

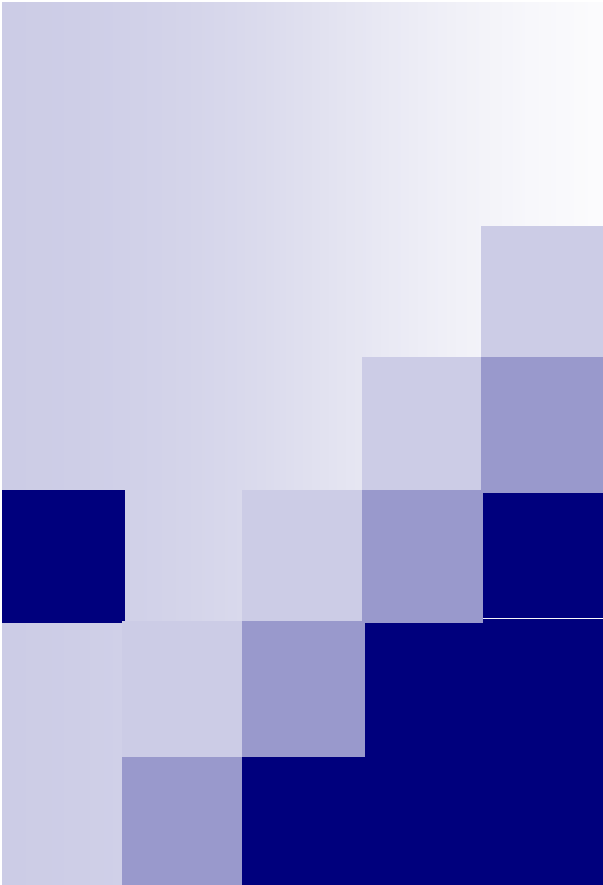
Public Education – States' Actions During Tough Times

House Appropriations Committee Retreat
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November 17, 2009



Presentation Outline

- Review of States' Public Education Funding Formula Methodologies
- How Have States Responded to Economic Downturns
- Review of States' FY 2010 Budgetary Actions Taken in Public Education
 - Temporary vs. Formula / Programmatic
- Virginia's Public Education Funding Formula
 - Review of Support Positions
- Virginia's 2010-2012 Rebenchmarking Methodology and Resulting Costs



States' K-12 Funding Formula Methodologies



Summary of States Funding Methodologies

- Education Commission of the States (ECS) published a policy briefing for the all of states' public education funding methodologies:
 - All states have some type of educational funding formula to determine the total amount needed for each student and to establish the state's share of those costs
 - No state has exactly the same method – yet there are five basis approaches
- **Foundation/Base Formula** (25 states) – this method provides for a single base-funding amount that is multiplied by a weight for each student
 - The weight factor varies depending on the level of the student's educational needs
 - Higher funding levels are given for students enrolled in special education, English Language Learners or at-risk programs
 - Alaska, Arizona, Colorado, Connecticut, Florida, Iowa, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Minnesota, New Hampshire, New Jersey, New Mexico, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Texas, Utah and Vermont



Summary of Funding Methodologies

- **Modified Foundation/Base Formula** (12 states) – this method has a structure that is similar to the foundation formula but include modifications which can give different allocation results from district to district
 - The most common difference between a traditional and a modified foundation formula is that modified systems do not have a common foundation/base funding amount for all schools – instead the foundation amount varies from district to district
 - Arkansas, California, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New York, Oregon, **Virginia** and Wisconsin

- **Teacher Allocation** (7 states) – this method allocates funding for education staff (teacher, administrators and support staff) as well as other costs to districts based on total student enrollment.
 - For example: a district might receive funding for one teaching position for every 20 students enrolled and one administrator position (principal or vice principal) for every 400 students enrolled
 - Alabama, Georgia, Idaho, North Carolina, Tennessee, Washington and West Virginia



Summary of Funding Methodologies

- **Dollar Funding Per Student** (2 states: Massachusetts and Wyoming)
 - This least common funding method provides an exact dollar amount per student
 - It is similar to the foundation method in that students with different education needs receive different amounts of funding
 - Legislation includes the exact dollar amount of funding that each student's educational needs (regular, special education, vocational, ESL, at-risk, etc)

