COVID-19 VIRTUAL MEETING

The Pandemic’s Impact on State Education Budgets

APRIL 14, 2020
Welcome

- **Section I:** What Was the Impact of the Great Recession (GR) on Education Finance?
- **Section II:** How Will Key Revenue Sources Behave Compared to the GR?
- **Section III:** What Is Happening Today with School and District Finances?
- **Section IV:** What Can We Expect?
- **Section V:** How Can States Act Proactively?
**PROTOCOL FOR TODAY’S VIRTUAL MEETING**

- Join us by video rather than by phone
- Mute your audio unless you are speaking
- Virtually “raise your hand” to be recognized by today’s moderator
- Type your questions into the chat box on the right side of your screen
- Do not share your screen under any circumstances
- This meeting will be recorded. The archive and slides will be publicly posted: https://www.ncsl.org/research/education/covid-19-virtual-meetings.aspx
WHAT WAS THE IMPACT OF THE GREAT RECESSION (GR) ON EDUCATION FINANCE?

SECTION I
THE GREAT RECESSION AND PUBLIC EDUCATION

- Unprecedented impact
- Districts with a greater dependence state revenue (and states that funded their systems with more state than local revenue) experienced greater vulnerabilities.
- Shrinking property tax base offset by increases in property tax rates. Property taxes proved to still be a reliable revenue source.
- Inequality in spending “rose dramatically.”
- Federal State Fiscal Stabilization Fund (SFSF) shielded education from the worst effects of the GR.

THE GREAT RECESSION’S DISPROPORTIONATE IMPACTS

Impact on High-Poverty School Districts

- On average across states, high-poverty districts experienced an inequitable share of funding and staffing cuts following the Great Recession.
- Changes in the income-based funding gap varied across states.

(Shores and Steinberg)

Impact on Student Achievement

- We find that the onset of the Great Recession significantly reduced student math and ELA achievement.
- Recessionary effect on student achievement was concentrated among school districts serving more economically disadvantaged and minority students.
- Adverse effects of the recession were not distributed equally among the population of U.S. students.

(Knight)

Source: Knight, “Are High-Poverty School Districts Disproportionately Impacted by State Funding Cuts?”; Shores and Steinberg, “The Impact of the Great Recession on Student Achievement.”
HOW WILL KEY REVENUE SOURCES BEHAVE COMPARED TO THE GREAT RECESSION?

SECTION II
STATE REVENUE PERFORMANCE DURING THE GREAT RECESSION
(SELECTED REVENUES)

bit.ly/34D9yrJ
Increased reliance on state funds makes K-12 more vulnerable in an economic downturn

Note: Washington, D.C., and Hawaii are not included due to the unique state/local relationship in each.

Source: Edunomics Lab analysis of NCES data
K-12 REVENUE RELIANCE: STATE REVENUE VS. PROPERTY TAX (SY2015–16)

State as a percentage of total public school revenues, by state

Property tax revenues as a percentage of total public school revenues, by state

https://nces.ed.gov/programs/coe/indicator_cma.asp#info
WHAT IS HAPPENING TODAY WITH SCHOOL AND DISTRICT FINANCES?

SECTION III
District budgets stable for SY2019–20, but...

Doesn’t take much to destabilize district finances

- Districts feel constrained even with 3-4% budget increases
  - 2020-2021 will likely require deeper budget cuts with active cutting
- Labor feels like fixed costs
  - Reduction in force (RIF) is traumatic, exhausting for central leaders

Exacerbated effects on high-poverty schools

- Layoffs affect junior teachers
- Unfilled positions remain empty
- Student needs are increasing as parents lose their jobs

Source(s): Roza, “What Will the Financial Turmoil Mean for Public Education?”
WHAT CAN WE EXPECT?

SECTION IV
CASCADE EFFECT?

Immediate impact (close of FY2020)
- Sales tax revenue collections drop
- Unanticipated state/district expenditures

Impact within 2020 (SY2020–21/FY2021)
- Personal income tax revenue drop + sagging sales tax revenue
- Continued COVID-19 emergency expenditures
- Medicaid enrollment increases

Impact on future fiscal and school years (SY2021–22/FY2022)

By the Numbers: Coronavirus State Revenue Impact
Here’s some projections from state fiscal analysts, and reactions

Delaware
Projected Revenue Loss Due to the Coronavirus: $93 million
Total FY21 Budget: $4.8 billion
From Officials: “There is no escaping for Delaware from what’s happening with the national economy,” said David Rose, director of research and tax policy for the state Department of Finance.

