Financial Turmoil: The new federal aid package

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Slides available at edunomicslab.org
New law (Consolidated Appropriations Act, 2021)

2021 Omnibus Annual Fed. Spending Bill $1.4T

K-12 got slightly more than prior yr $

Title I = $16.5B = up 1.4%
IDEA = $14.1B = up 1.3%

Slight increases to:
Title II, IV
After school programs
Career and tech
Head Start

COVID Relief $900 B

 Relevant portions for K-12

ESSER = $54B
K-12 stabilization fund

GEER = $4B
Governors’ Emerg. Ed Relief

$10B for Child Care

$3.2B for broadband

$250M Head Start
$818M BIE and outlying areas

Child care = $85B = up 7.5%
K-12 portions of 2021 Federal COVID Relief Package

**ESSER = $54B ~ $1000pp**

- 90% allocated to LEAs via Title I formula.
- LEAs can multiply CARES/ESSER allocation by 4 to get new sum.*
- It’s equivalent to 3X typical Title I part A.
- LEAs not eligible for Title I get none of this portion.
- Broad flexibility in use of funds (NOT subject to Title I rules).
- Emphasis on “addressing learning loss.”
- Must be spent by 9/2022, so funds can be stretched across three school years. **Update: Must be spent by 9/2023**, so funds can be stretched across four school years.

**GEER = $4B**

- $1.25B for Governor’s discretion for K-12 & HE
- $2.75B for non-public schools (no scholarships)

**$10B for Child Care and Development Block Grant Program**

**$3.2B for emergency broadband for families**

- $250M Head Start
- $818M BIE and outlying areas

*ESSER estimates available via Whiteboard Advisors: https://public.tableau.com/views/HR133ESSERStimulusAllocations/54BESSERLEAEstimates?showVizHome=n&:embed=y#2
**The Tydings Amendment allows for this one-year extension of what is written in the law.
K-12 portions of 2021 Federal COVID Relief Package

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**$250M Headstart**

**$818M BIA and outlying areas**


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Will we have a funding cliff?

Federal $ enables districts to maintain cost structure, but eventually runs out. COVID HITS!

Typical K-12 State Revenue trend

Fed $ fills gaps

COVID-impacted K-12 State Revenues

2020 2021 2022 2023 2024

Funding cliffs are typical when federal relief aid stops

Leaders will want to pace themselves and plan ahead for when federal aid ends.

(Update: Districts can stretch funds to 2023.)

Teacher salaries stay flat
Furloughs / layoffs
Few new investments
Districts rebuild reserves

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Because the funds flow via the Title I formula, **higher-poverty districts will generally receive more ESSER $ per pupil.**

That said, higher-poverty districts are more vulnerable to cuts in state funding.

ESSER estimates from Whiteboard Advisors: https://public.tableau.com/views/HR133ESSERStimulusAllocations/54BESSERLEAEstimates?showVizHome=n&:embed=y#2

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But the Title I formula has its quirks.

**Larger districts receive more Title I $ per student, even among districts with similar poverty levels.**

Despite both being high-poverty CA districts, Fresno will get nearly double the federal aid per pupil.

ESSER estimates from Whiteboard Advisors: https://public.tableau.com/views/HR133ESSERStimulusAllocations/54BESSERLEAEstimates?showVizHome=n&:embed=y#2
Is the federal aid enough to cover the gaps in state funds?

It generally depends on the state. Aid = ~ 8% boost for typical district.

In most states, revenue trends are still unfolding.

Some states are more/less dependent on state $ (vs local) than others.

Hawai‘i = 23% gap in 2021 revenues

Delaware = 1% gap in 2021 revenues

Update: State-by-state SEA ESSER allocation table available: https://oese.ed.gov/files/2021/01/Final_ESSERII_Methodology_Table_1.5.21.pdf

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Questions?

Since states didn’t get funds to backfill their budgets, can they cut K-12 and backfill with federal K-12 aid?

To a point. “Maintenance of Effort” prohibits cutting K-12 more than other areas of state budget.

How should SEAs allocate the 9.5%?

COULD START WITH DATA: Comparing state/local $ in districts vs poverty, etc. and use the 9.5% to address problematic gaps.

Does the district have to be in-person to use the money?

No
Questions?

- **Is it enough to cover PPE?**
  Yes. PPE costs are typically projected at ~ $250 pp.*

- **Can districts use it for COVID testing?**
  Yes, but it won’t go very far. At ~$125 per test*, and 2 tests pp/week, testing costs = $1000pp per month.

- **What if my district can’t spend it all by Sept. 2022?**
  Update: Sept, 2023 is the deadline.
  It goes back to the feds, though $ is highly flexible (instruction, summer services, contracts, tutoring, ventilation, etc.), and can be stretched across 3 school years.

- **Note too that districts now have ‘til 12/2021-9/2022** to spend CARES, so may integrate those spending plans.

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* See CDC: [https://www.cdc.gov/mmwr/volumes/69/wr/mm6950e1.htm?s_cid=mm6950e1_w](https://www.cdc.gov/mmwr/volumes/69/wr/mm6950e1.htm?s_cid=mm6950e1_w)

** Federal ESSER fact sheet: [https://oese.ed.gov/files/2021/01/Final_ESSERII_Factsheet_1.5.21.pdf](https://oese.ed.gov/files/2021/01/Final_ESSERII_Factsheet_1.5.21.pdf)
Questions?

How should my district spend it?

How do districts avert fiscal cliff?

Avoid recurring obligations (raises, new hires).
Seek one-time investments.
If labor is needed, use contract labor or stipends for current staff.

Will districts be judged in rear view mirror for how they spend it?

You betcha! There are robust reporting requirements and one-time sums of this size draw lots of attention.
Reporting emphasis will be on how money addressed learning loss.

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What will help students?
Which students suffering learning loss and by how much?
What options avert a fiscal cliff?

This K-12 financial story is far from over!

Q & A

Note: Q&A is off the record unless otherwise stated
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Visit EdunomicsLab.org for resources on how financial turmoil is impacting K-12

Join our next 30-minute webinar:
Impacts of enrollment shifts and learning loss on district finances
Tuesday, January 19, 10am PT / 1pm ET