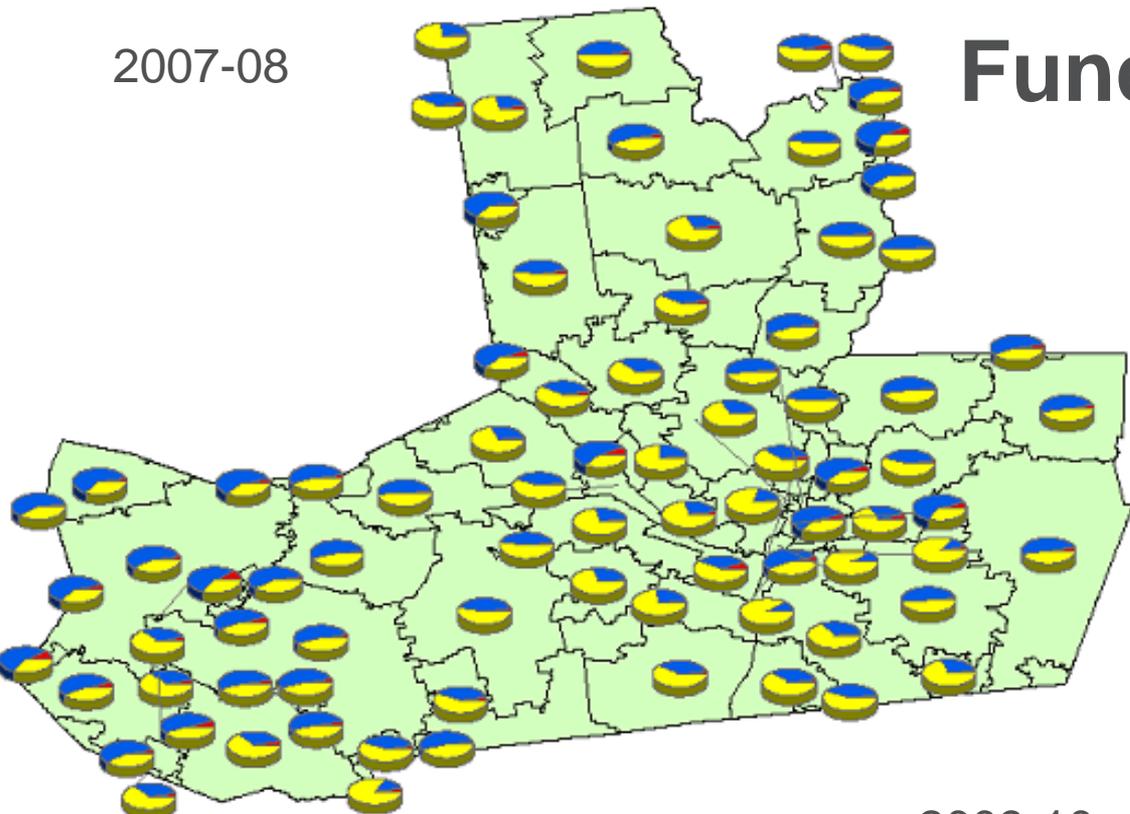
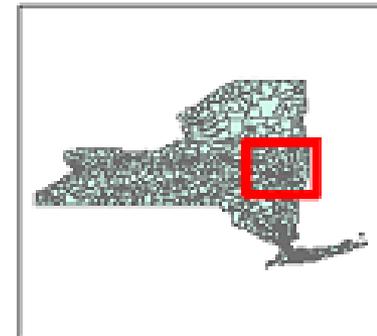


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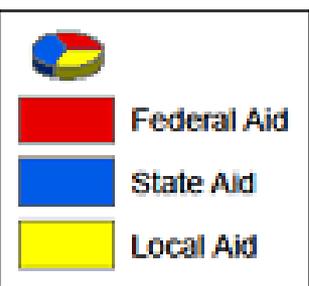
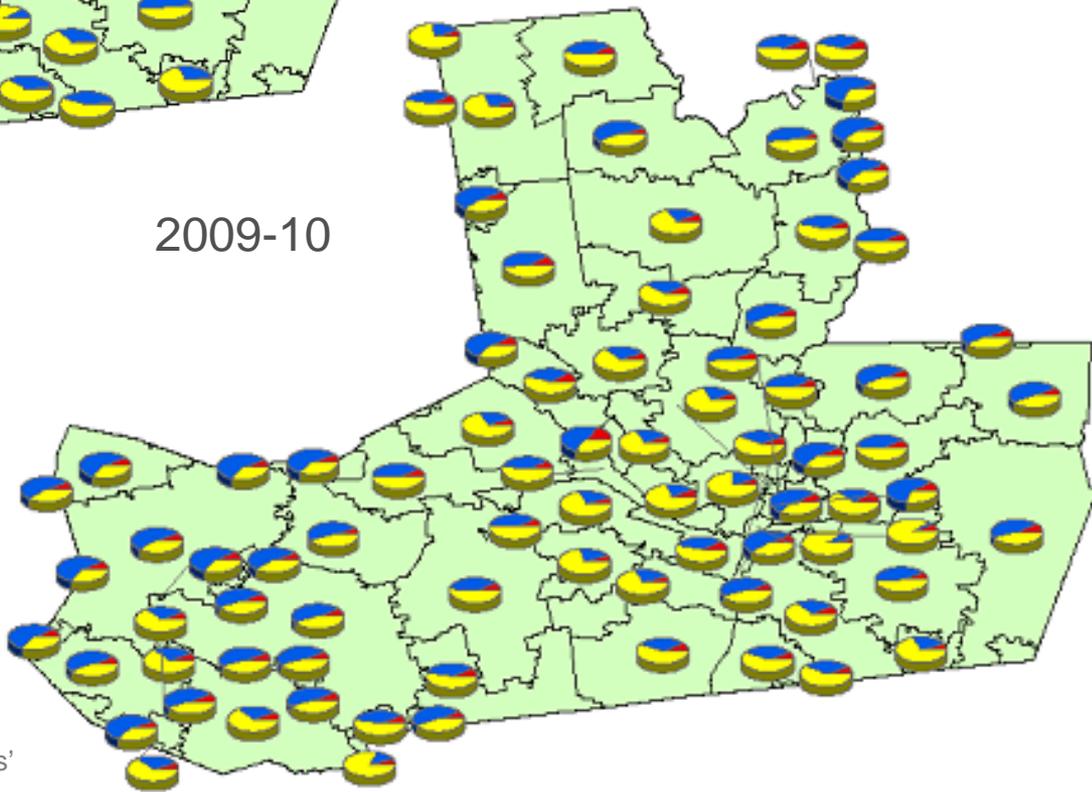
Source: New Jersey Department of Education and Authors' Calculations

