“Draft”

K-12 Historical Budget Narrative

The Time Horizon Matters
Assumptions

- This analysis only considers the State’s General Fund Appropriations to K-12 Education.

- The analysis does not consider the impact of Federal Funding, which was significant to plugging the shortfall in the wake of the Great Recession.

- Nor does this analysis consider the impact of local supplemental levies, which have become an important component of local School funding over the past 10 years.

- We need to further our work in this area to understand the total funding picture, and the impact to student achievement.
Background on Overall State Financial Position

• Overall, our State is in a solid financial position.

• Our leaders, the Governor and the Legislature, did an excellent job of managing our State Finances over the past decade, during extraordinary times.

• Because of the depth of the great recession a decade ago, our leaders needed to make difficult decisions to maintain the State’s fiscal position.

• Looking forward, the State is in a strong financial position. The economy is strong, and Idaho is well positioned for growth.

• We are likely at the tail end of this economic cycle. So we should ensure we are prepared for an economic recession sometime over the next five years.

• The next recession will likely be much less severe then the last.
The Recovery: The Last 5- Years

- Over the past 6-years, the State has made a significant investment in K-12 education. Total incremental investment in the general fund has increased $590,000,000. CAGR 6.4%.

- Additional investment has also come in the form of local supplemental levies.

- The support and strategic direction for this investment was the direct result of the recommendations of the 2013 Education Task Force.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$1,308,365,400</td>
</tr>
<tr>
<td>2015</td>
<td>$1,374,598,400</td>
</tr>
<tr>
<td>2016</td>
<td>$1,475,784,000</td>
</tr>
<tr>
<td>2017</td>
<td>$1,584,669,400</td>
</tr>
<tr>
<td>2018</td>
<td>$1,685,262,200</td>
</tr>
<tr>
<td>2019</td>
<td>$1,785,265,900</td>
</tr>
<tr>
<td>2020</td>
<td>$1,898,407,200</td>
</tr>
</tbody>
</table>
Student Achievement: The Last 5- Years

- While the State has made incremental gains as measured by ISAT proficiency, the pace of change has been disappointing in the context of the magnitude of the incremental financial investment.

- While the early read of the 2019 IRI is somewhat encouraging, it is difficult to draw conclusions on whether the magnitude of investment in yielding adequate results in our Literacy objective.
Despite the significant incremental investment, our key measure for college and career readiness (SAT scores) has not improved, and we remain well below National Benchmark data.

Additionally, we have not made any progress toward improving our State “Go On” Goal, and Idaho remains well below the National benchmarks, and our performance remains well below what is required for the future workforce.
10 Year View: The Impact of the Great Recession

- The Great Recession was the most severe economic downturn since the Great Depression.

- It took us 6 years (2015), for the General Fund to recover to 2009 levels.

- Since the k-12 appropriation is 50% of the overall State Budget, our education system needed to make significant sacrifices to maintain educational quality during this sustained recovery.

- The Education system reduced spending during the recession, however, without significant incremental Federal stimulus in 2010 and 2011, the system would have been forced to make extremely painful cuts.
Because of the economic recession, our State did not have the ability to increase funding to our education system between 2009 and 2015. In fact, through most of this time period, the level of investment decreased by $200,000,000.

Inflation magnified this issue, and diluted the level of investment in public education.

On an inflation adjusted basis, Idaho did not return to the level of 2009 education investment until 2018.

During the last 10 years, the number of students in the system increased by nearly 12%, and the demographics of our student population continues to change, which adds incremental pressure to the system.
Over the past 10 years, our general fund expenditures have increased from $5,100 per student in 2010 to $5,800 per student in 2019. CAGR 1.2%, less than the rate of inflation.

While there is no question that the level of investment has ramped up significantly in the last 5 years, one could argue that a significant portion of this investment was “inflation catch up” from our lack of investment in the first half of the decade.

When you look at the 10 year time horizon, and recognize the investment shortfall post recession, it is not surprising that we have not seen significant gains in student achievement.
## School District Funding

### District Summary (2017-2018)

<table>
<thead>
<tr>
<th></th>
<th>Boise</th>
<th>West Ada</th>
<th>Blaine</th>
<th>Melba</th>
<th>Challis</th>
<th>Lewiston</th>
<th>Kuna</th>
<th>Fruitland</th>
<th>Salmon</th>
<th>Sage (Charter)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># of students</strong></td>
<td>25,523</td>
<td>38,945</td>
<td>3,473</td>
<td>847</td>
<td>343</td>
<td>4681</td>
<td>5404</td>
<td>1805</td>
<td>113</td>
<td>1007</td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>$250,360,532</td>
<td>$266,125,877</td>
<td>$56,237,504</td>
<td>$6,248,047</td>
<td>$4,224,097</td>
<td>$46,198,034</td>
<td>$38,110,397</td>
<td>$12,344,727</td>
<td>$2,530,970</td>
<td>$7,012,870</td>
</tr>
<tr>
<td><strong>Revenue/Student</strong></td>
<td>$9,809</td>
<td>$6,833</td>
<td>$16,193</td>
<td>$7,377</td>
<td>$12,315</td>
<td>$9,869</td>
<td>$7,052</td>
<td>$6,839</td>
<td>$22,398</td>
<td>$6,964</td>
</tr>
<tr>
<td><strong>Local Taxes (% of Total)</strong></td>
<td>35%</td>
<td>21%</td>
<td>60%</td>
<td>3%</td>
<td>17%</td>
<td>37%</td>
<td>10%</td>
<td>5%</td>
<td>25%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>State Sources (% of Total)</strong></td>
<td>57%</td>
<td>52%</td>
<td>35%</td>
<td>86%</td>
<td>66%</td>
<td>56%</td>
<td>78%</td>
<td>85%</td>
<td>59%</td>
<td>86%</td>
</tr>
<tr>
<td><strong>Local Sources per student</strong></td>
<td>$3,399</td>
<td>$843</td>
<td>$9,767</td>
<td>$213</td>
<td>$2,140</td>
<td>$3,664</td>
<td>$712</td>
<td>$376</td>
<td>$5,511</td>
<td>$745</td>
</tr>
<tr>
<td><strong>State Sources per student</strong></td>
<td>$5,600</td>
<td>$5,552</td>
<td>$5,699</td>
<td>$6,321</td>
<td>$8,129</td>
<td>$5,530</td>
<td>$5,477</td>
<td>$5,808</td>
<td>$13,144</td>
<td>$6,023</td>
</tr>
</tbody>
</table>
Observations

- Idaho is a geographically large and rural State. Land mass is larger than New England with 1/10 the population. As a result, a higher % of funding goes toward facilities and transportation when compared to more densely populated States.

- The State is very diverse: Urban, Rural, Remote Districts. Large, fast growing districts vs. small remote districts. Demographic trends (% ELL), wealth disparity is significant. Therefore, a “one size fits all” approach will not work.

- Because of State Law, disparity in local wealth (property and income), and significant differences in the local political support for public education, the level of funding varies significantly across the portfolio of Districts.

- Idaho’s economy is highly diverse (High-Tech, Agriculture, Forest Products, Mining). Therefore, the needs of the workforce vary from County to County, and the definition of “career readiness” must align to the needs of the local economy.

- Local decision making, control, and accountability is critical to ensure the scarce financial support is applied to the vital few strategic priorities.