# 30-Minute Webinar:

Make it or break it! This spring's district budget choices matter tremendously for the years ahead.

Slides available at edunomicslab.org

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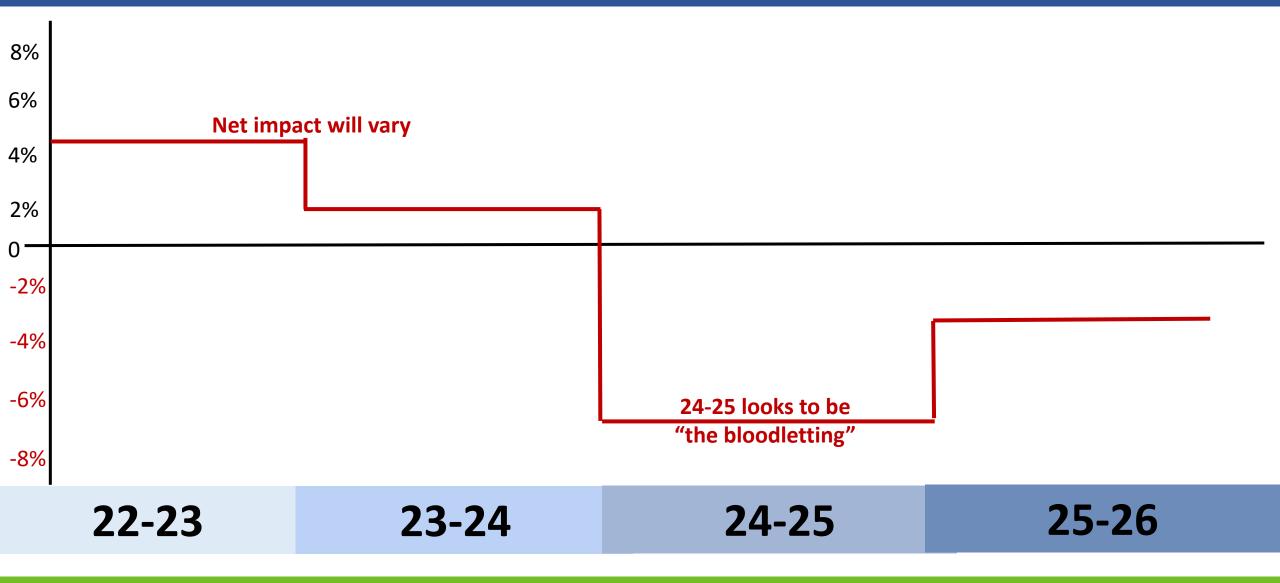
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# Atypical financial shocks coming to a district near you



