

Federal COVID-19 Funding to U.P. Schools

CRC/Rural Insights Virtual Panel Discussion
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www.crcmich.org

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- Statewide
- Non-partisan
- Private not-for-profit
- Promotes sound policy for state and local governments through factual research – accurate, independent and objective
- Relies on charitable contributions from Michigan foundations, businesses, and individuals
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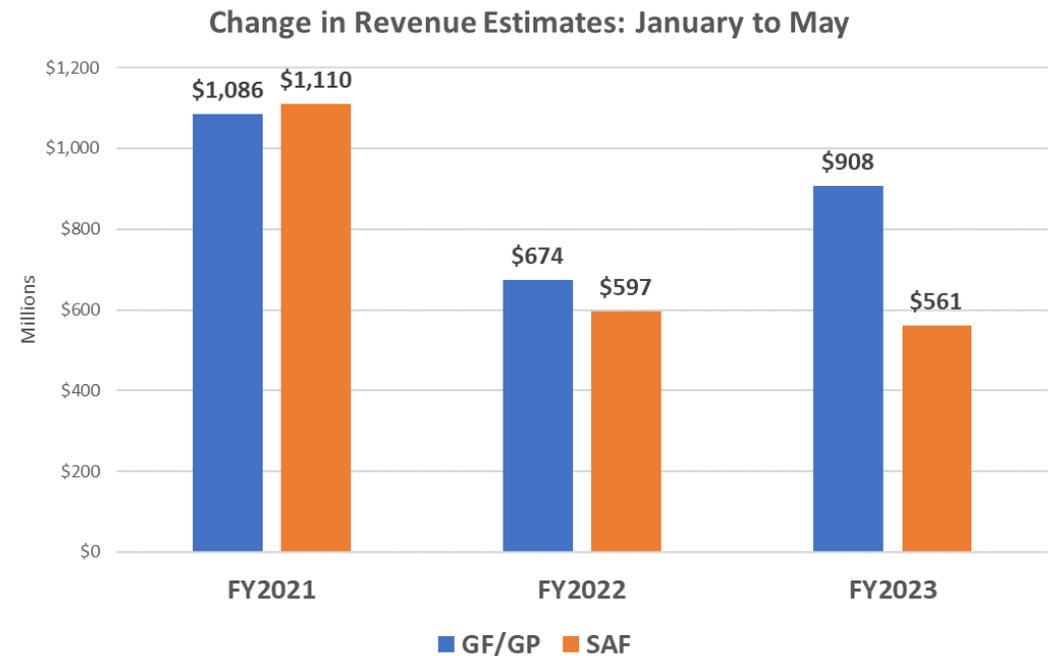
Taking the Pulse on K-12 Education Finances

- K-12 spending pressures are **UP** across districts
 - **BUT** massive increase in resources flowing from federal government
- Worst revenue fears arising from pandemic have not materialized
 - Overall, state revenue growth very resilient – not the case early on
 - K-12 funding protected from state budget cuts in FY2020
 - Local property taxes largely insulated from economic downturn
 - State policy changed method for counting students to mitigate declining enrollment effects on local budgets (FY2020 and FY2021)
- On the spending side, school budgets face increased pressure for PPE, staffing, technology (remote learning), and facilities (HVAC)
- Looking forward, nature of spending pressures shifts to addressing student learning losses, social, emotional and behavioral health, and facilities
 - Scale and scope of these spending pressures largely unknown at this time

State Revenue and Budget Update

Influx of money creates “win-win” in budget debate

- Extreme volatility in state revenue projections early on – BUT steady upward trend since
 - May '21 – up \$3.5B since Jan.
- Federal stimulus efforts
 - Direct payments to individuals
 - Direct payments to businesses
 - Federal tax code changes
- March stimulus will provide state budget additional \$6.5B
 - On top of growing state revenue base – General / School Aid Fund



State Revenue and Budget Update

Influx of money creates “win-win” in budget debate

- Growing SAF balances result of improved revenue picture
- Important fiscal questions
 - When? - fiscal year(s)
 - Where? – priorities, whose
 - How?- on-going vs. one-time
- Gov. and Legislature budgeting for multiple years - TBD
- Despite uncertainty, districts in midst of planning/budgeting
 - 2021 summer programming
 - Reopening in fall 2021
 - Beyond 2021-22 school year