2007-08

# Funding Sources in Albany



2009-10

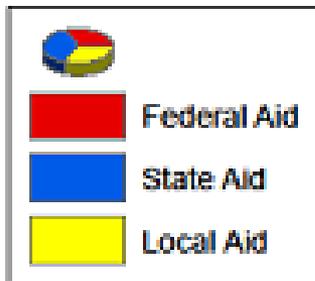
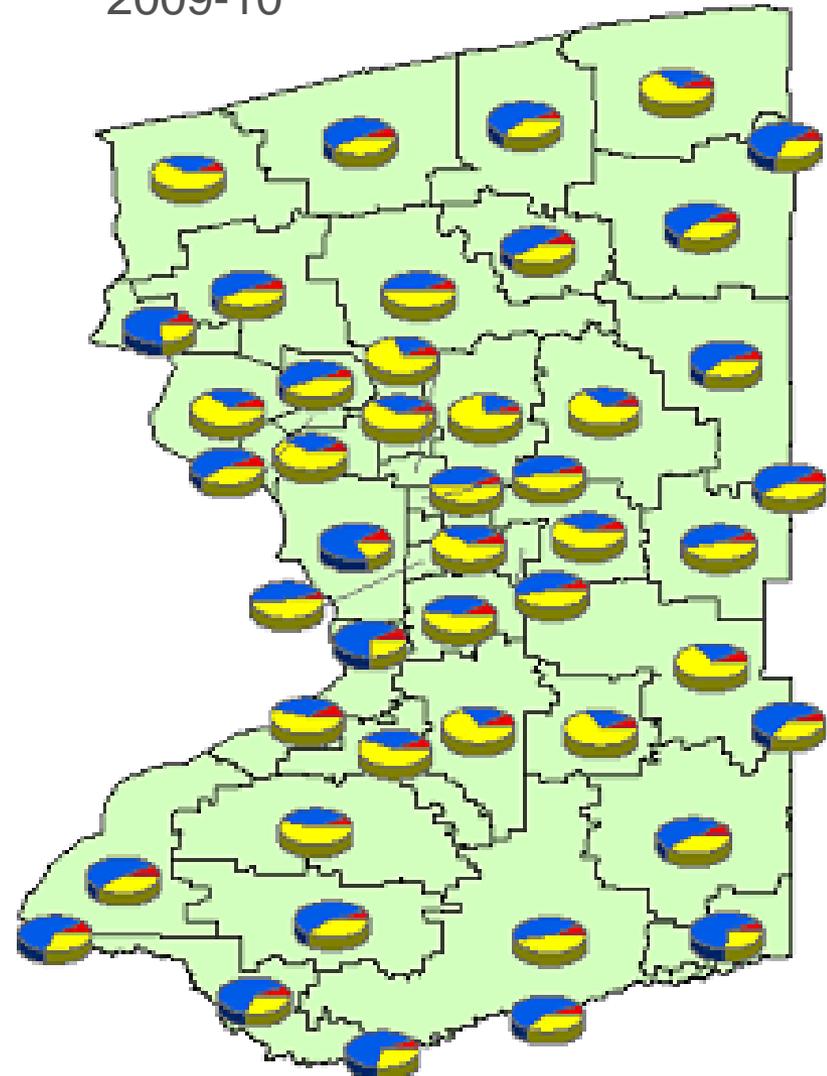
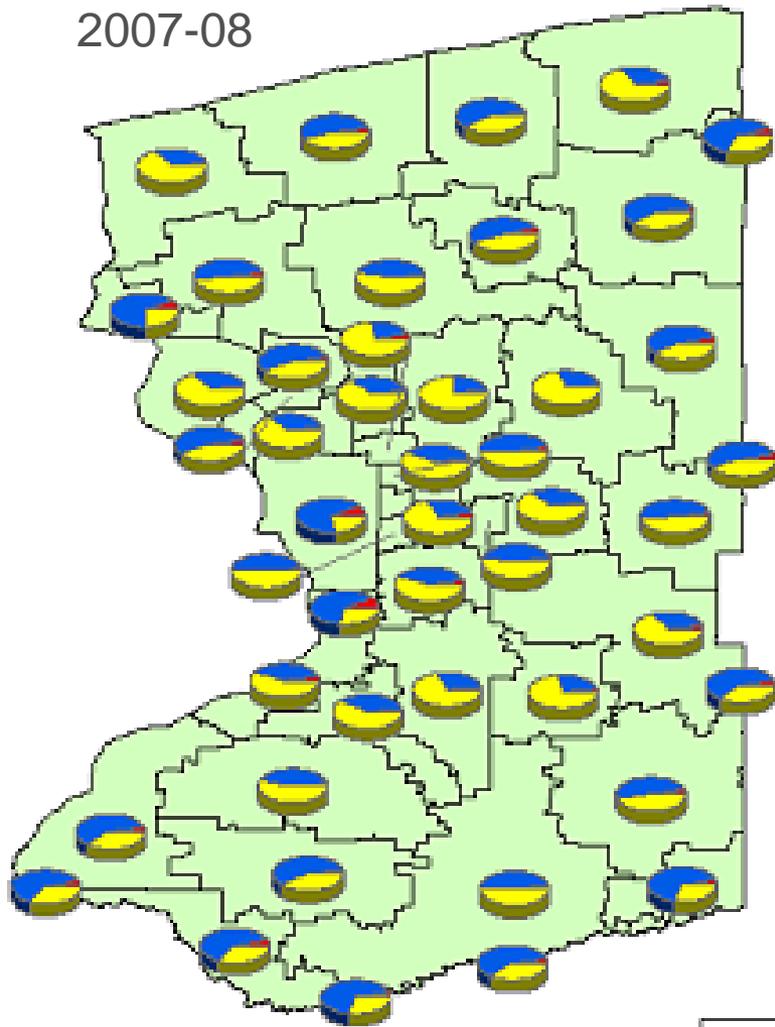


