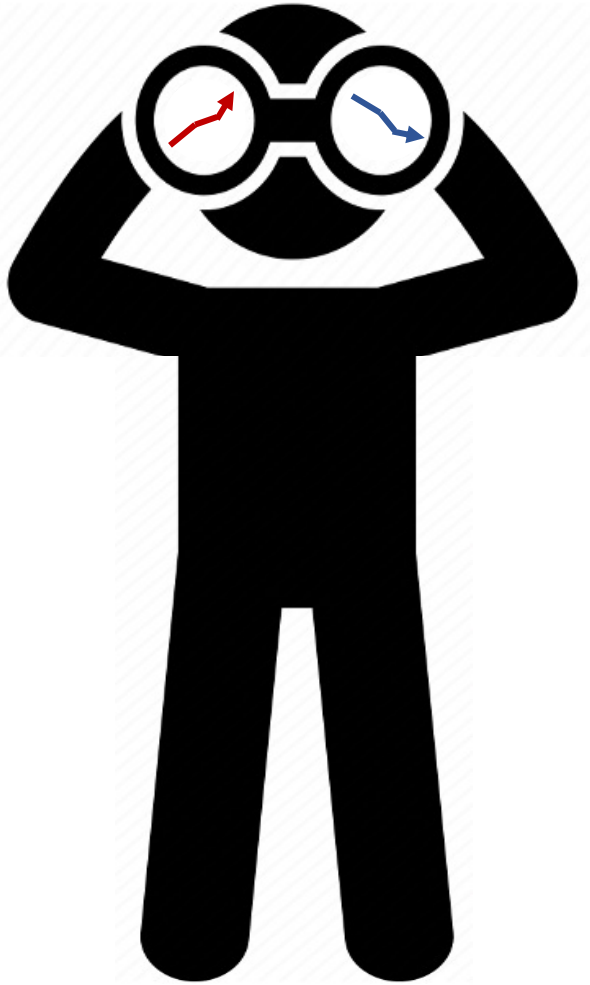
Here comes the ESSER fiscal cliff. Lots to cover during this budget season and beyond

April 4, 2024



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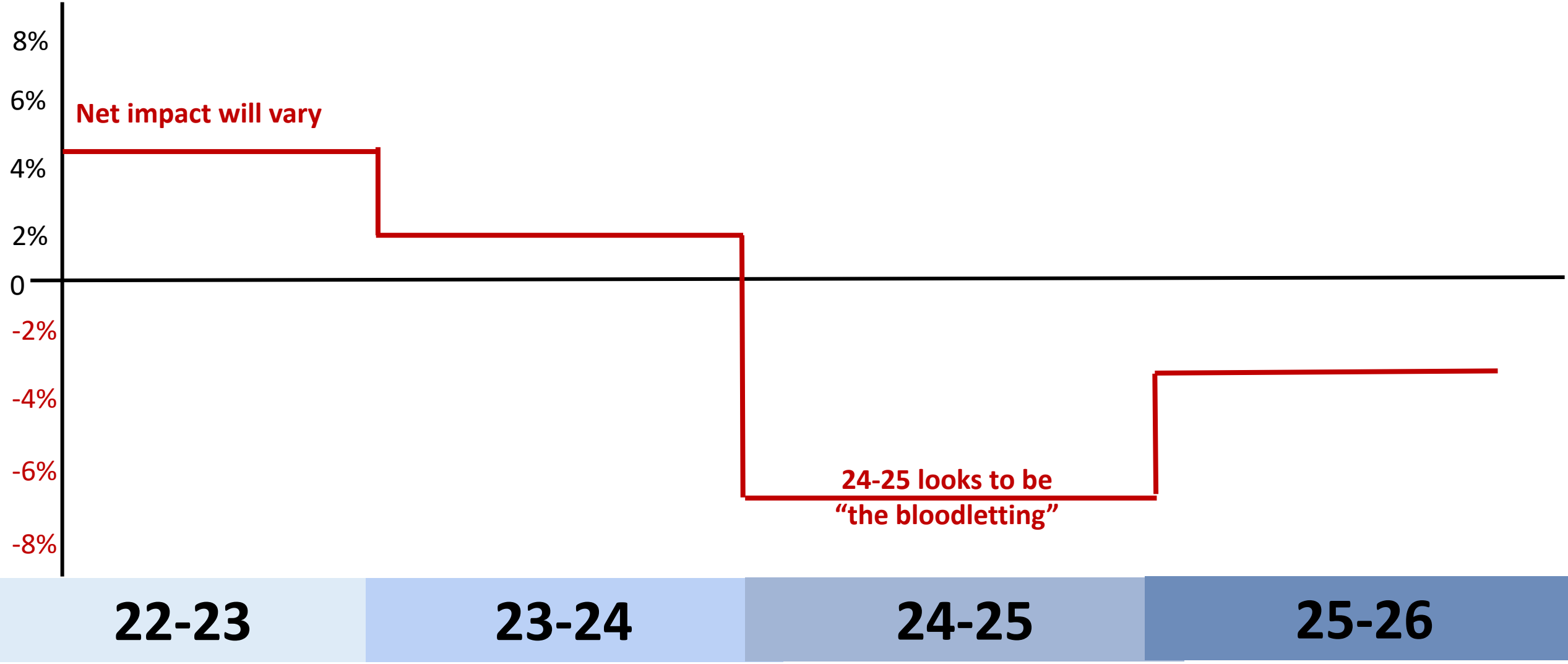
The net impact of four atypical financial shocks on public education



