



Financial Decision-Making and  
Transparency:

What an SEA Can Do in the Face of  
Unstable Financial Times Ahead

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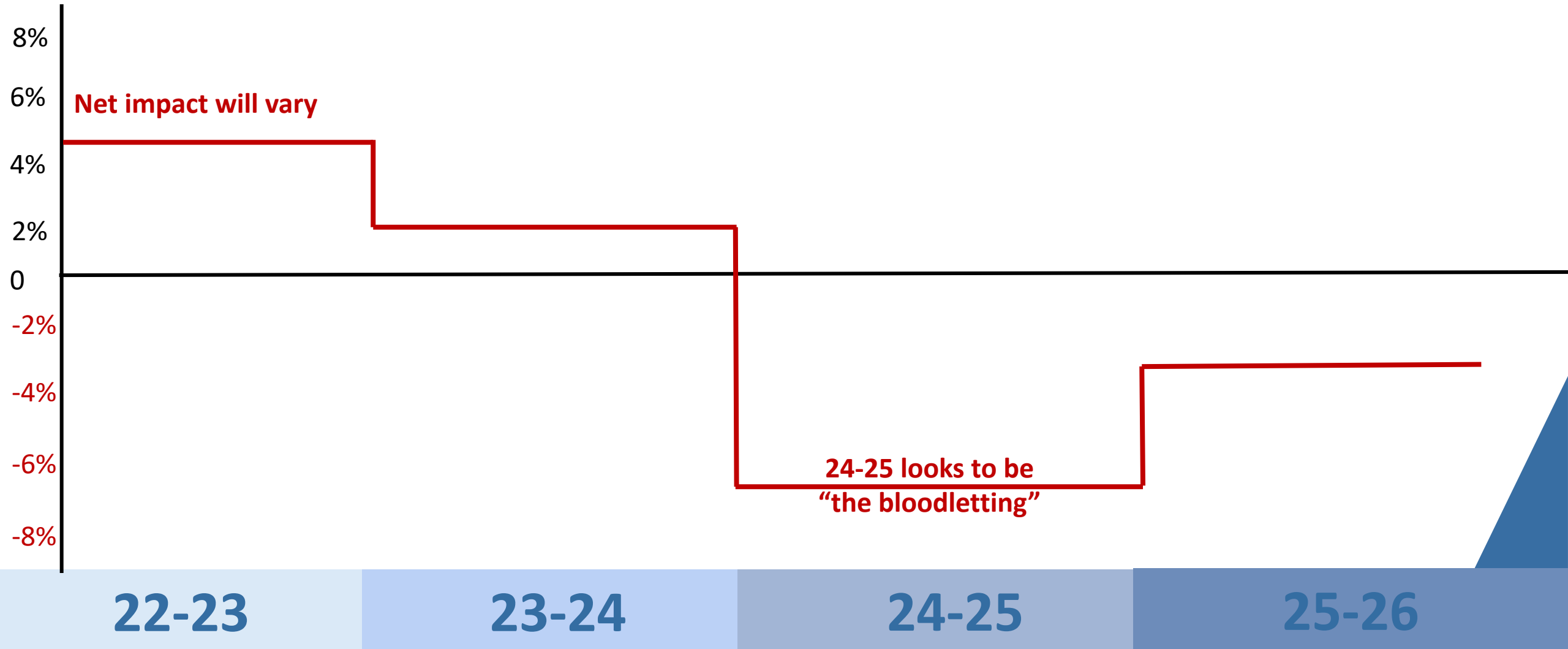
Photo is for illustrative purposes only.  
Any person depicted in the photo is a model.

# Agenda

- I. Perfect storm brewing
- II. How SEAs help districts prepare for unstable financial times?