Table 2
SCHOOL AID FUND (SAF)
REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES
(millions of dollars)

	SFA Estimates		
	FY 2020-21 Year-To- Date	FY 2021-22 SFA Estimate	FY 2022-23 SFA Estimate
Revenue:			
Beginning Balance.....	\$1,177.4	\$1,714.2	\$2,256.0
Ongoing Revenue:			
Consensus Revenue Estimate (January 2021)	\$14,030.2	\$14,423.7	\$14,730.4
Consensus Revenue Estimate Change	<u>1,002.2</u>	<u>707.3</u>	<u>697.2</u>
Consensus Revenue Estimate (May 2021)	\$15,032.4	\$15,131.0	\$15,427.6
Other Revenue Adjustments:			
General Fund/General Purpose Grant.....	\$51.0	\$50.3	\$50.3
Community District Education Trust Fund	79.8	72.0	72.0
Federal Ongoing Aid	<u>1,806.9</u>	<u>1,822.5</u>	<u>1,822.5</u>
Subtotal Ongoing Revenue	\$16,970.0	\$17,075.8	\$17,372.4
Non-Ongoing Revenue:			
Federal Stimulus (PA 3 of 2021 and pending SB 216)	\$2,267.8	\$0.0	\$0.0
GF/GP for DPSCD Addtl Cost Exceeding CDTF \$72m/yr	<u>0.0</u>	<u>13.6</u>	<u>15.6</u>
Subtotal Non-Ongoing Revenue	\$2,267.8	\$13.6	\$15.6
Total Estimated School Aid Fund Revenue	\$20,415.3	\$18,803.5	\$19,644.0
Expenditures:			
Ongoing Appropriations:			
Initial K-12/Senate-Passed Appropriations	\$15,430.2	\$15,775.5	\$15,751.5
Consensus Cost Adjustments	(39.2)	(24.0)	(68.8)
Fund Community Colleges with SAF	425.7	434.7	440.8
Partially Fund Higher Education with SAF	<u>356.1</u>	<u>361.4</u>	<u>362.5</u>
Subtotal Ongoing Appropriations	\$16,172.7	\$16,547.6	\$16,486.0
One-Time and Other Appropriations:			
Initial One-Time K-12 Appropriations	\$95.0	\$0.0	\$0.0
Enacted Supplementals (PA 3 of 2021)	1,009.2	0.0	0.0
Pending Senate Supplemental (SB 216 and Fed IDEA, lunch)...	<u>1,424.3</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$2,528.4	\$0.0	\$0.0
Total Estimated School Aid Fund Expenditures	\$18,701.2	\$16,547.6	\$16,486.0
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$1,714.2	\$2,256.0	\$3,157.9

