

# Covid-19: Public Policies and Society's Responses



Quality information for refining public policies and saving lives

## Policy Brief 35

While states have registered a significant increase in ICMS revenues in the 1<sup>st</sup> Semester of 2021, the lack of national coordination and strategy for the use of resources hinder educational policies and puts an entire generation at risk

## Main Conclusions

- The Current Net Revenue of the states went up by 10% in real terms in the first half of 2021, driven by the ICMS revenue (Tax on the Circulation of Goods and Services), which grew over 18% compared with the same period in 2020;
- Despite the greater availability of resources, states have not increased their expenditures, which remained stable in real terms. In fact, some states have even reduced expenditures in several areas;
- We find a noteworthy overall reduction in expenditures with Education: 1% compared to the first half of 2020 and 7.4% compared to the same period in 2019;
- The drop in educational spending in 2021 is troubling as this area had already been neglected in 2020. Severe consequences of the pandemic in 2020, such as increased school dropout rates at primary and secondary levels, which are the shared or sole responsibility of the states, persist and will likely worsen in 2021;
- The absence of federal coordination (from the Ministry of Education) in managing educational policies during the Covid-19 pandemic has caused Brazilian states to implement different fragmented actions with a lack of strategy;

- The federal ban on increased spending on wages and other benefits until December 2021, imposed by Complementary Law 173/2020, further limited the use of budget resources for education, which are highly concentrated on expenditures with personnel. However, the demand for investments in school infrastructure and technology, in addition to contracting services that could minimize damage caused by the suspension of in-person activities, does not seem to have been adequately met. The available data does not show a substantial use of resources for these expenditures;
- Some states have announced expenditure plans by way of direct transfers to schools as well as municipalities (such as the PDDE in the state of São Paulo). However, this spending volume is lower than registered in previous years, such as 2019;
- A common complaint among state managers concerns the difficulties in public bidding/acquisitions to address education problems within this period. However, our survey shows that most states were covered by public calamity decrees that could have streamlined such hirings and acquisitions;
- It is essential to understand the difficulties in education policy and management at this critical moment, since resources exist and education is bound to mandatory tax revenue transfers. All estimates suggest a severe worsening of educational inequalities in Brazil (already extremely severe), and failure to enact swift measures may put an entire generation at risk.

## Introduction

Since the onset of the Covid-19 pandemic in Brazil, states and municipalities, threatened by an expectation of tax revenue declines, more specifically in ICMS revenue (Tax on the Circulation of Goods and Services), predicted significant inconsistencies in their accounts, already declining from the enduring economic crisis in the country since 2014.

On the one hand, these projections prompted the National Congress to approve federal tax relief measures, such as Complementary Law 173/2020. On the other hand, subnational governments have adopted measures to limit expenditures across different public policies in an effort to prioritize health expenses. This expenditure control has also affected education, even though expenditures in this area has been just as pressing as health: to preserve or even increase expenditures to adapt for a remote teaching model; ensure quality equipment and internet access for students and teachers; maintenance of school meals; and prepare schools to adopt sanitary protocols when resuming in-person classroom activities.

The dismal revenue projections for 2020, however, did not come to fruition. Health expenditure increased in 2020, as expected, but spending on Education did not. In this area, states recorded an average real decrease of 9% in 2020 compared to 2019, with drops even in states that registered ICMS gains, as shown in Policy Brief No. 27 of the Solidarity Research Network<sup>1</sup>.

Our findings regarding the reduced spending on education in Brazil runs in tandem with recently published research by the Organization for Economic Co-operation and Development (OECD), in which Brazil ranks among a minority group of countries with no increased spending in this area throughout the pandemic period. In 2020, total public spending on education represented 4% of the Brazilian Gross Domestic Product (GDP), the same percentage as 2018<sup>2</sup>.

<sup>1</sup> Available at: <https://redepesquisasolidaria.org/wp-content/uploads/2021/08/boletimpps-27-3marco2021-eng.pdf>

<sup>2</sup> *Education at a Glance* (OECD, 2021). As the Brazilian GDP dropped 4.1% compared to 2019, the maintenance of spending on education as a percentage of the product expresses a decline in real terms.

In 2021, the country underwent its worst moment in the crisis, with a significant surge in the number of infections and deaths. Slow vaccination rates in the first half of the year prompted most states to keep schools closed and uphold social isolation measures to some extent. On the other hand, this meant more time for governments to allocate resources for setting up adequate sanitary protocols for a safe in-person return and to enact measures for learning recovery and active search of students to avoid school dropout, especially because states and municipalities registered very positive financial results in 2020<sup>3</sup>.

This Policy Brief analyzes the revenue performance and expenditure allocation of Brazilian states in the main public policies, comparing the tax behavior in the first half of 2021 with the same period of 2020 and 2019. We focus especially on education expenditures, which were not significantly high despite revenue gains. We corrected all revenue and expenditure data hereby presented by way of the Extended National Consumer Price Index (IPCA in the Portuguese acronym) for the month of June 2021.

## States' Revenues

The performance of the Current Net Revenues (CNR) of the states was significantly surprising, with a real growth of 10% compared to the first half of 2020, which registered stagnation against the same period in 2019.

**Table 1 – Current Net Revenue of the States (First semester – 2019/2021)**

State	CNR Jan/Jun 2019	CNR Jan/Jun 2020	Variation (20/19)	CNR Jan/Jun 2021	Variation (21/20)
RR	2.284.618.639	2.183.858.490	-4.4%	2.695.883.086	23.4%
RS	20.878.183.380	20.746.378.709	-0.6%	25.322.544.395	22.1%
BA	18.258.340.992	18.815.128.554	3.0%	22.633.523.340	20.3%
GO	12.802.695.978	12.595.987.673	-1.6%	14.566.355.829	15.6%
SC	13.565.134.349	13.228.110.299	-2.5%	14.895.606.236	12.6%
PB	5.609.342.044	5.618.973.421	0.2%	6.307.552.469	12.3%
RN	5.407.309.466	5.186.734.942	-4.1%	5.789.345.747	11.6%
RJ	31.646.395.693	30.343.018.331	-4.1%	33.653.822.276	10.9%
MT	8.446.888.198	10.098.359.954	19.6%	11.101.946.005	9.9%
AL	4.726.367.771	4.750.841.120	0.5%	5.210.690.008	9.7%
PI	5.101.799.436	5.086.191.275	-0.3%	5.570.623.435	9.5%
AC	2.895.309.124	2.947.961.728	1.8%	3.227.241.486	9.5%
SP	86.989.997.600	82.952.808.661	-4.6%	90.548.546.423	9.2%
CE	11.623.398.879	10.957.129.295	-5.7%	11.905.015.623	8.7%
PR	21.124.594.429	20.597.002.724	-2.5%	22.355.709.539	8.5%