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Four atypical financial shocks coming to a district near you...

1. ESSER is boosting spending but then ends abruptly 9/24
   - Most at risk: Districts using ESSER for recurring financial commitments via budget backfilling, new hires or permanent raises.

2. Enrollment declines mean fewer revenues in the long run
   - Most at risk: Urban districts. Districts closed longer. Northern states.

3. Inflation, labor scarcity, & new hiring are driving up recurring commitments
   - Most at risk: Those offering permanent raises that are larger than typical (typical is ~1-2% on top of 3% via step/column increases) and those growing their staff rolls.

4. An economic slowdown would affect growth in state revenues
   - Most at risk: Districts that are more dependent on state revenue (or in states more affected by economic slowdowns).

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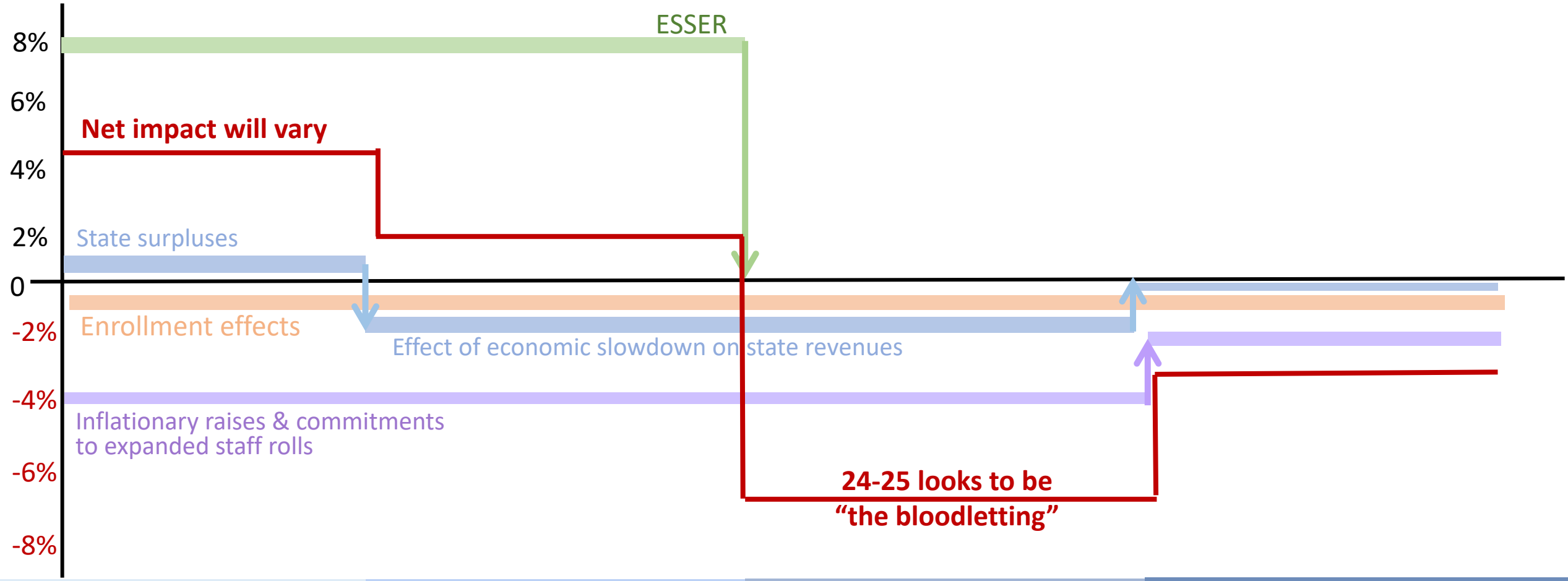
Timing and magnitude of atypical financial effects on typical budgets



