

# School District Budget Report

## The COVID Impact Part II Federal ESSER Funds

June 2021



# Executive Summary

The COVID-19 pandemic changed public education in Pennsylvania and around the world. While school districts have navigated the majority of the immediate disruption last year and this year, they are now looking ahead and working to pick up the pieces and rebuild, improve, and enhance educational programming, student supports, and all other aspects of k-12 education.

With a historic influx of federal funds provided to school districts to assist them in not only responding and recovering from the pandemic but also in moving beyond it, school districts are fortunate to have the resources and the flexibility to continue to react to and provide for the needs of their students, staff, and communities.

The results of our spring school district budget survey present a guarded optimism across school district leaders regarding outcomes and improvements, and they point towards the advances that are possible with the \$6 billion in federal COVID-relief funding. The volume of the funding and the broad array of eligible uses allows school district leaders the opportunity to spend the funds across a wide variety of needs and also ensures that those expenditures can be tailored to fit the specific needs, challenges, and expectations of each community.

The current and anticipated uses of the federal funds as reported via the survey are targeted to addressing learning loss through various strategies, providing technology expansion, engaging in facility upgrades and improvements to enhance air quality and safety, and investigating strategies to improve sustainability of programs in preparation for expiration of the funds. It was also clear that school districts are focused on addressing the unique needs of their individual student subgroups by combatting food insecurity, enhancing mental health services and supports, and focusing on staff training and related hiring issues.

While the optimism and expectations are high, there will be hard work over the next several years as school districts build and implement careful plans to leverage this historic federal investment. There is some trepidation amongst school leaders as they prepare to spend these one-time funds—trepidation

regarding the sustainability of programs and resources following the expiration of federal funds, trepidation regarding the strict time frames and spending constraints posed by the funds, and trepidation regarding their ability to meaningfully provide the necessary supports and programs for their students.

Additionally, school districts continue to grapple with the challenge of rising mandated costs and the inability to use one-time resources to mitigate them. For example, in the current fiscal year, mandated costs for charter school tuition alone are estimated to increase in a range from nearly \$400 million to upwards of over \$500 million. At the same time, for a second fiscal year, many school districts have paused or reduced actions to increase property tax rates to cover these ongoing costs. The survey shows a reduced number of school districts indicating they anticipate raising property taxes for 2021-22 in comparison to pre-COVID numbers.

School districts recognize the economic impact COVID has had in their communities and on their taxpayers, and they are trying to find a balance between their short and long-term district needs and their tax bases. Federal funds certainly provide the support to achieve this balance temporarily, but an increased state investment in education along with a significant change in the existing policy that allows for and drives significant mandated cost increases each year will be critical to allow school districts to improve beyond COVID permanently.

Overall, our survey revealed that school district leaders' visions for the outcomes of their federal funds is multifaceted and detailed. The progress and hard work done to date makes clear the need for continued intense work to leverage federal funds for improved student outcomes and to make improvements in their communities. While there remains some apprehension over the unknowns and challenges yet to be faced, such tensions are to be expected, and they reveal that while these are challenging times, school district leaders are moving to meet this challenge as an opportunity to reshape k-12 education in Pennsylvania.

# Introduction

As the 2020-21 school year—one of the most complex in modern times—comes to a close, school districts across the commonwealth are looking ahead to the 2021-22 school year.

The 2020-21 school year was defined by ever-changing COVID infection rates, guidance, and protocols. The result was evolving instructional models and health and safety plans and a constant need to react and adapt to changing needs, expectations, and rules. School districts and other local education agencies (LEAs) were constantly thrown into the center of educational, public health, and political debates at the local, state, and federal levels, while remaining focused on the dual priorities of educating students and keeping them safe during a global pandemic.

The 2021-22 school year is expected to look significantly different than this past year and hopefully much closer to normal for most students and staff. That said, the challenges facing school districts and other LEAs have not disappeared. Just like everything else during the pandemic, the issues have evolved, and while health and safety concerns have been mitigated, the needs of students and the complexities of financing public education have never been greater.

School districts are fortunate to be the recipients, along with charter schools, of three separate rounds of federal COVID relief. Just like the federal COVID relief provided to individuals, businesses, and state and local governments, these federal funds are one-time infusions of resources to ensure that services are provided, operations are maintained, and the effects of the pandemic are overcome.

For schools, the federal funding was provided by three separate Acts under two separate administrations. First, the Coronavirus Aid, Relief, and Economic Security Act (CARES), passed in March 2020, provided Pennsylvania school districts and charter schools with \$523 million in federal funds through the Elementary and Secondary School Emergency Relief Fund (ESSER). In December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was approved, sending another \$2 billion to Pennsylvania school districts and charter schools via ESSER.

Finally, in March 2021, the American Rescue Plan Act (ARP) was passed, sending nearly \$4.5 billion to Pennsylvania school districts and charter schools via ESSER. The amount of ESSER funding a school district or charter school receives is dependent on its share of federal Title I-A funding, which, generally, is dependent on the LEA's population of economically disadvantaged students.

Each of the Acts spelled out the eligible uses for the funds, and through the statutory language, the broad Congressional intent was clear. The funds could be used for COVID-related purposes, projects, and expenditures, as well as for programs, projects, and staff to help move schools and students beyond COVID. The boilerplate "supplement not supplant" rule that applies to virtually all other federal funds, does not apply to any federal ESSER funding, as Congress recognized the variety of challenges schools across the country were facing—everything from expenditure increases for items such as PPE and technology to revenue decreases due to the economic impact of COVID on local and state funding—in fact, Congress prioritized the federal funds to maintain operations and continuity of services, including continuing to employ existing or hiring new LEA staff.

Each of the Acts also articulated the time frame in which the federal funds must be spent. While all ESSER funds are retroactive to March 13, 2020, under the CARES Act, the ESSER funds must be spent by September 30, 2022; under the CRRSA Act, the ESSER funds must be spent by September 30, 2023; and under the ARP Act, the ESSER funds must be spent by September 30, 2024. That means that Pennsylvania school districts have the monumental task of spending \$6 billion in ESSER funds by September 2024.

The receipt and expenditure of billions of dollars in federal funds to respond to the unprecedented challenges of COVID sounds simple. However, while the availability of the funds is welcome, the expenditure of the one-time funds, in a way that both uses the funds for the eligible purposes that advance the Congressional intent and ensures long-term financial stability of the school districts following the expiration of the funds, is one of the most challenging and significant tasks that many school leaders have ever faced.

To understand more about how school district leaders are planning to use their ESSER funds over the next several school years, the PA Association of School Business Officials, in conjunction with the

PA Association of School Administrators and the PA Association of Rural and Small Schools, created two separate surveys to collect information from school district superintendents and from school district business managers. The surveys asked different questions to each group of school leaders regarding their plans for the 2021-22 school year and their use of ESSER funds overall. The surveys were sent to school leaders in mid-May, and surveys were collected in early June. We received responses from more than 250 school district superintendents and from more than 360 school district business managers.

Additionally, we obtained information from school district Annual Financial Reports. This information is publicly available on the Department of Education's website, and it provided us with some additional context through which to view the survey responses.

## **How Are School Districts Using ESSER Funds?**

With the passage of ESSER, school districts in Pennsylvania and across the country will see the most significant federal commitment since the Elementary and Secondary Education Act of 1965. With three ESSER funding streams passed in response to the pandemic, school districts now have significant resources, more than \$6 billion in federal assistance, not only to address pandemic recovery, but also to address a myriad of needed instructional and other supports for students in the commonwealth.

