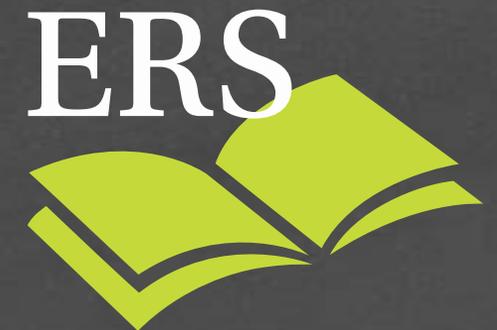


COVID-19: Implications for School Districts

Tackling the Short-Term Issues and Anticipating the Longer-Term Issues

Current as of May 20th 2020



Today's discussion

Premise:

The COVID-19 pandemic has fundamentally changed the landscape in which school district leaders are working to improve educational outcomes for all students.

Questions we will address:

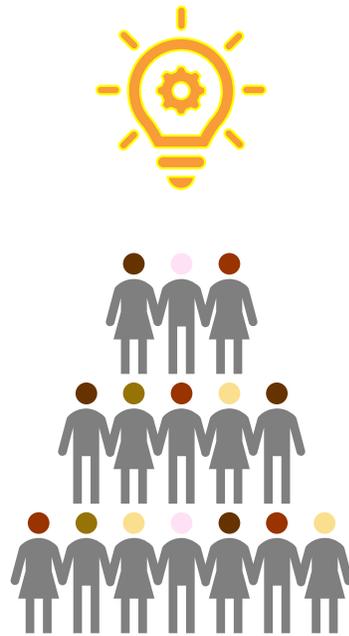
- What is the potential financial impact of the current crisis on school systems?
- What will it take for systems to adjust to the new economic environment?
- How could leaders of partner organizations best support our district partners in the coming months?

As we enter this conversation...

We are deeply grateful



We are continuously learning



We (sadly) don't have a crystal ball

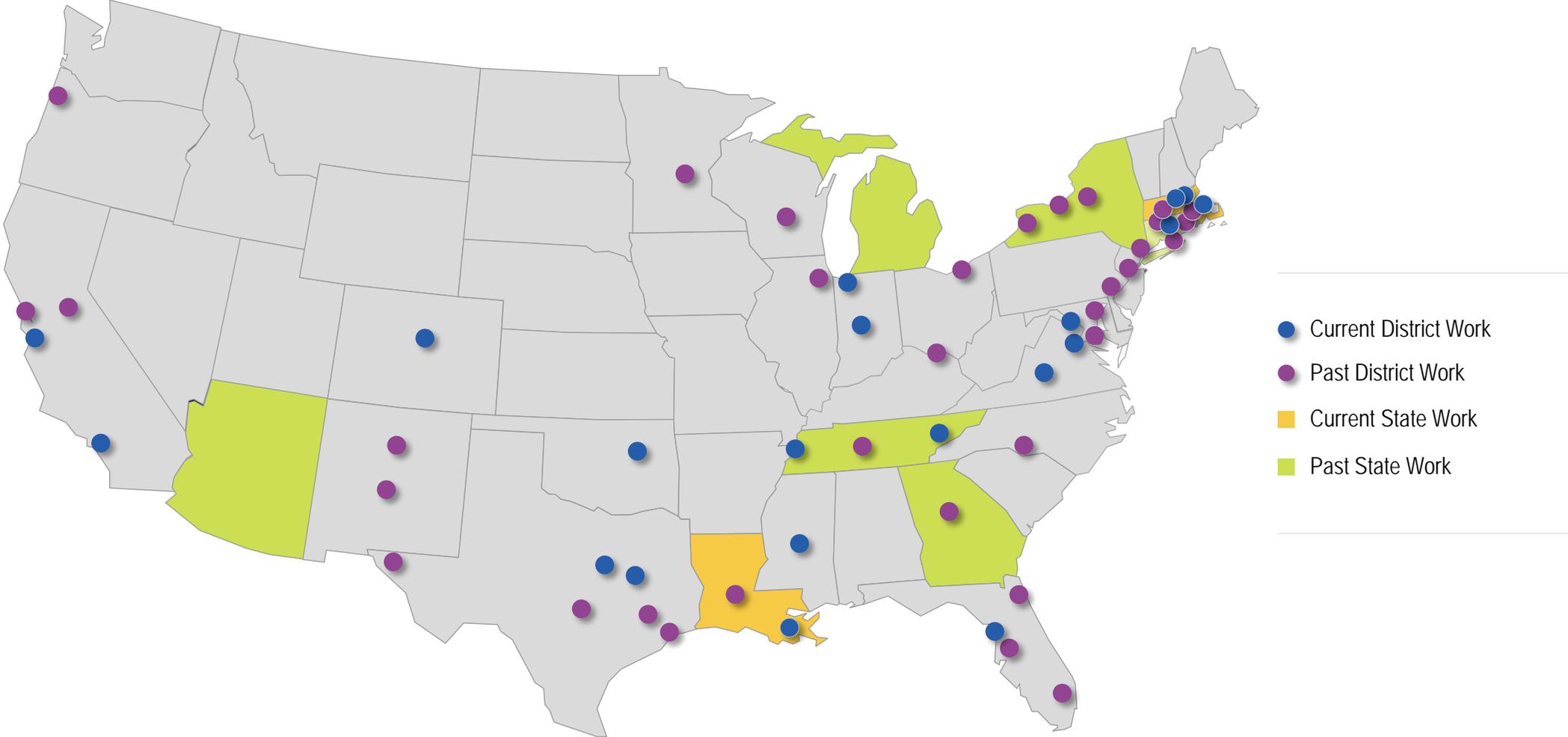




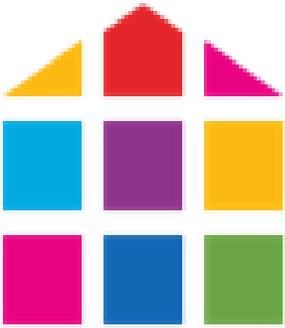
Every School. Every Child.
Ready for Tomorrow.

ERS is a national nonprofit that **partners with district, school and state leaders** to transform how they **use resources** so that **every school prepares every child for tomorrow**, no matter their race or income.

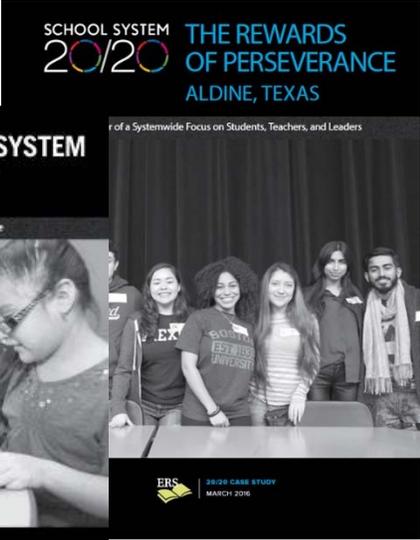
We work with states and districts nationwide



We create DIY tools and in-depth research based on our learning from real districts that are transforming



School Designer



Today's discussion

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The COVID-19 pandemic has fundamentally changed the landscape in which school district leaders are working to improve educational outcomes for all students.

Questions we will address:

- What is the potential financial impact of the current crisis on school systems?
- What will it take for systems to adjust to the new economic environment?
- How could leaders of partner organizations best support our district partners in the coming months?