22-23	23-24	24-25	25-26

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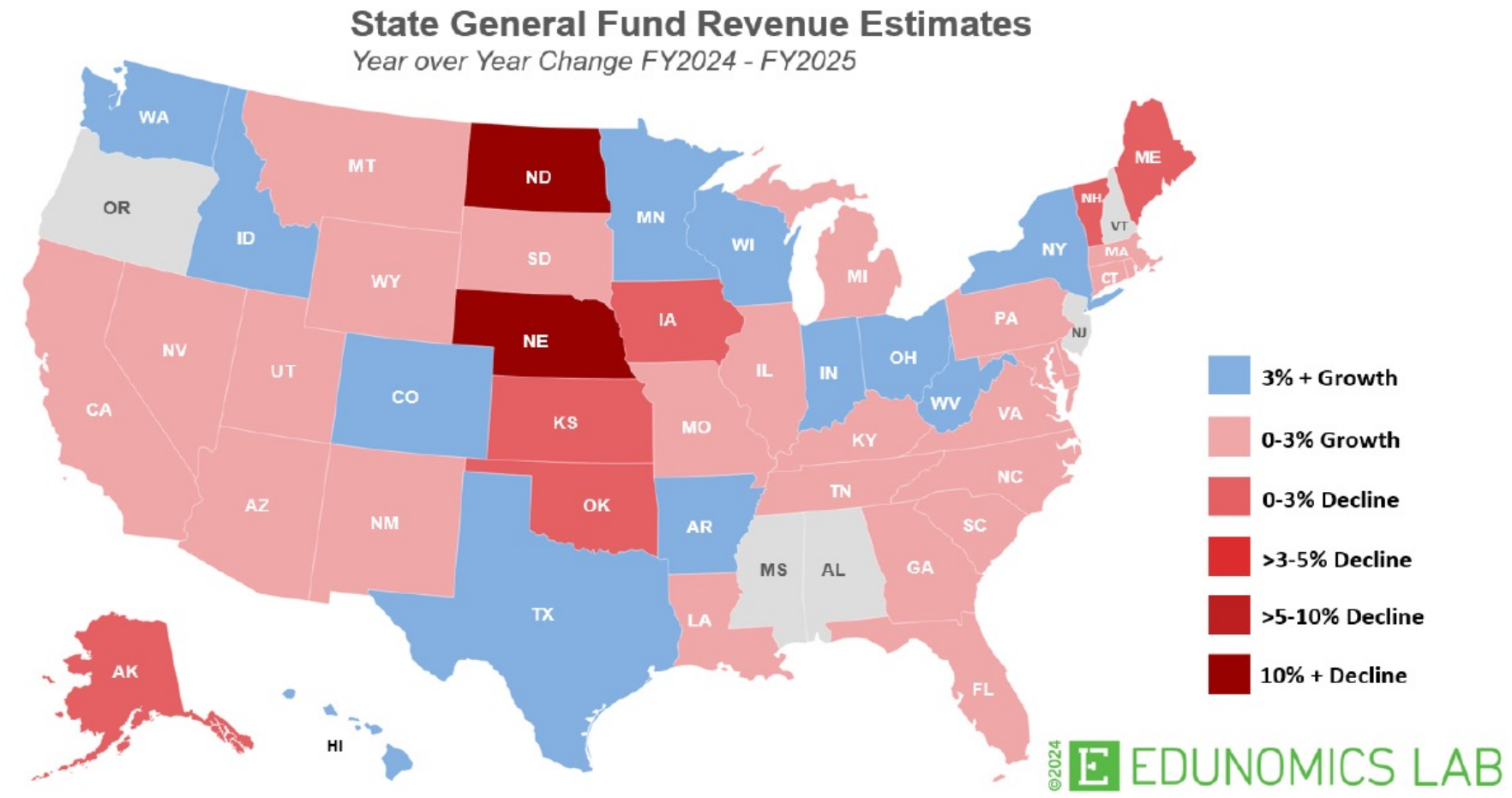
State revenue likely can't replace ESSER: FY23 to FY24 growth in state general fund revenues is slowing

