

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.

30
MINUTE
WEBINAR

A Tough Budget Season: What you need to know.

Join @MargueriteRoza & the @EdunomicsLab Team
Thursday Feb. 27, 1pm ET / 10am PT



A new and EXTREMELY CHALLENGING school finance landscape:

- ✓ Supes stressed about budget
- ✓ End of ESSER left holes in budgets
- ✓ Enrollment down. School closures?
- ✓ State revenues are tightening
- ✓ Local appetite for taxes is down
- ✓ Rising concern re federal funds
- ✓ Schools carrying more staff than ever
- ✓ Teacher shortage is over
- ✓ Sp Ed costs crowding out other spending
- ✓ Financial dysfunction plagues some districts
- ✓ Test scores have not recovered
- ✓ Parents and staff resist budget reductions



Q: What's the most consequential ed finance issue of 2025?

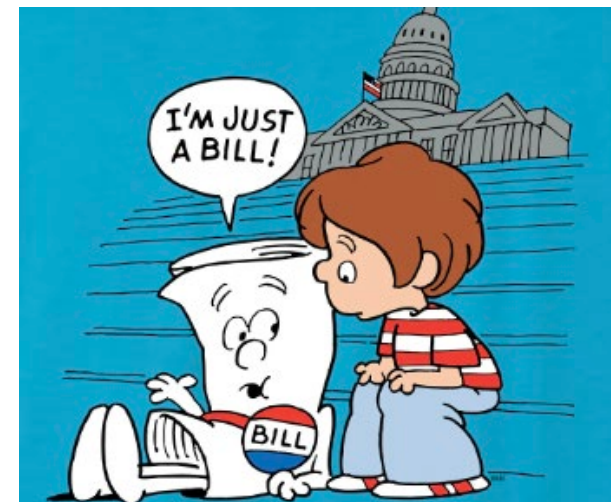
~~A: Impending changes to federal funds?~~

Our prediction: Districts need not brace for big cuts in fed funds.

~~A: Will states fill the holes in district budgets?~~

Our prediction: With tight state revenues, districts should not expect a windfall from their legislature.

A: How will districts downsize their budgets?



Changing Title I & IDEA requires rewriting laws (and 60 votes in senate). Both laws are popular on both sides of the aisle. Districts should not expect major changes in next 2 years.

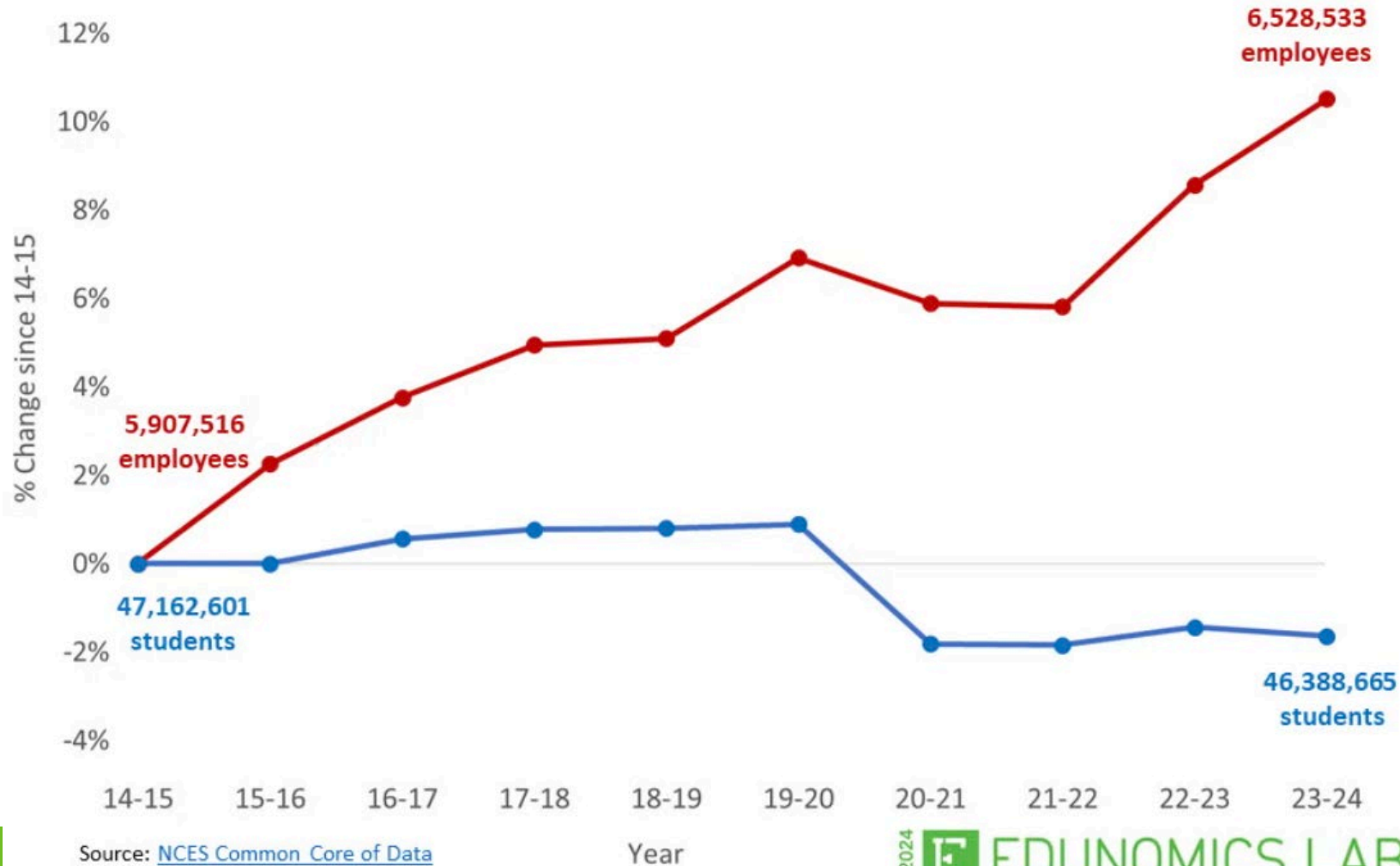
Hugely consequential budget season:

