



The Fiscal Cliff: Exploring the Impacts on Equity

October 24, 2023

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Agenda

ESSER's emphasis on equity

Coming effects of cliff on equity

Ideas for promoting equity through financial decisionmaking

Presenters



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Equity has been an important component of ESSER

>> Congress:

- > Concentrated ESSER \$ on high-poverty districts
- > Maintenance of Equity (MOEquity) to minimize harm on high-poverty LEAs and schools

>> U.S. Department of Education (ED):

- > Prioritized equity via guidance, plan criteria, emphasized diversified teaching workforce support

>> State Education Agencies (SEAs):

- > Targeted services to high-needs families
- > Delivered intensive support to high-needs LEAs
- > Tracked recovery progress by student groups

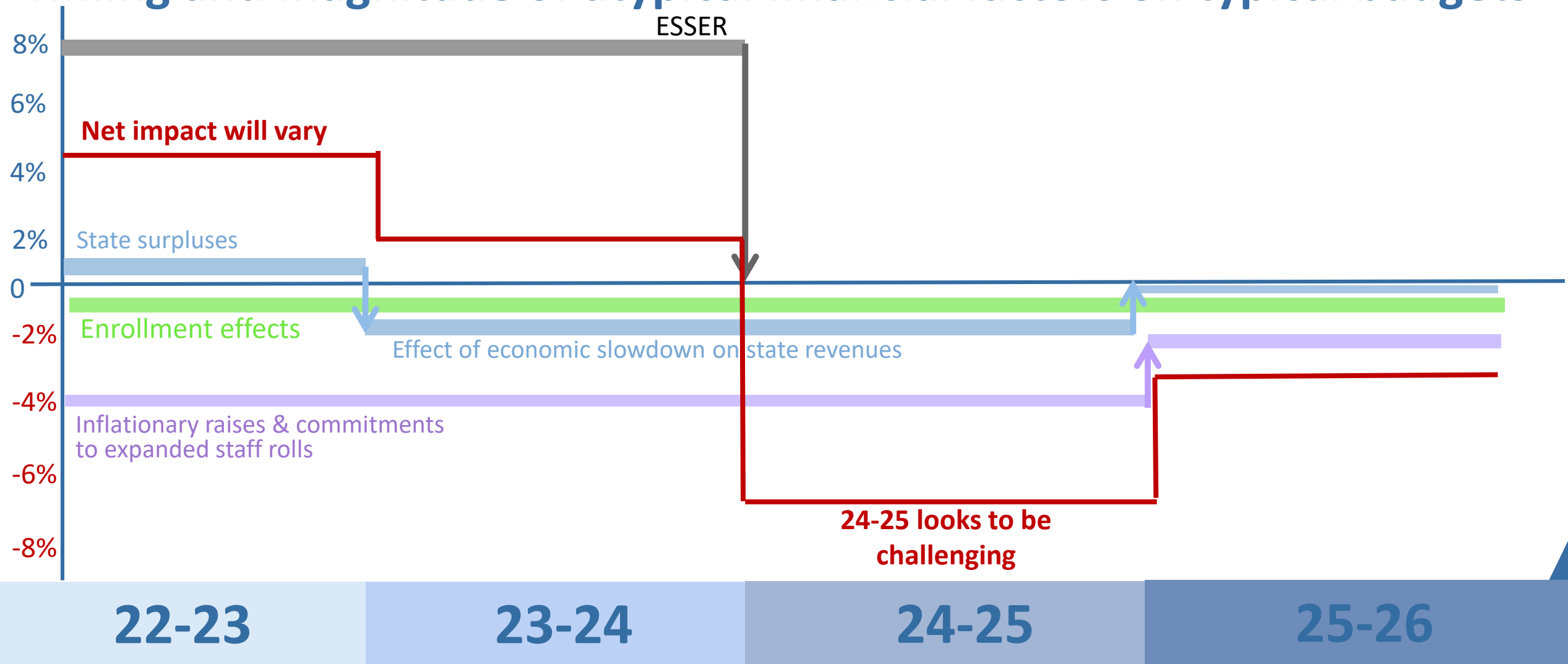
>> Local Education Agencies (LEAs):

- > Targeted services to high-needs schools/students

Atypical financial shocks will destabilize district finances

- » **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
- » **Enrollment declines mean fewer revenues in the long run**
 - > *Most at risk:* Urban districts, districts closed longer, Northern states
- » **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
- » **An economic slowdown would affect growth in state resources**
 - > *Most at risk:* Districts that are more dependent on state revenue (or in states more affected by economic slowdowns)

Timing and magnitude of atypical financial factors on typical budgets



Big year ahead to keep an eye on equity

Finance team (FT) projects 2024–25 budget from 2023–24

FT works on budget tradeoffs

Last day to notify staff of layoffs



1st Bd budget work session: set priorities

2nd Bd budget work session: solidify choices

Final board vote on 2024–25 budget

Most schools will start the year with leaner budgets than the prior year.

POLL: What worries you most about the fiscal cliff?

- A. End of services that are working, like tutoring
- B. Potential for laying off staff
- C. Slowing the pace of academic recovery
- D. Implications of budget cuts on higher needs districts**
- E. I'm not worried
- F. Not sure
- G. Other (add in the chat)

Today's topic

Where will the cliff be the *steepest*?