Source: New York Office of the State Comptroller and Authors' Calculations

2007-08

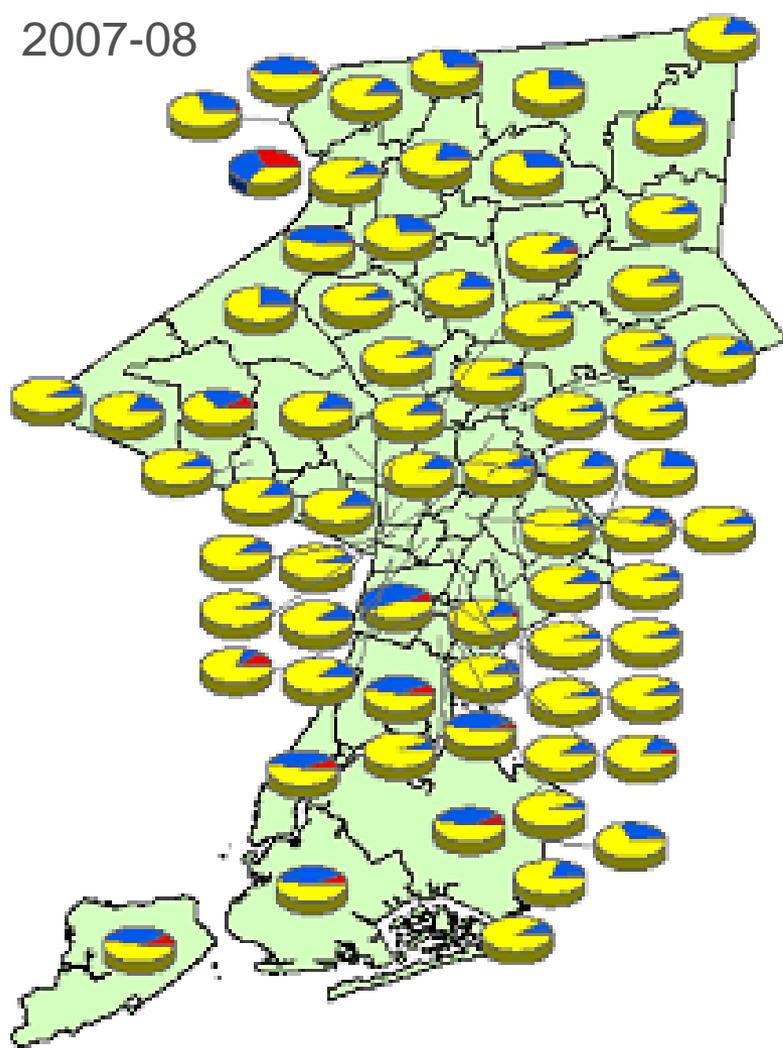
# Funding Sources in Buffalo

2009-10



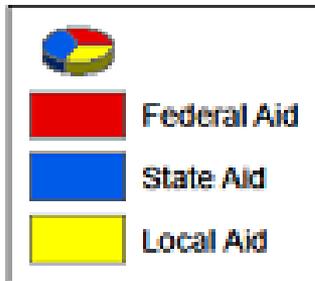
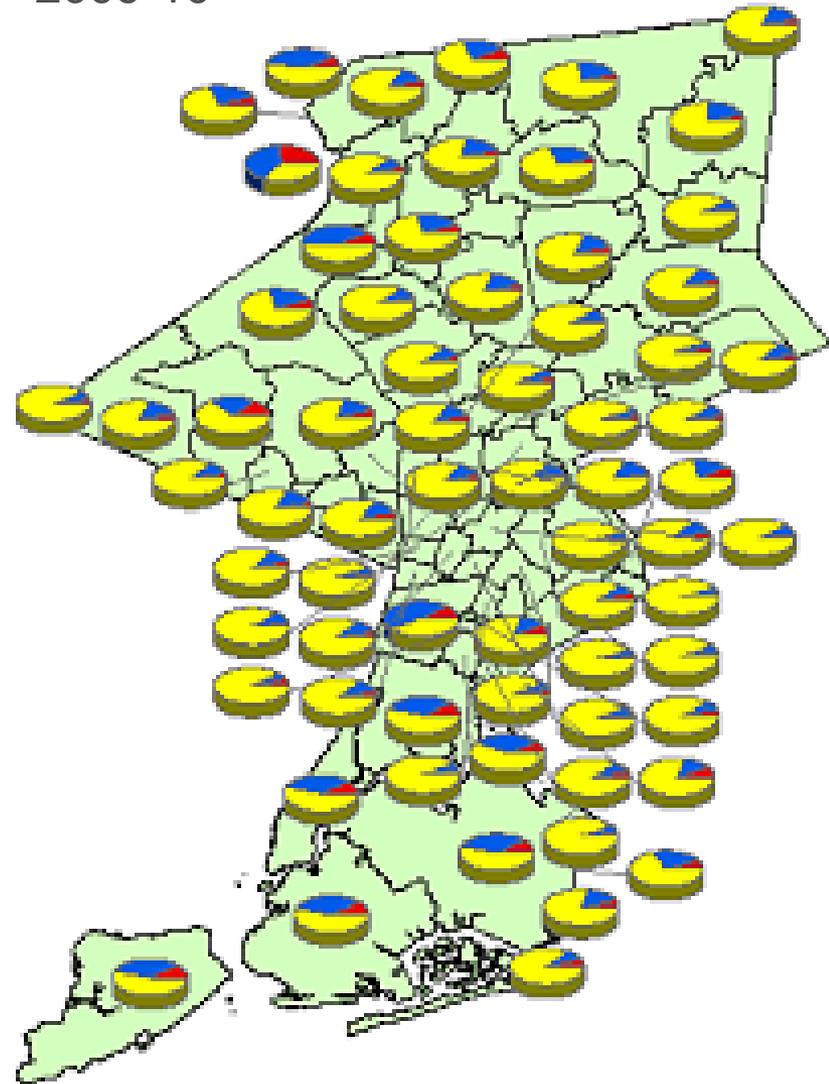
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2007-08



