Briefing:
State Education Budgets and the Impact of COVID-19
November 12, 2020

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Education Accounts for Less Than 2% of All Federal Spending

2021 President's Budget Outlays by Category

- Defense Discretionary
- Non-Defense Discretionary - excluding education
- NDD - just education
- Mandatory - Social Security
- Other Mandatory
- Mandatory - Net Interest

5¢ Makes Sense! #5Cents4Edfunding

SOURCE: CEF based on FY2021 OMB Budget
Federal Funding Has Been Flat for Years Across Education Continuum

(Discretionary nominal dollars, in billions)

Elementary and Secondary Education

Post Secondary Education

Career and Adult Education

Other (includes student loan administration)
Federal Support for Public Elementary and Secondary Schools Has Declined in Real Terms (in constant 2018-2019 dollars)

Revenue in billions

Federal

Local

State


Education Gets Small Increase in FY 2021 Bills:
Still $7 Billion Below 2011 Level in Inflation-Adjusted Terms

(Department of Education Discretionary Funding in Billions of Dollars)

2017, 2019, 2020 & 2021 Senate bill totals reflect rescissions of Pell Grant funds.
2020 Funding for Education and State/Local Budget Relief That Could Support Education (Enacted & Pending)

- Regular FY 2020: $72.9
- CARES Act: $30.9
- Heroes Act (House-passed): $150.0
- Revised Heroes Act (proposed 9.28.20): $225.0
- HEALS Act (Senate proposals): $105.2
- State & Local Relief: $0.0

Billions of Dollars

- $915.0

US Dept. of Education

State & Local Relief

9/29/20
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State Economic & Fiscal Outlook

Presentation to Committee for Education Funding Briefing

By
Elizabeth McNichol
Senior Fellow,
Center on Budget and Policy Priorities

November 12, 2020
Jobs Recovery From Deep Hole Slowing

Change in nonfarm payroll employment since February 2020, in millions

Source: Bureau of Labor Statistics
What We Know So Far About State Revenues - 1

- Retail sales and sales tax collections have slowed
- Income taxes from middle- and low-wage workers are below projections
- Income taxes from high-wage earners and capital gains are faring better
What We Know So Far About State Revenues - 2

• March – August 2020 state tax collections dropped 6 percent
• FY20 collections better than expected, 2019 softened the impact
• Forecasts for FY21 and FY22 improved since the Spring
• Budget shortfalls remain
States Must Balance Their Budgets
States Relied Most on Spending Cuts During the Great Recession
Federal Aid to Date And Rainy Day Funds Won’t Be Enough

- Remaining Shortfalls
- Federal Fiscal Aid to Date
- State Rainy Day Funds

$275 B + $130 B + $75 B = $415 B
State Spending By Type - State Funds

- Medicaid: 16.4%
- K-12: 24.9%
- All Other: 32.6%
- Higher Ed: 13.1%
- Transportation: 7.9%
- Public Assistance: 0.7%
- Corrections: 4.4%

Source: The National Association of State Budget Officers
States Have Begun to Cut Education, Lay Off Workers

Georgia: Cut 10 percent in 2021 including nearly $1 billion cut for K-12

Colorado: Significant cuts to K-12 and Higher education (over $700 million)

Ohio: $775 billion in cuts: K-12 aid cut by $300 million (6 percent)

Florida: Agencies asked to look for 8.5 percent cuts
State and Local Jobs Way Down, Including in Education

Millions of jobs, February to October

<table>
<thead>
<tr>
<th>State and Local Government, Excluding Education</th>
<th>State and Local Government, Education</th>
<th>Total</th>
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<tbody>
<tr>
<td>-336,000</td>
<td>-1 million</td>
<td>-1.3 million</td>
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Source: CBPP calculations of Bureau of Labor Statistics data
Additional Federal Aid Is Needed
Families First Act/ CARES Act

- FMAP increase – about $100 billion
- Education Stabilization Fund: Worth $30 billion total, distributed mostly based on Title I, Pell
- Coronavirus Relief Fund cannot be used to cover revenue losses
What’s Next from Congress and the White House?

- Pelosi negotiations
- Senate/McConnell—HEALS and “skinny” packages
- Government funding extension
- Timing is critical to states and schools
State & Local Spending Cuts Will Make the Recession Deeper and Longer

• Layoffs of public workers become permanent; unemployment up, local spending down
• States will reduce buying from private vendors and nonprofits
• Cuts in assistance to low- and moderate-income families equal less local spending
Federal Fiscal Relief Protects Economy

“The money given to state and local governments to ease their budget problems appears to have been particularly effective for job creation in the near term.”

Christina Romer

“Every dollar provided under the Recovery Act in general aid to state governments produced a “bang for the buck” of $1.41.”

Moody’s Analytics
Principles for a Stronger Recovery That Will Address Inequity

• Target aid to those most in need due to the COVID-19 and consequent economic crises.

• Advance policies that address racial and class inequities — both short- and long-term

• Protect state finances to preserve the foundations of long-term economic growth and opportunity.
Failure to Invest Will be Felt for Decades

Cuts to education during last recession worsened racial and class inequities

• Tuition increased at public colleges and universities.