The federal ESSER funding is purposely flexible allowing local decision-making to direct new resources to address overlapping instructional improvements that will drive funds to classrooms while simultaneously providing the option to address other initiatives. Heretofore, any new instructional programming was only possible with additional local resources. Without growing local resources in many school districts, new student support became a property tax debate with school leaders caught between new programs for students and higher property taxes for residents.

As noted above, the federal ESSER funds provided via the American Rescue Plan (ARP) is the largest tranche of COVID-related federal funding to schools, representing about half of the total federal investment. School district leaders are in the process of planning, reviewing, and analyzing how to

appropriately spend the federal funding, building on the earlier ESSER funding under the CARES Act and the CRRSA Act.

Moving away from specific spending targets and restrictions, the federal ESSER funding provides many eligible uses for school districts, and they are wide ranging in scope. The ESSER funds provided under ARP earlier this year can be spent broadly, including on everything from addressing the unique needs of individual student subgroups (such as special education students, low-income students, English learners, racial and ethnic minorities, and homeless and foster students) and providing mental health supports and services, to providing or enhancing summer learning or afterschool activities, addressing student learning loss and engaging in certain facility upgrades (*See the Appendix for the full list as articulated by the ARP Act*).

Given this broad menu to choose from, it is not surprising that school districts are directing funding to many different needs. The other factor influencing a diverse approach to putting the federal investments to use is the relatively short time frame in which to spend the new federal resources. Essentially, there needs to be a multi-dimensional strategic approach to new programs and local investments to methodically and effectively meet the timeline requirements.

The survey results in Figure 1 below combine federal ESSER funds spent, being spent, or planning to be spent between now and the expiration of the funds in September 2024. School districts are formulating their funding targets for the final round of ESSER funds, while previous ESSER funding has either been spent or is being spent this fiscal year and/or going forward. As a result, the responses from school district superintendents reflect both actual and projected uses of ESSER funds, and survey respondents were asked to choose all applicable categories of intended ESSER fund use.

As the data in Figure 1 show, the most significant investment by school districts is strategies to address learning loss as a result of the pandemic. One of the few substantive restrictions imposed under the ARP Act is the mandate to direct at least 20% of the ARP ESSER funds towards addressing student learning loss. The learning loss spending will generally be remedial in nature as opposed to the forward-looking spending plans that other options provide (Note: other spending options in the survey responses also address learning loss, which accounts for the less than 100% response).

**Figure 1: Intended Use of All ESSER Funds**

<b>ESSER Eligible Use</b>	<b>Percentage of Respondents</b>
Purchasing educational technology for students to aid in regular classroom instruction	<b>87.67%</b>
Addressing learning loss among students	<b>87.67%</b>
Planning and implementing activities related to summer learning and supplemental afterschool programs	<b>85.84%</b>
Providing technology/internet access for online learning to all students	<b>77.63%</b>
Providing mental health services and supports	<b>70.32%</b>
Facility repairs/improvements to enable operation/reduce risk of virus transmission and exposure to environmental health hazards	<b>63.47%</b>
Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities	<b>65.30%</b>
Activities necessary to maintain the operation of and continuity of services and continuing to employ existing staff of the LEA	<b>52.51%</b>
Activities to address the unique needs of low-income students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth	<b>42.47%</b>
Providing assistive technology or adaptive equipment for low-income students and children with disabilities	<b>31.96%</b>
Developing strategies and implementing public health protocols for the reopening and operation of school facilities	<b>30.14%</b>
Training and professional development for staff on sanitation/minimizing the spread of infectious diseases	<b>27.40%</b>
Providing meals to eligible students; inclusive of decisions to feed all students	<b>26.94%</b>
Other	<b>7.31%</b>

Source: PASBO/PASA/PARSS survey data

While the requirement to dedicate at least 20% of ESSER funds to student learning loss only applied to the ESSER funds under the ARP Act, school districts have the ability to direct additional ESSER funds to that eligible use as well. Drilling down slightly further into the learning loss eligible use in Figure 2 below, while almost half of respondents indicated that they were dedicating 20% or less of their total ESSER funds (beyond just the ARP ESSER funds) to addressing and overcoming student learning loss, 40% of respondents indicated that they anticipated dedicating 21-50% of their total ESSER funds to learning loss. Twelve percent of respondents indicated that they anticipated spending more than 50% of their total ESSER funds on combating student learning loss.

**Figure 2: Total ESSER Funds Targeted to Learning Loss**

Percentage of Total ESSER Funds Targeted to Learning Loss	Percentage of Respondents
20% or less	48%
21-30%	22%
31-40%	11%
41-50%	7%
51-60%	3%
61-70%	3%
71-80%	4%
>80%	2%

Source: PASBO/PASA/PARSS survey data

Just as important a priority for survey respondents in spending of ESSER funds is technology access. Clearly, the pandemic required new technology acquisition, both hardware and internet access, to implement remote learning when schools were either partially or fully pivoting away from in-person classes for health and safety reasons.

Eighty-eight percent of survey respondents indicated they have or will use federal ESSER dollars for hardware, software, internet access, and related acquisitions. In addition, another 77% responded that their school district would be upgrading technology for the purpose of online learning. While there will

be a return to in-person instruction, school districts created more remote options for their students by necessity during the pandemic. ESSER funding will grow the remote resources available to students and could be utilized in the future for course work that may not have been available prior to COVID. This will serve to improve and enhance equity in technology access and use across the commonwealth for all students for years to come.

Another clear choice for many school districts was an effort to address the COVID learning gap immediately by funding expanded summer school and other after school programs. Eighty-six percent of respondents indicated that federal ESSER resources would be utilized in this area for both in-person and remote instructional programs. These kinds of program expansions do not just help students move forward academically, but they serve to increase opportunity to address food security and even help some parents during return-to-work transitions.

**The funds will allow us to offer learning loss camps throughout the summer months for the students who are struggling due to remote learning.**

”  
Survey Respondent

In an effort to address other pandemic effects on students, respondents noted that school districts will be expanding mental health services to students. More than 7 in 10 respondents said they have targeted student mental health supports with ESSER resources. School districts will also continue spending on COVID-related student health and safety concerns. Almost two-thirds of the survey respondents indicated that funding additional cleaning supplies and adding personnel for more rigorous sanitization of school facilities would continue to be a need going forward.

More than 60% of survey responses targeted each of the facility improvement eligible uses for their ESSER dollars. One common focus was indoor air quality upgrades to protect students and staff from virus transmission in school facilities. This effort includes inspection, testing, monitoring, repair, and maintenance of HVAC systems plus the purchases of sophisticated and expensive filters. Other types of facility improvements planned will address environmental concerns that could adversely affect student health.

It is not surprising that facility upgrades will be a frequent and extensive use of ESSER funds. Facility projects are both expensive and, generally, one-time expenditures. The survey responses indicate that 14% of school districts will direct or have directed more than half of their total ESSER funds to facility improvements.

As state assistance for new school construction and renovation through the PA Department of Education's PlanCon program has essentially been eliminated by current state policy, few school districts have engaged in major renovation projects. That leaves school districts to fund new construction, renovations, and smaller maintenance projects, like roof replacements, with local funds assuming they can raise them. The extent of the focus on facility-related projects reveals that absent state funding, budgets for school construction, renovation, maintenance, and repair have been in decline, and ESSER is an opportunity to address deferred maintenance.

The significance of the ESSER funding allows districts to address a multitude of needs. As a result, funds will not just be directed to a few areas, and more far reaching strategies can become reality in the short-term. Additionally, different school districts can have very different needs based on student demographics, geographic location, size, and wealth.