<sup>3</sup> The National Treasury Secretariat's Finance Bulletin for Subnational Entities revealed that in 2020 states and municipalities recorded the highest primary result since 2000, attributing this performance to the combination of tax revenue growth alongside federal transfers to combat Covid-19. Available at: <https://www.gov.br/pt-br/noticias/financas-impostos-e-gestao-publica/2021/09/estados-e-municipios-tiveram-em-2020-maior-resultado-primario-da-serie-historica>

State	CNR Jan/Jun 2019	CNR Jan/Jun 2020	Variation (20/19)	CNR Jan/Jun 2021	Variation (21/20)
ES	8.128.790.591	7.866.527.608	-3.2%	8.535.052.074	8.5%
AM	7.466.705.179	8.132.141.414	8.9%	8.811.808.395	8.4%
MS	6.092.932.398	6.878.524.433	12.9%	7.443.878.770	8.2%
PE	13.789.720.084	13.855.955.429	0.5%	14.908.977.612	7.6%
MA	7.924.259.673	8.171.151.304	3.1%	8.780.210.690	7.5%
SE	4.397.313.130	4.386.405.705	-0.2%	4.694.731.850	7.0%
MG	35.382.306.071	35.864.745.844	1.4%	38.368.735.438	7.0%
RO	4.097.261.273	4.324.666.965	5.6%	4.581.069.961	5.9%
TO	4.236.109.243	4.471.048.278	5.5%	4.698.590.232	5.1%
PA	11.024.717.274	12.170.969.010	10.4%	12.666.287.242	4.1%
DF	11.890.166.829	13.125.865.987	10.4%	13.297.931.369	1.3%
AP	3.085.244.807	2.952.617.635	-4.3%	2.891.948.334	-2.1%
<b>Total</b>	<b>368.875.902.529</b>	<b>368.309.104.790</b>	<b>-0.2%</b>	<b>405.463.627.863</b>	<b>10.1%</b>

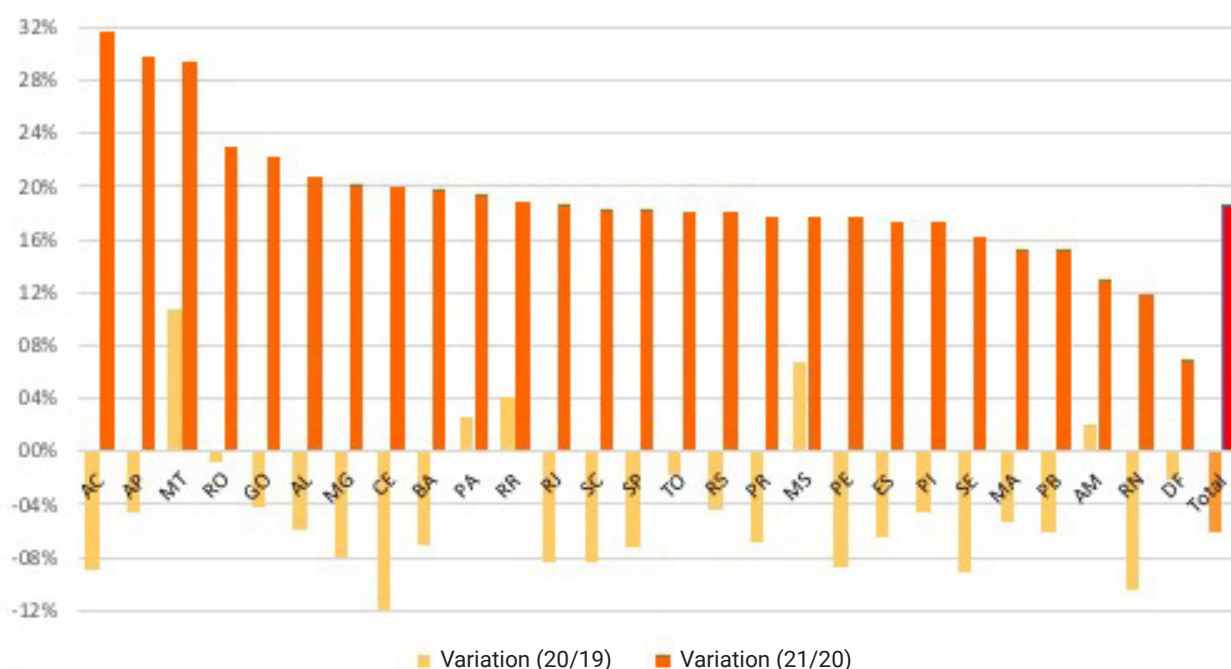
Source: Prepared by the authors. Data from Siconfi/ME. Values updated by the IPCA (June 2021).

The average real growth of the ICMS in the first half of 2021 compared to the same period in 2020 was above 18%. All states registered real ICMS growth, albeit with significant variations between states. Acre, Amapá, and Mato Grosso registered growth by circa 30%. The Federal District, with the smallest variation, grew approximately 7%.

It is important to emphasize, however, that 2020 was an unusual year, with relative stagnation. Both the CNR and ICMS registered relevant growth even when compared to 2019, circa 10% for the CNR and over 11% in the case of ICMS in the half-yearly comparison, significantly higher than expected<sup>4</sup>.

**Graph 1 – Variation in the ICMS revenue of the states**  
(First semester – 2020/2021)

(% over the same semester in the previous year)



Source: Prepared by the authors. Data from Siconfi/ME. Values updated by the IPCA (June 2021).

**Table 2** – ICMS Revenue (First semester - 2019/2021)

State	ICMS Jan/Jun 2019	ICMS Jan/Jun 2020	Variation (20/19)	ICMS Jan/Jun 2021	Variation (21/20)
AC	711.100.177	647.425.838	-9.0%	852.654.880	31.7%
AP	477.209.893	455.427.469	-4.6%	591.045.757	29.8%
MT	5.449.694.549	6.031.962.381	10.7%	7.809.045.723	29.5%
RO	2.103.737.360	2.087.623.892	-0.8%	2.567.944.230	23.0%
GO	9.075.297.401	8.699.445.174	-4.1%	10.637.172.905	22.3%
AL	2.406.134.907	2.264.473.633	-5.9%	2.735.369.531	20.8%
MG	27.923.662.483	25.683.008.295	-8.0%	30.878.858.799	20.2%
CE	6.818.798.670	6.008.546.381	-11.9%	7.203.779.079	19.9%
BA	13.081.609.661	12.161.097.466	-7.0%	14.573.115.570	19.8%
PA	6.282.726.047	6.447.280.758	2.6%	7.694.479.184	19.3%
RR	584.894.009	609.344.675	4.2%	724.022.634	18.8%
RJ	20.441.379.324	18.730.991.445	-8.4%	22.225.947.002	18.7%
SC	13.001.556.848	11.921.902.462	-8.3%	14.107.903.703	18.3%
SP	78.857.253.703	73.120.055.623	-7.3%	86.452.282.718	18.2%
TO	1.584.525.644	1.556.349.091	-1.8%	1.839.103.969	18.2%
RS	18.773.553.310	17.952.567.494	-4.4%	21.193.488.464	18.1%
PR	16.619.333.286	15.464.976.630	-6.9%	18.211.673.009	17.8%
MS	4.753.820.252	5.070.649.793	6.7%	5.970.739.113	17.8%
PE	9.006.436.228	8.211.443.352	-8.8%	9.659.649.280	17.6%
ES	6.260.072.171	5.854.180.726	-6.5%	6.870.412.459	17.4%
PI	2.339.280.005	2.233.046.281	-4.5%	2.618.077.929	17.2%
SE	1.895.089.946	1.722.384.289	-9.1%	2.001.101.683	16.2%
MA	4.181.092.480	3.956.220.376	-5.4%	4.562.756.917	15.3%
PB	3.193.523.723	2.998.696.177	-6.1%	3.455.620.456	15.2%
AM	5.184.605.817	5.292.920.447	2.1%	5.983.260.307	13.0%
RN	3.134.375.186	2.807.987.029	-10.4%	3.139.614.129	11.8%
DF	4.404.511.226	4.309.754.301	-2.2%	4.609.088.909	6.9%
<b>Total</b>	<b>268.545.274.307</b>	<b>252.299.761.477</b>	<b>-6.0%</b>	<b>299.168.208.339</b>	<b>18.6%</b>