Colorado
Projected Revenue Loss Due to the Coronavirus: $400 million
Total FY21 Budget: $13 billion
From Officials: “I would say it feels like the rug got pulled out from under us,” said Democratic State Sen. Dominick Moreno, the vice chair of the Joint Budget Committee.

Hawaii
Projected Revenue Loss Due to the Coronavirus: $300 million
Total FY21 Budget: $7.4 billion
From Officials: “There’s some bills out there that increase revenues and others out there to reduce expenses,” Democratic State Sen. Donovan Dela Cruz said. “We’re just trying to get a hold on all that and trying to put this puzzle together.”

New York
Projected Revenue Loss Due to the Coronavirus: $4 billion to $7 billion
Total FY21 Budget: $89.7 billion
From Officials: “Economic forecasters are currently unable to rule out a more severe recession or sharper stock market declines,” New York State Comptroller Thomas P. DiNapoli wrote in a letter to Gov. Andrew Cuomo. “If either occurs, the revenue outlook could be significantly worse.”
The two federal funding programs will provide a total of $15.79 billion to state P-12 systems.

This equates to $315 per pupil.

Per pupil funding ranges from $147 (Utah) to $527 (D.C.).

This federal funding is equivalent to 2.1 percent of total education revenue in the 50 states and D.C.

The funding ranges in states from 1.1% of revenue (Connecticut) to 4.2% (Mississippi).

In the 2020-21 school year federal funding and local funding should remain stable. Local funds are mainly generated through property taxes and even if property values decrease it will take 18 months to 3 years before they have an impact on education budgets.

If state funding decreases by 5%, 29 states will see a reduction in per-pupil spending.

If state funding decreases by 7.5%, only South Dakota, Mississippi, Louisiana, and D.C. would not see a funding reduction—the other 47 states would see a decrease.

A 10% reduction in state funding would result in funding cuts in all 50 states. Ranging from $87 per pupil in South Dakota to $1,547 per pupil in Vermont.

Source: Ujifusa, “Coronavirus Aid Might Not Prevent Cuts to School Funding, Analysis Shows.”
Will there be a federal SFSF? How will it be distributed?
HOW CAN STATES ACT PROACTIVELY?

SECTION V
LESSONS FROM THE GREAT RECESSION

- Why did inequality increase during the Great Recession?
- How can the impacts on vulnerable children, families and communities be mitigated?
- How can states make “equitable cuts” or preserve what equity exists in their current finance systems?
SHOULD STATES FINANCIALLY TRIAGE DISTRICTS?

- How can/should states identify most vulnerable children, school or districts or the ones most immediately in need?
  - Vulnerability = property poor districts w/high concentrations of poor families
  - Need = districts disproportionately impacted by COVID-19
- Can granular, neighborhood-specific datasets be used to micro-target resources?
  - Opportunity Atlas (Chetty et al., https://opportunityatlas.org/)
  - Stanford Education Data Archive (SEDA) (Reardon et al., https://edopportunity.org/)
- After identifying vulnerabilities and needs, what should the state response be?
COVID-19 EDUCATION LEGISLATION

- 42 education bills related to COVID-19
- Most states are in recess or adjourned, so expect more when legislatures meeting again
- NCSL Education COVID-19 Bill Tracking Database (pictured here)

Questions and Answers

Please “raise your hand” or type your questions into the chat box on the right side of your screen.
Your Time to Share!

- State of education in their states
- Immediate challenges
- How NCSL can assist?
EDUCATION RESOURCES

▪ K-12 Resources

▪ Higher Education Resources

▪ Education Bill Tracking
PRESENTATION SOURCES


UPCOMING VIRTUAL EDUCATION COVID-19 MEETINGS

- Federal Education Action: Waivers, Guidance and Stimulus – Thursday, April 9
- The Pandemic Impact on State Education Budgets - Tuesday, April 14
- Schools are Closed – Now What? Considerations for P-12 and Higher Education - Friday, April 17
- Ensuring All Students Have Access to Education When Schools are Shut Down:
  - Serving Students with Disabilities and English Learner - Tuesday, April 21
  - The Technology Divide and Data Privacy - Friday, April 24
- Student Mental Health: Addressing Challenges When Schools are Closed - Friday, May 1
- The Pandemic’s Impact on School Personnel - Friday, May 8
- Higher Education Distance Learning – Friday, May 15
- A Second Fiscal Update – Friday May 22
- Round Up of Legislation Action and Legislative Sessions – Tuesday, May 26