American Association of School Administrators

MEMO TO: AASA Members
DATE: June 22, 2010
RE: Impact of Preventing Projected Educator Layoffs for 2010-11 School Year
FROM: Noelle Ellerson, Policy Analyst, nellerson@aasa.org

Summary: AASA's Projection of National Education Job Cuts for the 2010-11 School Year reported that 275,000 educator and 82,000 cross-sector jobs are on the chopping block for the 2010-11 school year. In this memo, AASA examines the potential impact of Congressional action—or inaction—and the resulting economic impacts, which reach beyond classroom walls. Congressional action to pass the $23 billion in emergency education funding would not only help avoid massive education jobs cuts but also translate into a GDP gain of $32.2 billion and lower the deficit by more than $10 billion. Conversely, Congressional failure to act could force an unprecedented number of teachers to collect unemployment insurance. Thirty weeks of unemployment insurance for these proposed layoffs would cost the nation more than $3.2 billion. These unemployment benefits represent, on average, only one-third of the average teacher salary. Such wide-spread, significant cuts in income would undermine a fragile federal economic recovery by decimating state and local tax revenues.

Preventing layoffs saves on unemployment insurance payments and helps maintain tax revenues (including payroll and income). Beyond that, though, history has demonstrated that implementing stimulative spending, such as the Education Jobs Bill being considered in Congress, can grow GDP. As the Education Policy Institute writes, in today's economy, with unemployment hovering just below 10 percent (9.9 for this analysis), '…a reasonable estimate is that each dollar in state and local government spending will boost overall GDP by $1.40 in the current economic environment.'[1] Applying this multiplier, the $23 billion being considered in Congress would translate into a GDP gain of $32.2 billion. Assuming this $32 billion reduces deficits at the same rate that the additional GDP generated by Representative George Miller's 2009 Local Jobs for American Act did (as projected by CBO), then this $32 billion in extra GDP will lower the deficit by more than $10 billion.

Examining the economic impact from the opposite end of the spectrum, these massive job cuts would have draconian effects on state and local economies. Schools very often represent not only a town or city's single largest employer, but also one of its single largest consumers. The massive layoffs facing schools are a perfect storm, further stretching already ballooned demand for unemployment insurance, reducing contributions to payroll and income taxes, and negatively impacting spending/consumption (by both schools and the laid-off personnel).

To quantify this, AASA examined each state's average weekly unemployment benefit[2] and each state's average starting teacher salary and overall teacher salary[3]. AASA found that 30 weeks of unemployment insurance represents only one-third (33.7%) of what the average employed teacher would have made over

---

[1] Economic Policy Institute Policy Memorandum (May 2010), **Cheaper Than You Think: Why Smart Efforts to Spur Jobs Cost Less Than Advertised**
[2] Bloomberg Business Week and Money Central
[3] Teacher Portal

30 weeks, an alarming figure that fails to account for lost pension and/or health benefits. Without doubt, a 66 percent cut in income would limit (if not erase) disposable income, significantly reduce spending and consumption for that individual. The 275,000 education jobs on the line, though, are from all 50 states and make this a national concern with wide-reaching national implications. Using the state-by-state jobs cuts collected last month and each state's respective average weekly unemployment benefit, AASA calculated that one year of unemployment insurance for the projected 357,000 layoffs would cost more than $5.5 billion, a financial debt that represents almost one-quarter of the proposed emergency funding without any of the documented stimulative and job-saving benefits.

Members of Congress took a courageous vote for the American Recovery and Reinvestment Act in February 2009. A huge first step in the nation's recovery from the longest-lasting economic recession in our nation's history, ARRA was just that: a first step. Very few people realistically expected that ARRA alone, in just over one year, would single-handedly stabilize federal, state and local economies. Now, not even 18 months later, it is time for Congress to act boldly again, voting to stave off massive education job cuts and support the fragile economic stabilization taking hold at the federal level by providing fiscal stability to the state and local economies that ultimately shape our nation's fiscal health.