



# The ESSER Fiscal Cliff

Expiring Federal Relief for Schools  
and Potential Tax Increases

# Key Recommendations

For the past few years, Tennessee public schools have received billions of dollars in additional federal funding through the Elementary and Secondary School Emergency Relief (ESSER) program, but the final deadline for districts to allocate it is quickly approaching in September 2024. Heading into school district budgeting season, local and state policymakers need to be aware of a few things when it comes to new budget requests:

- ▶ There have already been new large and historic investments in K-12 public education over the past several years, in addition to ESSER funds, despite declines in student enrollment.
- ▶ Many districts have been fast and loose with their federal relief dollars, spending money on items that arguably have nothing to do with student achievement, like retractable bleachers, administrator travel, and architect fees.
- ▶ Billions of additional dollars from federal, state, and local sources have done little to improve the educational attainment of Tennessee students.
- ▶ When districts come to county commissions or the state legislature with requested budget increases, lawmakers need to make it clear that expiring ESSER funds should not be spent on ongoing expenses like staffing. Lawmakers should require districts to rightsize their staffing (especially with declining enrollments) and demand accountability for all tax dollars that districts have spent with the windfall of increased funds.



The Elementary and Secondary School Emergency Relief Fund (ESSER), established during the pandemic, provided an additional \$190 billion in federal tax dollars to K-12 public education.<sup>1</sup> Of those funds, Tennessee public schools received \$4.5 billion to assist students in a safe return to classrooms and to mitigate learning loss.<sup>2</sup> However well-intentioned these funds were, in Tennessee and across the country, loads of federal funds were spent with little transparency, leading to a waste of taxpayer dollars on items unrelated to the pandemic or addressing student achievement.

Undue expenses across the country ranged from sports facilities to urban bird sanctuaries.<sup>3</sup> Spending was so egregious by some school districts that they were taken over by the state, which was the case for two districts in West Virginia.<sup>4</sup> And here in Tennessee, the Beacon Center's previous report, "Federal Funding Fallout," uncovered how millions of relief funds were budgeted for administrator travel, a new auditorium, retractable bleachers, and multiple other items that had little to do with improving student achievement.<sup>5</sup> Audits from the state Comptroller also found improper bonus payments paid to district staff and the misuse of funds.<sup>6</sup>

Despite ESSER's aim to equip schools with the financial resources to navigate the pandemic and address learning loss while ensuring students' well-being, it seems many districts used this money to fund wish-list items. At a time when student achievement scores were slipping to some of their worst levels in decades, districts were budgeting this unprecedented amount of funding for items like stipends for department heads and walk-in coolers.<sup>7</sup> As the pandemic waned and in-person learning returned, thankfully, there was a rebound in state test scores across Tennessee. However, the numbers are nothing to boast about. The most recent data shows only 38 percent of Tennessee students meet or exceed expectations in English. In math, the numbers are even more unfortunate, with just under 34 percent of students meeting or exceeding expectations.<sup>8</sup>

**“Only 38 percent of Tennessee students meet or exceed expectations in English. In math, the numbers are even more unfortunate, with just under 34 percent of students meeting or exceeding expectations.”**



Building on our 2022 report on ESSER spending, Beacon looked at two randomly selected county school districts in each Grand Division.<sup>9</sup> These districts allocated ESSER funds for the following:

