

# Challenges in Education Funding:

How to overcome and achieve through financial  
efficiencies

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JOHN WILSON

CSFO

BALDWIN COUNTY BOARD OF EDUCATION

# Education Funding Challenges - National

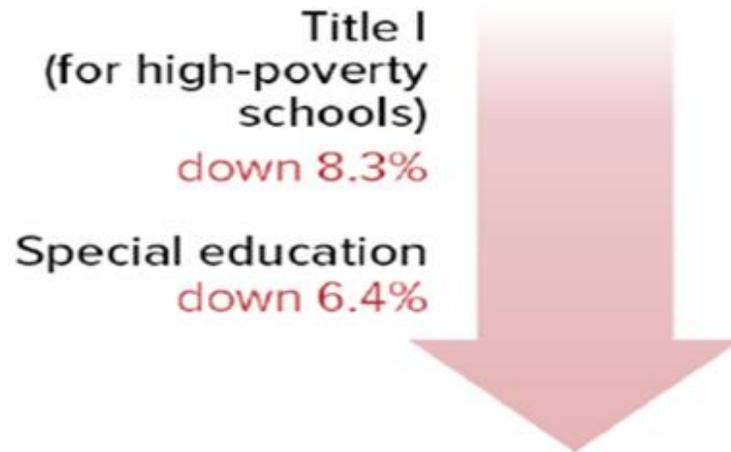


# Federal Funding

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## Major Federal Education Aid Programs Have Shrunk

Funding change from 2010 - 2016, adjusted for inflation



Source: CBPP calculations based on Office of Management and Budget data, 2016.

## In 2018 the Trump/Devos Budget

- Requested a decline of \$1 billion from Title I.
- Would have reduced the federal share of the cost of educating students with disabilities to the lowest level since 2001.
- Thankfully this proposal was not approved but it demonstrates funding challenges are here to stay.

*Source: National Education Association*

## A Punishing Decade for School Funding

By Michael Leachman, Kathleen Masterson, and Eric Figueroa

Public investment in K-12 schools — crucial for communities to thrive and the U.S. economy to offer broad opportunity — has declined dramatically in a number of states over the last decade. Worse, some of the deepest-cutting states have also cut income tax rates, weakening their main revenue source for supporting schools.

Most states cut school funding after the recession hit, and it took years for states to restore their funding to pre-recession levels. In 2015, the latest year for which comprehensive spending data are available from the U.S. Census Bureau, 29 states were still providing less total school funding per student than they were in 2008.

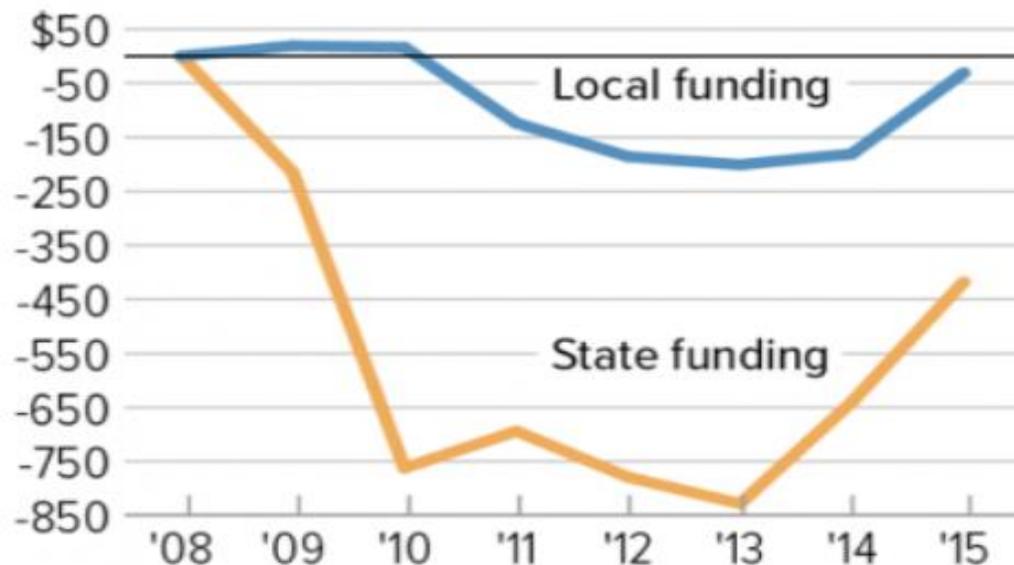
In most states, school funding has gradually improved since 2015, but some states that cut very deeply after the recession hit are still providing much less support. As of the current 2017-18 school year, at least 12 states have cut “general” or “formula” funding — the primary form of state support for elementary and secondary schools — by 7 percent or more per student over the last decade, according to a survey we conducted using state budget documents. (See Appendix.) Seven of those 12 — Arizona, Idaho, Kansas, Michigan, Mississippi, North Carolina, and Oklahoma — enacted income tax rate cuts costing tens or hundreds of millions of dollars each year rather than restore

FIGURE 1



## K-12 Funding Fell Sharply After Recession Hit

Change in funding per pupil compared to 2008, inflation adjusted



Note: Excludes Hawaii and Indiana due to lack of data.

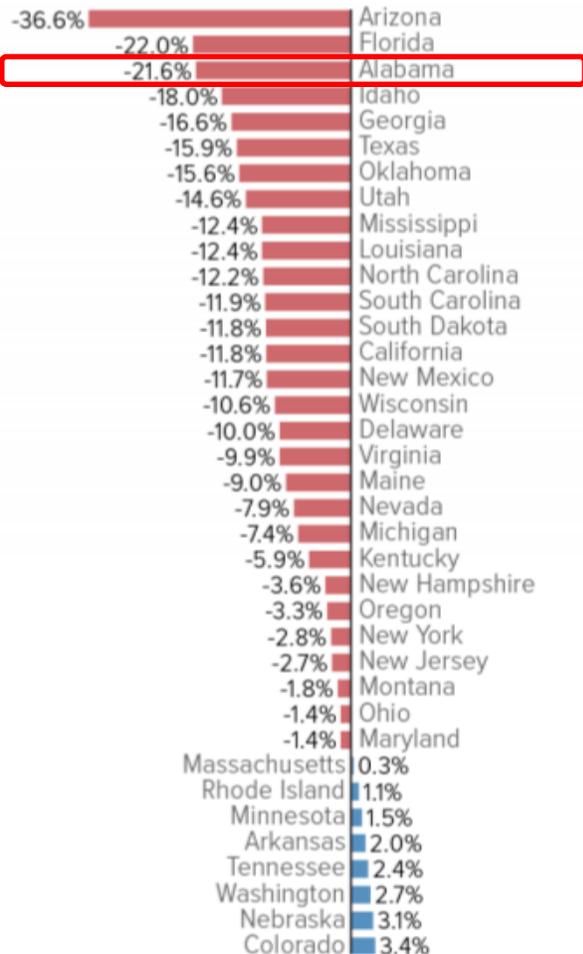
Source: CBPP analysis of U.S. Census Bureau, "Public Education Finances: 2015."