- **Other Blended Methods** (4 states: Delaware, Hawaii, Pennsylvania and Rhode Island)
 - Although Pennsylvania and Rhode Island have funding systems in legislation, for all practical purposes, these systems are not used: instead funds are allocated to school districts based on what was received in the previous year plus an increase for inflation
 - Delaware uses a combination of a foundation formula and a teacher allocation system
 - Hawaii operates as a single school district so it does not have a traditional state education funding formula



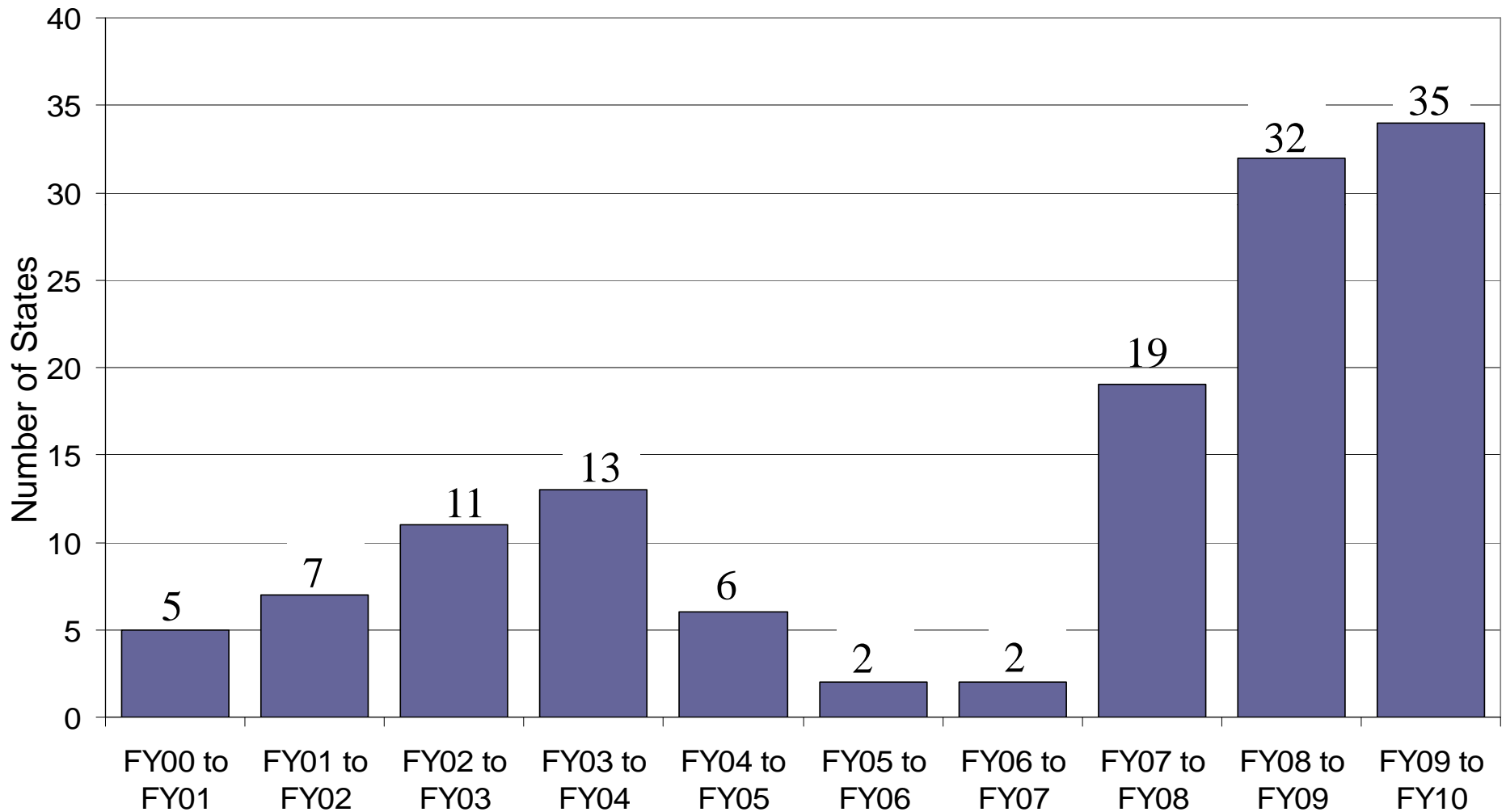
How Have States Responded to Economic Downturns



