

# EDUCATION STIMULUS WATCH



AMERICAN ENTERPRISE INSTITUTE

SPECIAL REPORT 2

**"We want you to hold us accountable** and make sure that not only is every dollar wisely spent, but these dollars are significantly improving the life chances of children."

**Secretary of Education Arne Duncan**

Briefing to education associations at the Department of Education, April 3, 2009

**\$75 BILLION** in formula grants **failed** to drive reform.

## Can \$5 billion in competitive grants do the job?

By Andy Smarick | September 2009

*This is the second in a series of special reports on the K–12 education implications of the federal government's economic stimulus package, the American Recovery and Reinvestment Act. Look for Andy Smarick's continuing watch on education stimulus dollars at The American's Enterprise Blog at <http://blog.american.com>.*

In early 2009, Congress passed and President Barack Obama signed into law the American Recovery and Reinvestment Act (ARRA), the federal government's nearly \$800 billion stimulus legislation. According to key members of Congress and the Obama administration, the education portions of the law, totaling about \$100 billion, were designed both to preserve jobs and programs and to reform primary and secondary schooling. Education reformers have reason to be disappointed with what has transpired to date. Looking forward, though, there are some reasons for hope, though the prospect of meaningful reform of America's schools is still far from certain.

The AEI Education Stimulus Watch (ESW) series examines whether this unprecedented federal investment

in schooling is yielding innovation and improvement or merely subsidizing the status quo. The first report in the series described and analyzed the key education components of the stimulus legislation and explained why they were unlikely to deliver the benefits promised by some of the law's proponents. Now, more than half a year after ARRA's passage, as U.S. students head back to school, voters and taxpayers have the opportunity to take stock.

This second ESW reports on the key education portions of the ARRA by tracking their contributions to the legislation's three points of leverage for reform. The first is the approximately \$75 billion in formula-based programs intended to fill the state and district budget holes caused by plunging revenues. The U.S. Department of Education has exhorted states and districts to use these programs, collectively referred to as "Recovery-First Funds" in the previous report, to reform schools and school systems. Unfortunately, there is little or no evidence they have done so.

Second, offering more cause for optimism is the \$4.35 billion Race to the Top program, a pot of funds that the U.S. secretary of education can direct to states he deems most committed to education reform. While these funds have not yet been distributed, preliminary documents issued by the Department of Education indicate an encouraging commitment to reform. There

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are, however, reasons to question how well this federal commitment will translate into practice.

**“The primary aim of the ARRA is to stabilize and stimulate the economy and to save or create jobs.”**

Finally, there is the issue of whether the ARRA has prompted improvements in state education policies. Though this was not an explicit purpose of the legislation, the administration has sought to use the lure of the competitive Race to the Top fund to coax states into passing reform-oriented legislation. This strategy has already achieved some measure of success, and there is the potential for more on the horizon, but like the Race to the Top fund itself, we must guard against assuming that changes in state policy necessarily lead to real improvement—or even that changes in statute necessarily lead to meaningful changes in practice.

### Recovery-First Funds

The primary aim of the ARRA, according to the Obama administration and its congressional champions, is to stabilize and stimulate the economy and to save or create jobs. Accordingly, for good or ill, Congress and the administration sought to expedite the delivery of federal funds to recipients. In education, this has been accomplished by funneling the majority of K–12 funds through prescriptive, formula-driven programs. This way, states and districts would not need to fill out cumbersome applications, the Department of Education would not need to score proposals, and recipients would know in advance how much funding they would receive and how dollars could be spent.

The administration hoped that states and districts would use this approximately \$75 billion for reform in addition to filling budget holes, preserving jobs, and protecting programs. There were a number of reasons, such as the role of unions and the limited power of states to

influence spending, to doubt that reform would be pursued with the same vigor as the other considerations.<sup>1</sup>

Hope for reform grew bleaker when the economic contraction in 2008 was more severe than expected, resulting in a further economic deterioration in the first half of 2009. As a result, district officials were fully consumed by filling budget holes and protecting jobs instead of reforming their school systems.