**Source:** Prepared by the authors. Data from Siconfi/ME. Values updated by the IPCA (June 2021).

## States' expenditures

Despite the significant increase in state revenues, spearheaded by the ICMS, the reported expenditures in the first semester shows no significant variations when compared to the same period in 2020 and 2019, fluctuating less than 0.5% each year, for less in 2020 and for more in 2021.

4 According to data from Confaz (State tax collection bulletin) ICMS collection gains until June this year were driven by the oil/fuel and electricity sectors. Available at: <https://www.confaz.fazenda.gov.br/boletim-de-arrecadacao-dos-tributos-estaduais>



**Table 3 – Reported expenditures of the states (First semester – 2019/2021)**

State	Total Expenditures Jan/Jun 2019	Total Expenditures Jan/Jun 2020	Variation (20/19)	Total Expenditures Jan/Jun 2021	Variation (21/20)	Variation (21/19)
RR	1.268.059.050	1.570.552.678	23.9%	1.763.956.422	12.3%	39.1%
PA	9.872.410.207	11.508.575.559	16.6%	11.486.902.019	-0.2%	16.4%
MA	7.313.851.446	6.790.085.897	-7.2%	8.463.354.010	24.6%	15.7%
MG	38.928.283.824	42.819.297.252	10.0%	44.624.353.808	4.2%	14.6%
AM	7.051.557.742	7.241.802.014	2.7%	7.777.178.282	7.4%	10.3%
MT	7.796.882.477	8.334.307.056	6.9%	8.598.110.285	3.2%	10.3%
ES	6.744.610.905	7.188.648.091	6.6%	7.388.960.415	2.8%	9.6%
DF	10.481.340.071	11.173.718.255	6.6%	11.459.062.299	2.6%	9.3%
AL	4.306.748.546	4.519.420.882	4.9%	4.613.780.135	2.1%	7.1%
SC	12.829.336.928	12.817.732.643	-0.1%	13.698.147.289	6.9%	6.8%
RJ	27.996.963.865	29.943.332.929	7.0%	29.630.874.929	-1.0%	5.8%
RN	5.207.116.122	4.959.460.653	-4.8%	5.491.102.300	10.7%	5.5%
CE	11.997.084.959	12.181.207.150	1.5%	12.596.097.513	3.4%	5.0%
TO	4.106.588.539	4.388.925.178	6.9%	4.215.252.653	-4.0%	2.6%
MS	6.644.852.154	6.867.486.624	3.4%	6.813.228.585	-0.8%	2.5%
AC	2.721.252.342	2.780.239.801	2.2%	2.739.525.488	-1.5%	0.7%
BA	19.109.789.065	18.971.907.315	-0.7%	19.238.104.212	1.4%	0.7%
PI	5.124.011.495	5.069.405.424	-1.1%	5.148.845.138	1.6%	0.5%
SE	4.620.420.199	4.524.248.587	-2.1%	4.624.551.441	2.2%	0.1%
PE	13.523.235.504	14.180.098.530	4.9%	13.511.923.423	-4.7%	-0.1%
PB	5.213.759.773	5.023.519.095	-3.6%	5.205.135.640	3.6%	-0.2%
AP	1.852.717.244	2.141.409.396	15.6%	1.800.678.940	-15.9%	-2.8%
RO	3.323.045.501	3.230.284.080	-2.8%	3.197.982.212	-1.0%	-3.8%
SP	87.680.259.468	82.990.972.268	-5.3%	81.017.437.431	-2.4%	-7.6%
RS	24.426.737.356	23.947.690.454	-2.0%	22.490.099.331	-6.1%	-7.9%
GO	14.098.508.674	12.403.902.521	-12.0%	12.797.065.242	3.2%	-9.2%
PR	25.019.891.156	20.304.557.630	-18.8%	18.886.892.496	-7.0%	-24.5%
<b>Total</b>	<b>369.259.314.614</b>	<b>367.872.787.963</b>	<b>-0.4%</b>	<b>369.278.601.939</b>	<b>0.4%</b>	<b>0.0%</b>

**Source:** Prepared by the authors. Data from Siconfi/ME. Values updated by the IPCA (June 2021).

Although the states' aggregate expenditure has been relatively stable, we find large variations in this scenario when comparing 2021 against 2019, with over 10% increased expenditure in six states (RR, PA, MA, MG, AM, and MT) and drops in another eight states (PE, PB, AP, RO, SP, RS, GO, and PR). We find a similar behavior if we analyze expenditures by function, with important drops and increases in different strategic areas.

