

COVID-19, Education Funding, and School District Budgets: Mitigating Negative Impacts in California

April 28, 2020
11:00 am – 12:00 pm

Moderated by Alix Gallagher, Director of Research-Practice Partnerships

@edpolicyinca



Panelists



Carrie Hahnel

independent
consultant



Jessie Levin

Principal Researcher
*American Institutes for
Research (AIR)*



Michael Fine

CEO
*Fiscal Crisis and
Management Assistance
Team (FCMAT)*



Richard Barrera

Board Vice President
*San Diego Unified
School District*

Today's Agenda

- Carrie Hahnel – COVID-19, Education Funding, and School District Budgets: Mitigating Negative Impacts in California
- Jesse Levin – Exploring Educational revenues and spending in fiscal crisis
- Michael Fine – Preparing District Budget and Accounting Systems for the “New Normal”
- Richard Barerra – The Urgency Facing Our Students and Schools
- Q&A – Moderated questions for panelists from the audience

Logistical notes

- Please type your questions & comments into the Q&A box
 - You can vote on others' entries, which will determine which questions get answered first
- Slides and links to resources can be found on the PACE event page:
- <https://www.edpolicyinca.org/events/pace-webinar-covid-19-education-funding-and-school-district-budgets>
- The video recording from this webinar will be posted online early next week

Carrie Hahnel

Independent research consultant

COVID-19, Education Funding, and School District Budgets: Mitigating Negative Impacts in California

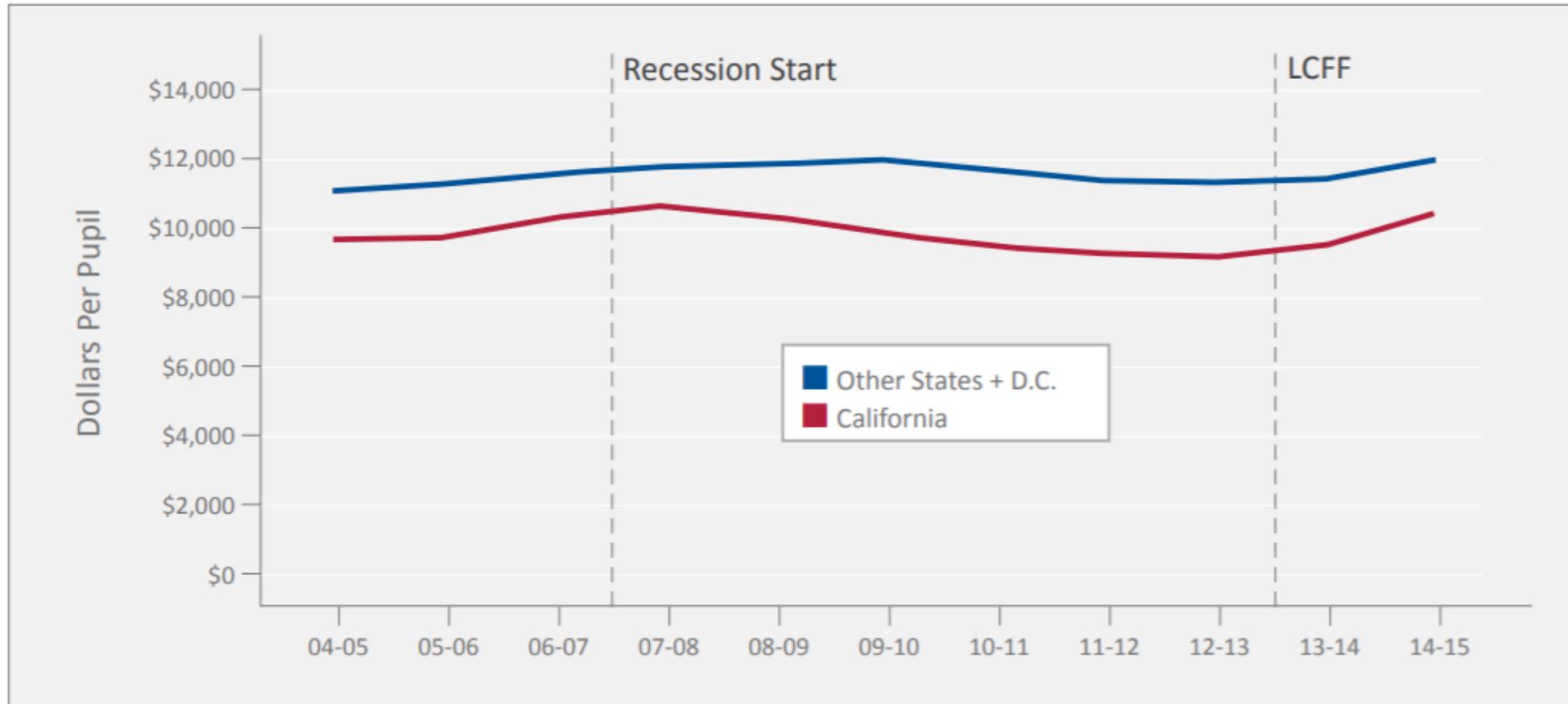
Carrie Hahnel
Independent Consultant

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April 28, 2020

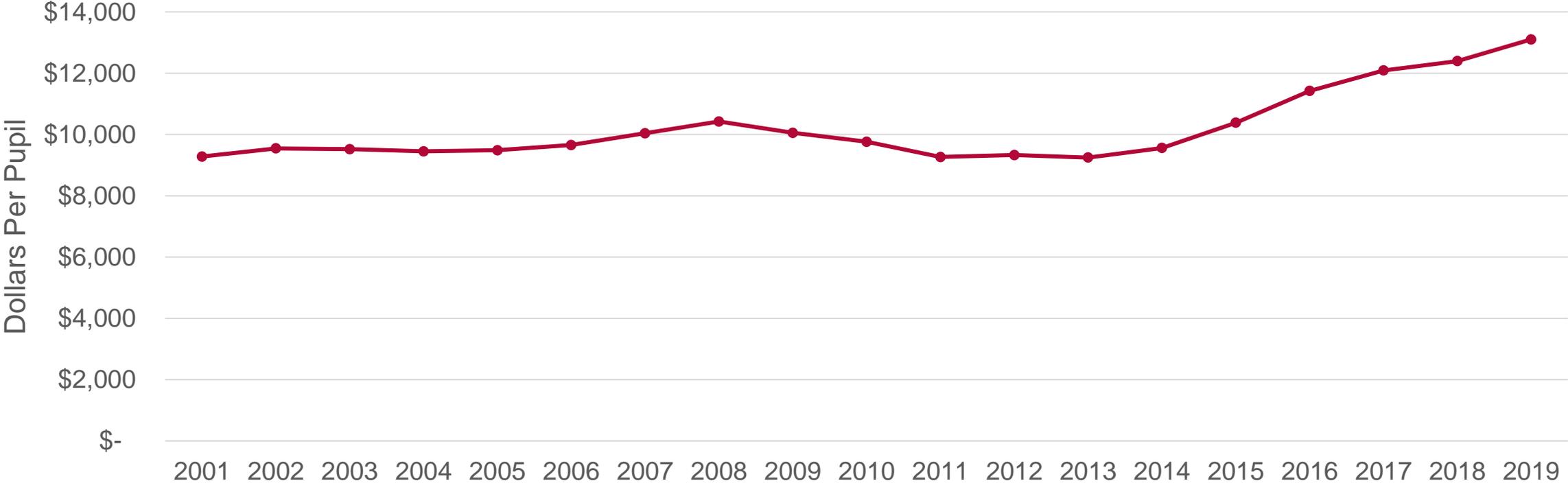
Funding for schools in California improved in recent years...



<https://gettingdowntofacts.com/publications/working-toward-k-12-funding-adequacy-californias-current-policies-and-funding-levels>

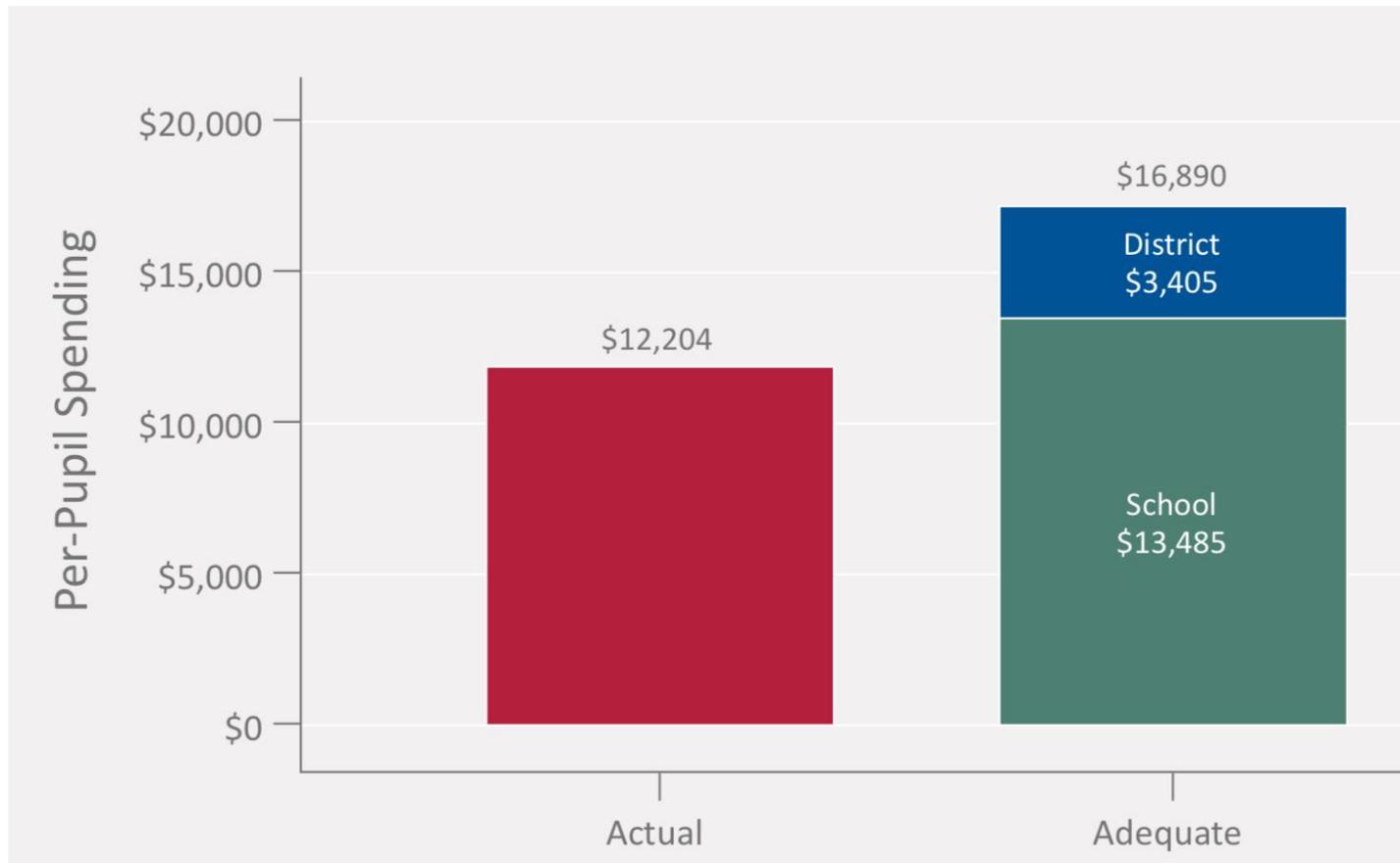
California Per-Pupil Expenditures

(in 2018 dollars)



Source: Current expense of education per Average Daily Attendance (ADA), as reported by the California Department of Education, <https://www.cde.ca.gov/ds/fd/ec/currentexpense.asp>. Adjusted for inflation: https://www.bls.gov/data/inflation_calculator.htm, U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers

...but funding has still fallen short of “adequate” levels given the state’s goals.