Before the pandemic, school districts faced a *triple squeeze* that complicated transformation efforts



A higher bar for student learning and greater needs



Unsustainable cost structures



Flat or declining revenue

The pandemic is exacerbating these challenges many-fold



A **higher bar** for student learning and greater needs

Greater depth, breadth & inequity of **student need**



Unsustainable cost structures

Ongoing constraints on service delivery from **physical distancing**



Flat or declining revenue

Even greater financial pressure due to precipitous drops in tax revenue

Meeting Greater Needs

Responding to this challenge will require investment in several areas



▶ Assessing student learning & social-emotional needs



▶ Providing extra time, staff & programming for education recovery



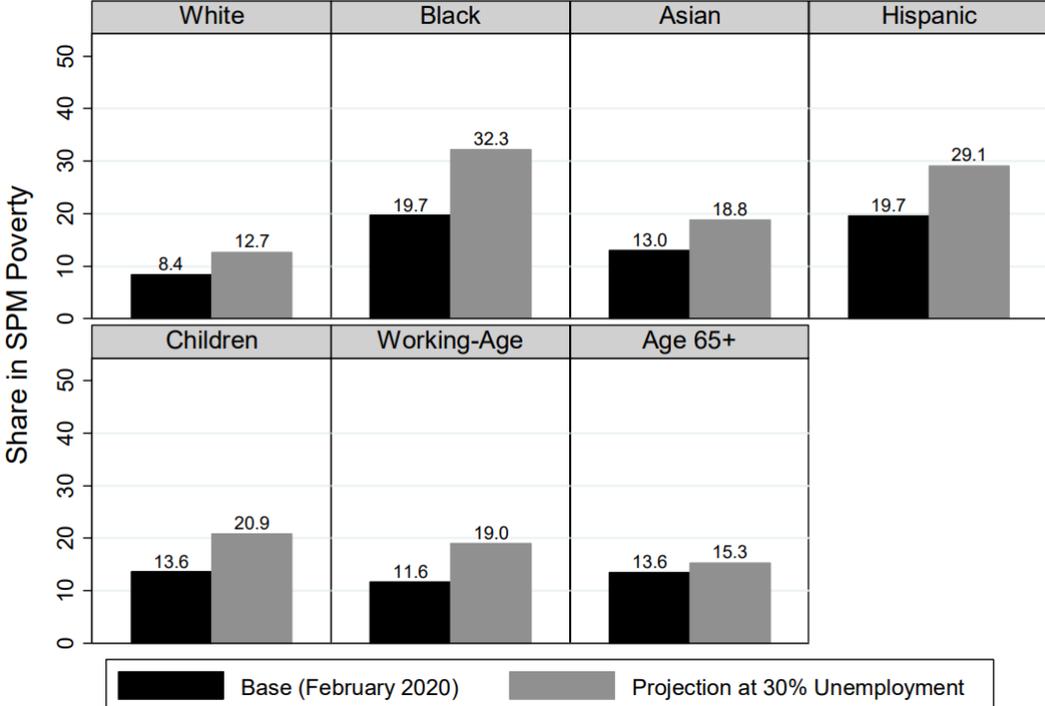
▶ Providing social-emotional support



▶ To-be-determined: Physical distancing policies

The pandemic is intensifying need among our most vulnerable populations

Figure 5. Projected changes in SPM poverty rates by demographic group



This projected poverty rate represents an increase of more than 21 million individuals in poverty and would mark the highest recorded rate of poverty since at least 1967.

Center of Poverty and Social Policy at Columbia University

Source: Zachary Parolin & Christopher Wimer, *Forecasting Estimates of Poverty during the COVID-19 Crisis*, Center on Poverty and Social Policy at Columbia University, <https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/1/5e9786f17c4b4e20ca02d16b/1586988788821/Forecasting-Poverty-Estimates-COVID19-CPSP-2020.pdf>. SPM = Supplemental Poverty Index. See page 2 of Parolin and Wimer for a full definition of this index.

Superintendents are feeling the pressure to meet basic student needs

Usually this time of year, I am 70% focused on next year. Now, it's the reverse.

I know there is a silver lining, I just can't work on it right now. I welcome help thinking about the future with open arms.

As a leader I know I need to lead toward the best possible outcome over time, but right now I have to be in the fierce urgency of now.

Leaders at all levels are fearful of the long-term impact on teaching, teachers and students

We were just crossing the bridge of getting our staff on board around high-quality instructional materials and expectations for grade-level learning... and now...what?

The same trauma our students were dealing with prior to COVID-19 is not only magnified but they are consistently being immersed in it. What will we do to triage and or find support for them?

I spend most of my time providing support for my classroom teachers with their emotions and students with their organization.

How can we get all of our teachers on the same page with creating consistent and equitable grading patterns for all of our students through our PLCs?

We were already operating with razor-thin margins.

I asked the students in my 7th grade advisory who had been outside since the quarantine started. One said yes – and only once, to fetch her laptop from her mom's car.

Emerging Principles for Strategic Resource Management in COVID Response

Guiding Principle	Implications/Details
<p>1 Integrate decision-making on budget reductions, physical distancing implementation and meeting greater student needs into single/aligned process</p>	<ul style="list-style-type: none"> › Led by planning czar or jointly by CFO, CAO/COS & Chief Talent Officer, › Consults with all stakeholders without slowing decision-making › Clearly articulates where key decisions will be made (relative to each other)
<p>2 Create a set of design principles to guide this process that help prioritize choices</p>	<ul style="list-style-type: none"> › Should include financial (ie sustainability) and academic (ie meeting student needs) principles to help align decision-making › May be helpful to articulate role of central versus schools
<p>3 Plan re-entry models (ie remote, in-person, hybrid) that can be implemented in different revenue scenarios</p>	<ul style="list-style-type: none"> › Ground in key context factors that influence solution set (i.e. students not universally equipped with technology) › Be explicit about options you are ruling out and why
<p>4 Create more flexibility to respond to crisis (mostly from CBUs; also from State)</p>	<ul style="list-style-type: none"> › Can offer (temporary) protection from FTE reductions given revenue loss in exchange › Likely areas of highest-impact flex: <ul style="list-style-type: none"> ○ Time requirements ○ Roles of teachers and other instructors ○ Roles of community partners and other outside providers
<p>5 Consider staggering spending reductions over the course of the year</p>	<ul style="list-style-type: none"> › If needed for implementation purposes, especially given likely financial uncertainty at beginning of school year... › ...but need to have internal commitment to move forward at appropriate time

Today's discussion

Premise:

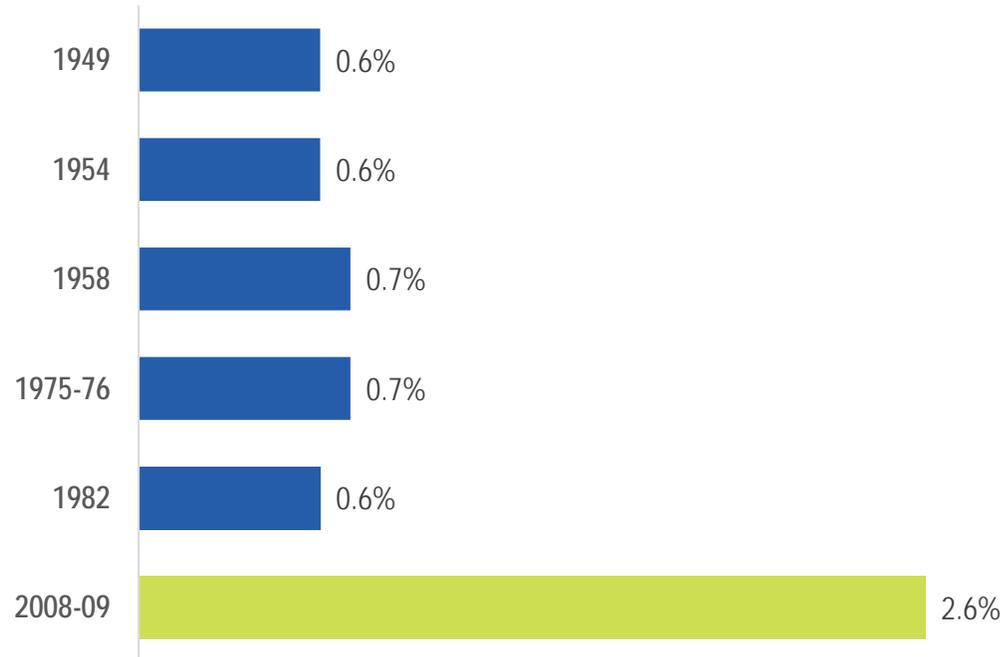
The COVID-19 pandemic has fundamentally changed the landscape in which school district leaders are working to improve educational outcomes for all students.

