Recessionary School Funding in Missouri: Lessons from the Great Recession

By: Aaron Park, J. Cameron Anglum, & Evan Rhinesmith

VOLUME 2, ISSUE 7

November 2020

PRiME CENTER
SAINT LOUIS UNIVERSITY

In the spring of 2020, the COVID-19 pandemic caused dramatic shifts in everyday life, including a shutdown of schools, businesses, and economies. The state of Missouri, like many other states, experienced sharp declines in tax revenues, forcing substantial cuts to the state budget. The state's PK-12 and higher education budgets underwent substantial reductions, with Gov. Mike Parson announcing over $120 million in cuts to PK-12 education alone. In this brief, we discuss the implications of the COVID-19 pandemic and ensuing economic recession, as well as how federal fiscal aid from the American Recovery and Reinvestment Act helped mitigate similar budget cuts following the Great Recession. We note that districts with varying local wealth experienced heterogeneous school funding recoveries and discuss other policy implications in education.

Introduction

In addition to causing a catastrophic public health crisis, the COVID-19 pandemic induced a substantial economic recession which began in February 2020.[1] As a result, state revenues have declined sharply nationwide, affecting many government functions including public education.[2] In Missouri, Governor Parson withheld $123.4 million from the state's PK-12 education funding formula, cuts that will directly affect Missouri's students.[3]

Unfortunately, state budget cuts to education are not unprecedented in times of recession, as we witnessed in the years following the Great Recession. In fact, most states still provided less school funding per student in 2015 than they did in 2008, indicating that states likely had not fully recovered from the Great Recession long after emergency federal fiscal aid expired.[4] This policy brief examines and describes recent federal fiscal stimulus funding in Missouri education as well as data on funding declines following the Great Recession. Both may offer lessons for what we might expect from COVID-19-induced budget cuts.

American Recovery and Reinvestment Act of 2009 (ARRA)

While the COVID-19 pandemic and ensuing shutdown are markedly different from the Great Recession, there are lessons to be gleaned from the most recent economic downturn. In response to the Great Recession, the U.S. Congress and Obama administration passed the American Recovery and Reinvestment Act of 2009 (ARRA). Of its $840 billion in total outlays, ARRA provided $100 billion to states for education, of which Missouri received $1.7 billion.[5] ARRA provided substantial funding to sustain and create new school jobs and to fill in state education funding gaps.[6,7] Furthermore, ARRA provided additional funding for students from low-income families and for students with disabilities.

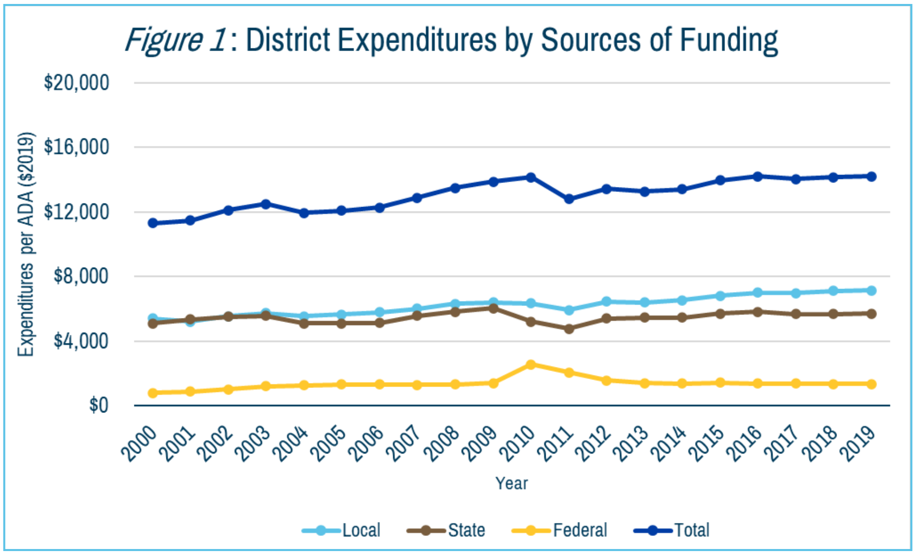
Though federal funding increased through ARRA, Missouri state education funding declined sharply. Figure 1 shows that declines in total Missouri school funding was mitigated by ARRA funding in 2010 and 2011. When ARRA funding dissipated, however, state funding had not yet recovered to 2009 levels. More than a decade later, Missouri districts' total expenditures per average daily student attendance (ADA), a common measure of student enrollment used in school funding formulas, still had not risen above pre-recession amounts. While