Average *actual operational spending* was \$12,204 per student in 2016-17. (It has since climbed at least \$1,000 per pupil higher.)

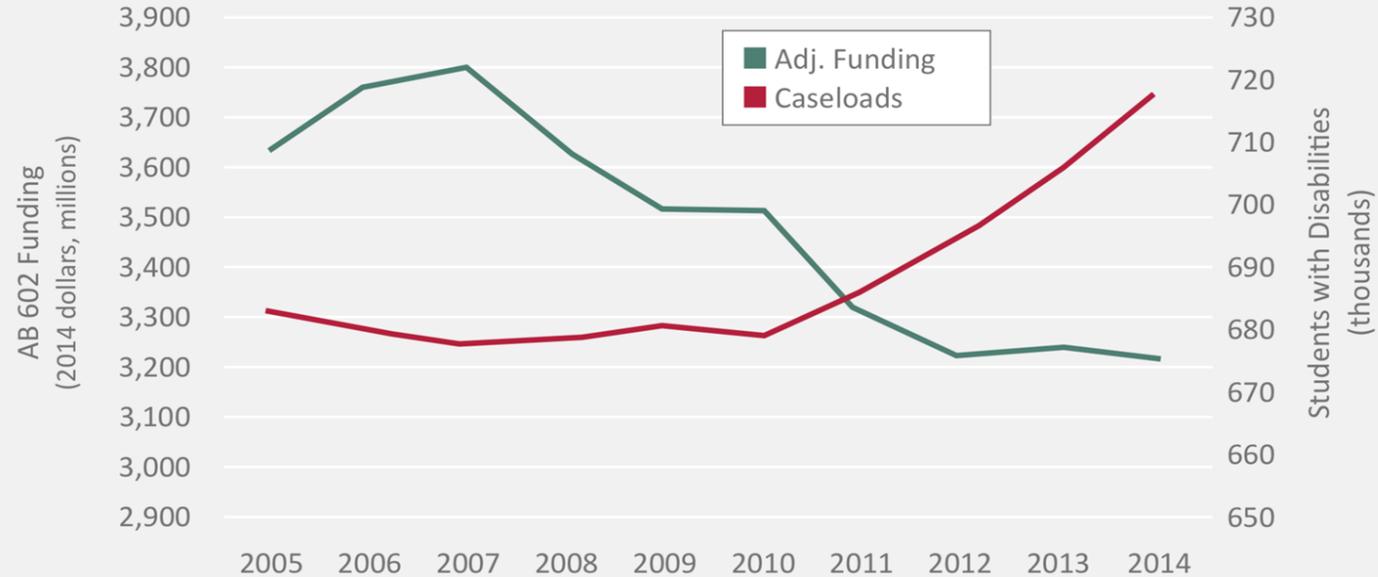
GDTFII estimated that the *adequate cost* per pupil would be around \$16,890.

<https://gettingdowntofacts.com/publications/working-toward-k-12-funding-adequacy-californias-current-policies-and-funding-levels>

Districts' budgets are impacted by rising costs.

Costs of Special Education

Changes in State Special Education Funding and Number of Students with Disabilities from 2005 to 2014



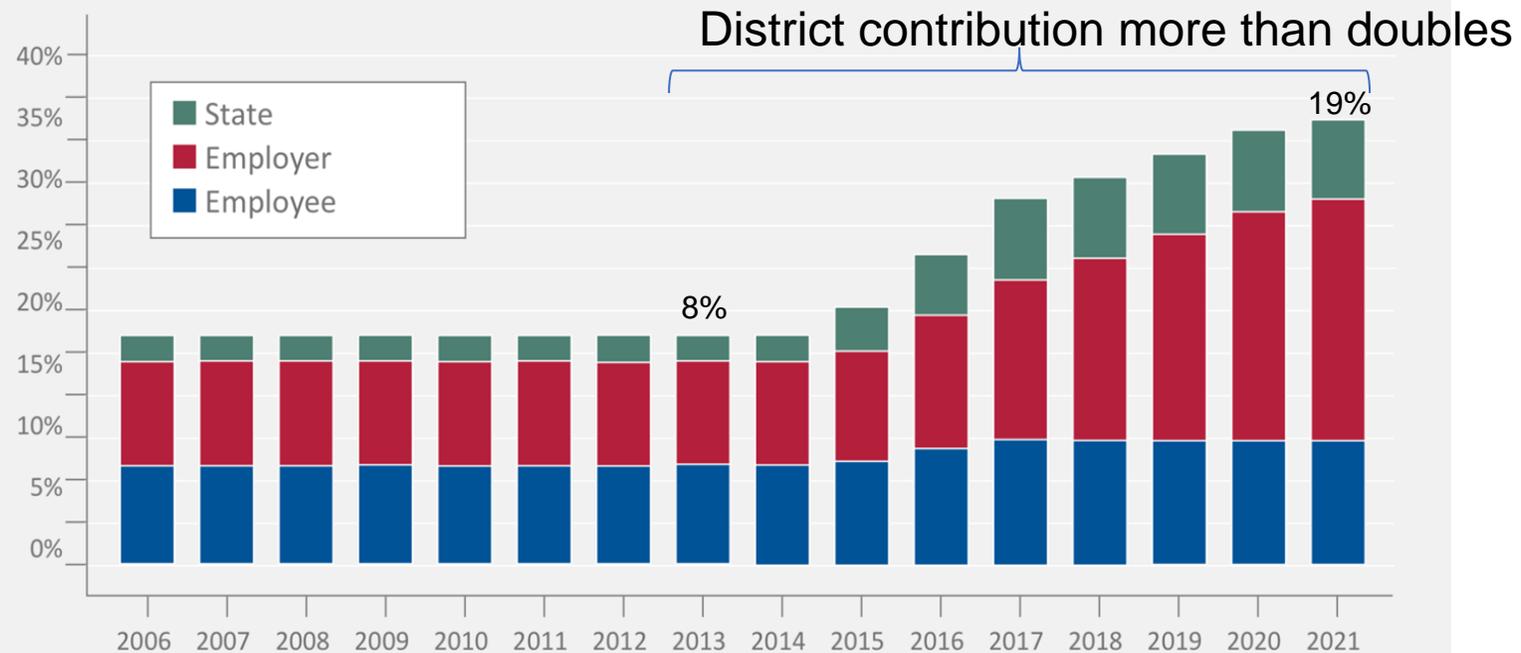
Inflation-adjusted state special education funding has decreased, while the number of students with disabilities has grown.

<https://gettingdowntofacts.com/publications/revisiting-finance-and-governance-issues-special-education>

Districts' budgets are impacted by rising costs.

Growing Pension Liabilities

Realized and Projected CalSTRS Statutory Contributions, 2006–2021,
as Percent of Salaries

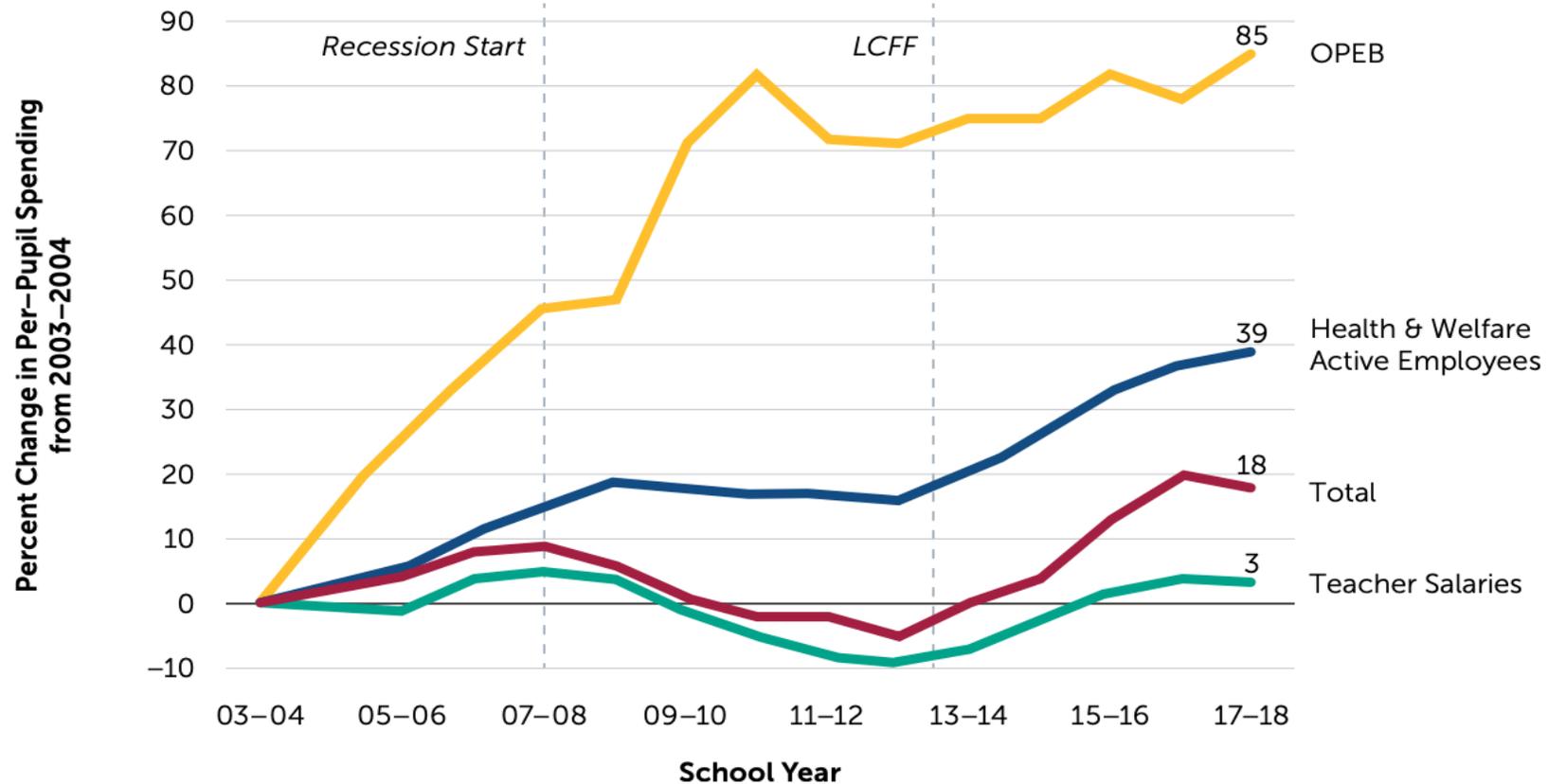


<https://gettingdowntofacts.com/publications/pensions-and-california-public-schools-0>

Districts' budgets are impacted by rising costs.