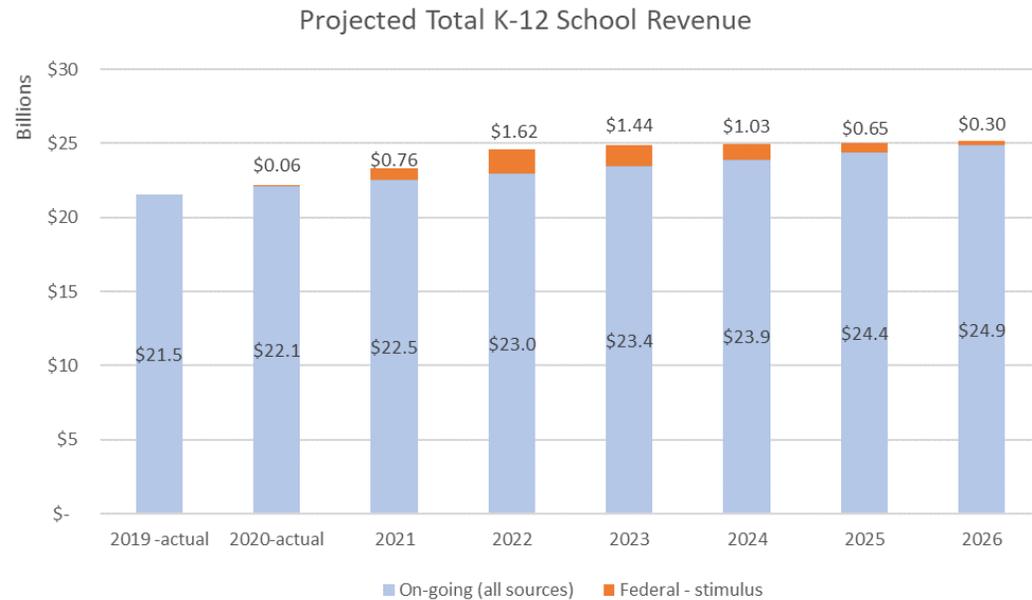
Federal Help: Past, Present, and Future

Each with a different focus

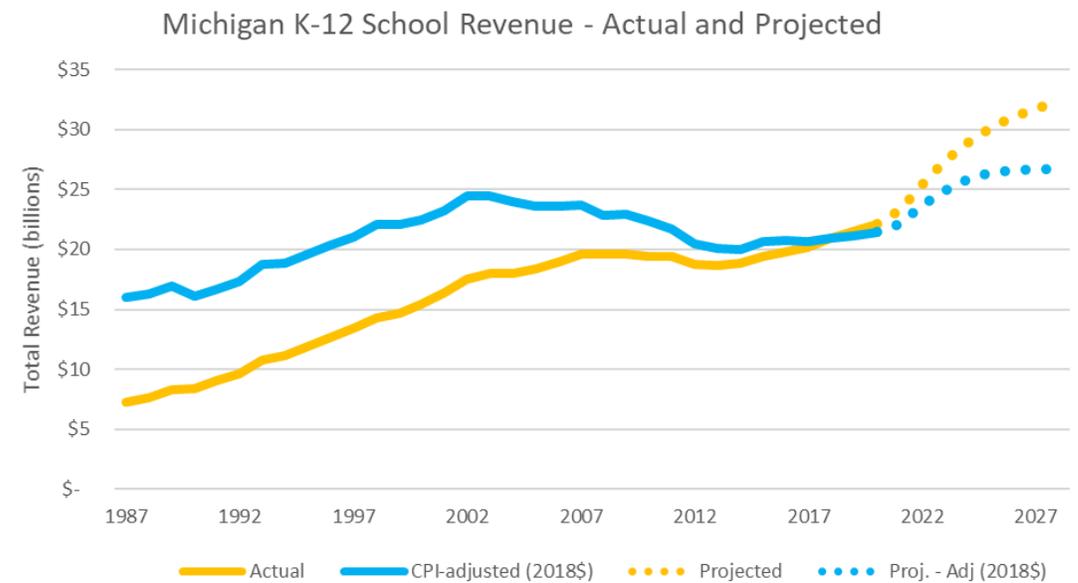
- Since March 2020, three federal education stimulus packages – \$6.1B to Michigan school districts and charter schools
- Each package exponentially larger than the previous one
 - March 2020 – CARES Act - \$721M
 - December 2020 – Federal Supplemental Appropriations Act - \$1.5B
 - March 2021 – American Rescue Plan - \$3.7B
 - Ave. per-pupil - \$4,100; considerable variation from district to district because of the way Congress allocated the funds (i.e., 90% via Title I)
- Funding extremely flexible – considerable discretion to respond to local needs

Big Picture – What COVID-19 Funding Means

Single largest increase in school funding in history



Source: US Dept. of Education, Congressional Budget Office. Citizens Research Council estimates