Inside this issue:

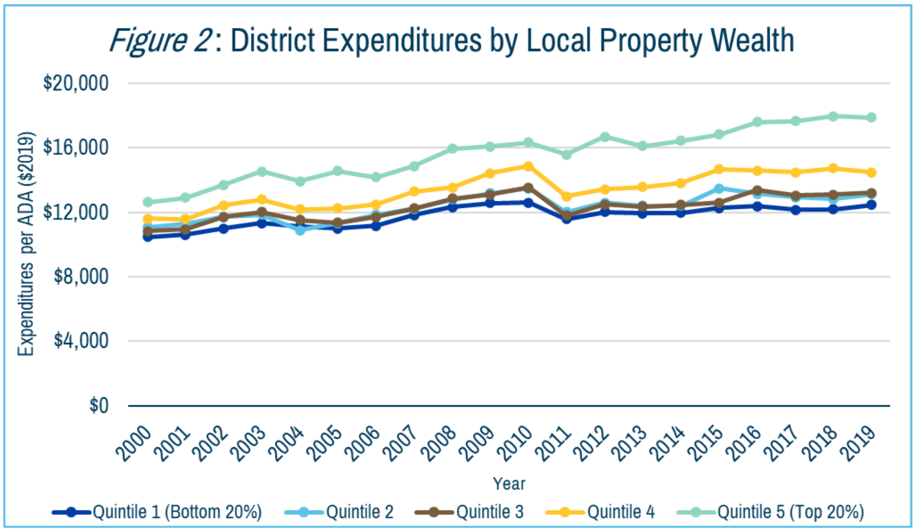
Special points of interest:

- Missouri school districts that relied most heavily on state funding suffered longer funding cuts as a result of the Great Recession.
- Following the Great Recession, districts with highest property values experienced the smallest budget cuts and made the largest increases in the following decade.
- Gaps in school expenditures between MO districts have widened significantly over the past decade.
- Students in high-poverty districts across the country disproportionately experienced achievement losses as a result of the Great Recession.

average funding from local sources held fairly steady, Missouri districts that relied most heavily on state funding suffered longer funding cuts. In addition, while districts of all sizes experienced funding declines, declines were most extreme for Missouri's largest districts.



Districts of different economic circumstances experienced funding declines of varying degrees. For example, districts with higher property wealth typically generate more local revenue through property taxes to fund local schools. As Figure 2 shows, Missouri districts in the top 20% of assessed valuation per ADA (districts with the highest property values) experienced the smallest budget cuts after the Great Recession. Furthermore, these districts not only outspend remaining districts today, but also have made the largest increases in per-pupil expenditures since the Great Recession. In addition, gaps in average expenditures for Missouri districts were smaller prior to the Great Recession and have widened significantly over the past decade. Statewide, districts in the top 20% of assessed valuation per ADA spend, on average, $6,000 more per ADA than districts in the bottom 20%. Prior to the Great Recession, this gap was significantly narrower, between $2,000 and $4,000. Put simply, only the wealthiest districts in Missouri were able to recover and grow their education spending following the Great Recession and expiration of ARRA fiscal stimulus. Over the years, local funding sources have been able to provide more consistent funding for districts with higher property wealth, often suburban districts.