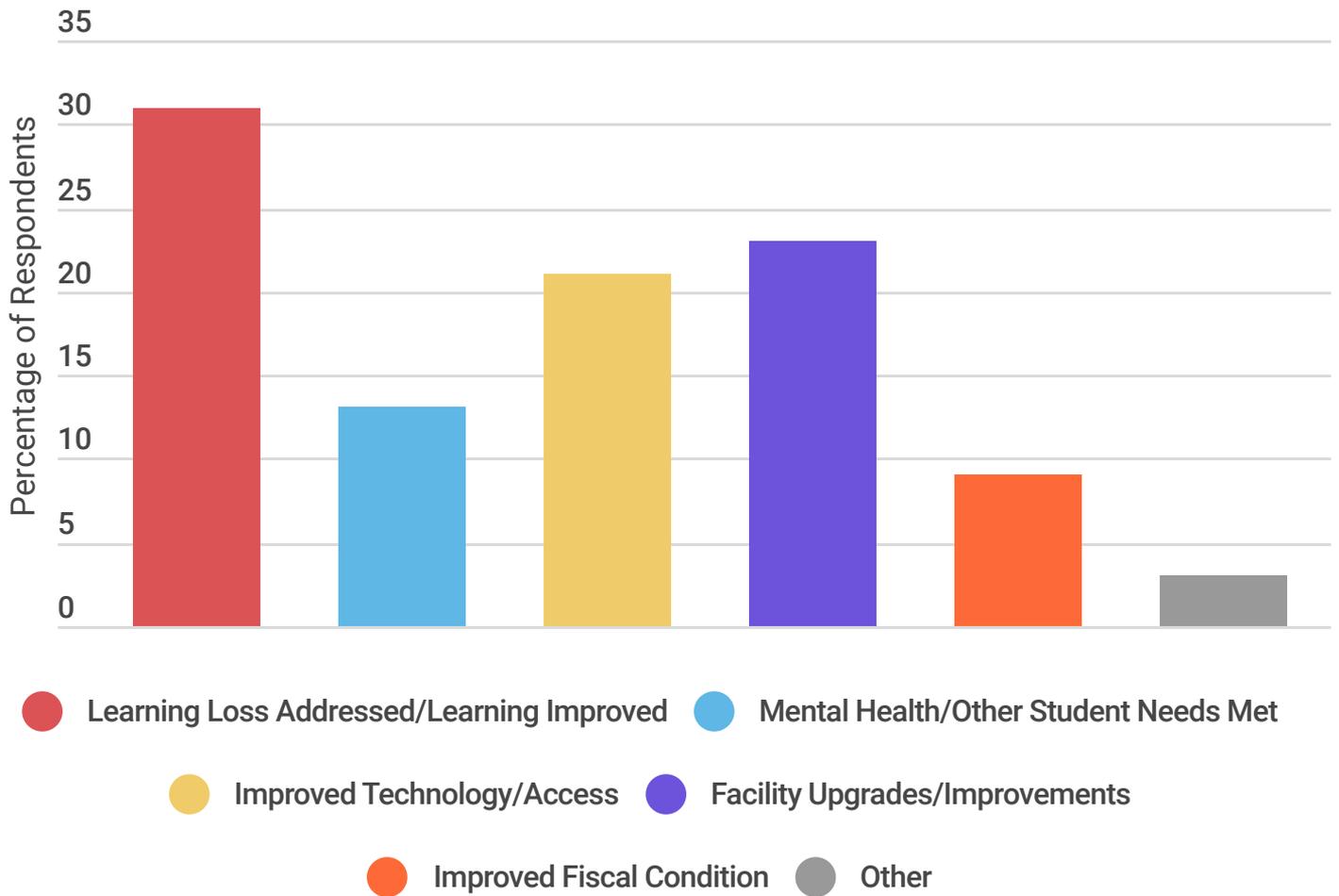
## **What Difference Will ESSER Funding Make?**

With this historic federal investment in schools, what is the vision of school district leaders in Pennsylvania? How will education change in the future? What are the signs of success?

Superintendents in our survey indicated a wide range of outcomes from the multi-dimensional ESSER-funded investments in students and schools discussed above. Clearly, the survey indicates a high degree of optimism that ESSER funds will ensure student achievement will increase, programs to help students both in and out of the classroom will grow, school districts' ability to provide safe environments will be enhanced, and school district finances will be stabilized.

The data in Figure 3 shows the respondents' goals for their school districts as a result of the ESSER funding. Survey respondents were asked to share their aspirational goals for the federal funds, and we categorized those responses into the groupings below.

**Figure 3: Anticipated District Outcomes Following Use of ESSER Funds**



Source: PASBO/PASA/PARSS survey data

More than 30% of the survey responses indicated that an increase in classroom learning and the closure of achievement gaps were their intended outcomes following the expiration of federal ESSER funds. Many noted that these strategic goals would be targeted at specific student populations, such as special education or economically disadvantaged students, while others sought to overcome pandemic learning loss across-the-board. In addition, other respondents noted a desire for the provision of new course offerings, expanded options for students, and staffing supports to provide continuity of instruction.

In addition to increasing classroom learning and closing achievement gaps, nearly 13% of respondents noted that addressing student needs outside the classroom was an important outcome of the ESSER funded programs. In this category, respondents indicated that the provision or expansion of mental health programs and supports for students and continued vigilance to protect student physical health post-pandemic would be indicators of success.

While student-focused results were the vision of more than 43% of survey respondents when combined, not far behind in terms of uniformity of vision was technology investment and improvement. Twenty-one percent of survey respondents indicated that future success for their school district and students would include growth in technology access, which included both an improvement in the hardware provided to students as well as broader and more robust internet access to improve student programming.

During the pandemic, one-to-one technology readiness was an instant necessity across all school districts. The vision of the outcome of federal ESSER funds for technology means that needs for updated devices for students and staff, hotspots, and resources to cover internet service fees are all met. The vision of school district leaders is that more technology capacity, capability, and preparedness will inevitably add to the student achievement strategies going forward. This is an especially aspirational goal of poorer school districts where a lack of resources and fiscal stress often meant a lack of technology tools in comparison to wealthier districts. In a small but not inconsequential way, a dream of many poorer school districts can become a reality.

A similar number of responses (23.3%) noted that their vision for the future included a better learning environment through infrastructure improvements. With aging facility costs on every school district's needs list, taking care of physical improvements that may have been deferred will create a better future for students and staff. Targeting air and water quality improvements and related infrastructure projects ensures that many districts are funding future improvements that will contribute to long-term student achievement.

**We hope that by the end, we will have documented better academic and social outcomes for students. The renovation of our HVAC system will bring our staff and students a better building experience with better airflow and temperature regulations.**

Survey Respondent

Combined with physical improvements, survey respondents noted the objective is to do all of this and still improve the school district's financial standing as the federal funds expire. For many, that will be no easy task. The ability to address both pre-COVID and COVID era budget gaps and sustain selective ESSER initiatives long-term is an important future improvement in not just resource-challenged districts but in all 500 school districts.

The near-term future for k-12 education is better due to the ESSER funds, which is a significant shift from the dark days of the 2008 post-recession federal funding withdrawals. The survey data clearly reveals the significant extent to which these ESSER funds have filled holes and covered rapidly increases in costs including hundreds of millions of dollars in additional state mandated costs.