Rising Health Care Costs and Liabilities

Changes in Per-Pupil Spending Since 2003–2004



[https://edpolicyinca.org/publications/challenges-employee-and-retiree-health-benefit-](https://edpolicyinca.org/publications/challenges-employee-and-retiree-health-benefit-costs-california-districts)

[costs-california-districts](https://edpolicyinca.org/publications/challenges-employee-and-retiree-health-benefit-costs-california-districts)
Policy Analysis for California Education

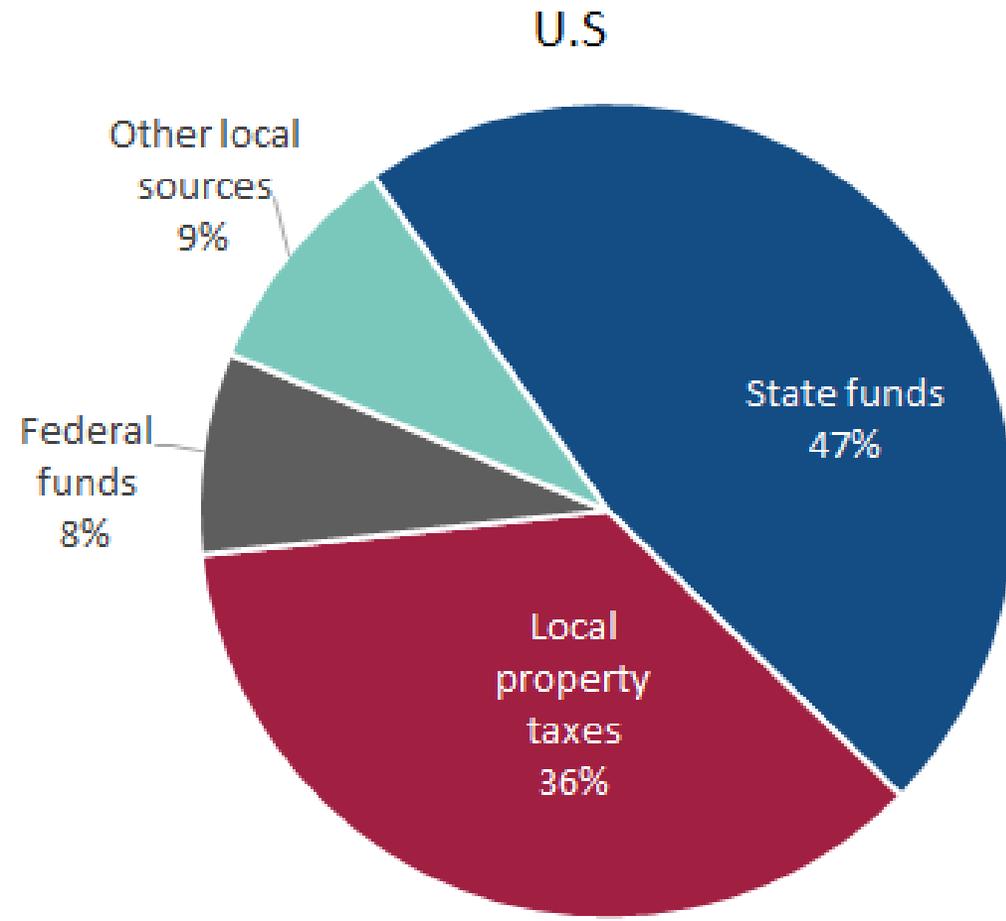
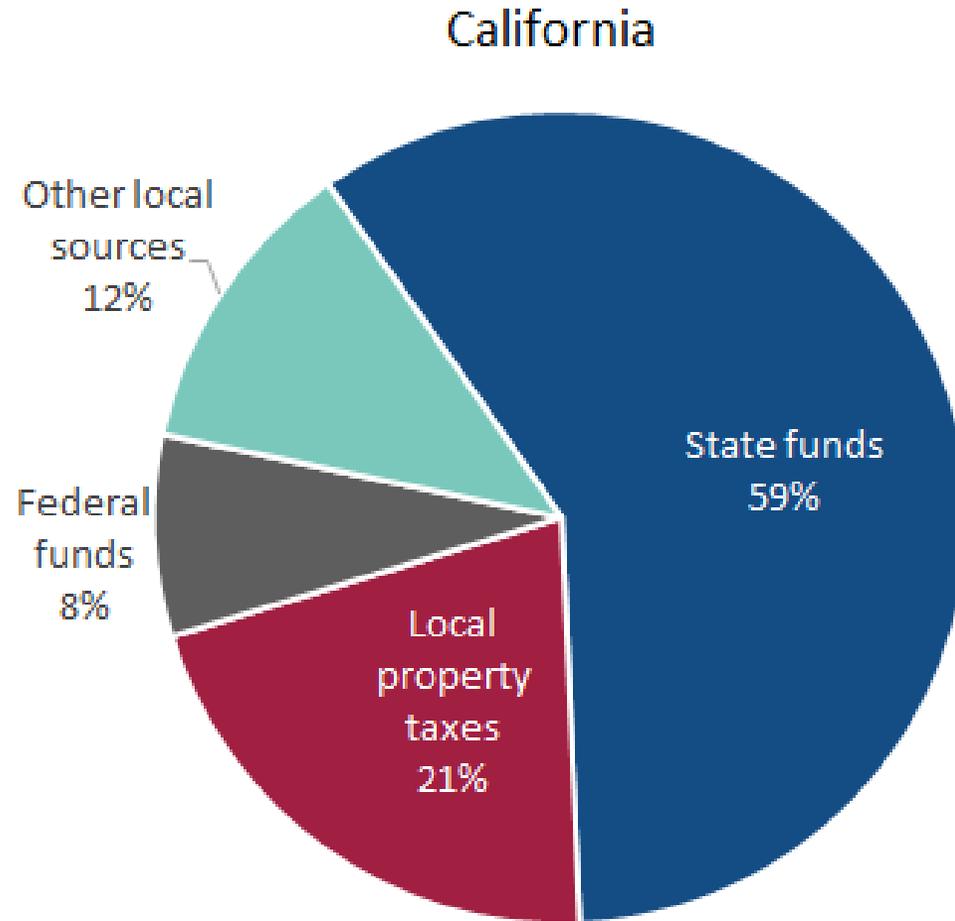
All of that was before we entered a pandemic-induced economic downturn.

Under any of these scenarios, the year ahead will be extremely damaging to state budgets, resulting in budget shortfalls much worse than even the worst year of the Great Recession and dwarfing the fiscal harm caused by the 2001 recession, unless Congress and the President provide significantly more aid.

-Center on Budget and Policy Priorities, April 14, 2020

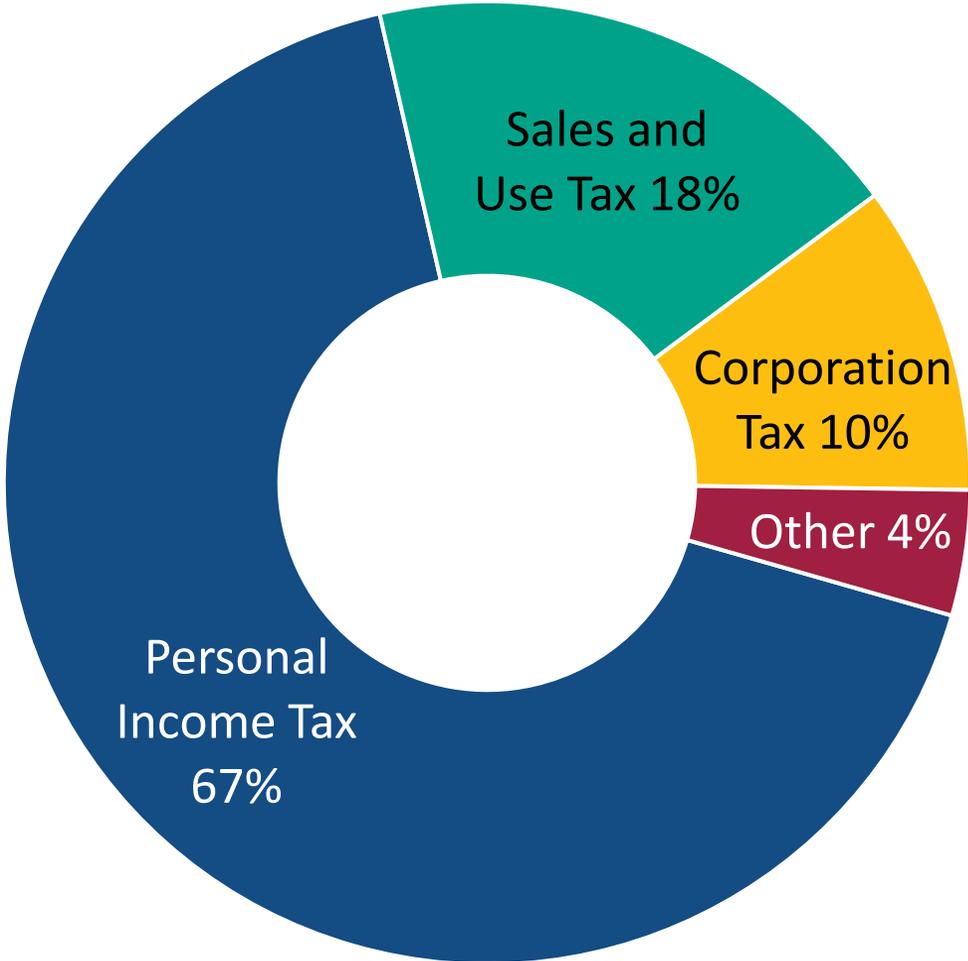
Source: <https://www.cbpp.org/research/state-budget-and-tax/states-need-significantly-more-fiscal-relief-to-slow-the-emerging-deep>

Education is particularly vulnerable. California's school funding is more dependent on state funds than in most other states...