After nearly a decade of strong growth in state ed revenues (>4%), FY24-25 growth in General Fund revenues is slowing.*



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Where will the cliff be *steepest*?

High poverty districts

Low poverty districts

- ✓ Got more ESSER per pupil
- ✓ Left a larger share of ESSER to spend down in the last year.

➔ Financial disruption will hurt our most vulnerable students.

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Where will the cliff be *steepest*?

Districts that used ESSER for pay raises or to hire more staff

- ✓ Districts struggle to downsize labor costs

Districts that used ESSER for facilities projects

➔ That said, facilities upgrades don't close gaps in math

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Where will the cliff be *steepest*?

Districts with declining enrollments

Districts with growing enrollments

- ✓ Enrollment drives state/local $ creating a double whammy
- ✓ Districts hate hate hate closing schools

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Some districts have eye-popping ESSER III sums left to spend

Stockton, CA = 13% spent ($136M remaining)

Bakersfield City, CA = 20% spent ($112M remaining)

Boston, MA = 44% spent ($155M remaining)

Springfield, MA = 28% spent ($112M remaining)

Newark, NJ = 38% spent ($110M remaining)

Camden, NJ = 30% spent ($80M remaining)

Milwaukee, WI = 4% spent ($488M remaining)

Green Bay Area, WI = 18% spent ($36M remaining)

Visit our ESSER Expenditure Dashboard to find district-by-district spending
https://edunomicslab.org/esser-spending/

If districts don't spend ESSER down by 9/2024, $ goes back to the feds

Can SEAs do more to support (or nag…or badger…) districts in these last 6 months?