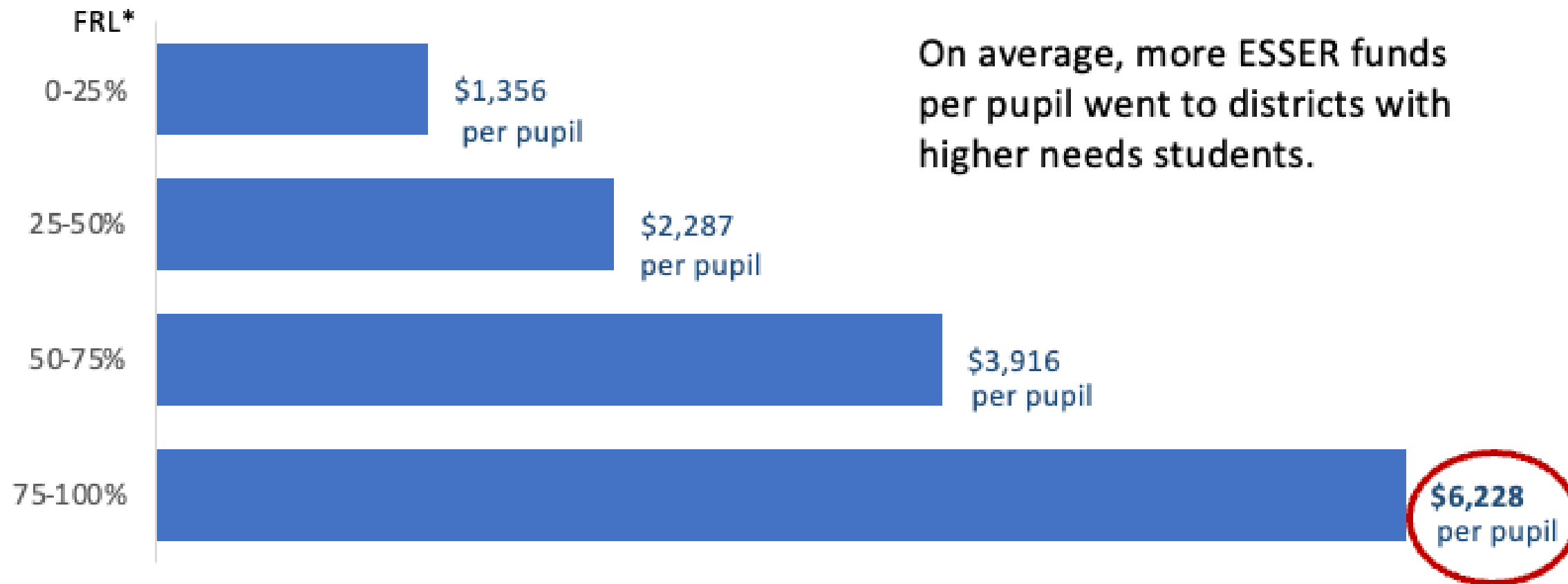
High-poverty districts

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.

Districts with more students experiencing poverty got more ESSER dollars per student



*Portion of students qualifying for poverty programs including free or reduced lunch using 2019 data.

In some states, districts are spending ESSER more quickly than others

% ESSER 3 spent by state by 9/23

Rapid spending in these states leaves little \$ for the final year

Districts in these states are spending their ESSER 3 more slowly, so have more to spend in 23-24. Hard to spend that much while also planning to undo those investments.

>60%

AK
AR
IA
OK
WA

60–51%

DE NV
FL NC
GA ND
KY OH
MI TX
MO

50–41%

AL ID PA
AZ IL SC
CA IN SD
CO KS TN
CT MN UT
HI MT VA

40–31%

LA MS NY
MA NH OR
MD NJ WV
ME NM WY

<30%

DC RI WI
NE VT

Even within states, districts with more students in poverty have been spending at a slower pace

STATE	Lowest-poverty districts (<25% poverty)		Highest-poverty districts (>75% poverty)	
	ESSER3 remaining (%)	ESSER3 remaining per pupil	ESSER3 remaining (%)	ESSER3 remaining per pupil
Connecticut	33%	\$177	66%	\$3993
Iowa	10%	\$27	15%	\$488
Massachusetts	40%	\$130	72%	\$2880
Ohio	32%	\$245	54%	\$3157
Rhode Island	47%	\$571	67%	\$5261
Washington	24%	\$277	45%	\$1244