California General Fund Revenue Sources

...and those state funds are volatile because of the General Fund's heavy reliance on personal income taxes.



Source: Analysis of Governor's January 2020 Proposed Budget: <http://www.ebudget.ca.gov/2020-21/pdf/BudgetSummary/SummaryCharts.pdf>

What will this mean for California school funding?

Possible short and mid-term implications:

1. Drop in the Proposition 98 minimum guarantee (*during the Great Recession, state and local funding for schools plunged about 15 percent in just one year. **)
2. Highest poverty school districts may experience the largest drops in per-pupil funding
3. Districts will need to adjust spending and make cuts

Mitigation:

1. Fund well above the minimum
2. Shield supplemental and concentration funding from cuts; target one-time funds to highest-need areas
3. Give districts sufficient flexibility around spending and staffing

*Source: Legislative Analyst's Office Overview of Special Session Proposals: Proposition 98 Budget, February 9, 2010, https://lao.ca.gov/handouts/education/2010/Overview_of_Special_Session_Proposals_Prop_98_Budget_20910.pdf

Longer term, what do we need to be thinking about to protect and secure California school funding?

- Diversify our tax base

- Less volatile tax sources
- Rebalance local/state roles while maintaining equity

- Revisit the funding formula that determines *how much* we invest in education (Proposition 98)

Jesse Levin, PhD

Principal Research Economist

American Institutes for Research (AIR)

APRIL 28, 2020

EXPLORING EDUCATIONAL REVENUES AND SPENDING IN FISCAL CRISIS

Jesse Levin
Drew Atchison

MAKING
RESEARCH
RELEVANT

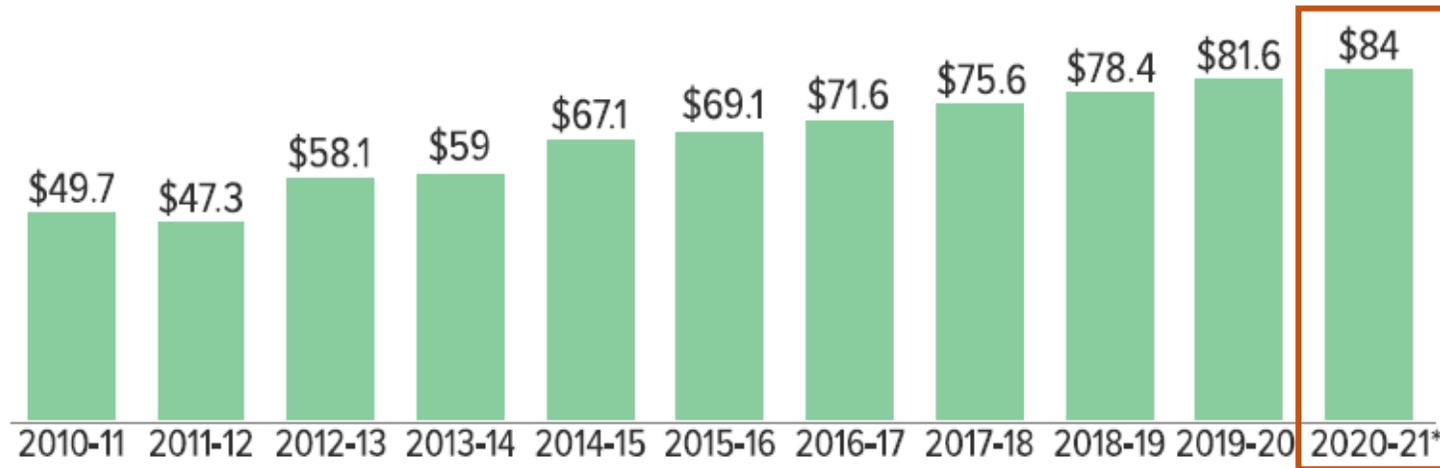
Motivational Questions

- How large might educational budget cuts be and how will these be shared across LEAs?
- What are the patterns of resource allocation resulting from budget cuts?
- What types of additional analyses could help us understand how California LEAs respond to fiscal crisis?

Education Budget Expectations as of January 2020

Spending for California K-12 schools and community colleges (Dollars in billions)

Revenue through Proposition 98, the formula that determines the minimum funding levels for K-12 and community colleges, would reach an all-time high in 2020-21, with steady increases since the low-point in 2011-12 in the wake of the Great Recession.



*Gov. Gavin Newsom's proposed budget
Source: California Department of Finance.

EdSource

Source: "California governor proposes nearly \$1 billion to tackle teacher preparation, shortages." *EdSource*, January 20, 2020, <https://edsources.org/2020/california-governor-proposes-nearly-1-billion-to-end-teacher-shortage/621952>.