CA as of 12/31/23
MA as of 3/17/24
NJ as of 12/19/23
WI as of 1/4/24

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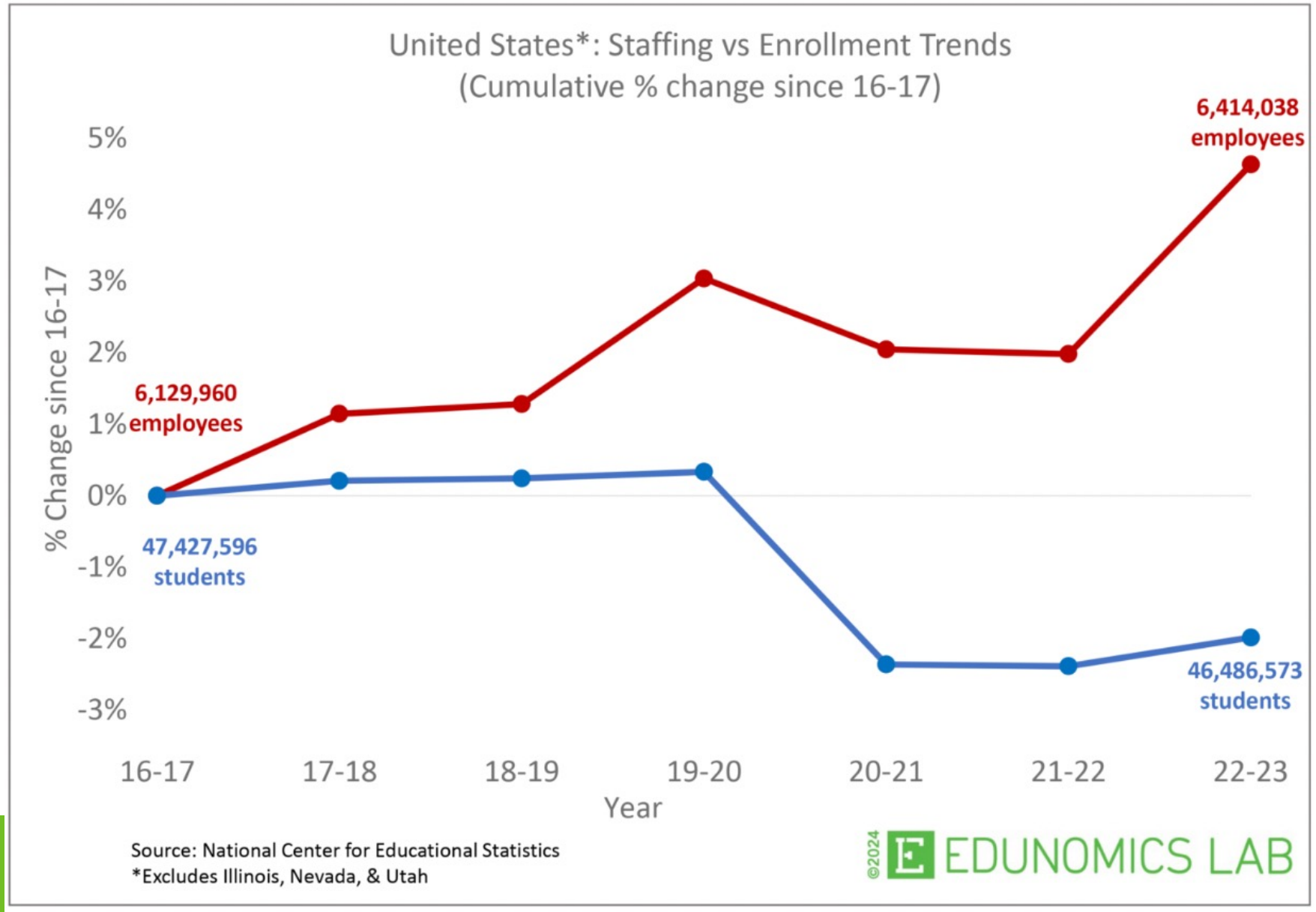
On average, districts have added staff while losing students.



In some districts, ESSER funds became a revenue source that worked to backfill budgets during enrollment declines.

View many more district or state graphs or make your own at edunomicslab.org/staffing-v-enrollment-trends