Review of Public Education in Other States

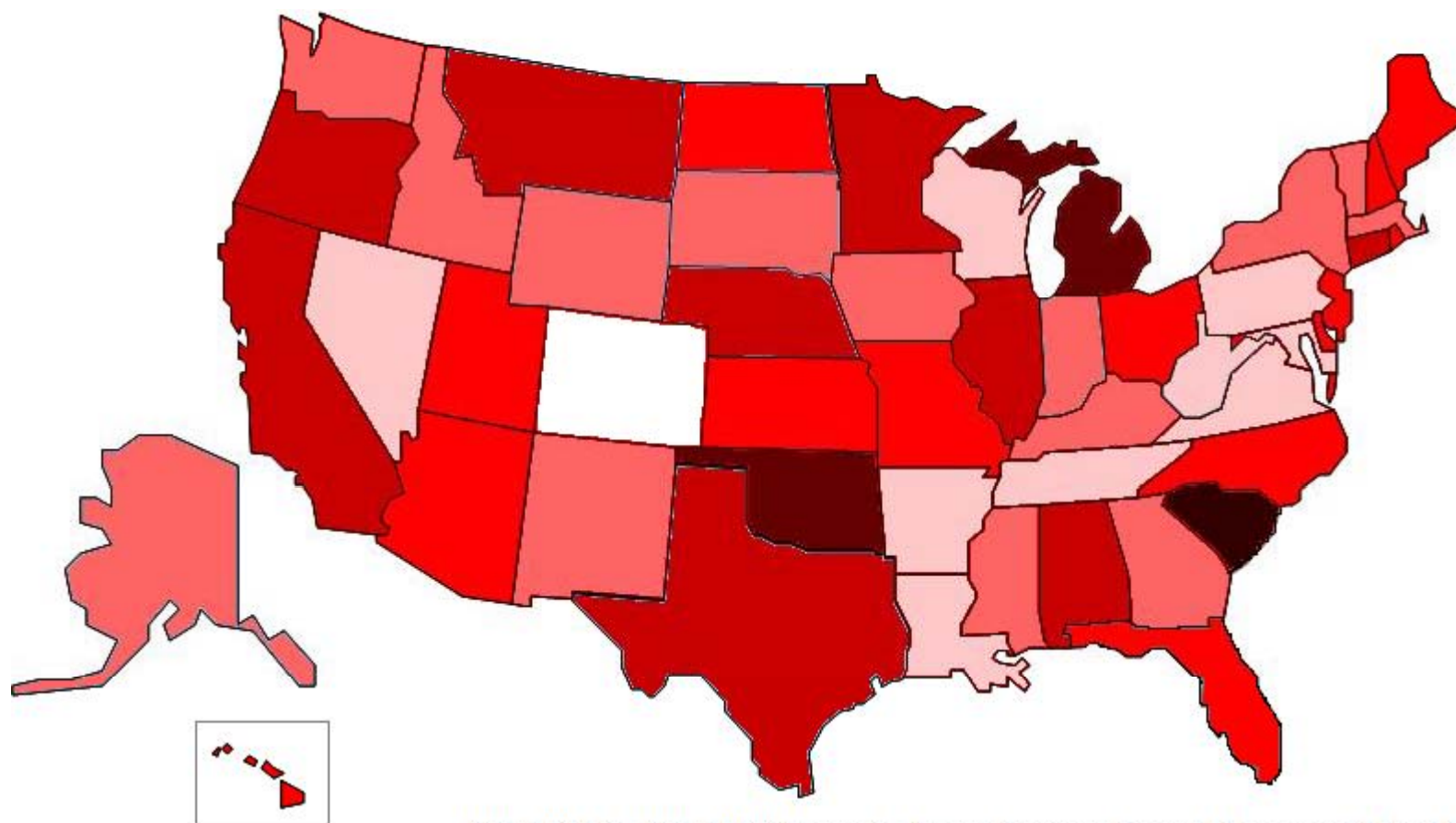
- In times of economic downturn, many states struggle with ways to balance their budgets
- How did states deal with declining revenue growth relative to their public education budget?
- What decisions did states make that resulted in changes in the way school divisions conduct business in the future?