Imminent Shock to State Budgets

COVID-19 State Budget Shortfalls Could Be Largest on Record

Total state budget shortfall in each fiscal year, in billions of 2020 dollars

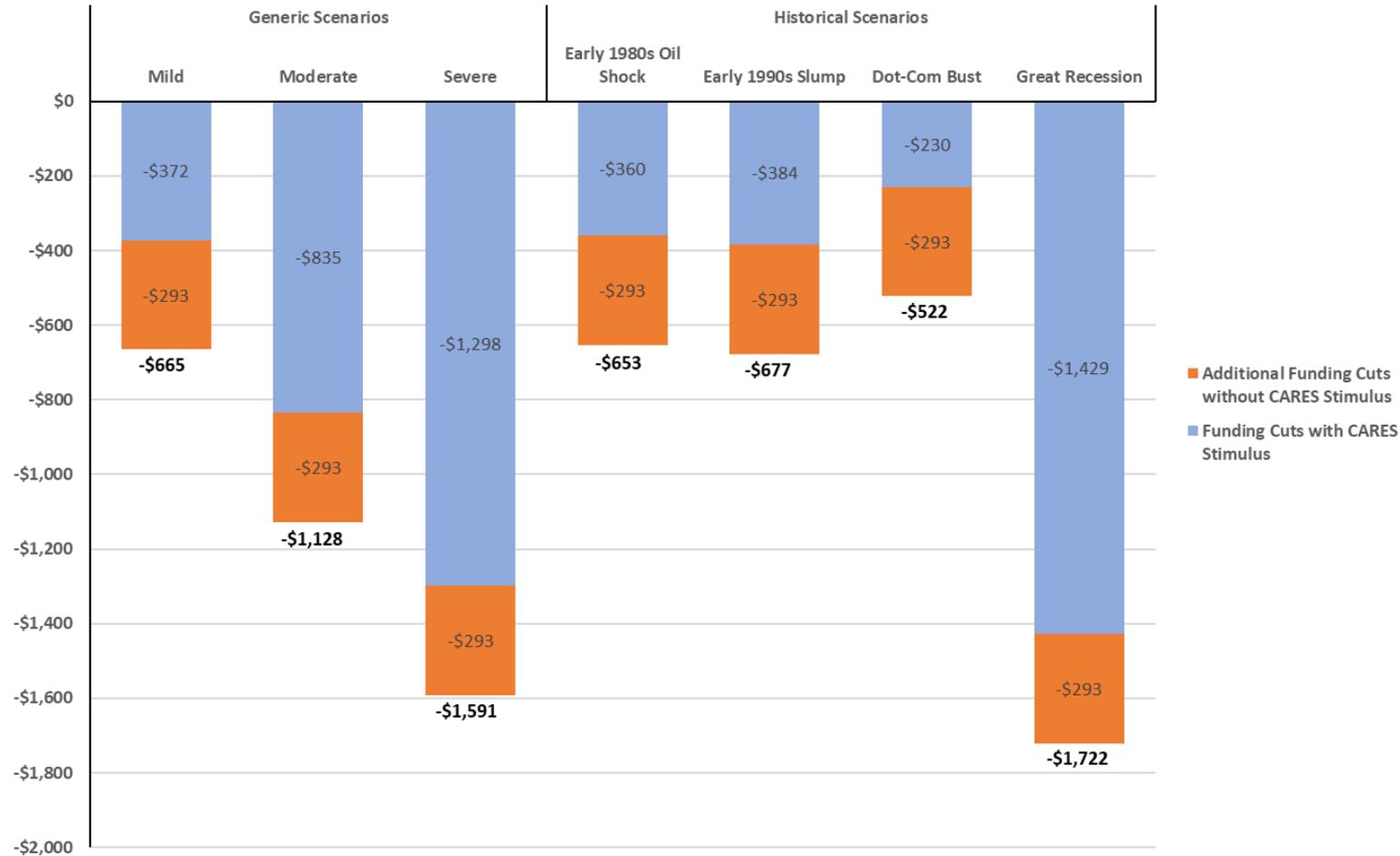


* Estimated based on CBPP calculations

Source: Pre 2014: CBPP survey; 2020 and following: CBPP calculations

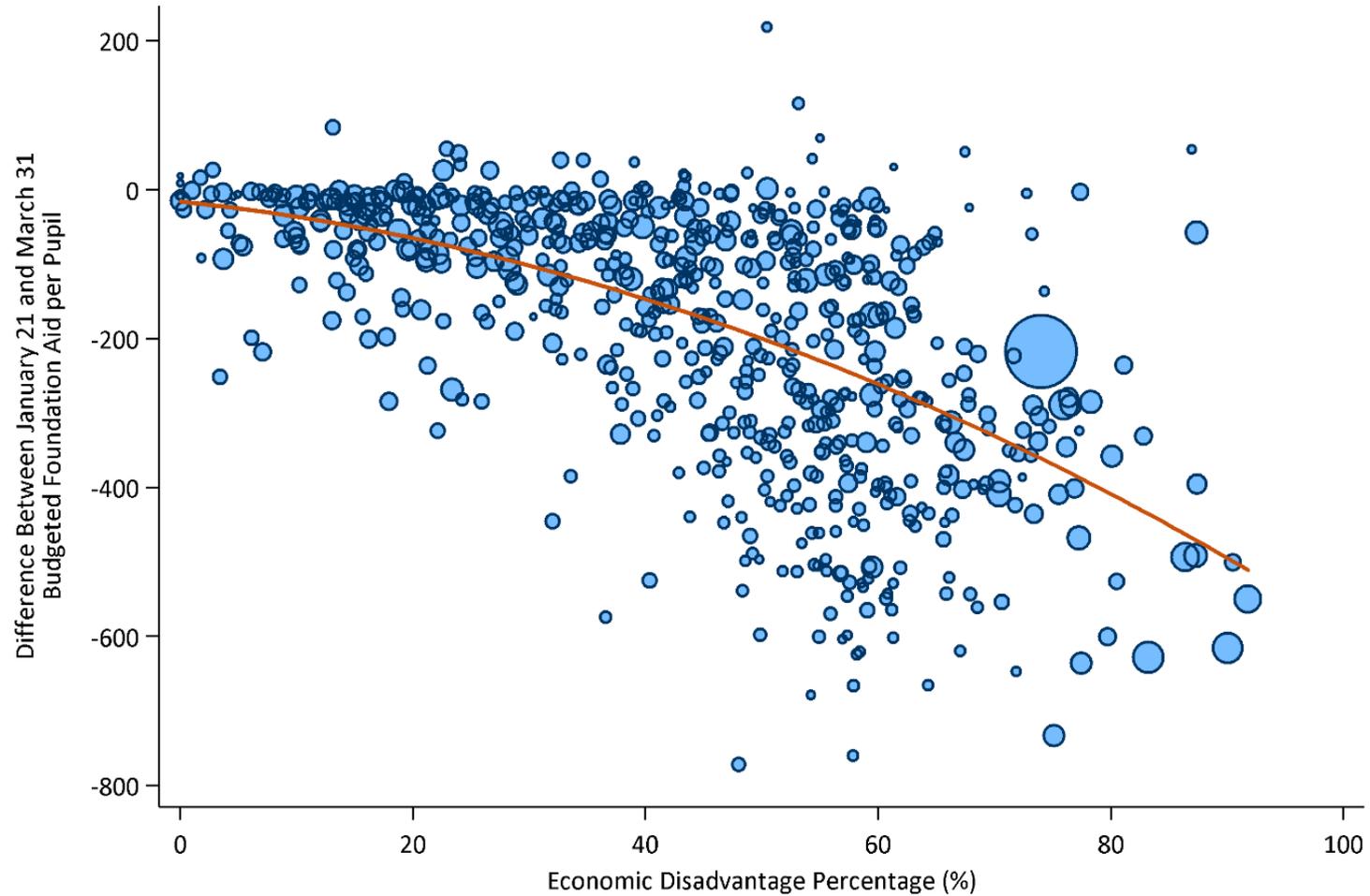
Source: "States Need Significantly More Fiscal Relief to Slow the Emerging Deep Recession." *Center on Budget and Policy Priorities*, April 14, 2020, <https://www.cbpp.org/research/state-budget-and-tax/states-need-significantly-more-fiscal-relief-to-slow-the-emerging-deep>.

Projected Average PK-12 Funding Cuts Per Pupil in California for 2020-21 (Total Cuts without CARES Stimulus in Bold)



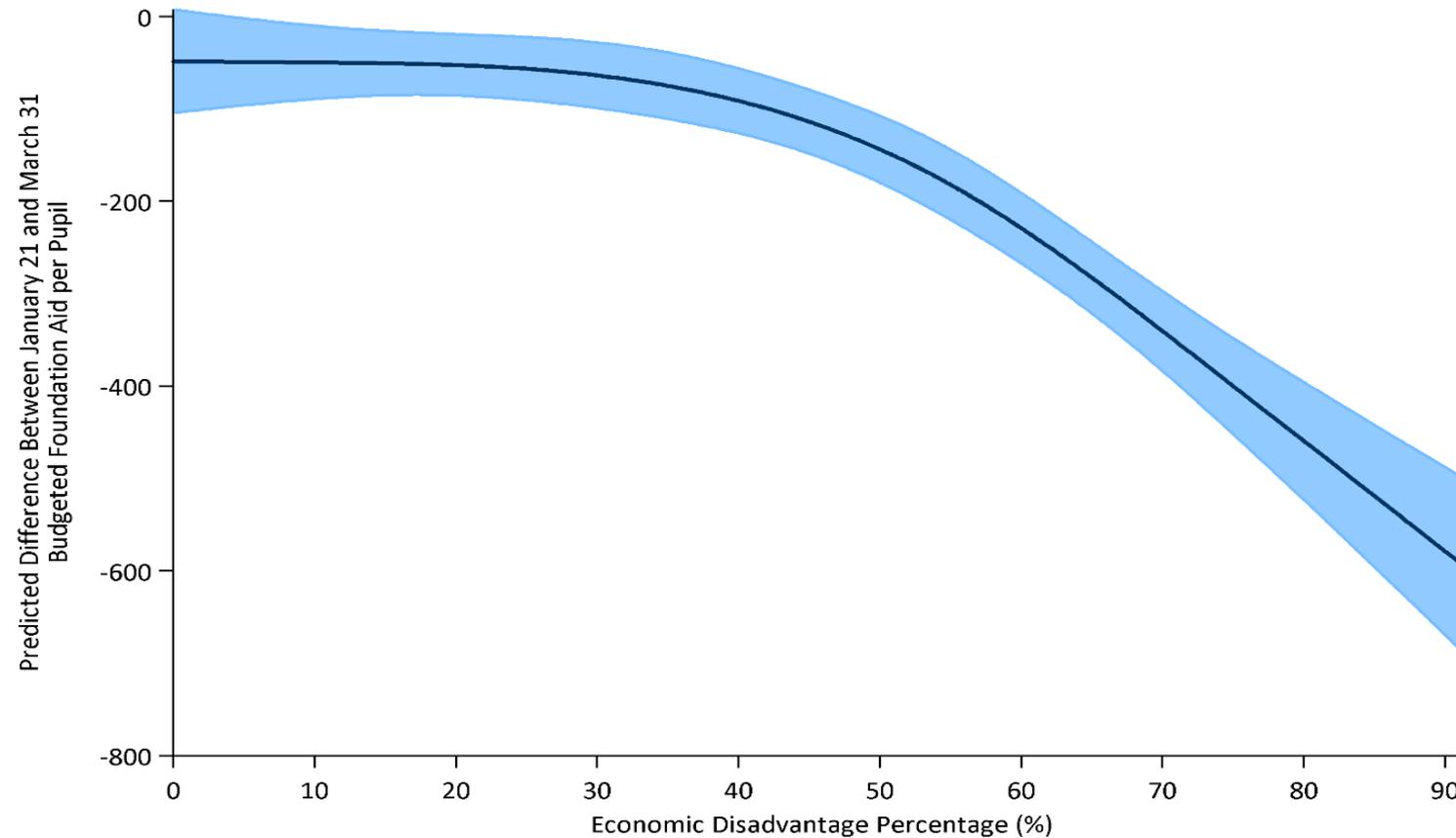
Source: Figures calculated from projected Proposition 98 funding gaps provided in Murphy, P., Paluch, J. & Mehlotra, R. (2019). *Preparing for California's Next Recession*. San Francisco, CA: PPIC (<https://www.ppic.org/publication/preparing-for-californias-next-recession/>) and interactive tool developed by Michael Griffith of the Learning Policy Institute (<https://learningpolicyinstitute.org/blog/covid-19-and-school-funding-what-expect-and-what-you-can-do>).

Distributional Effect of New York's Recent Budget Cuts



Source: New York State Educational Department Annual Financial Report (Form ST-3) and Basic Educational Data System Institutional Master File.

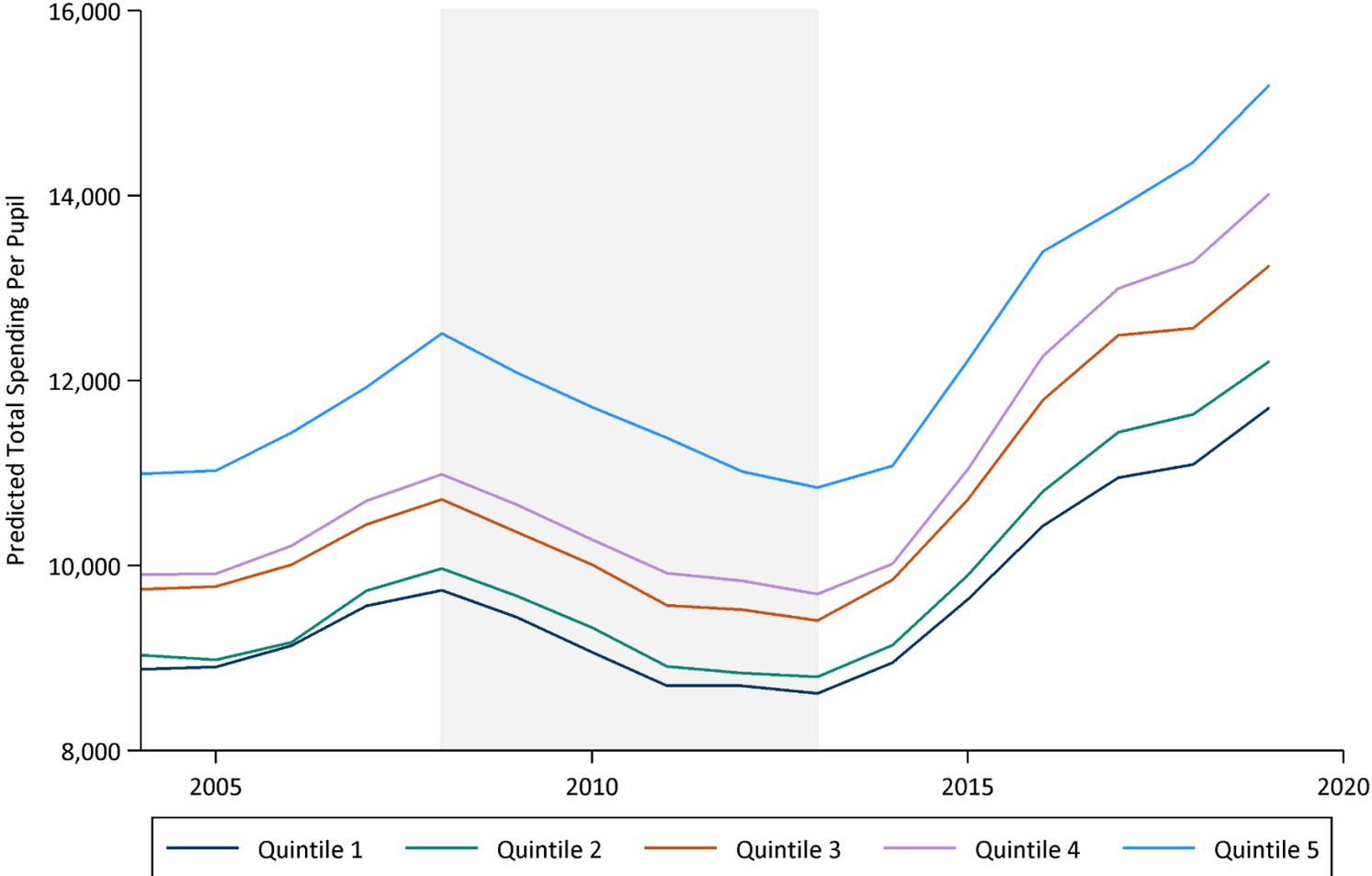
Regression Analysis of Distributional Effect of New York's Recent Budget Cuts



Notes: Model controls for size of districts, population density of the location of the district, percentage of English learners, and percentage of students with disabilities. Estimated using spline regression with four knots. Regression is not weighted.