**Table 4** – Reported expenditures of the states by function (First semester - 2019/2021)

Function	Total Expenditures Jan/Jun 2019	Total Expenditures Jan/Jun 2020	Variation (20/19)	Total Expenditures Jan/Jun 2021	Variation (21/20)	Variation (21/19)
Energy	28.154.136	39.045.875	38.7%	50.021.102	28.1%	77.7%
Communications	289.865.083	414.919.284	43.1%	496.929.795	19.8%	71.4%
Social Assistance	2.337.936.958	2.760.609.447	18.1%	3.098.608.824	12.2%	32.5%
Urbanism	1.829.937.209	1.842.519.200	0.7%	2.215.594.742	20.2%	21.1%
Health	46.852.575.230	54.436.121.675	16.2%	54.662.318.067	0.4%	16.7%
Transportation	8.446.443.041	8.960.736.191	6.1%	9.668.951.334	7.9%	14.5%
Agricultural Organization	94.070.973	87.127.409	-7.4%	97.760.468	12.2%	3.9%
Management	14.672.578.605	15.245.123.858	3.9%	15.132.356.162	-0.7%	3.1%
Special Charges	51.464.743.293	41.817.875.731	-18.7%	51.742.645.375	23.7%	0.5%
Legislative Services	8.156.299.129	8.434.186.421	3.4%	8.163.211.974	-3.2%	0.1%
Social Security	88.922.549.577	93.700.369.295	5.4%	87.089.823.498	-7.1%	-2.1%
Public Security	41.441.915.107	41.087.576.300	-0.9%	39.714.157.148	-3.3%	-4.2%
Essential Justice Services	10.791.347.528	10.704.265.801	-0.8%	10.294.436.457	-3.8%	-4.6%
Culture	1.025.653.413	903.052.743	-12.0%	974.095.862	7.9%	-5.0%
Work	381.078.468	358.233.849	-6.0%	358.668.413	0.1%	-5.9%
Judiciary	21.353.776.897	20.644.689.455	-3.3%	20.095.237.366	-2.7%	-5.9%
Commerce and Services	754.390.974	820.603.570	8.8%	707.082.258	-13.8%	-6.3%
Agriculture	3.183.395.511	3.001.397.427	-5.7%	2.981.075.222	-0.7%	-6.4%
Sanitation	877.190.115	862.431.011	-1.7%	819.072.066	-5.0%	-6.6%
Education	55.217.428.156	51.678.205.840	-6.4%	51.145.721.491	-1.0%	-7.4%
Citizenship Rights	6.433.577.165	6.119.462.556	-4.9%	5.934.082.144	-3.0%	-7.8%
Environmental Management	1.808.775.315	1.617.509.400	-10.6%	1.660.165.908	2.6%	-8.2%
Housing	458.106.807	448.764.614	-2.0%	419.258.783	-6.6%	-8.5%
Sports and Leisure	322.794.649	265.469.183	-17.8%	264.497.851	-0.4%	-18.1%
Science and Technology	1.651.654.570	1.381.644.486	-16.3%	1.230.728.225	-10.9%	-25.5%
Industry	463.076.704	240.624.914	-48.0%	261.921.047	8.9%	-43.4%
Foreign Affairs		222.427		180.356	-18.9%	
<b>Total</b>	<b>369.259.314.614</b>	<b>367.872.787.963</b>	<b>-0.4%</b>	<b>369.278.601.939</b>	<b>0.4%</b>	<b>0.0%</b>

**Source:** Prepared by the authors. Data from Siconfi/ME. Values updated by the IPCA (June 2021).

The table above shows that the five main functions, namely, Social Security, Health, Special Charges, Education, and Public Safety, which represent 77% of expenditures in 2021, varied between -4% and 17%. The functions with the highest variances comprise the smallest share of the total budget.

The Health function, which registered the greatest variation among the five areas mentioned, maintained its 2020 expenditures, which were already high due to the fight against the pandemic, with an increase of almost 17% compared to 2019. The Special Charges function<sup>5</sup> registered the greatest

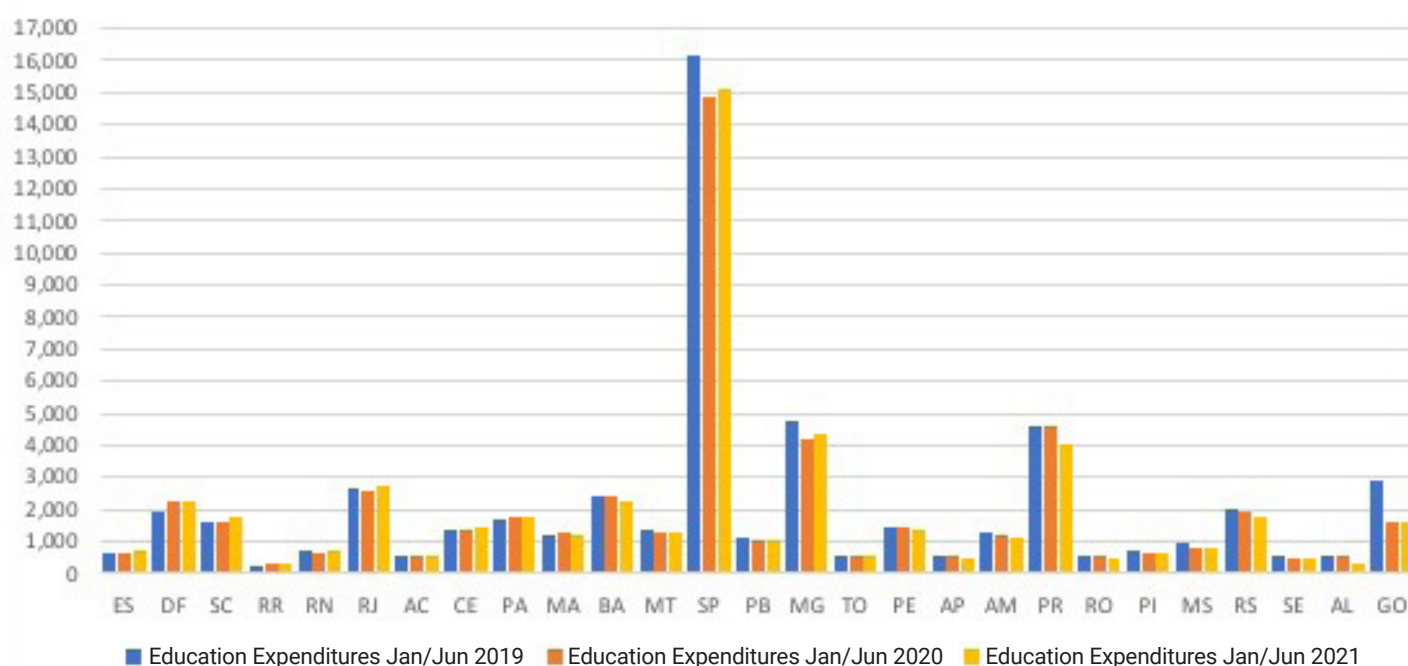
<sup>5</sup> This function includes, for example, public charges and court rulings.

variation in absolute values in the period, dropping by almost R\$ 10 billion in 2020 and growing the same amount in 2021, when it recovered the same expenditure level of 2019 with the return of the states' debt payments, suspended in 2020 due to CL 173/ 2020.

Education, Social Security, and Public Security registered significant expenditure drops in the period. Education, for example, dropped 1% in 2021 compared to 2020, but when compared to the first half of 2019, the drop is over 7%; Social Security, after growing more than 5% in 2020, registered an expenditure drop of 7.1% in 2021, accumulating a drop of 2.1% compared to the same period in 2019. The reduction in expenditures in these two areas is very likely related to the impossibility of increasing expenditures with personnel until December 2022, as established in CL 173/2020.