Data released in August showed that the economy contracted twice as much during the current recession as previously estimated. The U.S. GDP shrank by nearly 4 percent over the last year, the largest downturn since the Great Depression.<sup>2</sup> The recession continued during the second quarter of 2009, with the economy shrinking another percentage point.<sup>3</sup>

Joblessness skyrocketed as well. The 9.5 percent unemployment rate in summer 2009 is both higher than the administration predicted and higher than what would be expected from a recession of this size. Since December 2007, 6.5 million U.S. jobs have been lost.<sup>4</sup>

State budgets from coast to coast have been drastically affected. California was facing by far the largest budget hole in the nation at \$26.3 billion.<sup>5</sup> But other states also reported enormous gaps; Ohio, for example, announced a \$3.2 billion deficit in the spring.<sup>6</sup> In July, Illinois was planning to cut an additional \$1 billion in spending.<sup>7</sup> In Colorado, sales tax revenues fell far below expectations, contributing to a larger than expected budget shortfall.<sup>8</sup> A University of Denver study said the state government had been beset by a “budgetary tsunami.”<sup>9</sup> The chair of Alabama’s Senate Finance and Taxation Education Committee called the state’s financial crisis “worse by far than we’ve ever seen it.”<sup>10</sup> One estimate predicts that even if the recession ends in 2009, the states will have a combined deficit of over \$230 billion in the next two years.<sup>11</sup> This is comparable to the entire GDP of Singapore.<sup>12</sup>

To help fill these holes, the Department of Education twice disbursed ARRA funds ahead of schedule. In July, Secretary Arne Duncan announced the early release of \$2.7 billion from the Government Services Fund.<sup>13</sup> Then, in early August, the department accelerated the distribution of more than \$11 billion from several programs.<sup>14</sup> This was in addition to the tens of billions of dollars already made available via Title I, the Individuals with Disabilities Education Act, and the mammoth State Fiscal Stabilization Fund (SFSF)—for which all states, even the publicly recalcitrant Texas, ultimately applied.<sup>15</sup>

The upshot of these budget shortfalls has been states’ and districts’ single-minded focus on job and program preservation to the exclusion of all else, including reform.



In a July report to Congress, the Government Accountability Office (GAO) confirmed early concerns that SFSF dollars would merely be used to protect the status quo.<sup>16</sup> After studying the activities of a sample of sixteen states and select jurisdictions in those states, GAO reported that, in fact, the SFSF was being used for “retaining staff and current education programs.” States and districts, presented with the option of filling existing budget holes or advancing reforms, were choosing to address the “more pressing” matter—their fiscal needs.<sup>17</sup>

In discussions with district leaders, GAO found that “most did not indicate that they would use [SFSF] funds to pursue educational reforms.” One district in Georgia, for example, opted to use funds to retain teachers, paraprofessionals, nurses, media specialists, and guidance counselors. Some local leaders said that “addressing reform efforts was not in their capacity” when facing the potential of layoffs and other cuts. Some districts said that their states had not provided guidance on how to pursue reform. Despite consistent cajoling from the administration and a department guide on how to use these dollars to advance student achievement, the promise that \$75 billion in Recovery-First Funds would be used for reform as well as stabilization has not come to pass.<sup>18</sup>

Because of the scope and longevity of the recession and the enormity of K–12 education spending, federal aid has not fully filled existing budget holes, meaning states and districts have needed to make cuts. As John Musso, the leader of the Association of School Business Officials International, noted, “Pretty much every school system I know is making cuts to their budget because of the economy. In some cases the stimulus money prevented cuts for some of those school systems, but in the vast majority of others, it didn’t because the cuts were so massive.”<sup>19</sup>

As many have noted, from business and education scholars to Wisconsin’s newly installed state superintendent, such conditions provide the opportunity to make important, long-needed changes.<sup>20</sup> In fact, many public and private sector organizations take advantage of downturns to reconsider their practices. For example, a school district might realize its delivery model is too labor intensive and move toward more online learning. Or a state could recognize that its funding system both inflates costs and contributes to the inequitable distribution of teachers and therefore adopt a student-based funding formula.

A survey of such on-the-ground choices, however, provides little evidence that states and districts are making reduction decisions with either reform or long-term considerations in mind. Instead, taken together, these

decisions appear to be an incoherent assortment of short-term choices meant to help states and districts ride out the storm, not necessarily come out stronger when the sun reappears.