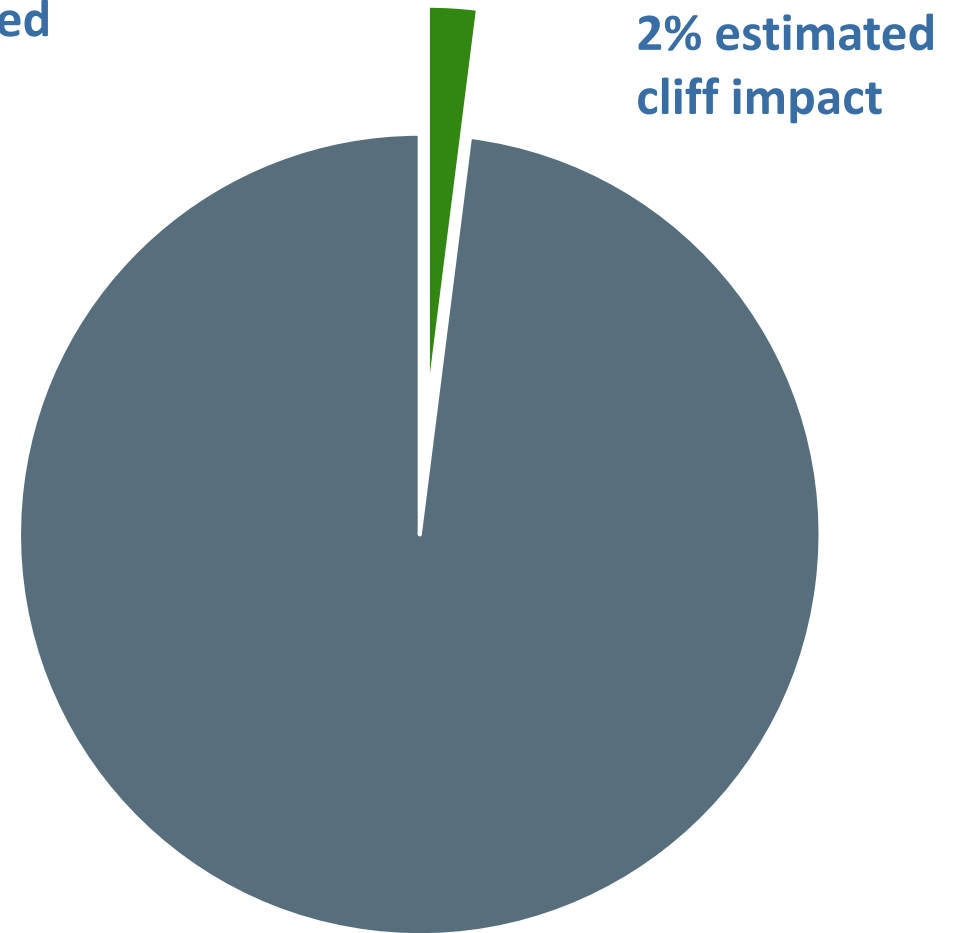
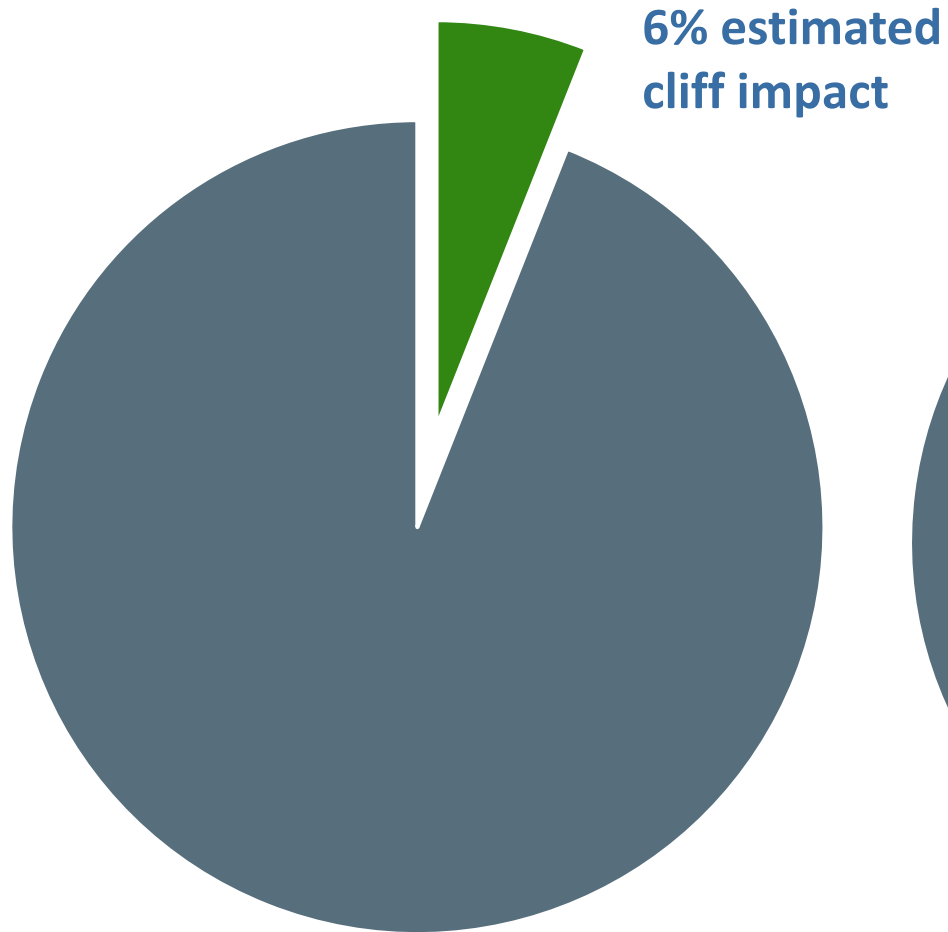
That slower pace means ESSER is a higher share of their FY24 budget and will result in a steeper cliff for FY25*

Source: Edunomics Lab analysis of ESSER3 spending as of Summer 2023 (with data collected between 6/30 and 8/15).

