



Budgeting for FY25: A Complicated Year

VASS/VASBO

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POLL: Which is consuming more budgeting energy in your division?

Getting students up to speed:

- ✓ Low math/reading proficiency
- ✓ Chronic absenteeism
- ✓ High schoolers off track
- ✓ Behavior, engagement

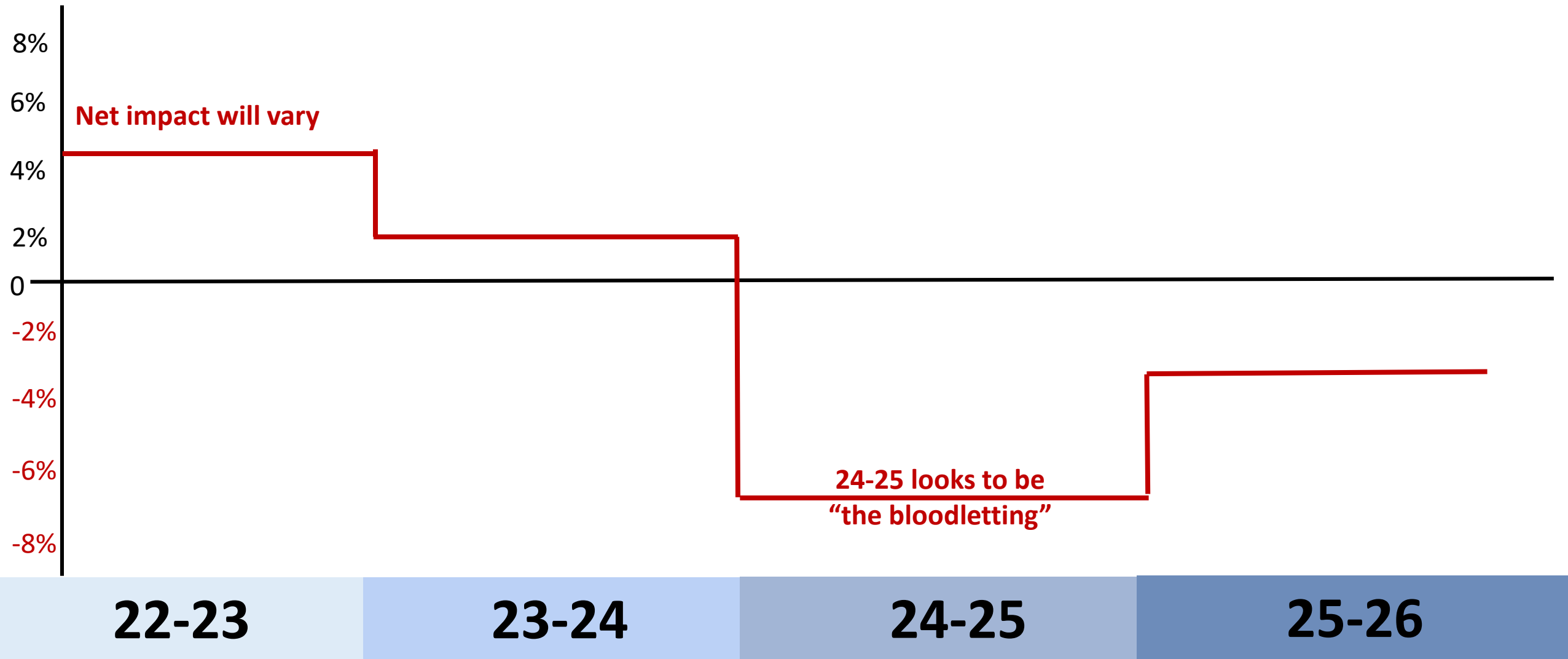


Planning for end of ESSER:

- ✓ Potential fiscal cliff, newly added commitments
- ✓ Inflation, rising labor costs
- ✓ Rising Sp Ed expenses
- ✓ Declining student enrollment
- ✓ Under-enrolled schools