- ✓ How will districts reduce labor costs?
- ✓ Will districts close schools? Which ones?
- ✓ Will districts protect or deplete reserves?
- ✓ Will budget cutting prioritize students?
- ✓ Will districts redirect funds to improve outcomes
- ✓ Will communities see it coming?



Federal relief funds enabled districts to add staff while losing students

United States: Staffing vs Enrollment Trends (Cumulative % Change since 14-15)



Districts have more staff than ever before.

Most won't be able to sustain them all.

Declining birth rates and reduced immigration mean enrollments will continue to fall

Source: [NCES Common Core of Data](#)
*Excludes Illinois, Nevada, & Utah



On reducing the budget, perhaps the biggest question...

How will districts reduce labor costs?

Why must budget cuts involve labor?

Most districts can't avoid cutting labor since it is some 85-90% of the budget.

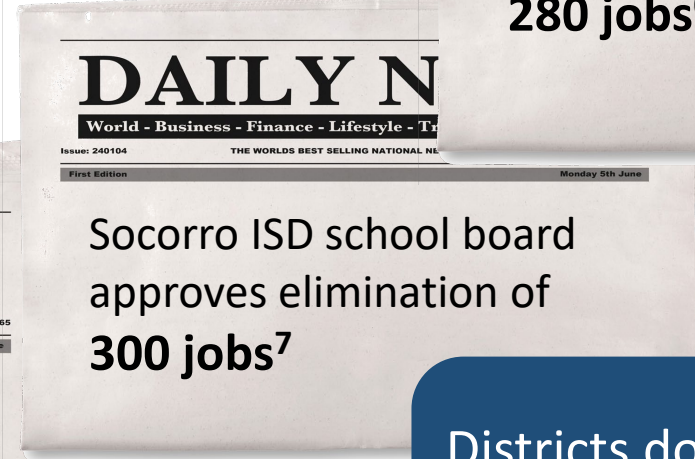


What about the teacher shortage?

As relief funds ended, so did the shortage. Very few districts are hiring now (except Sp Ed, math). More common: layoffs.



Here comes budget turmoil...



Districts do have 350K more staff than they did in 2019.

