POLICY SNAPSHOT

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K-12 Funding Policy Responses to COVID-19

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What Is the Issue, and Why Does It Matter?

Funding K-12 public education is a perennial topic in education policy. Policymakers continue to grapple with questions pertaining to the amount of education spending, and whether states equitably and adequately allocate funding among schools and students. The 2020 legislative session was no different, as Education Commission of the States tracked 40 states that enacted 172 bills. Currently, K-12 education makes up the second largest area of total state expenditures, so while states have different funding systems and combinations of local versus state revenue sources, K-12 education significantly impacts all state budgets.

Coming into the 2020 legislative session, many states had built up healthy rainy day funds, and revenue collections had, by and large, recovered from the Great Recession. This environment enabled states to renew efforts to address systemic disparities in their funding systems and update long-neglected school facilities. However, in March, when many states began to solidify budget proposals, the environment changed drastically.

The COVID-19 pandemic and accompanying recession resulted in steep declines in state and local tax revenue. In response, Congress enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020 to provide $16.2 billion to states to help pay for increased K-12 education costs attributable to the pandemic. Since its passage, most enacted K-12 funding legislation has involved one or more of the following policies: appropriating CARES Act funds, reducing state spending on K-12 education and transferring remaining education funds from fiscal year 2019-20 to fiscal year 2020-21.

While appropriation bills reveal the dire budgetary situation in many states, focusing only on topline budgetary actions may gloss over other funding questions state policymakers continue to examine. This Policy Snapshot provides examples of legislation enacted in 2020 around the following areas:

1 | **ATTENDANCE AND ENROLLMENT** Many states use the prior year's attendance counts to calculate the amount of funding a school receives. This Policy Snapshot surveys how some states handled student attendance and changes in enrollment during a time of widespread remote learning.

2 | **REVENUE** States allocate revenue from specific taxes to K-12 education expenditures in their budgets. This Policy Snapshot reviews how states leveraged new and existing revenue streams to help offset budget cuts.

3 | **EQUITY-BASED FUNDING INITIATIVES** Alongside CARES Act appropriations, some states sought to use state funds to address long-standing inequities that have been exacerbated by the pandemic. This Policy Snapshot explores whether states passed or proposed equity-based initiatives to help students and schools in financially distressed communities.

Attendance and Enrollment

Traditional methods of counting student attendance — a vital input in most state funding formulas — were disrupted by the widespread use of remote and hybrid instruction models in 2020. Most states require attendance counts to occur in person, typically twice per school year, once in the fall and the spring. Instead of changing the method of counting attendance to encompass remote or hybrid attendance, some states held districts harmless, using attendance counts from the 2019-20 school year as the basis of 2020-21 school funding.

In addition to or in place of hold harmless policies, some states outlined methods to count students using differing instruction models. While state approaches varied because of their differing funding systems, below are a few examples of states employing one or both policy approaches:

DELAWARE

S.B. 260 enables the department of education to move the date that annual attendance is counted to account for disruptions caused by the COVID-19 pandemic.

MICHIGAN

H.B. 5913 modifies attendance calculations by blending the prior school year's attendance count with the current year's count. It employs the definition "pupils engaged in pandemic learning" to capture student attendance within the various instruction models used during the COVID-19 pandemic.

PENNSYLVANIA

H.B. 1210 appropriates the same amount of basic education funding and special education funding in fiscal year 2020-21 as was allocated in fiscal year 2019-20. The appropriation is based on fiscal year 2019-20 enrollment and attendance numbers.

SOUTH CAROLINA

H. 3411 extends fiscal year 2020 education appropriations for reoccurring expenses if no state budget is passed for fiscal years 2021 and 2022. It authorizes the state superintendent to allow remote instruction to count toward the required 180 days of instruction.

Revenue

Amid the ongoing recession, some states are facing significant declines in revenue relative to pre-pandemic projections. Revenue declines impact certain states more acutely because of their reliance on certain revenue sources and other economic factors.

While states have total control over state revenue sources, they also maintain some discretion over revenues raised by local governments. For example, some states require minimum local property tax rates or an amount of local revenue that must be raised in order to qualify for state education funding. In addition, state governments can provide revenue relief through direct transfers to districts that have lost revenue or extend sunsets for school bonds.

The following are some examples of revenue policies states enacted and proposed in 2020:

COLORADO

H.B. 20-1427 incrementally raises the cigarette, tobacco and nicotine products tax beginning fiscal year 2020. Revenue raised from this tax will be allocated to various education line items, like the rural schools cash fund and the preschool programs cash fund, starting in fiscal year 2023.

NEW YORK

A. 10492 allows extensions of up to seven years for school bonds issued from 2015 through 2021. It also allows local school districts to spend money from capital and operating reserve funds to cover expenses related to the pandemic.

OHIO

H.B. 164 requires the Ohio Department of Education to provide relief payments to districts that experience a 10% or more decrease in specified property values from fiscal year 2020-21.

SOUTH DAKOTA

H.B. 1042, H.B. 1043 and S.B. 170 raises the maximum tax levies for school districts' special education funds, general education funds and capital outlay funds, respectively. It also requires districts to contribute more local funds to qualify for state special education aid.

ILLINOIS

S.J.R. 1, which was rejected by voters, referred to voters a constitutional amendment that would have granted the state the authority to impose higher tax rates on higher incomes instead of a flat tax on all incomes. Revenue raised by income taxes on individuals with higher incomes would have directly increased funds available for public schools.

Equity-Based Funding Initiatives

In light of various state court rulings and policy proposals made in the last two decades, equity in school funding has increasingly come into focus. Increased costs incurred by schools operating during a pandemic, coupled with the prospect of decreased state education aid, may result in lower funding levels for low-income, property-poor communities compared with high-income, property-wealthy districts — disproportionately affecting communities of color. This issue highlights the inequities built into school funding systems: Districts that primarily rely on state revenue are at a disadvantage to weather periods of crisis.

After the passage of the CARES Act, Education Commission of the States tracked a marked increase in equity-based funding initiatives to help address and mitigate these inequities. Most of these policies involved grant programs and one-time appropriations to mirror initiatives funded by federal relief dollars. A common use of these funds were efforts to expand technology and broadband access, and to bolster per-pupil allocations for specified school districts and student populations. Below are some enacted examples of state policies focused on school funding equity:

CALIFORNIA

A.B. 1835, which was vetoed, would have required districts to identify and expend unspent funds on the following student populations: students who are English learners, students in the foster care system, and students eligible for free and reduced-price meals.

NORTH CAROLINA

H.B. 1105 offers grants to schools to provide access to services for exceptional children who have lost critical services as a result of school closures. It also establishes the Extra Credit Grant Program to provide economic assistance to qualifying families for virtual school and childcare costs; and allocates funding to a nonprofit organization for its virtual learning support program that assists homeless students during the COVID-19 pandemic. Eligible expenses include the following: tutoring, meals, personal protective equipment, sanitation, workspace rental, information technology support and counseling.

OREGON

S.B. 1607 extends the sunset to fiscal year 2020-21 for small school districts to receive supplemental grants. The Small School District Supplemental Fund would have stopped allocating dollars in fiscal year 2020-21.

UTAH

H.B. 434 revises the calculation used to provide extra per-pupil funding to small and isolated schools.

Related Resources

- 50-State Comparison: K-12 Funding
- COVID-19 Series: Funding Equity
- Glossary of K-12 Education Funding

About the Author

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