The Perfect Storm … Coming to a Community Near You

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In October 1991, it was "the perfect storm" — a tempest that may happen only once in a century — a nor'easter created by three merging storms plus a combination of factors so rare that it could not possibly have been worse. It caught the country’s attention. The storm created waves ten stories high and winds of 120 miles an hour. A riveting full length motion picture on the tribulations of the Andrea Gail, a commercial fishing boat headed towards the storm’s hellish center, was produced.

Now in the year 2009 a new type of perfect storm is rapidly developing in public education. Like the 1991 perfect storm, three merging storms are coming together to produce a most violent storm in the public education arena. Those merging storms are:

- The American Recovery and Reinvestment Act of 2009 ("the stimulus bill");
- The excessive regulation of public schools; and
- The excessive politicization of public schools.

Indiana’s Governor estimates about 1.3 billion “stimulus” dollars (borrowed money) will be spent on education in Indiana. However, with the new borrowed money comes increased federal regulation. The federal government has already announced new reporting and accountability measures required by the “stimulus” bill. Another problem with the “stimulus” money besides the fact it will have to be paid back with interest (much of it to foreign investors), is that much of this money will be used to prop up education spending that exceeds the state’s revenues.

A simple example will suffice. If your family overspends your income this year by $628, and by $7,246 next year, and by $2,835 the third year, your total accumulated deficit will be $10,709 by the end of the third year. Let’s say at the end of each year your family informs you that they just can’t suffer the pain of family budget cuts, so they tell you that you should go out and borrow money to cover the deficits. You will need to borrow $628 to cover the first years’ deficit (the loan would be for 3 years); you will need to borrow $7,246 to cover the second years’ deficit (the loan would be for two years); and you would need to borrow $2,835 to cover the third years’ deficit (the loan would be for 1 year). Assuming you get an interest rate of 7%, the $10,709 deficit will increase to $12,097 by the end of the third year. Now instead of reducing your family spending by only $10,709, you will in three years need to reduce it by $12,097.

If five zeros are added to each of these deficits, they become $62,800,000; $724,600,000; and $283,500,000. Why add five zeros? When five zeros are added, you get the amount of Indiana’s projected deficits for fiscal years 2009 through 2011 as set out in the State’s web site at http://www.in.gov/sba/files/ways_means_surplus_20090217.pdf.
The Governor has asked for four criteria to be met when spending the “stimulus” (borrowed) money:

1. create jobs;
2. spend with speed;
3. spend prudently; and
4. whenever possible create assets of lasting value.

The United States Department of Education also has announced its guiding principles for school districts when spending this money:

1. spend it quickly to save and create jobs;
2. ensure transparency and accountability;
3. thoughtfully invest one-time funds; and
4. advance effective reforms.

All of these guidelines are vague and open to different interpretations. The only guideline that is likely to not be subject to dispute is the push to spend the money quickly with speed. Both sets of guidelines urge the creation and/or saving of jobs. Indiana’s public schools will in all likelihood heed the call to create and save jobs with speed. However, when the “stimulus” (borrowed) money dries up in three years, even more massive layoffs of school employees will be necessary, and there will much wailing and gnashing of teeth as school leaders steer their boats directly into the path of the perfect storm caused by the “stimulus” bill, the over-regulation of schools, and all the politics that the “stimulus” bill brings into Hoosier schools.

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