1. <https://sfstandard.com/2025/02/21/sfusd-layoff-teacher-union/>
2. <https://alaskapublic.org/news/education/2025-02-03/proposed-anchorage-school-district-budget-includes-massive-cuts-facing-111m-deficit>
3. https://www.themesatribune.com/news/42-layoffs-thin-schools-counselor-other-ranks/article_de27684c-eb1d-11ef-9015-5fd2a115d379.html
4. <https://katu.com/news/local/over-220-positions-at-risk-as-portland-schools-draft-plan-proposes-major-staff-reductions>
5. <https://downtownbellevue.com/2025/02/10/bellevue-school-district-plans-20-million-budget-cut/>
6. <https://abc7.com/post/santa-ana-unified-school-district-plans-layoff-280-teachers-counselors-due-multi-million-dollar-budget-shortfall/15844317/>
7. <https://elpasomatters.org/2025/02/19/sisd-board-approves-layoffs-fine-arts-cuts-whats-next/>



Another complication...

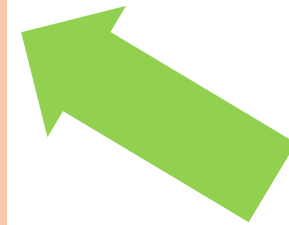
ESSER triggered growth in non-teaching certificated positions; many have been with districts for most of their career.

Districts now have more:

- ✓ Reading coaches
- ✓ Interventionists
- ✓ Counselors
- ✓ Specialists
- ✓ Deans/Administrators



Classroom
Teachers



New hires
from
labor pool

Will specialists be
asked to return to
the classroom?



On reducing the budget, perhaps the biggest question...

How will districts reduce labor costs?

Attrition:

- ✓ Uneven (left with too few math, Sp Ed roles)

Early retirement incentives:

- ✓ Inefficient (districts pay staff *not* to work)
- ✓ Will districts lose top performers?

Furloughs (reduced days of work):

- ✓ Will students have fewer learning days?

Reduce admin, specialists

- ✓ Lose key talent?
- ✓ Redeploy experts to classrooms?

Salary concessions:

- ✓ Freeze steps. Delay raises. Trim stipends.

Teacher layoffs (pink slips, RIFs):

- ✓ Where seniority drives layoffs (LIFO), cuts may eliminate some stronger teachers
- ✓ More impacts to higher-poverty schools
- ✓ Reduces teacher diversity.
- ✓ Targeted layoffs could exit weaker teachers

Reduced benefits costs:

- ✓ Thinner plans or higher costs to employee



In the Great Recession, seniority-based layoffs disproportionately hurt high-poverty, high-minority schools.

Schools by quartile	Estimated layoffs for every 100 teachers
Least Minority	8.1
2 nd Quartile	9.3
3 rd Quartile	11.8
Most Minority	12.9

Junior teachers tend to be in higher-poverty schools

Junior teachers tend to be more diverse.

Some "Teachers of the Year" lost jobs.

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→ Done poorly, and labor cost reductions can have catastrophic impacts on instruction, especially for neediest students



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How will districts reduce labor costs?

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→ **Best case: districts end up with a smaller but stronger workforce and better instruction:**

- reducing need for some specialists/remediation
- reduces Sp Ed placements and cost of services.

raises. Trim stipends.