Questions we will address:

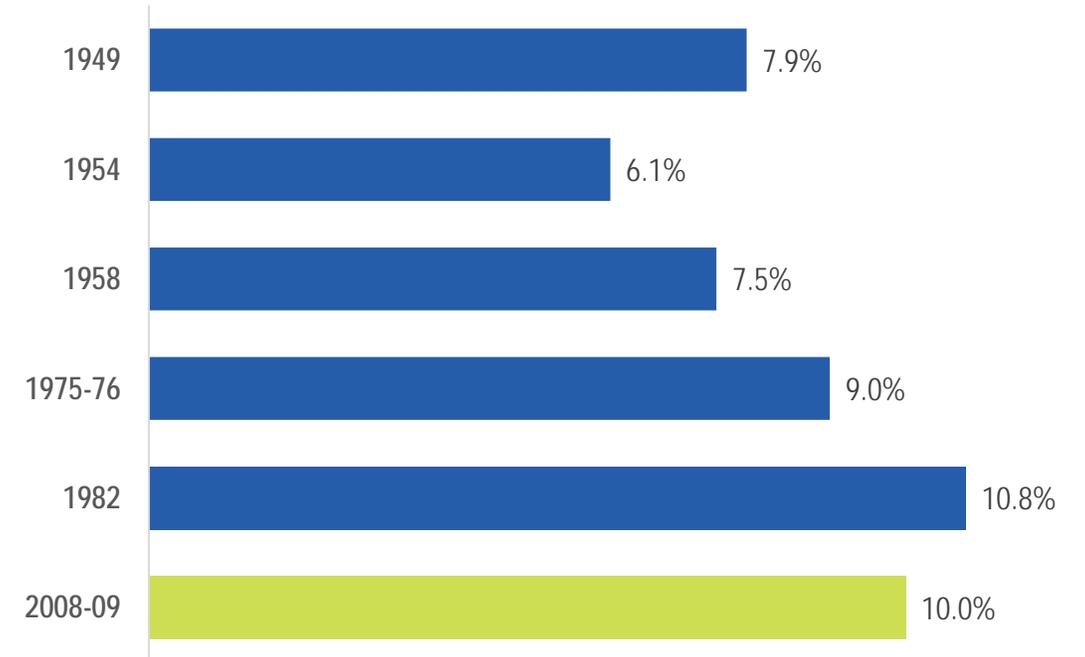
- **What is the potential financial impact of the current crisis on school systems?**
- What will it take for systems to adjust to the new economic environment?
- How could leaders of partner organizations best support our district partners in the coming months?

The 2008-09 recession was the deepest in the post-war period. What can we learn from that experience?

Decline in Annual GDP during U.S. Recessions since 1948

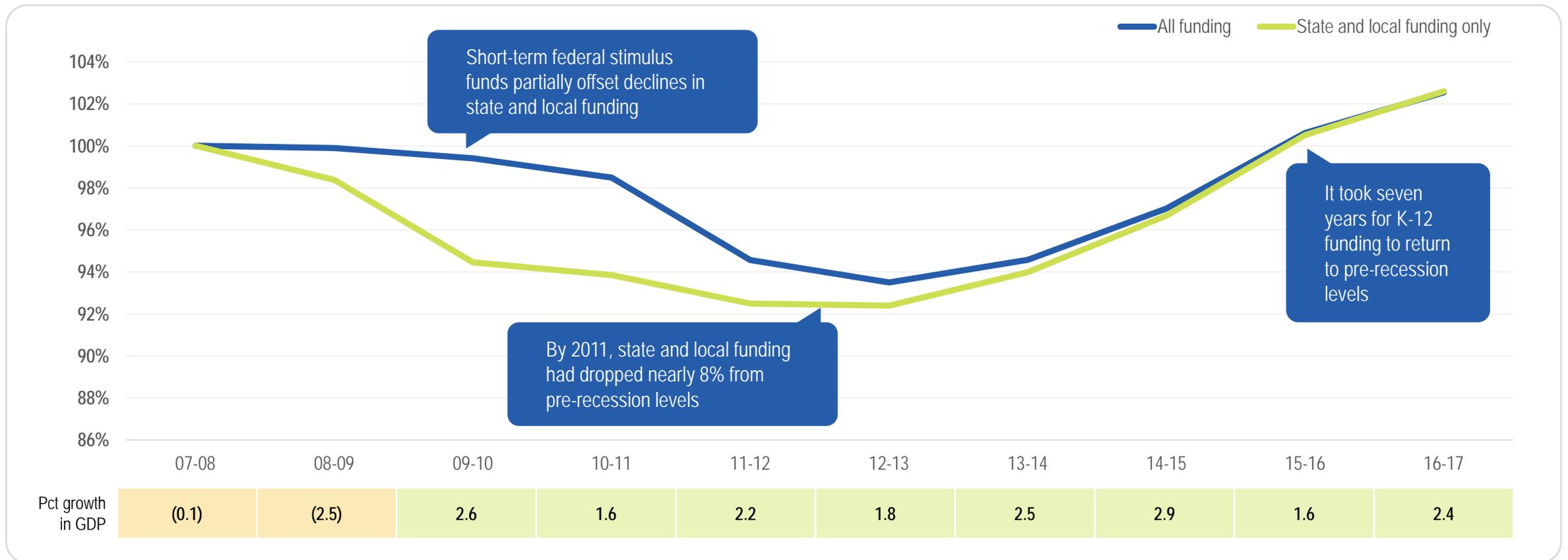


Peak Monthly Unemployment during U.S. Recessions since 1948



K-12 funding dropped significantly, recovering only years after the recovery was underway

K-12 per-pupil funding, 2007-08 to 2016-17 (2007-08 = 100%)



Source: Bureau of Economic Analysis and Bureau of Labor Statistics, ERS analysis.

Most districts used 2008-09 stimulus funds to replicate and sustain existing structures

In most districts...

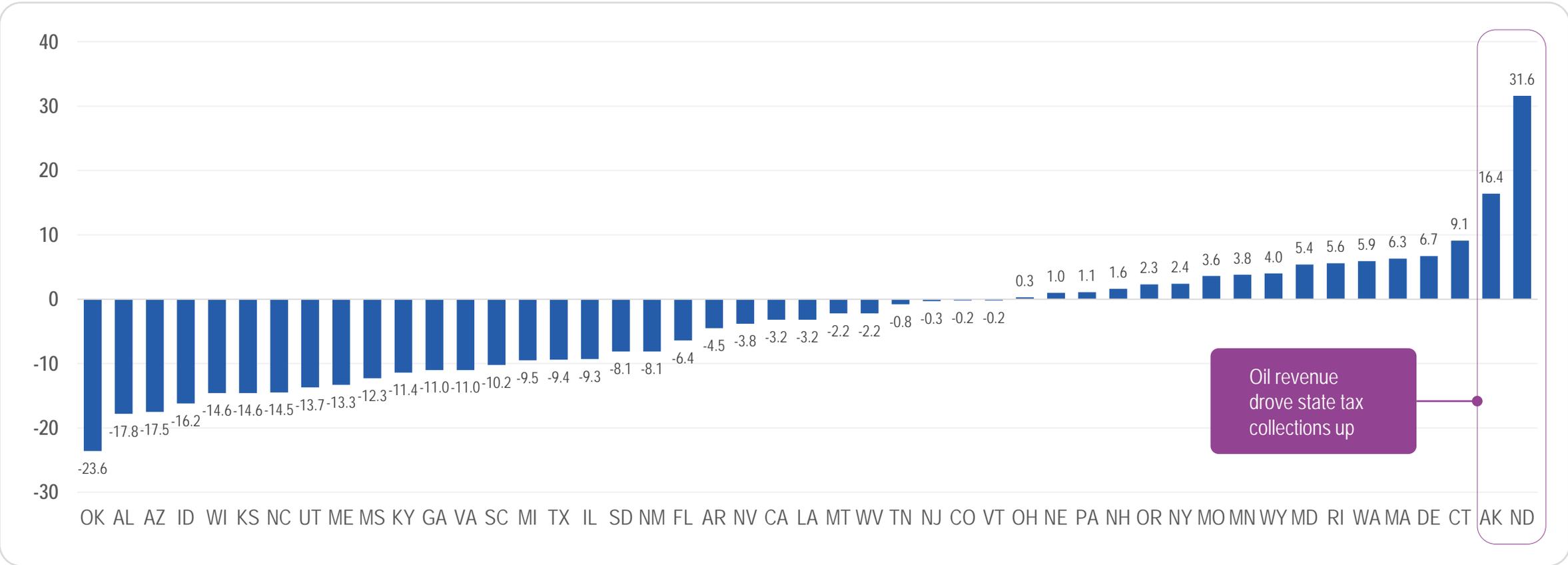
- › **Inertia and existing processes**, rather than reform priorities, drove allocation and distribution of ARRA resources.
- › ARRA funding was used primarily to “backfill” state and local budget cuts and **preserve existing programs, services, and educator jobs**

But strategic districts...

