

Education Equity and the ESSER Funding Cliff

The Elementary and Secondary School Emergency Relief funding cliff could worsen educational equity, but state lawmakers can act to avoid negative consequences.

INTRODUCTION

As the COVID-19 pandemic swept through the United States in 2020, public schools faced several acute challenges.

First, schools needed to maintain their staffing levels in the face of an economic shutdown that threatened the state and local revenues that schools rely on. Second, schools needed to bring student achievement back to pre-pandemic levels following the trauma and missed learning time caused by the pandemic. To address these challenges, the federal government provided states and school districts with \$189 billion to respond to the pandemic through three rounds of Elementary and Secondary School Emergency Relief (ESSER) grants. North Carolina received \$5.6 billion of those funds.

The federal government was clear on the purpose of these funds. They were intended to address “a wide range of needs arising from the coronavirus pandemic, including reopening schools safely, sustaining their safe operation, and addressing students’ social, emotional, mental health, and academic needs resulting from the pandemic.” Districts were required to dedicate at least 20 percent of their funding to address “learning loss.”

The final round of funding, provided under 2021’s American Rescue Plan Act must be obligated by September 2024. Schools have until January 2025 to liquidate their funds unless they get federal approval for an extension, which could push this date to January 2026.

The looming expiration of these federal funds means that our schools face a substantial funding cliff even though the challenges created by the pandemic largely remain. Public school students have yet to recover from the academic losses due to the pandemic.¹ Continued investment is necessary to continue supporting academic achievement and to reduce racial and economic opportunity gaps. North Carolina’s public schools have done a commendable job rebounding from the pandemic, but the loss of federal funding threatens to derail this progress.

As this brief demonstrates, the negative impacts of these funding cliffs fall hardest on Black families and working-class families with low incomes. State lawmakers must act to replace these expiring federal funding streams with state funding. Failure to do so will derail pandemic recovery and exacerbate racial and economic opportunity gaps that hamstring North Carolina’s ability to create a multiracial democracy and an economy where all can flourish.



ESSER funds for public schools

North Carolina’s local school leaders have done a good job with their ESSER funds. As of March 2024, North Carolina is just one of eight states that have spent more than 80 percent of their ESSER allotments.² This is commendable as budgeting and expending these funds required concerted efforts at public feedback. In addition, inflation, labor shortages, and uncertainty surrounding state budgets hampered states’ ESSER spending. Some national commentators raised concerns that schools were not spending this money fast enough, but that never was a legitimate issue in North Carolina.³

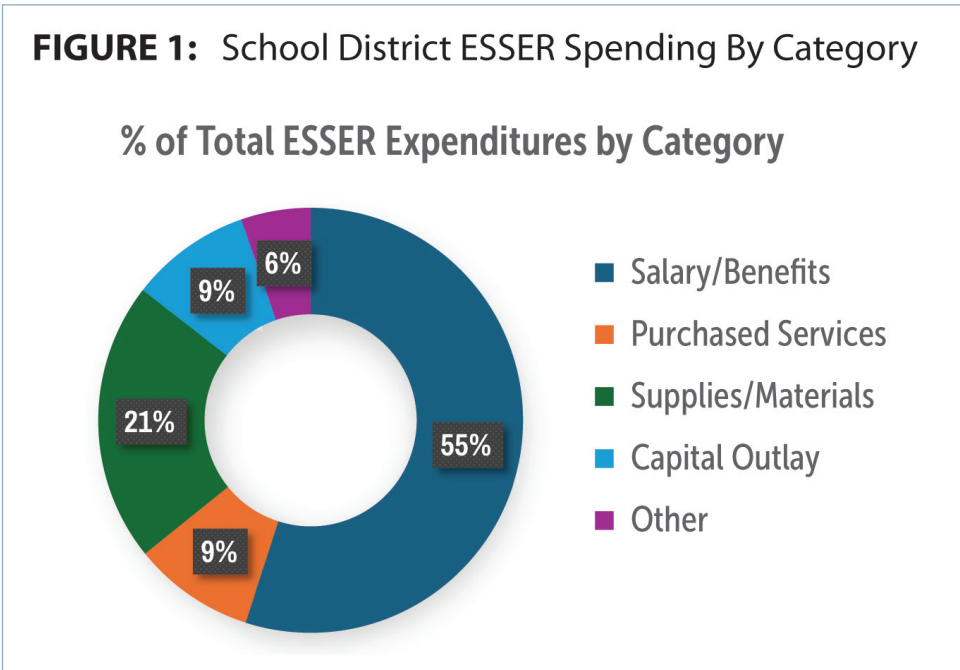
Districts have spent about half of their ESSER funding on pay and benefits. For some, this might raise alarms that schools are taking on recurring commitments and that the expiration of ESSER will require substantial layoffs. However, more than half of spending on pay and benefits went to targeted retention bonuses for hard-to-staff positions and stipends for attending professional development training. Additional expenditures in this category were for positions that were clearly time-limited, such as tutors, or were spent on existing positions to free up other funds for other uses.