Since Last Recession - Number of States That Reduced Funding, by Year, to Public Education



Data sources: National Center for Education Statistics and ECS summary of State approved ARRA SFFS applications Note: Some states are counted in more than one year

States with an Annual Decrease, for Year-to-Year Comparisons, in Funding to Public Education



FY 2001 to FY 2010 Year-to-Year Comparisons Decreased Funding





Review of States' FY 2010 Budgetary Actions Taken in Public Education



Funding Reductions Take Two Pathways

- Temporary – implemented with the assumption that as the economy improves, increased revenues will allow funding to return to prior levels
 - Only one-time in nature, which may potentially lead the state back to similar situation during the next recessionary period

- Structural / ongoing -- changes are designed to structurally change funding allocations, and improve operational efficiencies that meet long-term budgetary constraints
 - Formula
 - Programmatic
 - Across-the-Board
 - Personnel



Types of Temporary Changes

- Several states have implemented a teacher furlough:
 - **Hawaii** – 17 instructional days
 - **California** – language allows but doesn't require school districts to reduce up to 5 instructional days
 - **Utah** – up to 5 instructional days
 - **Idaho & Georgia** – 3 instructional days
 - **Maryland** – 1 non-instructional day
- In states that did not mandate a furlough, the local school districts took similar personnel actions
 - IL, KS, VT



Structural Type Changes

- A number of states adopted funding formula changes:
 - Reductions to the state's basic aid per pupil funding formula amount – ranging from \$35 in Hawaii to as much as \$400 in Nevada
- Some states have adopted programmatic changes resulting in cuts to initiatives such as:
 - Adult education, at-risk related programs, Pre-K, gifted, special education, ESL, career and technical, after-school, and summer enrichment classes
- Other actions included deferring program expansions, such as school breakfast and full-day kindergarten
- Finally, some states have reduced operational types of expenditures such as:
 - Textbooks and instructional materials, student transportation, capital projects (renovations and new construction), health clinics in schools
 - Several states have reduced professional development, teacher mentoring and training initiatives for instructional-based staff (teachers and principals)

Structural Changes: Across-the-Board

- 11 states have enacted across-the-board percentage cuts to their K-12 budgets: ranging from 0.2% in Kansas to as much as 15% in Arizona
- Typically, school districts decide how to implement reductions

State	FY 2010 Budget*	Percent Reduction	Amount of Reduction
	(\$ in Millions)		(\$ in Millions)
New York	\$19,651	3.0%	\$686.0
Michigan	\$8,959	5.0%	\$448.0
Georgia	\$8,486	3.0%	\$255.0
Arizona	\$3,926	5% - 15%	\$300 – \$900
Illinois	\$3,825	2.0%	\$77.0
Alabama	\$3,658	7.5%	\$274.0
Kentucky	\$2,720	4.0%	\$108.0
Utah	\$2,117	13.0%	\$275.0
Kansas	\$1,951	0.2%	\$4.0
Oklahoma	\$1,863	2.7% - 4.4%	\$50 – \$85
Mississippi	\$1,683	5.0%	\$84.0

* as reported in the individual state's ARRA SFSF application



Structural Changes: Personnel Actions

- In a number of states took long-term actions that reduced personnel expenditures through layoffs:
 - **California** – laid off about 20,000 teachers as of August
 - **North Carolina** – statewide about 2,500 teacher positions were cut – actual number of layoffs were not reports
 - **DC** – 290 teachers were laid off
 - **Minnesota, Idaho, Missouri** - districts laid off teachers – specific numbers were not reported
 - **Utah** – personnel have been reassigned as needed and some positions left vacant



Structural Changes: Personnel Actions

- A number of school divisions have reduced payroll, benefits and other types of compensation:
 - **Idaho** – implemented salary reductions: 2.3% teacher and classified and 5.0% administration
 - **New Mexico** – reduced salaries by 1.5% and redirected funding into teacher retirement system as additional employee contributions
 - **Georgia** – reduced in half 50% the National Board Certification bonuses, or \$7.2 million
 - **South Dakota** – eliminated teacher compensation assistance program - \$4.0 million



Virginia's K-12 Funding Formula: Support Positions



Virginia's Actions

- Heading into the 2009 Session, the Governor reviewed funding for public education in an effort to ensure that dollars were focused on instruction
- The review pointed out that while the SOQ formula did use a funding ratio for instructional positions there was no like ratio for support positions
 - Funding was based on prevailing statewide costs without any adopted standard ratios
- As a result of this analysis, the Governor proposed a structural change that established a ratio for support positions relative to instructional positions beginning in FY 2010