- › Focused on protecting the **right** jobs to fit current needs, not just any job
- › Directed dollars to **pay some teachers more** for greater expertise or taking on bigger jobs
- › **Strategically raised class sizes** in some subjects and grades to create time and support for teacher teaming and planning for student instruction & support
- › Redirecting dollars from remediation to **early diagnosis and intervention**

By FY15, most states had reduced their contributions to K-12 education – many by 10% or more

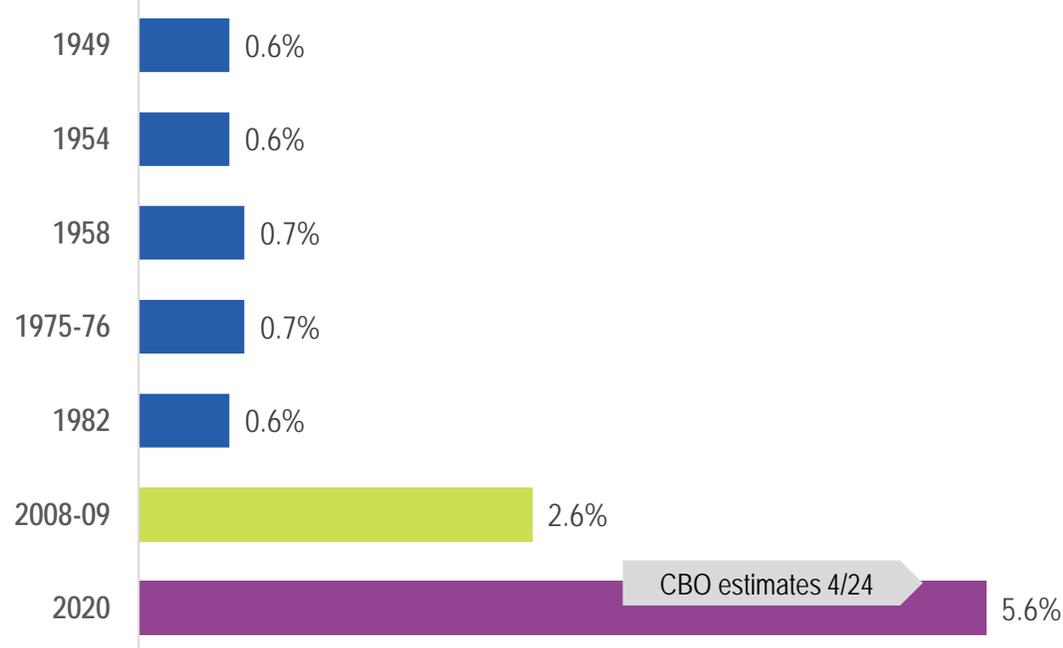
Percent change in student spending, inflation-adjusted, FY08-FY15



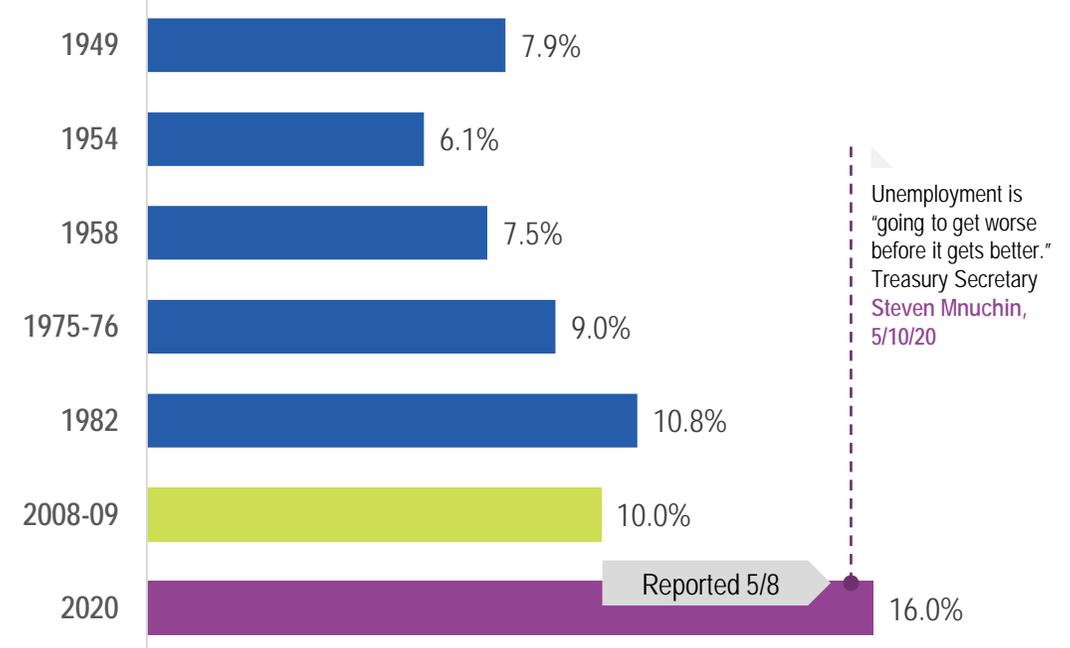
Note: Hawaii, Indiana, and Iowa are excluded because the necessary data to make a valid comparison are not available | Source: CBPP budget analysis and National Center for Education Statistics enrollment estimates

Economists predict the pandemic is driving an economic decline significantly larger than the Great Recession...

Decline in Annual GDP during U.S. Recessions since 1948



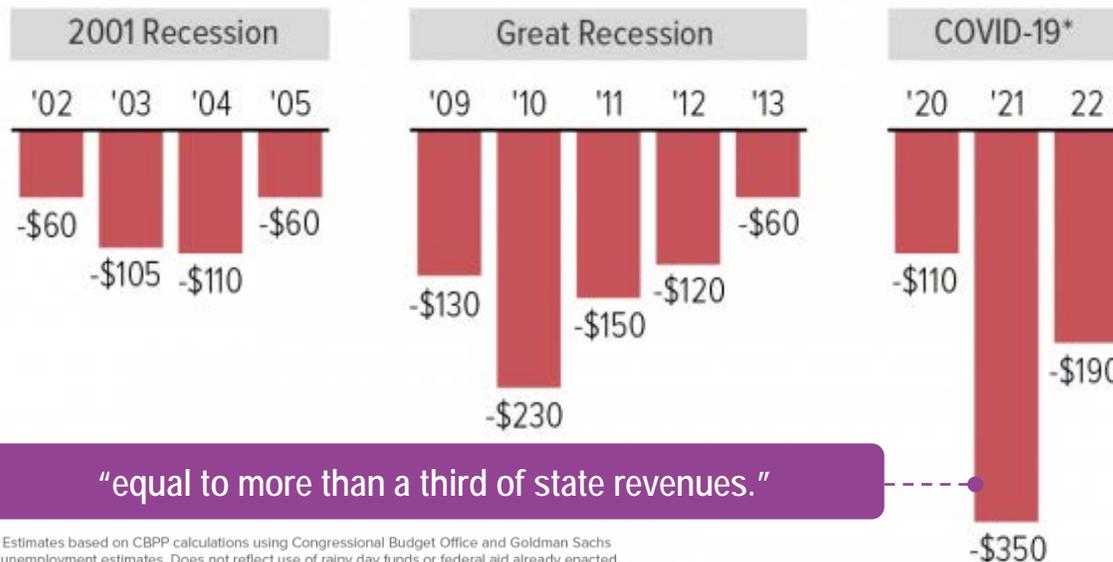
Peak Monthly Unemployment during U.S. Recessions since 1948