A growing consensus in the national research literature shows that funding declines following the Great Recession adversely affected student achievement. Unfortunately, students in high-poverty districts disproportionately experienced these achievement losses.[8] Similarly, declines in student achievement were larger for districts with higher shares of minority students and were largest for Black students.[9, 10] In fact, a $1,000 decline in per-pupil expenditures generated reductions in math and reading achievement of 3.9% of a standard deviation, reduced the college-going rate by 2.6%, and widened the gap in test scores between Black and white students by six percent.[11]

School Funding Amid the COVID-19 Recession

Similar to ARRA funding following the Great Recession, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act in response to COVID-19 in March 2020. Of over $2 trillion in federal stimulus, the CARES Act provides $13.5 billion for K-12 education, $14.2 billion for higher education, and $3 billion for states to help local education agencies.[12] Missouri received $208 million for PK-12 education and $178 million for higher education.[13, 14] With new expectations placed on school districts to provide education amid the pandemic, many districts require additional funding to cover new costs associated with remote learning, proper distancing in classrooms, and increased sanitization of school facilities.[15]

In addition to the difference in total funding, ARRA and the CARES Act differ in their respective methods of distributing aid.[16] While states were required to distribute the majority of ARRA aid through their own general funding formulas, the CARES Act requires states to distribute funding through districts' respective Title I allocations, a federal funding mechanism which provides supplementary educational services to low-income and low-performing students.[17] Many school funding experts recommend that Congress provide substantial additional fiscal aid to states and allow them to distribute funding to districts without strictly regulating how funds should be used in midst of the pandemic.[18] However, it is unknown whether the CARES Act's method of fiscal aid distribution will help close funding gaps (and to what degree) among districts of varying local wealth.

Other Policy Implications

When Missouri policymakers make difficult decisions to enact education budget cuts, it is important they do so equitably such that the negative impact of funding reductions may be minimized for our most vulnerable students. Below are additional policy implications to consider amid the COVID-19 recession and declines in education funding.

Hold Harmless

Missouri's hold-harmless provision in education funding traditionally has stipulated that state aid allotted to districts not fall below 2005-06 school year levels, the year when the legislature changed the state's funding formula.[19] However, Governor Parson did not exempt hold-harmless districts from FY21 budget cuts. Rural districts with small and declining student enrollment and low local property wealth may be particularly impacted by these cuts.

Early Childhood Education

Currently, only 13.5% of three-year-old and 20% of four-year-old children in Missouri receive some type of early childhood education (ECE) through a public program.[20] Missouri ranks 34th in the nation in ECE expenditures, spending $3,721 per pupil compared to the national average of $5,374 per pupil. State budget cuts may directly affect early childhood education unless funding from federal sources reduces funding declines.[21]

Higher Education

Missouri policymakers have enacted an $87 million budget cut to community colleges and public universities due to the current recession so far.[22, 23] This cut included $6.5 million from the Bright Flight scholarship, a program that works to keep the high-achieving Missouri high schoolers in-state; this will affect nearly 8,000 Missouri undergraduate students.[24, 25] Ultimately, increased class sizes, fewer class choices, and added financial burdens on students all negatively affect the state's effort to produce college-educated workers. Additionally, budget cuts to community colleges may disproportionately affect students of color and students from lower-income households.[27]

Recommendations and Conclusions

While the COVID-19 public health crisis and resulting recession is unprecedented, we witnessed similar state budget cuts only a decade ago. Following the Great Recession, many states' education budgets took several years to recover. However, the impacts of these budget cuts were not uniform across all districts and students, as this policy brief shows. The effects of state budget cuts varied considerably by district characteristics including local property wealth, enrollment, and reliance on state aid. Though the negative impacts of the COVID-19 recession likely will last several years, federal fiscal stimulus, as witnessed previously through ARRA, likely will be temporary. In recent months, both the legislative and executive branches have discussed extensions to CARES Act funding, but these talks have mostly stalled. School finance experts agree that the federal government should provide additional support for states and districts to compensate for state budget shortfalls. As long-term impacts of the pandemic are not yet fully understood, students, parents, and educators need local, state, and federal policymakers to come together to make essential funding decisions that will minimize negative impacts on student outcomes, particularly for disadvantaged student populations.