Some districts cut athletic departments.<sup>21</sup> Others considered cutting school buses.<sup>22</sup> The state board of education in Georgia provided districts with a blanket waiver permitting temporary furloughs, and Illinois significantly reduced aid for bilingual and early childhood education.<sup>23</sup> One district eliminated “parent liaisons,” while others moved to close and consolidate schools.<sup>24</sup> The *New York Times* reported on the nationwide trend in cuts to summer school programs.<sup>25</sup> Hawaii cut school-level programs across the board.<sup>26</sup> A number of states simply instituted a flat reduction on aid to districts.<sup>27</sup>

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A significant obstacle to reform-oriented budget reductions has been the role of union contracts. Huge proportions of district budgets and many substantive policy issues are controlled by provisions in collective bargaining agreements.<sup>28</sup> In order to reconsider staffing patterns or teacher compensation policies, district leaders typically need the cooperation of unions. For example, in July, Hawaii’s state board tentatively approved teacher pay reductions but had to win the support of labor leaders before implementing the policy.<sup>29</sup> Getting union approval in such cases is far from certain.

An official with the Connecticut Association of Boards of Education noted that unions have shown little inclination to make concessions despite the severity



of the recession. John Yrchik, executive director of the Connecticut Education Association, said teachers are not responsible for state and district financial problems and therefore should not be expected to help fill budget gaps.<sup>30</sup> In a related development, the state teachers union in California ran television ads attacking the governor for a cost-cutting proposal.<sup>31</sup>

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**This has particularly important implications for education budgets.”**

Three things can be fairly said about Recovery-First Funds to date. First, despite the enormous financial commitment of the federal government, these funds have not fully covered the education deficits accrued by states and districts. This is attributable to the size of state and district education budgets, the severity and duration of the recession, and the difficulty of ratcheting down expenses when such a high percentage of education expenditures is dedicated to salaries and benefits, items covered by strict contracts.

Second, these federal funds have not been used to advance reforms as the administration has vigorously urged. Instead, they are being used to preserve jobs and programs, in effect protecting the status quo.

Third, state and district reductions do not appear to be reform-oriented or strategic. They may be helping to keep school systems solvent, but they are not laying the foundation for promising, fundamental, or long-range reforms.

Though the second and third points are likely to grab the attention of reformers—and support the dismal conclusion that the bulk of ARRA education funding has little or nothing to do with innovation and improvement—the first point deserves further attention. With so much additional federal funding still in play, the large and continuing budget deficits at the state and district

level may cast a longer shadow on education reform than many now anticipate.

## **Recession-Related Problems**

Part of the reason for concern is that, even if the recession is easing, the fortunes of state and district budgets are likely to get worse before they get better. Traditionally, state budgets are hardest hit in the year after a recession ends.<sup>32</sup> This has particularly important implications for education budgets. A 2007 Rockefeller Institute report found that state and local spending on K–12 schooling often remains depressed several years after economic growth returns.<sup>33</sup> While income tax revenues rebound when job growth returns, many states and districts still depend heavily on property tax revenues. In fact, independent school districts derive 96 percent of their revenues from property taxes. When considering all sources of school spending—local, state, and federal funding—property taxes account for 30 percent of all school revenue.<sup>34</sup>

Given the severity of this recession and its roots in the mortgage and foreclosure crisis, home and property values have already decreased significantly. One widely used national housing price index has recorded declines every month since July 2006.<sup>35</sup> Such declines may continue; one mortgage insurer has forecast that home values in U.S. cities will continue to drop through at least March 2011.<sup>36</sup> As rolling assessments catch up with these reduced prices, revenues are likely to be seriously affected.

Some states are already preparing for the consequences. Indeed, the National Conference of State Legislators recently noted, “While Fiscal Year 2009 can be summed up in one word: dismal, FY 2010 can be characterized by two words: even worse.”<sup>37</sup> Alabama’s political leadership expects additional education cuts in the 2010 budget year.<sup>38</sup> Colorado is expecting and preparing for the next wave of the “budgetary tsunami.”<sup>39</sup> Several states have delayed dipping into their rainy day funds knowing that tougher times lie ahead. The grim financial future was clearly reflected in governors’ 2010 budget submissions; these proposals had the largest general fund reductions since the National Governors Association and National Association of State Budget Officers began keeping track of state spending in 1979.<sup>40</sup>

This suggests that the final disbursements from ARRA formula-based programs will similarly be used for job and program protection instead of reform and that future cuts are likely to be as shortsighted as those already



seen. Also, the ranks of national leaders advocating for a second stimulus act could swell; their focus could settle squarely on jobs and programs instead of reform.<sup>41</sup>