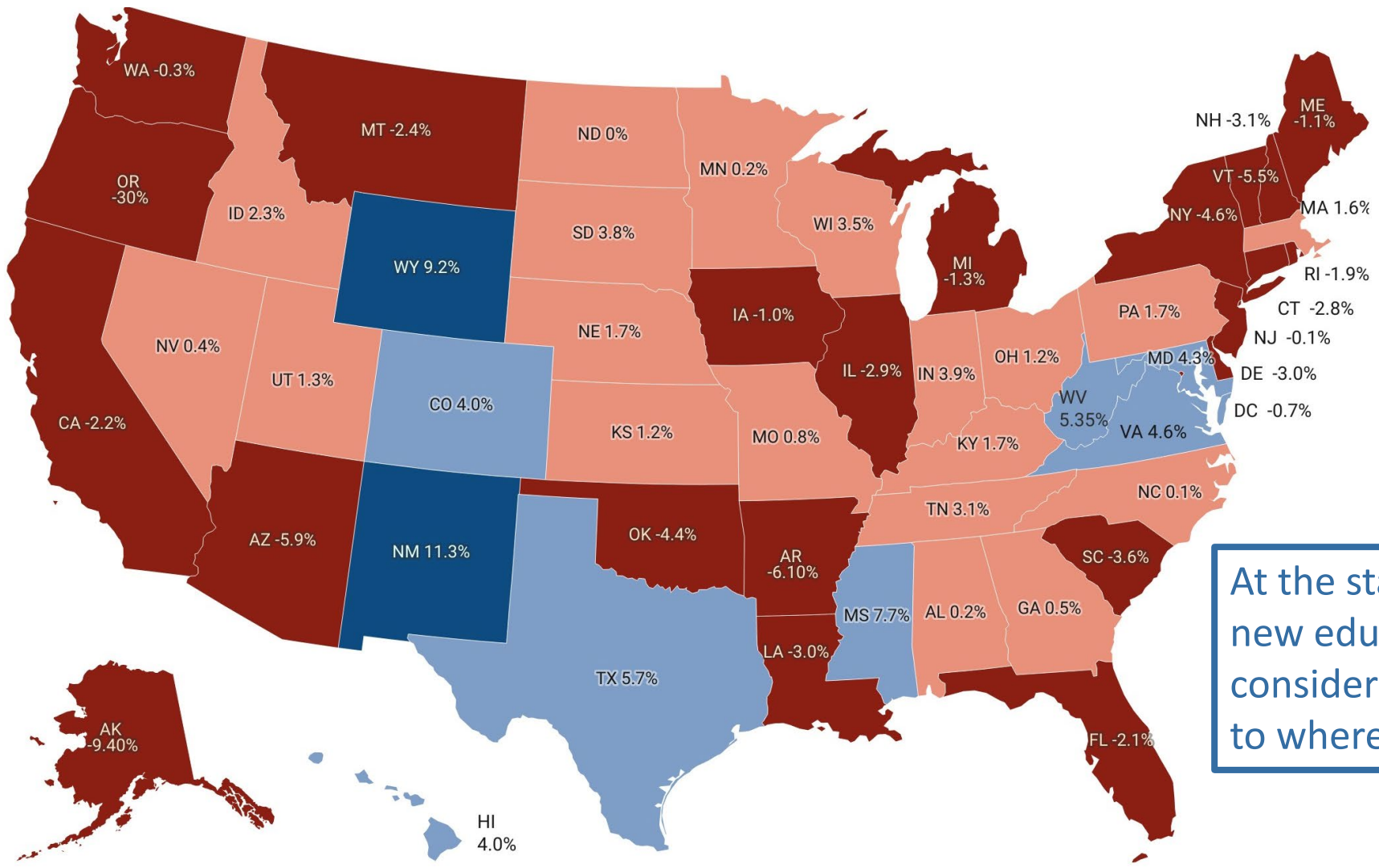
B | BROWN CENTER on
Education Policy
at BROOKINGS

Districts with more students in poverty face a steeper fiscal cliff

Washington
State
Districts*



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



In MA, new revenue, directed proportionately to higher need districts, will offset the fiscal cliff for most districts.

At the state level, if considering new education spending, consider targeting it carefully to where needs are highest.



Map: Edunomics Lab • Created with Datawrapper

Many states have caps on how much local money districts can raise (to maintain equity across districts with uneven access to property taxes)

POLL

Where a legislature doesn't have access to growing state revenues, do you think the legislature should temporarily raise the cap so some districts can seek more money locally?