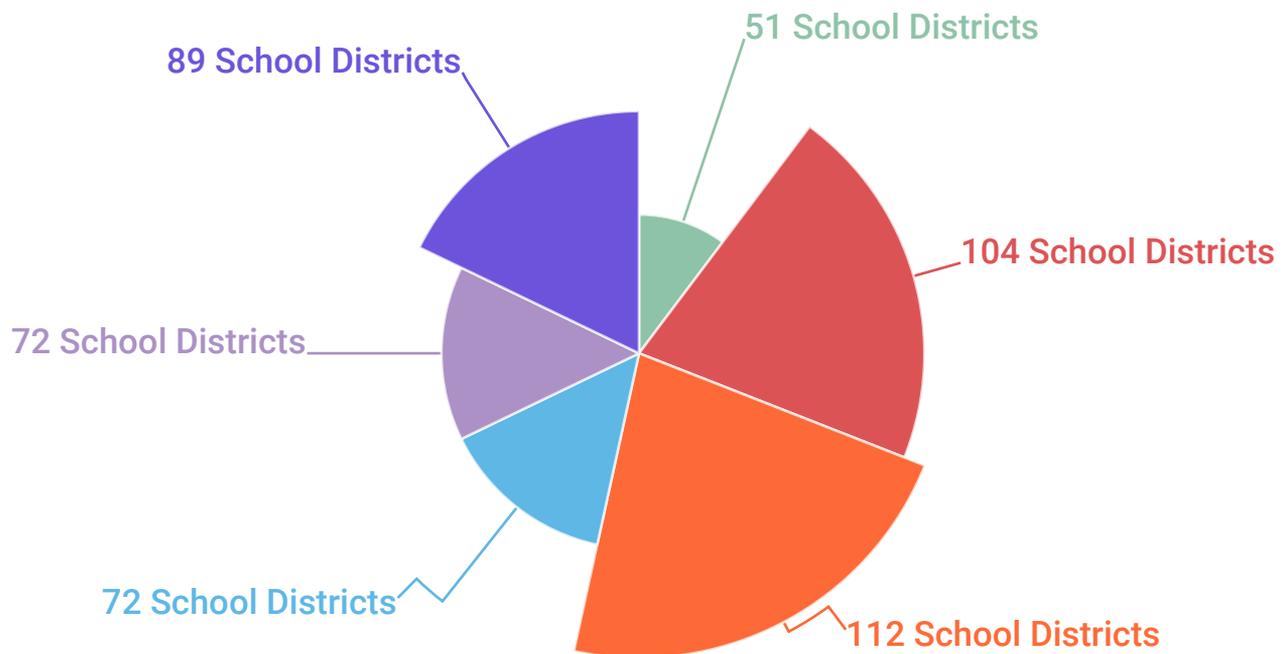
Districts must work their way through recovery by ESSER fund expiration, and it is succinctly clear that the state must now choose to make this recovery task less onerous for those most dependent on it or foist greater burden on the local property tax base and require reductions in programs and services.

## **The Challenges of Federal ESSER Funding**

How will schools get to the envisioned future? The federal ESSER funds present a fiscal conundrum for school leaders. The outcome everyone wants to see is the ability of all 500 school districts to spend their federal ESSER funds without creating a financial cliff after which all post-COVID progress is negated. While this can theoretically be accomplished by not focusing spending on recurring expenses, non-recurring expenses can be elusive.

While on the surface, the significant infusion of ESSER funding is a blessing; however, the historic investment of federal funds could also prove to be a curse if the financial cliff isn't carefully and expertly navigated by school leaders. Furthermore, it is important to recognize that federal ESSER funds are purposefully not distributed evenly. Three rounds of federal funding have been targeted to poorer school districts using a distribution based on Title 1-A shares. The result of utilizing the Title 1-A formula shares is that more funds are targeted to the poorest school districts. In terms of context, a poor district could receive 30% of its annual budget in total ESSER funding. In contrast, a wealthy district could receive only 3%. Figure 4 illustrates this variation across school districts.

**Figure 4: Total ESSER Funds as a Percent of Total Operating Budget**



- less than 5%
- 5%-9.99%
- 10%-14.99%
- 15%-19.99%
- 20%-24.99%
- 25% and greater

Source: PDE 2019-20 AFR data and ESSER allocations

In the either case, there are financial challenges in utilizing ESSER funds, and in the case of wealthier school districts, there is the added complexity of keeping local and state budget resources in concert with ongoing spending. Pre-ESSER, more than 50% of school districts in the state received fewer than 2% of their total revenues from federal sources. Those school districts that will continue to see only a small portion of their revenues from federal funds will still need to meet mandated costs with local and state dollars or face cuts in programs and services.

Schools that do see substantial increases in federal funding via ESSER cannot just simply create new programs or expand existing ones without creating the financial cliff where the federal investment disappears in one fatal fiscal blow to the school district budget. This delicate balancing act of meeting educational expectations that do not come to a screeching halt in 2024-25 when the federal funds expire requires a strategic and thoughtful process.

School leaders do not want to repeat the recent past when federal funds were used to blunt the effects of the Great Recession. School budgets were treading water during the economic decline with federal funding to the state being used to hold the basic education funding subsidy intact. When those federal funds expired, there was fiscal chaos for schools. Substantive cuts in programs and personnel combined with property tax increases across multiple fiscal years were necessary to stabilize budgets bludgeoned by a fall from the cliff and hit by double-digit increases in mandated pension payments.

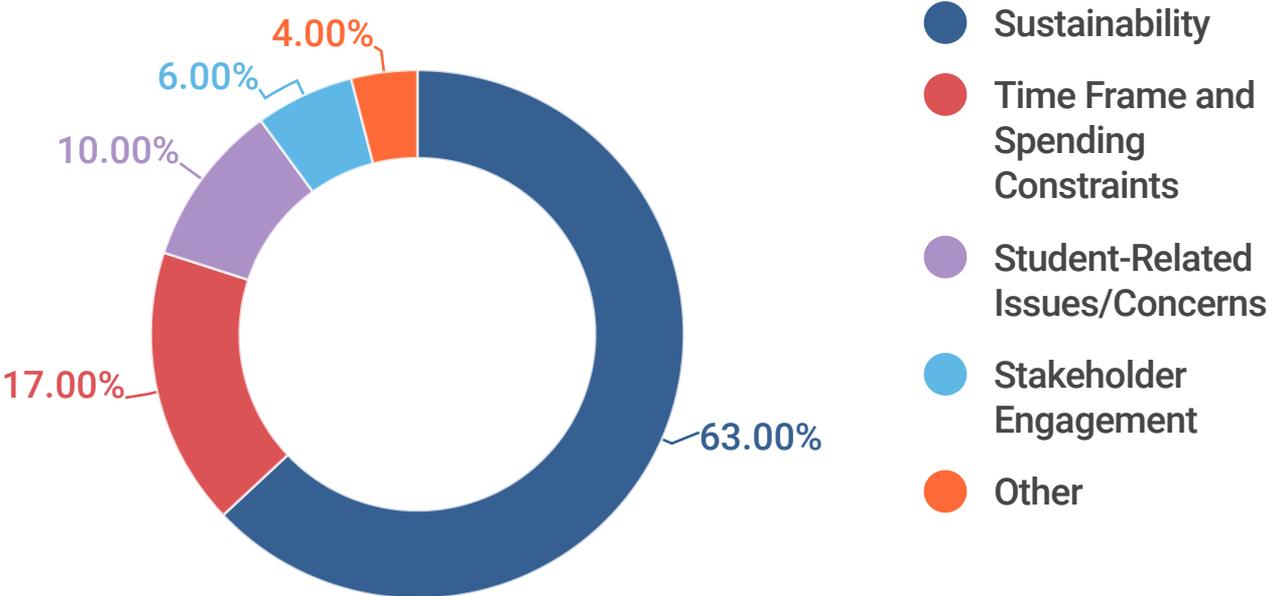
With the experience from earlier this decade still clear in the minds of school districts leaders across the commonwealth, their concerns associated with the federal ESSER funding are significant. As noted above, the timeline for the use of \$6 billion by school districts is extremely short, and effectively expending this volume of one-time funding within the limited timeframe without creating long-term financial repercussions is difficult even for those districts receiving relatively limited ESSER funding as a percentage of their total operating budgets.