Some states had a significant retraction of reported expenditures on Education in the first half of 2021, compared to 2019, even though they registered important ICMS revenue gains within the period. Such is the case of Goiás<sup>6</sup>, Alagoas, Sergipe, Rio Grande do Sul, and Mato Grosso do Sul, to list only the top five. At the other end, Espírito Santo reported Education expenditures that closely follow its ICMS revenue, in very similar percentages. In the Federal District, the increase in expenditures with this function surpassed, in relative terms, the increase in ICMS revenue in the first semester of the two years under comparison, 2019 and 2021, the only state in which this occurs. Acre, which registered the largest percentage increase in ICMS within the analyzed period, reported only a small increase in expenditures with Education within the same period.

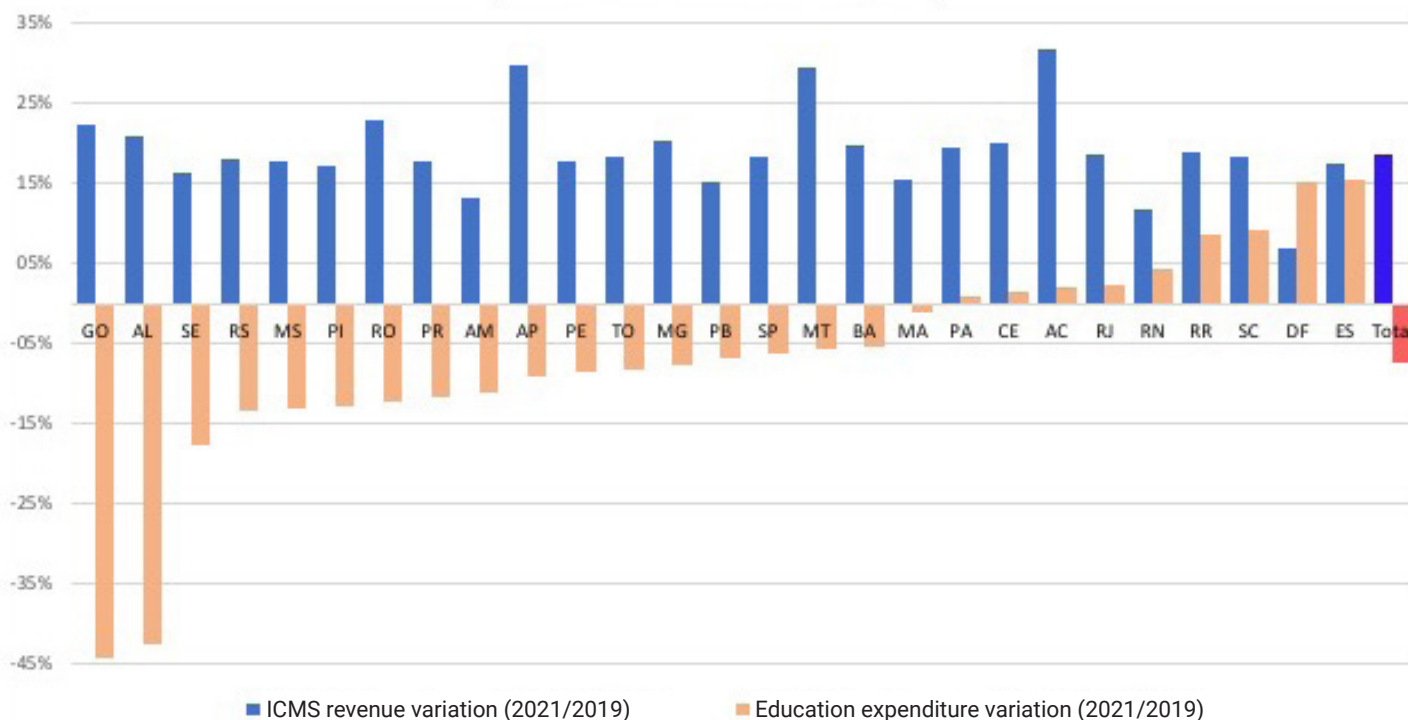
**Graph 2 – Education expenditures in the states**  
(First semester – 2019/2021)  
(R\$ millions, updated by the IPCA June 2021)



**Source:** Prepared by the authors. Data from Siconfi/ME. Values updated by the IPCA (June 2021).

<sup>6</sup> We identified that the large variation in the state of Goiás refers to a reclassification of expenditures related to social security for education employees, which in 2019 were accounted for in the Education function and, as of 2020, have been classified under the Social Security function.



**Graph 2 – Variation of reported expenditures with Education and ICMS revenue**  
(First semester of 2019/2021)

**Source:** Prepared by the authors. Data from Siconfi/ME. Values updated by the IPCA (June 2021).

As shown in the graph above, Amazonas, Rondônia, and Amapá rank among the ten states with the most expenditure declines with Education in the period. These states, according to data from the 2020 School Census, have worrying school infrastructure rates, ranking among the ten federative units with the greatest number of state schools without bathrooms and without broadband internet, in the case of Amazonas, or even without sewage systems, in the cases of Rondônia and Amapá. This means that greater tax revenues, as well as the need to address precarious school infrastructure networks for returning to in-person activities or maintaining hybrid teaching models, did not translate into further expenditures as seen in the budget implementation for the first half of 2021.

**Table 5 – Infrastructure of public schools in the state network, selected dimensions**  
(in % of the total number of state schools in each state)

No Bathrooms		No Sewage		No Broadband Internet	
State	% schools	State	% schools	State	% schools
RR	44.59%	AC	47.63%	RR	71.35%
BA	33.73%	RR	29.73%	AC	65.91%
AC	18.27%	MA	27.88%	AP	65.37%
MA	17.20%	RO	11.85%	MA	51.98%
AM	15.09%	AP	10.59%	MT	49.15%
RS	13.65%	TO	7.69%	AM	41.66%
PB	10.34%	PA	5.05%	RO	32.59%
RO	8.40%	MT	4.30%	RN	32.36%
AP	6.20%	GO	2.66%	SP	31.45%
PE	5.87%	PE	2.08%	PR	29.94%
Average 27 States	5.9%	Average 27 States	3.5%	Average 27 States	23.5%

**Source:** Source: Prepared by the authors. Data systematized by CTE Rui Barbosa based on the INEP 2020 School Census.

## Discussion

The drop in expenditures with Education is deeply worrisome considering the educational losses in the period. A study by UNICEF, based on data from the National Household Sample Survey (PNAD), shows that about 1 million children and adolescents of compulsory school age (4-17 years old) were not in school in 2019. The COVID-19 pandemic further aggravated this situation. Data from the PNAD-Covid19, published in November 2020, recorded 5 million children and adolescents aged 6 to 17 years not attending school or without available school activities in the week prior to the survey, which corresponds to 13.9% of this population throughout the country (UNICEF, 2021).

Narrow access to remote learning, insufficient biosafety guidelines or protocols for in-person learning, the lack of authorized vaccines for children under 12, in addition to parents losing their jobs and aggravated food insecurity in families brought numerous challenges to children and young people to continue studying during the pandemic period.