... with a potentially major impact on state budgets

COVID-19 State Budget Shortfalls Could Be Largest on Record

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



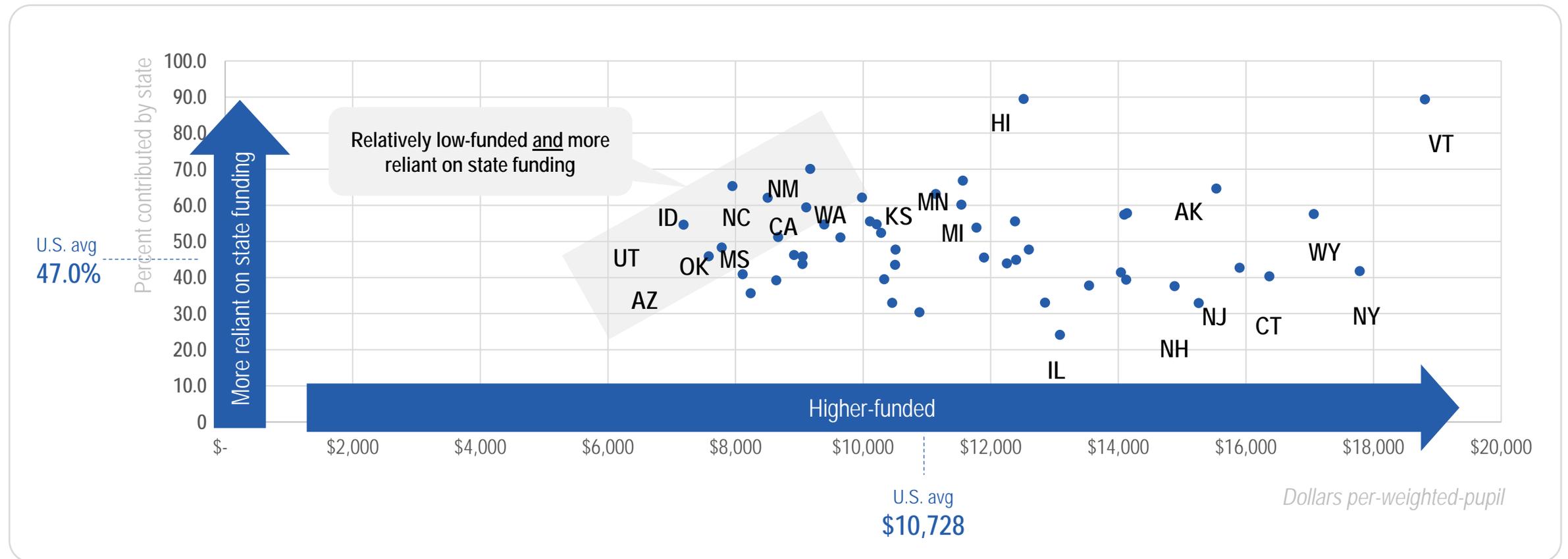
"equal to more than a third of state revenues."

* Estimates based on CBPP calculations using Congressional Budget Office and Goldman Sachs unemployment estimates. Does not reflect use of rainy day funds or federal aid already enacted.
Source: CBPP survey of state budget offices (through 2013); CBPP calculations (2020-2022)

With less revenue, state leaders must also contend with rising health care costs, poverty and unemployment – while addressing the need for education recovery

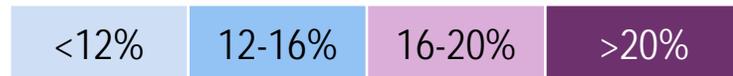
States vary in current K-12 spending and the proportion of that spending coming from state revenue

State \$pwp vs. contribution from state

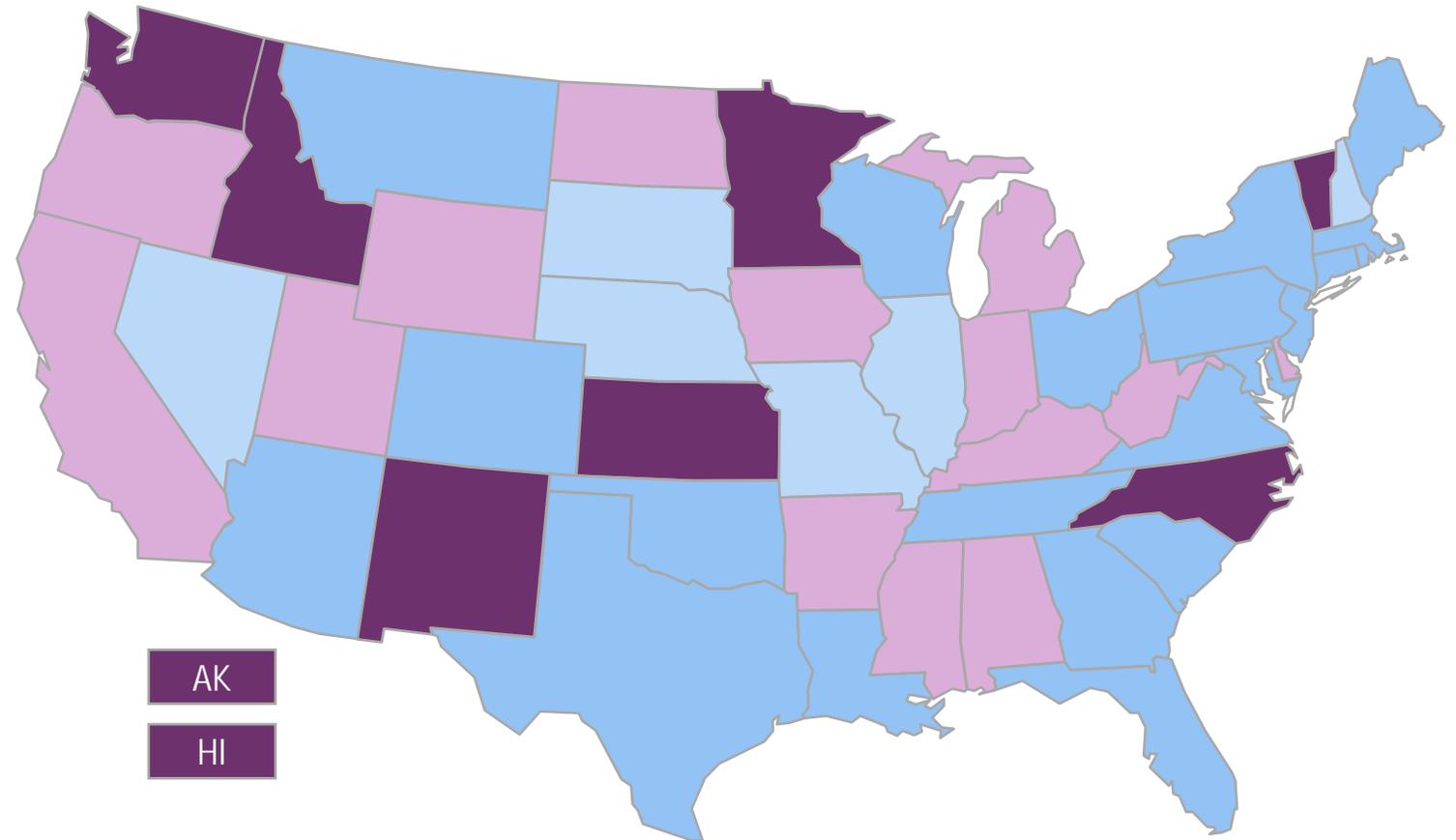


Therefore, a 33% decline in state revenue would likely have a deeper impact on school districts in certain states

Projected impact of a 33% decline in state revenue, *holding all other revenue constant**