# Funding Sources in NYC Region

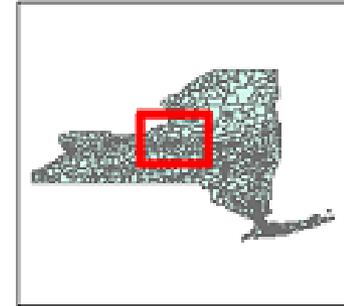
2009-10



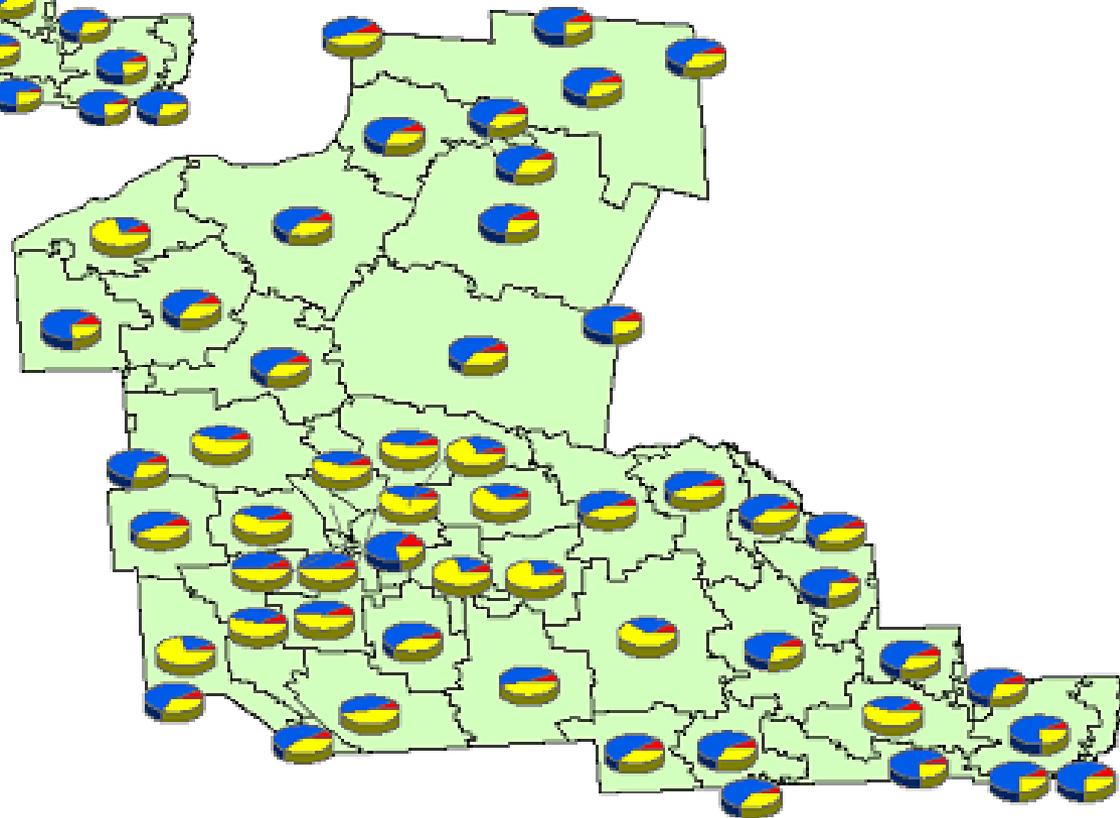
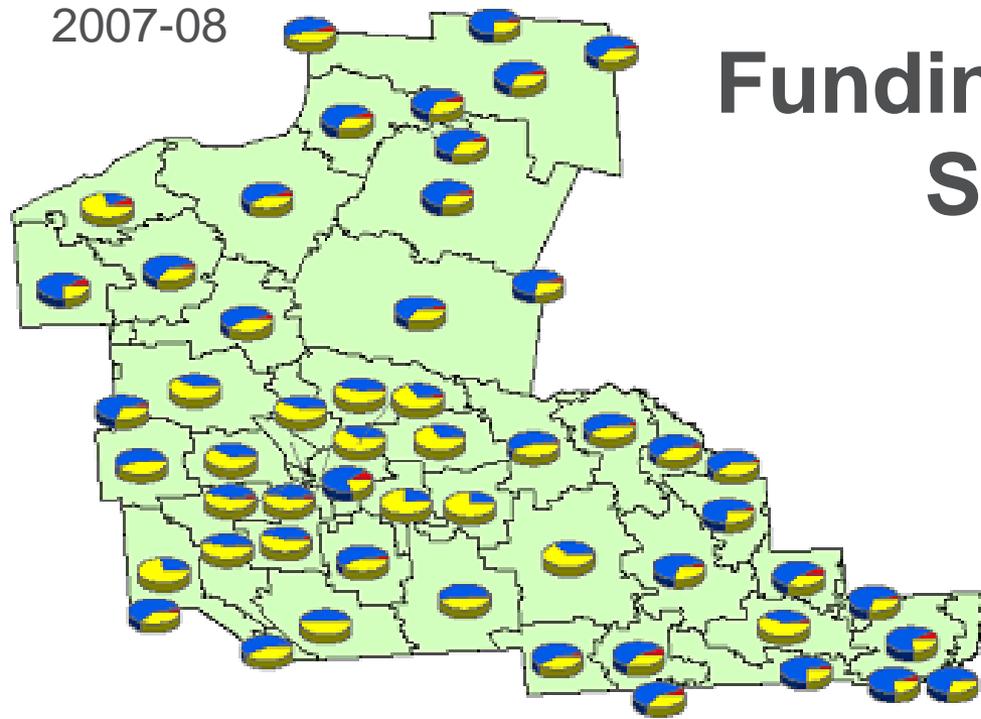
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2007-08