But the most important implication may be the growing hunger among states and districts for new funds to cover their difficult-to-reduce costs. We are already seeing this in a number of states, including Illinois, Arizona, and Pennsylvania, whose governors have pushed for tax increases.<sup>42</sup> Coalitions of legislators in many states, including Connecticut and North Carolina, have led efforts to increase state revenues.<sup>43</sup> Ohio's governor is hoping to generate new revenue by placing slot machines at the state's racetracks.<sup>44</sup> As of June, one analysis found that in addition to the traditional income and sales tax increases, seven states had hiked cigarette taxes and eleven had raised motor vehicle registration or court fees.<sup>45</sup>

New taxes and gambling legislation, however, come with political risks. A better alternative for cash-starved state and local leaders would be accessing a large stream of new federal funds. Such a stream exists—the Race to the Top program. While this \$4.35 billion pot of federal aid has been earmarked for education reform, representing the ARRA's best opportunity for improving America's schools, it is also an exceptional amount of funding—by far the most money over which a secretary of education has had such control. It begs the question: will states see this program as a unique engine for launching valuable education reforms or as accessible resources capable of helping to fill existing budget gaps?

### **Race to the Top**

The ARRA empowered the secretary of education to reserve \$5 billion from the massive \$50 billion SFSF for two grant programs. The larger of the two is officially called "State Incentive Grants." Legislative language actually provides remarkably little detail to the public on the purposes of this program and even less direction to the Department of Education on how to administer it. Based on state applications under the SFSF and "such other criteria as the Secretary determines appropriate," the department is authorized to make grants to states.<sup>46</sup>

With such broad discretion, Duncan took to referring to the \$4.35 billion program as the Race to the Top fund, a play on the supposed "race to the bottom" underway in recent years as some states eased standards and assessments to meet No Child Left Behind (NCLB) benchmarks. Over time, through speeches and interviews, Duncan strongly suggested that he would use the

program to reward the states that most vigorously pursued the reforms outlined in the assurances section of the ARRA (improving teacher quality, expanding the use of data, toughening standards and assessments, and assisting struggling schools) and other administration priorities like charter schools.

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This program is widely seen as the best hope within the ARRA to generate real reform. Whereas the law's other education dollars were to be distributed mechanically by formula, through longstanding programs (some congressional leaders worried that these funds would be seen as "free money"), or both, the Race to the Top allows the secretary to direct funds to the activities and state leaders most likely to bring about innovation and improvement.<sup>47</sup> House Committee on Education and Labor chair George Miller has even pushed the secretary to allocate these dollars only to states with compelling and comprehensive reform plans.<sup>48</sup>

In May, Duncan tapped NewSchools Venture Fund chief operating officer Joanne Weiss to direct the Race to the Top, an indication of how the department intended to implement the program. NewSchools invests in reform-oriented projects with a track record of success and the potential to scale. The organization has funded, among others, charter management organizations Achievement First, Green Dot, KIPP, and Uncommon Schools and human capital organizations Teach For America and New Leaders for New Schools. In his announcement of Weiss's appointment, Duncan said, "Joanne will help us push a strong reform agenda that is entrepreneurial in spirit, providing carrots and sticks, to



change the way we do business, and fundamentally turn around underperforming schools in ways that last for decades.”<sup>49</sup>

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At the end of July, the department submitted to the *Federal Register* draft priorities for the Race to the Top fund, the second opportunity to produce reform out of the ARRA.<sup>50</sup> Though these are draft priorities and therefore subject to public comment and then departmental amendment, they reveal a great deal about the administration’s intentions, both in terms of administering the program and, more broadly, addressing the nation’s education challenges.

The most conspicuous element is just how reform-oriented the substance of the department’s document actually is. On a number of the most salient and contentious issues of the day, the administration clearly sided with the education reform community.<sup>51</sup> It wants to see advanced data systems that track students’ performance on assessments throughout their school years and tie those results to teachers, principals, and their preparation programs. It wants states to create new pathways into the teaching profession and base teacher tenure, compensation, and promotion decisions on empirical performance data (instead of input measures like years of experience and academic degrees). It wants to see charter schools be uninhibited by legislated caps, receive facilities funding and equitable operational funding, and emerge as replacements for failing traditional public schools.<sup>52</sup> As Obama said pithily in the announcement of the priorities, “Better

standards. Better teaching. Better schools. Data-driven results. That’s what we will reward with our Race to the Top fund.”<sup>53</sup>

In terms of education, this is a clear win for students, but politically speaking, this is a remarkable victory for the Right.<sup>54</sup> Though beloved by conservatives for years, only five or ten years ago these positions were still considered by the education mainstream to be distractions at best or radical proposals intended to undermine public schools at worst. In the years since, they have swiftly garnered greater support in the political center and left, but they are still anathema to national teachers unions, long a large and loyal member of the Democratic base.

