

COVID-19'S IMPACT ON PUBLIC SCHOOL BUDGETS: UNSTABLE FUNDING REQUIRES QUICK ACTION



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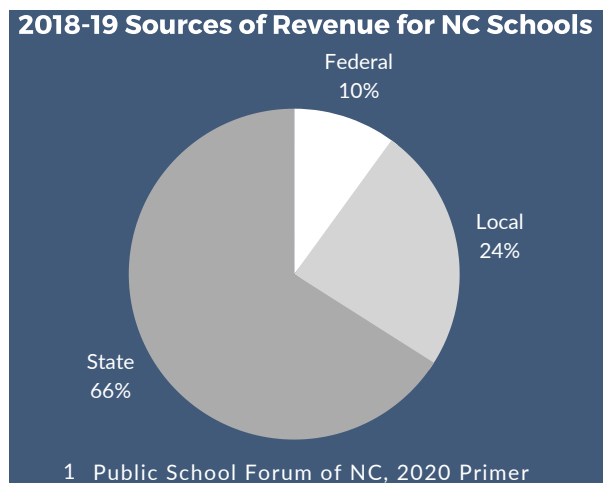
THE K-12 PUBLIC SCHOOL FUNDING CRISIS

North Carolina's public school leaders predict that they may be facing student enrollment declines of up to 20% for the 2020-21 school year due to COVID-19. Fewer students translates into potentially significant reductions to school budgets that are already substantially underfunded, and could result in teacher and staff layoffs that could come this school year — an already chaotic time for students.

BREAKING IT DOWN: HOW SCHOOL FUNDING WORKS

Unlike many other states, the bulk of funding for public schools across North Carolina is appropriated by our state legislature.

According to North Carolina's State Constitution, the North Carolina General Assembly is responsible for providing, through taxation and otherwise, a general and uniform system of free public schools. Thus, the state has the primary responsibility for all current expenses of public education. North Carolina public schools spent nearly \$14 billion in the 2018-19 school year using a combination of state, federal, and local resources, with the majority of that funding coming from the



state. Our state was ranked 48th in the nation on per-pupil spending after adjusting for regional cost differences in 2019, and when adjusted for inflation, per-pupil spending in North Carolina has declined by approximately 6 percent since 2009-10. Our school districts are already dealing with substantial disinvestment.

BREAKING IT DOWN: HOW SCHOOL FUNDING WORKS

In North Carolina, the state’s Department of Public Instruction develops a projected budget for distributing state funds to a school district based on the prior year’s student “average daily membership” figures. After a school district reports to the state their ADM numbers for the first couple months of school, the state will adjust funding for a district if the ADM falls below projections by a certain amount.

WHAT IS AVERAGE DAILY MEMBERSHIP?

Average Daily Membership is the total number of days students are in attendance at school over a school month. Sick days do not count against ADM unless they exceed 5 sick days in a row. Budget adjustments are made after the second month of school, using the ADM count of either month one or month two -- whichever is higher.

Here’s an example of a hypothetical budgeting scenario for two school districts: one that was projected to have a higher number of students and one that was projected to have a lower number of students. If COVID-19 results in a significant loss of students, this would be the actual adjustments they’d see from the state:

	19-20 Actual	20-21 Projected	20-21 Allotted (higher of prior year actual or current year projected)	20-21 Actual (higher of 1 st or 2 nd month)	Adjustment (1/2 * (actual - projected))	Final (allotted + adjustment)
School District 1	20,000	19,000	20,000	15,000	(2,000)	18,000
School District 2	20,000	21,000	21,000	15,000	(3,000)	18,000

There are guardrails in place so that, for example, if a school district loses 4,000 out of its projected 19,000 students in the 2020-21 school year, it would be about half the reduction in funding (the equivalent of 2,000 fewer students). But that would still be a **10 percent reduction of funding – significant enough to have devastating impacts when it comes to equitably serving students.**

HOW A 10 PERCENT LOSS OF SCHOOL FUNDING COULD HURT KIDS

Once final ADM counts are received and funding levels are adjusted by the state – typically by November – local school districts must decide how to cope with unexpected losses. That typically happens by eliminating teaching positions (and, consequently, disrupting classrooms) or absorbing the losses by way of cuts to other areas in the district’s budget, which in many cases have already seen significant reductions since the Great Recession.

HYPOTHETICAL SCENARIO

Mooresville Graded School District (MGSD) is a small to mid-sized local school district with an annual state allocation of approximately \$35 million. A 10% reduction due to loss of ADM would result in a loss of over \$3.5 million in funding, according to their Chief Financial Officer, Terry Haas. COVID relief funding that is available for discretionary use is just under \$600,000. That means there would still be \$2.9 million in lost funding – and, because the vast majority of costs in running a school system are the front line employees, the result would be a loss of approximately 41 teaching positions in MGSD. “This would be devastating to our schools and community,” said Haas. MGSD is still operating under the K-3 class size mandate, meaning class sizes in those grades cannot exceed a certain number. The result is that they would have to

“THIS WOULD BE DEVASTATING TO OUR SCHOOLS AND COMMUNITY,”
-Terry Haas, CFO

increase the already larger class sizes for grades 4-12 and provide *less* face time with the teacher under both Plan B and Plan C.

