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)

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)
- Reduced teacher turnover drives up salary costs (experienced teachers aren’t replaced by novices)
- More students living in poverty with greater needs
- Pension funds see greater gaps
- Enrollments may drift up due to exits from private schools

Part 1 slides reveal uneven impacts across states
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

“Ohio state agencies looking to cut 20% in spending”

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

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

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

PEW: Better estimates will emerge in early May*
State funds are the portion most at risk. But, a gap in state 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

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:

**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 (?)

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

Part 1 slides offer suggestions for districts

Depending on success above
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

**Governor’s Emergency Ed Relief Fund (GEER)**
- Gov. must apply for funds
- Can be used to support K-12, HE, or Pre-K
- $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 keep .5% for admin
  - SEAs have decisions to make on how to distribute these funds

**Governors make decisions on these funds**

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How can the money be used?

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**Gov't's Emergency Ed Relief Fund (GEER)**

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**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

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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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