Despite its positive tack on important matters, the document could have been stronger in a number of areas. It does nothing for private school choice or America’s invaluable but beleaguered faith-based urban schools. It could have required tougher action on persistently failing schools and set tougher criteria for state eligibility for program dollars (that is, establishing nonnegotiable litmus tests for states seeking awards). It also unwisely included as selection criteria increases in state K–12 spending and the demonstration of support from entities that might be opposed to important reforms, such as local teachers’ unions and school boards. On the whole, however, the document suggests an administration serious about advancing K–12 education reform.

As noteworthy as the administration’s goals is the manner in which it has moved to bring them about. Two decisions are especially significant.

First, the administration was extraordinarily prescriptive. It specified the four broad reform areas (“Standards and Assessments,” “Data Systems to Support Instruction,” “Great Teachers and Leaders,” and “Turning around Struggling Schools”) around which state applications should be built. It then included nineteen more specific subareas to flesh out how these reforms should be pursued. For example, one subarea under “Great Teachers and Leaders” requires states to develop systems to assess teacher and principal effectiveness and then use the results in evaluation, compensation, and tenure decisions. States seeking grants must “comprehensively” address *all nineteen areas*. That is, states cannot choose which areas to pursue and which to forgo. To compete for funds, they are expected to adopt all of the measures the administration has endorsed.

Second, the department has taken the bold—arguably presumptuous—step of deciding to evaluate states not just on their applications but also on their public policies. Rather than making awards based on the



contents of a state's proposals, as is standard operating procedure, the department will assess how well that state's statutory and regulatory environment will support reform. While this wisely rewards proof over promises, it also brashly elevates the department's preferences above those of state voters and the officials they have elected.

Commentary on these moves has, predictably, fallen into two camps. Those opposed to the department's priorities see these two decisions as the height of federal meddling in education policy—an overconfident administration overreaching. George H. W. Bush administration official Diane Ravitch called the priorities “coercive” and accused the administration of “dictating education policy to the states” and overstepping “the bounds of federal authority.”<sup>55</sup>

Those in sync with the administration's reform goals have been complimentary, believing that the department selected critically important reforms and is now getting tough, doing everything in its power to ensure they are given the opportunity to succeed. Joe Williams, executive director of Democrats for Education Reform, said, “We like the way the administration is using Race to the Top to send a message about its priorities. We like that it's gotten states to take a close look at their laws and practices.”<sup>56</sup>

### Trojan Horse Applications?

There is reason for those agreeing with the administration's goals, however, to ratchet back their expectations. States' unprecedented budgetary challenges combined with the administration's prescriptiveness could lead to partially disingenuous proposals and the half-hearted implementation of promised reforms.

With regard to states that both lack deficits and are wholly committed to reform, there is little reason for concern. They will likely treat the Race to the Top competition as a unique opportunity to access substantial federal funding to advance important education reforms. But few states today find themselves in this category; nearly all are experiencing significant financial challenges, and most have objections to some or all of the administration's priorities. To wit, at the annual meeting of the National Conference of State Legislatures, lawmakers passed a resolution opposing linking a state's charter law to its eligibility for federal funds.<sup>57</sup>

These states, looking to fill huge budget holes, may see the Race to the Top not as federal funding for reform, but merely as available federal funding. The administration's prescriptiveness is unlikely to dissuade states from

applying because states will find the prospect of receiving several hundred million dollars from the federal government too attractive to pass up. Consequently, we should be prepared for “Trojan horse” applications, proposals that purportedly seek to advance reforms but instead look to use these additional federal funds to preserve current jobs and existing programs.

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For example, an application might seem to favor the development of alternative pathways into the teaching profession but instead use the funds to support renamed but unchanged existing state- and district-level professional development programs. A plan to support differentiated pay may merely support provisions in existing union contracts. A proposal purporting to develop an entirely new approach to failing schools might actually fund extant school improvement offices and positions.

