



Watch Out for the Fiscal Cliff:

Budgeting for Equity Beyond ESSER: A guide to actionable state and district policy responses to the fiscal cliff

Districts have until September 30, 2024 to spend down the last of the historic pandemic [Elementary and Secondary School Relief \(ESSER\) III](#) funds. Ed Trust's brief, "[Watch Out for the Fiscal Cliff: Advocating for Education Equity as ESSER Spending Winds Down](#)," explains how advocates can push district leaders to spend down ESSER funds and sustain investments that are successfully addressing educational inequities.

But how do district leaders sustain these investments and strive to meet students' growing needs? Also, what is the role that state leaders should be playing in helping districts make the transition from budgets supplemented by ESSER? This guide provides key recommendations for how state and district leaders can equitably approach budgeting beyond ESSER.

What do we know?

District budgets are in trouble for multiple reasons

Already, many districts have made tough choices, such as [staff layoffs](#), [program reductions](#) and/or eliminations — and in some instances, districts are contemplating [school closures](#) — to balance their budgets. Districts are grappling with ESSER funds expiring and continued loss of buying power as increased labor costs and other costs, such as technology and energy, make it [more expensive](#) for many districts to operate. Making matters worse, many districts are also seeing [fewer students](#) enroll due to several factors including a decade's long birth rate decline across the country, increases in homeschooling and other school options, and slowing immigration. When districts enroll fewer students, they generate [less revenue](#) through their [state's funding formula](#).

State actions aimed at addressing revenue shortfalls are most harmful for districts serving the most students of color and students from low-income backgrounds

When states cut budgets to balance their budgets amid sharp revenue declines during the Great Recession of 2008, high-poverty districts that were more reliant on state aid suffered the most. If state economies enter a recession, districts serving the most students of color and students from low-income backgrounds will be further vulnerable to budget shortfalls — without the protections and monitoring of the American Rescue Plan Act's [maintenance of equity provisions](#).

State and district leaders can and should budget equitably beyond ESSER

With now-exacerbated inequities in student experiences and learning outcomes, advocates must double down on their efforts to hold state and district leaders accountable for equitably investing in students of color and students from low-income backgrounds.

Advocacy guide road map

This guide suggests:

- **Key policies or steps that advocates can push state and district** leaders to take to advance equity in their school budgets beyond ESSER
- **Key things that advocates can do** to hold state and district leaders accountable
- **Key questions to ask** leaders as they engage in budget decision-making processes
- **Highlights of district or advocate actions** that represent effective examples of what is being recommended
- **Additional resources** that further explain how districts and states can center equity as the fiscal cliff approaches

Understanding the Power Players

It is important to understand who the different stakeholders are in your state and/or district and determine the power they each hold to propose and implement equitable policy and budget choices beyond ESSER. See the Alliance for Resource Equity's "[Advocating for Equity Across All Levels of Government](#)" guide for school funding to learn more about the typical power players whom you can target at the federal, state, and school district/local levels.

A few questions to keep in mind while identifying the different power players in your state and/or district:

- What does each stakeholder care most about? What are their priorities?
- What motivates each stakeholder to act? Quantitative data, personal narratives/stories, or both?
- How has each stakeholder previously voted or commented on budget proposals or policy changes that aim to make school funding fairer for students with the highest needs?

Actions at the District Level

District leaders should be transparent about their district's financial picture, publicly share meaningful data, and engage all relevant stakeholders in their decision-making process

Though some states and districts are facing [steeper cliffs](#) than others, all district (and state) leaders should prioritize transparency and invite all relevant stakeholders — educators, administrators, caregivers, students, and advocates — to the table to help shape their next budget and policy choices. It is especially important for district leaders to prioritize Black and Latino families and families from low-income backgrounds in their decision-making processes to provide these communities the opportunity to give feedback on what is and is not working with ESSER-funded investments. More importantly, district leaders should collaborate with these communities to co-create a vision and plan for how districts can more equitably meet the needs of students of color and students from low-income backgrounds beyond ESSER.