**“Weakening a key funding source for school districts.** Some 47 percent of K-12 spending nationally comes from state funds (the share varies by state). Cuts at the state level force local school districts to scale back educational services, raise more local revenue to cover the gap, or both. And because property values fell sharply after the recession hit, it was particularly difficult for local school districts to raise significant additional revenue through local property taxes without raising tax rates, a politically challenging task even in good times. (See Figure 1.)”

Source: Center on Budget and Policy Priorities

## Total State K-12 Funding Below 2008 Levels in Most States

Percent change in total state funding per student, inflation adjusted, fiscal years 2008-2015



## Why Have States Cut Funding So Deeply?

- 1) States Relied Heavily on spending cuts after the recession hit.
- 2) State revenues sources have been hurt by a variety of factors.
- 3) Some states cut taxes deeply
- 4) Cost are rising
- 5) Federal funding for most forms of state and local aid has fallen

Source: Center on Budget and Policy Priorities

# States Faced Revenue Shortfalls Despite Growing Economy

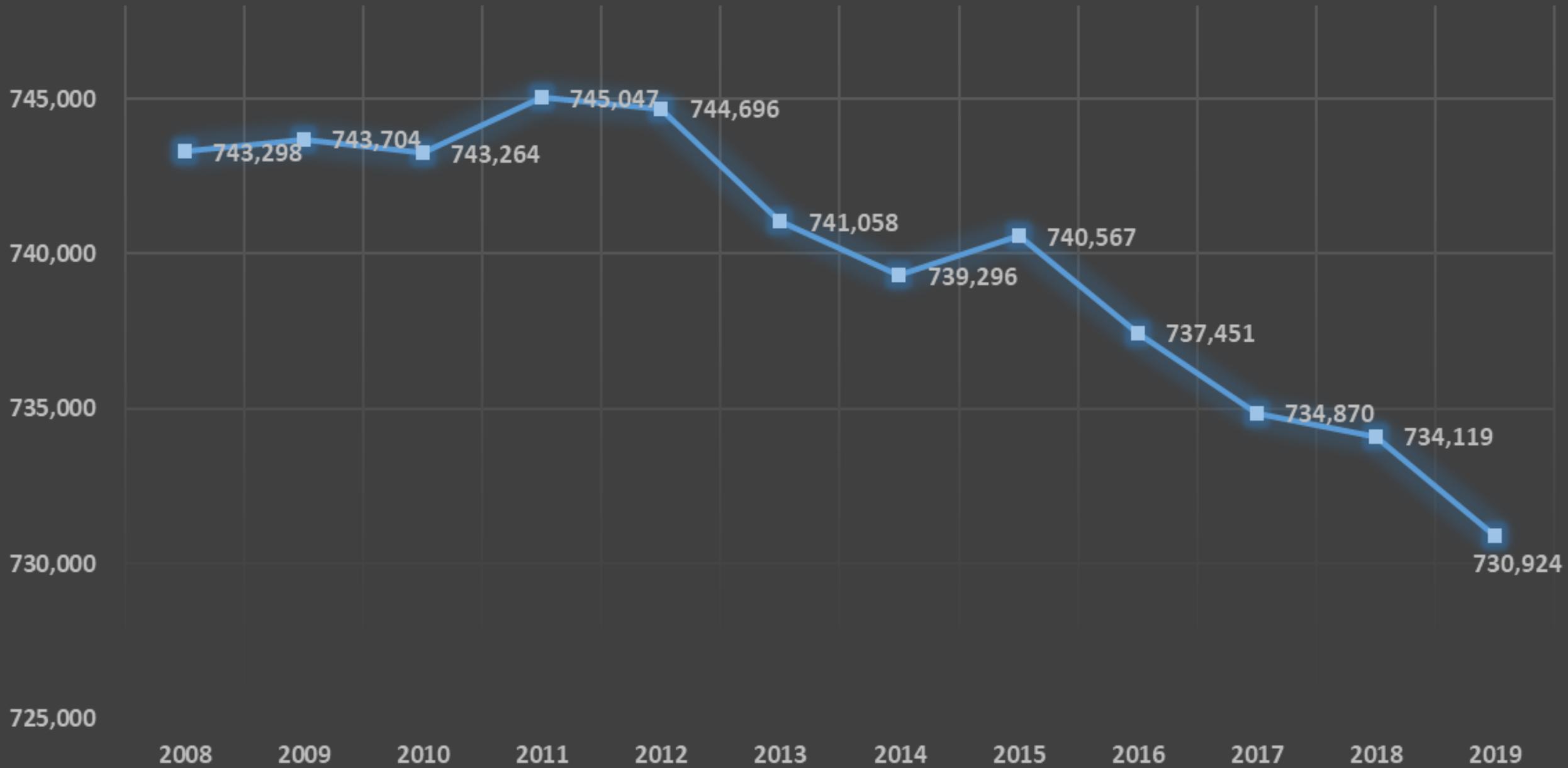
## 30 States Addressed Revenue Shortfalls in Fiscal Years 2017 and 2018