On top of the timeline, school districts have been waiting for additional guidance and clarification from the U.S. Department of Education and the PA Department of Education to further define the parameters surrounding each eligible use as articulated by the Acts. As the scope and extent of this federal COVID relief is historic and the timeline for use short, the questions from school districts and other LEAs are extensive and cover everything from allowable expenditures, federal procurement requirements and accounting details to evidence-based interventions, community engagement and reporting requirements. Needed guidance trickles out as school districts continue to consult stakeholders and build multi-year plans for the use of these funds. Meanwhile, districts must keep moving forward so as not to shorten an already short time frame.

The vast majority of survey respondents reported that their school district has or is currently working on development of a multi-year general fund budget and federal ESSER fund plan that incorporates a fiscal strategy to mitigate the fiscal cliff. While it is certainly expected that school districts will engage in careful and responsible planning to ensure appropriate use of federal funds, the scale of the potential cliff many districts face and the pace at which it is approaching is creating serious fiscal anxiety for school leaders across the state.

That anxiety comes in several different flavors—and most school district respondents indicated that they have concerns on multiple fronts. Survey respondents were asked to articulate those areas of concern, and while the specifics of the concerns are unique to the circumstances in each individual school district, the common themes in the challenges articulated by respondents in our survey are found in Figure 5 below.

**Figure 5: Major Concerns in Planning for and Spending ESSER Funds**



Source: PASBO/PASA/PARSS survey data

The concern expressed by more than 60% of all survey respondents was sustainability. This broad category encompassed everything from apprehension about the overall use of one-time funds on school district budgets and the ability to either end programs at the expiration of the funds or rely on state or local revenue to continue programs or supports that are providing benefit for students. They acknowledged the need to work toward avoidance of the federal fiscal cliff and the ongoing challenges of balancing their general operating fund with constantly increasing mandated costs as they deal with one-time ESSER funds.

Survey respondents reported the difficulties of building programs and supports for students to address learning loss post-COVID with short-term resources. They noted that based on the needs of the students, some programs and supports may need to continue beyond the expiration of the ESSER funds, however, having the resources to accomplish that long-term is uncertain.



**I don't expect one-time funding that covers the next few years will be enough to support the long-term impact on students. Intense programming for a year or two will not replace the impact COVID has on students academically, socially, and emotionally.**

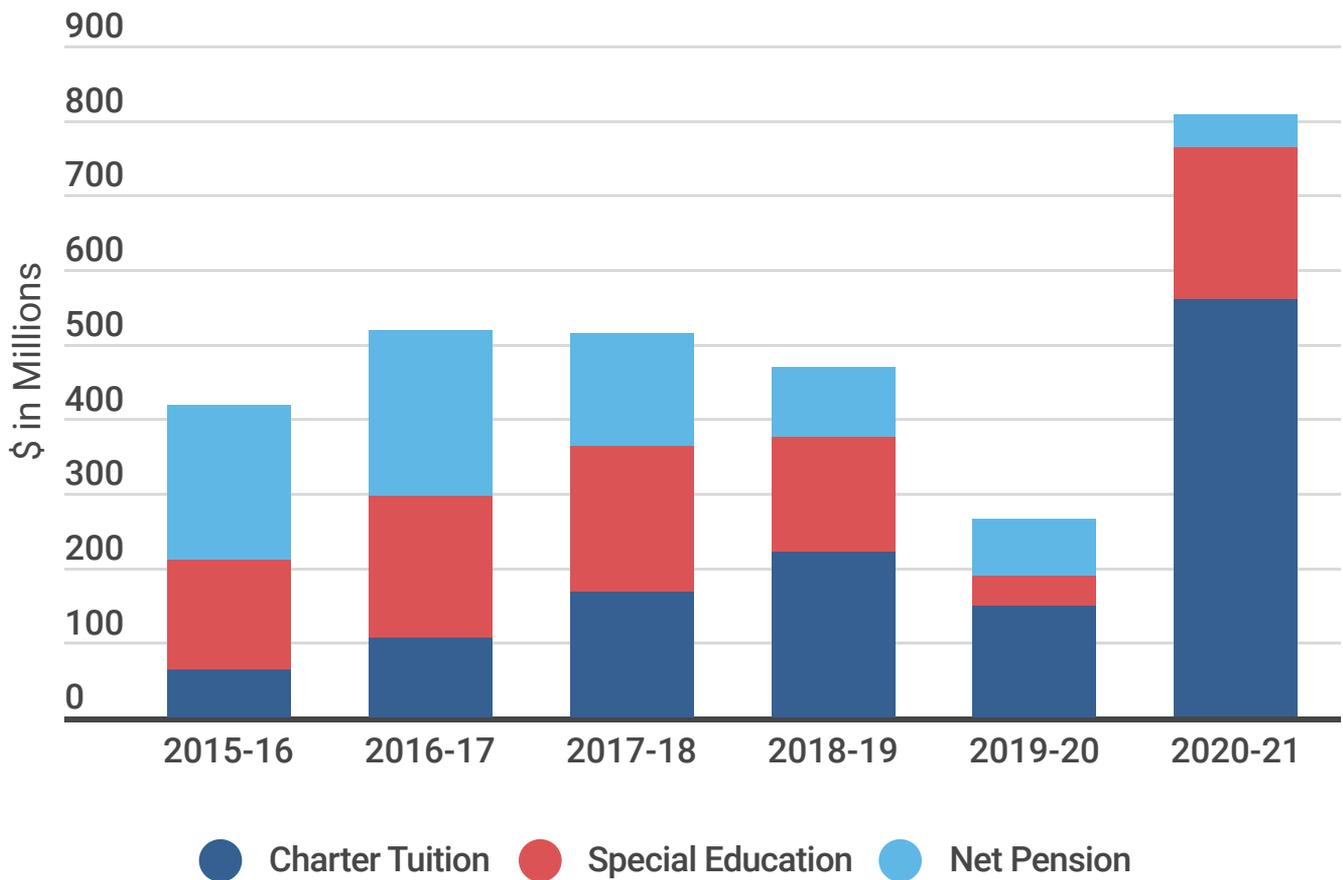
Survey Respondent

The issue of sustainability also included significant concerns about the impact of state and local revenue for school districts during the period of ESSER use. Many school districts reported apprehension about uncertain and unpredictable levels of state support over the next several years, with many respondents fearing that the influx of federal funding would permit the legislature to back away from providing increases to—or even reduce existing levels of support for—k-12 education. As was the case following the Great Recession, the districts most impacted by state pull backs in funding, including flat funding, were those most reliant on the state for their funding. That is highly correlated to school districts with greater student needs and lower community wealth.

The importance of sustained state support for education, particularly during the time frame of ESSER funding, comes from the fact that mandated costs for k-12 education will continue to rise, yet school districts are warned repeatedly that they should not use their one-time federal funding to cover those ongoing costs. As we have reported in nearly all prior school district budget reports, the mandated costs associated with the provision of special education programs and services and the payment of charter school tuition costs increase each year. Pandemic or no pandemic, federal funds or no federal funds, these costs will continue to increase, exacerbating the challenges school districts face in trying to build long-term budgets that recognize the ephemeral nature of the ESSER funding. Without ongoing and increasing state support for education—via increases to the basic and special education funding subsidies—school districts and the students they educate will fall further behind despite the infusion of federal funds to move them ahead.