Seems reasonable

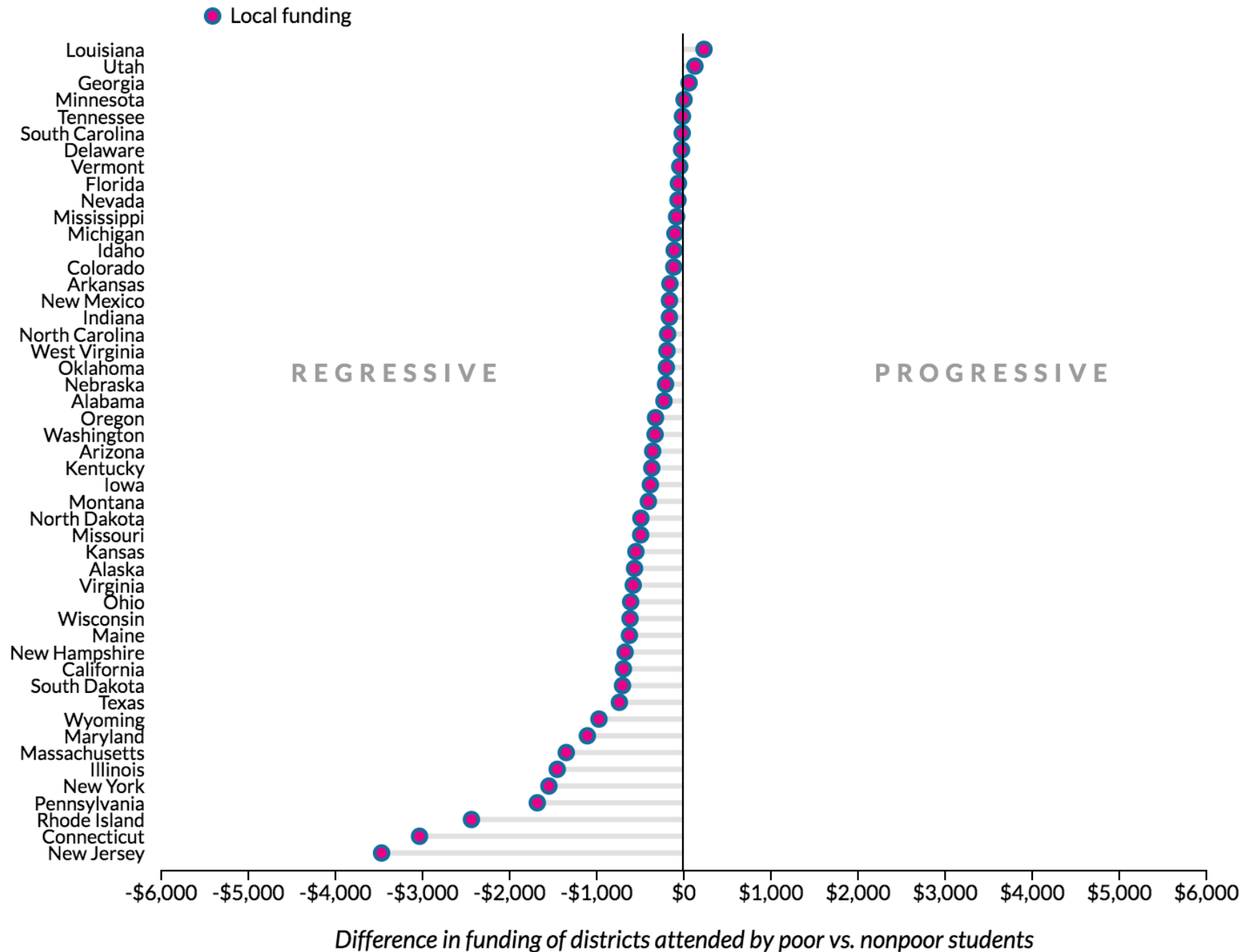
I'm less comfortable with this

Equity alert: Doing so would yield uneven effects across districts.

Many higher poverty districts have a harder time raising local property taxes.

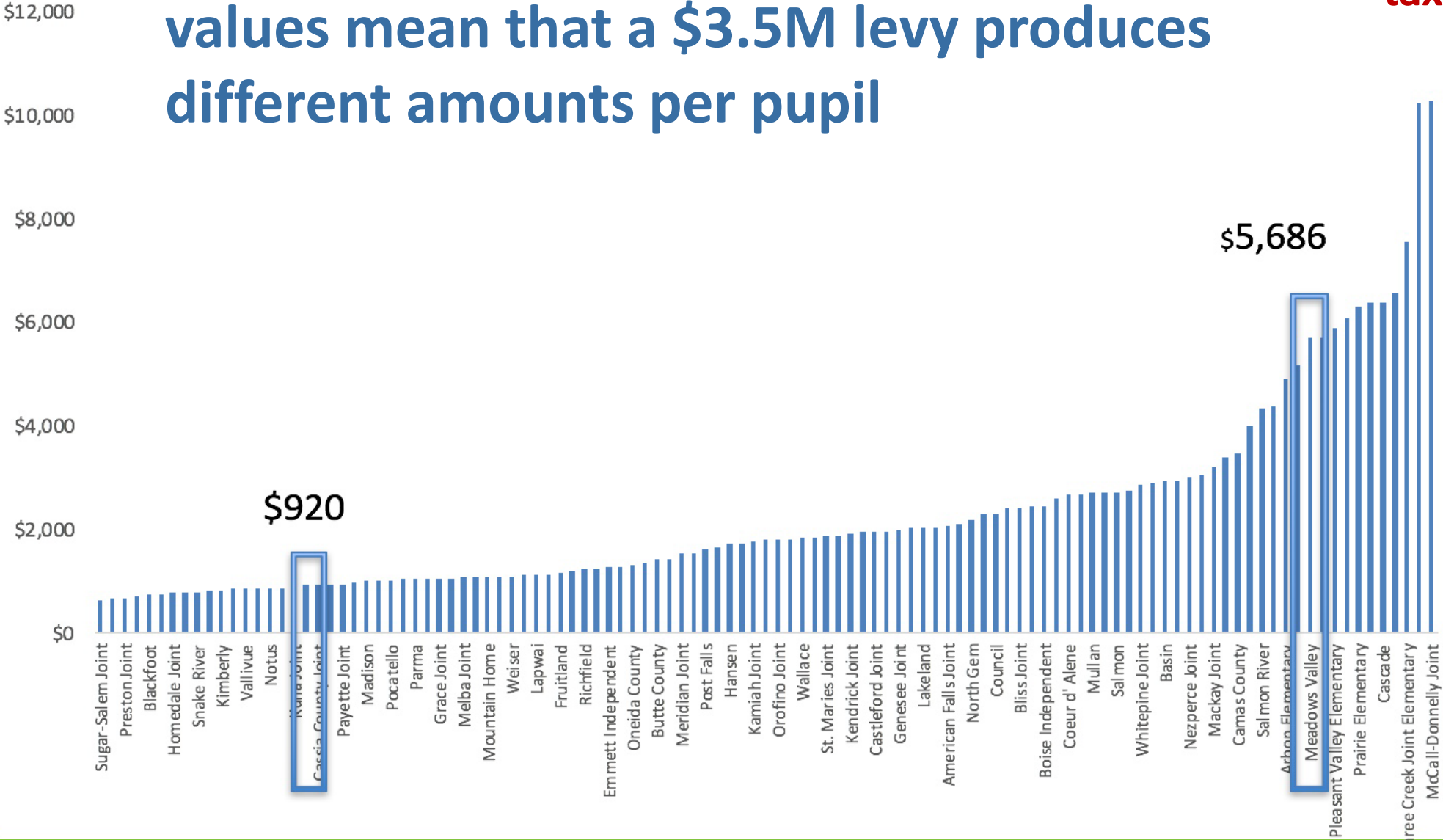
Some urban districts could benefit.

Generally speaking, does local money tend to be distributed in a way that is **regressive** or progressive?