District Highlight: The budget website page for [Everett Public Schools](#) in Everett, Washington, includes clear information on key factors contributing to the district's potential deficit for the upcoming school year, offers information on how small or large the deficit could be based on different factors, and provides a timeline and key information about important next steps in the district's decision-making process. The page includes revenue and expense charts to help people better understand what is driving the district's decisions. Notably, the page also includes a "Frequently Asked Questions" section that answers key questions regarding funding, programming, and potential policy outcomes at the state level.

Everett Public Schools' budget page also includes a detailed, yet easy to understand approved [budget reduction plan](#), which shows how many full-time positions were cut and in which categories of staffing (e.g. classroom staff), and the budget amounts that the district reduced to balance their budget.

Importantly, the district engaged its community through a [family and staff survey](#) to collect data on what matters most to community members as well as gauge their tolerance for certain cost reduction strategies. They also asked their community members for suggestions on how to increase revenue and decrease expenses, demonstrating interest in the ideas of the people that were going to be most impacted by the district's difficult budget decisions.

Advocates should scrutinize publicly available district and school budget documents

While districts are undoubtedly facing budget pressure, advocates should not accept that *all* proposed budget cuts are inevitable. Districts could opt to reallocate unspent funds — particularly those that districts repeatedly underspend — within their central office budgets to continue ESSER-funded interventions at high-needs schools. There may also be duplicative programs that districts could consolidate — or eliminate if ineffective — to free up recurring dollars to fund evidence-based and/or promising ESSER programs. Eliminating budgeted vacant positions is another way to free up funds to sustain programs for underserved students (e.g., students of color, students from low-income backgrounds, English learners, and other students) whose barriers to learning were exacerbated by the pandemic. These are programs that students cannot afford to lose.

Equity-focused advocates should interrogate what district leaders are saying about district finances now and in the years ahead. They can do this effectively by analyzing budget data to counter unwarranted scarcity narratives and locate dollars that are ripe for repurposing. If budget data is not publicly available or is not available in accessible formats, advocates should push for greater data transparency and accessibility.

District Highlight: In 2021, advocates [identified \\$3 million](#) within the District of Columbia Public Schools (DCPS) central office budget to fund a full-time librarian in every school in the DC Fiscal Year 2022 Budget. The DC mayor's budget proposal included 36 schools that lacked funding for a full-time librarian with nearly half of those schools being in DC's neighborhoods with the most Black students and the most students from low-income backgrounds. Advocates worked with the staff of a councilmember ally to identify money in the school system's enrollment reserve, which the system said it uses to fund additional positions for schools that exceed their enrollment projection. However, advocates were able to show that DCPS did not use the enrollment reserve in the way the system claimed, making the reserve a viable revenue source to fund full-time librarians across all schools.

District leaders should maximize all available streams of federal funds

Districts can continue effective programs beyond ESSER by maximizing federal grants that the district already receives. While district leaders will not be able to fully replace ESSER funds with existing federal funding streams, such as Title I and Title II, district leaders should identify the ways in which they can more strategically leverage these streams and local and state revenues to accomplish their goals. To learn more about how your district could effectively maximize federal funds to target resources to students who need them the most, view the New Jersey Department of Education's ["Maximizing Federal Funds."](#) It includes detailed guidance on how to maximize various streams of federal funds and includes sample funding strategies that districts can pursue to fund specific needs, such as mental health staff and positive school-climate supports.

Advocates should monitor school closure or consolidation proposals and demand equity in process and results

Declining revenues mean that some districts may have no choice but to close or consolidate schools to balance their budgets. These actions overwhelmingly fall on the shoulders of [communities of color](#), with district leaders closing schools that mostly serve students of color more than they close schools serving more White students even when they have similar enrollment and performance levels.