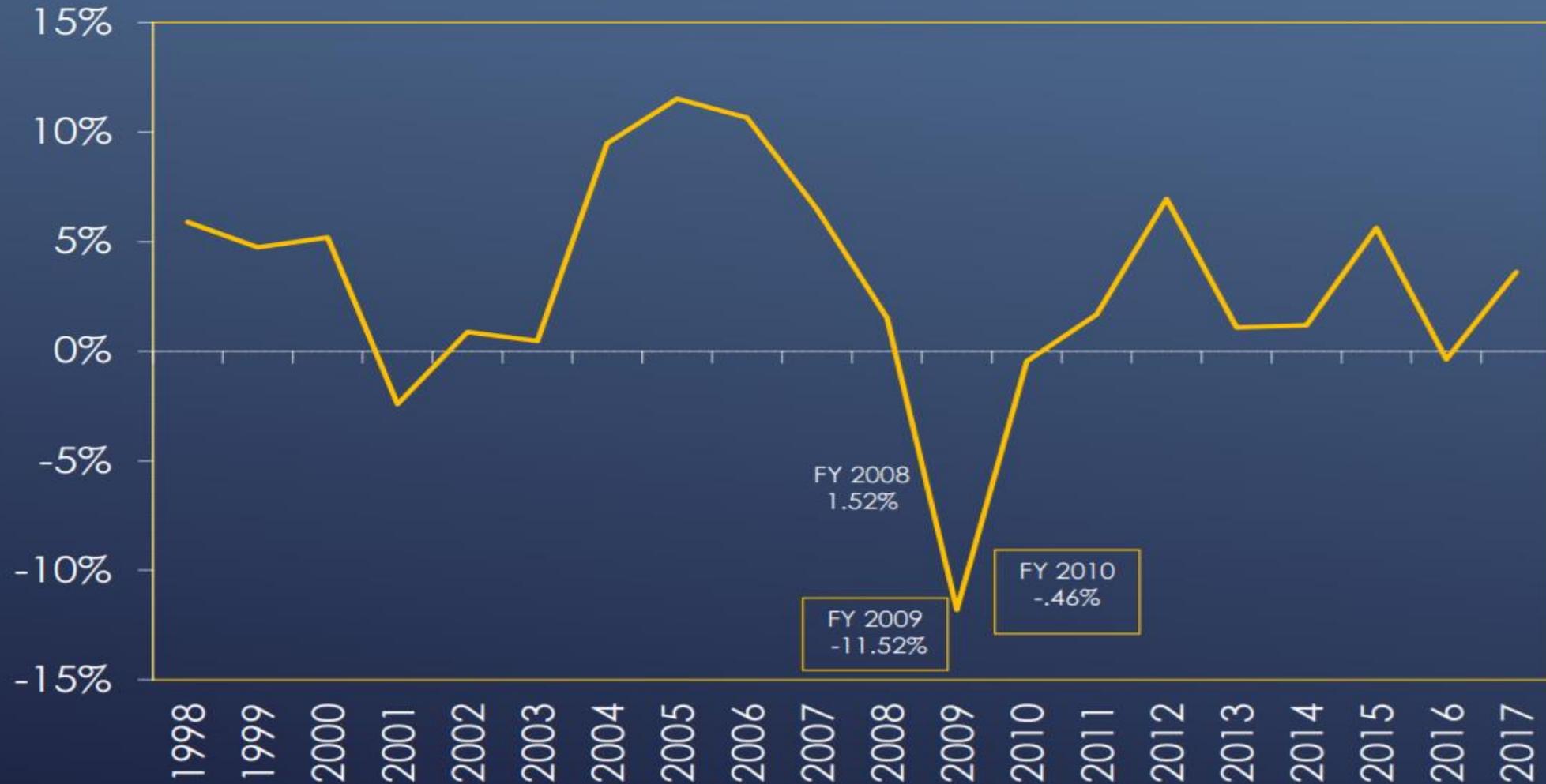
CBPP analysis of state budget documents and news sources.