Source: New York State Educational Department Annual Financial Report (Form ST-3) and Basic Educational Data System Institutional Master File.

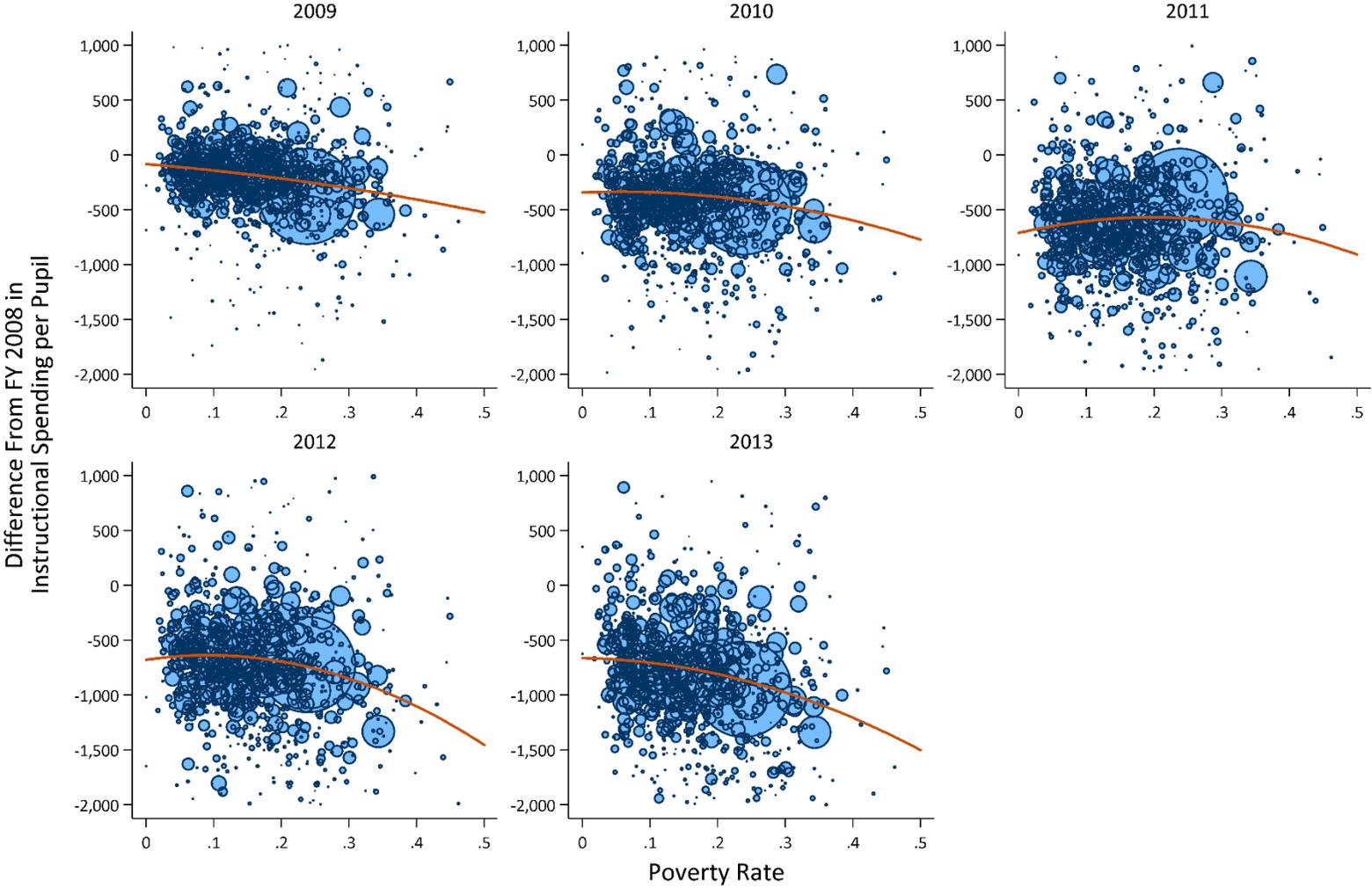
Analysis of Distributional Effect of the Great Recession on Spending in California Districts (by Poverty Quintile in 2019 Dollars)



Notes: Shaded area denotes years of Great Recession (2008 – 2013).

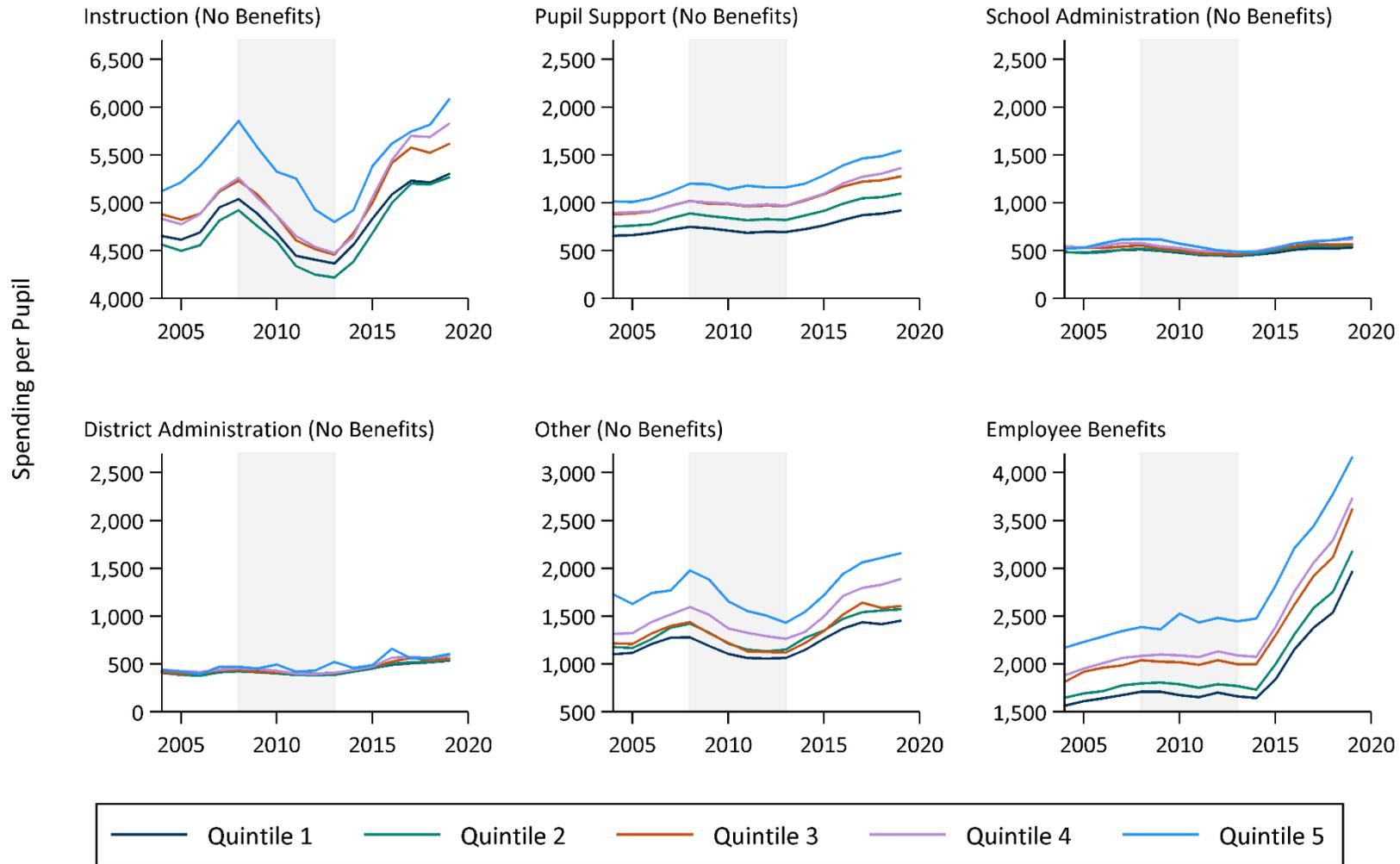
Source: California Department of Education Standardized Account Code Structure Data and US Census Small Area Income and Poverty Estimates.

