

Taking the Best Step Forward in Supporting Schools

An Analysis of 2016-2018 Budget Proposals in PreK-12 Funding

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The governor and both chambers of the Virginia legislature have recognized the need to help Virginia's public schools make up for lost ground. Each has proposed increased investment in schools after many years of significant cuts made during the financial strain of the recession. Unfortunately, none of the proposals does enough to prepare for the future because none of them fixes the underlying problems in the formula that the state uses to calculate how much money schools should get to cover the actual costs of educating Virginia's students.

In this paper, we assess the proposals on three criteria:

- overall investment in preK-12 schools;
- targeting investments to schools that have seen the most in cuts; and
- local flexibility in using support.

As conferees meet to reconcile the House and Senate budgets, they should look to maximize overall support for public schools as none of the proposals get funding back to where we were before the recession in real dollars. In addition, they should boost funding for the At-Risk program that would target funds to high-poverty schools that have seen the most in state cuts.

Overall investment in preK-12 schools

The House proposal takes the biggest step forward in restoring state support for schools by adding \$874 million over the two-year budget. The proposed increase does not get all the way back to pre-recession levels, after adjusting for inflation, but it shows important progress.

The state reduced per-pupil operating support by \$942 from 2009 to 2014, after adjusting for inflation, equal to an annual cut of over \$800 million for school divisions.

All three budget proposals undo some of the damage from these cuts by investing additional support in schools. The House proposal takes the biggest step forward by increasing annual state support in the 2018 fiscal year by \$294 million over this year's spending, compared to \$267 million in the governor's budget and \$247 million in the Senate's budget, after adjusting for inflation.

Ignoring inflation, the proposals result in a two-year increase over the enacted budget: \$874 million in the House proposal (\$293 million in FY17 and \$581 million in FY18); \$827 million in the governor's proposal (\$273 million in FY17 and \$554 million in FY18); and \$807 million in the Senate proposal (\$274 million in FY17 and \$533 million in FY18).

While the House proposal includes the most state funding, the governor's proposal could have resulted in the largest overall increase in support. This is because the governor had a local matching requirement associated with the funding for the additional instructors. The matching requirement provides a financial incentive for local school divisions to invest more in their schools. If all local school divisions decided to provide the match, they would have added another \$103 million across the two-year budget. These investments would have brought the combined total in the governor's proposal to \$930 million greater than the enacted budget, about \$55 million over the House proposal.

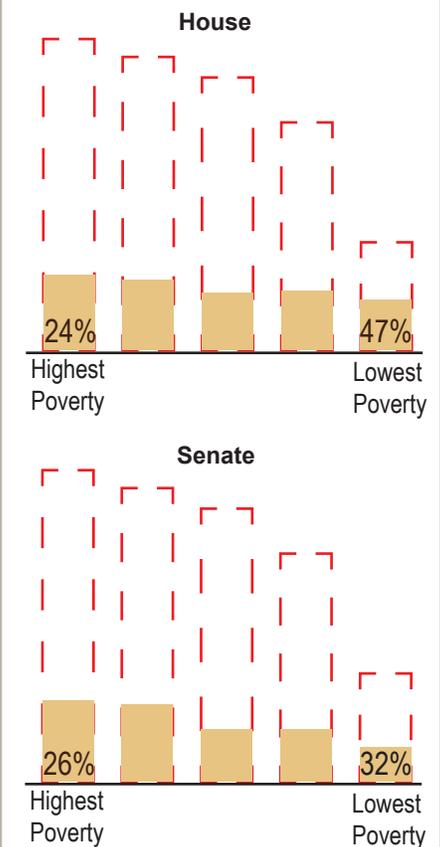


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House and Senate restore proportionally less funding for high-poverty schools.

Per pupil funding restored (gold) FY17-18 compared to cuts (red) FY09-16



Note: Inflation adjusted in 2016 dollars

Source: TCI analysis of Virginia Depart. of Ed. Direct Aid Payment Sheets, FY 2009-2018 and U.S. Census Small Area Income and Poverty Program, 2014

Targeting investments to schools that have seen the most in cuts

The recent cuts in state support fell hardest on school divisions in high-poverty communities. Per-pupil reductions in state aid since 2009 were almost three times as large in school divisions with the highest percentage of students living in poverty – equal to \$1,262 per student – compared to school divisions with the fewest students living in poverty – \$436 per student – after adjusting for inflation. The reductions were so much larger in high-poverty areas because the state typically takes on a larger share of the funding than local governments in these areas.

Looking at the proposed budgets, the governor’s proposal did the most to target increased support to these high-poverty schools that have seen the most in cuts. The governor’s proposed budget would have increased funding in the highest poverty divisions by \$333 per pupil in FY18 over the enacted budget compared to an increase of \$330 per student in the Senate’s proposed budget and \$304 in the House’s proposed budget, after adjusting for inflation.

A key reason that the governor’s proposal did the best job at supporting high-poverty school divisions is that it included an increase of \$49.7 million over the biennium for the At-Risk program. The At-Risk program allocates funds to school divisions based on the percentage of students eligible for free lunch. The program provides dropout prevention services and other support that students in struggling communities often require.

The House proposal provides the smallest increase in support for these school divisions. In part, this is because they moved dollars the governor used for At-Risk assistance into a larger pot of funding to be distributed to schools on a per-pupil basis without targeting money to high-poverty schools. The Senate kept some of

the governor’s proposed increase for the At-Risk program, but reduced it by \$21.5 million over the biennium.

In addition, both the House and the Senate include a technical reduction to the At-Risk program provided by the Department of Education that further reduces the amount of funds for the program by \$15.3 million over the biennium.

Local flexibility in using support

All three proposals give local school divisions some flexibility in how they spend increased state support, but the House and Senate proposals offer more flexibility and do not require school divisions to provide a local match to receive the funds.

The governor’s proposal included \$139.1 million over the two-year budget for school divisions to hire additional instructional staff. Local school divisions would determine which instructional positions to fill – teachers, teacher aides, guidance counselors, or assistant principals – and which schools would get the positions. This would have enabled school divisions to address their greatest staffing needs for instruction, but limited use of the money to staffing. To receive the state funding, school divisions would have needed to provide a local match based on their local ability to pay.

The House proposal includes \$252.4 million in general funds and \$20.3 million in non-general funds carried over from the previous year for a supplemental allocation made from lottery revenues. Local school divisions are given broad flexibility in the use of these funds, but are required to spend at least 50 percent on non-recurring expenses, such as school construction, purchasing equipment or technology, or making debt service payments on already completed projects. The proposal prevents schools from using the additional dollars to replace or supplant local investments.

There is no local match requirement to receive these state funds.

The Senate proposal includes \$120.6 million for school divisions to support the “classroom needs” of schools. The Senate and House proposals are structured similarly in that neither limits use of the funds to staffing and neither has a local matching requirement. The Senate version differs in that a larger portion of the funds has to be used on non-recurring expenses – about 60 percent in the Senate proposal compared to 50 percent in the House proposal. In addition, the Senate proposal prevents school divisions from using any of the funds at the division-level, directing all support to the local schools themselves.

Restoring adequate funding for preK-12 education is among the most important opportunities facing budget conferees as they work to reconcile the House and Senate budgets. Making sure that the final proposal increases the state’s overall investment in public schools and targets increased funding for the At-Risk program to schools that have seen the largest in state cuts should be among their highest priorities.

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