# Alabama K-12 Enrollment

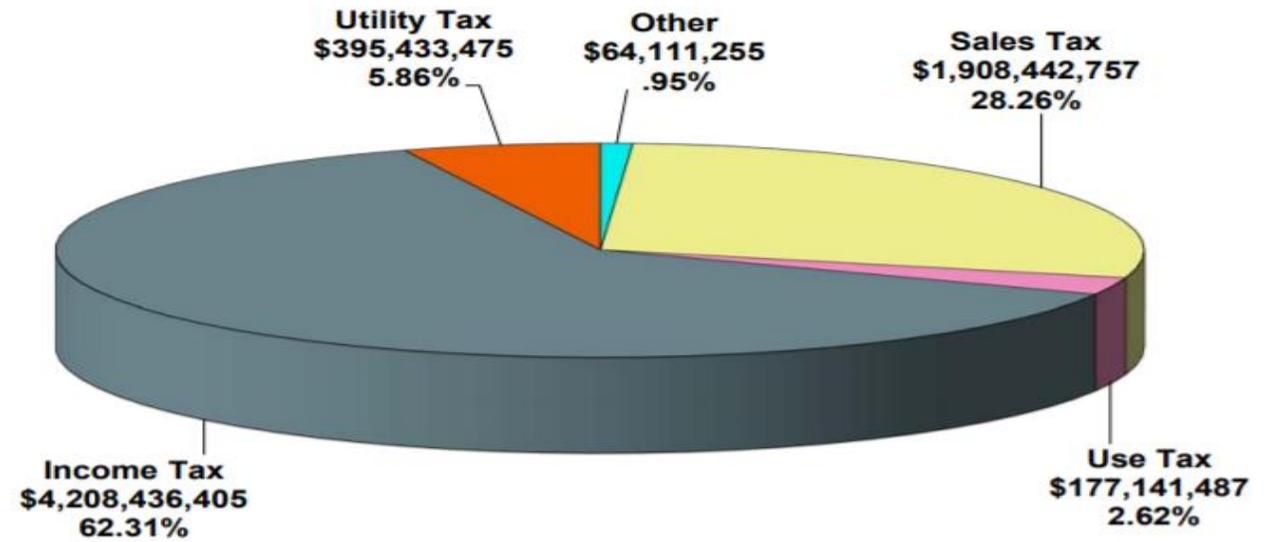


# GROWTH IN ETF RECURRING REVENUES SINCE FY 1998



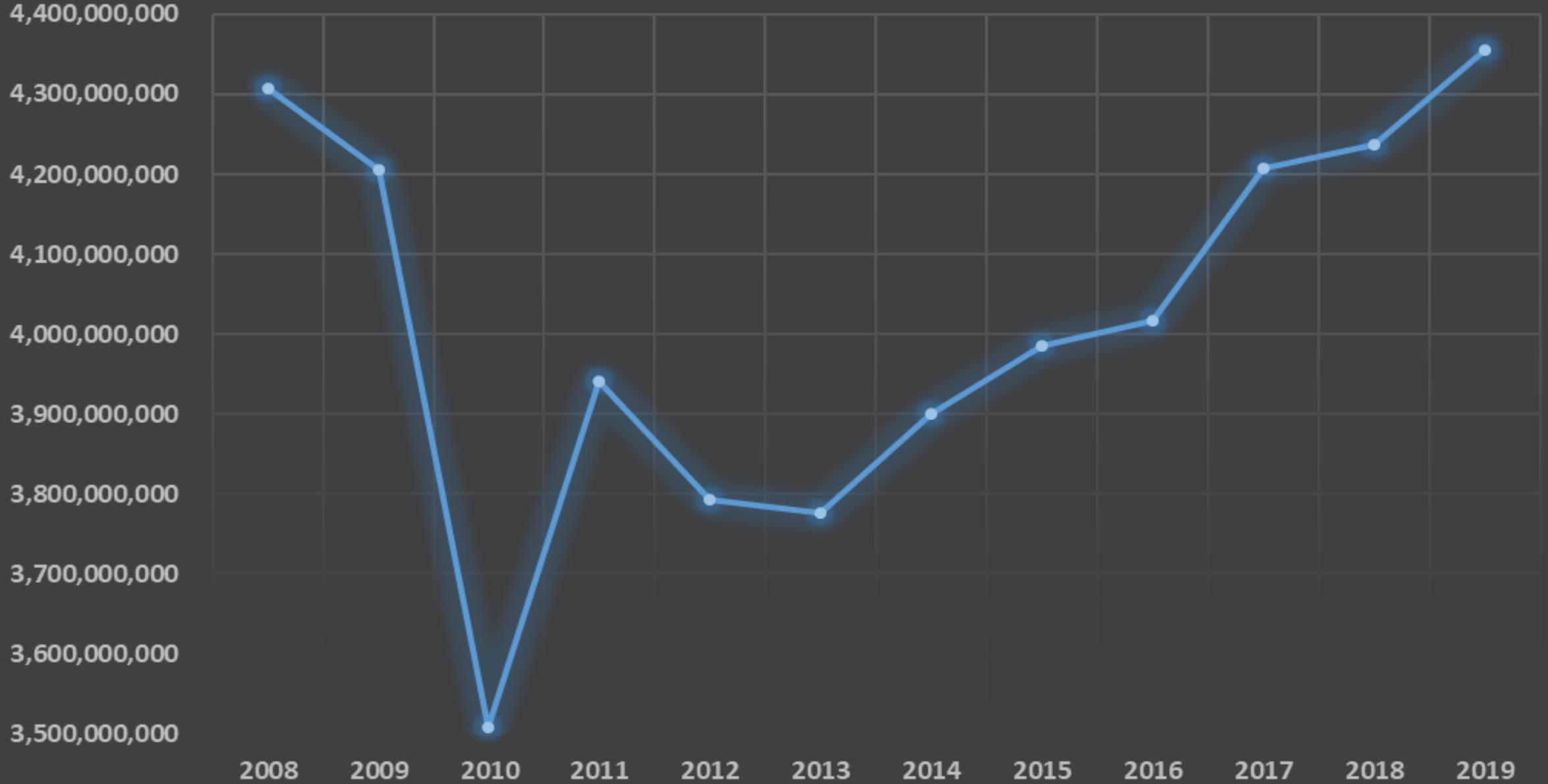
# RECEIPTS BY SOURCE, FY 2018

**Total Receipts:  
\$6,753,565,379**

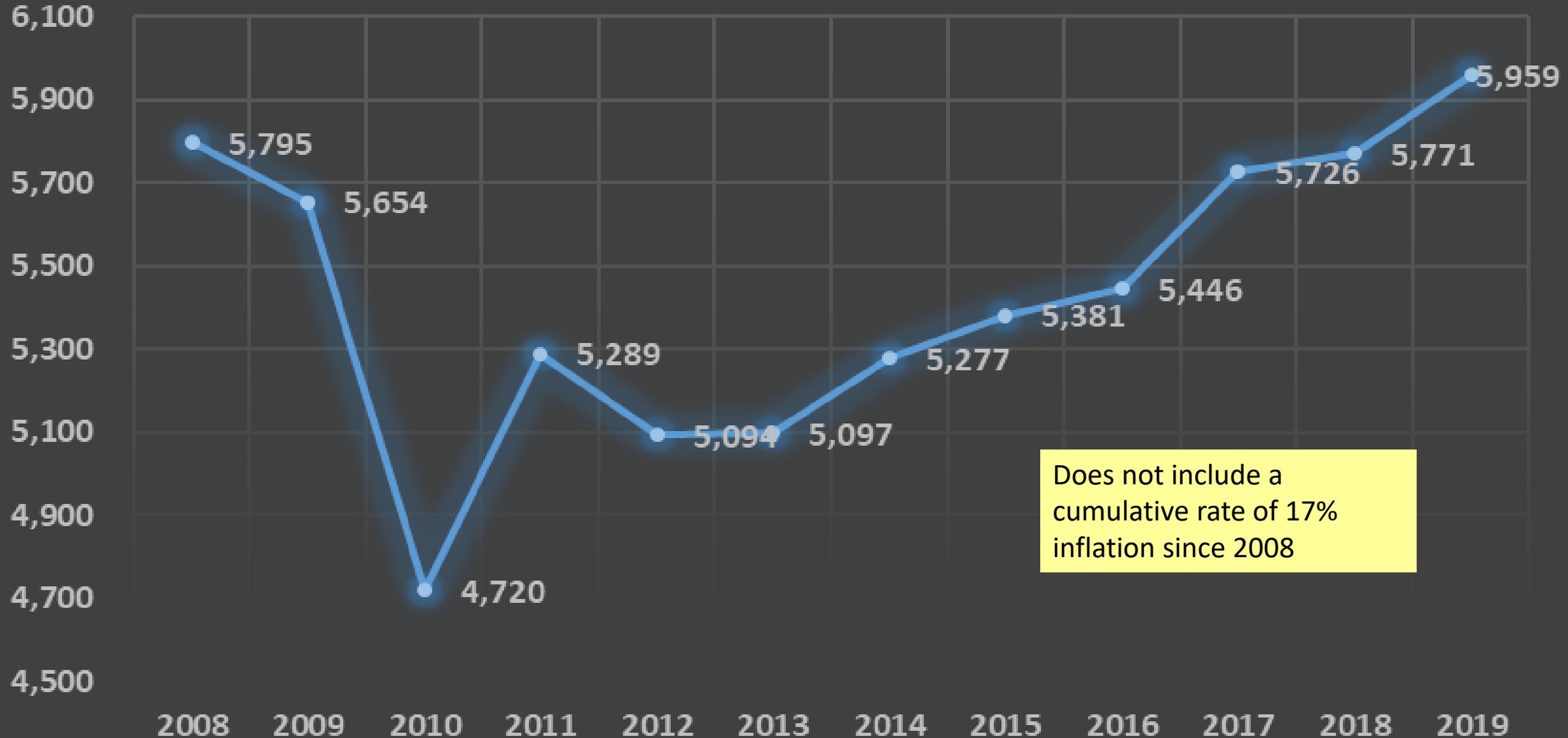


Source: Legislative Fiscal Office

# Total State Funds



# State Funding Average Per Student



# State Funding Never Fully Funds a Program

<b>Baldwin County</b>	
<b>State Funding Examples</b>	
Foundation	One Year Behind, Average 500 students per year with No State Funding
Transportation	Only Funds 270 out of 337 Bus Drivers
OSR Pre-K	Has to be supplemented with \$1.8 million in Title I funds to fully fund
Transportation (Fleet Renewal)	Only Funds 80% of Bus Cost, No extra allocation for SPED buses which can cost over \$100k each