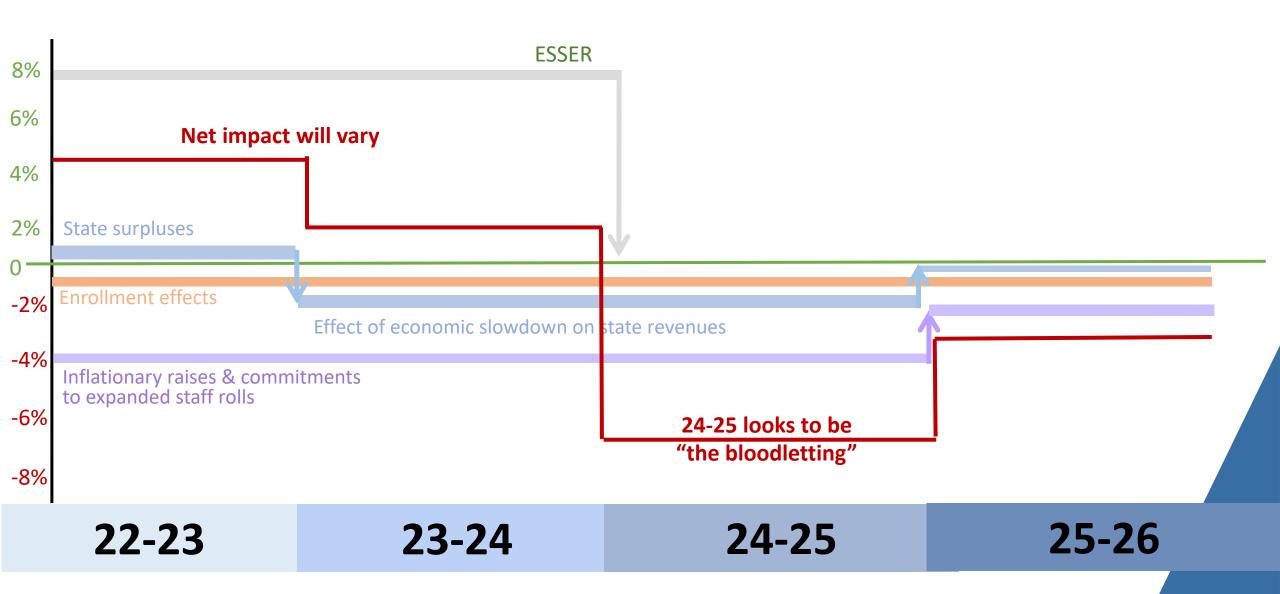


# Four atypical financial shocks coming to a district near you

- 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



#### Winter

District forecasts revenues vs expenditures (from prior year plus cost growth and requests).

- ✓ Some ESSER left
- ✓ Large deficits looming, typically in 2024-25, due to enrollment drops, inflationary raises, expanded staff rolls.

#### Spring

Budget working sessions: Board and staff make adjustments to planned spending.

#### May/June

Board approves 2023-24 budget in public meeting (usually with minimal discussion)



# Looming deficits are right there in the district budget forecast:

#### District forecast shows sizable gap:

- Akron 6%
- Atlanta\*\* 3%
- Boise 9%
- Chicago\*\* 6%
- Cleveland 11.3%
- Hartford\* 5.8%
- Houston 12.6%
- Long Beach 5.6%
- Los Angles 6.3%
- Madison\* 8%
- Milwaukee 8.9%
- Minneapolis 20%

- NYC 8%
- Sacramento 2.1%
- San Diego 16.5%
- Seattle 11.4%
- Spokane 6%
- U-46, IL 3.2%

#### No public forecast:

- Albuquerque
- Boston
- Charlotte-Mecklenburg
- Clark Co., NV
- Durham, NC
- East Baton Rouge
- Fairfax Co.
- Grand Rapids
- Little Rock
- Phoenix
- Providence
- Salt Lake City

# Forecast shows very little or no gap

- Denver\* 1%
- Washoe –0.5%

Forecasted gap is for 2024-25, except those denoted by an asterisk: \*2023-24, \*\*2025-26



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District forecasts revenues vs expenditures (from prior year plus cost growth and requests).



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#### **Competing Pressures:**



- ✓ Ensure ESSER delivers value for students
- ✓ Reign in spending: reduce staff, build reserves, downsize





✓ Boost pay to keep pace with inflation

# It all plays out in underappreciated budget workshops





District forecasts revenues vs expenditures (from prior year plus cost growth and requests).

#### Spring

Budget working sessions: Board and staff make adjustments to planned spending.