# Atypical financial shocks coming to a district near you

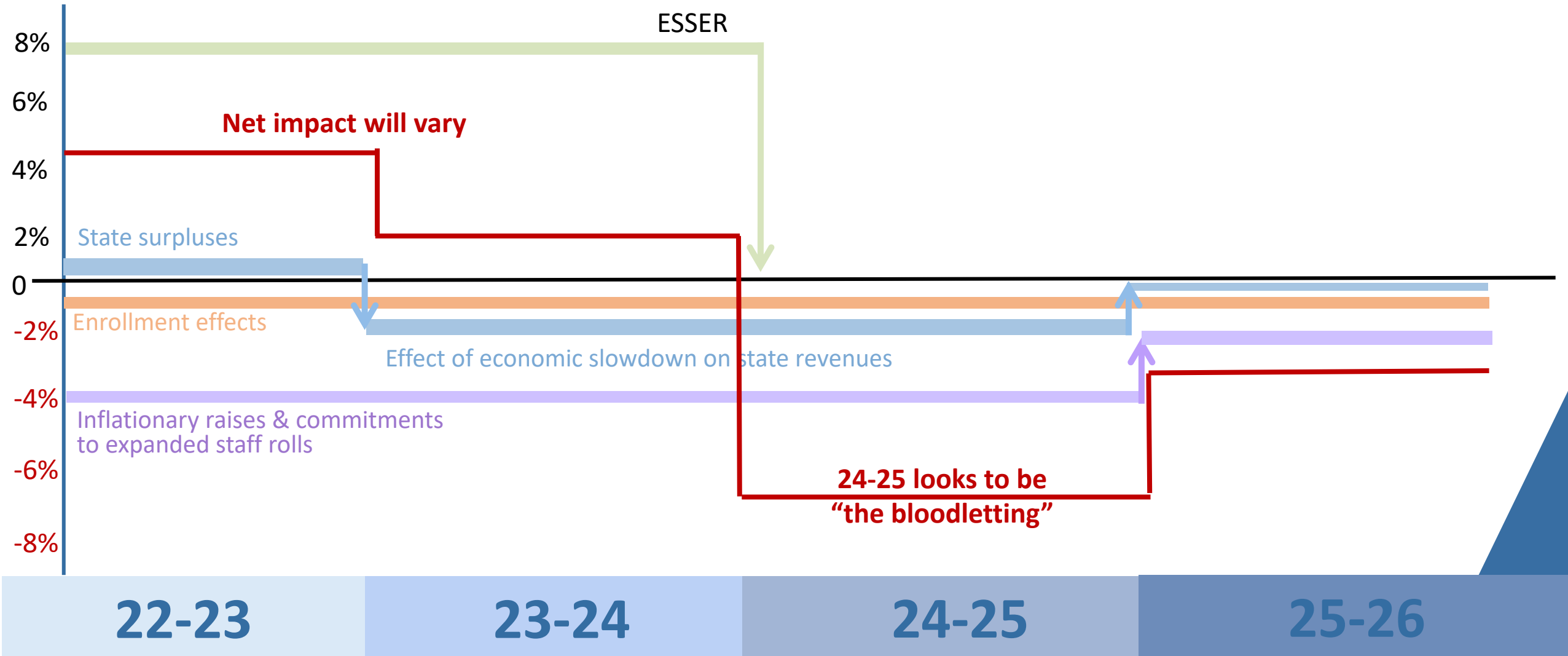
Net effect on typical  
budget trends



# Atypical financial shocks coming to a district near you

- ➔ 1. ESSER is boosting spending but then ends abruptly 9/24
  - Most at risk: Districts using ESSER for recurring financial commitments via budget backfilling, new hires or permanent raises.
- ➔ 2. Enrollment declines mean fewer revenues in the long run
  - Most at risk: Urban districts. Districts closed longer. Northern states.
- ➔ 3. Inflation, labor scarcity, & new hiring are driving up recurring commitments
  - Most at risk: Those offering permanent raises that are larger than typical (typical is ~1-2% on top of 3% via step/column increases) and those growing their staff rolls.
- ➔ 4. An economic slowdown would affect growth in state revenues
  - Most at risk: Districts that are more dependent on state revenue (or in states more affected by economic slowdowns).

# Timing and magnitude of atypical financial effects on typical budgets



**POLL: Do you think districts are prepared for financial strain ahead?**

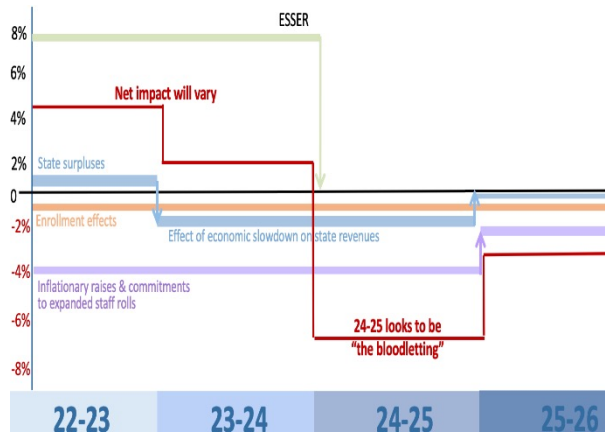
- A. No. They don't see it coming.**
- B. Some yes. Others no.**
- C. Our districts have done what they can to prepare.**
- D. I don't believe there's much to do at this point.**
- E. Other (tell us in the chat).**

**CHAT: What ideas do you have for how SEAs might help districts prepare?**

- A. Ring the warning bell: Assemble data on relevant state financial factors (enrollment, staffing trends, salary, revenues, etc.)**
- B. Help districts with their financial forecasting**
- C. Offer specific suggestions**
- D. Build capacity among district leaders**
- E. Prepare for district insolvency**
- F. Others?**

# A. Ring the warning bell?

i. Would it help if SEAs create and share state-wide projections?