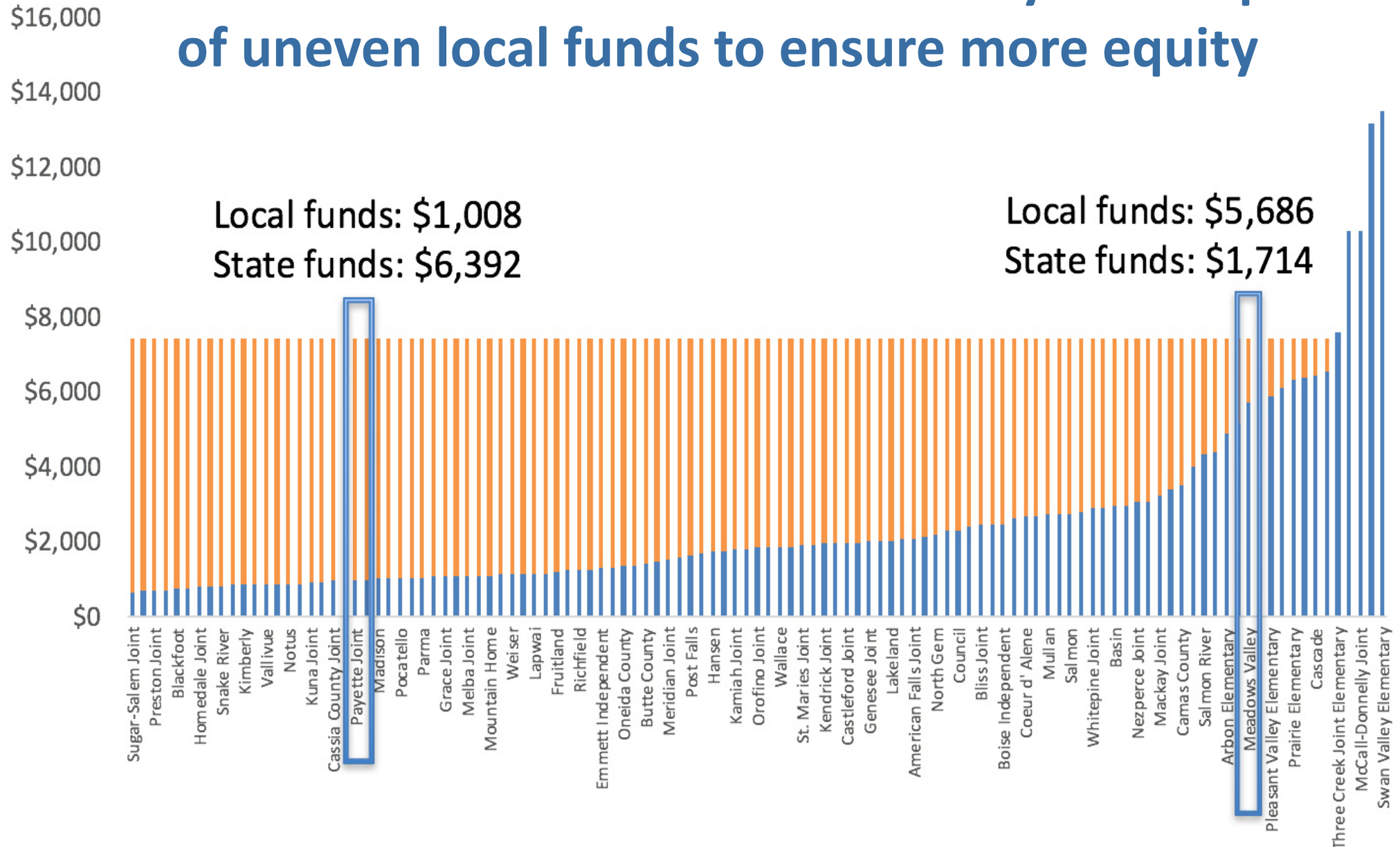


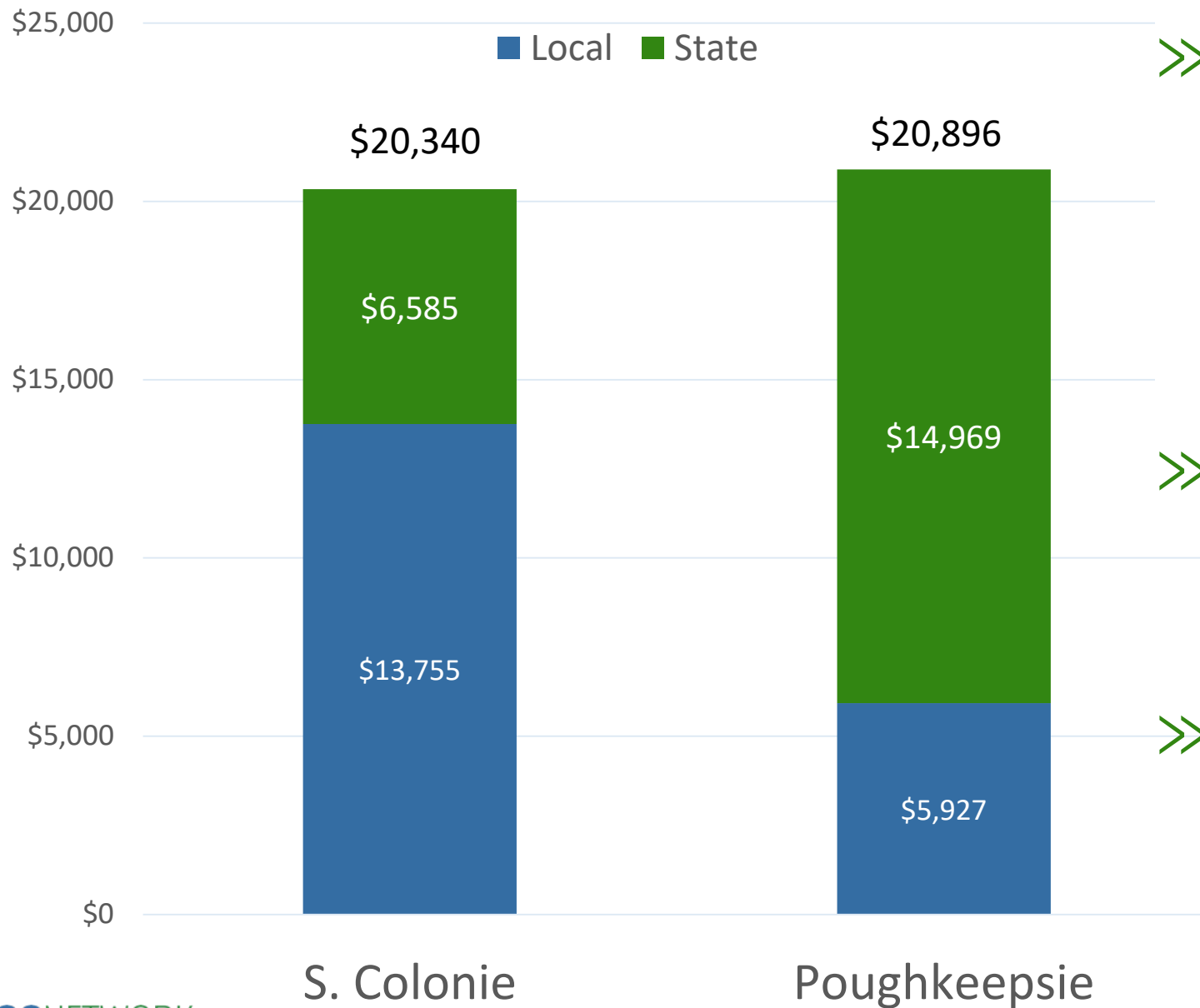
Start with local: Differences in property values mean that a \$3.5M levy produces different amounts per pupil