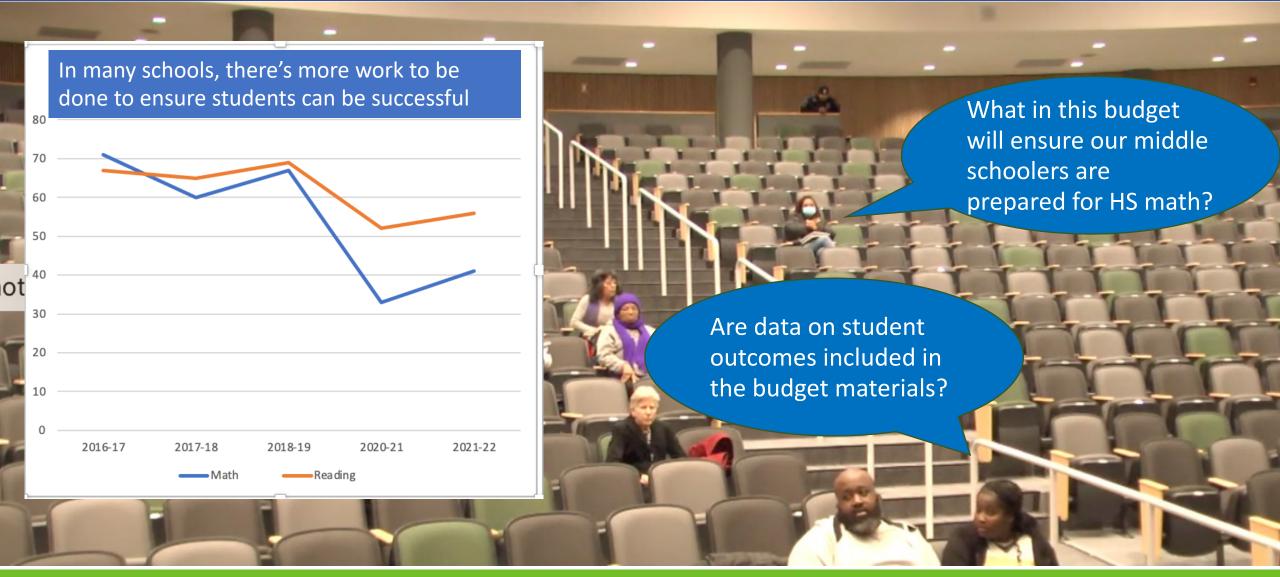
#### May/June

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Too late in the process to weigh tradeoffs.



# 1. Are ESSER investments getting students back on track?



Scores for one Fairfax County school



# 2. What's the magnitude of any forecasted budget gaps?

Akron Cit School District

	Actual FORECASTED					
Fiscal Year:	2022	2023	2024	2025	2026	2027
Revenue:				-	-	
1.010 - General Property Tax (Real Estate)	110,659,196	113,081,953	113,066,320	114,874,272	115,869,495	116,402,212
1.020 - Public Utility Personal Property	12,861,938	13,202,030	13,783,601	14,140,801	14,498,001	14,855,201
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	134,994,080	138,822,550	139,986,386	140,827,675	145,425,773	150,706,161
1.040 - Restricted Grants-in-Aid	30,672,713	34,856,718	39,115,625	44,322,613	45,054,404	45,430,479
tion	13,435,598	13,378,638	13,373,430	13,390,782	13,376,538	13,370,783
Salaries and	14,771,799	<del>15,532,5</del> 08	<del>15,532,5</del> 08	15,732,329	15,889,662	16,048,559
	317,395,325	328,874,397	334,857,870	343,288,482	350,113,873	356,813,395
enefits are set to			2			12
	_ [	_	-	-	-	-
grow faster than	50,658	11,489	11,489	11,489	11,489	11,489
giow raster than	-		-	-	-	-
	1,831,624	6,145,781	6,145,781	45,781	45,781	45,781
revenues	1,882,282	6,157,270	6,157,270	57,270	57,270	57,270
2.000 Fotor Nev & Other Sources	319,277,607	335,031,667	341,015,140	343,345,752	350,171,143	356,870,665
Expenditures:						
3.010 - Personnel Services	194,917,214	203,142,712	210,483,145	222,191,921	230,858,775	239,220,051
3.020 - Employee Benefits	76,154,753	81,859,216	85,470,887	90,321,849	94,420,547	98,597,918
3.030 - Purchased Services	30,302,368	27,954,144	28,792,769	30,826,491	31,412,195	32,010,506
3.040 - Supplies and Materials		C78,490	7,908,845	11,017,020	11,237,360	11,462,107
3.050 - Capital Outlay			6,235,787	6,360,502	6,487,712	6,617,467
	ad avad	NCCC	5,235,135	-,,	-, ,	-,,
4.300 - Other Object	ed exp $\epsilon$	enses	,504,572	3,557,140	3,610,497	3,664,655
			,396,004	364,274,923	378,027,086	391,572,704
Other Financing Uses <b>EXCEE</b>	ed rever	nues	2,330,004	304,274,323	378,027,080	331,372,704
5.010 - Operating Transfers-Oc.		. 0. 00	7	416,587	416,587	416,587
5.020 - Advances-Out			-	-	-	410,50,
5.030 - All Other Financing Uses	_	-	_	2		-
5.040 - Total Other Financing Uses	236,434	416,587	416,597	416,597	416,597	416,587
5.050 - Total Exp and Other Financing Uses	317,593,841	330,558,091	342,812,591	364,691,510	378,443,673	391,989,291
5.050 Total Exp and Other Financing Oses						
5.656 Total Exp and Other Financing 6565						

# 2. What's the magnitude of any forecasted budget gaps?

Actions taken now can alleviate/worsen the financial pain down the road.