There is also the challenge of actively seeking out these students to return to the municipal and state public networks for in-person or remote classes and ensure their permanence. As seen in the states' budget data for the first half of 2021, there was no lack of resources for this issue, yet other limitations seem to exist. Which and why?

In 2020, the justifications for the expenditure drop in Education have been varied: i) Federal financial assistance transfers to the states, which compensated their tax collection losses, were not bound to educational spending; ii) state managers adopted more conservative measures on education expenditures due to economic uncertainty and prioritization of Health; and iii) states regarded the closure of schools, as well as the ban on providing salary benefits to civil servants according to Law 173/2020, as a way to save recourses, with the subsequent suspension and renegotiation of contracts<sup>7</sup>.

More than a year after the start of the pandemic, declining expenditure on education remains an enduring trend. The capacity of the states to plan and implement actions, measured by outflow of resources, has not evolved even though consolidated diagnoses have warned about the impacts suffered by students in their learning situation and the difficulties in accessing education, which could have propelled government actions to mitigate this situation.

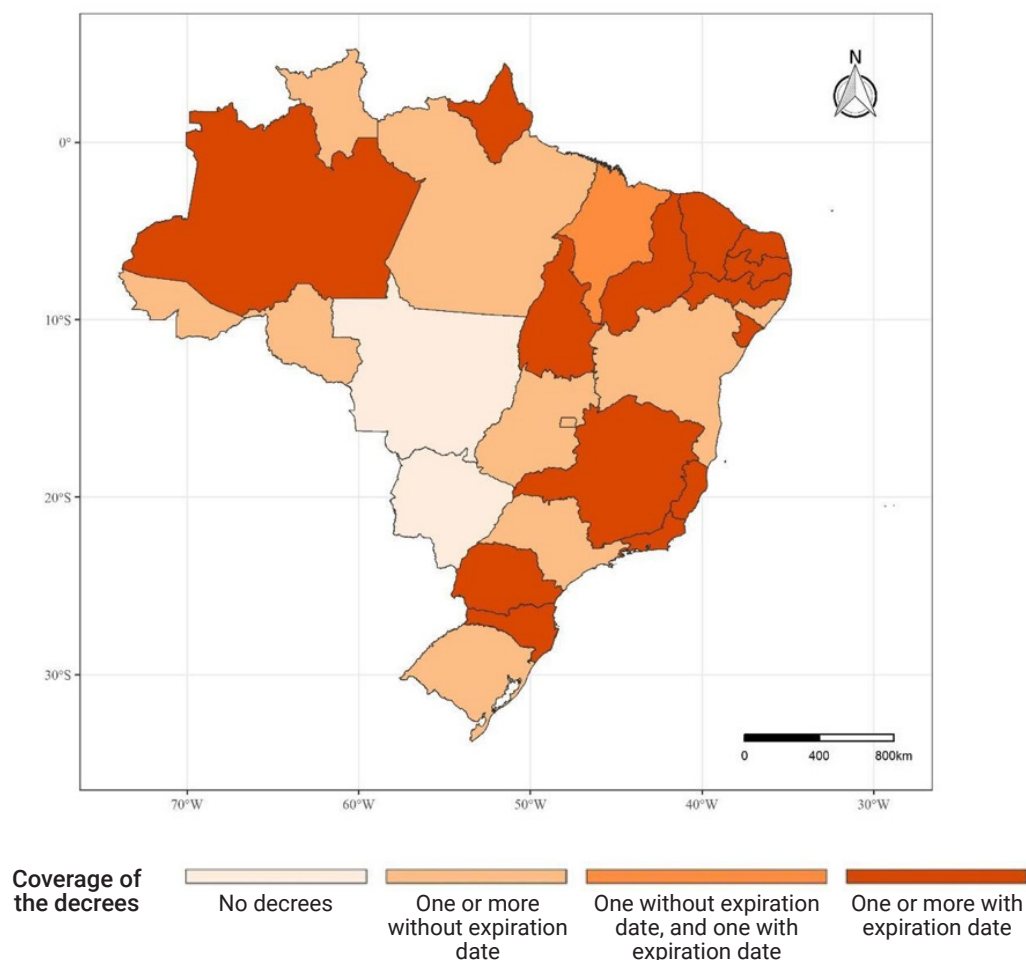
A survey by the newspaper Folha de São Paulo<sup>8</sup> revealed that, until mid-July, only 5% of the 2021 budget destined for improving the physical network of state schools in São Paulo had been spent. The government of São Paulo claimed it made direct transfers to schools, thus reducing bureaucracy and eliminating slow bidding processes for acquiring goods and hiring services. Would this same justification be plausible and applicable to other states? In our analysis of the Brazilian states, we identified at least 25 states covered by public calamity decrees<sup>9</sup> in 2021, which enabled them to adopt exceptional public administration measures, among which emergency acquisition of goods and services with no need for bidding processes.

---

<sup>7</sup> See Pereira, Pinheiro and Peres (2021).

<sup>8</sup> <https://www1.folha.uol.com.br/cotidiano/2021/07/gestao-doria-gastou-5-de-verba-para-melhorar-rede-fisica-de-escolas-de-sp-em-2021.shtml>

<sup>9</sup> These public calamity decrees refer to an executive device, provided for in Federal Law 12,608/2012, and whose main effect is to forgo bidding process for the acquisition of goods and services for facing the calamity (according to article 24, VI, of Law 8.666/1993). Legislative decrees, approved by the National Congress or legislative assemblies, provided for in Article 65 of Complementary Law 101/2000 (LRF), suspended various restrictions and limitations found in previously established fiscal rules.

**Graph 4 – Validity of the public calamity decree in states in the first semester of 2021<sup>10</sup>**

**Source:** Prepared by the authors. Data collected from Official State Gazettes.

As shown on the map above, even though 25 of the 27 states were covered by the public calamity decree for the entire first half of 2021 (except for the states of Mato Grosso and Mato Grosso do Sul), the color differentiates the period covered as well as the specific strategies of state governments, establishing or not an expiration date for the executive decrees.

All states that issued decrees without a time limit were classified under the same color. One exception was the state of Maranhão, classified in a darker color, as it was partly under the effects of a decree without a deadline, but later decreed public calamity with an effective deadline. The states of Mato Grosso and Mato Grosso do Sul did not enact public calamity decrees in 2021, represented on the map by the lightest color<sup>11</sup>.

<sup>10</sup> We obtained the decrees after consulting the Official Gazettes of each state, in the period between March 2020 and June 2021.

<sup>11</sup> We found no public calamity decrees in force in the states of Mato Grosso and Mato Grosso do Sul for the year 2021. After consulting the Official Gazette of these states as well as media stories, we found that, for Mato Grosso, Decree No. 523 dated June 16, 2020, which established a public calamity situation, expired on September 30, 2020 and was not renewed. For Mato Grosso do Sul, in turn, Legislative Decree No. 620, dated March 20, 2020 expired on December 31, 2020. Throughout 2021, these states justified some of their actions due to a possible state of public calamity. However, such references were either generic or in reference to the federal government decree of March 2020 that established a state of public calamity throughout the national territory. Thus, we decided not to include these states as under a public calamity decree.