Uneven tax base



States tend to use their funds to layer on top of uneven local funds to ensure more equity





>> Two NY districts with different prop values but similar funds: The higher poverty district is more reliant on state funds.

>> With the fiscal cliff, some states will feel pressure to raise caps on local levies.

>> Higher poverty districts will struggle to keep up.

After September 2024, ESSER funds can no longer pay for labor

Right now, \$24B of ESSER 3 is paying for district annual labor*

When ESSER ends, reducing \$24B in annual labor costs likely means a **reduction in jobs**

\$24B on labor

= ~250,000 education jobs

4% of all education jobs hang in the ESSER balance.

Some of the \$24B has paid for raises, but it is hard for districts to pare those back.

Hartford Public Schools ~200–350 FTE at risk
Providence Public Schools ~300–500 FTE at risk
New Haven Public Schools ~190 FTE at risk

And even with new state and local revenues
Boston Public Schools ~600 FTE at risk

What can we expect?

Reductions in labor via

- Attrition (hiring freezes)
- Layoffs
- Incentives for early retirements
- Reduced days/furloughs
- Lower pay raises

What are the equity effects?

Higher poverty schools may see more unfilled positions (given they already have greater attrition).

Last-in-first-out (LIFO) layoffs tend to disproportionately affect higher needs schools where there are more younger teachers.

LIFO layoffs tend to stymie progress on diversifying the workforces.

POLL: To what extent do you think higher poverty districts are prepared for the fiscal cliff ahead?

- A. They don't see it coming
- B. They've taken some steps but could take more
- C. They've done what we can to prepare
- D. Not sure
- E. Other (add in the chat)

A district has used ESSER to fund several learning recovery efforts that are showing great results (including a tutoring program).

Concerned that these programs are going to end before students are fully back on track, a district leader **suggests that the district could fund these programs with their Title I dollars.**

Nationally:
ESSER = \$60B/year
Title I = \$18B/year

Title I is too small to cover even 1/3 of ESSER investments.

Moving ESSER-funded efforts to Title I grants means ending Title-funded efforts.

Assume the tutoring is done via vendor contract and is yielding relatively strong outcomes...

POLL If moving the tutoring program to Title I funds means cutting long-running Title I-funded efforts, including reading coaches, PD, and parent-engagement efforts, would you be for it?

Seems reasonable

I'm less comfortable with this

Big year ahead to keep an eye on equity

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1st Bd budget work session: set priorities

2nd Bd budget work session: solidify choices

Final board vote on 2024–25 budget

Most schools will start the year with leaner budgets than the prior year.

- States can:**
- Emphasize equity and learning recovery
 - Target new state/local funds to high-poverty districts
 - Temporarily raise caps on reserves
 - Monitor and provide support to districts with steepest cliffs
 - Eliminate LIFO (where needed)
 - Waive class size & one-per-school staffing requirements

Big year ahead to keep an eye on equity

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Sept 2023–24 Oct Nov Dec Jan Feb Mar Apr May June July Aug Sept 2024–25



1st Bd budget work session: set priorities

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Final board vote on 2024–25 budget

Most schools will start the year with leaner budgets than the prior year.

Districts can:

- Establish equity across schools as a priority
- Negotiate an alternative to LIFO (where needed)

Districts can:

- Examine how proposed budget cuts will affect \$/pp across schools
- Prioritize student learning (over staff frustrations) in budget cutting

Communication template to signal end of ESSER

- a. Our district got \$ ___ per pupil in one-time federal relief funding (ESSER).
- b. Starting in school year 2024–25, we will no longer have access to ESSER funds that have supported _____ programs in our schools.
- c. When those relief funds go away, our district will have to _____. We will be looking at our programs to adjust our spending in ways that still allow us to maximize value for students.
- d. Given that most of our expenses are labor, that likely means a labor reduction of up to _____ jobs. We will be working to ensure staffing reductions are fair and do not disproportionately impact schools serving our neediest students.
- e. Our district has some decisions to make about which programs or services to continue and which to discontinue. **As we seek to get students back on track in math/reading**, we'd like your thoughts on how to leverage our limited resources to protect what matters most for our students.
- f. In the last two years, our district has lost _____ students. That corresponds to a decrease of \$ _____ in state and local funds. How do we spend those limited dollars in a way that does the most for all our remaining students?