### How ESSER Funds Have Been Budgeted in Tennessee<sup>10</sup>

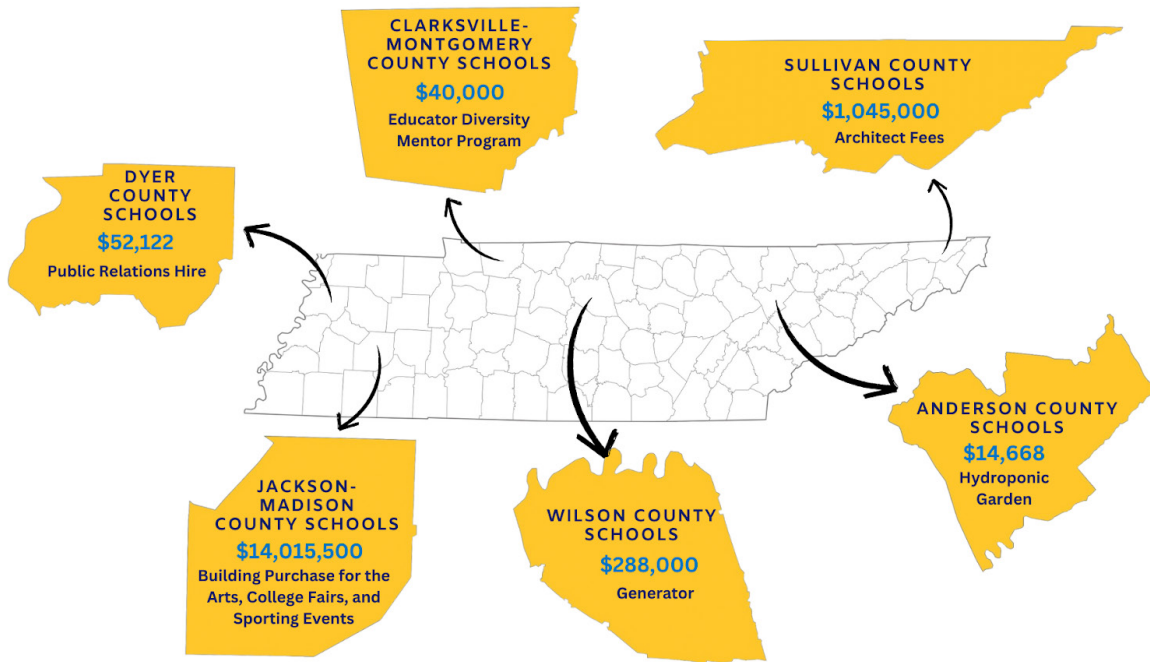


Figure 1. With few strings attached to federal relief funds, districts used many of these dollars for items that have little or nothing to do with student achievement.

While the relevance of purchases (like renovating an arena or architect fees) to helping students improve school performance after learning loss can and should be questioned, some districts have tried to address the pandemic through multiple avenues, the largest of which was hiring new employees.<sup>11</sup> In addition to the potential long-term costs of salaries, districts are also using ESSER funds for benefits like retirement, life/medical/dental insurance, Social Security,

and other fringe benefits. These hires may have been needed to assist students in their educational journey after their lengthy absence from the classroom, but many worry about districts using non-recurring funding for recurring expenses, a fundamentally flawed budgeting strategy. The teachers union for one of the largest districts in the country is already asking the federal government to make ESSER funding permanent, to continue the support for increased staffing.<sup>12</sup> Because

the permanency of emergency funding is unlikely, school districts will likely look to state and local taxpayers to provide additional funding to maintain increased staff levels.

One Tennessee district that used ESSER funds to make long-term staffing decisions has already made its way into the media. Last year, the Jackson-Madison County School District reportedly hired 42 staff members who were paid with these temporary relief funds.<sup>13</sup> Memphis-Shelby County Schools is in an even worse position, with records showing they hired almost 2,000 staff since the start of the pandemic, with at least 750 staff paid solely with relief funding.<sup>14</sup> How and if those staff hires will become long-term expenses is yet to be seen, but the incentive for school districts to ask for

additional funding to cover salaries is high.

Looking at the state as a whole before the pandemic for the 2019-2020 school year, there were 80,516 instructional and certificated employees for school districts across the state.<sup>15</sup> This includes classroom teachers, principals, librarians, and guidance counselors, among others. As of the 2022-2023 school year, there are 91,794 instructional and certificated employees, or an increase of nearly 14 percent.<sup>16</sup> Meanwhile, there are nearly 8,100 fewer students enrolled in 2022-2023 compared to 2019-2020. Though it is not possible to know exactly how many of these employees are being paid with ESSER funds, it is clear that even with declining enrollments, staffing has continued to grow by a large amount.