Early retirement

- ✓ Inefficient (districts pay staff *not* to work)
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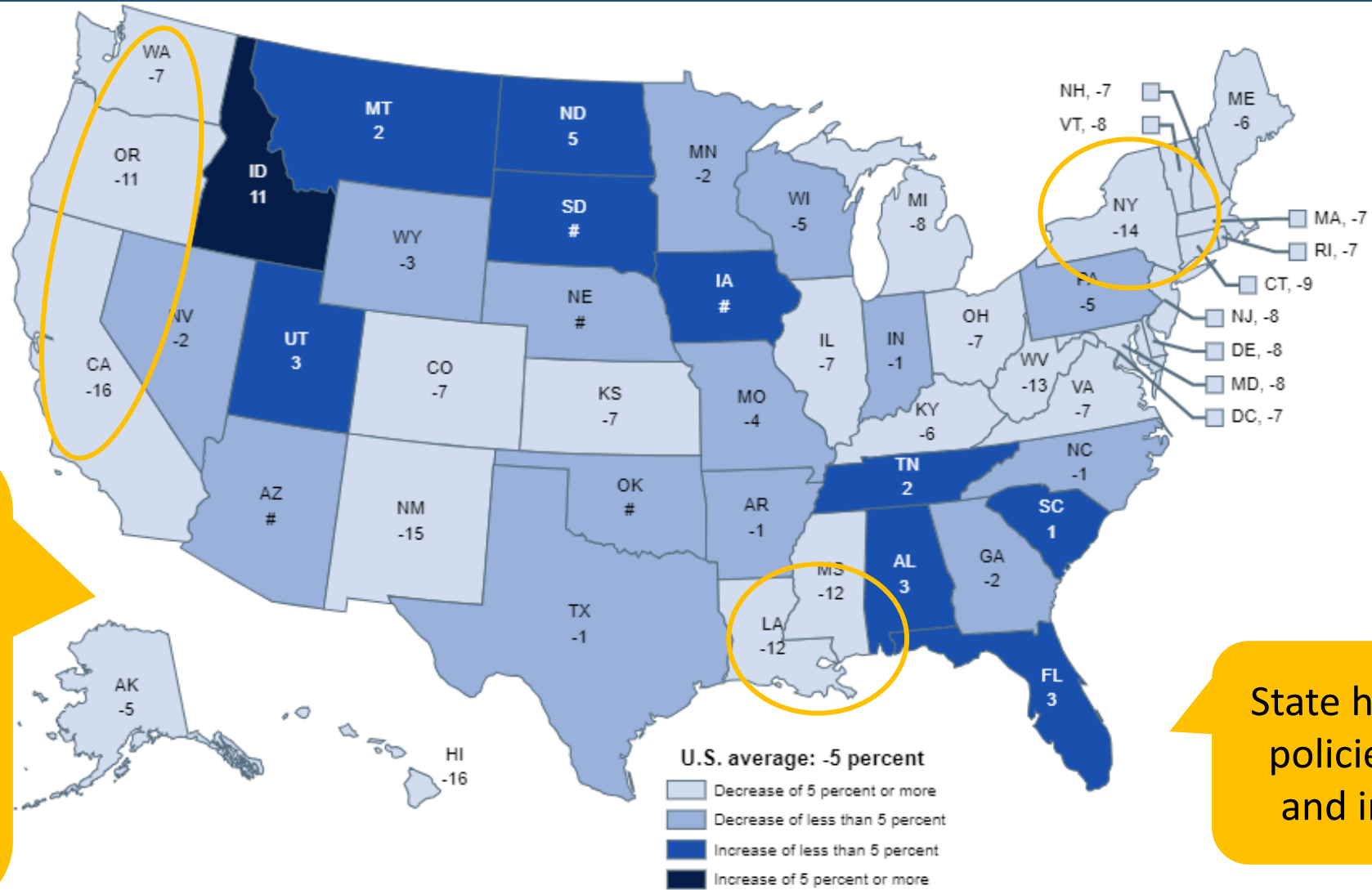
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Enrollment declines (2022 to 2031) will force downsizing for years to come:



The US has too many schools.

In many districts, relief funds masked financial impacts of declining enrollment. But relief funds are now gone.

State hold harmless policies are costly and inequitable.

On reducing the budget, another big question...

Will districts close schools? Which ones?

Each school closure might save costs of:

1 principal

1 AP

1 librarian

1 nurse

1 PE teacher

1 custodian

1 clerk

1 counselor

1 reading coach

1 art/music teacher

and so on.....



On reducing the budget, another big question...

Will districts close schools? Which ones?

Small schools typically cost their districts more per pupil, e.g. CA elementary schools:

Largest schools (>600)

\$15,359 per pupil

Mid-sized (300 - 600)

\$17,137 per pupil

Smallest schools (<300)