If the validity of the public calamity decree enabled the emergency procurement of goods and services, and our data shows that most states were covered by such expedient, the delay in bidding process does not serve as a plausible justification for the low expenditure within this time period.

On the other hand, some state administrations have disclosed a series of government actions which entail additional public spending. Some examples include the initiative Active Search for Out of School Children and Teenagers (*Busca Ativa Escolar*) to encourage students to return to school. In the state of Ceará, the state government announced a new program to reduce the impact of the pandemic on learning. The Pact for Learning hopes to solidify, by way of resource transfers, the collaboration between the state and its municipalities to recover and promote student learning. In addition, the state will allocate scholarships to high school students in the state network, with a monthly benefit of R\$ 200 from September to December 2021, to assist in the active search for out of school children and teenagers<sup>12</sup>. The state of Santa Catarina<sup>13</sup> also adopted a similar initiative in an attempt to curb school dropout rates. Pernambuco, on the other hand, focused its efforts on the digital sphere, allocating resources to the *Professor Conectado* Program to provide computers and connectivity packages.

The state of Espírito Santo, which registered similar variations in the increase of the ICMS and expenditures in Education, announced in June R\$ 200 million for the State Fund to Support the Expansion and Improvement of Conditions for Childhood and Elementary Education in Espírito Santo (FUNPAES)<sup>14</sup>, specifically destined for the renovation, expansion, and construction of schools.

The state of São Paulo announced the hiring of the students' parents to work in schools. More recently, the introduction of another action to tackle school evasion will allocate R\$1,000 per year to high school students in vulnerable conditions<sup>15</sup>. However, we verified that the funding resources for these two initiatives, which are part of the *Bolsa do Povo* program (approved by State Law 17,372 of 2021), do not comprise an additional budget, as these funds were already included in the education budget which the law allowed to reallocate for these new proposals<sup>16</sup>. In addition, as a preparatory measure for the safe return and reopening of schools for in-person learning, the government of São Paulo announced a transfer of R\$ 1.2 billion to schools in 2021 and 2022, via the program *Dinheiro Direto da Escola* (PDDE-Paulista)<sup>17</sup>. However, as we review the implementation of this program, we find that the resource allocation promised for the years 2021 and 2022 is, in fact, less than the amount spent on the program in 2019 and 2020, even in nominal terms. If we consider inflation for the period, the resources allocated for this year and in 2022 will be lower than in the previous biennium. In other words, the state of São Paulo has shown no additional effort regarding this program.

12 <https://www.ceara.gov.br/2021/08/11/governo-do-ceara-destina-3-mil-bolsas-para-fortalecer-acao-de-estudantes-na-busca-ativa-escolar-da-rede-estadual/>

13 <https://schoje.news/2021/09/13/com-dados-desatualizados-sc-combatera-evasao-com-busca-ativa-e-bolsas/>

14 <https://sedu.es.gov.br/Not%C3%ADcia/governo-do-espírito-santo-anuncia-plano-de-investimentos-publicos-de-r-9-bilhoes>

15 <https://www.saopaulo.sp.gov.br/spnoticias/estado-de-sp-pagara-r-1-mil-para-manter-alunos-do-ensino-medio-na-escola/>

16 Lei 17.372 de 2021: Art. 6 (...) § 1º - The necessary resources for the credit line referred in item I of this article will come from the budgets of the Secretariat of Economic Development, the Secretariat of Education, and the State Center for Technological Education "Paula Souza" - CEETEPS, among others, and provided for in § 1 of Article 43 of Federal Law No. 4,320, dated March 17, 1964, in which the Executive Power is authorized to proceed with the inclusion in the State budget of the appropriate budgetary classifications.

17 Available at: <https://www.educacao.sp.gov.br/governo-de-sp-anuncia-r-12-bilhao-em-repasses-para-51-mil-escolas-da-rede-estadual/>

**Table 1 – Dinheiro Direto da Escola Program in the State of São Paulo, by type of transfer**

Type of transfer	Registered expenditures <sup>1</sup>		
	2019	2020	2021 (until 09/23)
Defrayal	426.899.500	529.868.355	93.115.471
Capital	224.332.490	357.915.270	11.853.353
<b>Total</b>	<b>651.231.990</b>	<b>887.783.624</b>	<b>104.968.823</b>
<b>Total registered expenditures in 2019 and 2020:</b>			<b>1.539.015.614</b>
<b>Total expected expenditures for 2021 and 2022<sup>2</sup>:</b>			<b>1.200.000.000</b>

1: **Source:** *Portal da Transparência* – State of São Paulo – search performed on 09/24/2021.

Considers expenditure items: “33504106 - Contr. APM-PDDE Paulista” and “44504202 - Assistance to APM-PDDE Paulista”. Nominal values

2: Expected amounts of transfers declared by the State Education Secretariat to the Press.

According to the budget data detailed in this policy brief, while such actions announced by state governments have mobilized resources for their implementation, they did not translate into increased expenditures with education in the first half of this year, compared to the same period last year. We have yet to see whether this is because the efforts undertaken have not yet appeared in this year’s budget execution, which considers the actually incurred expenditures until June, or because the amounts disbursed and announced are not significant for the overall expenditure on education of each state educational network, a more likely hypothesis in our opinion. In this case, the general decline in resources for the area could be better explained by the legal provision that bans wage raises and benefits for public servants in 2020 and 2021, as all other increased expenditures are insufficient to meet the unspent volume on personnel under this decree<sup>18</sup>.

Failure to carry out expenditures with Education, concurrent with tax revenue increases, casts doubt on the compliance with the constitutional minimum, bound to tax revenue. According to the Federal Constitution, states must apply at least 25% of taxes on Promotion and Maintenance of Education (MDE in the Portuguese acronym). The mismatch between tax revenues and expenditures may prompt state governments, at the end of the year, to apply resources in an unplanned, inefficient, and inequitable manner in view of the mandatory compliance with the legal rule. Furthermore, as of previous years, some states have made use of local authorizations, such as adjustments with the Courts of Auditors, which register different types of expenses as a minimum expenditure on MDE, with no accounting standardization to allow for an equal monitoring for all states. Since 2020 registered a drop in tax revenue in the first semester, and the federal fiscal aid which compensated the states’ tax revenue losses was not bound to the MDE, the states may in fact have safely met the percentage that year. However, with the significant recovery of state tax revenues since early this year, we may likely see nonfulfillment of this rule in 2021.