Analysis of Distributional Effect of the Great Recession on Instructional Spending in California Districts (in 2019 Dollars)



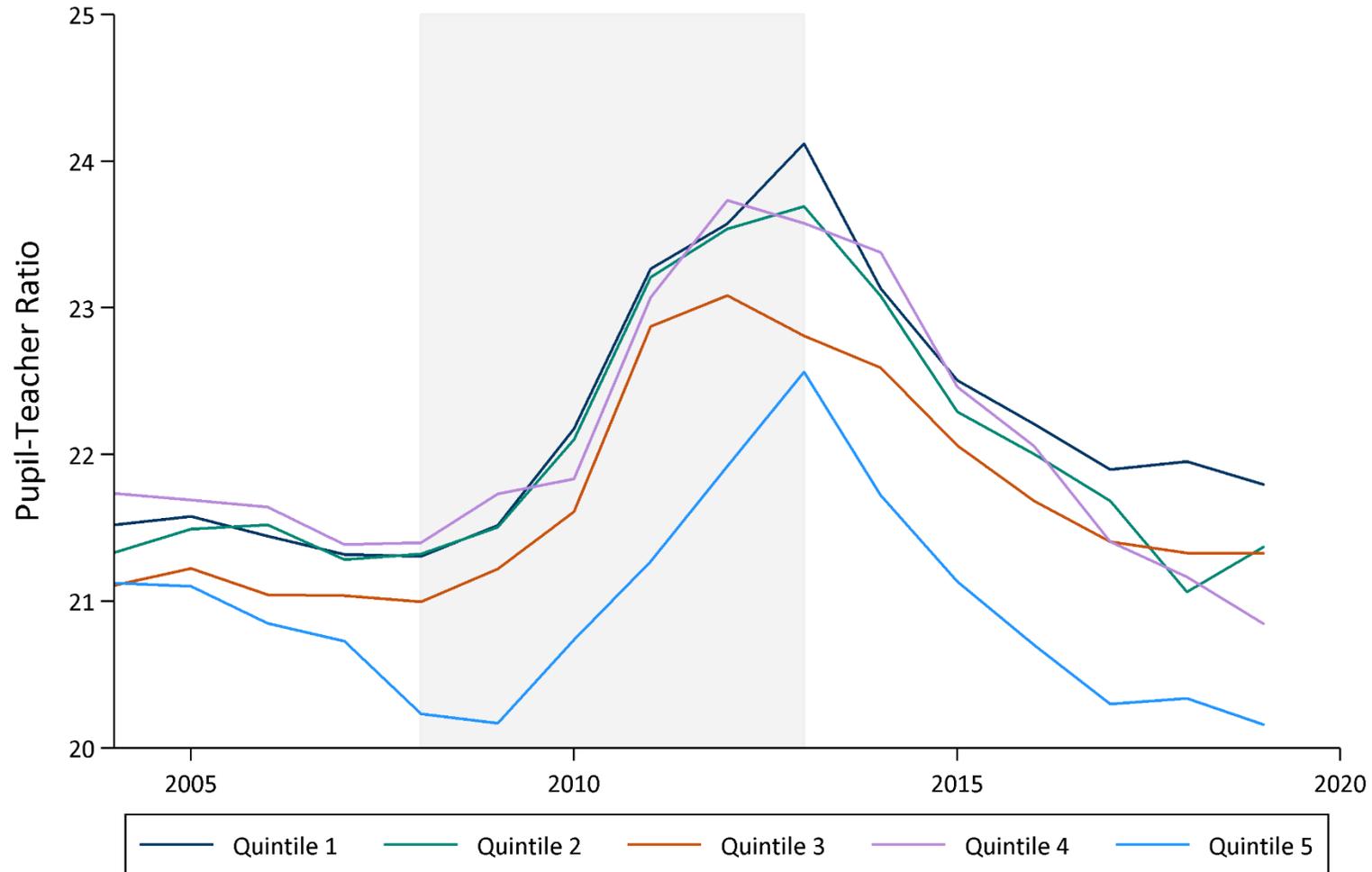
Source: California Department of Education Standardized Account Code Structure Data and US Census Small Area Income and Poverty Estimates.

Analysis of Resource Allocation Effects of the Great Recession on Function-Level Spending in California Districts (by Poverty Quintile in 2019 Dollars)



Notes: Shaded area denotes years of Great Recession (2008 – 2013).
 Source: California Department of Education Standardized Account Code Structure Data.

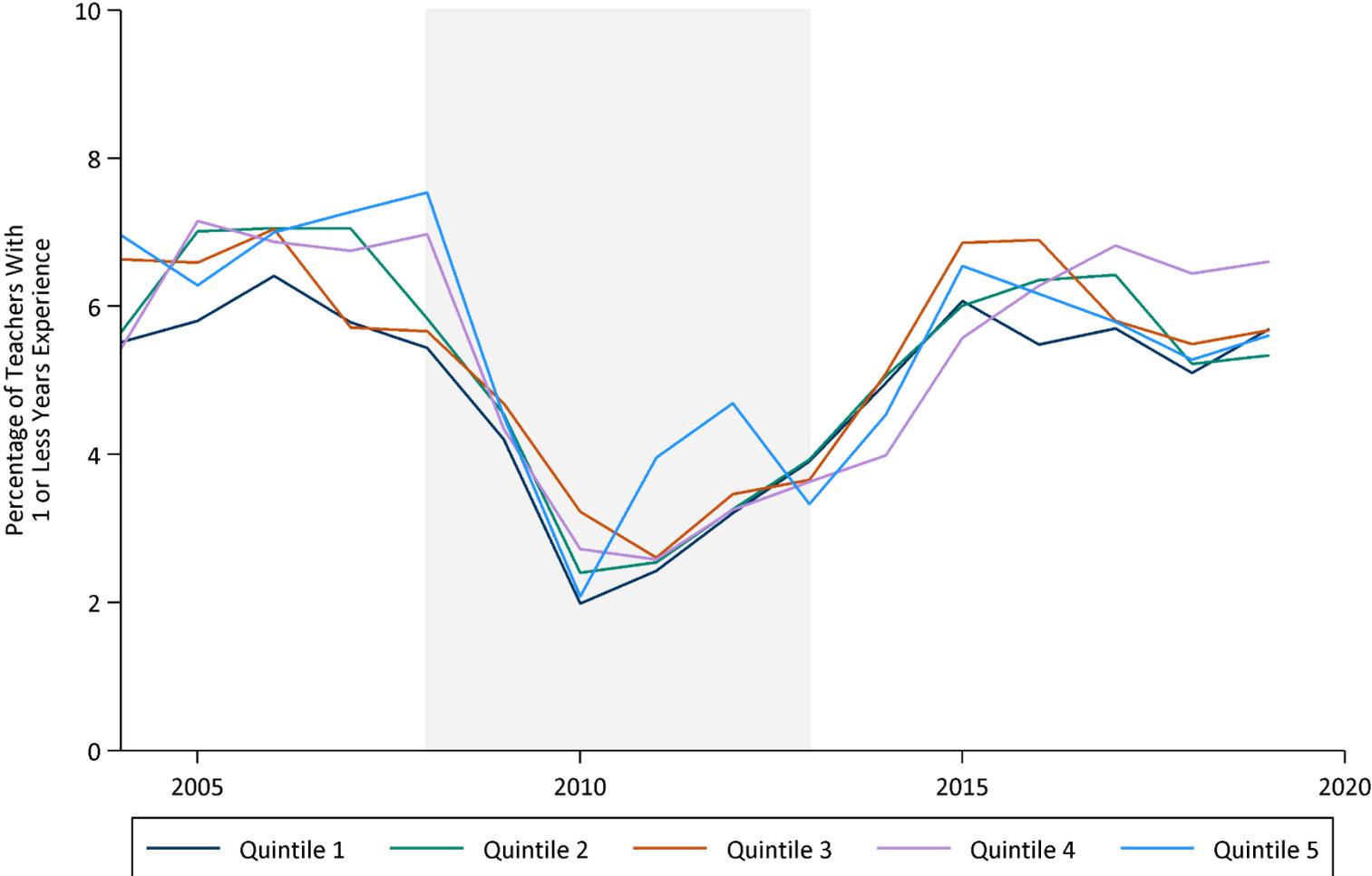
Analysis of Effects of the Great Recession on Pupil-Teacher Ratios in California Districts (by Poverty Quintile)



Notes: Shaded area denotes years of Great Recession (2008 – 2013).

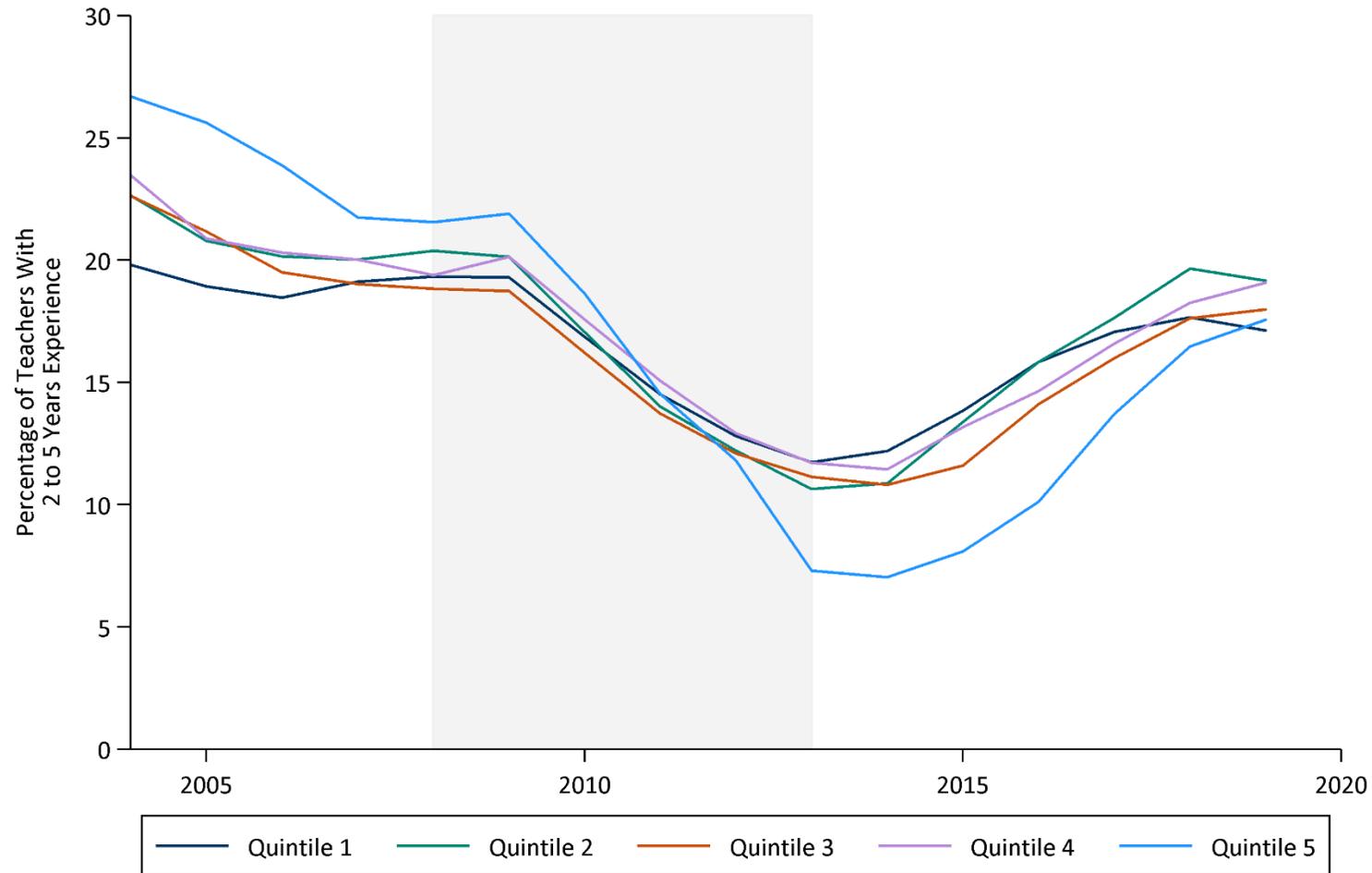
Source: California Department of Education California Basic Educational Data System and US Census Small Area Income and Poverty Estimates.

