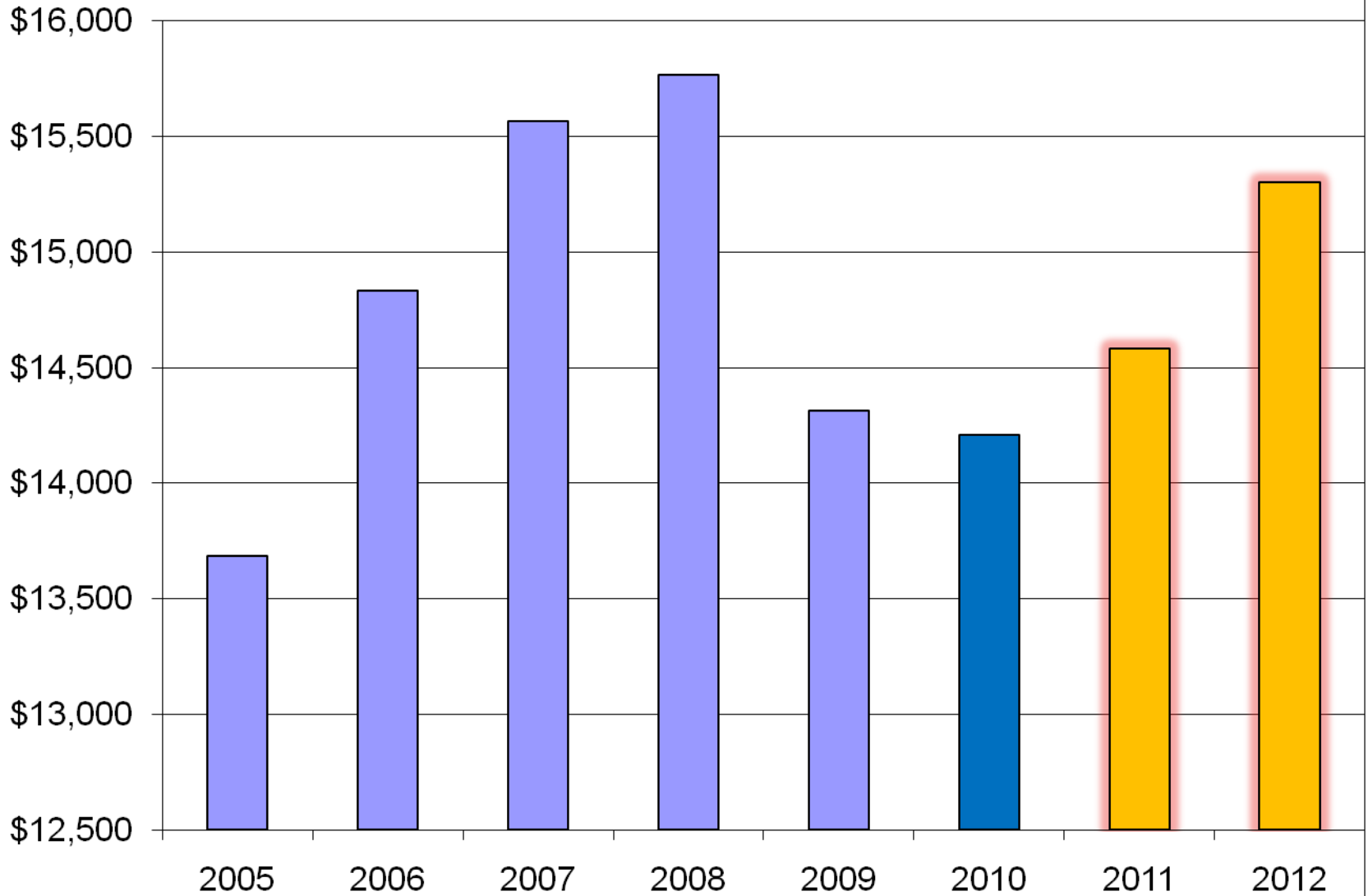


# The Outlook for State Education Funding

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Education Steering Committee  
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## 2010 Session Adopted General Fund Revenues in FY 2012 Less Than FY 2007