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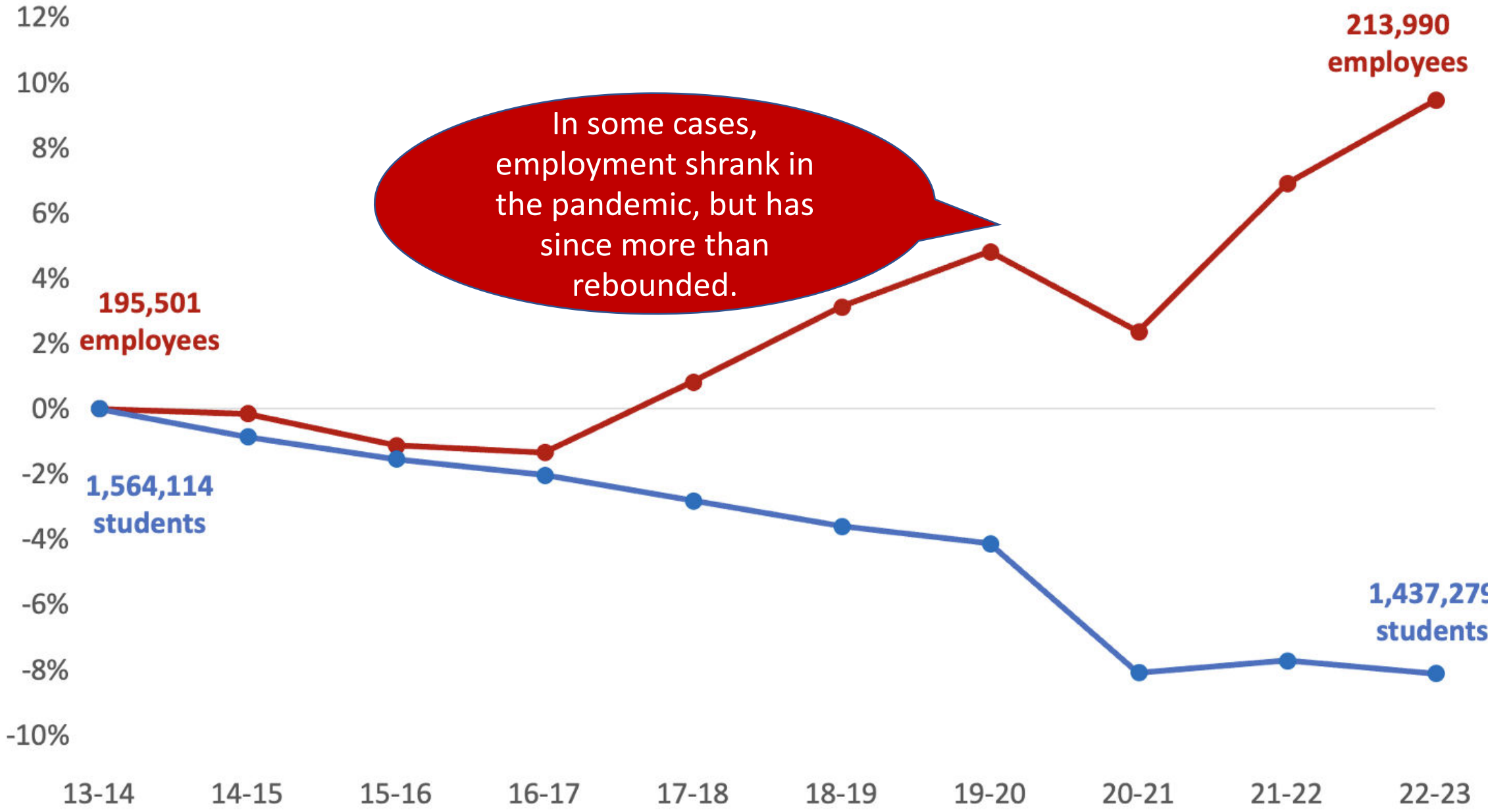
In Michigan staffing is up **9%**, while enrollment is down **8%** over the last decade

Michigan:

Cumulative percent change in staffing and enrollment since 2013-14



Source: https://www.mischooldata.org/staffing-count; https://www.mischooldata.org/student-enrollment-counts-report/