Analysis of Effects of the Great Recession on Share of Teachers with 1 or Less Years of Experience (by Poverty Quintile)



Notes: Shaded area denotes years of Great Recession (2008 – 2013).
Source: California Department of Education California Basic Educational Data System and US Census Small Area Income and Poverty Estimates.

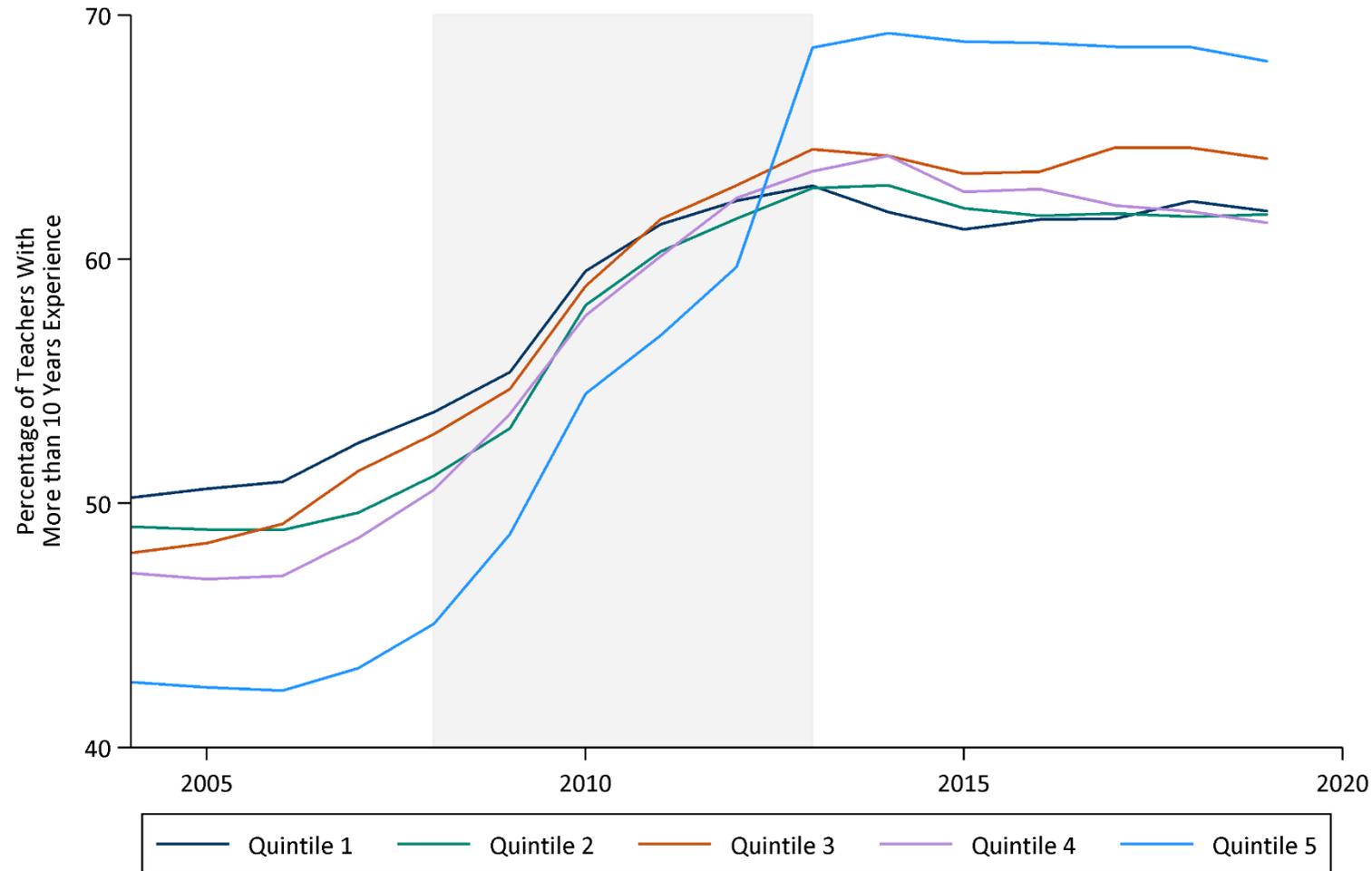
Analysis of Effects of the Great Recession on Share of Teachers with Between 2 and 5 Years of Experience (by Poverty Quintile)



Notes: Shaded area denotes years of Great Recession (2008 – 2013).

Source: California Department of Education California Basic Educational Data System and US Census Small Area Income and Poverty Estimates.

Analysis of Effects of the Great Recession on Share of Teachers with Greater Than 10 Years of Experience (by Poverty Quintile)

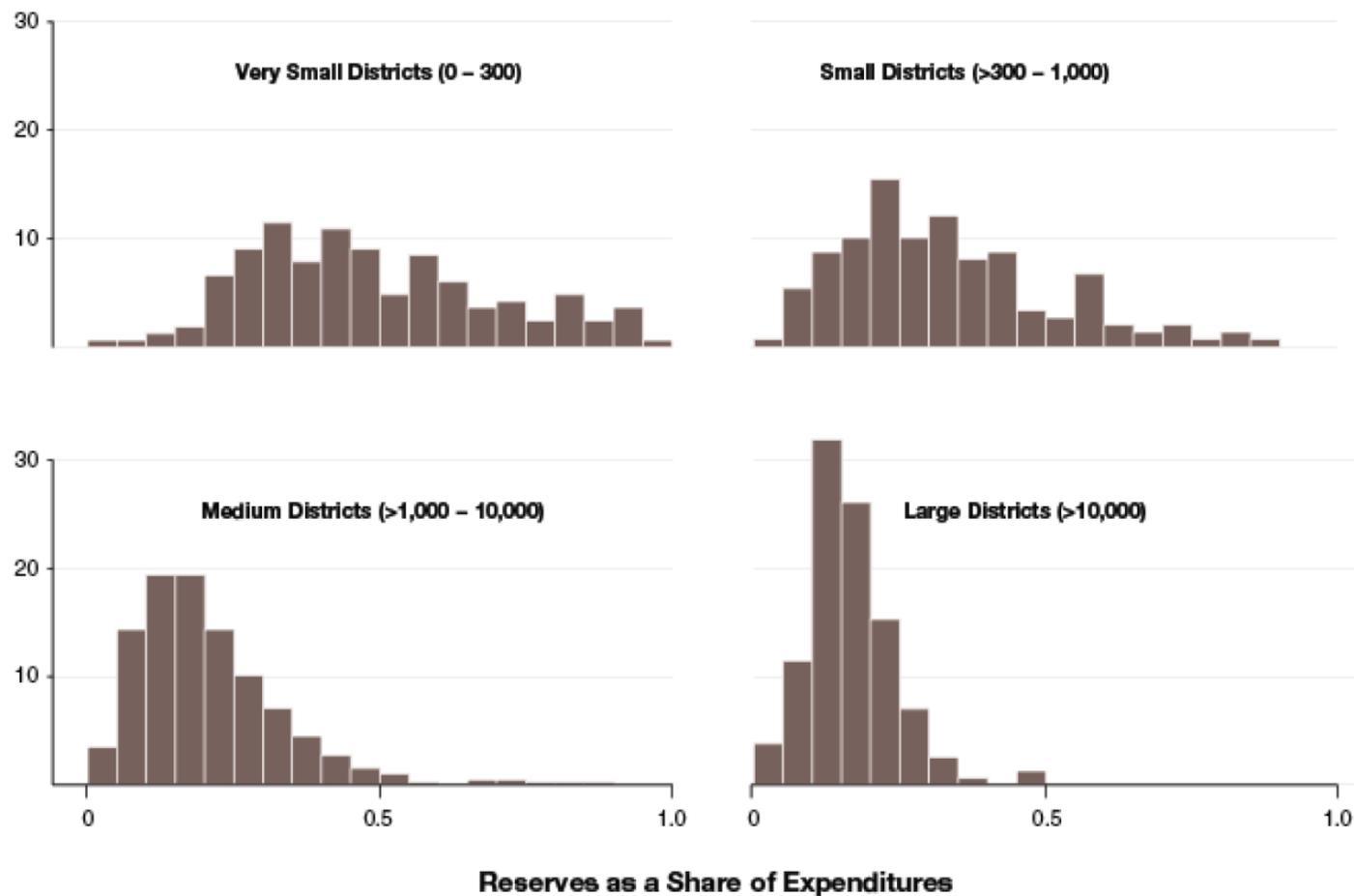


Notes: Shaded area denotes years of Great Recession (2008 – 2013).

Source: California Department of Education California Basic Educational Data System and US Census Small Area Income and Poverty Estimates.

Available Reserves Across California Districts

Share of Districts



LAOA

Source: "Update on State and School District Reserves." *Legislative Analyst's Office*, April 5, 2020. <https://lao.ca.gov/Publications/Report/4216>.

Further Potential Areas of Investigation

- Degree to which districts use reserves to navigate budget cuts.
- Extent to which district capacity to raise local funding may lead to inequities in educational resources:
 - Parcel Taxes
 - Private Funding (Educational Foundations, PTOs, etc.)
- Contrast the responses to budget cuts between traditional and charter school sectors.

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MAKING
RESEARCH
RELEVANT

THANK YOU

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FCMAT – Fiscal Crisis & Management Assistance Team

Richard Barrera

Board Vice President

San Diego Unified School District

The Urgency Facing Our Students and Schools

- 1) The Silent Recession.
- 2) State Budget context: January's proposals, the May Revise.
- 3) COVID-19: Unforeseen costs and learning loss.
- 4) Deep decline in revenues. The choices ahead:
 - a) Preserve LCFF and its equity promise
 - b) State's Rainy Day reserve account
 - c) Maximize and advocate for federal funding
 - d) Supplement not supplant



Discussion

Next PACE Webinar

May
8
2020

Supporting Students' Social-Emotional Learning as a Force for Recovery

Researchers will share new evidence showing that improvements in students' social-emotional skills can be an effective strategy for improving academic and behavioral outcomes, and that teachers and schools can play an important role in helping students develop these skills.



Register at edpolicyinca.org/events