



Tide turns against schools as foreclosures rise

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FORT PIERCE, Fla. — Way back when times were good — last April — builders showed up one day at Forest Grove Middle School and gutted a little-used classroom off the gym.

Four months and a half-million dollars later, they had transformed the space into a gleaming, bubbling mini marine biology laboratory, with five huge, blue plastic tanks for local marine life and a refrigerated tank that replicates the cold-water ecosystem off Maine.

For the first time, teacher Kevin Stinnette thought, his students could do hands-on lessons with cold-water species such as frilled anemones and Acadia hermit crabs.

Then the mortgage meltdown hit central Florida, and the crabs and anemones weren't the only ones hit with cold water. Here as elsewhere across the USA, hard times have forced schools to trim budgets, freeze hiring and, in a few cases, make substantial job cuts, raising doubts about the future of a range of programs, including the new marine lab.

Already, St. Lucie schools have lost \$22 million in tax revenue from lower property values, and the district is staring at a 25% budget cut in the fall. It has frozen salaries and put central office employees on a four-day workweek. Enrollment is down only slightly but if things get much worse, schools here may cut athletics, after-school activities and summer school to the bone — or even consider a four-day week for students.

"It's not something I'd advocate, but if Florida takes a massive hit, we might not flat-out have the money to make payroll," says Superintendent Mike Lannon. "There are no sacred cows."

Meanwhile, in sprawling Clark County, Nev., home to Las Vegas, schools may have to eliminate as many as 1,000 jobs. The tiny Riverside Elementary District near Phoenix, with 46 teachers, probably will have to lay off nine.

A new USA TODAY analysis has identified these three districts and four others across the nation — Lee County in Florida, Murrieta Valley Unified and Temecula Valley Unified in California, and Fowler Elementary District in Arizona — as being particularly vulnerable to budget cuts in the coming year. They're in areas hit by a wave of mortgage delinquencies, foreclosures and upside-down mortgages, in which borrowers owe more than their homes are worth, according to data analyzed by First American CoreLogic.

Meanwhile, Census data show the districts' education budgets also are especially reliant on local property tax revenue, which is likely to slide at a time when thousands of residents in the districts are losing their homes and falling off the property tax rolls.

But school systems across the USA are vulnerable: More than half of school districts nationwide, including those serving once-fast-growing communities such as Fort Pierce, rely on local property taxes for more than 25% of their budgets.

As the housing crisis continues to unfold, school administrators are preparing for a body blow, although they're uncertain how much they'll benefit from the federal stimulus money now rolling out to states.

The reeling economy also has taken students out of some districts as their parents move in search of jobs. Because many schools are funded based on average daily enrollment, their budgets suffer with each drop.

"We're in rapid decline," says Richard Stokes, superintendent and business manager of the Riverside Elementary District west of Phoenix. "We've lost over 100 kids in the last year, and of course we're paid per kid, so it's not looking good."

In Florida, the future of Stinnette's program, although assured for the next year or so, is in doubt in the long run. St. Lucie County Schools are struggling with shrinking enrollments — down to 38,301 from 38,389 — rising expenses and mounting state and local cuts to Florida's Treasure Coast, a once-booming area south of Orlando.

In a recent survey of 250 superintendents in 46 states, 72% said their districts planned to eliminate jobs by fall — more than one-third from the ranks of teachers and support staff.

In the districts USA TODAY analyzed, state aid is also in jeopardy as their states — Arizona, California, Nevada and Florida — struggle to close budget gaps.

California is grappling with a \$42 billion budget shortfall that Gov. Arnold Schwarzenegger calls "a rock upon our chest."

Says John Taylor, president of the National Community Reinvestment Coalition: "Any cities and towns that are looking for the state to make up (revenue shortages) are going to be woefully disappointed."

Stimulus effect unclear

The \$787 billion congressional stimulus could ease the pain, but just how much is unclear.

A University of Washington analysis this year found that reduced state spending — even without local cuts — could force school districts to eliminate about 9% of K-12 jobs, or 574,277, over three years. But U.S. Education Secretary Arne Duncan says the stimulus could help prevent "hundreds of thousands" of teacher layoffs.

