**Districts Brace for Crash in State K-12 Revenue Due to Coronavirus**

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School districts should brace for a precipitous drop in state K-12 aid next year because of the coronavirus’s widespread impact on the economy—and they should start preparing now, funding experts warn.

“For districts, this is going to be a double whammy,” said Jonathan Travers, a partner with Education Resource Strategies, which consults with urban districts’ chief financial officers and advocates for more equitable spending. “There’s uncertainty on the revenue side as far as how much state aid districts are going to get … and, on the expense side, we’ve got to figure out how to respond to this new world. Districts need to begin planning for a new reality.”

A slowdown or recession would most dramatically impact America’s impoverished and academically struggling districts where property values are low, and districts are heavily reliant on state aid. And with most schools shut down across the country and legislatures rushing to complete business, the chill is already beginning.

*See Also:* [**Coronavirus and Schools**](https://www.edweek.org/ew/collections/coronavirus-and-schools/index.html)

School funding advocates in a number of states described an anxious past couple of days as they have raced to spare initiatives to raise teachers’ pay, overhaul school funding formulas, and reduce class sizes.

“There’s already talk of dramatically lowering the anticipated revenue and that would create problems for us going forward,” said Mark Tallman, a lobbyist for the Kansas Association of School Boards. The state's governor has the authority, in the case of a recession, to slash away at school funding.

Tennessee’s Republican Gov. Bill Lee this week cut in half the amount of money he wants to set aside for teacher pay raises and then got rid of a $250 million proposal to provide mental health services in schools. He instead set aside that money in the state’s emergency fund.

“We are now likely embarking on a recession caused by this rare health pandemic,” Tennessee’s finance Commissioner Stuart McWhorter told the state’s legislature this week.

Maryland’s legislature, which raced to approve legislation this week before adjourning its session early, added a clause to an ambitious school funding overhaul that would pull all new funding in the case of a recession.

And Wisconsin’s legislature cancelled a special session in which Democratic Gov. Tony Evers planned to pitch an ambitious plan to spend more on special education.

“The legislature basically gaveled in and out of the special session and refused to take up his education package,” said Heather DuBois Bourenane, who oversees the Wisconsin Public Education Network, a school funding advocacy organization. “We're struggling even to know where to advocate because who do we ask—and for what—the bar keeps moving every day.”

For states that are operating on a biannual budget such as Texas or North Dakota, fiscal experts warn cuts next legislative session will be even deeper. They also warn legislatures could reconvene this summer in special sessions to make changes and potentially enact cuts to their budgets.

**Costs Will Pile Up**

Districts have been sacked in recent weeks with unexpected costs associated with the coronavirus: delivering meals to students, setting up makeshift child-care centers, and purchasing distance learning materials for students.

Those costs are expected to rise next year when students—many emotionally traumatized and behind academically—return to school. Any substitute teacher or transportation savings districts might gain by shaving off weeks or months of the school year will be outstripped by new intervention and counseling costs, experts warn.

“States are going to take a massive hit,” predicted Marguerite Roza, a Georgetown University school finance expert. “School districts will be fine through the end of the school year. But next year is going to be a come-to-Jesus moment.”

At the beginning of this year’s legislative session, states were flush with cash. Unemployment was at a record low, income tax revenue had finally rebounded, and states had started collecting hundreds of millions of dollars in online sales tax revenue after a years-long court battle.

School districts have waited on the sidelines for years while states after the Great Recession built up their rainy-day funds, capped property taxes and gave tax breaks to corporations to spur back the economy.

Public school advocates in January set out with ambitious requests, in hopes that with the surplus dollars and the economy doing so well, legislators during an election year, would spend big on public schools, an action that’s taken on political steam since 2018 when tens of thousands of teachers went on strike.

But then the coronavirus hit.

“If you asked most states in January, they would’ve said, ‘Our budget picture is looking pretty good,” said Josh Goodman, a senior officer for The Pew Charitable Trusts who has analyzed the impact the coronavirus could have on state budgets. “Fast forward two months and the situation looks dramatically different.”

Goodman said any prediction on the impact of the virus’ spread is speculative because analysts don’t know the course of the epidemic or how that will translate in the economy.

Analysts will be able to get a better sense of how much revenue they can expect to lose at the end of this month or next month when tax receipts start coming in.

But earlier this week, several state legislatures called on their budget officers to make some early predictions. In New York, for example, Comptroller Thomas P. DiNapoli told Gov. Andrew Cuomo in a letter that the state could lose anywhere between $4 billion to $7 billion in revenue next year.

Fiscal experts also warn that a surge in health insurance claims because of the coronavirus will likely increase states’ Medicaid costs, lowering the amount of money states have available to spend on schools.

In addition, a global oil price war could lower the amount of K-12 revenue states like New Mexico, Oklahoma, and Texas spend on their schools.

**Cushioning the Blow**

It remains unclear how far the federal government will go to help K-12 deal with the coronavirus on the fiscal front. A proposal by the Trump administration would provide $100 million in emergency aid to K-12 schools as well as colleges and universities. By way of contrast, America’s public school system spends more than $700 billion a year, and garners almost half its aid from states.

Stacey Mazer, the acting executive director of the National Association of State Budget Officers pointed out that some states may be able to withstand a recession better than others and mitigate cuts to their K-12 budget because many have giant rainy-day funds. Other states won’t be so lucky.

“The impact is going to vary based on how much cash states have on hand and the duration of this crisis,” Mazer said.

At the same time, some states will have particular challenges when it comes to revenue.

Earlier this week, Nevada shut down its casinos, forcing the layoffs of tens of thousands of workers. More than half the state’s budget comes from sales tax revenue and a gambling tax the state levies on its casinos.

“We really are the hot zone for this,” said Educate Nevada Now spokeswoman Michelle Alejandra Booth. “We are really concerned about how our schools will bounce back from this.”

*The Associated Press contributed to this article.*

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