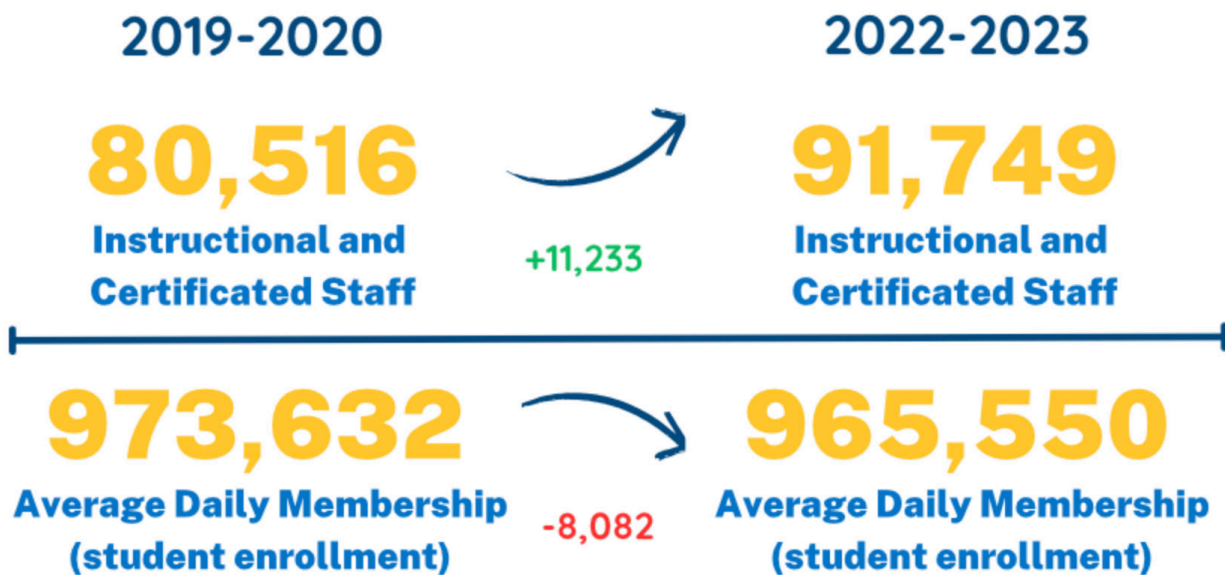


Figure 2. Data preceding and after the pandemic show staffing has increased at a significant amount while enrollment has fallen.

Though federal funds are set to quickly run out in September 2024, and state and local taxpayers have invested heavily in public education in recent years, the ongoing costs of swelling payrolls will

likely leave districts with tough choices. They'll need to either rightsize their staffing or come to taxpayers and ask for more funding to cover that ongoing expense.