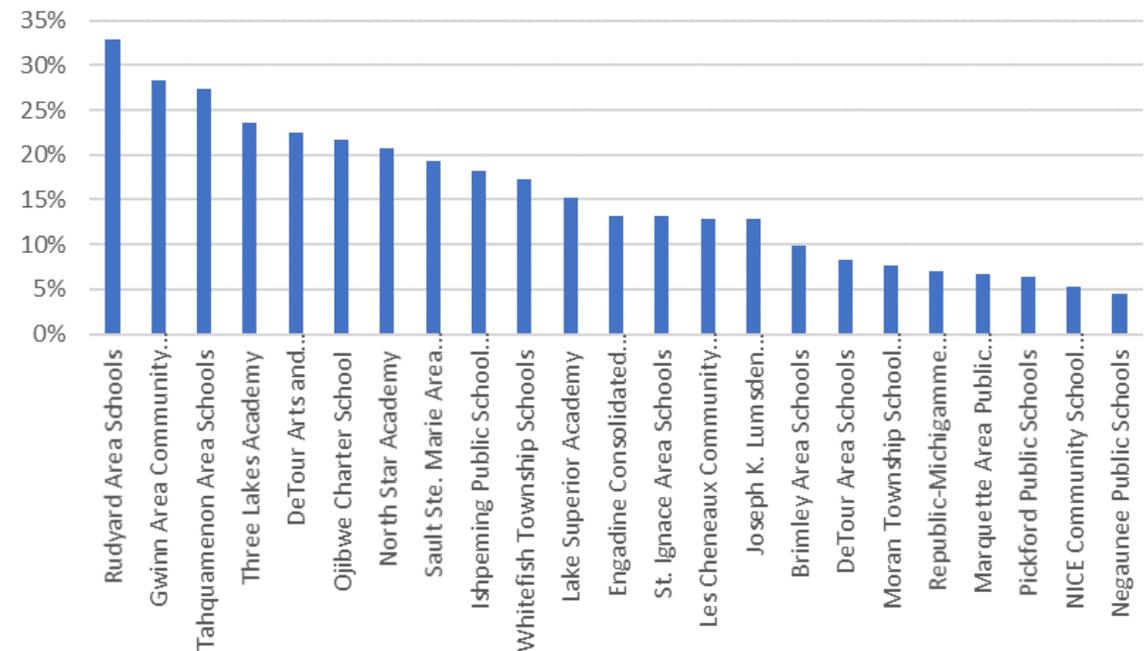
Source: US Dept. of Education, Congressional Budget Office. Citizens Research Council estimates

American Rescue Plan Act: \$3.7B

What it means for U.P. schools

- ARPA –Title IA used to distribute 90% of funding among districts/charters
 - Used with previous packages
 - Federal weighted formula - poverty
 - Not an equal per-pupil allocation
- Wide per-pupil variations across districts
 - Selected U.P. schools: \$4,800 to \$500
 - State ave: \$2,230
 - Max: \$25,000
- Bottomline: Some districts will have ample funding to address their students' needs, others may not
 - State efforts to equalize funding disparities (up to \$1,000)

ARPA Funding as % of District 2020 Revenue



American Rescue Plan Act: \$3.7B

What it means for U.P. schools

- Federal funds highly flexible – districts decide how to spend
 - Good thing – locals know their students best
 - 20% set-aside to address student learning loss (\$670M statewide)
- Highlights of federal legislation
 - States must grant 2/3 of funds to districts by May 24
 - Districts have 90 days to submit spending plans
 - Must include public input – “meaningful consultation”
 - ARPA contains transparency, accountability provisions that previous packages did not
 - Spending decisions today, while funds support multi-year efforts
 - 2021 summer school, re-opening fall 2021, wrap-out/compensatory programs in fall 2021 and beyond
 - Funds must be spent by 9/30/24 – four fiscal years
- State portion (\$353M) – TBD

Final Thoughts

- Unprecedented federal financial assistance – drive Michigan school funding levels to new heights
- Early concerns about state revenue drops did not materialize; just the opposite as School Aid Fund enjoying steady growth fueled by federal stimulus
- Up to this point, federal dollars used to operate schools during pandemic
- Looking forward, districts are now taking stock of students' needs post-pandemic and developing strategies to address them
 - Federal funding will play large role in these efforts; but, because of the use of Title IA to allocate these dollars, some districts better off than others
- These federal funds and their impact will be part of school budget discussions for foreseeable future

Panel Discussion

Angie McArthur, Eastern Upper Peninsula ISD

William Saunders, Marquette Area Public Schools