

COVID-19 State Funding Cuts: May Forecast Items to Consider Now and Future Years

Develop A Plan

- Remember Whose Forecast it is...The Board's
- Communication and Collaboration with your Team
 - Administration – Superintendent, Treasurer, Cabinet
 - Board Finance Committee
- Important that Administration and BOE are on the same page with assumptions and forecast
- Districts should have a plan or be developing plans not making reactionary decisions in isolation
- You can not know what FY21 & FY22 will be...if the people who will decide that have no idea either!
- Well reasoned assumptions, plans and communications is what the next several forecasts rest on

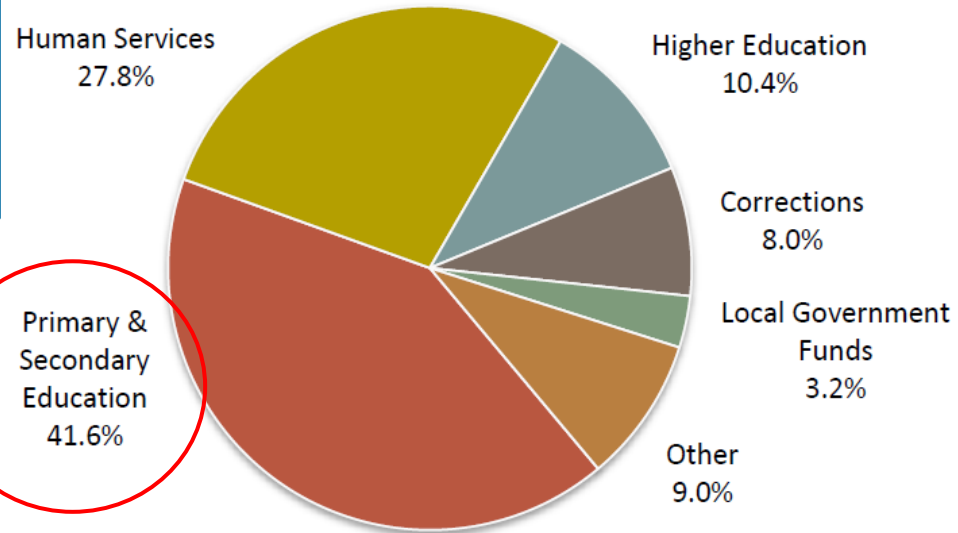
State Foundation Cuts

- FY20 K-12 \$300.4M 3.7% Reduction in Foundation Funding Line A
 - CTC's no reduction due to MOE
- FY20 Cut's Not Exactly 3.7% Across the Board
 - Rocky River 55.24% to Trimble Local .7%
 - 3 districts at 3.69% and 2 at 3.74% was closest to any district 3.7%
- Using the FY19 State Share Index a high % = lower wealth district = lower cut
- District with Lower % SSI = higher wealth = a greater cut
- With no details from OBM we are left to ponder FY21 cuts
- We believe OBM needs to see FY20 year end and more data to determine the extent of FY21 cuts...1.2 M Ohioans unemployed!

FY20-21 State GRF Breakdown

Includes Federal Funds
State portion is \$9.613 B
Gen Rev \$8.18B
Lottery \$1.15B
SWSF \$.275B
= 34%

Chart 1: State-Source GRF Appropriations by Program Area
FY 2020-FY 2021 Biennium



$$\text{\$8.121 B} \times 3.7\% = \text{\$300,482,584}$$

Rainy Day Fund = \\$2.691 B

FY21 State Cuts How Much?

- Lt. Gov. Husted & OBM says deficit through June 30, 2021 could be double the RDF= $2 \times \$2.7B = \$5.4B$
- Gov. DeWine will not draw down RDF in FY20...FY21?
- If Gov. uses 100% of RDF still a potential \$2.7B deficit
- K-12 is 34% of state budget ... $\times \$2.7 B = \$918M$
- $\$918 M / \$300.4 M = 3$ Times the FY20 cut
- $3.7\% \times 3 = 11.7\%$
- But what about MOE for schools? FY21 could be cut \$702M without Fed Waiver. Or 2.34X FY20 or 8.7% cut.
- So we have a potential of 11.7% and 8.7% cut or if they have an equal probability an avg. of 10.2% est. of a cut
- Can Ohio balance budget and not touch 34% of budget?

FY21 State Cuts How Much?

- We are suggesting that our clients consider 10% FY21 cut
- Is that the right % cut and will it be the same for each district? Probably not and not unless it is across the board cut. But lacking any data it is pointing your FY21 state revenue in the right direction...down.
- Note: CTC's MOE may save you another cut in FY21.
- Suggest flatline FY22-24 at FY20 pre-cut levels wait for data
- Will FY22-23 funding be level, decreased or increased? We won't know until June 2021.
- Casino's closed since March 16, suggest Revenue in FY21 cut 40% and gradually increased over FY22-23 to get to FY20 levels in FY24.