Figure 6 below highlights the impact of mandated cost increases for special education, charter school tuition and employee pension costs--all of which increase each year and heighten the fiscal stress on school districts.

**Figure 6: Annual Growth in School District Mandated Cost Increases**



Source: PDE AFR data and PASBO estimated data

Additionally, more than 9% of survey respondents noted the specific challenges related to growth in cyber charter tuition costs, which increased dramatically during the 2020-21 school year due to an increase in cyber charter enrollment of more than 20,000 students. The potential financial implications of this enrollment growth are devastating to school districts and could result in an increased charter school tuition cost of roughly \$350-400 million in 2020-21. Based on updated 2019-20 Annual Financial Report data, the overall increase in the amount school districts will pay charter schools in 2020-21 could range anywhere from \$450 to 550 million--this is at least double the normal annual increase in charter school tuition. The state provides no resources to school districts for mandated charter school tuition costs, and to date, ESSER funding guidelines have disallowed use of federal funds to pay for this increasing cost.



**We intend to use funds to address learning recovery and the increased mental wellness needs of our students and to indirectly address the budget deficit caused by increases to cyber and cyber charter expenses.**                      Survey Respondent

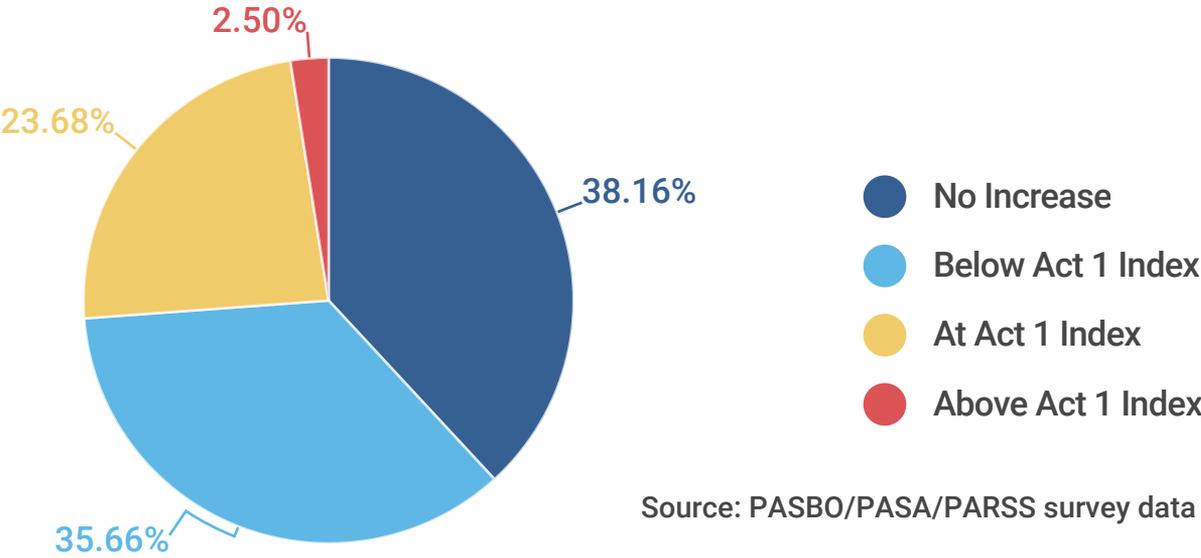
Tied to the concerns regarding the sustainability of state funding are those related to the sustainability of local funding. While the impact of COVID on local revenue has impacted each school district differently, the impacts are certainly not over. Some school districts have seen minimal declines in local revenue over the past year—with some even reporting some increases in earned income tax and many reporting increases in realty transfer tax. Others have seen declines in earned income tax, property tax and other local tax collections, and several are bracing themselves for the potentially significant implications of assessment appeals, particularly from commercial properties. On top of this, as we have reported in prior budget reports, approximately 20% of school districts report assessed value declines from year to year, automatically reducing their local revenue from the start.

The challenge and concerns with local revenue are multi-pronged. If the state fails to increase or even sustain their funding to school districts over the next several years during the ESSER timeframe, the greater burden falls to local taxpayers. Additionally, as mandated costs continue to rise, school districts need to cover those costs without using one-time federal revenue to do so—leaving local taxpayers to support the increasing costs of special education and charter school tuition increases. During the next few ESSER era years if the state does not provide assistance to school districts to support their ability overcome the funding cliff, local revenue is the only lever school districts can pull to mitigate challenges and potential cuts.

For many school districts, raising property taxes—which make up the bulk of all local revenues collected—is a political challenge amidst a sea of federal ESSER funding. However, the reality is that the lack of predictability of state funding for schools and the inability to use federal funding for ongoing costs means that local funding requirement to balance the underlying operational budget has not changed. For many the condition has worsened due to COVID economic impacts.

The economic impact of COVID resulted in a historic low in the number of school districts that raised property taxes in 2020-21. Due to the uncertainty about COVID's impact and a recognition of the resulting financial challenges for many residents, more than half of school districts didn't raise property taxes this year. Looking ahead to 2021-22, just under 62% of survey respondents expected that they would likely raise property taxes by some amount—in most, by less than the Act 1 Index (see Figure 7 below). These results are still a significant departure from the pre-COVID norm, in which about 75% of school districts usually increased property taxes, with most doing so at the Act 1 Index.

**Figure 7: Survey Respondents Anticipating Raising Property Taxes in 2021-22**



While property tax increases and state policy mandate increases are too often discussed in silos, they are intricately intertwined. School districts do not take using the property tax lightly and try to balance district financial needs and community needs. That is evidenced in last year's efforts to avoid tax increases and again in this survey.