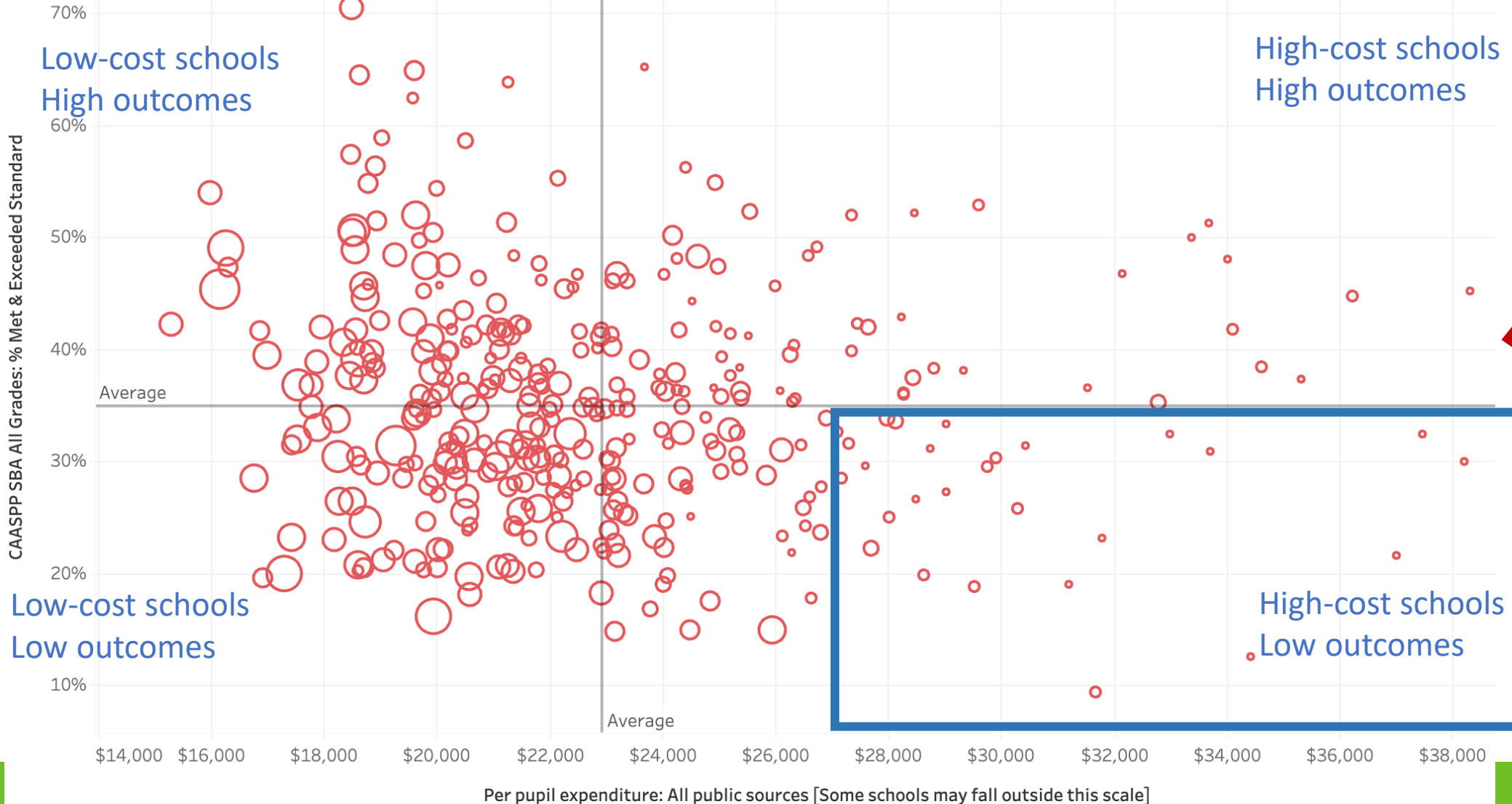
\$19,976 per pupil

The higher costs come from keeping a full complement of staff in schools with fewer kids. These schools draw down funds meant for the rest of the district's schools. Too many small schools and no one wins.



Will districts close schools? Which ones?

LAUSD high-poverty elementary schools, reading proficiency vs per-pupil cost



Will districts factor cost and outcomes into closure decisions?

Each district's data available at: Edonomicslab.org/spending-v-outcomes



Will districts close schools? Which ones?

Parents hate closures. What can help?

- **Share the budget math on closures**, including the tradeoffs for all schools of avoiding closure (e.g., reduction in electives, athletics, specialists)
- Ensure displaced students end up at schools that are **higher performing**
- Permit displaced families to **choose their new school**
- Offer to keep **displaced families together in a cohort** for a few years
- **Move staff *with* students** to new schools (familiar faces)



Will districts protect or deplete reserves?

States have different rules for minimums/maximums.

Depleting reserves for known structural imbalances leaves districts unprepared in a unexpected emergency.

→ Eroding reserves jeopardizes district financial health, credit ratings, etc.



Will budget cutting prioritize students?

We asked district leaders what drives budget cutting choices:

“What’s best for students”

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“What’s best for students”

Will budget cutting prioritize students?

So we revised our prompt:

“A vendor offers tutoring, and has excellent results at lower costs.

But with ESSER gone, keeping it would mean letting go of a long-running investment in a reading coach and a parent coordinator.”

“Our union would take issue.”

“Our board wants us to minimize job reductions.”

“I can’t cut our staff. They’re family.”

➔ **Leaders can ask:** “Which programs have demonstrated more/less value for our students?”



