Financial Turmoil and Opportunities

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1. How much, including all public funds, is spent per student in your school?

2. Where does that money come from?

3. Is it growing? Shrinking?
We started with:

- One-size-fits-all delivery model.
- Inflexible budgets.

Then added an unprecedented set of conditions:

No financial playbook for this moment
K12 gets its revenue from federal, state, and local sources. This chart shows averages but the shares depend on the district/state.

Federal funds are growing:
- Annual Title/IDEA = $640 pp
- + March CARES = + $270 pp
- + Dec. CRRSA = + $1,100 pp
- + Biden plan? = + $2,600 pp

State funds are the most vulnerable right now.

CARES mostly funded remote learning.

CRRSA prioritizes learning loss.


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Is the most recent federal aid enough to cover the gaps in state funds?

It generally depends on the state. 
Aid = ~ 8% boost for typical district.

In most states, revenue trends are still unfolding.

Some states are more/ less dependent on state $ (vs local) than others.

Hawai’i = 23% gap in 2021 revenues

Delaware = 1% gap in 2021 revenues
Whiteboard Advisors categorizes states (2/19/21) by those most at risk of state ed revenue loss (red):
Typical budget cutting steps:

**Freeze**
- Freeze hiring, travel, pro-cards
- Permit contracts to expire
- Dip into reserves
- Postpone maintenance
- Offer early retirements

**Trim from the top**
- Trim contracts, payments to community partners
- Eliminate PD days, prep time
- Cut central admin positions
- Squeeze supplies and non-labor expenses

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

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

Depending on success above

Most actions are reactionary and tend to rely heavily on centralized decision-making

Gaps > 2-3% often require cuts to LABOR
POLL: Which of these cost-equivalent cuts would you prefer?

A. Across-the-board furloughs (4 days less schooling & 4 days less pay)
B. Layoffs (2% of all employees)
C. Across-the-board temporary salary reduction (of 2%) for all district employees
D. All employees pay $1,000 more in health care premiums ($100 more/month)
E. Task every school/department to reduce its spending by 2%
RIGHT NOW, many LEAs fall into one of two financial types:

**ALL/MOSTLY REMOTE**

Remote learning creates **surpluses** with lower spending on: subs, utilities, transportation, replacing staff who have left.

Spending is focused on:

✓ Opening schools

“We’re swimming in PPE!” – Fairfax Co.

**ALL/MOSTLY IN-PERSON**

Many districts operating in person have **drained reserves** with excess costs: subs, nurses, hybrid, sanitizing, etc.

Spending is focused on:

✓ Backfilling budgets
✓ Addressing learning loss

Which are you?
Now, let’s think about the new federal funding ($1,100 pp)

**How should that money be spent?**

- Flows via Title I formula (but it’s not Title I money)
- It’s highly flexible (but SEAs can add conditions)
- Should arrive in March. Must be spent by Sept. 2023
- More money may or may not be coming
POLL: Which of the following is **not** an allowable use of ESSER II funds for LEAs?

A. Enlarge the gym (to “enable social distancing”)
B. Reinstate a 5% pay raise that was put on hold
C. Pay the Kumon fee for any student who opts in
D. Pay for staff positions that would otherwise be cut
E. Replenish the reserve fund

ESSER money is extremely flexible. We were hard-pressed to find something LEAs could not use it for!

-- Edunomics Lab
What works to INCREASE staff willingness to return?

- **Hazard pay?**
  - Henry County Public Schools\(^1\) gave **one-time hazard stipend** of up to $1,000 for employees in school buildings $161 \(\text{pp}\)

- **Nurse in building?**
  - Depending on prior staffing: **$283 \(\text{pp}\)**

- **COVID testing?**
  - Los Angeles Unified\(^3\) is spending $150M to cover the cost of COVID testing, contact tracing, PPE **$300 \(\text{pp}\)**

- **HEPA air purifiers?**
  - Chicago Public Schools\(^4\) invested $8.5M in electrical upgrades **$24-50 \(\text{pp}\)**

- **OTHER?**

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\(^4\)https://www.cps.edu/press-releases/chicago-public-schools-invests-$82.5-million-to-provide-hepa-air-purifiers-for-every-classroom/
Speaking of teachers and staff...

True or False:
Teachers/staff are quitting/retiring at higher rates than normal right now.

*BLS data: Teacher attrition is at about the same level as prior years.*
New federal relief funding brings ~$1,100 per pupil.

**POLL:** Which of these $1,000 pp investments would you prefer?

A. Pay for 4 months of Covid testing (all students/staff 2x week).

B. Add a month of school for all students.

C. Reduce class size by 2 for all students for two years.

D. Fund two years of high dosage tutoring for 1/2 of students.

E. Deliver $1000pp to schools to meet student needs.
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May help reopen, but doesn’t tackle learning loss

What happens when funds run out?

Do all students need the same thing?

Can be customized. Will kids participate?

Promotes innovation but also uneven response

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On reopening and luring staff back... who’s asking?

President Biden
New guidance and potential funds, but...

Governors
Some withheld $, others offered $ to reopen

Superintendents

Principals?

“Schools are safe”
- Hawaii
- Baltimore
What does it mean if some students don’t return?
Most are seeing 2-6% enrollment drops

Yes or No:
Do you think states should hold districts harmless from losing funds due to enrollment losses next year?

What happens the year after?
Principals are a trusted messenger

Americans believe principals provide fair and accurate information and handle resources responsibly.¹

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<tr>
<th>Provide fair and accurate info to the public</th>
<th>Handle resources responsibly</th>
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<tbody>
<tr>
<td>K-12 public school principals</td>
<td>All or most: 27%</td>
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<tr>
<td></td>
<td>Some: 52%</td>
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<td>Police officers</td>
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<td>Some: 51%</td>
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<td>Military leaders</td>
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<td>Some: 49%</td>
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<td>Journalists</td>
<td>All or most: 18%</td>
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<td>Some: 48%</td>
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<td>Local elected officials</td>
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<td></td>
<td>Some: 42%</td>
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Teachers and the public trust financial information that comes from principals.²

2. Research findings presented by Edge Research and HCM.
Interviews with principals about school spending...

Principal: In my district, principals don’t question budget choices.

Principal: I don’t get as much $ as other schools in the district because my school is in a neighborhood with lower property values.

Principal: All in, my school receives about $40,000 a year.
When it comes to talking about education finance

District leader: We rely on our principals to tell us what our students need.

Parent: I can accept a cut in something if I understand what’s at stake.

Teacher: I trust my principal, not my district.

Principal: I believe if given the opportunity, we could do more for students with the dollars we have.
The principal never mattered more
This K-12 financial story is far from over!

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