# What will the financial turmoil mean for public education? Part 2


**Projections, stimulus, typical district actions**

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30-minute webinar is on the record.
Q&A following is off the record unless otherwise stated.

# Big Picture (review from part 1)

Part 1 slides reveal uneven impacts across states

**2019-2020**

**District Finances Stable**

**Minor financial impact, if any, with some districts underspending**

Districts underspending on:
-- PD, contracts
-- Substitutes, stipends
-- Banquets, utilities
-- Transportation, etc.
But spending more on remote/digital learning tools

- Economy tumbles
- Sales/income tax revenues drop
- States tap reserves
- Widespread job loss (outside education)
- Teacher retention increases

**2020-2021**

**Major Financial Upheaval**

- **States have fewer funds for districts (and competing priorities)** Revenues ↓
- **Reduced teacher turnover drives up salary costs (experienced teachers aren't replaced by novices)** Expenses ↑
- More students living in poverty with greater needs
- Pension funds see greater gaps
- Enrollments may drift up due to exits from private schools

# State revenue gaps are hard to predict

"Policymakers face significant long term uncertainty"
Goodman & Robyn, Pew Trust, Apr. 20.

"The virus is vaporizing tax revenues"
Walsh, NYT Apr. 15

"Billion-Dollar Blows to U.S. States Crater Spending Plans"
Albright, Singh, & Moran (Apr.20) Bloomberg

CBPP: State shortfalls "could total more than $500B" (25%)

"Ohio state agencies looking to cut 20% in spending"

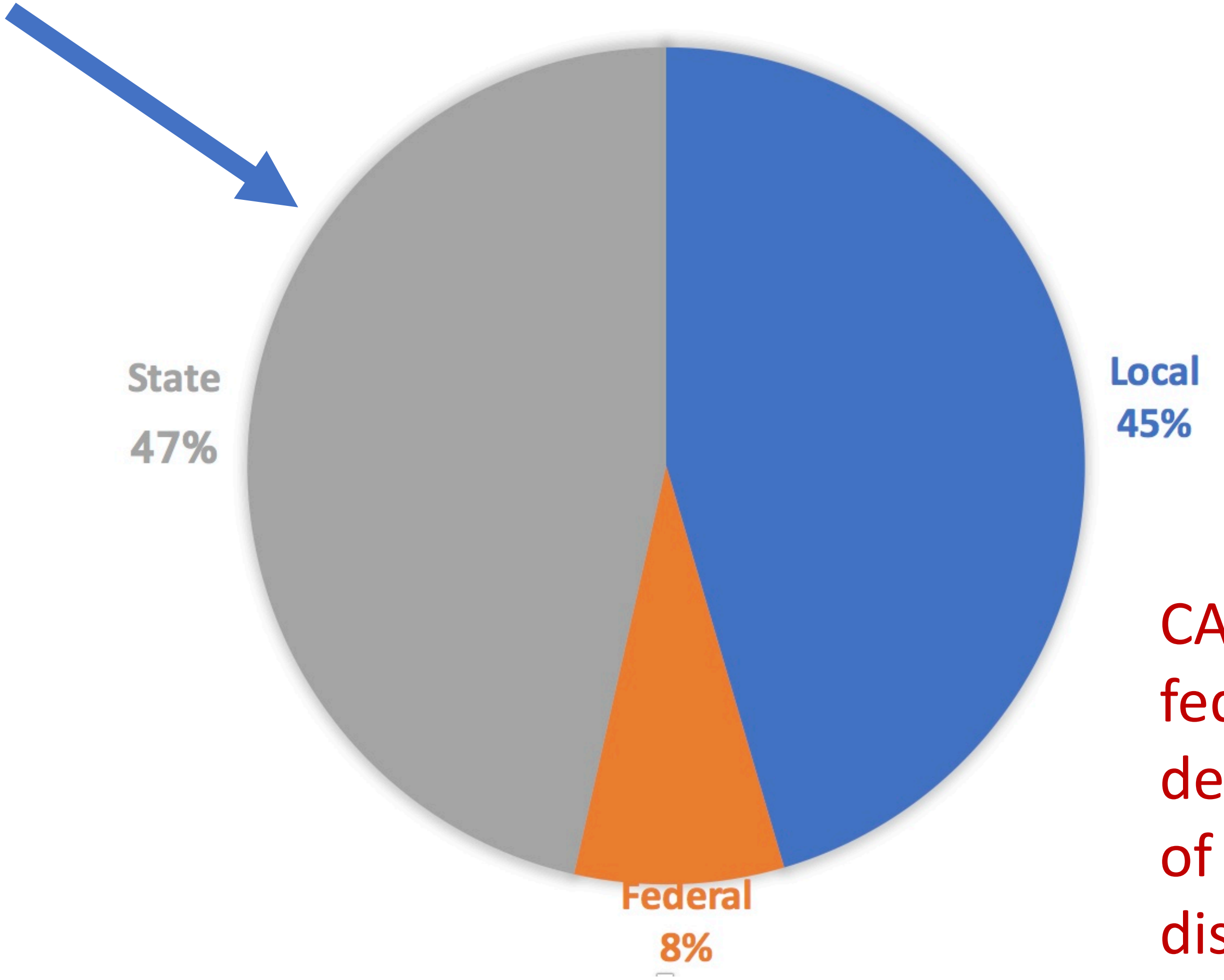
Nevada: Districts should anticipate a 5.9% reduction in state funding

Photo of gas prices on 4/9/2020 (!)