# Funding Sources in Syracuse



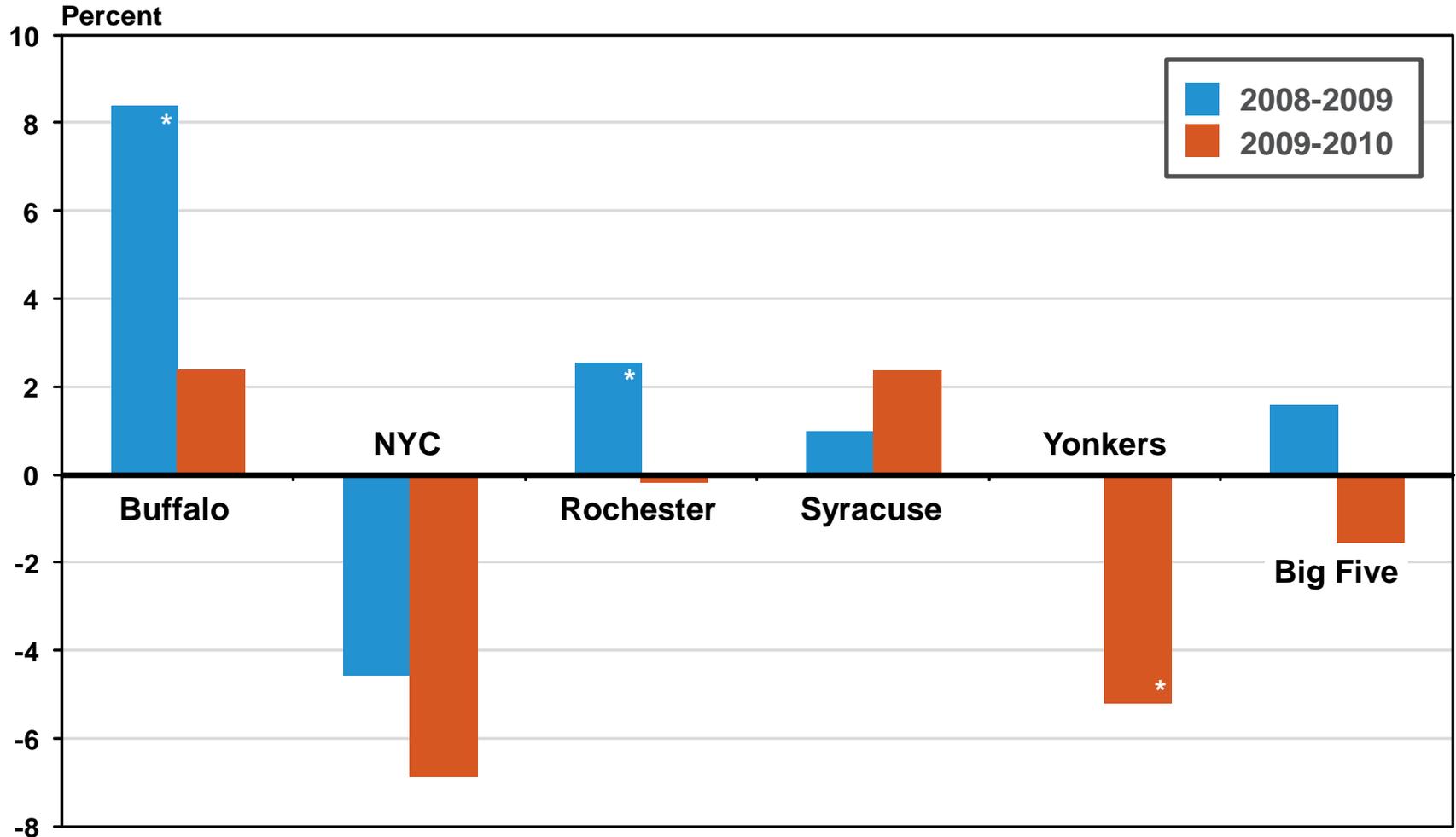
2009-10



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# NY Total Expenditures in the Big 5