While district leaders often tout school closures or consolidations as money savers and an opportunity to place students from low performing schools into higher performing ones, research shows that [these outcomes](#) are not a given. Advocates should demand that district leaders be transparent and inclusive in their processes for determining which school communities are impacted. Importantly, advocates should push for district leaders to engage communities well in advance of making the decision to close schools. Advocates should also push district leaders to agree to a set of post-school closure or consolidation accountability metrics to ensure that leaders are adequately supporting affected communities in transitioning and adjusting to new schools.

Key Questions That Advocates Can Ask District Leaders



What information is available to the public about the district's budget and financial picture? Where can people access this information?



What steps are you taking to ensure that the needs of students of color, students from low-income backgrounds, and other student groups that have been disproportionately harmed by the pandemic are prioritized in budget decisions now that ESSER funds are expiring?



Are you considering changing how the district allocates funding to schools? What criteria will the district use to propose changes? Will the public get a say in the proposed changes? Will these changes be temporary or permanent?



How are district leaders (school board members) working with municipal leaders to increase revenue for the school district?



If the district is considering cuts, what is your process for deciding where to make cuts? Will this be a closed-door process or involve the community?

Additional Resources

- [Addressing Equity in a Budget Crisis](#) (Allvue webinar)
- [Lessons Learned: Avoiding Inequitable Teacher Layoffs](#) (Ed Trust brief)
- [Budget Hold'em for Districts](#) (ERS interactive guide)

Actions at the State Level

State leaders’ obligation to ensure that all students have access to high-quality educational opportunities has not changed. In fact, this obligation is even more evident in this moment as districts lose access to millions of dollars that have allowed them to invest more deeply in meeting the social, emotional, and academic needs of their most marginalized students. Funding inequities between low-poverty and high-poverty districts [loom large](#) and without additional state action, these gaps stand to persist or even widen. State leaders can and should act to build on the progress that low-wealth, high-poverty districts were able to advance due to ESSER. Below are several policy solutions that advocates can push for as districts grapple with hard financial decisions.

State leaders should find or raise additional revenue

ESSER funds are going away, but [students’ needs](#) are not. Many districts need more funding to continue supporting students, particularly those districts that lack the fiscal capacity to raise additional revenue and are facing the steepest fiscal cliffs. While no states or district will be able to fully replace the millions of dollars that ESSER has provided, state leaders should still strive to find or raise revenue and can do so through the following ways:

- Use funds from large surpluses or overfunded reserves to increase state aid in funding systems.
- Adopt progressive taxes and/or reduce or eliminate unfair tax cuts that allow the wealthy to avoid paying their fair share into public systems.
- Apply for and accept federal education funding to supplement state investments.

Advocates should also examine other areas of their state’s budget to determine where else policymakers might find money for greater investments in public education. Budgets are moral documents that should reflect the values of all stakeholders.

State leaders should create temporary transition grants for low-wealth, high-poverty districts

When advocating for increased state aid in funding systems, advocates should explicitly call for reallocated or new revenue to be directed toward districts that need the support. One way for states to achieve this is through providing a temporary, supplemental ESSER transition grant to districts that meet all the following criteria:

- ESSER funding makes up a higher percentage of the district’s total revenue than the state average, indicating that the district serves a higher concentration of students from low-income backgrounds, given that ESSER funds were allocated based the federal Title I formula.
- State revenue makes up a higher percentage of the district’s total revenue than the state average, meaning the district is more reliant on state aid to cover educational expenses.
- The district lacks a strong, or wealthy, property tax base upon which it can levy progressive tax increases.

Importantly, an ESSER transition grant should be supplemental to current state funding that districts receive, temporary, phased out over time, and only available to districts that meet all the suggested criteria described above.

Too many state funding systems are already giving away too much money to wealthy districts while underfunding districts serving students who need the most support. State leaders need to permanently eliminate these inequities, but in the meantime, can focus on targeting temporary relief to districts that are struggling right now.