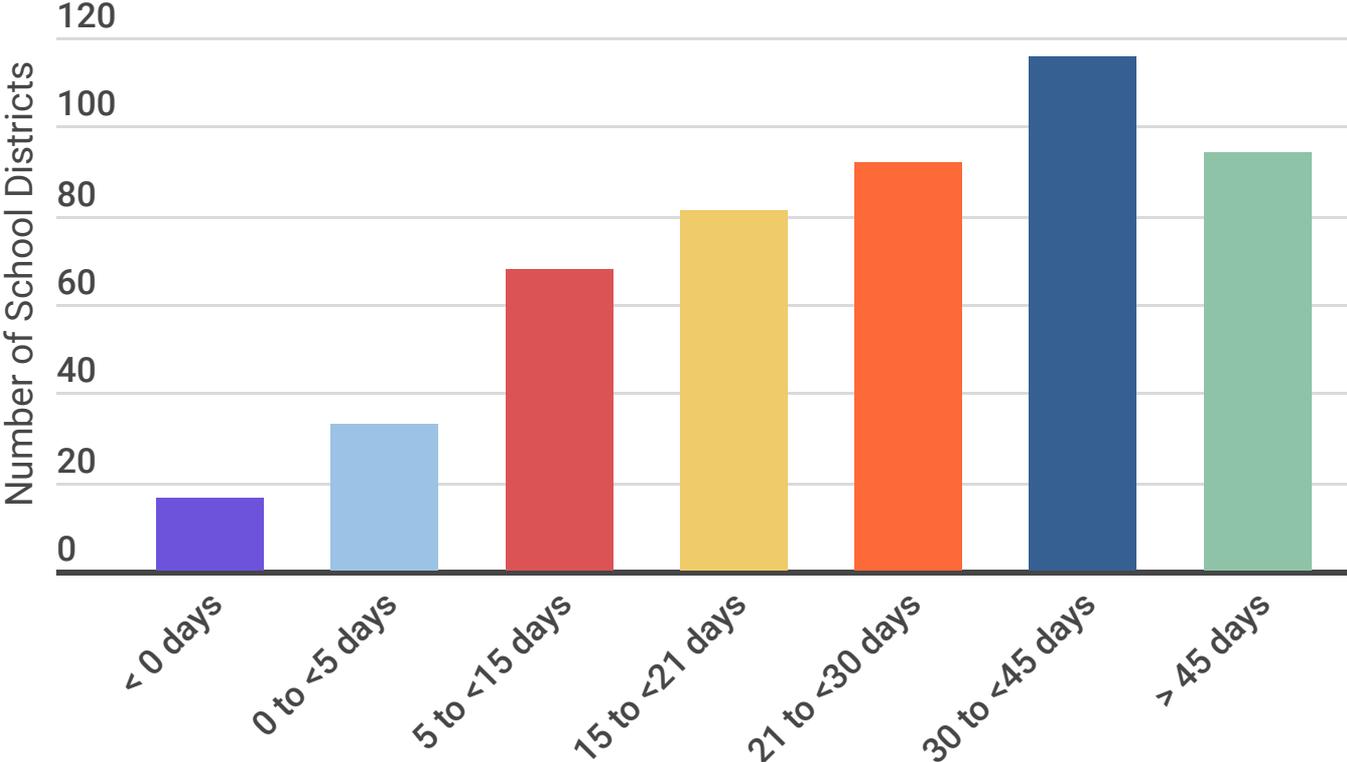
However, to provide perspective, over the past decade (2010-11 to 2019-20) charter school tuition increases were more than \$1.23 billion, or the equivalent 39.5% of the total increase in property taxes over the same period. In 2019-20, total local taxes increased by \$256 million statewide for districts, while in 2020-21, the cyber charter tuition increase alone is estimated to be roughly \$380 million. That means 100% of all property tax increases last year went to cover that one mandated cost increase. As school districts slow down in raising property taxes, charter school tuition and other mandated costs' share of future required property tax increases will grow substantially. This is simply not sustainable.

In light of this, failure to recognize the reality that rising property taxes and program cuts to schools remain necessities for many school districts across the commonwealth during the ESSER funding time frame demonstrates a lack of understanding of the enormity of the challenges that school leaders are facing.

Another important component of this discussion is in regard to school district fund balances. Based on 2019-20 Annual Financial Report data, over time, school districts have generally remained steady in terms of the number of days that their unassigned fund balance—which serves as a contingency fund and can be used for any purpose to support district operations—can support. School districts, on average, have less than 23 days of unassigned fund balance going into the 2020-21 school year.

Looking at the number of school districts in comparison to their number of days of unassigned fund balance, in Figure 8 below, 117 school districts started 2020-21 with less than three weeks of unassigned reserves, with 49 of those school district having less than five days. Additionally, 290 school districts began the school year with less than 30 days of unassigned fund balance.

**Figure 8: School District Unassigned Fund Balance by Number of Days**



Source: PDE 2019-20 AFR data

Many school districts have little ability to lift themselves with property taxes and must rely entirely on state funding to cover increasing or unanticipated costs. How school districts finish this fiscal year and manage their ESSER funds, mandated cost increases, local revenue, and expenditure allocations will be just as critical as how the state funds education for 2021-22.

For those with the ability, utilizing and strategically managing fund balance to weather this volatile era is a critical tool to keep districts solvent and for keeping student programs intact. The irony of the many warnings issued for one-time ESSER fund use is that it varies little from those who call to have school districts use one-time fund balance to pay for ongoing costs.

Overall, school district leaders have the Herculean task of planning to roll more than \$6 billion in one-time federal funding into their budgets over the next few fiscal years and simultaneously finding a way to cover mandated cost increases while navigating a political minefield and juggling the unpredictability of ongoing state funding. Working through the process of preparing multi-year budgets and plans that can be sustained by revenue following the expiration of the federal funds is the number one current concern for school districts.

Another major category of concerns for school districts across the commonwealth—and intertwined with the sustainability concern noted above—is the time frame and spending constraints of the ESSER federal funds. Nearly 17% of survey respondents noted that this was major concern for their school district. As discussed above, Pennsylvania school districts and charter schools must spend about \$6 billion in one-time federal funds by September 30, 2024.

For example, respondents noted that the short timeframe for spending ESSER funds makes it very challenging for school districts to effectively address the longer-term impacts of learning loss and provide ongoing programs and supports to their students after September 2024. In terms of eligible uses of funds that are student-focused, a few fiscal years is simply not enough time to identify or mitigate COVID's impacts and ensure that students in all subgroups have progressed. At the same time, the inability to ensure state and local funds will be available to support the programs that may need to continue beyond the expiration of the ESSER funds to further support student learning adds to the difficulty.

Additionally, the respondents noted that the time frame was too short to accomplish many of the facility-related projects that are allowable under ESSER. Many school districts noted the complexities associated with HVAC projects and the inability to design, obtain government approvals, bid, construct and finish projects within the ESSER window. If eligible facility projects are started with ESSER funds but not completed within the ESSER time frame, school districts have concerns about having the local resources to complete them, especially in the absence of state PlanCon funding for school construction. While many facility-related projects are viable options for use of one-time funds, the challenges of completing them within the time frame—and the risks of not being able to do so—are overwhelming.

In addition to concerns regarding the short time frame for the use of the ESSER funds, school district respondents also noted the challenges related to the constraints associated with using federal funds. Use of federal funds requires compliance with a separate set of federal rules for use in procurement of goods and services in addition to other requirements that attach to the expenditure of federal dollars. School districts noted the challenges of compliance with the Uniform Guidance for federal purchasing, inability to obtain multiple bidders during the procurement process and extreme competition with schools from across the state and country to obtain scarce supplies as some of the constraints associated with the use of their ESSER dollars.

Overall, the time frame and spending constraints are making the use of ESSER funds difficult for many school districts. The reality is that the best use of the funds for an individual school district and its students might not be possible due to the time frame and spending constraints for the funds. On top of that, with relatively broad categories of eligible uses and minimal guidance to date from the state and federal level, many school districts are concerned about the potential to be second-guessed on their decisions. The economy and evolving school district needs will not remain static through 2024-25, and certainly much will change along the way as districts may need to constantly monitor and amend their ESSER plans.

A third important category of concerns about the use of ESSER funds is related to student issues. Above and beyond the challenges of using ESSER funds to effectively overcome learning loss and the

effects of COVID on students within the next few fiscal years, 10% of respondents noted concerns about student and programming challenges beyond ESSER.

Related to the concerns around sustainability and time frame constraints noted above, many respondents expressed apprehension about their ability to address and overcome the student learning loss while considering potential cuts to programs and reducing services to accommodate the financial challenges brought on by the uncertainty of funding at the state and local level. Respondents noted the difficulty of being forced to discuss the reduction of programs at the time they should be working to enhance them.

Respondents also noted that they were concerned about having the resources to meet the needs of their special education students, while also noting growing concerns for the extent of the mental health and other health and safety needs of their students. Again, many respondents noted the criticality of addressing these important student issues but also noted the reality that the solution and programs needed to effectively support students comprehensively will last far beyond the expiration of the federal ESSER funds. Identifying needed student supports and getting them implemented with temporary funds sets up necessary resource allocation decisions for what services, support and programs can stay, must stay, or should stay post-ESSER. Students and parents losing services, supports or programs post-ESSER will not necessarily care where the funds came from, they will just want—and expect—those services to continue.