“For most LEAs [Local Education Agency], a loss in ADM funding of 10% would equate to fewer teachers and fewer teacher assistants to serve our students at a time when more staff is truly needed to ensure we are meeting the needs of the whole child,” said Haas.



2.9 Million in lost funding for MGSD



Impacts 10% of MGSD employees

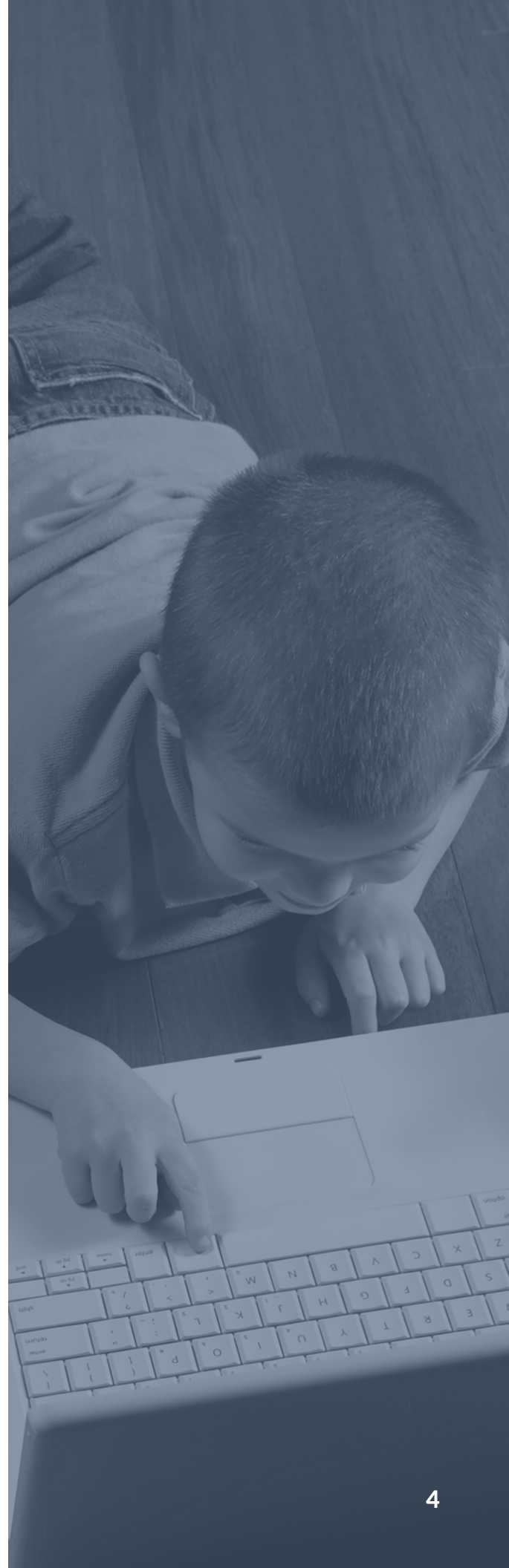


41 teaching positions cut in MGSD

BUT WHAT ABOUT COVID RELIEF FUNDING?

As of August 2020, North Carolina has made available more than \$800 million in mostly federal COVID relief funding for K-12 schools statewide thanks to the passage of the federal CARES Act.

Local school districts under COVID are using these funds to provide necessary PPE, temperature screening, cleaning/sanitizing supplies, as well as coping with additional costs to transportation and school nutrition budgets. These restricted funds are to allow districts to provide the needed services to be able to ensure success in a digital setting and to ensure districts can still provide meals for students during the pandemic. However, school districts are currently not in a position to cover substantial budget decreases with the current levels of federal COVID relief aid available.



THE SOLUTIONS

There are specific ways to help local school districts mitigate the harm of funding declines that will adversely impact our public schools.

HOLD SCHOOL DISTRICT BUDGETS HARMLESS FOR ENROLLMENT DECREASES IN 2020-21

In August 2020, the North Carolina State Board of Education passed a resolution calling on the NC General Assembly to enact legislation that would hold public school district budgets harmless for declines in student enrollment that take place this upcoming school year because of COVID-19. This resolution, however, does not change anything unless the legislature reconvenes to take further action to support our public schools.

PUSH FOR ADDITIONAL FEDERAL COVID RELIEF FUNDING FOR PUBLIC SCHOOLS

State and local governments are facing an economic crisis due to efforts to mitigate the spread of COVID-19 while absorbing substantial losses in revenue. Support from the Federal government has helped, but additional funding efforts are required to address school districts' needs that are arising due to COVID-19.

ALLOW DISTRICTS TO UTILIZE STATE FUNDING TO ADDRESS SPECIFIC NEEDS REQUIRED BY COVID-19

Local school budgets are comprised of various allotments funding different items, such as teachers, supplies, devices and more. Local district finance officers say that they need greater autonomy to use unspent funds from one allotment category to another, as needs shift unexpectedly during this pandemic. Currently, state legislation restricts local flexibility to allocate funds, limiting the ability to respond nimbly and efficiently to address swiftly changing local needs.

READINGS + RESOURCES

[Public School Forum: Facing potentially steep declines in enrollment and increased costs to safely reopen schools, school superintendents call for the General Assembly to hold school budgets harmless](#)

[Education Matters \(July 2020\): COVID-19's Impact on Public School Funding](#)