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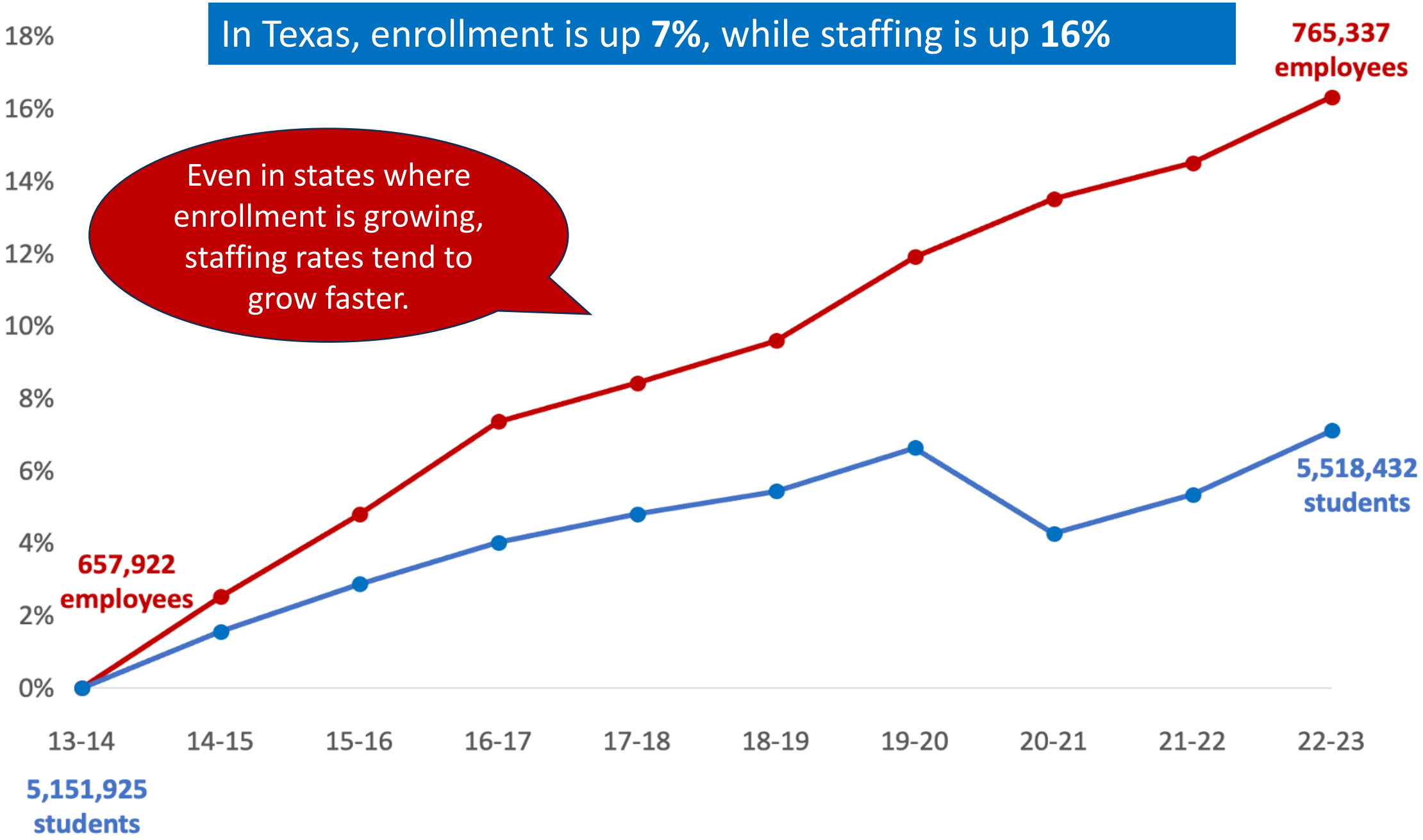
Texas:

Cumulative percent change in staffing and enrollment since 2013-14



Source: https://tea.texas.gov/reports-and-data/student-data/standard-reports/peims-standard-reports

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Timeline for *known* budget cutting decisions

Finance team (FT) projects 24-25 budget from 23-24

FT works on budget tradeoffs

Last day to notify staff of layoffs

Sept Oct Nov Dec Jan Feb Mar Apr May June July Aug Sept

2023-24

1st Bd budget work session: set priorities.

2nd Bd budget work session: solidify choices.

Final board vote on 24-25 budget

2024-25

Bloodletting

Last month to spend ESSER on salaries

What options are being considered? *Hint: there's always more than one option possible.*

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Which choice permits recovery to continue?

With ESSER ending, a district must cut $60K from a lower performing school.

POLL **Which would you prefer?**

A. Cut the reading coach ($100K) and invest $40K via a tutoring vendor instead.

B. Eliminate a 2nd grade teacher ($100K), raising 2nd grade classes from 18 to 24, and reinvest the $40K savings in summer boot camps.

C. Eliminate two aides that help in math classes (saving $80K) and invest $20K savings in Khanmigo (an AI-driven math tutoring app for use in class).