## Variations in the Five Largest Districts

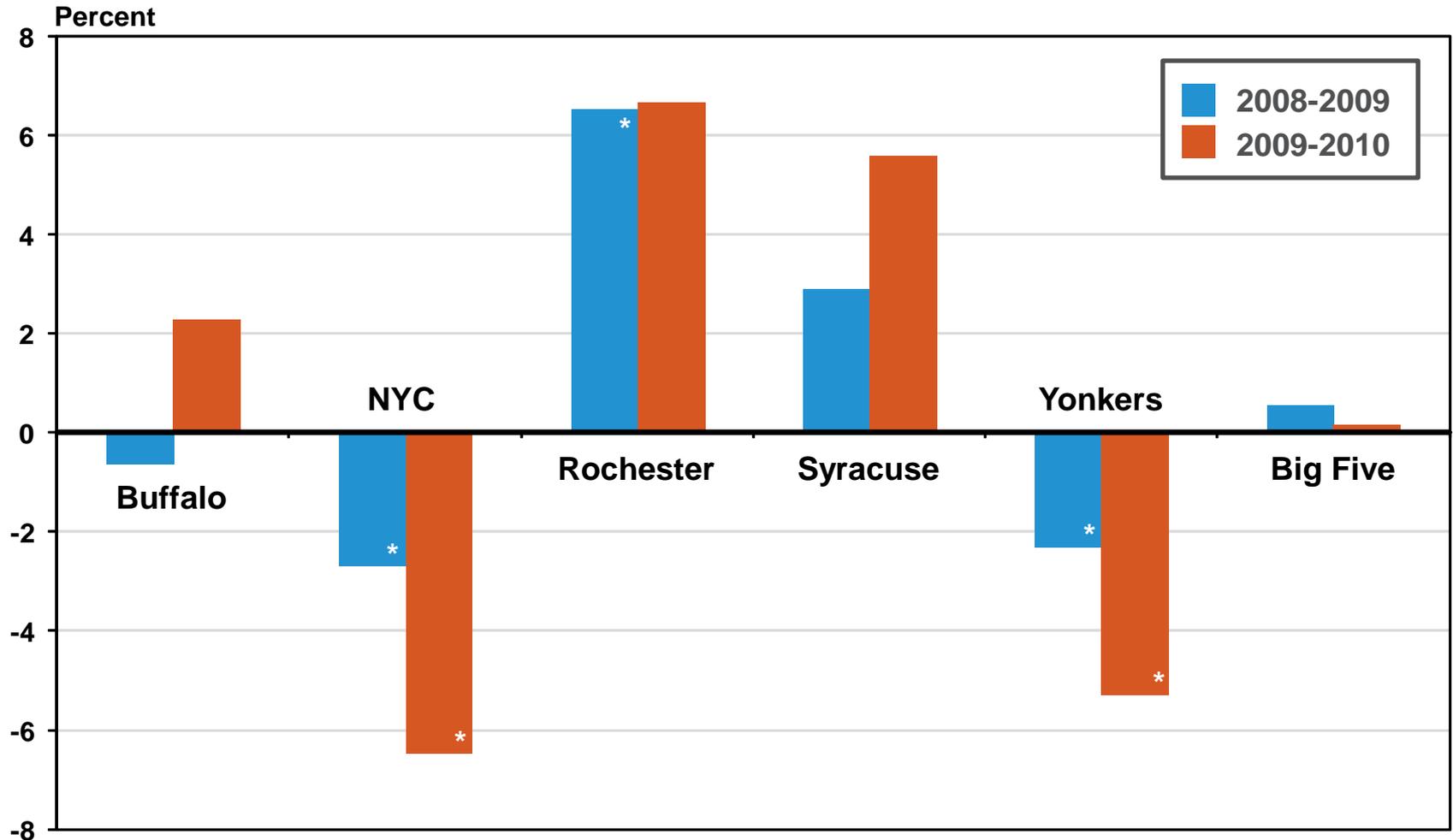


Note: Asterisks indicate statistical significance

Source: New York Office of the State Comptroller and Authors' Calculations

# NY Instructional Expenditures in the Big 5

## Variations in the Five Largest Districts

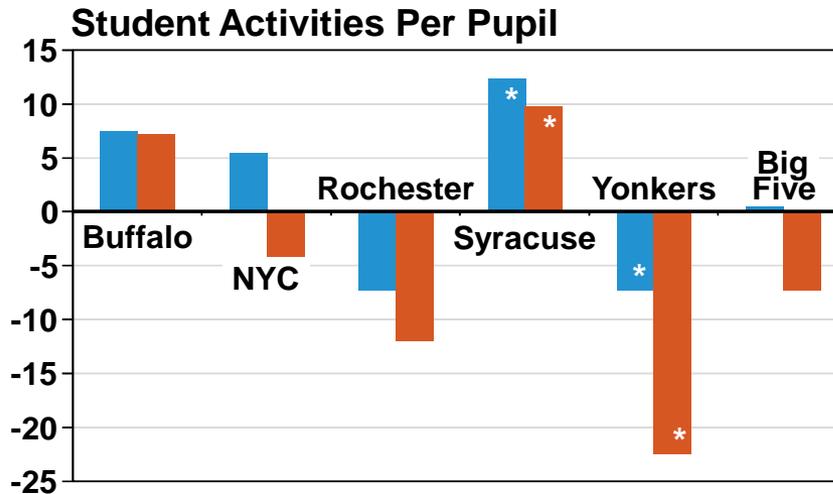
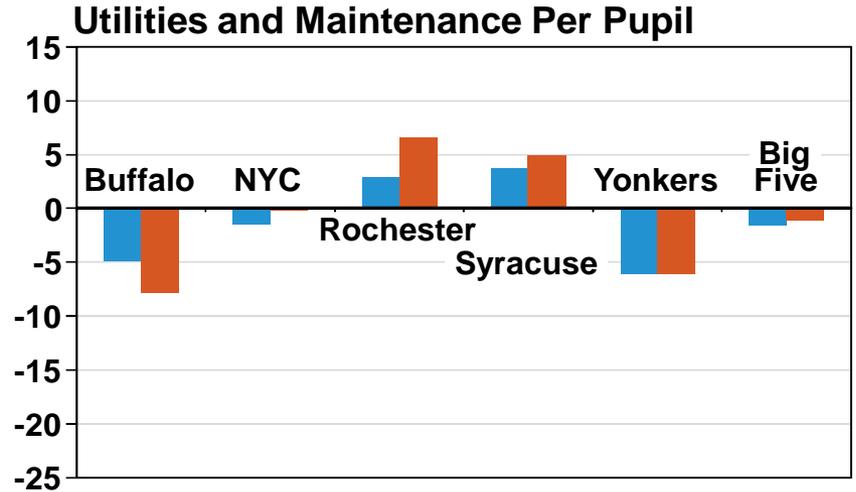
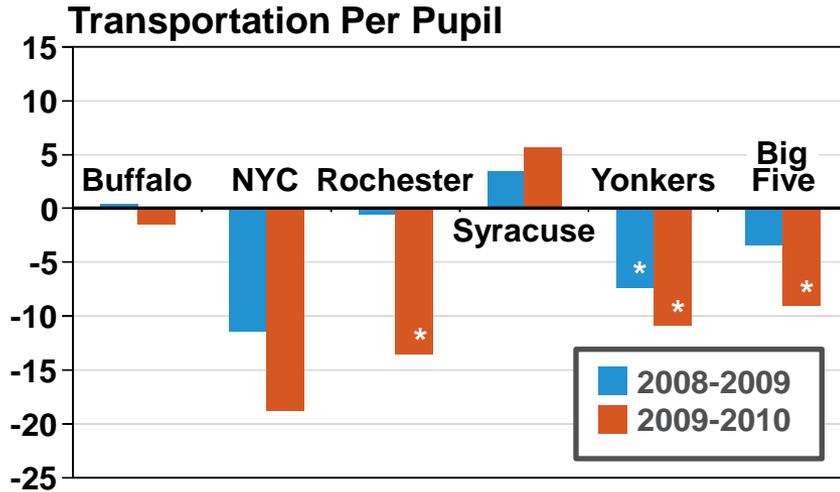


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# NY Composition of Expenditures in the Big 5