More than one-fifth of funding has been for supplies like laptops and other learning devices. Unfortunately, the ESSER funding cliff jeopardizes the continued use of these devices. Eighty-nine of North Carolina’s 115 school districts report lacking the necessary funding to refresh student devices beyond the expiration of ESSER funding.⁴

ESSER funding has been beneficial but insufficient to fully recover from pandemic-caused declines in test scores. Achievement gaps between high- and low-poverty districts widened sharply during the pandemic, with students in high-poverty districts losing the most ground.

North Carolina’s student test scores are improving from pandemic-era lows. Last year, public school students made historic gains in their math and reading scores. Students in Winston-Salem/Forsyth County and Durham County made particularly large gains last year. However, as researchers from Harvard and Stanford have noted, “even if [North Carolina students] maintain last year’s pace, students will not be caught up by the time federal relief expires in September.”⁵

Of course, even a return to pre-pandemic results is insufficient. Pre-pandemic test scores demonstrate



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FIGURE 2: State analysis of testing pandemic impact and distance to returning to pre-pandemic trends

Statewide Pre-Pandemic Trend, Pandemic Impact, and Distance to Recovery
Reported as Effect Size

Assessment		Pre-Pandemic Trend	Pandemic Impact	Recovery: Extended Trend Threshold		Recovery: 3-Year Average Threshold	
Subject	Grade-Level	2013-2019	2021	2022	2023	2022	2023
Math	EOG Math 3	+0.01	-0.54	-0.26	-0.19	-0.21	-0.13
	EOG Math 4	+0.00	-0.50	-0.23	-0.15	-0.23	-0.14
	EOG Math 5	+0.00	-0.49	-0.27	-0.18	-0.24	-0.14
	EOG Math 6	+0.01	-0.47	-0.27	-0.24	-0.22	-0.18
	EOG Math 7	+0.00	-0.40	-0.27	-0.24	-0.24	-0.20
	EOG Math 8	-0.01	-0.48	-0.19	-0.16	-0.25	-0.23
	EOC Math 1	+0.05	-0.48	-0.31	-0.29	-0.10	-0.04
Reading	EOG Reading 3	-0.02	-0.18	-0.00	+0.03	-0.10	-0.08
	EOG Reading 4	-0.01	-0.24	-0.15	-0.07	-0.22	-0.17
	EOG Reading 5	-0.01	-0.15	-0.12	-0.07	-0.18	-0.16
	EOG Reading 6	-0.00	-0.17	-0.15	-0.12	-0.18	-0.16
	EOG Reading 7	-0.01	-0.16	-0.14	-0.12	-0.21	-0.21
	EOG Reading 8	-0.01	-0.11	-0.06	-0.04	-0.13	-0.13
	EOC English 2	-0.01	+0.10	+0.14	+0.14	+0.06	+0.04
Science	EOG Science 5	+0.03	-0.55	-0.36	-0.35	-0.20	-0.16
	EOG Science 8	+0.03	-0.32	-0.23	-0.33	-0.09	-0.15
	EOC Biology	+0.01	-0.33	-0.21	-0.16	-0.15	-0.09