The net impact of four atypical financial shocks on public education

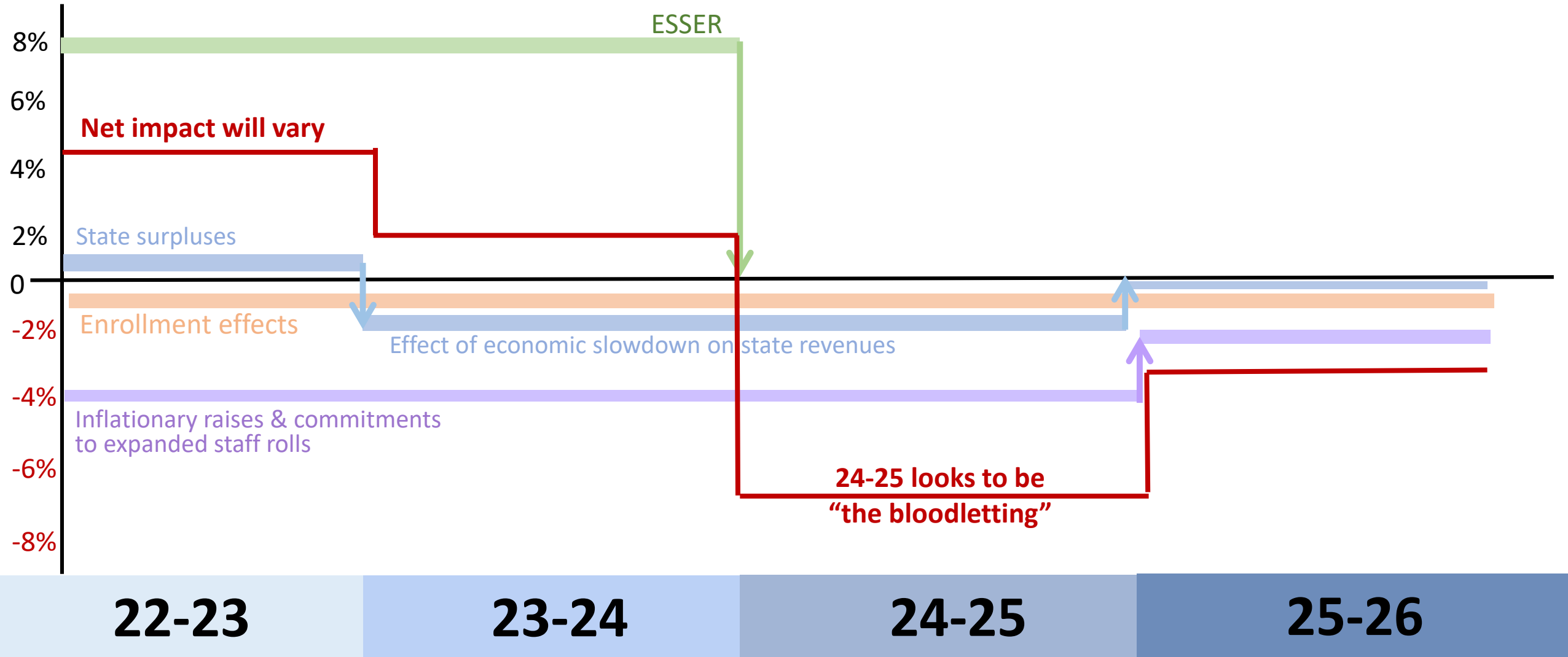


Four atypical financial shocks coming to a district near you

1. ESSER is boosting spending but then ends abruptly 9/24
 - Most at risk: Districts using ESSER for recurring financial commitments via budget backfilling, new hires or permanent raises.
2. Enrollment declines mean fewer revenues in the long run
 - Most at risk: Urban districts. Districts closed longer. Northern states.
3. Inflation, labor scarcity, & new hiring are driving up recurring commitments
 - Most at risk: Those offering permanent raises that are larger than typical (typical is ~1-2% on top of 3% via step/column increases) and those growing their staff rolls.
4. An economic slowdown would affect growth in state revenues
 - Most at risk: Districts that are more dependent on state revenue (or in states more affected by economic slowdowns).