Even if a state's application is reform-minded, the state may not faithfully, much less vigorously, implement the components it does not favor. As AEI's Frederick M. Hess and the Fordham Institute's Michael Petrilli recently wrote, “While Uncle Sam can coerce states and school districts to do things they don't want to do, he can't make them do those things well.” They point to two examples within NCLB: while all states eventually followed the federal law's letter and adopted definitions for Adequate Yearly Progress (AYP) and launched supplemental education services (SES) and choice programs, many states set AYP bars notoriously low and erected obstacles to students participating in SES and choice.<sup>58</sup>



Unfaithful or languid implementation could manifest itself in two ways with regard to the Race to the Top. States could pass legislation or adopt regulations with a reform veneer that, in actuality, do little to advance the administration's priorities or education reform more generally. This will be addressed in the following section.

Or, as in the NCLB examples above, states could follow the letter but not the spirit of the law. A state may develop a differentiated pay program but leave its implementation up to obstinate districts or make its adoption subject to the provisions of local collective bargaining agreements. A state could require the use of assessment data in teacher tenure and compensation decisions, but districts could make such data a negligible part of formulas.

In total, these possibilities suggest a degree of skepticism about how much reform will result from the Race to the Top. While the administration embraced valuable reform priorities, the NCLB experience reminds us that there is a lot of daylight between the federal government's embrace of reform and the realization of actual reform on the ground.

## State Policies

The ARRA also has the potential to drive reform through changes to state education policies. While the law's formula-based Recovery-First programs and the competitive Race to the Top may generate improvement directly by providing funds for needed reforms, the department's funds may also reform state education policies indirectly.

Soon after the ARRA was passed, Duncan began informing states that they would put themselves at a "competitive disadvantage" for Race to the Top funds if they did not have reform-friendly public policies in place. Based on the secretary's various pronouncements in the spring, the right environment appeared to include a cap-free charter school law, no prohibitions on using assessment data in teacher evaluations, and a willingness to adopt national standards.<sup>59</sup>

These strong, if nebulous, admonishments were codified and clarified in July's draft priorities when the department indicated it would take the bold step of considering the state's laws and regulations related to charter schools, data use, teacher training, low-performing schools and districts, and national standards and assessments. If fully realized, this audacious strategy would have significant potential. Strong state policies would not only increase Race to the Top grants' chances

of meaningful impact, but would also continue to influence education programs and practices after these federal grants have expired.

**"Though states can be forced to do what they do not want to do, they cannot be forced to do those things well."**

Not long after Duncan's original pronouncements, states began considering policy changes in line with the administration's goals. In fact, in July, a month before the draft priorities were even made public, one advocacy organization declared this strategy a success, and a prominent education commentator credited the move with sparking "a national conversation."<sup>60</sup> The strategy's potential upside grew when the administration announced that Race to the Top grants would be distributed via two staggered competitions, meaning states would have extra time—extending into their 2010 legislative sessions—to change their policies.

To date, a number of states have made significant changes, most coming in the area of charter schools.<sup>61</sup> Illinois and Tennessee raised their charter caps, while Louisiana eliminated its ceiling altogether; Delaware allowed a moratorium on new charters to lapse.<sup>62</sup> (Delaware also passed legislation in April that would make the state more hospitable to Teach For America.<sup>63</sup>) Illinois reformers reported that Duncan's admonishments gave charter cap negotiations "a kick in the pants," and Tennessee leaders credited Duncan with speeding the adoption of the cap lift.<sup>64</sup>

Charter funding was improved in Alaska, Arkansas, Colorado, Georgia, New Hampshire, New Mexico, Tennessee, and Texas, and anticharter proposals were defeated in a number of states, including Connecticut, Idaho, Indiana, Minnesota, New York, Ohio, Rhode Island, and Utah.