Alabama Reading Initiative	Funds 15 out of a Total 28 Reading Coaches
School Nurse Program	Funds 13 Out of a Total 52 School Nurses
At Risk	Funds 7 out of total 12 Social Workers
Alabama ESL Funding	Funds 2 out of Total 26 ESL Employees
Gifted Education	Only Funds 1 out of 40 Gifted Teachers

# FISCAL YEAR START DATE

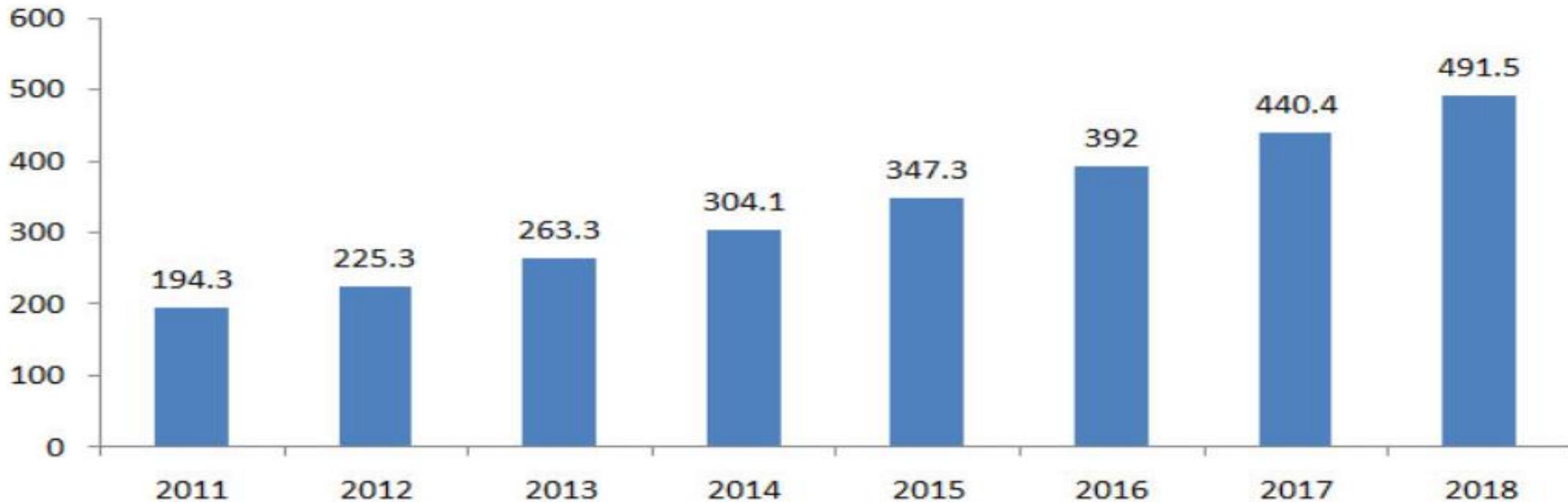
- 46 states have fiscal years that begin on July 1
- 4 states, including Alabama, have fiscal years that begin on other dates
- Alabama and Michigan are the only states with an October 1 start date, which matches the federal fiscal year

SOURCE: National Association of State Budget Officers, *Budget Processes in the States*, Spring 2015