Implementation of Support Position Cap

- New Appropriation Act language established a cap on the number of support staff that would be funded in FY 2010 relative to instructional staff
 - Ratio establishes one support position for every 4.03 teachers funded by the SOQ funding model
- The language excluded four groups of support positions from the cap and those groups continue to be fully funded based on the prevailing statewide costs
 - Superintendents
 - School board members
 - School nursing services
 - Pupil transportation

Statewide Comparison for Instructional and Support Positions

- This analysis became the basis for the Governor's proposal to establish a ratio for support positions
- Historical data showed that the growth of state funding for support positions had increased significantly more than the growth of state funding for instructional positions from FY 2001 to FY 2007
- Analysis indicated that instructional positions grew 2% during that time of period while support positions grew 20%

SOQ Instructional Positions	FY 2001	FY 2007
State Funded	74,848	89,815
Reported by Divisions	109,132	125,964
State Funded as a Percentage of Reported	68.6%	71.3%


SOQ Support*	FY 2001	FY 2007
State Funded	24,222	34,075
Reported by Divisions	31,247	34,966
State Funded as a Percentage of Reported	77.5%	97.5%

*Totals exclude: superintendents, board members, nurses, and pupil transportation



What are Support Positions?

- There are several major categories of support positions:
 - Central school administration: school board, superintendent, assistant superintendents
 - Finance, human resource, and clerical professionals
 - Attendance, health, social workers and administrative positions related to guidance, homebound
 - Technology, and professional development training
 - Operation and maintenance
- Support positions do not include: teachers, principals, assistant principals, counselors, librarians, and instructional aides



New Appropriation Language in Chapter 781 Directed DOE to Calculate and Report the Cost of Rebenchmarking for the 2010-2012 Biennium With and Without the Support Position Funding Cap

- *“shall make its calculation for the total cost of rebenchmarking for the fiscal year 2010-2012 biennium to be consistent with the following methodologies:*
 - (i) using the ‘support position funding cap’ methodology change contained in House Bill 1600/Senate Bill 850, as introduced in the 2009 Session; and*
 - (ii) using the rebenchmarking methodology which was contained within Chapter 879, from the 2008 Session.*

The Department of Education shall report the final calculations and related costs derived from each of these methodologies to the Governor, the Chairmen of House Appropriations and Senate Finance Committees, and the Board of Education prior to September 1, 2009.”