Another student-related issue that was reported by several respondents was the impact of the use of temporary staff or contracted employees to address learning loss, mental health and other concerns on a time-limited basis.

**A concern is finding quality employees to assist in our addressing learning loss that has occurred since the onset of the pandemic. We are concerned about the impact of bringing on new staff that would not be permanent members of our school district employment force.**



Survey Respondent

Respondents repeatedly emphasized the need to improve and enhance student supports and programs long-term, but the short-term availability of the ESSER funding—and the lack of certainty about long-term state or local revenue sustainability—likely means that these temporary or contracted positions will be eliminated when federal funds expire, leaving students with no additional supports and forcing the district to take several steps back.

Finally, we also included in this category of concerns the comments of several respondents that noted the staffing challenges that they have been facing—that have been exacerbated by COVID—for both professional employees and support staff. School districts are facing difficulty in retaining existing staff and simply maintaining staffing levels, and there are few, if any, qualified candidates for open positions. As many districts are building in additional staff—or even contracted employees—to assist students overcome learning loss or provide additional mental health support, they are facing the reality that they may not be able to fill any of those positions, even temporarily.

## Conclusion

The COVID pandemic made the 2020-21 school year unlike any school year in history. As school closures abate as infection rates drop, 2021-22 is likely to feature a return to normal school operations, but many of the consequences and challenges of the pandemic will endure. This budget report has highlighted just some of the challenges school districts are facing as they work to carefully but expeditiously develop plans for and spend the \$6 billion in one-time federal ESSER funding for COVID relief and recovery.

As noted above, school districts across the commonwealth are aspiring to use these federal ESSER funds in a way that advances student learning, improves student supports, enhances technology programs and technology access, updates critical school facilities, and allows school district budgets to recover from the immediate chaos and fiscal stress of the pandemic. The overall goal, however, is not simply recovery—it's improvement. Ideally, all 500 school districts will emerge from the pandemic and from the use of federal ESSER funds in a better position, both academically and emotionally for students and financially and operationally for the districts themselves.



**We need to do a good job as a district as well as a state in making everyone fully understand the appropriate use of the funding and the inherent challenges in using it to plug gaps in general fund budgets.**

Survey Respondent

Whether school districts are able to accomplish that goal is largely dependent on the decisions made by the state over the next few critical years. State funding and de-funding decisions could ensure that school districts are stronger on the other side of COVID, yet they could also force school districts to take steps back, academically and financially, ensuring that they emerge from the pandemic with fewer student supports and more fiscal stress than before.

As noted above, concerns about sustainability of resources to support programs, services, and continuing mandated cost increases were highlighted by a majority of survey respondents as they work through their federal ESSER planning. Mitigating these sustainability concerns are critical, and it requires the state's continued effort to increase its investment in k-12 education while also either peeling back policy that defunds school districts or, at the very least, not implementing new policy to further divert valuable school district resources away from classrooms.

Increasing the state's investment in education is essential as we move towards the expiration of federal ESSER funds and beyond. If policymakers truly want school districts to limit use of their ESSER dollars on ongoing or recurring costs—precisely those costs that continue to drive school district budgets—then the state should be expected to help support school districts by covering those increasing costs.

The consequences of failing to increase the ongoing state investment in education to keep pace with growth in mandated cost increases for special education and charter school tuition costs means that local taxpayers will be further burdened and students will see future cuts and reductions to programs. The result is the unfathomable outcome of sliding backwards in the quality of educational programming in school districts while a historic amount of federal funding—to further prevent exactly that—is infused in our schools.

To make the calculus slightly easier for policymakers in terms of the needed increase in education funding, another option is simply to provide school districts with meaningful and sustainable relief from mandated costs. As discussed above, as charter school tuition costs continue to grow significantly each year, reforming the tuition calculation, mitigating the extent of the annual formula growth in the tuition rate, or even reimbursing school districts for a portion of their charter school costs would go a long way in reducing school district fiscal stress, local taxpayer burden and the likelihood of program cuts and reductions.

In addition to working to undo some of the existing policies that defund school districts and drive money out of the classrooms, it's also critical to ensure that new policies are not enacted to exacerbate the situation. While school districts are struggling with mandated cost increases and the federal funding cliff, there continue to be efforts to divert school district resources to nonpublic or private schools in the form of vouchers, to create statewide authorizers for charter schools and to significantly increase the tax credits available to business firms contributing to certain programs, thereby reducing the ability of the state to sustainably fund education. These policies—and any others that result in diverting resources out of school districts—do nothing but move the entire system backwards, making it worse for students, taxpayers and communities.

Only time will tell how school districts emerge from the pandemic and the era of ESSER funding. But this survey provided a clear picture of district leadership looking to leverage their ESSER funds to address both short-term and long-term student needs and district operations.

This is a pivotal moment for public education in Pennsylvania—and across the country—and how policymakers respond to this challenge over the next few fiscal years will define the success of our school districts. School districts recognize the weight of this moment, the challenges ahead and the absolute priority of moving students ahead—socially, emotionally, and academically—in a way that is sustainable and long-term. This is an opportunity for public education to improve and advance on all fronts, but that aspiration will not become reality for the students in this commonwealth unless and until policymakers recognize the importance of their role in this moment and provide for the long-term support of school districts across the commonwealth.

# Appendix

The eligible uses of the federal ESSER funding as articulated by the American Rescue Plan Act in March 2021:

- (A) Any activity authorized by the Elementary and Secondary Education Act of 1965.
- (B) Any activity authorized by the Individuals with Disabilities Education Act.
- (C) Any activity authorized by the Adult Education and Family Literacy Act.
- (D) Any activity authorized by the Carl D. Perkins Career and Technical Education Act of 2006.
- (E) Coordination of preparedness and response efforts of local educational agencies with State, local, Tribal, and territorial public health departments, and other relevant agencies, to improve coordinated responses among such entities to prevent, prepare for, and respond to coronavirus.
- (F) Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population.
- (G) Developing and implementing procedures and systems to improve the preparedness and response efforts of local educational agencies.
- (H) Training and professional development for staff of the local educational agency on sanitation and minimizing the spread of infectious diseases.
- (I) Purchasing supplies to sanitize and clean the facilities of a local educational agency, including buildings operated by such agency.
- (J) Planning for, coordinating, and implementing activities during long-term closures, including providing meals to eligible students, providing technology for online learning to all students, providing guidance for carrying out requirements under the Individuals with Disabilities Education Act and ensuring other educational services can continue to be provided consistent with all Federal, State, and local requirements.
- (K) Purchasing educational technology (including hardware, software, and connectivity) for students who are served by the local educational agency that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and children with disabilities, which may include assistive technology or adaptive equipment.

(L) Providing mental health services and supports, including through the implementation of evidence-based full-service community schools.

(M) Planning and implementing activities related to summer learning and supplemental afterschool programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, children with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.

(N) Addressing learning loss among students, including low-income students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and children and youth in foster care, of the local educational agency, including by—

(i) administering and using high-quality assessments that are valid and reliable, to accurately assess students' academic progress and assist educators in meeting students' academic needs, including through differentiating instruction;

(ii) implementing evidence-based activities to meet the comprehensive needs of students;

(iii) providing information and assistance to parents and families on how they can effectively support students, including in a distance learning environment; and

(iv) tracking student attendance and improving student engagement in distance education.

(O) School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.

(P) Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.

(Q) Developing strategies and implementing public health protocols including, to the greatest extent practicable, policies in line with guidance from the Centers for Disease Control and Prevention for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff.

(R) Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency.