NALFO FALL PROGRAMMING SERIES

Trends and Challenges in State K-12 Education Funding

DECEMBER 3, 2020
Section I: What It Is: A Theoretical Framework

Section II: What’s Past is Prologue

Section III: What’s Going On

Section IV: What We Can Expect

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WHAT IT IS: THEORETICAL FRAMEWORK

SECTION I
EDUCATION FINANCE PRINCIPLES

- Stability (in revenue)
- Sufficient (resources)
- Fairness (for students, taxpayers and other stakeholders)
- Transparency (for accountability and research)
- Flexibility (to deliver resources where they’re most needed for the services/purposes needed in a time and place)
WHAT’S PAST IS PROLOGUE

SECTION II
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.

(Knight)

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.

(Shores and Steinberg)

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.”
Increased reliance on state funds makes K-12 more vulnerable in an economic downturn.

- **State %**
- **Local %**

**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
WHAT’S GOING ON

SECTION III
WHERE ARE STATE REVENUES HEADING?

NCSL Projections

Select Fiscal Year

- FY 2020
- FY 2021

Average Projected Budget Gap

-10.9% average
-10.6% low
-11.3% high

NATIONAL CONFERENCE OF STATE LEGISLATURES
This working document aggregates district choices in response to the economic downturn and the budget implications related to cuts or labor impacts. It does not purport to be a complete or deliberate sampling. Information is drawn from media scans and some district documents. More districts are added on a daily basis. If you have questions or want to share an update, please email ks1747@georgetown.edu.

<table>
<thead>
<tr>
<th>State</th>
<th>District</th>
<th>District Enrollment</th>
<th>District Action Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>AL</td>
<td>Chilton County Schools</td>
<td>7756</td>
<td>Will use CARES Act money to contract with 3 more nurses for...</td>
</tr>
<tr>
<td>AK</td>
<td>Anchorage SD</td>
<td>48238</td>
<td>Faces a loss of $15.2M as a result of lower than expected st...</td>
</tr>
<tr>
<td>AZ</td>
<td>Deer Valley USD</td>
<td>33907</td>
<td>Board approved 5% raise for teachers on 4/28; stipulated high...</td>
</tr>
<tr>
<td></td>
<td>Mesa PS</td>
<td>63444</td>
<td>Down 3700 students (5% decline in enrollment) mostly from Kan...</td>
</tr>
</tbody>
</table>

Source: Edunomics Lab, “District Budget Decisions & Labor Implications.”
“Initial findings from NWEA are optimistic for reading but suggest unfinished learning in math, and raise equity concerns about missing data on students from underserved communities.”

Note: “Some differences by racial/ethnic groups are emerging in the fall 2020 data, but it is too early to draw definitive conclusions from these initial results. Student groups especially vulnerable to the impacts of the pandemic were more likely to be missing from our fall 2020 data.”


Source: Turner, “Coronavirus Impact On Students’ Math, Reading Growth.”
WHAT WE CAN EXPECT

SECTION IV

“I am the ghost of Christmas future
perfect subjunctive – I will show you
what would have happened to you, were
you not to have changed your ways...”
District budgets were stable for SY2019–20, but...

- States have fewer funds for districts (and competing priorities) - Revenues ↓
- Reduced teacher turnover drives up salary costs (experienced teachers aren’t replaced by novices) - Expenses ↑
- More students living in poverty with greater needs
- Pension funds see greater gaps - Pensions lost $1 trillion in value (according to Moody’s)
- Enrollments may drift up due to exits from private schools

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?”
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 drops + 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: $4.6 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 Della 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.”
“IF YOU HAVE TO FORECAST, FORECAST OFTEN.”
DISRUPTING THE NARRATIVE

SECTION V
SHOULD STATES FINANCIALLY TRIAGE DISTRICTS?

Potential harm to vulnerable school districts and students from state budget reductions can be avoided by considering these options:

- Applying a sliding scale to account for differential student needs.
- Accounting for differences in districts’ abilities to raise revenue.
- Considering the length of the economic recession, as well as the potential availability of funds from other sources.
- Considering lifting restrictions on resources for schools.
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?

Source: Németh and Rowan, “Is Your Neighborhood Raising Your Coronavirus Risk?”
WHERE ARE OUR STUDENTS?

- **Reported enrollment declines between 2-4%**. (Wolfe, Smith, and Jones, “The U.S. Passes 4 Million Cases in November Alone, Doubling October’s Tally”)

- **General Student Count Mechanisms**
  - **Single Count Date** – a count on one day near the beginning of the year
  - **Multiple Count Dates** – calculation based on two or more count dates during the year
  - **Average Daily Attendance (ADA)** – an average of a daily count during all or most of the year of students in attendance
  - **Average Daily Membership (ADM)** - an average of a daily count during all or most of the year of students enrolled
  - **Single Count Period** – an average of a daily count during a period of time near the beginning of the year
  - **Multiple Count Periods** – an average of a daily count during two or more periods of time during the year

- **Examples of states that apply the count to the current school year**:
  - Colorado (October 1 of current school year)
  - Alaska (ADM)
  - Nevada (last school day of first month of school year)
  - Ohio (ADM of first week in October and first week in February)

- **Examples of states that apply the count to the subsequent school year**:
  - Iowa (third Friday of the September of the prior year)
  - Kentucky (prior year final ADA)
  - Maine (October 1 and April 1 of year prior to the year of funding)
  - Massachusetts (October 1 of previous year)

- **Example of a state that applies counts from the current and previous years**:
  - Michigan (February count date from previous school year and September count date from current school year)
2020 Education Finance Legislation

24 bills in 13 states/territories

9 bill(s) enacted

Update in progress as of Mon Nov 02 2020 09:05:00 GMT-0700 (Mountain Standard Time).
Bills are still being identified and added.

bit.ly/NCSLedFinLegis
Questions and Answers

Please “raise your hand” or type your questions into the chat box on the right side of your screen.
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?
EDUCATION RESOURCES

▪ K-12 Resources

▪ Higher Education Resources

▪ Education Bill Tracking
PRESENTATION SOURCES


Full list here: bit.ly/2VBAtQR


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PRESENTATION SOURCES


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