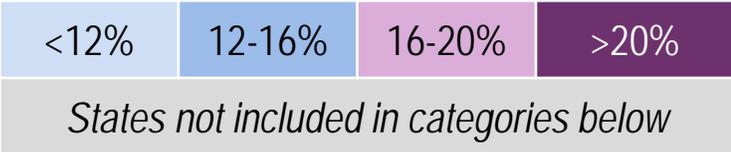
U.S. average = 15.5%



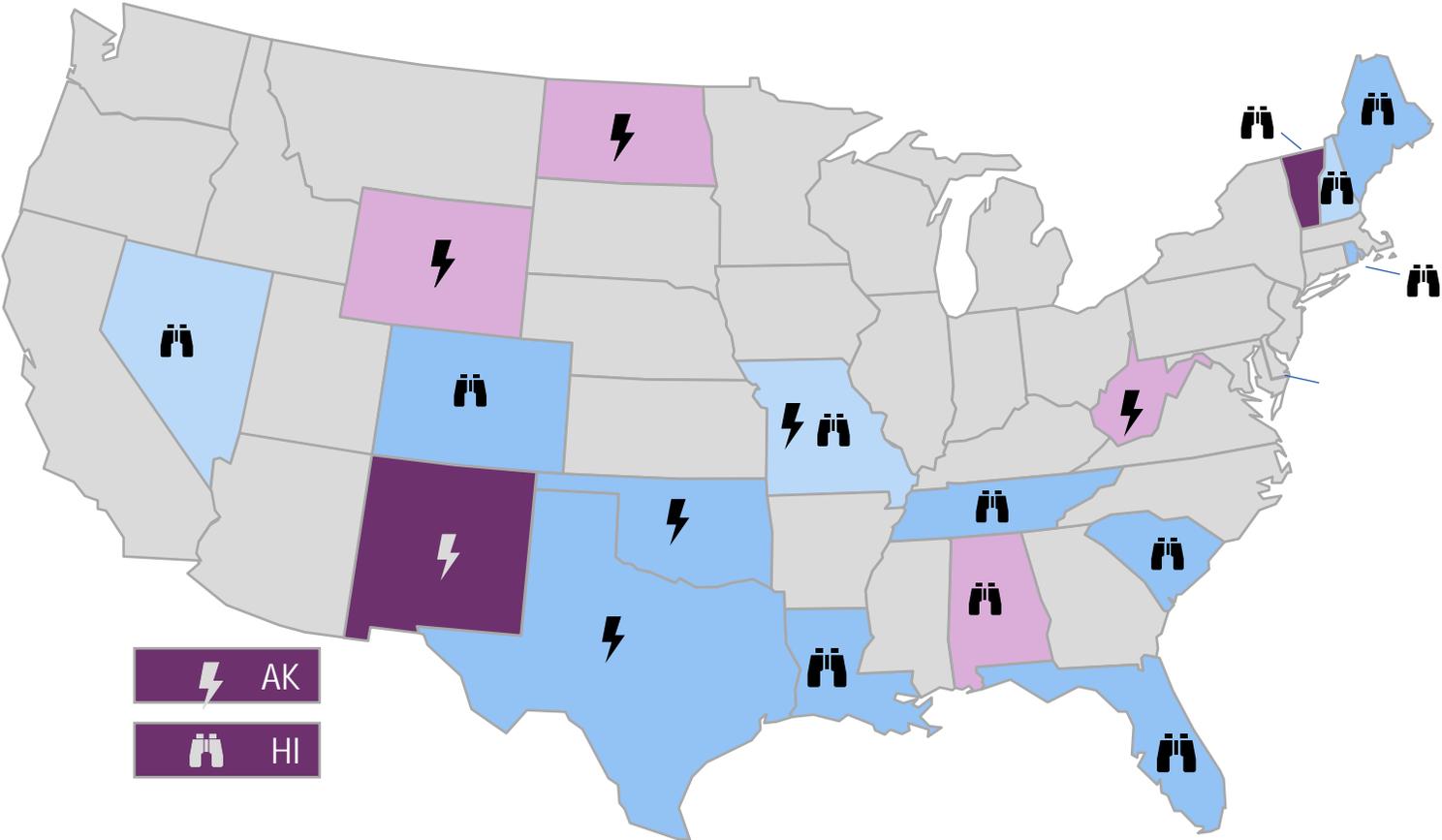
* I.e. does not include potential decreases in local tax revenue or additional federal stimulus dollars
Sources: NCES, ERS analysis.

Broader economic factors may increase risk of declining tax revenue in some states

Projected impact of a 33% decline in state revenue, *holding all other revenue constant**



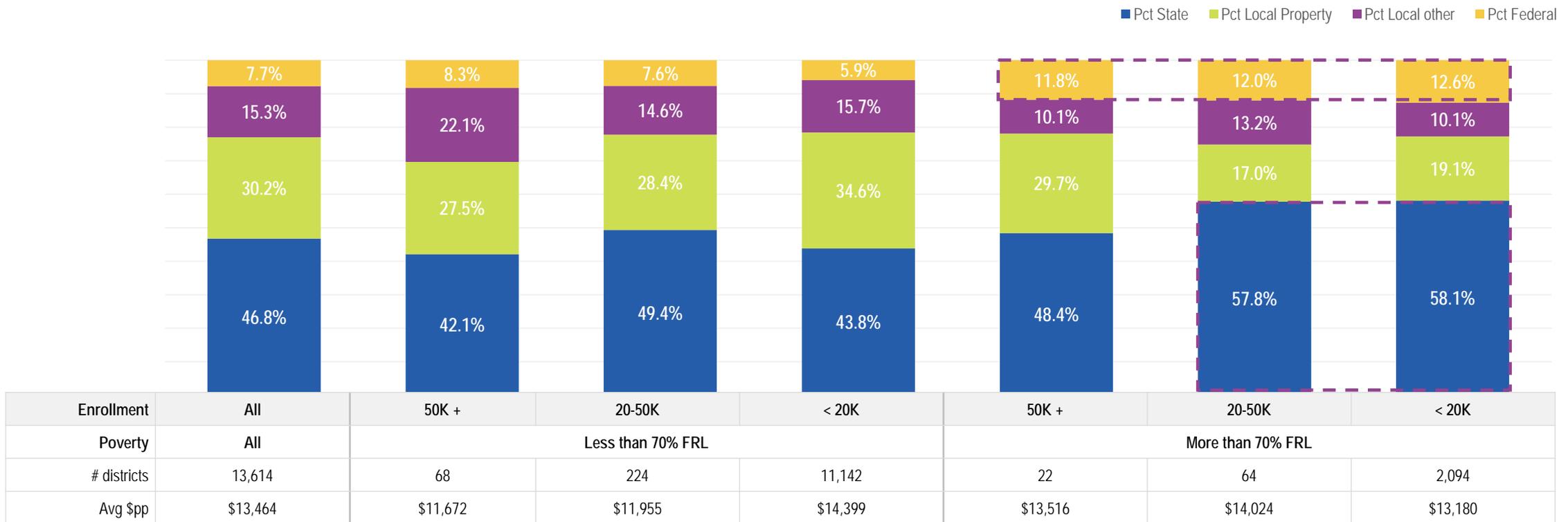
- ⚡ **Energy-reliant states:** Severance taxes comprise at least 5% of state revenue
- 👁️ **Tourism-reliant states:** Tourism accounts for at least 5% of state GDP



* I.e. does not include potential decreases in local tax revenue or additional federal stimulus dollars
Sources: NCES, Pew Trusts, ERS analysis.

High-poverty districts with lower property tax bases are more reliant on states and the federal government for funding

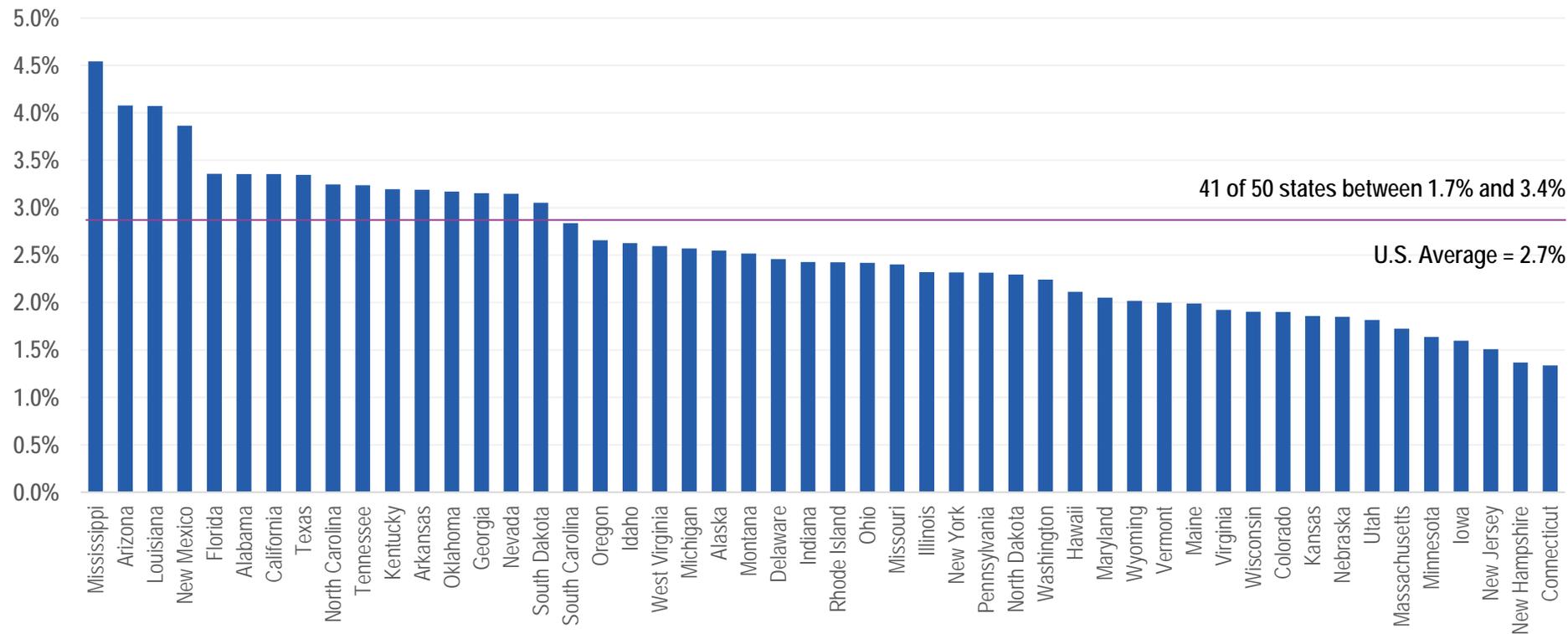
Sources of K-12 Revenue, by enrollment and economic need, 2015-16