State leaders should, at a minimum, hold funding harmless for high-poverty districts if they cannot progressively raise revenue

State leaders need to continue investing in students. If state economies do not allow for them to increase investments or provide supplemental relief to districts in need, advocates should, at a minimum, demand that state leaders enact temporary [“hold harmless”](#) policies that ensure districts receive at least the same amount of funding they received in a prior year. When developing a hold harmless policy, state leaders should build in inflationary adjustments to state funding levels to ensure that districts can keep up with the rising costs of labor and educational goods and services. Providing school districts with the same level of funding as the prior year without adjusting for inflation is effectively a cut.

Temporary hold harmless policies are likely to be especially beneficial to districts grappling with losing students — and as a result, receiving less state funding. Importantly, current [enrollment trends](#) indicate that states need to develop longer-term, equitable policy and budget solutions to ensure that high-poverty districts can meet their community’s needs. The state leaders convening task forces or working groups to discuss statewide demographic shifts and new student enrollment realities, and tasking these groups with making policy recommendations to the state. Advocates should start having these conversations with state leaders now.

State leaders should implement budget cuts in ways that do the least harm to high-need districts if cuts are unavoidable

Districts will feel the effects of the loss of ESSER revenue for years ahead and continued [enrollment loss](#) will compound the budget pressure in many districts. If states must cut public education funding due a slowing economy, they should choose an [equitable approach](#) that protects low-wealth, high-poverty districts.

Lessons learned from the Great Recession of 2008 show that high-poverty face longer-term economic harm when states indiscriminately cut public education funding since they tend to be more reliant on state aid. Some research shows that from 2009-2020, [state aid-dependent districts](#) struggled more to return to or exceed pre-recession levels of spending on a per-student basis than less state-aid dependent districts. Additionally, more state aid-dependent districts had built up smaller financial cushions that could allow them to weather future shocks to their economies.







It is crucial that state leaders choose the most equitable approach to cutting state funding if cuts are necessary.

Advocates should monitor how states approach fiscal oversight or intervention.

With increasing reports of district fiscal trouble across the country, a new wave of state intervention into district finances could take place. Most states have long had [intervention policies](#) in place, and states vary in the types and intensity of their interventions. Advocates should monitor how states respond to district fiscal crises, paying attention to whether states unnecessarily use more frequent or aggressive intervention tactics for districts serving mostly students of color or students from low-income backgrounds. For example, historically, state takeovers — the most extreme state intervention policy — have occurred more frequently in districts that serve Black students, according to [some research](#). Notably, [other research](#) shows that the fiscal health of majority Black student districts benefit less from state takeovers than districts who do not serve as many Black students. While most states approach takeovers as a last and most extreme resort, disparate treatment of and investment in districts serving the most students of color and students living in poverty requires advocates to monitor state legislator and governor responses to fiscal distress among these districts.

Key Questions That Advocates Can Ask State Leaders

Below are key questions that advocates should ask state leaders, including legislators, governors, and state education agencies, about their policy responses to the fiscal cliff:

-  What types of guidance or resources are you providing to districts to address the challenges that they are facing as they transition from ESSER funds?
-  What will be the state's approach to fiscal oversight or intervention considering current district fiscal challenges? How will the state ensure that it approaches oversight or intervention equitably?
-  What steps are you taking to ensure that low-wealth, high-poverty districts are protected from unfair reductions in state aid?
-  What steps are you taking to ensure that low-wealth, high-poverty districts receive substantially more funding to address their students' needs as ESSER dollars dry up?
-  Is the state considering raising caps on how much local revenue districts can raise? Will those changes be temporary or permanent? (If applicable to your state).
-  Is the state considering changes to recapture or other revenue pooling policies that help invest more dollars in low-wealth, high-poverty districts? (If applicable to your state).

Additional Resource

- [What States Can do to Support Districts Through the COVID Recovery Window](#) (ERS brief)