# Future Economy Trends and How That Will Impact School Funding

**E-Commerce has almost tripling since 2011**

**U.S. Retail E-Commerce Sales  
(In Billions)**

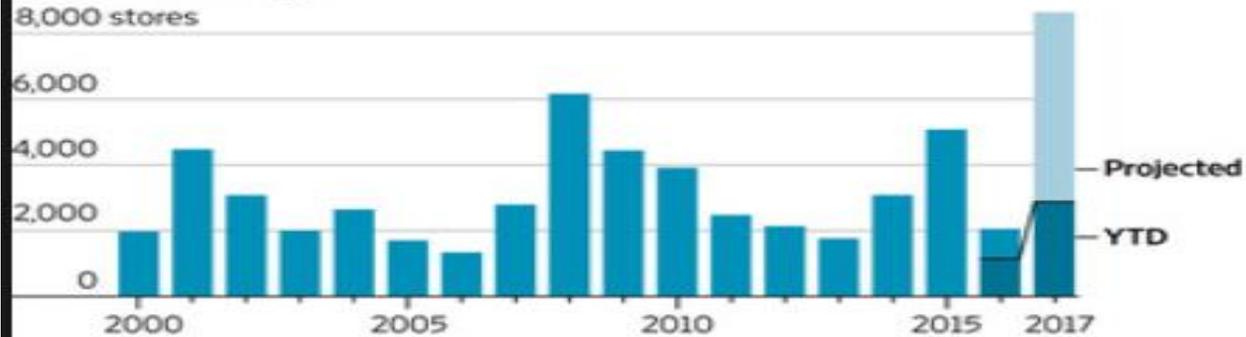


# Brink and Mortar Retail Struggling

## Retail Reeling

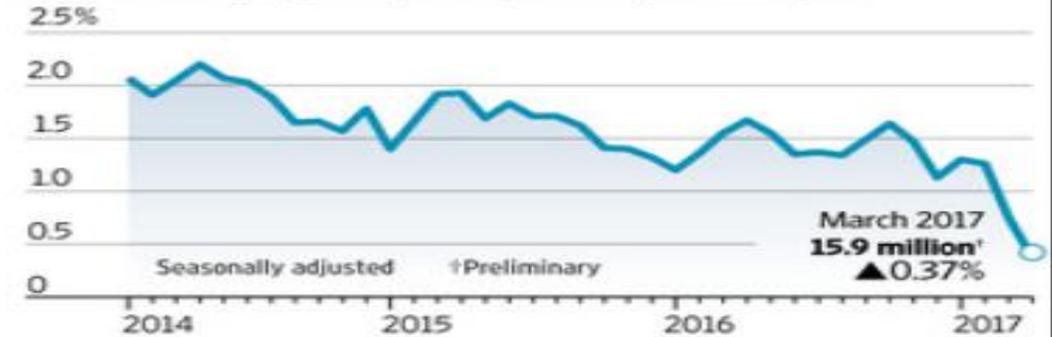
U.S. retailers are on pace to close the most stores in more than a decade...

### U.S. store closings



...and they are adding fewer jobs.

### U.S. retail employment, change from previous year



Smaller specialty chains such as Bebe and American Apparel are closing all their stores, while larger chains such as J.C. Penney and Sears are scaling back their footprint.

### Selected 2017 store closings, estimated



Sources: Credit Suisse (U.S. store closings); Labor Department (employment); staff reports (2017 store closings)

THE WALL STREET JOURNAL.

# Articles Posed February 14<sup>th</sup> 2019

## ECONOMY

THE FED | CENTRAL BANKS | JOBS | US ECONOMY | EUROPE ECONOMY | CHINA ECONOMY

### Retail sales drop the most since September 2009

Published 3 Hours Ago | Updated 3 Hours Ago



### 'Unbelievable': Retail sales collapsed by the most since 2009 in December

Gina Heeb

Feb. 14, 2019, 09:18 AM



SPONSORED FINANCIAL CONTENT

# New Alabama Law Simplified Sellers Use Tax (The Amazon Tax)

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Passed in 2018

Allows online merchants to pay a flat 8% sales taxes (9%-10% is an average brick and mortar stores charge).

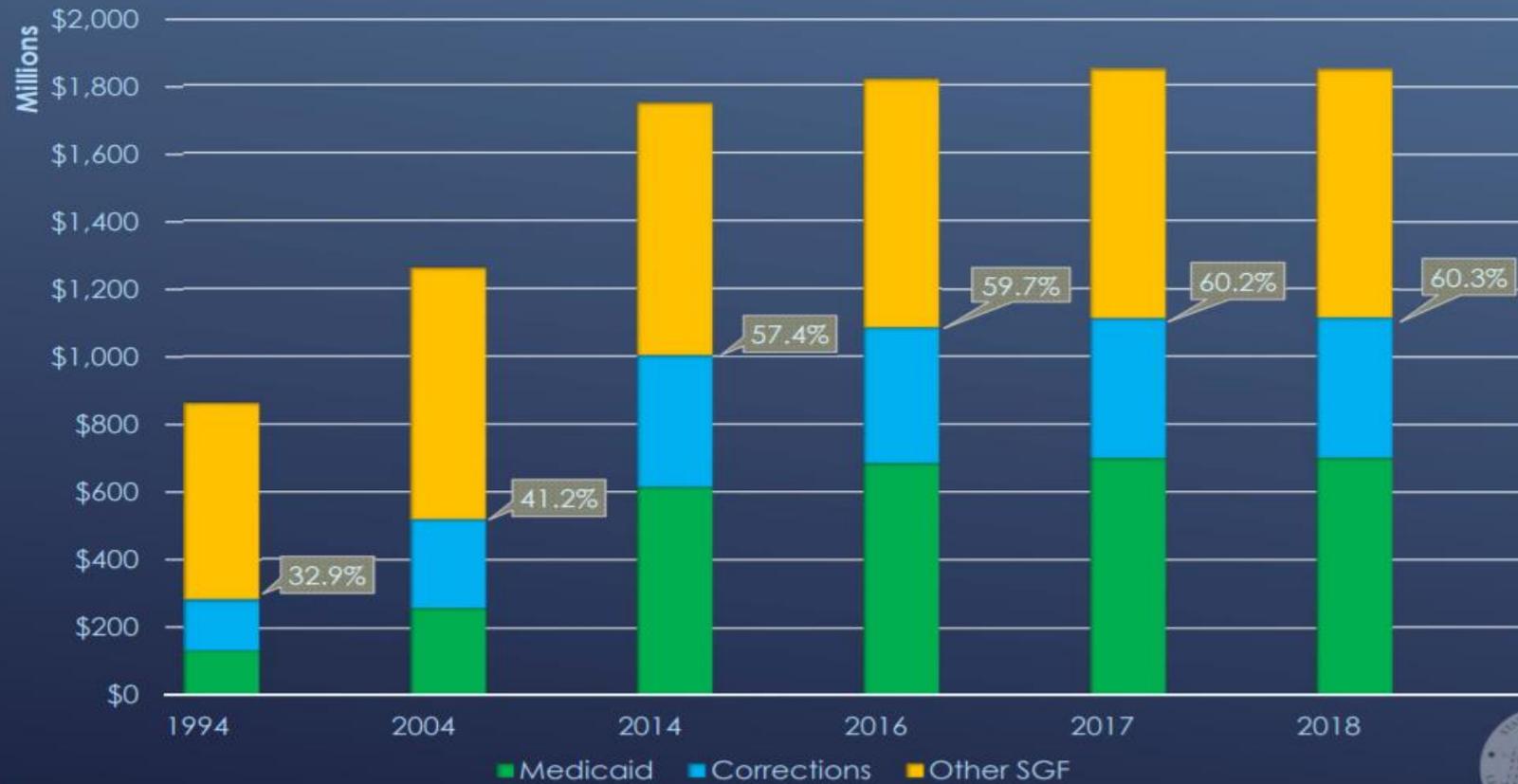
4% goes to State (75% to General Fund/ 25% to ETF)

2% goes to county commission, 2% goes to cities (county and city share prorated for population).

**0% GOES TO SCHOOL BOARDS**

# Combining General and ETF Budget

## STATE GENERAL FUND GROWTH: CORRECTIONS AND MEDICAID SHARE



Medicaid and Correction Expenses Continue to Grow Faster Than Revenue Coming in.