SC schools added 7% more teachers in 21-22 (than 19-20).

ii. Should SEAs examine district financial commitments and target warnings to districts with more problematic finances?

CPS has increased teachers from 18,841 to 22,250 while losing 33,258 students.

iii. POLL: Should those warnings be delivered publicly?  
**Reasonable or I'm less comfortable with this**

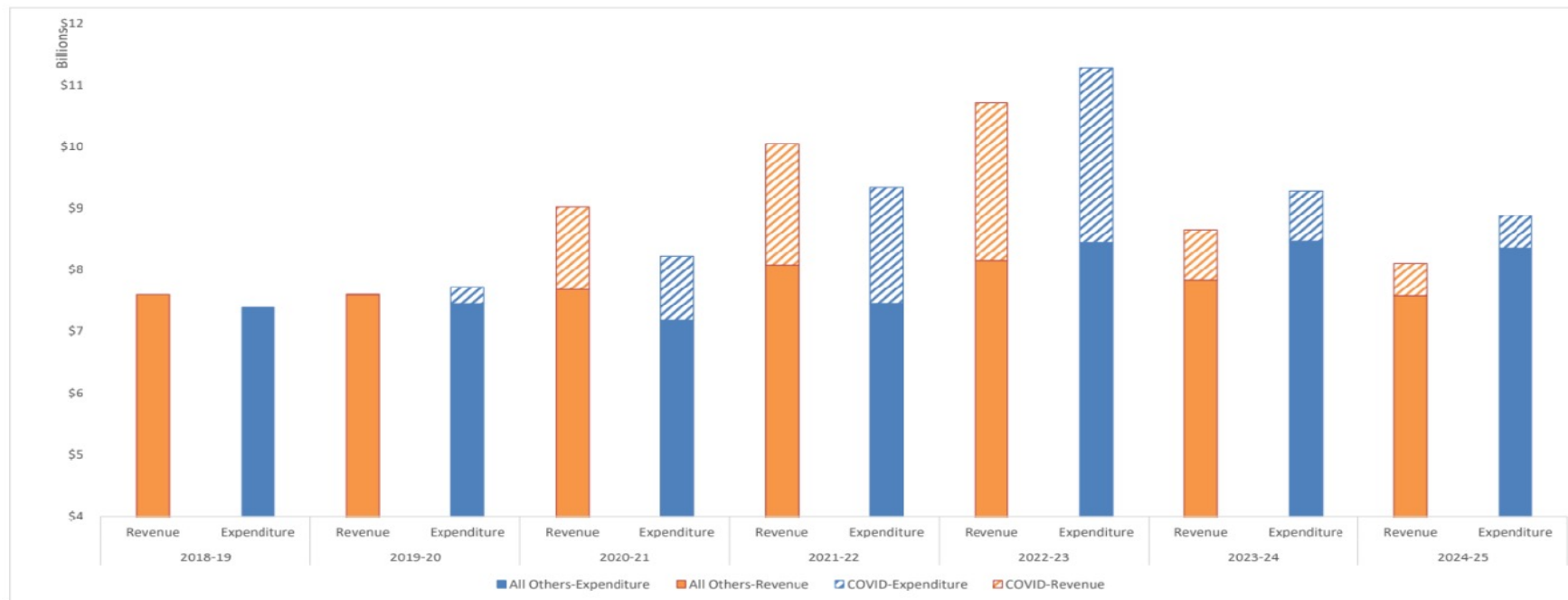




# B. Help districts with their financial forecasting

Would it help if SEAs create and share a forecast template?

## District Budget Boosted by COVID Funds



CHAT: How else can an SEA help districts with financial forecasts?