"I guess I'll believe it when I see it," Fowler, Ariz., schools Superintendent Marvene Lobato says of the stimulus package's potential effect on her 4,300-student district. "By the time it trickles through the legislators, I don't think the schools are going to see a whole lot in the end."

Taylor says the high numbers of foreclosed properties and double-digit unemployment in many communities means drastically lowered taxes and strapped schools, police, fire departments and public works. A few communities, he says, are "not going to survive this — they're going to be on life support."

In Florida, where state money accounts for about 41 cents of every education dollar spent, lawmakers in Tallahassee face a projected \$5 billion shortfall in 2010. The prognosis for Florida schools is bleak, says Bill Montford, CEO of the Florida Association of District School Superintendents.

"There are some school districts in Florida that are on the verge of serious, serious financial breakdown," he says. "And it's not because of mismanagement — it's simply because of the economic crisis."

A few of the state's 67 school districts have begun cutting jobs. Volusia County, just up the coast from St.

Lucie, has abolished 1,000 jobs in two years, and a group of Florida superintendents has requested help from Congress' Troubled Asset Relief Plan, or TARP, which is intended to help private financial institutions.

Lannon, the St. Lucie County superintendent, seems relentlessly upbeat about the problem but knows the worst is probably to come. A 41-year veteran of education, he's looking at a possible 25% cut in his \$262 million budget next year.

It's a bitter pill for the Treasure Coast, a region that has long sought to shift its sights from tourism and agriculture to research, education and high-tech employment.

But local leaders, hoping to make the region the "Research Coast," acknowledge that if they face two more years of recession, it could undermine their plans.

Already the county's foreclosure rate is at an all-time high — it more than doubled last year to 8.6%, with 10,764 homes in foreclosure; unemployment sits at 10.5%. A county commissioner proposed declaring a state of emergency last month so St. Lucie could access \$17.5 million in county reserve money set aside for natural disasters.

"I don't know if it's a crisis yet," says Larry Pelton, president of the county's Economic Development Council. "It's an urgency."

Cuts at central office

Development, which boomed here beginning in the late 1990s, has virtually halted. Property values in St. Lucie this year have declined about 20%, meaning the county's 42 schools will get about \$22 million less in tax revenue. What for decades had been a steady northward stream of South Florida families looking for affordable housing has been reduced to a trickle as they find they can't sell their homes.

Last fall, for the first time in decades, St. Lucie's enrollment dropped as families left the area to look for work. "They've moved and they took their kids with them," Lannon says.

He has given up his annual raise and asked his employees to do the same. He dispatched 45 staffers from the 300-person central office to work in the schools as clerks, purchasers, bookkeepers and secretaries.

Since 2003, the district's central office has occupied an old Sears store in a former strip mall. Standing in the doorway of her office, school board member Kathryn Hensley jokes, "We're in 'sheets and towels.' "

On a recent Friday afternoon, the store was virtually empty — Lannon has reduced central office staff to four-day weeks so he can turn off the air conditioning and most of the lights. He works most Fridays anyway, propping his office door to let in a breeze.

Lannon has cut the jobs of assistant principals, computer techs and hall monitors. He did away with interscholastic middle-school athletics and won't provide buses for sports at any level.

In the thick of the crisis, Stinnette found a way to help pay for his marine lab: His kids are now raising 500 tilapia, the popular freshwater fish, that they'll sell at in a big community fish fry.

"We are raising as many as our capacity with the tanks will enable," he says. If it works, he wants to expand "beyond tilapia" to red snapper.

By law, school districts here must balance their budgets each year, but for the past decade, they've

increasingly done it on the backs of taxpayers. In 1998, the state contributed about 50% of funding; local funds provided nearly 42%. By 2007, that was almost reversed, with the state providing just under 41% and districts providing nearly 51%.

Meanwhile, Lannon and his staff have considered just about every other way to save money.

"It's the worst time I've ever seen," Hensley says.

Lannon says he has done all he can to protect children from the cuts, adding that "a third-grade kid, just because of an economic downturn, doesn't get third grade as a do-over."

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