Note: Does not include New York City Department of Education or its component districts. | Sources: NCES, ERS analysis.

Many states are receiving CARES Act infusions equal to 3% or more of current K-12 funding

Estimated CARES Act contributions, percent of operating expense



CARES Act funding for K-12 education totals less than 15% of funding available under ARRA in 2008-09*

* Includes \$13.5B in Education Stabilization Fund and \$3.0B in Governors' Discretionary Funds; per Michael Griffith, assumes half of Governors' funds are used for K-12 education. ARRA investment in K-2 education totaled \$86B, or \$103B in today's dollars. Sources: NCES, Center for Budget and Policy Priorities, ERS analysis.

CARES Act provides incremental funding, greater flexibility on existing federal funds (and imposes new costs)

Funding

\$13.5B Elementary/Secondary Fund:

- › District allocations are *~85% of district of Title I allocations*
- › Intended for crisis management, but broad range of allowable uses

\$3.0B Governor's Education Fund

- › Governors decide allocation & use
- › Broad range of allowable uses

Flexibility (with waivers)

- › Use Title II funds more flexibly
- › Carry over as much Title I money as they want from 19-20 to 20-21
- › Use Title IV funds more flexibly, including for social-emotional support, mental health and digital devices
- › Run schoolwide Title I programs regardless of the share of low-income students in districts and schools

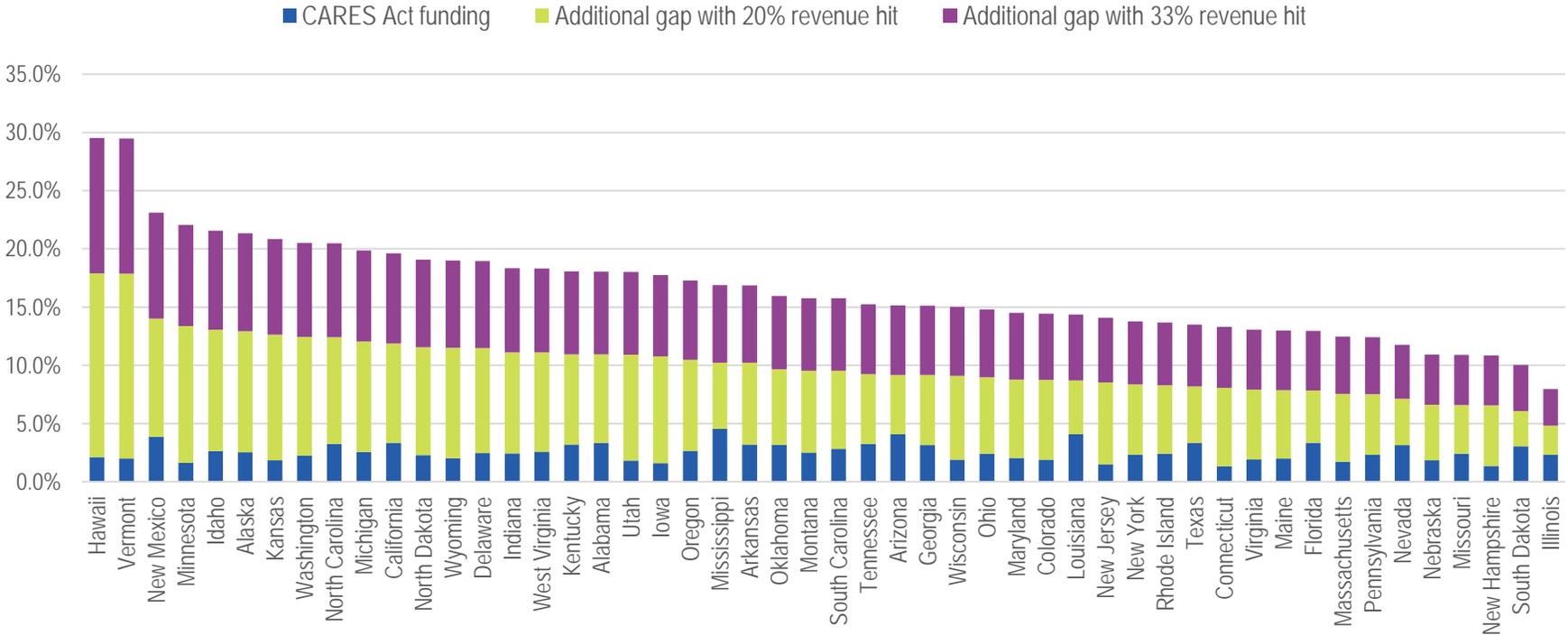
New Costs

COVID-19 public health emergency leave:

- › Effectively extends FMLA & sick leave coverage well beyond prior minimums (up to 24 weeks)
- › Extends employee eligibility for coverage to 30 days on payroll

However, potential declines in state tax revenue could far surpass support available through the CARES Act

Estimated CARES Act contributions, percent of operating expense



"America's public schools will need \$70 billion for three consecutive years in the next round of federal stimulus spending to avoid painful cuts such as teacher layoffs."

Education Week, 4/21/20, citing analysis by Michael Griffith

Unknown: new federal stimulus funding – could total \$200B over multiple years



Sources: NCES, Center for Budget and Policy Priorities, Michael Griffith, ERS analysis.

Savings in SY19-20 ranges from ~0 – 3% across districts studied (not counting lost revenue)...

	<i>Low-End</i>	<i>High-End</i>
Potential Savings	0.5%	3%
Substitutes	0%	0.6%
Hourly Pay	0%	0.3%
Stipends and Overtime	0.1%	0.2%
Supplies and Equipment	0.1%	0.3%
Transportation	0.1%	0.3%
Contracts	0.1%	0.4%
Travel	< 0.1%	0.5%
Utilities	< 0.1%	0.1%
Hiring Freeze	0%	0.3%
New Expenditures	Less than 1%	
Food Service (Unreimbursed meals)	~0.25%	
Technology and Distance Learning	~0.50%	
Other (Hazard pay, sanitation, risk management loss)	Less than 0.25%	
Net Savings for SY19-20	~0%	2 – 3%

Options to Maximize Savings?
 Big remaining opportunity is using districtwide furlough/banking to add days to SY2021 calendar (notwithstanding the challenge of negotiating with CBUs)

Equity Implications?
 Higher-need districts likely more impacted by the costs of crisis response and therefore less able to capture savings

...So district leaders will need to maximize short term savings and build a range of planning scenarios for SY2021

SY2021 Outlook	Magnitude
SY1920 Savings	+ 0 to 3%
CARES/Stimulus Allocation	+ 3 to 6% (so far...will likely go up)
Reduced Revenue	- 10%? to -20%? (highly variant & preliminary)
Subtotal:	-1% to -20%
Investments for new needs	+ ???
Investments for social distancing imperatives	+ ???
Total Needed Reduction in Spending:	??? (likely significant!)