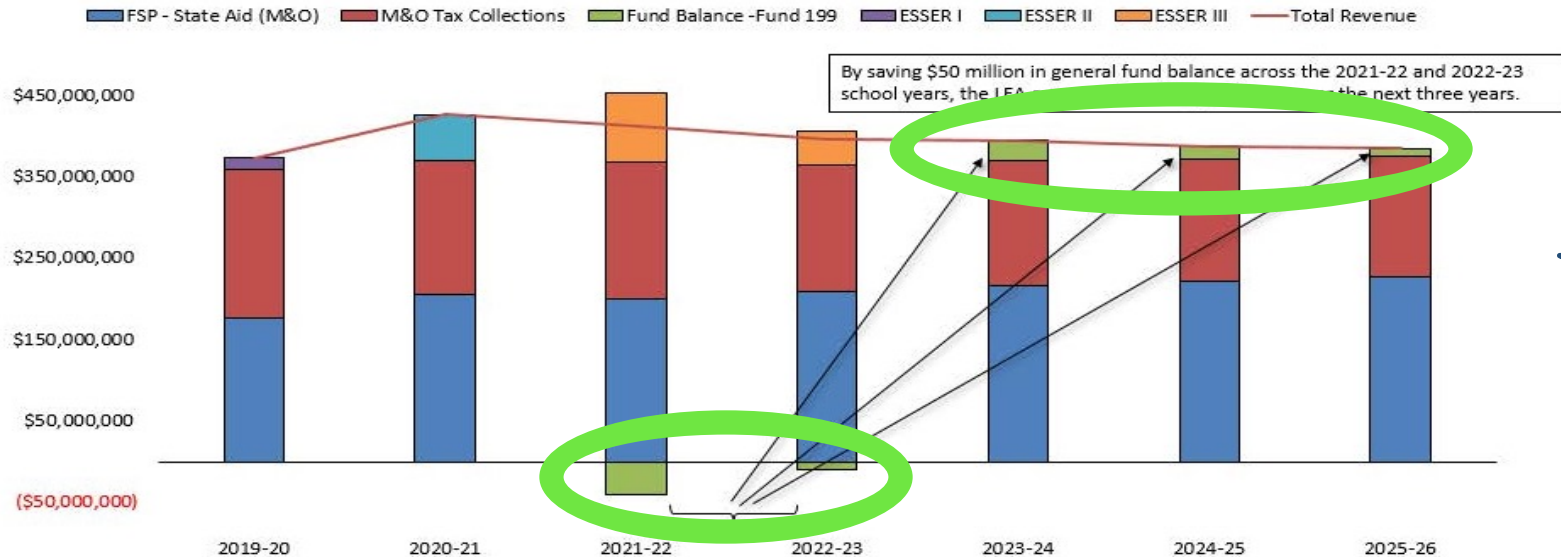
# C. Offer specific suggestions?

TEA provides forecast and tells districts to build reserves now.<sup>1</sup>



## School systems can take action to smooth the financial impact of ESSER funds

Maximizing ESSER III funds before they expire provides the LEA a way to lessen the impact of the loss of federal stimulus funds in future years and allows programs to extend further.



CHAT: Does your state specify max or min amount of reserves?

NH allows 5%<sup>2</sup>

KY requires 2%<sup>3</sup>

ME raised max to 9% thru FY25<sup>4</sup>

- <https://tea.texas.gov/about-tea/news-and-multimedia/correspondence/taa-letters/esser-planning>
- <http://www.gencourt.state.nh.us/rsa/html/XV/198/198-4-b.htm>
- <https://kypolicy.org/adequate-fund-balances-crucial-prudent-school-district-management-not-relied-upon-make-state-funding-cuts/>
- <https://www.mainelegislature.org/legis/statutes/20-a/title20-Asec15689-B.html#:~:text=Authorization%20and%20schedules%20of%20payment%20of%20state%20subsidy%3B%20appeals,-1.>

## C. Offer specific suggestions?


CHAT: Any thoughts on the suggestions we shared with districts?

### What can districts do?

- A. Run the district's forecast on each of the 4 factors!
- B. Share projections with board, principals, staff and community.
- C. Ensure reserves are healthy.
- D. Where feasible, use one-time bonuses or contract labor to limit recurring commitments.
- E. Consider offsetting permanent pay raises with reduced staff counts.
- F. Revisit layoff policies now when flush with cash. Renegotiate if needed.
- G. Remove barriers to school flexibility (e.g., policies for staffing ratios, etc.).
- H. Where enrollment dropped significantly, get started on rightsizing.

## D. Build capacity for leaders?

- A. Host webinar/trainings for district leaders
- B. Host webinar/trainings for school board members
- C. Create a working group of districts with similar challenges (e.g. enrollment declines to work on downsizing)



CHAT: Which if any would you consider doing?

# E. Prepare for district insolvency

Twenty states have laws authorizing state interventions into the finances of municipal governments<sup>3</sup>

CHAT: Does your state need to update policies for insolvent districts?

- One report<sup>2</sup> suggests three tiers of state interventions:
- A. Collaborative supports – state officials offer guidance
  - B. Financial management – experts manage district finances
  - C. Administrative control = “state takeover” – state appointees supersede local leadership and are granted enhanced powers.

# Other steps SEAs can take?

CHAT: You tell us!

One SEA's staff quietly helped a district map out a plan for school consolidation.

Can an SEA prohibit deficit spending?

Should SEAs connect districts with experts?

What if SEAs required that budgets include 3-5 year projections?

# Questions?

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[compcenternetwork.org](http://compcenternetwork.org)

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