# Adopted General Fund Appropriations

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
K-12 Direct Aid	35.2%	32.3%	30.8%	30.7%
Higher & Other ED	12.2%	12.0%	11.6%	9.9%
Other HH&S	9.2%	9.6%	9.0%	8.5%
DMAS (Medicaid)	14.7%	16.3%	18.3%	21.2%
Public Safety/Comp Board	15.3%	14.6%	14.7%	13.8%
Car Tax	6.0%	6.4%	6.2%	5.9%
Debt Service	2.8%	3.2%	3.7%	3.8%
All Other	4.6%	5.6%	5.7%	6.2%

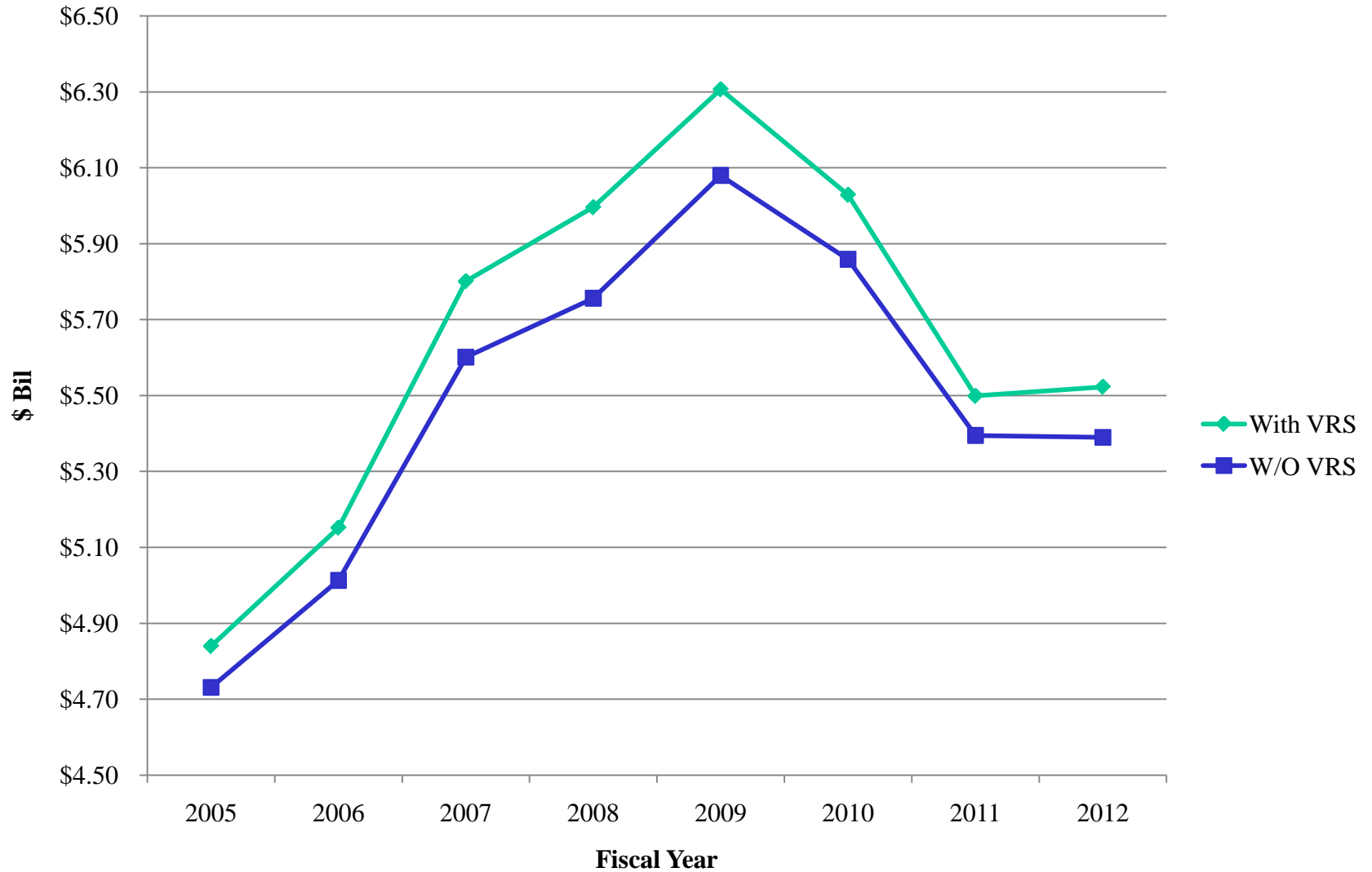
# K-12 Funding is Greatest Concern to Localities