Timing and magnitude of atypical financial effects on typical budgets



Significant work remains to get VA students back to pre-pandemic levels.

Virginia 1
United States



OPPORTUNITY METRICS FOR ALL STUDENTS

	2019-2022 Change In Average Math Scores	- 0.92 ± 0.1
	2019-2022 Change In Average Reading Scores	- 0.63 ± 0.1
	2019 Math Scores	+ 0.74 ± 0.2
	2022 Math Scores	- 0.18 ± 0.2
	2019 Reading Scores	+ 0.33 ± 0.2
	2022 Reading Scores	- 0.3 ± 0.2

← 31 weeks behind

← 21 weeks behind

Deep gaps remain. Per Stanford, VA students lost almost a full year of a year in math. Reading scores dropped by about two-thirds of a year.



Where will the cliff be the *steepest*?

High poverty divisions

- ✓ Got more ESSER per pupil
- ✓ Left a larger share of ESSER to spend down in the last year.

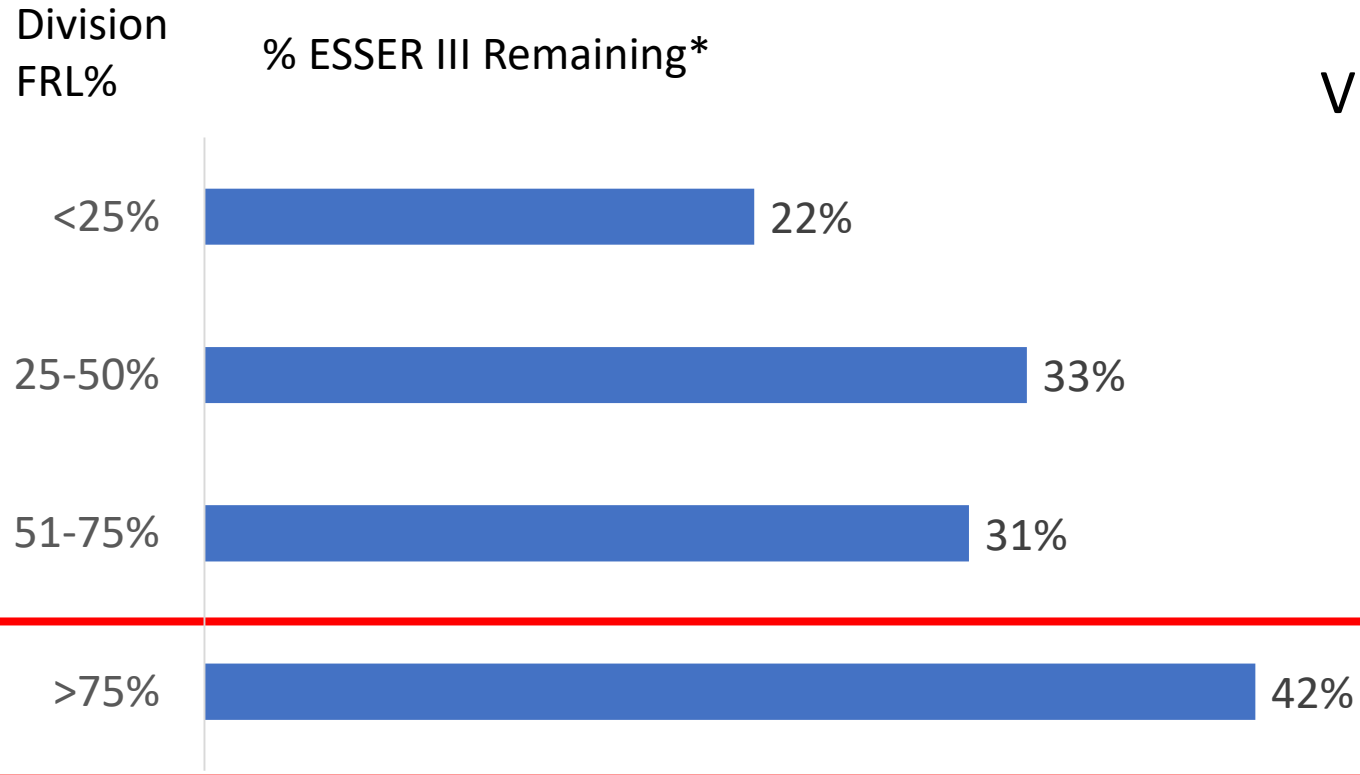
→ Financial disruption will hurt our most vulnerable students.