### Changes in K-12 Funding in Tennessee

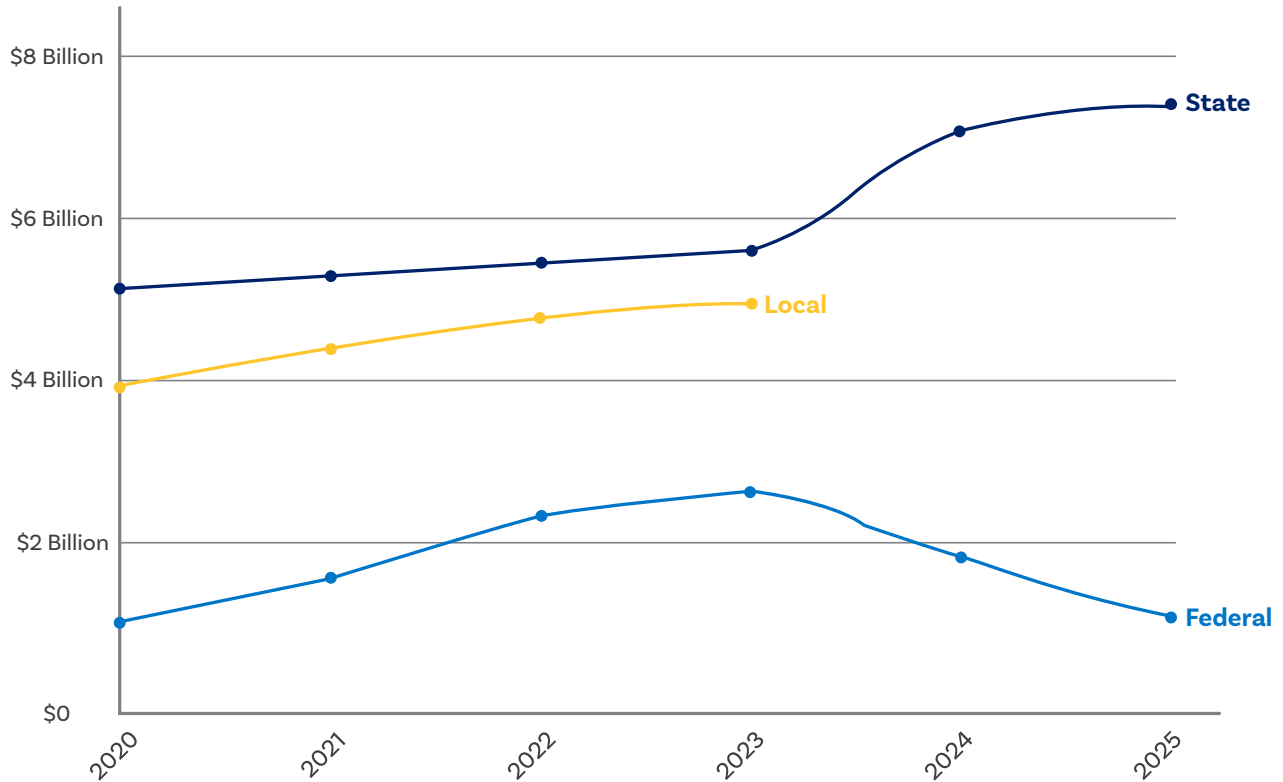


Figure 3. With the rise and fall of federal funding due to ESSER, state lawmakers have allocated more funds to public education.<sup>17</sup>

Public school districts across the state will face challenges in the upcoming budget season as the windfall of federal funding needs to be allocated or returned. Despite historic funding by state and local taxpayers, districts will likely need to rightsize their staffing. The requests for additional state and local funding will likely come, but with millions spent on items that don't serve students, these

requests should be carefully reviewed by state and local policymakers. Taxpayers shouldn't be on the hook for continuing the spending of these relief funds on non-student centric areas, and school districts must be held accountable to make sure Tennessee's current investments are actually reaching the students, not simply the education system.

# References

1. “Elementary and Secondary School Emergency Relief Fund.” Office of Elementary and Secondary Education, U.S. Department of Education. <https://oese.ed.gov/offices/education-stabilization-fund/elementary-secondary-school-emergency-relief-fund/>.
2. “ESSER District Planning Resources.” Tennessee Department of Education. <https://www.tn.gov/education/districts/esser.html>.
3. Ryan Lanier, “School districts are wasting COVID relief funds.” The Hill. November 7, 2021. <https://thehill.com/blogs/congress-blog/education/580477-school-districts-are-wasting-covid-relief-funds/>.
4. Amelia Ferrell Knisely, “West Virginia School Districts Misspent Millions in COVID Relief Money, Audit Shows.” The 74 Million. November 22, 2023. <https://www.the74million.org/article/west-virginia-school-districts-misspent-millions-in-covid-relief-money-audit-shows/>.
5. Ron Shultis and Jason Edmonds, “Federal Funding Fallout: How Tennessee Public Schools Are Spending Billions in Relief Funds.” Beacon Center of Tennessee. August 22, 2022. [https://www.beaontn.org/wp-content/uploads/2022/08/FUNDING-REPORT\\_8.22.22-1-1.pdf](https://www.beaontn.org/wp-content/uploads/2022/08/FUNDING-REPORT_8.22.22-1-1.pdf).
6. Erin McCollough, “Dickson County audit finds improper pay for director of schools, lack of internal controls for county clerk.” WKRN. January 24, 2023. <https://www.wkrn.com/news/local-news/dickson-county-audit-finds-improper-pay-for-director-of-schools-lack-of-internal-controls-for-county-clerk/>;  
Kelly Puente, “State audit finds Cheatham County Schools lost thousands in fraudulent charges.” The Tennessean. Updated January 17, 2023. <https://www.tennessean.com/story/news/local/sumner/2023/01/17/cheatham-county-schools-saw-nearly-60000-in-fraudulent-fuel-charges/69815096007/>.
7. Heather Hollingsworth and Carolyn Thompson, “Test scores show American students slipping further behind despite recovery efforts.” AP News. July 10, 2023. <https://apnews.com/article/standardized-test-scores-pandemic-school-caf7eb10e5964c2f654f9621dd4b6648>; Ron Shultis and Jason Edmonds, “Federal Funding Fallout: How Tennessee Public Schools Are Spending Billions in Relief Funds.” Beacon Center of Tennessee. August 22, 2022. [https://www.beaontn.org/wp-content/uploads/2022/08/FUNDING-REPORT\\_8.22.22-1-1.pdf](https://www.beaontn.org/wp-content/uploads/2022/08/FUNDING-REPORT_8.22.22-1-1.pdf).
8. “TDOE Releases 2022-2023 State-Level TCAP Results.” Tennessee Department of Education. June 29, 2023. <https://www.tn.gov/education/news/2023/6/29/tdoe-releases-2022-23-state-level-tcap-results-.html>.
9. Ron Shultis and Jason Edmonds, “Federal Funding Fallout: How Tennessee Public Schools Are Spending Billions in Relief Funds.” Beacon Center of Tennessee. August 22, 2022. [https://www.beaontn.org/wp-content/uploads/2022/08/FUNDING-REPORT\\_8.22.22-1-1.pdf](https://www.beaontn.org/wp-content/uploads/2022/08/FUNDING-REPORT_8.22.22-1-1.pdf).
10. Data from public information on ESSER latest-approved funding applications for multiple years. Tennessee Department of Education. <https://eplan.tn.gov/>; Anderson County ESSER 2.0 - Rev 1 - FY 2024; Dyer County ESSER 3.0 - FY 2023; Madison County ESSER 3.0 - Rev 3 - FY 2022; Montgomery County ESSER 3.0 - Rev 5 - FY 2023; Sullivan County ESSER 3.0 - Rev 2 - FY 2023; Wilson County ESSER 3.0 - Rev 2 - FY 2024.
11. Lasherica Thornton, “Feb. 2022 boardroom bits: Flip phones, a \$1 building are first steps in JMCSS grant usage.” Jackson Sun. February 17, 2022. <https://www.jacksonsun.com/story/news/education/2022/02/17/feb-2022-jmcass-board-meeting-buy-oman-arena-renovate-fix-phones/6803830001/>.