- Adopted FY 2010 K-12 state distributions from all funding sources were nearly \$300 million lower than actual FY 2009, even with \$584 mil. in federal stimulus funds.
- Adopted FY 2011 K-12 state distributions from all funding sources (including \$189 million less VRS contributions) are: 1) \$773 million lower than last year's planned FY 2010 distributions and 2) \$512 million lower than this year's adopted FY 2010 distributions.
- Localities are already holding the K-12 education system together to meet SOA and SOL standards by spending **\$3 billion or 82% more per year than required** to match state \$. Local excess is 22 percent of total K-12 spending in state.
- Adopted 2010-12 budget endorsed last year's decision to reduce state support position funding by one-third (\$376 mil. in FY 11) and made numerous further K-12 policy funding reductions.

# New Permanent K-12 Policy Changes Adopted in the 2010 Session

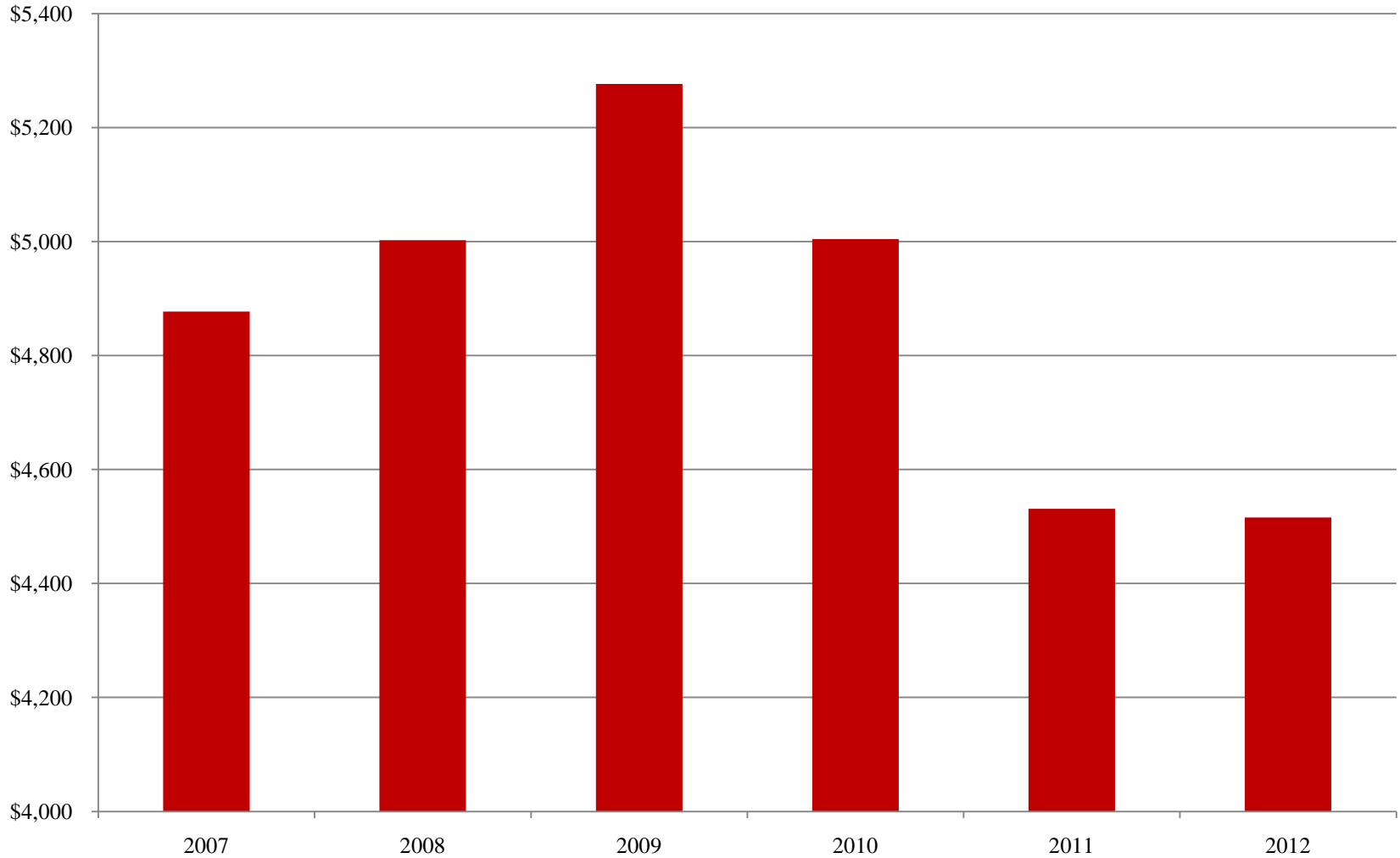
- Introduced 2010-12 Budget:
  - Fund health care premium at prevailing participation (\$134 mil./yr.)
  - Eliminate annual/sick leave payments for personnel who terminate employment, capital outlay replacement and a “miscellaneous” category (\$87 mil./yr.)
  - Eliminate nonpersonnel inflation (\$4.7 mil/yr)
- Additional Support Function Reductions in Adopted Budget (\$100 mil/yr )
  - Include \$0 in division LWA for non-personnel support (\$39 mil/yr)
  - Extend school bus replacement cycle from 12 to 15 years (\$10 mil/yr)
  - Eliminate staff travel, leases/rentals, and facilities from recognized non-personnel support funding (\$35 mil/yr)
  - Increase the federal revenue deduct from 29% to 38% (\$17 mil/yr)
- Lottery Funding Changes Net \$165 mil. (biennial) GF Savings
  - Transfers remedial summer school, ESL, and 2/3 of textbook funding to lottery
  - Eliminates enrollment loss and add'l support for construction and operating costs
  - Limits participation in the K-3 Class Size Reduction Program to schools with free lunch higher than 30 percent

