

# What the financial turmoil means for public education: Part 3

Updated financials, and state and district responses

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# The fiscal impacts for K-12: TIMING IS EVERYTHING!

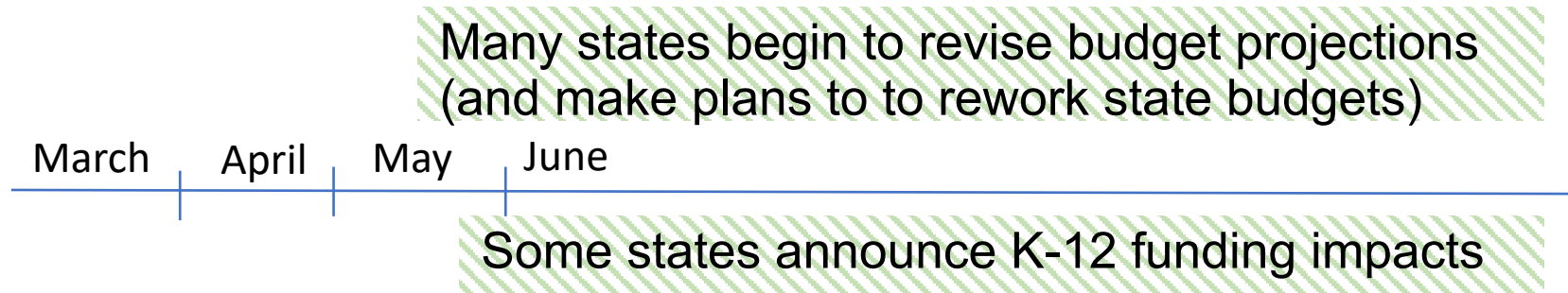
Economy falls. 41M unemployed.

Schools go online. Spending is steady.

CARES Act  
\$270pp

States start seeing revenue impacts (1-2 month lag)

Unfolding  
now  
(unevenly) in  
many states



*Delays here  
could force  
deeper cuts  
later*

Still yet to  
unfold

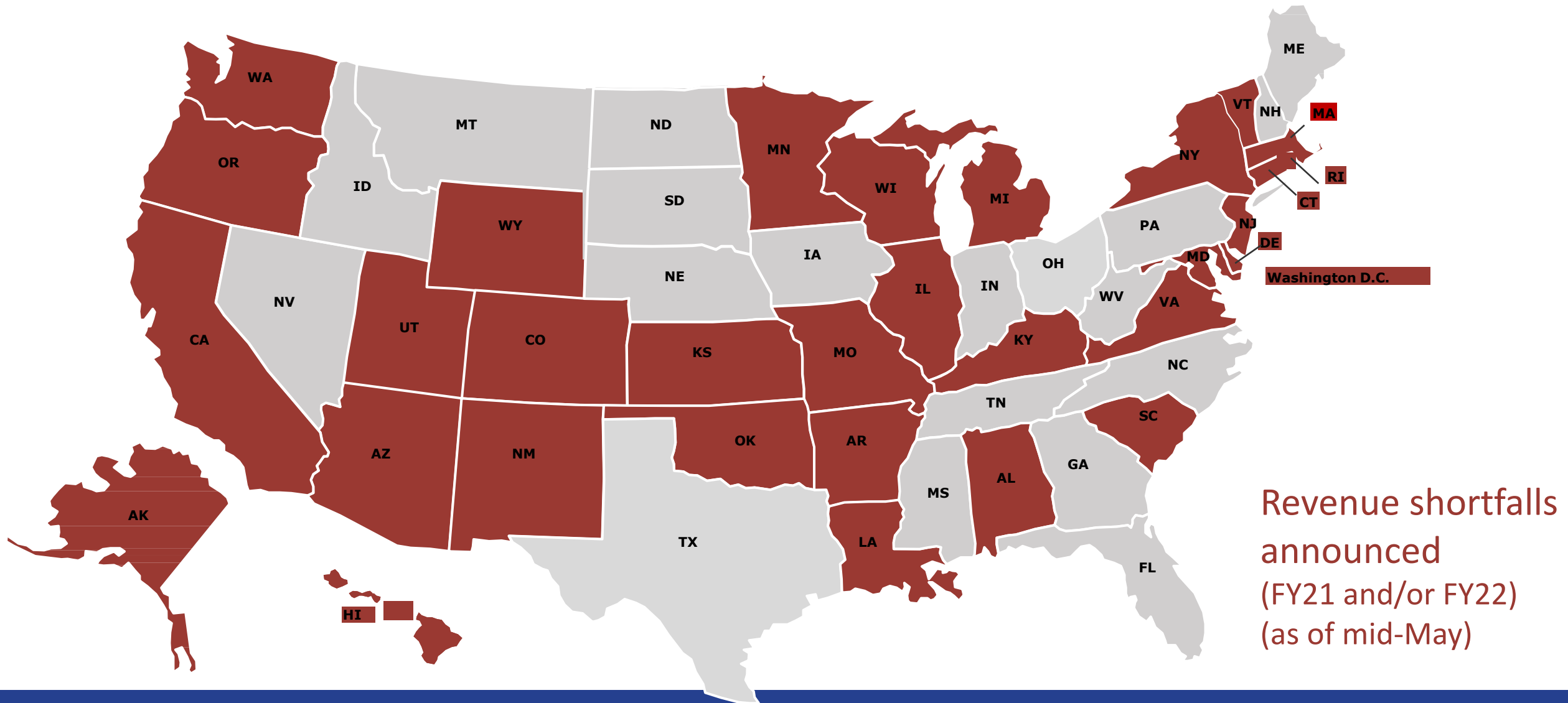
At some point, impacted districts begin to  
revise their 2020-21 budgets