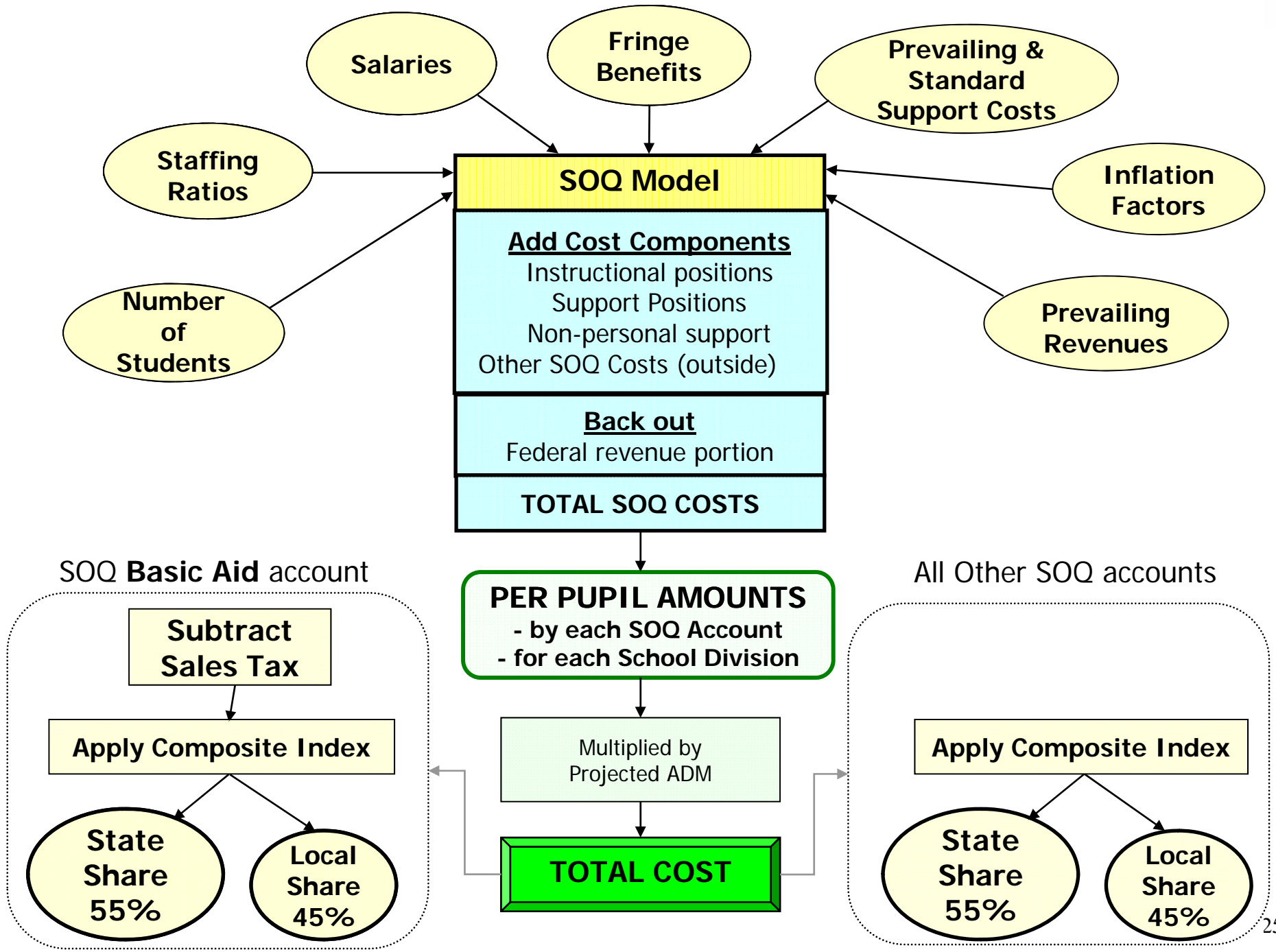


Virginia's 2010-2012 Rebenchmarking Methodology and Resulting Costs



2010-2012 Rebenchmarking

- Process occurs during the fall of odd-numbered year in preparation of the introduction of the ‘big budget’ bill
- Rebenchmarking is a technical process of updating costs and do not involve any changes to policy or to the funding methodology other than those already approved and directed by the legislature
 - FY 2010 from the Chapter 781 budget will serve as the base year funding for determining the 2010-2012 rebenchmarking costs
- Amount of funding for SOQ programs is primarily determined by the costs for instructional staffing & support ratios that are funded on either a codified standard or on a prevailing statewide cost basis
 - SOQ accounts represent just over 90% of state Direct Aid funding – of which 80% goes to personnel costs
- Funding for direct aid was routinely updated to reflect technical changes for budget data: such as student membership, base-year expenditures, composite index, sales tax, VRS rate revisions, and use of Literary and Lottery revenues



Summary of 2010-2012 Rebenchmarking

Rebenchmarking Update Costs	FY 2011 Change	FY 2012 Change	2010-2012 Total
Student Enrollment and Participation Projections	\$32,149,744	\$39,422,936	\$71,572,680
Composite Index Changes	32,700,000	39,000,000	71,700,000
SOQ Funded Instructional and Support Positions	(30,495,185)	(30,791,238)	(61,286,423)
Base-Year Related Expenditures from ASR	143,386,906	152,659,400	296,046,306
Reset and Update the Inflation Factors	(85,905,759)	(85,936,116)	(171,841,875)
Net Sales Tax (August reforecast)	(40,600,000)	(25,100,000)	(65,700,000)
Incentive Program Accounts	695,170	1,045,760	1,740,930
Categorical Program Accounts	(95,277)	2,508,067	2,412,789
Total Rebenchmarking State Cost	\$51,835,599	\$92,808,809	\$144,644,408
<i>Cost of restoring Support Positions</i>	\$376,075,632	\$378,226,051	\$754,301,683



Pending Rebenchmarking Data

- Preliminary cost estimates for 2010-2012 rebenchmarking is \$144.6 million
 - Excludes cost of restoring support positions
- However, several data elements were not available in determining the preliminary cost and will be reflected in the Governor's introduced budget in December:
 - Student enrollment projections
 - Lottery revenue projections
 - Sales tax revenue projections
 - Fringe benefit rates: VRS, RHCC, and Group Life
- In past years, these outstanding data have collectively increased the final cost