#### <u>Worsen</u>

ot

Lock in multi-year raises Hold on to excess employees

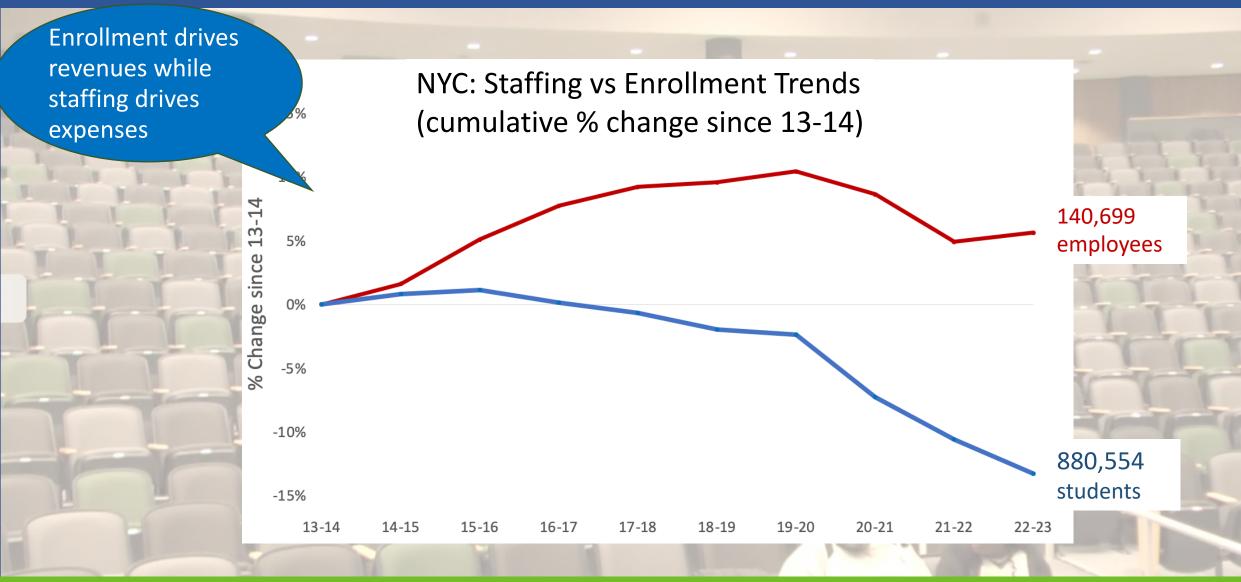
#### **Alleviate**

Reduce excess capacity/employees
Reign in cost growth (e.g. for
benefits, special ed services)

Won't new commitments bring deeper layoffs next year?

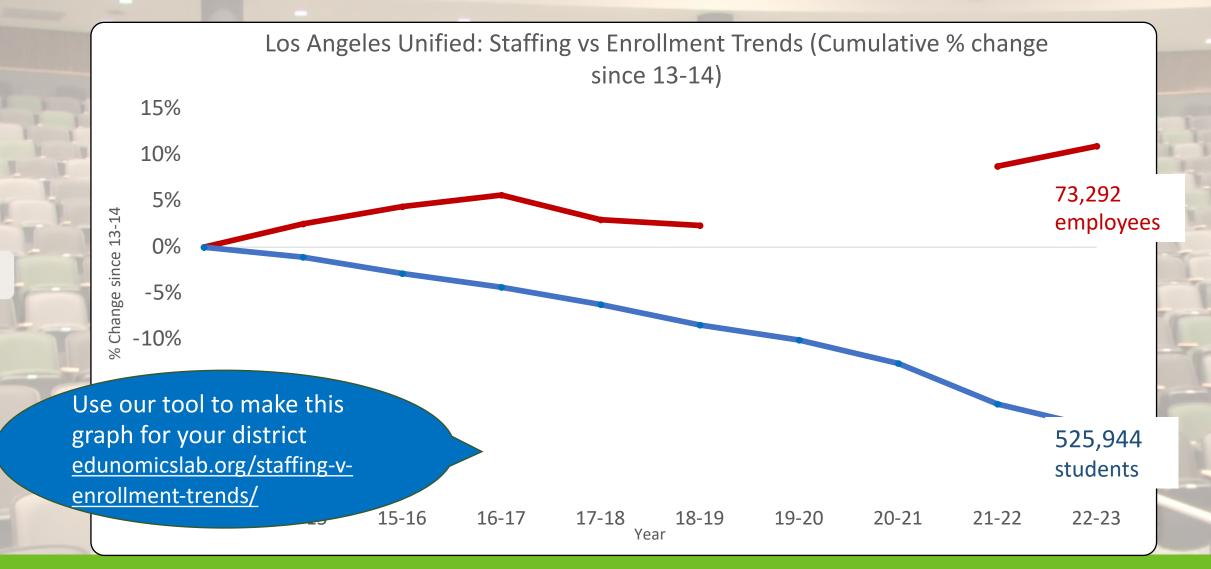


# 3. What's happening to enrollment and staffing?





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# 4. What options is the district considering to close major gaps?