• K-12 schools were not fully staffed.
COVID-19 and School Funding

Committee for Education Funding
November 12, 2020
Overview

- State K-12 Education Budgets during the Pandemic
- The Cost of COVID
- Federal Solutions
K-12 Education Funding Sources
United States

- Federal
- State
- Local

Source: U.S. Census
Notes about School Funding

– Based on CBPP’s new estimates – public education could be facing budget cuts of $39.3 billion in FY21 and $35.7 billion in FY22

– Budget cuts have already resulted in over 650,000 lost jobs in public education jobs (Source: BLS)

– Budget cuts have long-term impacts: It took states about six years to recover from the Great Recession

– Schools are being hit twice: Between increased costs because of COVID and state budget cuts (Based on CBPP’s new estimates), public schools could see a total impact of up to $176 billion in one year
The Cost of COVID-19
Short-Term

- Short-term costs for delivering education:
  - PPE and additional cleaning costs
  - Safe spaces for students to learn
  - Budgets are being pushed to the limit
  - Distance Learning

LPI has estimated that the cost to safely open schools could be between $59.5 and $106.6 billion dollars – this estimate does not include the need for greater capacity in schools.
The Cost of COVID-19
Long-Term Costs

• Making up for lost learning time
  • High-quality tutoring programs
  • Extended school year/day programs

• Structural problems brought to light because of COVID:
  • Over 40% of public schools have inadequate ventilation systems (GAO)
  • Many students lack high-speed internet at home
Why Timing Matters

• July 1st: The school/budget year begins

• November: Most states revise their revenue numbers

• January: Legislatures convene in most states – this is when they will revise their FY21 education budgets

• Without additional federal funding states will need to make cuts to their school budgets
Long-Term Impact of Budget Cuts on Teaching

• Without additional federal dollars many districts will need to make budget cuts

• Districts spend 52% of their budgets on teacher salaries & benefits

• It is difficult to cut education budgets without cutting teaching positions
The Last Recession’s Impact on Teachers

Public School
Elementary and Secondary Teachers

Source: U.S. Department of Education
Possible Federal Help

• “Save Education Jobs Act of 2020”
  • Up to $261 billion available to states and school districts over 10 years
  • The act could save 3.9 million education jobs, including 2.6 million teacher jobs
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Learning in the Time of COVID
https://learningpolicyinstitute.org/blog/covid-19-series

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The Impact of the COVID-19 Recession on Teaching Positions

Reductions in state revenue and corresponding cuts to state education budgets will mean significant cuts to teaching positions unless the federal government provides increased education funding to states. This blog explores the potential impact of state budget cuts on teaching positions. An accompanying interactive allows for a state-by-state analysis based on different funding scenarios.

Read more from the Learning in the Time of COVID-19 blog series >>
State Funding for Higher Education

November 12, 2020

Jennifer Ma
Senior Policy Research Scientist
College Board
Overview

- Revenue Sources for Higher Education Institutions
  - Private Nonprofit Institutions
  - Public Institutions
- State and Local Funding for Public Institutions
  - Over Time
  - By State
- Average Tuition and Fees by State at Public Institutions
REVENUE SOURCES
Revenues at Private Nonprofit Four-Year Institutions

• Net tuition revenue (30% of total in 2017-18)
• Investment return (18%)
• Private gifts, grants and contracts (12%)
• Federal appropriations, grants, and contracts (11%)
• State appropriations, grants, and contracts (1%)
• Auxiliary enterprises, hospitals, independent operations, and other sources (27%)

Source: National Center for Education Statistics (NCES), Digest of Education Statistics 2019, Table 333.40,
Revenues at Public Institutions

- State and local appropriations, grants, and contracts (28% of total in 2017-18)
- Net tuition revenue (20%)
- Federal appropriations, grants, and contracts (13%)
- Investment return (4%)
- Gifts (2%)
- Auxiliary enterprises, hospitals, independent operations, and other sources (33%)

Source: National Center for Education Statistics (NCES), Digest of Education Statistics, Table 333.10
State and Local Funding for Higher Education
State and local funding for higher education tends to be cyclical.

Total and Per-Student State and Local Funding for Higher Education in 2018 Dollars and Public FTE Enrollment

- During and after the Great Recession of 2008, both total and per-Student funding declined while enrollment increased.

Source: College Board, Trends in College Pricing and Student Aid 2020, Figure CP-11B based on SHEEO and NCES data.
Declines in funding are typically followed by increases in tuition and fees in the public sector.

Inflation-Adjusted Annual % Change in Funding per Student and in Public Tuition and fees

- During and after the Great Recession of 2008, funding per student declined for 4 years in a row.
- The severity of the decline varied by state (not shown).

Source: The College Board, Trends in College Pricing and Student Aid 2020, Figure CP-11A based on SHEEO and College Board data.
Between 2007-08 and 2012-13, state and local funding per student declined across all types of public institutions while net tuition revenue increased.

Institutional Revenues per Full-Time Equivalent (FTE) Student in 2017 Dollars at Public Institutions, 2007-08, 2012-13, and 2017-18

Source: The College Board, Trends in College Pricing and Student Aid 2020, Figure CP-13.
There are large differences in funding per student across states

2018-19 State and Local Funding for Higher Education per Student

Source: The College Board, Trends in College Pricing and Student Aid 2020, Figure CP-12 based on SHEEO data.
Tuition and Fees by State
Public two-year – average in-district tuition and fees range from $1,430 in CA to $8,600 in Vermont

Average Published In-District Tuition and Fees by State, 2020-21

Source: The College Board, Trends in College Pricing and Student Aid 2020, Figure CP-5.
Public four-year – average in-state tuition and fees range from $5,790 in WY to $17,510 in Vermont

Average Published In-State Tuition and Fees by State, 2020-21

Source: The College Board, Trends in College Pricing and Student Aid 2020, Figure CP-6.
Thank you!

research.collegeboard.org/trends

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