# References

12. “Beyond Recovery Campaign.” United Teachers Los Angeles.  
<https://utla.net/campaigns/beyond-recovery/>.
13. Brandon Shields, “Commissioners raise concerns about JMCSS budget, spending.” Jackson Post. May 17, 2023.  
<https://jacksonpost.news/commissioners-raise-concerns-about-jmcss-budget-spending/>.
14. Laura Testino, “Memphis’ school district needs to cut \$150 million in spending. Hundreds of jobs are on the line.” Chalkbeat Tennessee. November 27, 2023.  
<https://www.chalkbeat.org/tennessee/2023/11/27/memphis-school-district-considers-job-cuts-ahead-of-esser-end/>.
15. “2020 Annual Statistical Report.” Tennessee Department of Education.  
[https://www.tn.gov/content/dam/tn/education/documents/asr/2020\\_ASR\\_PDFCombined\\_Upd.pdf](https://www.tn.gov/content/dam/tn/education/documents/asr/2020_ASR_PDFCombined_Upd.pdf).
16. “2023 Annual Statistical Report.” Tennessee Department of Education.  
<https://www.tn.gov/education/districts/federal-programs-and-oversight/data/department-reports/2023-annual-statistical-report.html>.
17. “Budget Publication Archive.” State of Tennessee.  
<https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-archive.html>;  
“Department Reports - Annual Statistical Report.” Tennessee Department of Education.  
<https://www.tn.gov/education/districts/federal-programs-and-oversight/data/department-reports/2023-annual-statistical-report.html>.





### About Us

The Beacon Center empowers Tennesseans to reclaim and protect their freedoms, so that they can pursue their version of the American Dream. The Center is an independent, nonprofit, and nonpartisan research organization dedicated to providing expert empirical research and timely free market solutions to public policy issues in Tennessee.

### Guarantee of Quality Scholarship

The Beacon Center of Tennessee is committed to delivering the highest quality and most reliable research on Tennessee policy issues. The Center guarantees that all original factual data are true and correct and that information attributed to other sources is accurately represented. The Center encourages rigorous critique of its research. If an error ever exists in the accuracy of any material fact or reference to an independent source, please bring the mistake to the Center's attention with supporting evidence. The Center will respond in writing and correct the mistake in an errata sheet accompanying all subsequent distribution of the publication, which constitutes the complete and final remedy under this guarantee.

**Ron Shultis** | Director of Policy and Research | [ron@beacontn.org](mailto:ron@beacontn.org)

**Jason Edmonds** | Policy Analyst | [jason@beacontn.org](mailto:jason@beacontn.org)

615-383-6431 | [BeaconTN.org](http://BeaconTN.org)