Other Revenue Impacts

- Property taxes in FY21 starting with August 2020 settlement may drop 3% to 10% base on what we saw in 2009-12 recession. Will vary by district economic status. Note: this can be a 2 to 3 year timing issue
- Extensions to due dates for 2nd half 2019 (August 2020 settlements). Timing issue unless it happens 1st half TY2020 that could impact R&H payments in FY21.
- SDIT- 2008 Recession FY2010 SDIT fell 7.6% for all school districts largely reflecting CY2009 drop in collections. Some district experienced 2-3 years of decline. We suggest -5% for FY21 and 0% to 1% for FY22-24. Will need to see July & Oct 2020 settlements
- We suggest cutting FY21 and FY22 interest income due to lower reinvestment rates

Expense Considerations

- District expenses are more in your control than revenue. Focus on what can be done with expenses to balance your budget. Written plan(s).
- Numerous items under district control... but the biggest is staffing and CBA's that are due now or coming up. No SB5 to help reduce costs for us as in 2011.
- Food Service Fund Transfers FY20- Watch this carefully. In FY19 309 districts already lost money in their FS funds.
- CARES Act Funding- \$440.28 M. Following guidelines, develop use as part of a plan to recode FY21-22 expenses to reduced impact of state/local revenue losses.

Feds Defer to Districts on Spending CARES Funds

12 Permissible Uses of Funds

1. Any activity authorized by the ESEA (1965)
2. Improving coronavirus preparedness and response efforts in conjunction with health depts, relevant agencies
3. Providing principals and school leaders with the resources necessary to address the needs of their individual schools
4. Activities to address the unique needs of disadvantaged students
5. Developing and implementing systems to improve preparedness and response efforts of LEAs
6. Training and PD for LEA staff on sanitation and minimizing spread of infectious diseases
7. Purchasing supplies to sanitize LEA facilities
8. Planning for and coordinating during long-term closures (inc. meals, tech access, IDEA compliance)
9. Purchasing educational technology (includes language supporting equity)
10. Providing mental health services and supports
11. Planning and implementing activities related to summer learning and supplemental programs (addresses issues of equity)
12. Other activities necessary to maintain operations and continuity of LEA services and continuing employment of existing LEA staff

Fewer Federal Requirements

- No supplement, not supplant requirement
- No requirement to spend funds in accordance with Title 1(a)
- LEAs must continue to pay their employees and contractors “to the greatest extent practicable”

Waivers to Free-Up Existing Funds

- LEAs can carry over higher levels of federal funds
- Cap lifted on Title IV-a technology purchasing restrictions

“Under the schoolwide approach, Title I dollars can be consolidated with state and local dollars to upgrade a school’s entire education program.”

~Austin Reid, NCSL

Balanced Cut Approach

Example Only Of Cut Sheet

BUDGET REDUCTION IDEAS FOR FY21 SCHOOL YEAR			
2			
3	Total FY20 General Fund Budget	\$45,000,000	
4	FY20 Elementary Costs Gen Fund	\$10,000,000	FY20 Middle School Costs Gen Fund \$8,000,000
5	Percent of Budget	22.22%	Percent of Budget 17.78%
6	Areas of Suggested Cuts:		Areas of Suggested Cuts:
7	1) Increase class size RIF staff	325,000	1) Reduce staff include fringes 250,000
8	2) Cut custodial staff	50,000	2) Cut Field trips 25,000
9	3) Reduce field trips	25,000	3) Cut custodial staff 50,000
0	4)		4)
1	5)		5)
4			
5			
8			
9	Total Suggested Elementary Area Cuts	\$400,000	Total Suggested Elementary Area Cuts \$325,000
0	Proportion of Current Costs	4.00%	Proportion of Current Costs 4.06%
1	FY20 High School Costs Gen Fund	\$12,000,000	FY20 Central Office & District Wide Costs \$15,000,000
2	Percent of Budget	26.67%	Percent of Budget 33.33%
3	Areas of Suggested Cuts:		Areas of Suggested Cuts:
4	1) Eliminate small class courses offer online	250,000	1) Transportation 120,000
5	2) Increase class size RIF staff	150,000	2) Overtime 45,000
6	3) Cut Field Trips	25,000	3) Curriculum adoptions 300,000
7	4) Increase PTP inlieu of cuts	100,000	4) Legal Fees 50,000
8	5) Cut custodial staff	50,000	5) Administrator(s) Incl Fringes 125,000
9	6)		6)
0	7)		7)
1	8)		8)
2	9)		9)
3	10)		10)
4			
5	Total Suggested Elementary Area Cuts	\$575,000	Total Suggested Elementary Area Cuts \$640,000
6	Proportion of Current Costs	4.79%	Proportion of Current Costs 4.27%
7			
8			

Take Away

- Don't make cuts in isolation
- Develop a written plan(s)
- Have Administration and BOE on same page with plan(s)
- Communicate plan with Board, Staff and Community
- November forecast update better data to work with
- It is okay to find yourself saying this often:
 - "I don't know right now but I will keep you informed and updated when I do".