## Variations in the Five Largest Districts

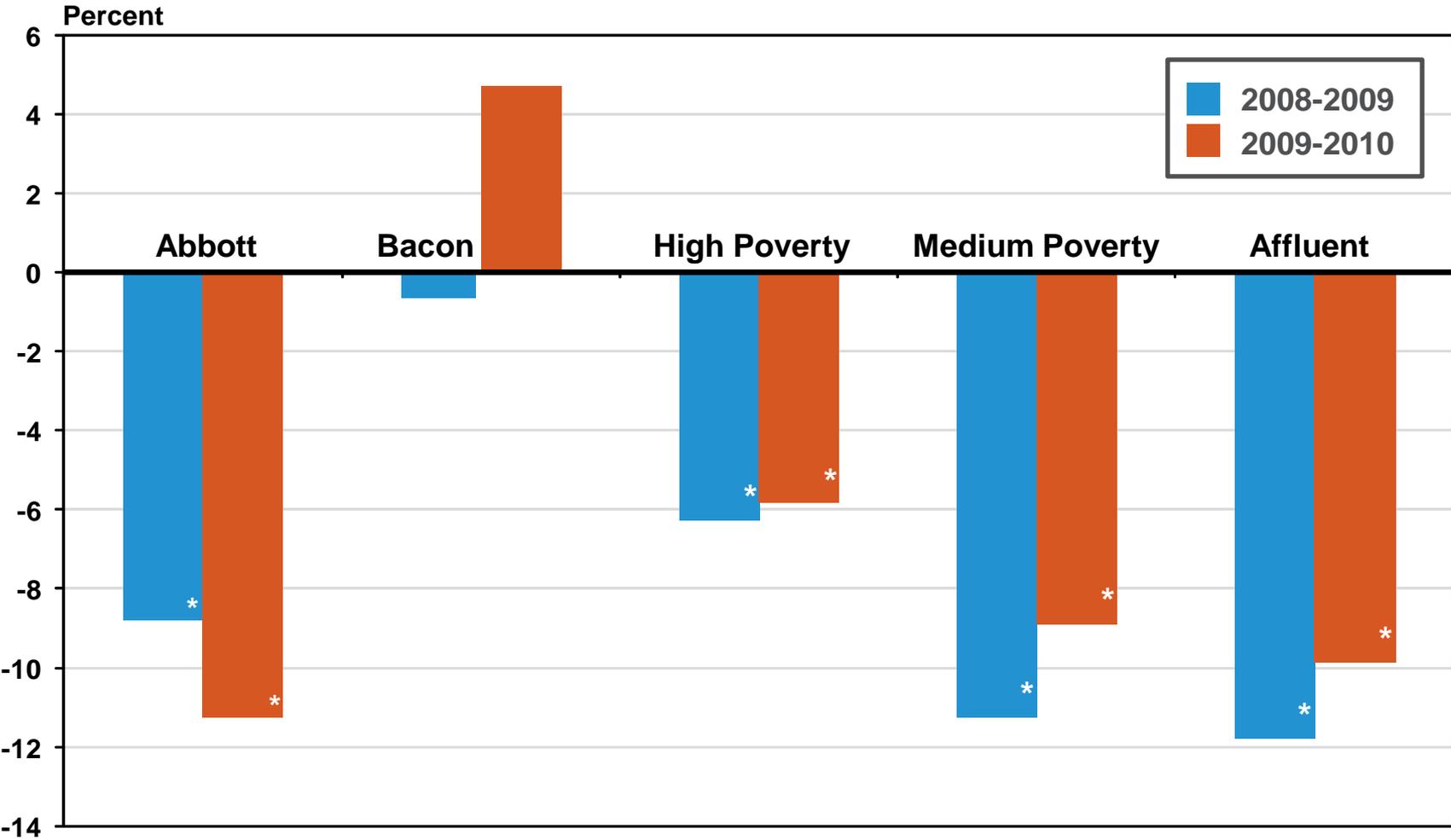


Note: Asterisks indicate statistical significance

Source: New York Office of the State Comptroller and Authors' Calculations

# NJ Total Expenditures by Legal Designation

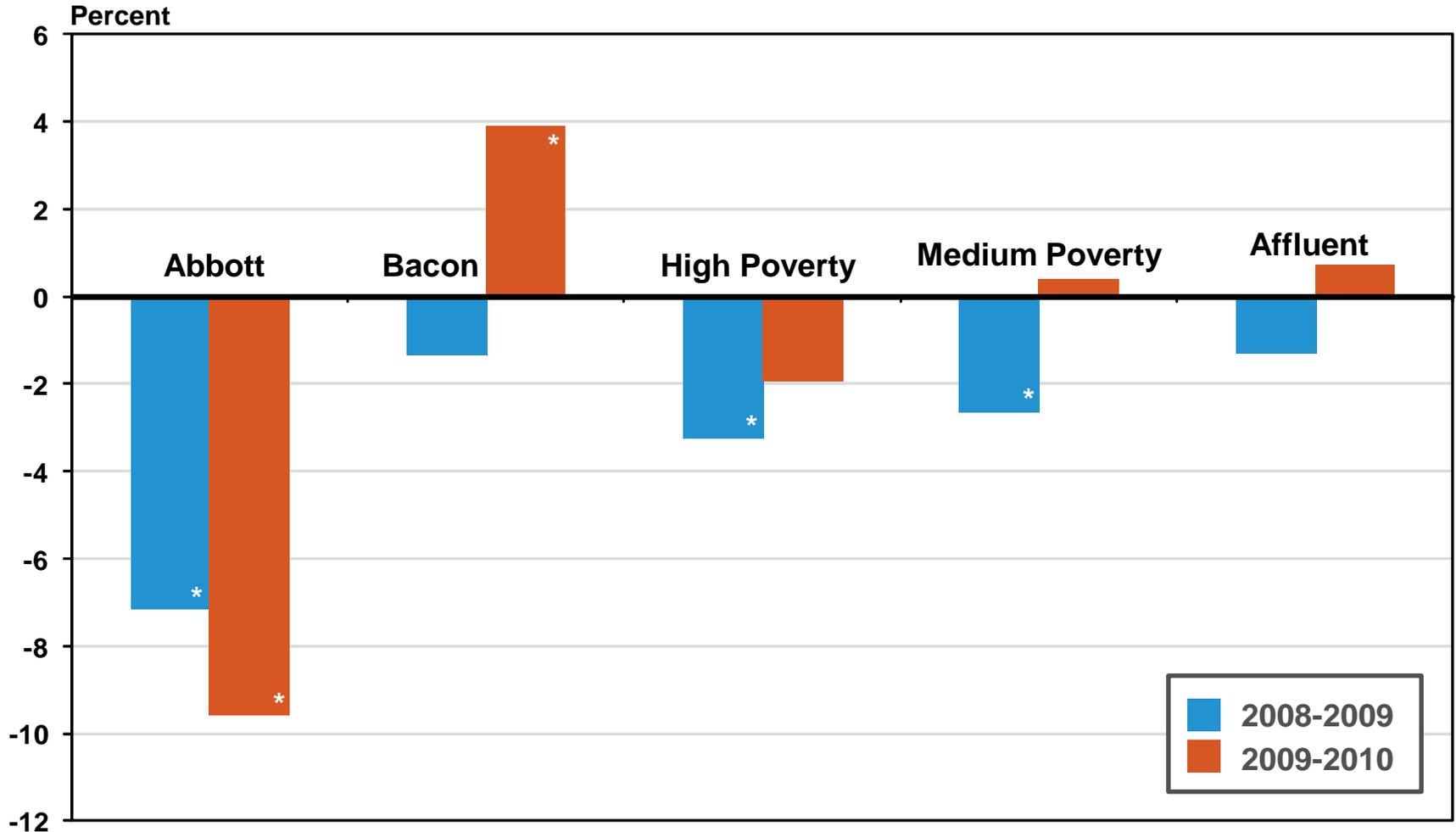
## Comparing Abbott and Bacon Districts



Note: Asterisks indicate statistical significance  
Source: New Jersey Department of Education and Authors' Calculations