Low poverty divisions



Remaining ESSER III varies across Virginia school divisions.

\$0 (Arlington, Covington City, Craig, Falls Church City, West Point) – \$3,475 per pupil (Portsmouth City)



Virginia's highest-poverty divisions are spending ESSER III at a slower rate than all other Virginia divisions.

By our estimates, the end of ESSER will have a roughly 5% impact on the typical VA division budget.

edunomicslab.org/esser-spending, data as of 12/27/23

*Range of VA divisions studied (excludes Department of Juvenile Justice, Virginia School for the Deaf and Blind, Covington City)

Where will the cliff be the *steepest*?

Divisions with declining enrollments

Divisions with growing enrollments

- ✓ Enrollment drives revenues creating a double whammy
- ✓ Divisions hate hate hate closing schools



Where will the cliff be the *steepest*?

Divisions that used ESSER
for pay raises or to hire
more staff

- ✓ Divisions struggle to downsize labor costs

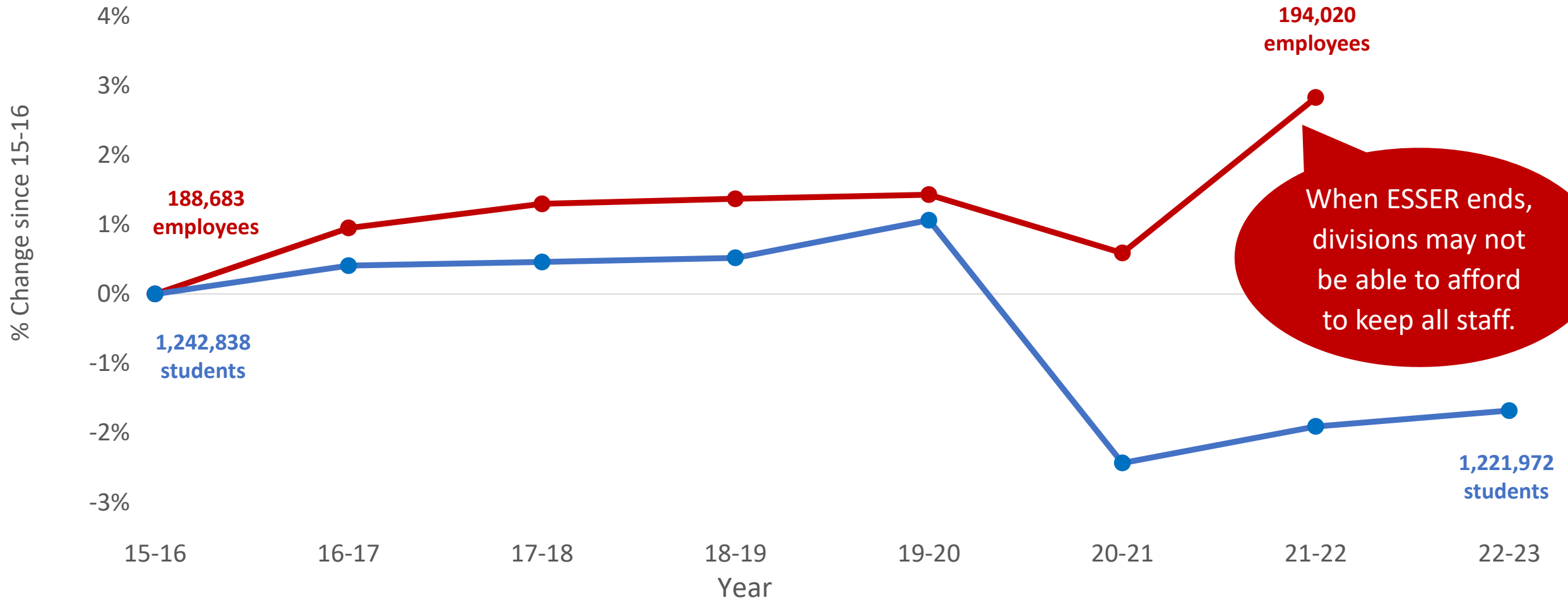
Divisions that used ESSER for
facilities projects

