5 Things You Need to Know

About The Looming Fiscal Cliff in Massachusetts

Time is running out to spend the unprecedented, one-time federal pandemic relief funds, called the Elementary and Secondary School Emergency Relief (ESSER) funds. Since the onset of the pandemic, the federal government has provided additional funding to schools to help with evidence-based approaches to address the impacts of COVID-19 on student learning. There have been three “waves” of ESSER dollars that have been distributed to school districts since Spring 2020 (ESSER I, II, and III). Districts have until September 30 of this year to commit their final ESSER funding and until January 30, 2025, to spend the already obligated funds. This means that for the 2024-25 school year, many districts in Massachusetts could be left staring down a fiscal cliff.

While the pandemic came as a surprise, the coming fiscal cliff has been expected. That means leaders can, and many already do, have a plan in place to reduce its impact.
Massachusetts lags behind the national average in ESSER spending. As of February 2024, Massachusetts has spent 70.1% of the allotted federal pandemic relief funds. This slower pace of spending means that districts will need to speed up the rate of spending now if they don’t want to lose the money when the September 2024 deadline rolls around. Unfortunately, this “rushed approach” leads to an even steeper fiscal cliff.

**FIGURE 1: PERCENTAGE OF ESSER SPENT BY STATE**

![Graph showing the percentage of ESSER funds spent by state, with Massachusetts lagging behind the national average.]


### MASSACHUSETTS ESSER ALLOCATIONS

In 2020 and 2021, Congress passed three waves of federal relief and recovery funds.

- **Wave 1**
  - The Coronavirus Aid, Relief and Economic Security (CARES) Act, passed on March 27, 2020, provided Massachusetts with $214.9 million in funding known as ESSER I.

- **Wave 2**
  - The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA), passed on Dec. 27, 2020, provided $814.9 million in supplemental ESSER funding, known as the ESSER II fund.

- **Wave 3**
  - The American Rescue Plan Act, passed on March 11, 2021, provided $1.8 billion in supplemental ESSER funding, known as the ESSER III fund.

As of February 2024, an estimated $978 million in ESSER III funds remain unspent in Massachusetts, with varying levels of spending among school districts. While ESSER I and II deadlines have long passed, district administrators will need to move quickly to spend the remaining ESSER III funds before September 30.

**FIGURE 2: STATE-LEVEL ESSER III SPENDING**

As of February 2024, an estimated $978 million in ESSER III funds remain unspent in Massachusetts, with varying levels of spending among school districts. While ESSER I and II deadlines have long passed, district administrators will need to move quickly to spend the remaining ESSER III funds before September 30.

The Student Opportunity Act (SOA) will help offset 41% of the ESSER fiscal cliff in Massachusetts. In the months before the pandemic, Massachusetts passed the SOA, a school funding law that has been incrementally increasing K-12 spending. Since the onset of COVID-19, Massachusetts school districts have received $1.18 billion in additional state funding as well as $2.86 billion in ESSER funds. However, despite increases in state funding, new revenues do not fully mitigate the ESSER cliff.

$2.86 billion in ESSER I, II, and III funding

$1.18 billion* in additional SOA funds

= $1.68 billion fiscal cliff statewide

*Total Chapter 70 increases are a result of new calculations in state aid following the passage of SOA. The calculations include increases since the first year of implementation as well as the Healey-Driscoll administrations FY25 proposal for Chapter 70.
The ESSER fiscal cliff will have significant impacts on educational equity. With now-exacerbated inequities in student experiences and learning outcomes, particularly for Black and Latino students, students with disabilities, English learners, and students from low-income backgrounds, state and district leaders must maintain focus on equity while navigating these fiscal challenges. While state leaders have a key role in supporting districts through this transition, district leaders must make tough choices about what investments and programs will be sustained and which will be cut from district budgets. Keeping in mind the following risk factors can better equip district leaders to navigate these difficult decisions.

**FIGURE 3: CHARACTERISTICS OF DISTRICTS THAT ARE LIKELY TO FACE STEEPER FISCAL CLIFFS**

**WHAT DO WE KNOW?**

**Districts Serving Large Shares of High-Needs Students.**
ESSER funds were intended to provide greater levels of support for high-need schools, meaning districts that serve larger percentages of students from low-income backgrounds received more federal funding. As ESSER ends, these districts will face the steepest cliffs.