Will districts redirect funds to improve outcomes?

Challenges persist:

- ✓ Absenteeism
- ✓ Middle school math
- ✓ Early reading
- ✓ Declining outcomes for lower performers
- ✓ Increased Sp Ed rates
- ✓ Teacher absences

Tackling these challenges may require redirecting funds from:

- Smaller classes
- Specialists, interventionists, teacher trainers
- Layered (overlapping) programs
- All teachers get same PD, same PD days.
- Across the board % raises, costly benefits



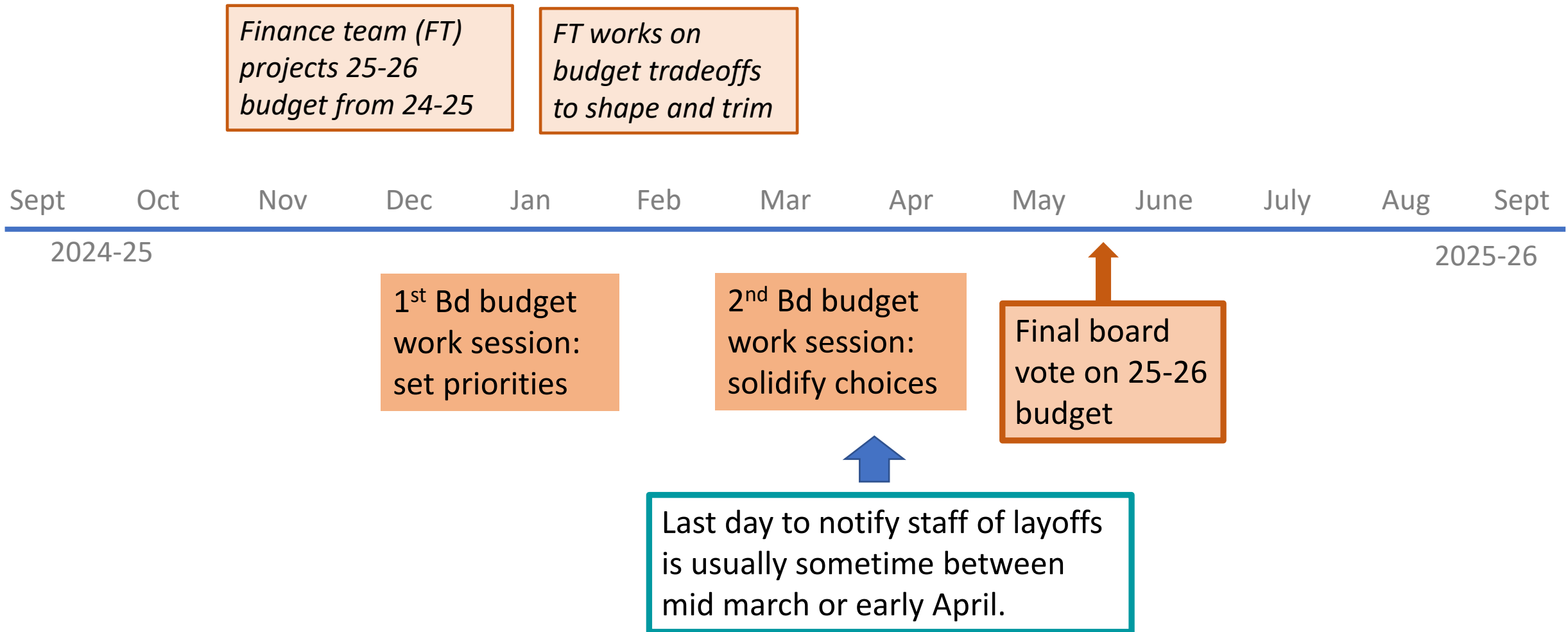
To spend “smarter” on things like:

- More pay for strongest teachers to take on more students
- Tech-tools that augment learning and extend strong teachers
- Larger classes + summer school or tutoring where needed
- Pay bumps tied to teacher attendance, high pov placement
- Fewer programs (focusing on those with evidence of success)

