Welcome

Our program is about to begin ...
YOUR HOST

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School Finance and State Budget Forecasting
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What the financial turmoil means for public education

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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)
- March
- April
- May
- June
- July

- Unfolding now (unevenly) in many states
- Many states begin to revise budget projections (and make plans to rework state budgets)
- Some states announce K-12 funding impacts
- Impacted districts revise their 2020-21 budgets
- Decisions re fall schooling delivery
- Decisions re more federal funding for schools

Unfolding now (unevenly) in many states
Still yet to unfold

Delays here could force deeper cuts later

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State funds are the portion most at risk. But, a gap in state revenue only affects the state-funded portion of total district revenues.

Example: A 10% cut to state funds would yield a 4.7% cut to the average district (where 47% of funds come from the state)

Local funds tend to come from property taxes, which are more stable

CARES Act increases federal funding, delivering an average of ~ 2% increase to district budgets
Only half of states warned districts of any K-12 revenue cuts

Detailed warnings (11) with magnitudes
General cautions (17)
No K-12 fiscal impacts announced (23)
Typical stages of hurried STATE cuts

**Warning**
Issue general warnings re budget cuts & postponing promised allocations

**Cut Non-Formula Ed $**
Includes:
--Recently added initiatives (e.g., recent salary raises, PreK, SEL, ELL, COLAs)
--Budget lines that affect smaller groups (e.g. CTE, PD, charters, NBCT, after-school funds)
--Digital learning is spared this time

**Cut Formula**
E.g. Fund 95% of Basic Ed

**Seek new funds**
- Raise limits on local property taxes
- Attempts to tax high earners

**Formula changes**
Typically over longer term

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With less warning, districts will make hurried cuts:

**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 admin
- Squeeze supplies & non-labor expenses

**Negotiate**
- Propose:
  - Alter benefits
  - Salary adjustments
  - Reduce days/furloughs

**Labor reduction**
- Larger staff layoffs: elective staff, librarians, academic coaches, core teachers

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

Depending on success above
More decisions that matter in coming months

What are the costs of state health constraints on delivery this year?

HOW states cut funding

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

Will states provide cover for cost reductions (e.g. temporary salary rollbacks)?

Who pays for non-working teachers (too vulnerable to come to school)?

Requirements that affect staffing are the most costly

HI Gov. proposed a 20% temporary salary reduction for all state workers (including teachers?)
Q & A

Visit EdunomicsLab.org for resources on how financial turmoil is impacting K-12

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SUMMER SEMINAR SERIES

SUBJECT MATTER MONDAY

JULY 13
School Finance and State Budget Forecasting

JULY 20
Workforce Development and CTE

JULY 27
Mental Health and Social-Emotional Learning in Schools

AUGUST 3
Teacher Retention, Recruitment, and Diversity

PROFESSIONAL DEVELOPMENT WEDNESDAY

JULY 15
Who We Are: Legislative Staff Around the Country

JULY 22
Dynamic Writing: Writing for a Legislative Audience

JULY 29
Professional Development That Works for Legislative Staff

AUGUST 5
Data Visualization and Communication
THANK YOU.

EDUCATION COMMISSION
OF THE STATES

We look forward to serving you again soon.

Your education policy team.
Thank you for attending!