

A Proposal to Create A National Fiscal Policy Board

The Proposal. Our analysis of state fiscal trends tells us that we can't wait for 50 distinct "state fiscal systems" to right themselves. Looking down the road, we propose that by the year 2020 NEA needs to have done more than create awareness about the role of tax structures, economic development policies, and funding for schools (TEF) in ensuring equal educational and economic opportunity for all. We recommend expanding the national debate about public education from student achievement to investing in America's future. An independent body modeled after the Federal Reserve Board would provide a platform from which to achieve this objective. We propose that NEA needs to work toward creating such a platform.

The Rationale. A key problem we face as a nation is that funding for public schools is vulnerable to the ups and downs of 50 different state fiscal policies — particularly as they relate to revenues and expenditures. When it comes to funding public schools, state governments have no unity of purpose, no centralized guide, and no coordinated effort. Individual states make individual decisions, often randomly.

When the Great Depression brought America's need for united, centralized, coordinated monetary policy before the American electorate, the Federal Reserve Board was created. The Fed's structure — regions collect and analyze data, report findings and make recommendations, and a central entity coordinates policy — forms the backbone of America's ongoing monetary policy planning. To break the cycles of boom and bust, the Fed was created to coordinate America's monetary policy and stabilize our economy.

However, monetary policy is only one element necessary to maintaining a stable, predictable, and growing economy. Another is fiscal policy, meaning taxes and expenditures. (Indeed, these have an even greater impact on state economies.) But, for fiscal policy, we have no mechanism comparable to the Federal Reserve Board. We think we *should* have one.

The Function. The data underlying the NEA TEF project demonstrate clearly and decisively that investing in public education provides a greater return to state economies than tax cuts. The proposed independent, Fed-like body created by Congress would collect and analyze state-level data through regional offices, report findings and make recommendations to a central body, and provide coordinated fiscal guidance designed to maximize states' return on an ongoing investment in public education. The mission of this body would be to use fiscal data to assist states in making fiscal decisions and to grow states' economies.

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