# Combining the General and ETF Budget

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The underlying issues in the State budget can only be address through changes in revenue or more drastic statewide cuts

Anything else is just **“Robbing Peter to Pay Paul”**

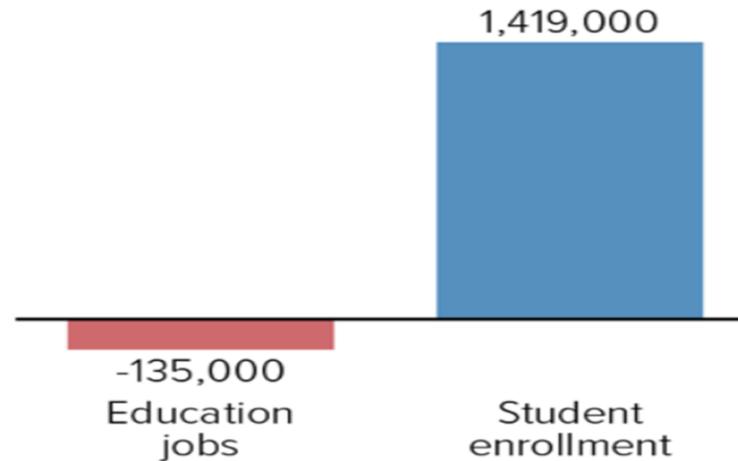


# Teacher Shortage Nationwide

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## K-12 Education Jobs Have Fallen as Enrollment Has Grown

Change, fall 2008 to fall 2017



Source: CBPP analysis of data from Bureau of Labor Statistics and National Center for Education Statistics

# Could American's Teacher shortage get worse?

According to data for the U.S. Census Bureau compiled by career website Zippa:

- In 1975, more than 1/5, 22% of college students majored in education- higher share than any other major.
- By 2015, fewer than 1/10 (10%) pursuing higher education devoted their studies to education.

Only 4.6 percent of college freshmen planned to major in education, down from 10 percent in the 1970s, according to a May 2017 study from University of California.

Over the past decade, roughly 8 % of the American teachers left the profession – Learning Policy Institute.

## North Carolina Teachers to Strike in May – Louisiana Teachers Could Follow – Georgia Bus Drivers Fired for Striking



NEWS / UNITED STATES

## US: Arizona teachers vote for first-ever statewide strike

*The vote to strike comes amid a growing movement of educators demanding better pay and increased funding for US schools*

NATION

## Red-state revolt continues: Teachers strike in Oklahoma and protest in Kentucky

By MATT PEARCE APR 02, 2018 | 7:00 PM



### Talks over Los Angeles teachers strike to resume Saturday

NATIONAL BUSINESS

BY JOHN ANTCAZAK AND AMANDA LEE MYERS ASSOCIATED PRESS  
JANUARY 19, 2019 01:07 AM, UPDATED JANUARY 19, 2019 01:08 AM



## Hundreds of teachers hold walkout, protest in West Virginia

BY JOSH DELK - 02/02/18 10:48 AM EST

88 COMMENTS

3,021 SHARES



THE CALIFORNIA REPORT

## Teacher Sickout Looming in Oakland as Anger Boils Over



## New Year Likely to Bring More Teacher Strikes

This year was a year of unprecedented educator activism, and 2019 could bring more of the same.



By Lauren Camera, Education Reporter Dec. 28, 2018, at 1:40 p.m.



# Impact to Teachers in Alabama

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One of the largest factors in Alabama impacting recruiting new teachers was pension reform

- Tier I employees hired prior to January 1, 2013, could receive full retirement after 25 year of service.
- Tier II employee hired after January 1, 2013 are not able to receive full benefits until after 25 years of service and over 62 in age.
- **Translation:** A new kindergarten teacher starting work at 22 will have to work over 40 years before they are eligible to receive full retirement benefits.
- As benefits continue to decline more and more college students are choosing other professions.

# Increased Cost of Employer Benefits For BOE

PEEHIP (Health Insurance)		
Fiscal Year	Employer Cost per Month Per Active Employee	Employer Cost per Year Per Active Employee
1998	200	2,400
1999	225	2,700
2000	317	3,804
2001	345	4,140
2002	414	4,968
2003	433	5,196
2004	479	5,748
2005	583	6,996
2006	668	8,016
2007	717	8,604
2008	775	9,300
2009	752	9,024
2010	752	9,024
2011	752	9,024
2012	714	8,568
2013	714	8,568
2014	714	8,568
2015	780	9,360
2016	780	9,360
2017	800	9,600
2018	800	9,600
2019	800	9,600

Since 1998 Employer PEEHIP Expense Has Increase **\$7,200** per employee or **300% increase!!!**

RSA (Retirement)	
Fiscal Year	Employer Rate
1998	9.66%
1999	4.03%
2000	6.38%
2001	6.38%
2002	5.96%
2003	5.02%
2004	6.56%
2005	7.03%
2006	8.17%
2007	9.36%
2008	11.75%
2009	12.07%
2010	12.51%
2011	12.51%
2012	10.00%
2013	10.00%
2014	Tier I 11.71%
	Tier II 11.08%
2015	TI 11.71%
	TII 11.05%
2016	TI 11.94%
	TII 10.84
2017	TI 12.01%
	TII 10.82%
2018	TI 12.24%
	TII 11.01%
2019	TI 12.41%
	TII 11.35%

How much more can the RSA Employer Contribution Increase?

# Baldwin County Story

The largest challenge for Baldwin County was figuring out the best method for stabilizing our funding while addressing our tremendous countywide growth.