Color	Effect Size	Definition
Dark Blue	Large Negative	Student effect size is less than or equal to -0.20
Medium Blue	Medium Negative	Student effect size is less than or equal to -.05 but greater than -0.20
Light Blue	Small Negative	Student size is less than 0 but greater than -0.05
Light Pink	Small Positive	Student size is greater than 0 but less than +0.05
Medium Pink	Medium Positive	Student size is greater than or to equal to +0.05 but less than +0.20
Dark Pink	Large Positive	Student size is greater than or equal to +0.20

(SOURCE: North Carolina State Board of Education)⁶

that opportunity gaps for Black students and students from working-class families with low incomes have been persistent. State leaders dramatically narrowed these gaps in the 1990s through smart, targeted investments in higher academic standards, higher teacher standards, and overall improvement in public school investments.⁷ Still, the state has backtracked over the past decade.

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Which public schools stand to lose the most from the ESSER cliff?

The ESSER funding cliff threatens to disproportionately harm students in rural districts and districts that serve higher proportions of students from families with low incomes and with higher proportions of students of color.

ESSER funding helped students in every district and from every background recover from pandemic-induced declines in test scores. However, not all districts received the same funding per student. The federal government wisely targeted funding to the low-income communities that tended to suffer disproportionate harm from the pandemic. As a result, ESSER funding helped improve the overall equity of school funding in North Carolina. That is, ESSER funding was generally distributed in accordance with student needs. This helped to offset opportunity gaps that widened dramatically during the pandemic for students from working-class families with low incomes and for students of color .

The expiration of ESSER funding will make North Carolina’s school funding less equitable and less adequate. Unless state leaders step up to replace expiring funding, or otherwise move to improve the adequacy and equity of the state’s school funding, then students—particularly those from historically marginalized communities—will pay the biggest price.

A look at the 10 highest-spending ESSER districts confirms these concerns. The districts that have spent the most per student from ESSER funds have been mainly small, rural, majority-Black districts in Eastern North Carolina. These districts stand to lose the most if state leaders fail to replace ESSER funds with state funding.

By contrast, the districts with the lowest ESSER spending levels tend to be wealthier, whiter communities. These districts will still lose out from the expiration of ESSER funding but to a lesser extent than other districts.

Regression analysis confirms this correlation between ESSER spending and district wealth and

FIGURE 3: Ten highest-spending ESSER districts

School District	Avg ESSER spending per student FY 20-24*
Weldon City Schools	\$2,562
Northampton County Schools	\$1,985
Halifax County Schools	\$1,696
Washington County Schools	\$1,654
Bladen County Schools	\$1,641
Vance County Schools	\$1,600
Bertie County Schools	\$1,509
Greene County Schools	\$1,448
Hyde County Schools	\$1,262
Tyrrell County Schools	\$1,254

FIGURE 4: Ten lowest-spending ESSER districts

School District	Avg ESSER spending per student FY 20-24*
Wake County Schools	\$485
Moore County Schools	\$471
Orange County Schools	\$451
Dare County Schools	\$421
Union County Schools	\$414
Mooresville City Schools	\$409
Cabarrus County Schools	\$398
Currituck County Schools	\$386
Chapel-Hill/Carrboro City Schools	\$324
Camden County Schools	\$310

