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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Note: Presentation is on-the-record but Q&A after is off-the-record unless otherwise noted
Atypical financial shocks coming to a district near you

Net impact will vary

24-25 looks to be “the bloodletting”
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

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

- **State surpluses**
- **Enrollment effects**
- **Effect of economic slowdown on state revenues**
- **Inflationary raises & commitments to expanded staff rolls**

**Net impact will vary**

- **ESSER**

22-23

23-24

24-25 looks to be “the bloodletting”

25-26
**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:

<table>
<thead>
<tr>
<th>District forecast shows sizable gap:</th>
<th>No public forecast:</th>
<th>Forecast shows very little or no gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akron 6%</td>
<td>NYC 8%</td>
<td>Denver* - 1%</td>
</tr>
<tr>
<td>Atlanta** 3%</td>
<td>Sacramento 2.1%</td>
<td>Washoe – 0.5%</td>
</tr>
<tr>
<td>Boise 9%</td>
<td>San Diego 16.5%</td>
<td></td>
</tr>
<tr>
<td>Chicago** 6%</td>
<td>Seattle 11.4%</td>
<td></td>
</tr>
<tr>
<td>Cleveland 11.3%</td>
<td>Spokane 6%</td>
<td></td>
</tr>
<tr>
<td>Hartford* 5.8%</td>
<td>U-46, IL 3.2%</td>
<td></td>
</tr>
<tr>
<td>Houston 12.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Beach 5.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Los Angles 6.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madison* 8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milwaukee 8.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minneapolis 20%</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forecasted gap is for 2024-25, except those denoted by an asterisk: *2023-24, **2025-26</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
District forecasts revenues vs expenditures (from prior year plus cost growth and requests).

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

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

Competing Pressures:

- Ensure ESSER delivers value for students
- Reign in spending: reduce staff, build reserves, downsize
- Boost pay to keep pace with inflation

Winter

Spring

May/June
It all plays out in underappreciated budget workshops
District forecasts revenues vs expenditures (from prior year plus cost growth and requests).

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

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

Too late in the process to weigh tradeoffs.
1. Are ESSER investments getting students back on track?

In many schools, there’s more work to be done to ensure students can be successful.

What in this budget will ensure our middle schoolers are prepared for HS math?

Are data on student outcomes included in the budget materials?

Scores for one Fairfax County school

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

<table>
<thead>
<tr>
<th>Akron City School District</th>
</tr>
</thead>
</table>

- **Planned expenses exceed revenues**

- **Salaries and benefits are set to grow faster than revenues**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.010 - General Property Tax (Real Estate)</td>
<td>110,659,196</td>
<td>113,081,953</td>
<td>113,066,320</td>
<td>114,874,272</td>
<td>115,869,495</td>
<td>116,402,212</td>
</tr>
<tr>
<td>1.020 - Public Utility Personal Property</td>
<td>12,861,938</td>
<td>13,202,030</td>
<td>13,783,601</td>
<td>14,140,801</td>
<td>14,498,001</td>
<td>14,853,201</td>
</tr>
<tr>
<td>1.030 - Income Tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.035 - Unrestricted Grants-in-Aid</td>
<td>134,994,080</td>
<td>138,822,550</td>
<td>139,986,386</td>
<td>140,827,675</td>
<td>145,425,773</td>
<td>150,706,161</td>
</tr>
<tr>
<td>1.040 - Restricted Grants-in-Aid</td>
<td>30,672,713</td>
<td>34,856,718</td>
<td>39,115,625</td>
<td>44,322,613</td>
<td>45,054,404</td>
<td>45,430,479</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>317,395,325</td>
<td>328,874,397</td>
<td>334,857,870</td>
<td>343,288,482</td>
<td>350,113,873</td>
<td>356,813,395</td>
</tr>
</tbody>
</table>

| Expenditures: | | | | | | |
| Personnel Services | 194,917,214 | 203,142,712 | 210,483,149 | 221,191,923 | 230,858,775 | 239,220,051 |
| Employee Benefits | 76,154,753 | 81,859,216 | 85,470,869 | 90,321,840 | 94,420,547 | 98,597,918 |
| Purchased Services | 30,302,368 | 27,954,144 | 28,792,769 | 30,826,491 | 31,472,195 | 32,010,506 |
| Supplies and Materials | 15,784,490 | 7,908,845 | 11,017,020 | 11,237,360 | 11,462,107 | 11,462,107 |
| Capital Outlay | 6,235,787 | 6,360,502 | 6,487,712 | 6,617,467 | 6,726,467 | 6,726,467 |
| Intergovernmental & Diff. | | | | | | |
| Other | | | | | | |
| Total Total Expenditures | 396,004 | 364,274,923 | 378,027,082 | 391,572,704 | | |

| Other Financing Uses | | | | | | |
| Operating Transfers | | | | | | |
| Advances-Out | | | | | | |
| All Other Financing Uses | | | | | | |
| Total Other Financing Uses | 236,434 | 416,587 | 416,587 | 416,587 | 416,587 | 416,587 |
| Excess of Rev Over/(Under) Exp | 1,683,765 | 4,473,576 | (1,797,452) | (21,345,759) | (28,272,530) | (35,118,626) |
2. What’s the magnitude of any forecasted budget gaps?

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

**Worsen**
- 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?

Enrollment drives revenues while staffing drives expenses.

NYC: Staffing vs Enrollment Trends (cumulative % change since 13-14)

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
<th>Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>13-14</td>
<td>140,699</td>
<td>880,554</td>
</tr>
</tbody>
</table>

Enrollment drives revenues while staffing drives expenses.
3. What’s happening to enrollment and staffing?

Los Angeles Unified: Staffing vs Enrollment Trends (Cumulative % change since 13-14)

<table>
<thead>
<tr>
<th>Year</th>
<th>% Change since 13-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>13-14</td>
<td>73,292 employees</td>
</tr>
<tr>
<td>14-15</td>
<td>525,944 students</td>
</tr>
</tbody>
</table>

Use our tool to make this graph for your district edunomicslab.org/staffing-v-enrollment-trends/
4. What options is the district considering to close major gaps?

We can’t weigh in unless there are options.

Most districts aren’t generating options and that can frustrate communities.
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?

What criteria will the district use to select schools for closure? (performance, enrollment level, location, etc.)
5. Are school closures warranted?

Are excess spending on smaller/under-enrolled schools delivering value for students?

Cost per pupil vs outcomes for NYC’s higher poverty elementary schools

Look up your district at compcenternetwork.org/ssos (use display #2)
4 stages of budget cutting

**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**
- Depending on success above
- Larger staff layoffs: elective staff, librarians, academic coaches, core teachers

**Gaps > 2-3% often require cuts to LABOR**
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’re investing now to lure students back.”

“We’ll take 6 months to study our finances & develop a strategy to solve the budget deficit.”

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

“We’ve made a commitment we won’t close schools.”
Twenty states have laws authorizing state interventions into the finances of municipal governments \(^1\)

Does yours?

One report \(^2\) 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.

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Q&A

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Visit EdunomicsLab.org for webinar slides, recording, and other resources, including our ESSER Expenditure Dashboard.

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