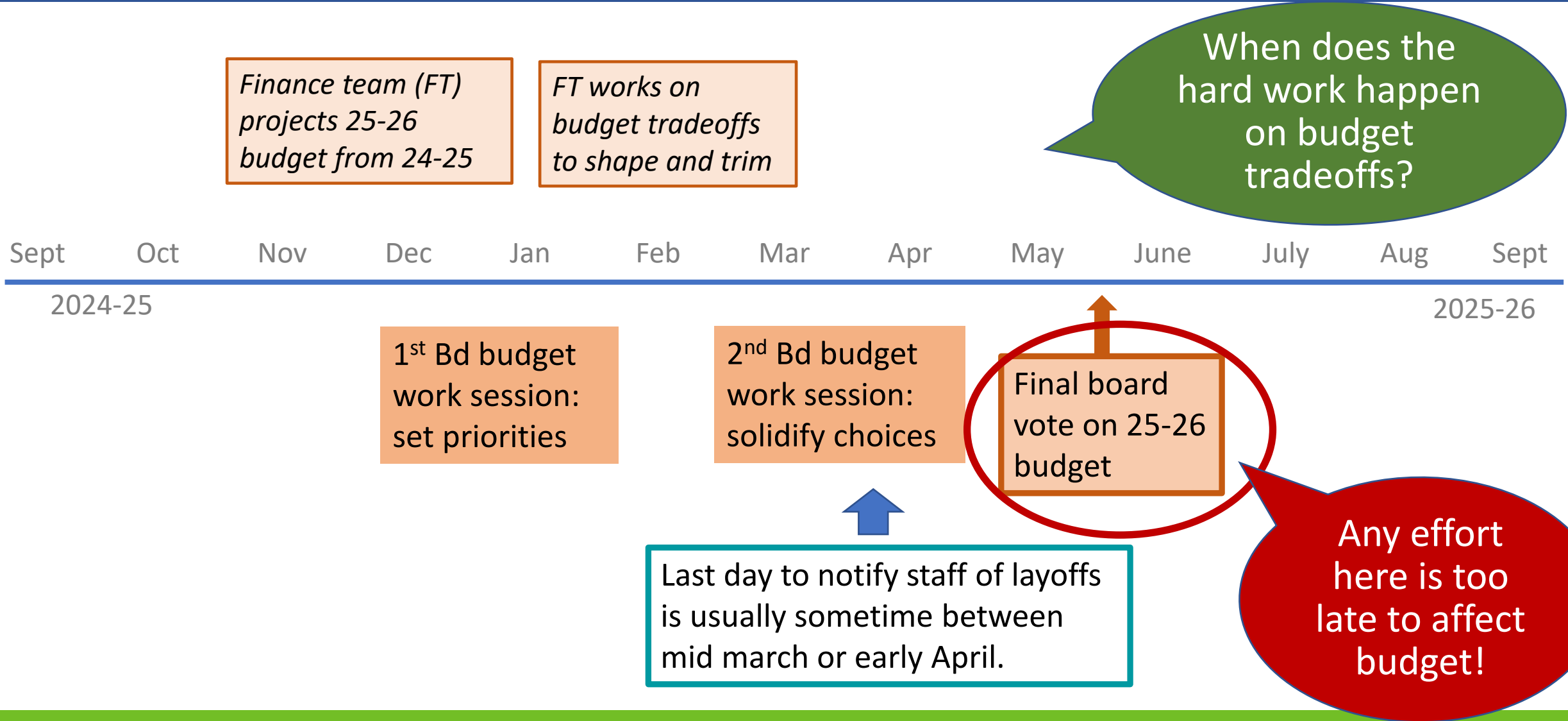
Is this a “never waste a crisis” moment?