References

[1] Determination of the February 2020 Peak in US Economic Activity. (2020, June 8). Retrieved September 02, 2020, from https://www.nber.org/cycles/june2020.html

[2] States Grappling With Hit to Tax Collections. (2020, August 24). Retrieved September 02, 2020, from https://www.cbpp.org/research/state-budget-and-tax/states-grappling-with-hit-to-tax-collections

[3] Missouri Office of Administration (2020, June 1). FY 2020 Expenditure Restrictions - June 1. Retrieved October 2, 2020, from https://oa.mo.gov/sites/default/files/FY_2020_Expenditure_Restrictions_June_1_2020.pdf

[4] Leachman, M., Masterson, K., & Figueroa, E. (2017, November 29). A Punishing Decade for School Funding. Retrieved September 02, 2020, from https://www.cbpp.org/research/state-budget-and-tax/a-punishing-decade-for-school-funding

[5] U.S. Department of Education (2009, March 7). The American Recovery and Reinvestment Act of 2009: Saving and Creating Jobs and Reforming Education. Retrieved October 2, 2020 from https://www2.ed.gov/policy/gen/leg/recovery/implementation.html

[6] Dupor, B. (2015, April 16). Stimulus Grants and Schools: How Was the Money Spent? Retrieved September 02, 2020, from https://www.stlouisfed.org/publications/regional-economist/april-2015/stimulus-grants-and-schools-how-was-the-money-spent

[7] Executive Office of the President of the United States. "Educational Impact of the American Recovery and Reinvestment Act." A report issued by the Domestic Policy Council in cooperation with the U.S. Department of Education, October 2009.

[8] Jackson, C., Wigger, C., & Xiong, H. (2020, August 4). The Costs of Cutting School Spending. Retrieved September 02, 2020, from https://www.educationnext.org/costs-cutting-school-spending-lessons-from-great-recession/

[9] Shores, K., & Steinberg, M. P. (2019). Schooling During the Great Recession: Patterns of School Spending and Student Achievement Using Population Data. *AERA Open, 5*(3), 233285841987743. doi:10.1177/2332858419877431

[10] Jackson, C., Wigger, C., & Xiong, H. (2020, August 4). The Costs of Cutting School Spending. Retrieved September 02, 2020, from https://www.educationnext.org/costs-cutting-school-spending-lessons-from-great-recession/

[11] Jackson, C., Wigger, C., & Xiong, H. (2020, August 4). The Costs of Cutting School Spending. Retrieved September 02, 2020, from https://www.educationnext.org/costs-cutting-school-spending-lessons-from-great-recession/

[12] National Center for Learning Disabilities. (2020, March 27). Congress Passes CARES Act in Response to the COVID-19 Crisis. Retrieved September 02, 2020, from https://www.ncld.org/news/policy-and-advocacy/congress-passes-cares-act-in-response-to-the-covid-19-crisis/

[13] Reber, S., & Gordon, N. (2020, July 27). Schools need flexible federal aid now. What should Congress do next? [Web log post]. Retrieved September 14, 2020, from https://www.brookings.edu/blog/brown-center-chalkboard/2020/07/27/schools-need-flexible-federal-aid-now-what-should-congress-do-next/

[14] Driscoll, J. (2020, July 9). $175 Million In Coronavirus Relief To Go To Missouri Higher Ed And Job Training. Retrieved September 15, 2020, from https://news.stlpublicradio.org/politics-issues/2020-07-09/175-million-in-coronavirus-relief-to-go-to-missouri-higher-ed-and-job-training