The solution found by federal legislators to circumvent this situation has been Constitutional Amendment Proposal (PEC) 13/2021, already approved in the second round in the Federal Senate and pending evaluation by the Chamber of Deputies, which exempts states from responsibility of

**18** While reduced expenses on education personnel may be one of the reasons behind the drop in education expenditures in 2020 and 2021, we cannot verify this statement as we lack sufficient data. Until the publication of this note, the Information System on Public Education Budgets has presented instabilities that prevent the visualization of personnel expenses in each state.



noncompliance to the minimum required in 2020 and 2021, providing that such unspent resources must be reallocated by 2023.

The approval of this PEC could set in motion a continued lack of prioritization of educational policies, even in a positive revenue collection scenario, and set precedent for the definitive extinction of the rule. In addition, by exempting managers from the minimum allocation in 2021, the PEC disregards the large amount of evidence published which recommends immediate Government actions to offset learning losses as well as school dropout rates during the isolation period.

## Conclusions

By monitoring state finances during the pandemic period, we found that the initial forecast of a significant drop in state tax revenues (predicted by different institutions in March 2020) was not confirmed for fiscal year 2020, while the first semester of 2021 registered a significant recovery of revenues. Practically all states registered revenue growths, even without federal fiscal aid. The positive performance of the ICMS was the main responsible for these tax revenue gains. Some factors have propelled this situation, such as rising prices for fuel and electricity, in addition to the resumption of economic activity. Despite the growth in state tax revenues, the same did not happen with the budget execution for the first semester of 2021.

This second finding suggests other difficulties in the execution of state expenditures beyond financial reasons. More specifically, when analyzing expenditures with Education, we notably find that most states have not advanced actions in this area, even after the huge educational deficit of 2020. This can be partially explained by the fact that many schools have remained closed since the beginning of the year. In addition, due to Complementary Law 173/2020, governments were barred from spending additional resources on personnel, which represents the majority of the states' expenditures on education. With this prohibition and the non-hiring of school maintenance services, a relevant budgetary space opens up, akin to what happened in 2020.

The emerging question in this scenario is: why were fundamental infrastructure expenditures neglected for schools, such as construction and renovation of bathrooms, accessibility, technology investments in software and equipment needed in schools in most parts of Brazil, or still, why was there no massive contracting of services for remote learning during the most critical period of the pandemic, at the beginning of 2021? Counter to these efforts, the Federal Senate approved PEC 13/2021, which frees state authorities and administrators from the responsibility of the minimum required expenditure on education. At this moment, it seems essential that all three government branches should reflect upon this situation and work towards quality public education and reducing the inequality worsened by the pandemic.

## Recommendations

- State administrators must urgently review the existing assessments about the educational infrastructure in their states and draw up action plans, focusing on the most vulnerable territories to ensure, in the short and medium term, the safe return of students to schools;
- The active search for students is essential, and this action should be done in collaboration with municipal administrations;
- An attentive dialogue must be established with the school faculty for a better understanding of their needs at this critical moment, which entails numerous adjustments, in addition to wage revisions;
- The resumption of in-person school activities and the reduction of educational inequalities also demands internal actions by the education departments in partnership with management and infrastructure agencies, and especially finance authorities. State management centers are essential to streamline the various needed actions for education;
- Lastly, we once again emphasize the urgent need for national coordination at this critical moment to organize actions by states and municipalities and the education secretariats with other associated areas, in order to ensure proper use of resources, focus on reducing inequalities, and improving of the quality of education.

---

## References

- OECD. *Education at a Glance 2021: OECD Indicators, 2021*. OECD, Paris, Available at: <https://doi.org/10.1787/b35a14e5-en>
- FUNDO DAS NAÇÕES UNIDAS PARA A INFÂNCIA (UNICEF). Cenário da exclusão escolar no Brasil: um alerta sobre os impactos da pandemia da Covid-19 na educação. Produção editorial: CENPEC Educação. Published on April 2021. Available at: <https://www.unicef.org/brazil/media/14026/file/cenario-da-exclusao-escolar-no-brasil.pdf>
- PEREIRA, Lauana Simplicio; PINHEIRO, Yasmin de Sousa; PERES, Ursula Dias. Gestão da educação na pandemia: análise dos gastos educacionais nos estados em 2020. IV Encontro Nacional de Ensino e Pesquisa no Campo de Públicas.

## ABOUT

We are over 100 researchers, actively engaged in the task of improving the quality of public policies within federal, state, and municipal governments as they seek to act amidst the Covid-19 crisis to save lives. We dedicate our energies towards rigorous data collection, devising substantial information, formulating indicators, and elaborating models and analyses to monitor and identify pathways for public policies and review the responses presented by the population.

The Solidary Research Network has researchers from all scientific fields (Humanities as well as Exact and Biological Sciences) in Brazil and overseas. For us, the combination of skills and techniques is vital as we face the current pandemic. The challenge ahead is enormous, but it is particularly invigorating.

And it would never have come to fruition if it weren't for the generous contribution of private institutions and donors who swiftly answered our calls. We are profoundly grateful to all those who support us.

Visit our site <https://redespesquisasolidaria.org/>

Follow us at



## WHO WE ARE

### Coordination Committee

Glauco Arbix (USP), João Paulo Veiga (USP), Fabio Senne (Nic.br), José Eduardo Krieger (InCor-Faculdade de Medicina USP), Vera Paiva (USP), Ursula Peres (EACH/USP), Ian Prates (CEBRAP, Social Accountability International), Lorena Barberia (USP-Ciência Política), Tatiane Moraes (Fiocruz), and Rodrigo Brandão (USP)

**Scientific Coordination** Lorena Barberia (USP)

**Editors** Vera Paiva, João Paulo Veiga, and Lorena Barberia

**Donations and contact** [redespesquisasolidaria@gmail.com](mailto:redespesquisasolidaria@gmail.com)

**Consultants** Alvaro Comin (USP) • Diogo Ferrari (Universidade de California Riverside) • Flavio Cireno Fernandes (Prof. da Escola Nacional de Adm. Pública e Fundação Joaquim Nabuco) • Márcia Lima (USP and AFRO-Núcleo de Pesquisa e Formação em Raça, Gênero e Justiça Racial) • Marta Arretche (USP and Centro de Estudos da Metrópole - CEM) • Renata Bichir (USP and CEM) • Guy D. Whitten (Texas A&M University) • Arachu Castro (Tulane University) • Rogério Barbosa (IESP)

**Design** Claudia Ranzini

### Team responsible for Policy Brief No 35

**Coordination** Ursula Dias Peres (Prof. EACH/USP and Researcher CEM/USP) and Fábio Pereira dos Santos (CMSP and Assistant Researcher CEM/USP).

**Research Team Responsible** Lauana Simplicio Pereira (BA in Public Policy Management at EACH/USP and junior researcher at CEM/USP), Gustavo Fernandes de Paula (Master's student at DCP/USP), Yasmin Pinheiro (BA in Public Policy Management at EACH/USP and junior researcher at CEM/USP).

## Partners



## Support



This study was financed in part by the *Coordenação de Aperfeiçoamento de Pessoal de Nível Superior - Brasil (CAPES)* - Finance Code 00