# Actual and Projected State Aid to K-12\*



\* Includes all state fund sources (mainly GF and Lottery) and appropriated federal stimulus \$

# State K-12 Spending per Pupil \*



\* Includes all state fund sources (mainly GF and Lottery) and appropriated federal stimulus \$

# **“Standards of Quality” Already Push Localities to Pay \$3 Bil. More for Education Than Required**

- State does not pay for all Board of Education approved standards, even though the Standards of Quality do not adequately reflect the costs of meeting the Standards of Learning and the Standards of Accreditation.
- The state methodology (LWA) overemphasizes the generally lower values in the more numerous/smaller school divisions in calculating prevailing costs for teacher and support positions.
- FY ‘08 base year for 2010-12 re-benchmarking does not reflect real-time salary costs: No state teacher compensation supplements since FY 2008.
- Most localities go beyond state mandates, especially for at-risk student funding, including lowering class sizes to help meet SOL and SOA requirements.

# Board of Education Standards Not Funded by the General Assembly = (\$185 mil/yr.)

- A full-time principal for each elementary school
- A full-time assistant principal for every 400 students in the school
- A reduction in speech-language pathologists caseloads from 68 to 60
- One reading specialist for every 1,000 students in K-12
- One mathematics specialist for every 1,000 students in K-8
- A data manager-test coordinator for every 1,000 students in K-12
- Instructional positions for students who are blind or vision impaired

# Likely Examples of School Division Budget Reductions in FY 2011

- Larger class sizes with fewer teachers.
- Administrative, security, and technical support staff reductions.
- Pay and benefit reductions for employees.
- Less capital outlay, maintenance, and equipment replacement
- Reductions in summer school, pre-school and tutoring programs.
- Reducing and charging for sports and other extra-curricular programs.
- Fewer special and alternative education and other specialty programs (e.g. gifted and AP offerings).
- Elimination of teacher training programs.
- Increase in “no transportation” zones and policies.

# Existing Spending Pressures

## Will Limit New State Spending for K-12

- First call on FY 10 \$220 mil. surplus: a) \$82.2 mil. for state employee bonus; b) remaining 10% to WQIF ; c) 2/3 remaining to transportation.
- MOE Medicaid eligibility requirements in new federal health reform voids nearly \$200 mil. in budget savings forcing additional FY 12 budget cuts.
- Continued Medicaid cost & utilization growth, plus new health care bill requirements (additional Medicaid eligibility costs state \$100's of millions /yr).
- Constitutional requirement to fill Rainy Day Fund.
  - Requires deposit of half of growth above previous six-year average GF revenue growth.
- VRS contributions for both teachers and state employees will be restored. Adopted budget calls for 10 year payback. Employer rates may triple in 2012-14.
- Continued growth in debt service requirements.
- Other numerous pent-up demands for additional state funding.
- No appetite for general fund tax increases and additional revenue pressures for transportation.

# Conclusion

- If economy continues to grow -- plan on level or only slight increases in state K-12 (and other local aid programs) funding over the next several biennia.
- If economy worsens again -- all bets are off.