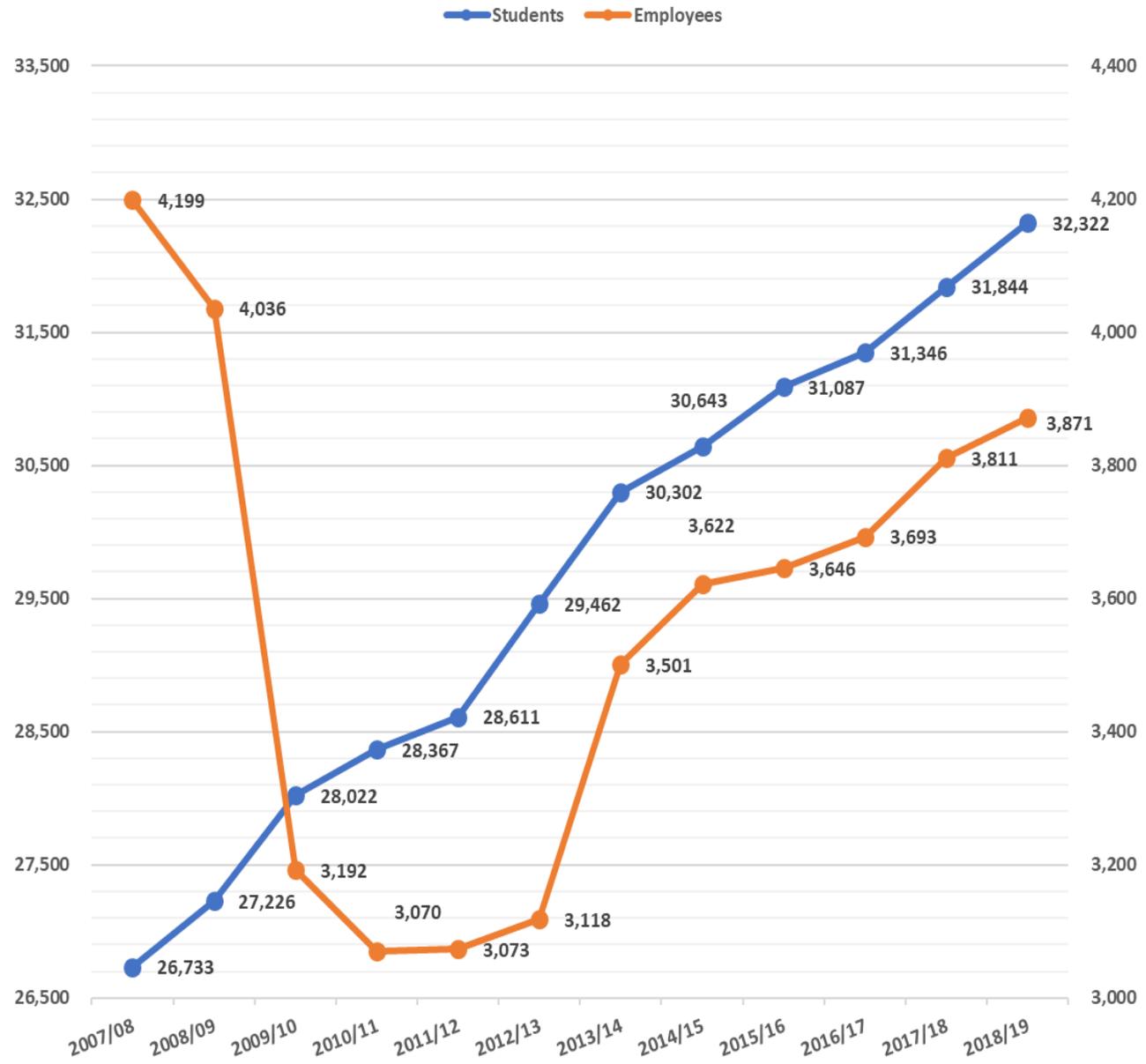
The perfect storm of funding issues occurred in 2010:

- Economic Recession (Ad Valorem and Sales Tax Fell Dramatically)
- Multiple Years of State Proration
- BP Oil Spill (One of the worst man made disasters ever right on our shores)

County Commission enacted a 1% Sales Tax which expired in 2013, then was replaced by our legislative delegation per referendum in 2012 but only for 5 years.

This short term revenue source lacked the stability to address our challenges mainly related to our tremendous enrollment growth.

# BCBE Employees & Student Growth



Since 2007/2008 we have seen an increase of approximately **5,590** students while our employee levels are still not back to 2007/2008 levels.

# Capacity Concerns

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Baldwin County was averaging around 500 new students per year.

In 2014, our countywide portables were expanding quickly exceeding over 100 throughout the County.

The last new school was built in 2009.

All current long-term revenue sources were already pledged towards existing debt, we were faced with no bonding capacity to address our capital needs using the typical methods.

# 2015 8 Mill Tax Referendum

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In 2015, the board set out to do what hadn't been done in over 50 years in Baldwin County, and that was to raise countywide property taxes.

An 8 mill increase in property taxes would have provided the long-term stable funding necessary to fulfill a \$360 million ten year capital plan, while still ranking us below the majority of systems in the State.

12 mills  20 mills for Education.

I'm sure everyone in the room know how that turned out.

# 0 Baldwin County voters turn down proposed new taxes, as well as some renewals



191 shares



Gallery: Baldwin Schools Property Tax Referendum results on March 31, 2015



By Michael Dumas

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on March 31, 2015 at 9:44 PM, updated March 31, 2015 at 11:45 PM



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Bruce Pearl explains heated postgame exchange with Alabama strength coach

The new tax proposal was rejected by **70% countywide!**

**Out of 46** Countywide Voting Precincts **Only 1 Voted Yes** on the 8 mill increase.

We even lost existing funding that was just being renewed after 30 years.

# Time for action

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We couldn't dwell on the negatives, it was time to evaluate everything and try to address our growth demands by whatever means necessary.

I went line by line within the our budget identifying areas to cut without impacting the quality and resources in the classroom.



# A Few Examples of Cost Saving Measures:

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- ❖ Replaced student Macbooks with Chromebooks creating close to \$7.5 million in savings.
- ❖ Software consolidation and elimination – creating over \$1 million dollars in annual savings.
- ❖ Absorbed as many locally funded units as possible through foundation and other funding mechanisms freeing up \$2.8 million in local funds.
- ❖ Evaluated all locally funded central office departments to identify close to \$2 million in annual cuts.
- ❖ Refinanced all local bonds creating approximately \$750,000 in annual interest savings.
- ❖ Expanded the P-Card programs and utilization to generate over \$250,000 per year in annual rebates.

# Every Penny Counts

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Those cost saving measures combined with tax revenue growth resulted in approximately \$15 million saved and put into our Capital Projects Account.

We partnered with the County Commission to stabilize the 1% Sales Tax and take the funds from cost saving measures along with revenue growth to generate a new innovative low interest 4 year construction financing plan.

This has allowed us to build four new schools, pay off the remaining debt tied to these 4 schools over a four-year period, both without any long term bonds or additional taxes.

# What Challenges Do You Face

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- Just waiting or relying on the Federal or State Government to jump in and “save you” is very risky.
- Its time to take matters into your own hands and think outside the box/ challenge the status quo
- Because:
- If we don't then who will, the future is too important.