# Which would you choose to close a 4% budget gap?

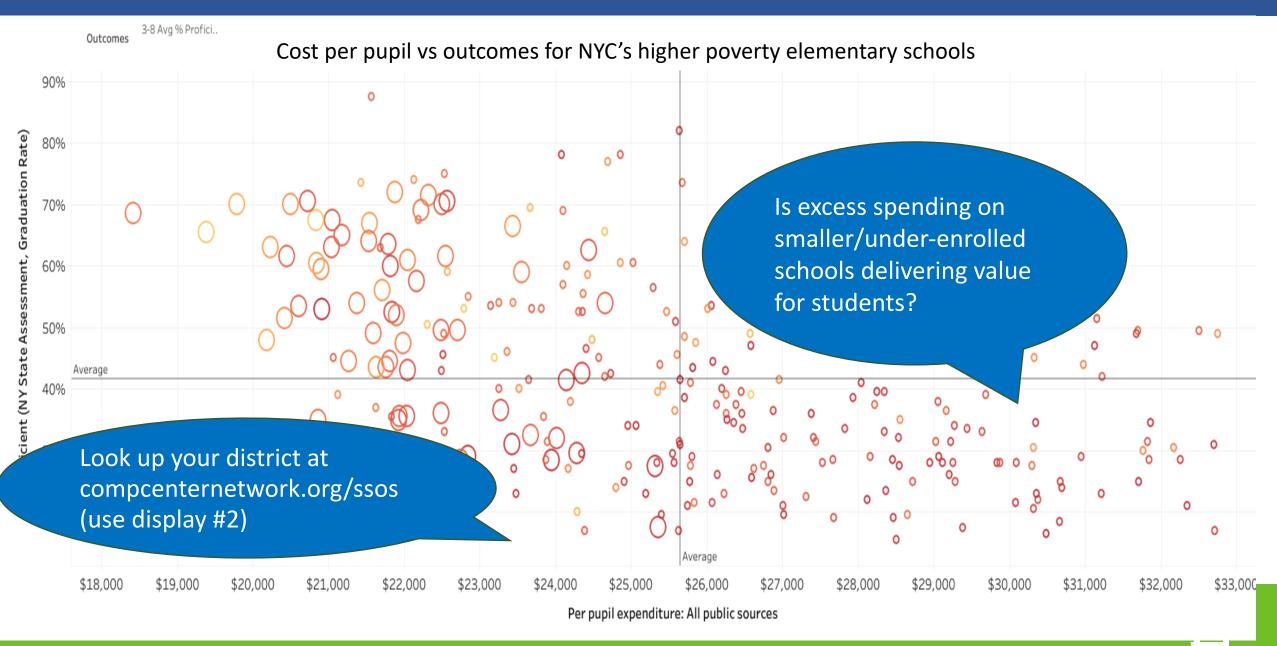
- 1. Cancel a planned COLA and freeze step and column raises
- 2. RIF 4-6 employees per 100:
  - a) Reducing non-core classes (arts, music, APs etc.)
  - b) Reducing specialists (counselors, nurses, librarians, social workers, etc.
  - c) Raise all class sizes by 4, reducing classroom teachers
  - d) Close 3 of 50 schools and eliminate staff proportionately
- 3. End the school year 2 weeks early
- 4. Select substantially leaner health/dental/vision plans and raise employee contributions by \$1800



# 5. Are school closures warranted?



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#### 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

#### Gaps > 2-3% often require cuts to LABOR

# Negotiate

#### Propose:

- Alter benefits
- Salary adjustments
- Reduce days/ furloughs

Depending on success above

# Labor reduction

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



# When we worry a district isn't dealing with its budget deficits

"Looking ahead, we'll need to identify a funding source for these expenses."

"We'll take 6 months to study our finances & develop a strategy to solve the budget deficit." "We're investing now to lure students back."

"We can use attrition over the next few years to shrink."

"We've made a commitment we won't close schools."



# 6. At what point will the state intervene?

Twenty states have laws authorizing state interventions into the finances of municipal governments<sup>1</sup>

Does yours?

- 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.



<sup>1.</sup> https://fordhaminstitute.org/national/commentary/sensible-responses-insolvent-school-districts

<sup>2.</sup> https://www.edworkingpapers.com/sites/default/files/ai21-411.pdf

# Q&A

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

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