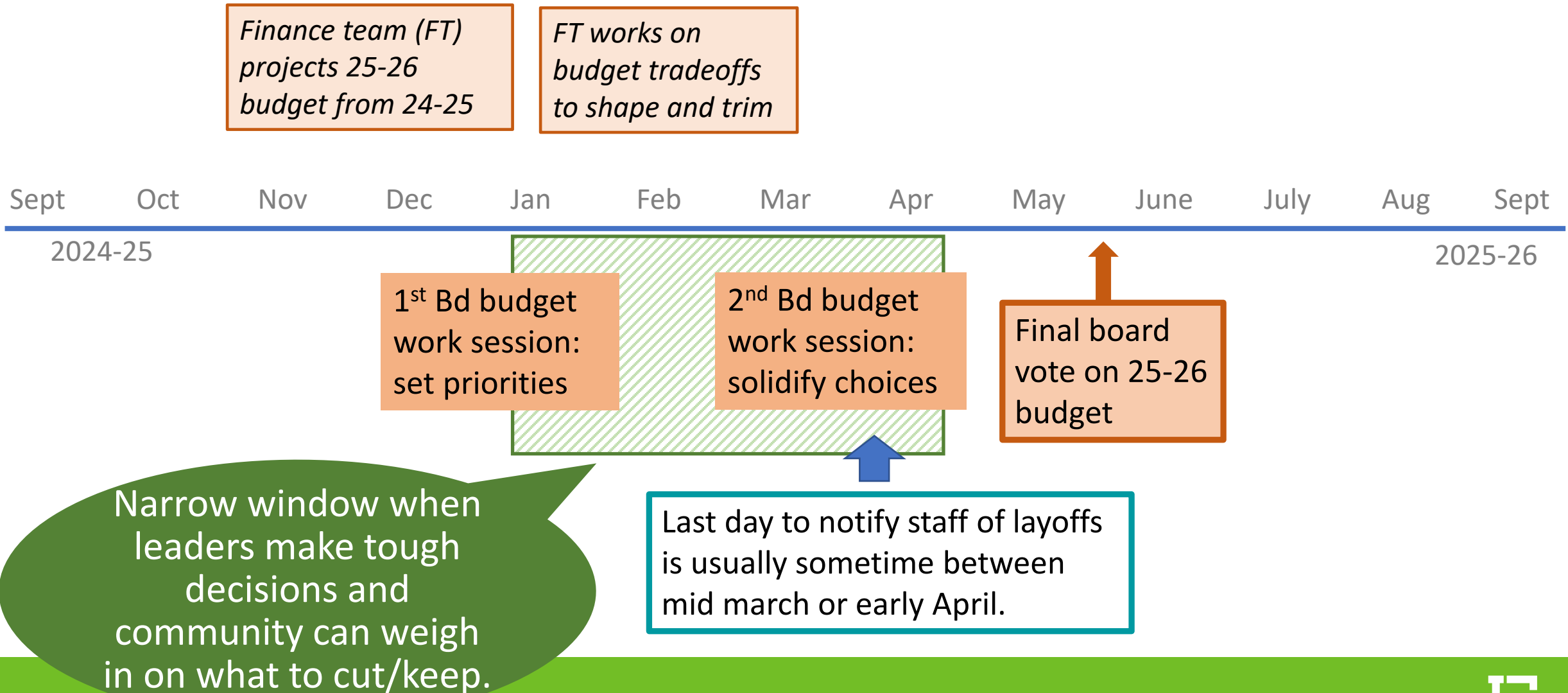
Consequential decisions play out in the next 1-3 months...



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Will communities see it coming?



John Arnold  @JohnArnoldFndtn · Feb 18

The # of K-12 students in US is set to fall 12% by 2041, ...
Navigating this will be an unprecedented political & financial challenge.



Karen Vaites 
@karenvaites

We are not talking enough about these trends.

➔ Districts may have work to do to bring their communities along...



Budget cutting is not for the faint of heart. Here's what can help:

Data. Data. Data.

Lots of communication, with parents, staff, labor groups.

Preparation of a range of cutting options including sacred cows.

Deliberation focused on impacts for students and student outcomes.

Some 90% of meetings involved consideration of only one option.*

>75% of financial deliberation made no mention of student outcomes or ROI.*

Will outcomes improve or continue to slide?

*Forthcoming Edunomics Lab study of school board budget meetings



Q&A

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

Visit EdunomicsLab.org for webinar slides, recording, and other resources.

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The graphic is a promotional poster for the Certificate in Education Finance at Georgetown University. It features a blue header with the title and university name. Below is a collage of images: a city skyline, a large classical building, and the US Capitol building. A central white box lists the 2025 cohort options: Kansas City, MO (June 10-11) and Washington, DC (Sept 17-18). The bottom left has the Edunomics Lab logo, and the bottom right has the registration URL.

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JUNE 10-11

— OR —

Washington, DC
SEPT 17-18

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Sign up for our newsletter at <http://bit.ly/EdFiNews>

Learn more about the Cert. in Ed. Finance & register at <https://edunomicslab.org/trainings-events/>

Resources discussed in this session:

- Staffing & Enrollment Trends: <https://edunomicslab.org/staffing-v-enrollment-trends/>
- Spending vs. Outcomes by School: <https://edunomicslab.org/spending-v-outcomes-2/>
- 12/19/24 newsletter on school closures: https://bit.ly/newsletter_closures