➔ That said, facilities upgrades
don't close gaps in math



Divisions may need to rightsize staffing.

Commonwealth of Virginia: Staffing vs Enrollment Trends (Cumulative % change since 15-16)



What can we expect?

Reductions in labor via

- Attrition (hiring freezes)
- Layoffs
- Incentives for early retirements
- Reduced days/furloughs
- Lower pay raises

What are the equity effects?

Higher poverty schools have unfilled positions (since attrition is higher in these schools).

Last-in-first-out (LIFO) layoffs disproportionately affect higher needs schools where there are more younger teachers.

LIFO layoffs tend to stymie progress on diversifying the workforces.

Fewer math and science course options state-wide (since attrition is higher among these positions).



Have you
estimated how
many positions
could be
eliminated?



**For a division like
Fairfax Co...**

25,175

District
employees

x

1%

Share of labor
expenses paid
for with ESSER

=

251

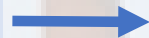
Jobs at risk

4 stages of *hurried* budget cutting

Gaps > 2-3% often require **cuts to LABOR**

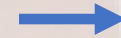
Freeze

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



Trim from the top

- Trim contracts, payments to community partners
- Eliminate PD days, prep time
- Cut central administrative positions
- Squeeze supplies and any non-labor expenses
- Consolidate dept.'s



Negotiate

Propose:

- Alter benefits
- Salary adjustments
- Reduce days/furloughs



Depending on success above



Labor reduction

Larger staff layoffs: elective staff, librarians, academic coaches, core teachers

Timeline for budget decisions

Finance team (FT)
projects 24-25
budget from 23-24

FT works on
budget tradeoffs

Sept Oct Nov Dec Jan Feb Mar Apr May June July Aug Sept
2023-24 2024-25



1st Bd budget
work session:
set priorities.

2nd Bd budget
work session:
solidify choices.

Final board
vote on 24-25
budget

Last day to
notify staff
of layoffs

Bloodletting



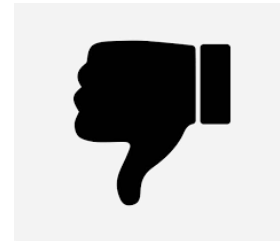
POLL

Facing a budget gap, Kansas City (MO) has asked the community for feedback on whether they should prioritize school closures or reducing programs/offerings.

Reasonable?

or

I'm less comfortable with this



Timeline for budget decisions

When should communities engage on budget cutting options?

Finance team (FT) projects 24-25 budget from 23-24

FT works on budget tradeoffs

Sept Oct Nov Dec Jan Feb Mar Apr May June July Aug Sept

2023-24

2024-25

Bloodletting



1st Bd budget work session: set priorities.

2nd Bd budget work session: solidify choices.

Final board vote on 24-25 budget

Last day to notify staff of layoffs

Input here is too late to affect budget!



Timeline for budget decisions

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Narrow time during
which districts and
communities can
engage on meaningful
options for cutting.



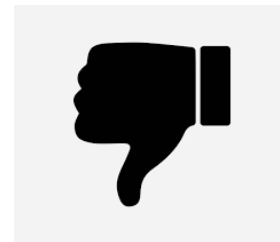
POLL

A district used some local funds and some ESSER to hire dozens of counselors, but attendance isn't improving. As part of budget talks, a board member suggests eliminating these investments and redirecting a portion of the savings to something else.

Reasonable?

or

I'm less comfortable with this



Which cost-equivalent option would you choose to close a 4% gap?