Colorado's governor dedicated \$10 million to helping his state become more competitive for funds and put his lieutenant governor in charge of leading this effort.<sup>65</sup> This summer, the state is unveiling its new growth model for student assessments and an associated website, in part to increase its chances of securing a federal grant.<sup>66</sup>





In a number of states, efforts are still underway to improve state policies in accord with Race to the Top's guidelines. In Michigan and North Carolina, for example, legislators continue to consider raising charter school caps. In a major development, Massachusetts governor Deval Patrick, previously hostile to charter schools, proposed strengthening the state's charter law, including lifting its tight cap (charter advocates are seeking to put even stronger improvements on the ballot in a public referendum).<sup>67</sup> In late July, legislators in Wisconsin introduced legislation to end the prohibition on using student assessment data in teacher evaluations.<sup>68</sup>

**“Even if a state is fully committed to reforms, gains in student achievement do not always follow and seldom follow swiftly or easily.”**

California is home to the most reported policy debate ignited by the Race to the Top.<sup>69</sup> The Obama administration publicly criticized the Golden State's “firewall” preventing test data from being used in teacher evaluations. Some of the state's leaders disputed that such a prohibition existed, and a ruling may be required from the state's attorney general on the proper interpretation of the law in question.<sup>70</sup> In the meantime, state Senate leaders are holding hearings on how to address the issue.<sup>71</sup>

Though little legislative progress is being made in Washington State, the editorial board of a major newspaper used the administration's priorities to harangue political leaders for their lassitude on education reform, writing that “Washington just flunked the test for school reform.”<sup>72</sup> A number of other major regional papers—such as the *Salt Lake Tribune* in its analysis of Utah's friendliness to reform—have used the Race to the Top criteria to evaluate state education policies.<sup>73</sup>

Not all states, however, have responded to the administration's priorities. All ten states that forbade

charter schools when the ARRA became law continue to do so. This spring there were failed attempts at passing charter laws in at least three of these states—Maine, South Dakota, and West Virginia.

Legislation to lift caps in Mississippi and Texas failed, and in New Hampshire, a moratorium on new state-authorized charters was extended. Oregon imposed new restrictions on the growth of cyber charter schools. Efforts to expand charter authorizing failed in Mississippi, Nevada, Oklahoma, Oregon, and Wyoming.

In the aggregate, this legislative activity represents a step forward for reform. But as with Race to the Top applications, though states can be forced to do what they do not want to do, they cannot be forced to do those things well. While states may have passed—or may pass in the future—laws that satisfy the administration's preferences in order to access much-needed funds, that does not necessarily mean they are fully supportive of the reforms. For example, it is far more likely that Governor Patrick's sudden about-face on charters was the result of the lure of several hundred million dollars than an epiphany that changed his long-standing views about the value of charters.<sup>74</sup>

The first issue to consider is whether the policy changes are real or cosmetic. Alabama might be induced to pass its first charter law, but will it be a law that supports high-quality growth? Virginia, for example, has had a charter law for more than a decade, yet the state has only four charter schools because the law, according to the Center for Education Reform, is among the weakest in the nation.<sup>75</sup>

Second, will the policy change be implemented so as to yield real reform? California might, for example, pass a law to bring down its data firewall, but that does not necessarily mean that the state department of education or districts will make full use of their new powers.

Third, even if a state is fully committed to reforms, gains in student achievement do not always follow and seldom follow swiftly or easily. For instance, though Texas and Ohio were among the first states with charter laws and passed them with the best of intentions, a series of complications caused each state to develop troubled charter school sectors.<sup>76</sup>

Each of these issues suggests the same caution: while the administration's opening foray into the substantive details of the Race to the Top demonstrated a commitment to important reform activities, this should not be confused with the realization of reform activities on the ground or guaranteed improvement in student learning. Both are possible, but neither is assured.



## Looking Back, Looking Forward

It appears all but certain that the ARRA's \$75 billion in formula-based education programs are a lost cause for education reform. These funds have been used almost exclusively to fill budget holes, and cash-strapped states and districts will likely use what remains of these funds for similar, reform-averse purposes.

Hope remains, however, for the \$5 billion in competitive grants. This fall the administration will provide details on the \$650 million Innovation Fund, a program designed to support promising initiatives at the school and district level, which will serve as a companion to the \$4.35 billion in Race to the Top funding.

But just as statutory language, local politics, and economic conditions inhibit the reform capabilities of Recovery-First Funds, the federal government's limited ability to dictate education practices and outcomes on the ground may ultimately inhibit the impact of Reform-First Funds. Though the administration has sided with reformers in spirit, equally important questions remain: What will state applications look like? How faithfully will states implement reform plans? How much improvement will these reforms generate? The answers to these questions, which are out of the federal government's control, will have an enormous bearing on whether the ARRA contributes to K-12 reform and improvement.

## Notes

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