Decisions re fall schooling delivery

Decisions re more federal funding for schools



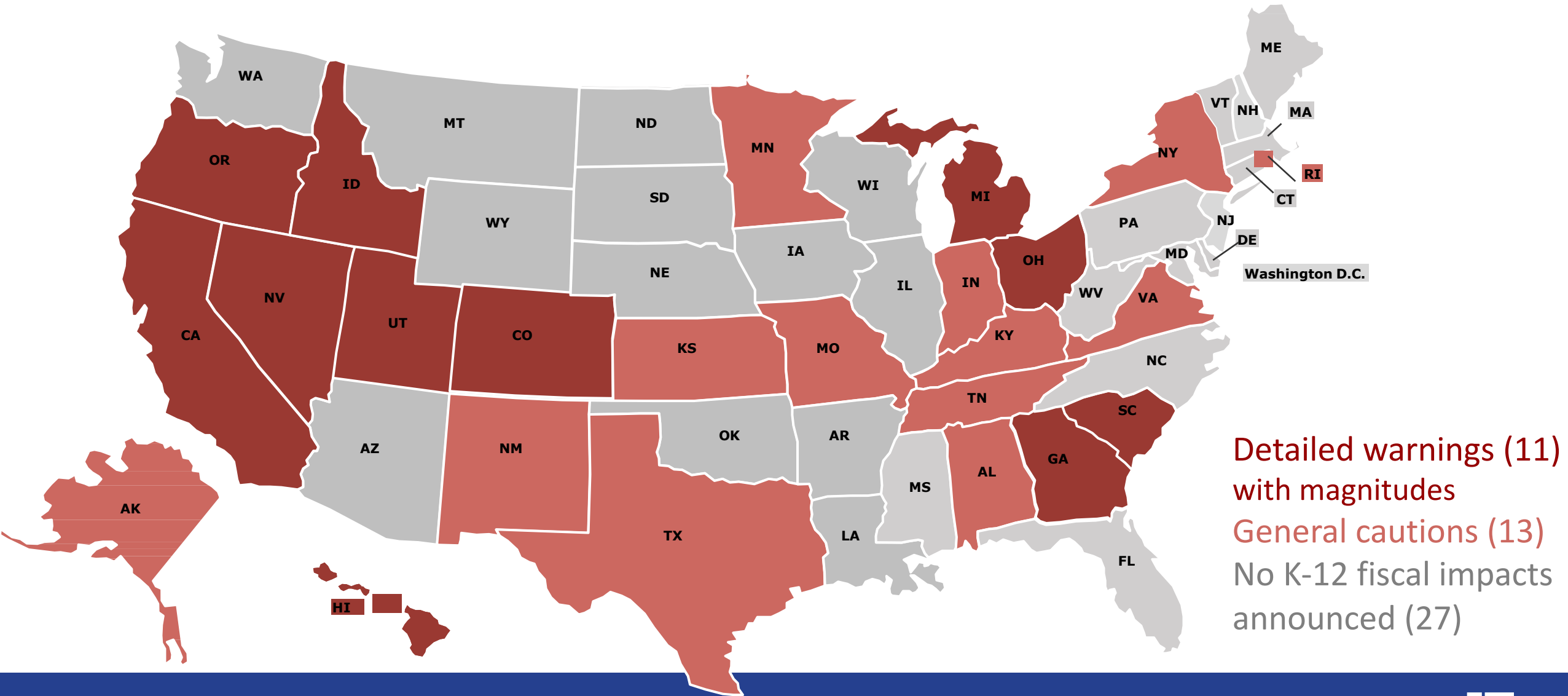
# As sales taxes become clearer, more states revise revenue projections