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Questions we will address:

- What is the potential financial impact of the current crisis on school systems?
- **What will it take for systems to adjust to the new economic environment?**
- How could leaders of partner organizations best support our district partners in the coming months?

District leaders are beginning to scope options for SY20-21

Continued physical distancing with 100% remote learning



Limited physical distancing requiring hybrid models



Full return to in-person school



For all scenarios, we must plan to:

- Assess student academic and social-emotional needs
- Provide time, staff and programming for educational recovery
- Provide social-emotional support for students
- Support and prepare teachers
- Provide technology to enable learning in all contexts
- Organize non-instructional resources
- Address inequities that continue to affect the experience of students with the greatest needs

SY2021 Scenario Planning:

What might new strategic investments look like?



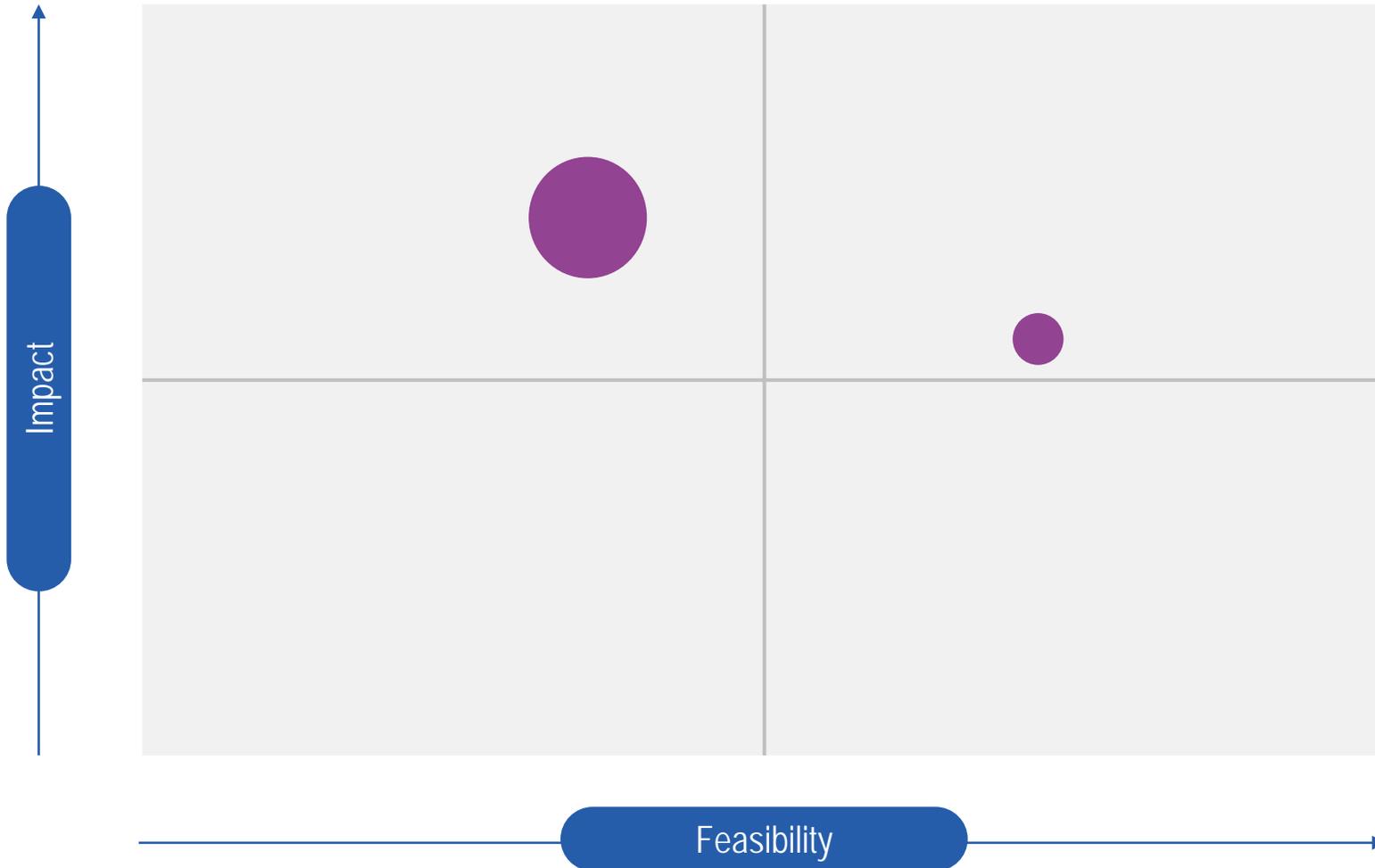
- › Implement comprehensive “re-entry” assessment strategy for each student including social emotional well-being, and re-engage students who didn’t participate in remote learning
- › Start school early for all or some students
- › Add two weeks of teacher time to plan instruction based on assessment data and learn about integrating new instructional strategies for recovery
- › Re-equip classrooms/students with technology/devices
- › Extend school day to provide additional time and/or reduce building capacity/group sizes
- › Partner with outside organizations to provide extra tutoring and social emotional supports
- › Intensive supports for special ed, ELL and other high-needs populations
- › Engage in professional learning to integrate and scale trauma-informed practices into instruction across school levels

SY2021 Scenario Planning:

Traditional budget reductions only get us so far – and some don't match our current reality

Typical Reduction Options	Rough Magnitude	Watch-outs/Challenges
Increase class sizes by 3 across all grades	3.9%	May run counter to social distancing mandates; exceeds natural turnover so would require RIF
Reduce employee benefit costs by 10%	2.0%	Health costs may be going up; hard to negotiate quickly
Cancel all contracts for professional growth, curriculum development, research and school support	2.0%	Support to retool instruction may be needed now more than over
Freeze salary step increases for one year for all employee contracts	1.0%	
Bring special education class sizes from 70% to 75% of target size	0.6%	Special Ed Maintenance of Effort requirement still in effect; remote learning for SpEd may warrant lower caseloads
Reduce extra spending on very small schools by 10% by changing staffing models and funding formulas	0.3%	
Reduce school-based administrative and clerical staff by 10%	0.3%	May run counter to lengthening school day
Reduce transportation costs by 10%	0.3%	May run counter to social distancing mandates
Cut instructional materials/textbooks by 10%	0.3%	
Total: 10.7%		

As such, it's important that we're deliberate about impact, feasibility, and cost for our new strategies



- Lower Cost
- Higher Cost

NOTE:

We may not need to be bound by existing cost structures given depth of need and available revenue.

School districts cannot – and will not – come back the same as they were before

New challenges facing school district leaders

- › **Significant unfinished learning:** According to NWEA, students are likely to retain up to 70% of learning gains in reading, 50% in math and could be a full year behind normal projections in some early grades
- › **Increased social-emotional needs:** Many nonprofit service providers will not survive the economic downturn, while many students will be managing loss and other trauma due to the pandemic
- › **Intense financial pressures:** Balancing budgets while aiming to return to “the old way” will require massive cuts at a time when students need services most
- › **Designing learning experiences for the possibility of long-term social distancing requirements:** Including professional development and new systems and structures for teachers to lead remote learning

I think it's going to be really challenging to go back to a system that ties kids down to a classroom, to a seat, with the same-old, same-old we had in the past.

- Superintendent

Instruction will never look the same again given all we are learning and how we are empowering students, families and teachers with technology and agency over their learning.

- Superintendent

... and demands that we build on innovations that are emerging in the current crisis



- › Rethink rigid class sizes and one-teacher classroom models to target individual attention, especially for struggling students

- › Optimize existing time to meet student and teacher needs and expand as needed

- › Restructure one-size-fits-all teacher compensation and job structures to foster individual and team effectiveness, and reward contribution

- › Change up who does what when for whom by exploring innovative ways of delivering instruction through technology and outside partners

- › Explicitly address social/emotional learning needs for all and provide targeted supports for some

- › Optimize professional learning time through new models for teacher/staff teaming and expert support – and expand time when possible

This raises the urgency for the key shifts in resources that “strong schools” already employ...



- › District leadership teams actively using technology for communication
- › Teachers using technology to delivery support and material to students
- › Students helping each other via technology
- › Parents accessing digital content and engaging with teachers over the internet
- › Students and parents learning to create at-home learning schedules
- › Teachers working part time to support learning in new ways
- › Teacher leaders playing new roles
- › Flexible uses of teaching and learning time



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