[15] Centers for Disease Control and Prevention. (2020, August 21). Operating schools during COVID-19: CDC's Considerations. Retrieved September 02, 2020, from https://www.cdc.gov/coronavirus/2019-ncov/community/schools-childcare/schools.html

[16] Reber, S., & Gordon, N. (2020, July 27). Schools need flexible federal aid now. What should Congress do next? Retrieved September 02, 2020, from https://www.brookings.edu/blog/brown-center-chalkboard/2020/07/27/schools-need-flexible-federal-aid-now-what-should-congress-do-next/

[17] Skinner, R. R., & Rosenstiel, L. (2018, September 17). Allocation of Funds Under Title I-A of the Elementary and Secondary Education Act. Retrieved September 02, 2020, from https://fas.org/sgp/crs/misc/R44461.pdf

[18] Reber, S., & Gordon, N. (2020, July 27). Schools need flexible federal aid now. What should Congress do next? Retrieved September 02, 2020, from https://www.brookings.edu/blog/brown-center-chalkboard/2020/07/27/schools-need-flexible-federal-aid-now-what-should-congress-do-next/

[19] Shuls, J. V. (2012, December). *A Primer on Missouri's Foundation Formula for K-12 Public Education* (Rep. No. 35). Retrieved September 14, 2020, from Show Me Institute website: https://showmeinstitute.org/publication/accountability/a-primer-on-missouris-foundation-formula-for-k-12-public-education

[20] Friedman-Krauss, A. H., Barnett, W. S., Garver, K. A., Hodges, K. S., Weisenfeld, G. G. & Gardiner, B. A. (2020). The State of Preschool 2019: State Preschool Yearbook. New Brunswick, NJ: National Institute for Early Education Research.

[21] Delaney, R. (2019, January 21). Missouri Lawmakers Say They Want To Expand Pre-K But Not How They'd Pay For It. Retrieved September 02, 2020, from https://news.stlpublicradio.org/education/2019-01-21/missouri-lawmakers-say-they-want-to-expand-pre-k-but-not-how-theyd-pay-for-it

[22] Barr, D. (2020, June 2). Gov. Parson cuts another $209M from Missouri budget. Retrieved September 15, 2020, from https://www.bizjournals.com/stlouis/news/2020/06/02/gov-parson-cuts-another-209m-from-missouri-budget.html

[23] Ballentine, S. (2020, June 30). Missouri governor cuts $450M from new budget. Retrieved September 15, 2020, from https://apnews.com/4474a5da75eccfb34fd2b71d185aa697

Saint Louis University PRiME Center

Saint Louis University
PRiME Center
Fitzgerald Hall, 033
St. Louis, MO 63103

P: 314-977-5373
F: 314-977-3290
Email: prime@slu.edu

@SLU_PRIME

www.sluprime.org

Better evidence, better policies, better schools.

[24] Huish, B. (2020, August 11). Budget reductions made to Bright Flight scholarship. Retrieved September 15, 2020, from http://www.the-standard.org/news/budget-reductions-made-to-bright-flight-scholarship/article_14c2d4c4-dc03-11ea-9afe-ffd9f51abbce.html

[25] Kniggendorf, A. (2020, July 24). Missouri Slashes Scholarship Meant To Keep Best And Brightest Students In State. Retrieved September 02, 2020, from https://www.kcur.org/2020-07-24/missouri-slashes-scholarship-meant-to-keep-best-and-brightest-students-in-state

[26] Murakami, K. (2020, May 15). Size of state budget cuts becomes clearer. Retrieved September 02, 2020, from https://www.insidehighered.com/news/2020/05/15/size-state-budget-cuts-becomes-clearer

[27] Ma, J., & Baum, S. (2016, April). *Trends in Community Colleges: Enrollment, Prices, Student Debt, and Completion* (Issue brief). Retrieved September 14, 2020, from College Board website: https://research.collegeboard.org/pdf/trends-community-colleges-research-brief.pdf