# NJ Instructional Expenditures by Designation

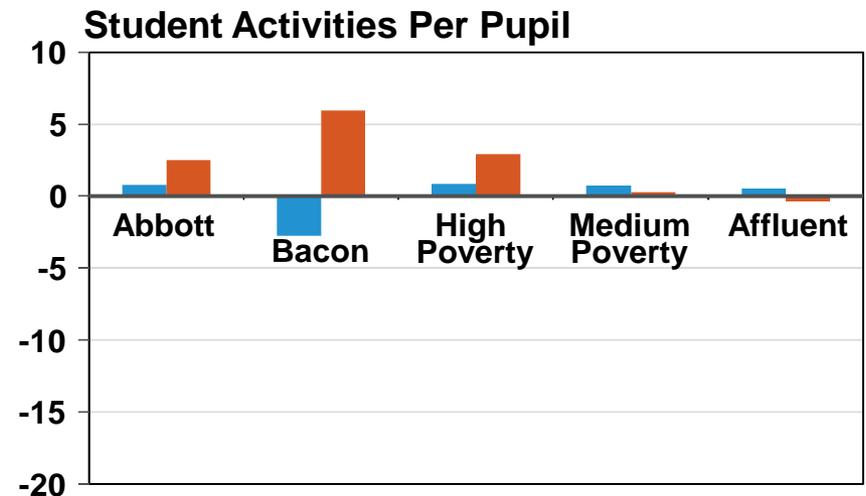
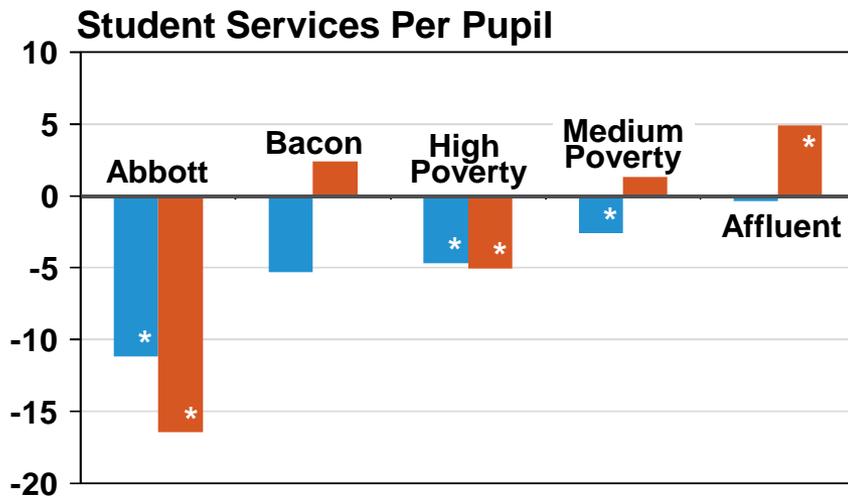
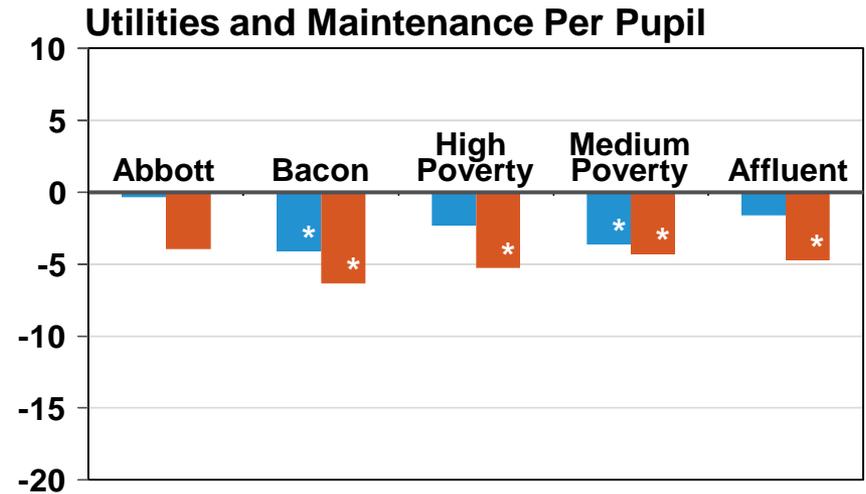
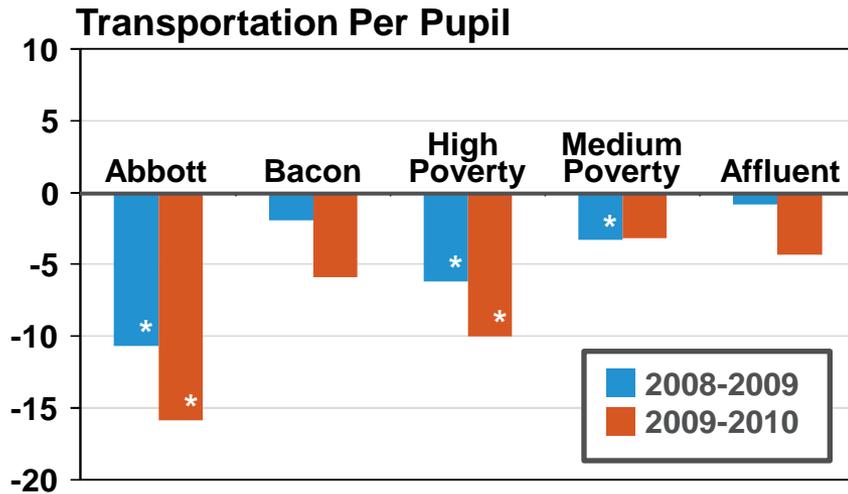
Comparing Abbott and Bacon Districts



Note: Asterisks indicate statistical significance  
Source: New Jersey Department of Education and Authors' Calculations

# NJ Composition of School Expenditures

By Legal Designation – Comparing Abbott and Bacon Districts



Note: Asterisks indicate statistical significance  
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