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.\(^1\) Of those funds, Tennessee public schools received $4.5 billion to assist students in a safe return to classrooms and to mitigate learning loss.\(^2\) 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.\(^3\) 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.\(^4\) 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.\(^5\) Audits from the state Comptroller also found improper bonus payments paid to district staff and the misuse of funds.\(^6\)

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.\(^7\) 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.\(^8\)

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

### How ESSER Funds Have Been Budgeted in Tennessee

- **Dyer County Schools**
  - **$52,122**
  - Public Relations Hire

- **Clarksville-Montgomery County Schools**
  - **$40,000**
  - Educator Diversity Mentor Program

- **Sullivan County Schools**
  - **$1,045,000**
  - Architect Fees

- **Jackson-Madison County Schools**
  - **$14,015,500**
  - Building Purchase for the Arts, College Fairs, and Sporting Events

- **Wilson County Schools**
  - **$288,000**
  - Generator

- **Anderson County Schools**
  - **$14,668**
  - Hydroponic Garden

*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. 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. 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. Memph-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. 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. 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. 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.

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.

![Changes in K-12 Funding in Tennessee](image)

*Figure 3. With the rise and fall of federal funding due to ESSER, state lawmakers have allocated more funds to public education.*
References


References


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