Source: Center on Budget Policy and Priorities, May 2020, with the addition of the following states reported publicly since the release of the report: Oregon, Wyoming, <https://www.cbpp.org/sites/default/files/atoms/files/4-2-20sfp.pdf>



Fewer than half of states have warned districts of any K-12 revenue cuts



With less warning, districts will make hurried cuts:

Gaps > 2-3% often require cuts to LABOR

## *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:

- Alter benefits
- Salary adjustments
- Reduce days/furloughs

## *Labor reduction*

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

*Early activity*

*Lots of trimming*

*A few furloughs*

We will be tracking and reporting on district choices in coming weeks





# How districts make cuts matters for students

## Four mechanisms to achieve an equivalent reduction in labor costs:

- A. All retirement costs shifted to teachers
- B. Across-the-board salary reduction (say, 5%)  
*Holds time constant, but reduces salary*
- C. Across-the-board furloughs (say, 10 fewer days)  
*Holds salary constant, but reduces time*
- D. Layoffs (say, 4% of employees)

\*Unlikely to survive legal challenge without major policy overhaul

**An open question: Will state leaders create cover for cost reductions?**

-- HI governor proposes temporary 20% pay reduction for public employees (includes teachers)

-- CA governor proposes temporary 10% pay reduction for state employees (will districts follow suit?)

If cuts are imminent, a HI salary reduction could avert nearly 2000 teacher layoffs... or furloughs of 2 months of schooling



# In states where districts have been warned of cuts to K-12 revenue:

## What we're seeing so far:

- **Lots of inaction on budgets!**
- Freeze and trim actions
- Cuts to activities – e.g. athletics, after-school, pre-K
- Some delay of state pay raises
- Some furloughs

## What we're worried we'll see more of for the fall:

- **Fiscal inaction/delays!**
- Across-the-board furloughs that reduce days for students
- LIFO layoffs that affect some schools more than others

## What about more strategic cuts? e.g., use a scalpel, not an axe? That takes:

- Vision, strong leadership
- Time, planning, negotiation
- Accepting uneven impacts on staff

## How does decentralizing cuts work?

- % cut to each school's allocation -- principals protect what matters to their students
- Requires principal engagement

# More decisions that matter in coming months

## HOW states cut funding

- Will cuts affect some districts more than others?
- Will they revise formulas, eliminate hold harmless provisions, etc.

**So far, we see flat % cuts, e.g., Gov. Newsom proposes 10% cut to LCFF.**

## What are the financial implications of non-working teachers(too vulnerable to come to school)?

- Do districts continue to pay salaries?
- Are there other public funding sources?

**At the moment, districts assume they pay and financial implications are substantial.**





This K-12 financial story is far from over.

## Q & A

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Visit [EdunomicsLab.org](https://EdunomicsLab.org) for resources on how financial turmoil is impacting K-12

Remember:  
Q&A is off the record unless otherwise stated