1. Cancel a planned COLA and freeze step and column raises
2. RIF 4-6 employees per 100 in non-core classes (arts, music, APs)
3. RIF 4-6 employees per 100 in specialists (counselors, nurses, librarians, social workers, etc.)
4. RIF 4-6 employees per 100: Raise all class sizes by 4, reducing classroom teachers
5. RIF 4-6 employees per 100: Close 3 of 50 schools and eliminate staff proportionately
6. End the school year 2 weeks early (everyone loses 2 weeks' pay).
7. Select substantially leaner health/dental/vision plans and raise employee premiums by \$1,800.

Hold up
fingers to
indicate your
preference

Use tradeoffs to
invite principals
and community
to understand
difficult
tradeoffs.



Successful Communication

- Avoid business lingo.
- Reference students (and what XX will do for students).
- Citing dollar figures improves credibility. Explain tradeoffs with dollars.
- “Fair” tends to be received better than “Equitable.”
- When citing evidence/research, acknowledge local context.
- Provide opportunities for stakeholders to weigh in.
- Leverage the fact that principals generate the most trust.
- Emphasize a brighter future (vs a problematic past or present).
- Acknowledge good faith. Recognize criticisms.





Don't say:

- x Reallocation
- x Efficiency
- x Do more with less
- x Acknowledge a cut as just that: a cut.
- x "We were told we had to..."



Do say:

- ✓ Leveraging dollars to do more for students.
- ✓ Admit the tradeoff: "we could have done XX or YY and we chose YY because it helps us do ZZ for students.
- ✓ Spending smarter
- ✓ Communicate with \$ amounts
- ✓ We have the flexibility to make tradeoffs that meet the needs of our students.

Admit the tradeoff: "we could have done XX or YY and we chose YY because it helps us do ZZ for students"



Bracing for big budget shifts, what to do now:

1. Lead with what students need
2. Inventory programs based on which do/don't have evidence of impact
3. Be specific with labor and public about #/type of excess FTEs and #/type gaps.
 - Reassure FTEs you plan to keep (*e.g. teachers in priority schools; STEM teachers*)
 - Invite excess staff to get certified or apply for openings in gap areas (*e.g. Sp.Ed., ESL*)
4. Adjust layoff policies where needed and feasible
5. Itemize central office cuts
6. **Use numbers** to engage the board, principals, staff, and public in options



Q&A and Thank you!

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How much ESSER III remains to be spent in your division?

Divisions where >70% of ESSER III remains and remaining balance is over \$500K.

Divisions	% ESSER III Remaining	ESSER III \$ Remaining
PORTSMOUTH CITY PUBLIC SCHOOLS	99%	\$ 46,467,053
HENRICO COUNTY PUBLIC SCHOOLS	96%	\$ 75,195,224
GILES COUNTY PUBLIC SCHOOLS	92%	\$ 3,326,203
DEPARTMENT OF JUVENILE JUSTICE	91%	\$ 1,106,438
WYTHE COUNTY PUBLIC SCHOOLS	88%	\$ 6,922,920
MONTGOMERY COUNTY PUBLIC SCHOOLS	85%	\$ 11,540,044
WINCHESTER CITY PUBLIC SCHOOLS	79%	\$ 6,437,206
CHARLES CITY COUNTY PUBLIC SCHOOLS	78%	\$ 997,403
GREENE COUNTY PUBLIC SCHOOLS	78%	\$ 2,610,038
ALLEGHANY HIGHLANDS COUNTY PUBLIC SCHOOLS	76%	\$ 4,139,620
NEW KENT COUNTY PUBLIC SCHOOLS	75%	\$ 1,390,199
LOUISA COUNTY PUBLIC SCHOOLS	72%	\$ 4,861,857
AMHERST COUNTY PUBLIC SCHOOLS	71%	\$ 5,196,681
FREDERICKSBURG CITY PUBLIC SCHOOLS	71%	\$ 5,581,364
MECKLENBURG COUNTY PUBLIC SCHOOLS	71%	\$ 8,222,881