**Districts that Experienced Pandemic-Induced Enrollment Declines.**
In Massachusetts, several of our districts have faced larger enrollment declines. Stagnant and declining enrollment can have financial consequences for school districts, as state and federal aid is allocated per pupil. These large-scale, pandemic-induced enrollment declines threaten school and district budgets, especially in school districts that serve large numbers of students from low-income backgrounds.

**Districts that Hired Additional Staff and/or Offered Larger-Than-Typical Salary Increases.**
Collectively, Massachusetts districts have added 10,460 more full-time employees to their schools since 2019. Districts also used ESSER funds to raise salaries across the board. Come the September 30th deadline, the financial pressures, combined with decreased student enrollment, will leave many districts with little choice but to seek staff reductions.

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**IMPLICATIONS FOR EDUCATOR DIVERSITY**

Many of the educators hired during the COVID-19 pandemic were teachers of color, particularly in schools serving large percentages of Black and Latino students, where roughly 41% of newly hired teachers were people of color. Unfortunately, these teachers will also be the first in line to be dismissed when districts have to make staffing cuts due to seniority-based layoff policies in most school districts. If not managed appropriately, the fiscal cliff will have a disproportionate impact on educators of color and undermine the advances that have been made across the state to diversify the educator workforce.

Learn more about actions state and district leaders can take to protect the most underserved students and educators of color from layoffs [here](https://edunomicslab.org/2023/10/24/the-fiscal-cliff-exploring-the-impacts-on-equity/).
In Massachusetts, ESSER and SOA funds have been allocated very differently, with districts using ESSER funds to enrich summer learning opportunities, bolster student tutoring services, adapt or procure new curricula, and enhance teacher professional development, among other initiatives. SOA funds have been primarily directed towards different programs, like broadening access to high-quality pre-K programs, early college initiatives, and promoting early literacy efforts. Given that both funding streams have been dedicated to initiatives demanding ongoing financial support, district leaders are now tasked with determining which programs – all critical to students’ success - to sustain once ESSER funds expire.

**TABLE 1: DEFINITIONS OF SPENDING CATEGORIES**

<table>
<thead>
<tr>
<th>Spending Categories</th>
<th>Examples of ESSER Investments</th>
<th>Examples of SOA Investments</th>
</tr>
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<tbody>
<tr>
<td>Time and Attention</td>
<td>Investments include smaller class sizes, intensive tutoring, academic intervention, specialized online coursework, and additional teaching staff for high-priority subjects.</td>
<td>Investments include extended school days and school years, accelerated learning academies, summer learning opportunities, and dropout prevention and recovery programs.</td>
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<tr>
<td>Empowering, Adaptable</td>
<td>Investments include quality curriculum, flexible student support, assessments, and teacher professional learning (including coaching).</td>
<td>Investments include high-quality pre-K, research-based early literacy programs, early college programs, inclusion/co-teaching for students with disabilities and English learners, and English learner education programs.</td>
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<tr>
<td>Instruction</td>
<td></td>
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<tr>
<td>Relationships &amp; Social-Assessment Supports</td>
<td>Investments include social-emotional assessments, staff training focused on relationships and student well-being, school counselors, and partnerships with community mental health organizations.</td>
<td>Investments include expanding the capacity to address the social-emotional learning (SEL) and mental health needs of students and families.</td>
</tr>
<tr>
<td>Family and Community</td>
<td>Investments include out-of-school programming, family communication, and in-school partnerships focused on accelerating learning and student well-being.</td>
<td>Investments include developing community partnerships for in-school enrichment and wraparound services.</td>
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<tr>
<td>Partnerships</td>
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<tr>
<td>The Teaching Job</td>
<td>Investments include recruitment, transfer, or retention bonuses and stipends for teacher leadership roles.</td>
<td>Investments include diversifying the educator/administrator workforce through recruitment and strategies to recruit and retain educators/administrators in hard-to-staff schools and positions.</td>
</tr>
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