D. Eliminate the librarian ($100K), and pay $40K for an aide to cover the library.

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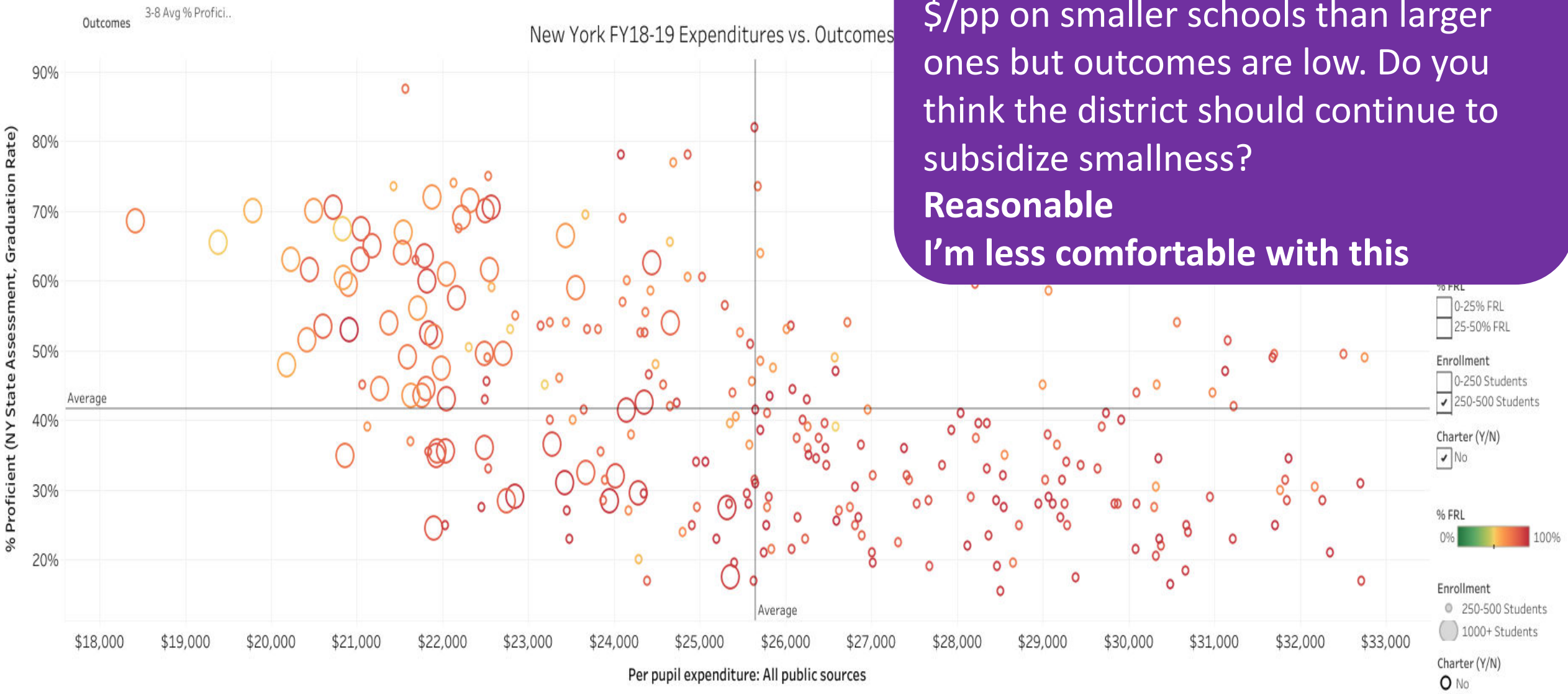
POLL: NYC spends substantially more $/pp on smaller schools than larger ones but outcomes are low. Do you think the district should continue to subsidize smallness?

Reasonable

I'm less comfortable with this



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4 stages of *hurried* budget cutting

Gaps > 2-3% often require cuts to LABOR

Freeze

- Freeze hiring, travel, pro-cards
- Permit contracts to expire
- Dip into reserves
- Postpone maintenance
- Delay payments
- Offer early retirements

Trim from the top

- Trim contracts, payments to community partners
- Eliminate PD days, prep time
- Cut central administrative positions
- Squeeze supplies and any non-labor expenses
- Consolidate dept.'s

Negotiate

Propose:

- Alter benefits
- Salary adjustments
- Reduce days/ furloughs

Depending on success above

Labor reduction

Larger staff layoffs: elective staff, librarians, academic coaches, core teachers

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