Additional resources & supports available through National Center

- More tools and resources related to financial decisionmaking
- Find resources related to ARP/ESSER and equity available through our Communities of Practice:
 - > Evidence-based interventions: Using ARP resources to accelerate learning
 - > Driving toward equity through school improvement
 - > Strategic use of summer and afterschool set asides
- The *Designing for Equity: Nationwide Education Policy Scan* provides information about the effect of education policies on equity across the country
- Stay tuned for information about a new initiative, *Strategic Planning for Continued Recovery*, which focuses on supporting SEAs and LEAs to sustain their high-leverage ESSER investments

Questions?

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Upcoming events offered by Edunomics Lab

WILD RIDE AHEAD

A Workshop On District
Finances Post ESSER

December 5th, 6th, 7th and 8th

12-2PM ET

Certificate in Education Finance

GEORGETOWN UNIVERSITY

NOVEMBER 8-9, 2023
PITTSBURGH

JANUARY 18-20, 2024
LAS VEGAS

E EDUNOMICS
LAB The Study of Education Finance

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State Revenue Projection Appendix

- [Alabama Department of Finance Legislative Presentation on FY24 Proposals, March 2023](#)
- [Alaska Department of Revenue Spring 2023 Revenue Forecast](#)
- [Arizona FY24 Governor's Budget, January 2023](#)
- [Arkansas Department of Finance and Administration Revenue Memorandum, May 17, 2023](#)
- [California 23-24 Revision to the Governor's Budget, May 2023](#)
- [Colorado Legislative Council Staff Economic & Revenue Forecast, March 2023](#)
- [Connecticut Office of Policy and Management FY23-FY26 Revenue Estimates, May 2023](#)
- [DC Chief Financial Officer's Revenue Estimates, February 2023](#)
- [Delaware Economic and Financial Advisory Council General Fund Revenue Worksheet, May 2023](#)
- [Florida Revenue Estimating Conference General Fund Financial Outlook Statement, March 2023](#)
- [Georgia's FY24 Proposed Budget, January 2023](#)
- [Hawaii Council on Revenues General Fund Tax Revenue Estimate, May 2023.](#)
- [Idaho Joint Legislative Economic Outlook and Revenue Assessment Committee Report, January 2023](#)
- [Illinois Commission on Government Forecasting and Accountability Three Year Budget Forecast FY24-FY26, March 2023](#)
- [Indiana State Budget Agency Economic Outlook, April 2023](#)
- [Iowa Revenue Estimating Conference's General Fund Estimate, March 2023](#)
- [Kansas Legislative Research Department Legislative Adjustments to Consensus Estimates, May 2023](#)
- [Kentucky Consensus Forecasting Group General Fund Revenue Estimates, December 2022](#)
- [Louisiana Revenue Estimating Conference Revenue Estimate, May 2023](#)
- [Maine Revenue Forecasting Committee Report, May 2023](#)
- [Maryland Board of Revenue Estimates Update, March 2023](#)
- [Massachusetts Revenue Forecast Consensus, January 2023](#)
- [Michigan House Fiscal Agency Consensus Estimates of GF, May 2023](#)
- [Minnesota Management and Budget Economic Forecast, February 2023](#)
- [Mississippi Legislative Budget Office Budget Summary, May 2023](#)
- [Missouri Governor FY24 Consensus Revenue Estimate, December 2022](#)
- [Montana Legislative Fiscal Division 2023-2025 Biennium Revenue Estimate, November 2022](#)
- [Nebraska Economic Forecasting Advisory Board Revenue Projection, April 2023](#)
- [Nevada Economic Forum Forecast Report, May 2023](#)
- [New Hampshire Department of Revenue Administration Revenue Estimates, May 2023](#)
- [New Jersey Treasurers FY24 Budget Packet, May 2023](#)
- [New Mexico Legislative Finance Committee General Fund Consensus Revenue Estimate, December 2022](#)
- [North Carolina Office of State Budget and Management Revised Consensus GF Revenue Forecast, May 2023](#)
- [North Dakota Office of Management and Budget 2023-2025 Revenue Forecast, March 2023](#)
- [NY FY24 Enacted Budget](#)
- [Ohio Office of Budget and Management FY24-25 Budget Recommendations, January 2023](#)
- [Oklahoma Office of Management & Enterprise Services Proposed FY24 Revenue Certification, February 2023](#)
- [Oregon Economic and Revenue Forecast, May 2023](#)
- [Pennsylvania Bureau of Research 23-24 Estimate, March 2023](#)
- [Rhode Island Revenue Estimating Conference Consensus Economic Forecast, May 2023](#)
- [South Carolina Board of Economic Advisors' Update on Forecasts, May 2023](#)
- [South Dakota Joint Committee on Appropriations Revenue Projections, February 2023](#)
- [Tennessee FY24 Proposed Budget, February 2023](#)
- [Texas Biennial Revenue Estimate 24-25, January 2023](#)
- [Utah Executive Appropriations Committee Revenue Estimate, December 2022](#)
- [Vermont January 2023 Economic Review & Revenue Forecast Update](#)
- [Virginia Department of Taxation Economic Outlook and Revenue Forecast, November 2022](#)
- [Washington State Economic and Revenue Forecast, March 2023](#)
- [West Virginia Proposed FY24 Budget, January 2023](#)
- [Wisconsin Legislative Fiscal Bureau General Fund Revenue Projections, May 2023](#)
- [Wyoming State Government Revenue Forecast FY23-28, January 2023](#)