PEW: Better estimates will emerge in early May*

*PEW: When Will the Impact of Coronavirus Hit State Budgets?

# State funds are the portion most at risk. But, a gap in <u>state</u> revenue only affects the state-funded portion of total district revenues.




Example: A 10% cut to state funds would yield a 4.7% cut to the average district (where 47% of funds come from the state)

CARES Act increases federal funding, delivering an average of ~ 2% increase to district budgets

Roza, Simpkins, and Simburg (2012). What happens to teacher salaries during a recession?
https://edunomicslab.org/2012/12/01/happens-teacher-salaries-recession/

# Typical stages of hurried **STATE** cuts

## *Warning*

Issue general warnings regarding broad budget cuts and postponements for promised allocations

## *Trim Perimeter*

Trim new or perimeter allocations including:
--Recently added initiatives (e.g., recent salary raises, PreK, SEL, ELL, COLAs)
--Funding lines outside the basic formula that typically affect smaller groups (could include CTE, PD, charters, after school funds)

Virtual learning will likely be spared this time

## *Basic Funding Cuts*

Fund only a portion of the basic formula (e.g., 95%)

Sometimes states will raise lid on local property tax caps to permit districts to raise more funding locally (typically benefits affluent and urban)

*Longer term: formula changes*

Historically, districts budget as though insulated from economic shifts so when a contraction happens many are underprepared.

**These commitments/practices inhibit districts from being nimble in an economic downturn:**

1. Commitments for multi-year pay raises
2. Step/column pay structure
3. One-sized fits all school staffing
4. Seniority-based layoff policies
5. Inflexible pension/retirement commitments

# Typical stages of hurried **DISTRICT** cuts:

Part 1 slides offer suggestions for districts

## *Freeze*

- Freeze hiring, travel, pro-cards
- Permit contracts to expire
- Dip into reserves
- Postpone maintenance
- Delay payments
- Offer early retirements

## *Trim from the top*

- Trim contracts, payments to community partners
- Eliminate PD days, prep time
- Cut central administrative positions
- Squeeze supplies and any non-labor expenses
- Consolidate dept.s

## *Negotiate*

Propose delays in salary raises changes in benefits

Reduce days/ furloughs (?)

*Depending on success above*

## *Labor reduction*

Larger staff layoffs: elective staff, librarians, academic coaches, core teachers.

# What the CARES Act means for K-12

**Education Stabilization Fund: $30.75B**

$13.5B total = ~$270 PPE
= 93% Title I = ~2% total PPE

$3B total
~$40 PPE

## Elem. & Sec. School Emergency Relief Fund (ESSERF)

SEAs must apply for funds

90% allocated to LEAs via Title I formula

**Each LEA gets ~ an 84% increase in Title I (LEAs w/no Title I get none)**

- Flexible $ for LEAs (need not follow Title I rules)

9.5% for SEA emergency fund discretion

**SEAs have decisions to make on how to distribute these funds**

SEAs keep .5% for admin

## Governor's Emergency Ed Relief Fund (GEER)

- Gov. must apply for funds
- Can be used to support K-12, HE, or Pre-K

**Governors make decisions on these funds**

# How can the money be used?

**Education Stabilization Fund: $30.75B**

$13.5B total = ~$270 PPE
= 93% Title I = ~2% total PPE

$3B total
(~$40 PPE)

## Elem. & Sec. School Emergency Relief Fund (ESSERF)

CARES Act language places a big emphasis on ensuring high-needs students are protected

Title I formula is just a vehicle to move money to states/districts. LEAs need not distribute the funding to their Title I schools

…must "to the greatest extent practicable continue to pay its employees and contractors"

## Governor's Emergency Ed Relief Fund (GEER)

Application released earlier this week
Governors must focus funds on remote learning, tech access, new materials/platforms

Funds must be awarded within one year

# 5 things that make this time different:

1. It is so sudden. Little time to absorb cuts.
2. 22M in other industries have already been furloughed/laid off. Districts aren’t hurt as much as many other industries.
3. More eyes on equity impacts of district/state budget cuts. This time, we’ll be able to assess impact of cuts by *school*.
4. We now know that districts are vulnerable to economic shifts.
5. Technology is seen as a solution, not a budget cut.

Meanwhile, state revenue projections are still in flux

Lots of proposals for more state stimulus:

- $200B for K-12 (from several associations) ~ $4K per student
- $500B from NGA

Calls for attaching requirements, earmarks, fiscal protections, etc. to future stimulus $.

# Q & A

Visit EdunomicsLab.org for resources on how financial turmoil is impacting K-12

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