Figures 3 & 4: *FY24 Expenditures through February 29, 2024

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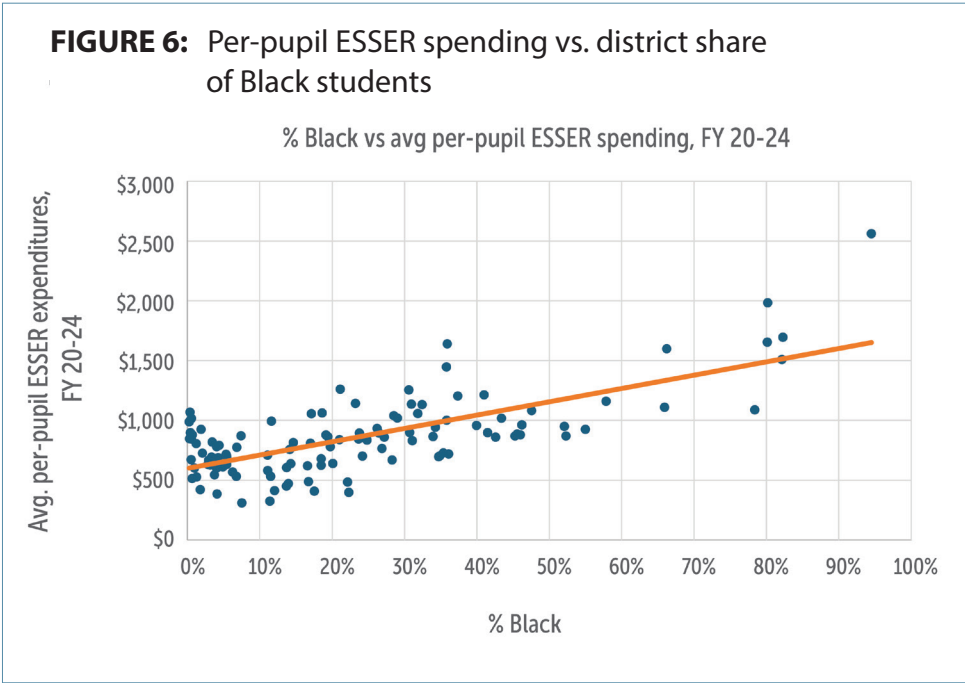
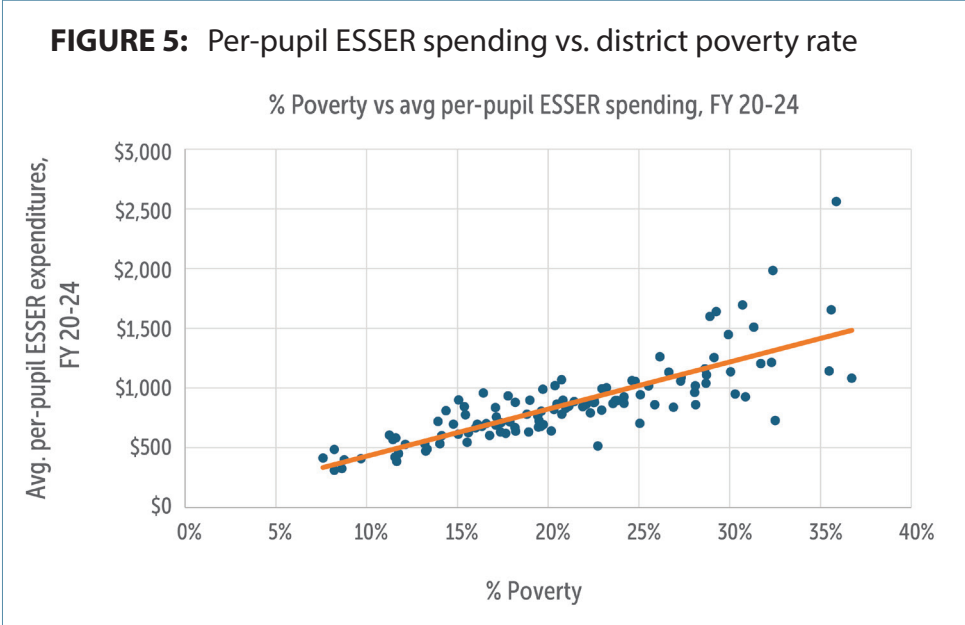
racial composition. Accordingly—absent state action—the expiration of ESSER funds will fall hardest on districts serving the greatest proportions of Black students and rural students from working-class families with low incomes.

These charts show that every 10 percentage point increase in student poverty rate is associated with an additional \$395 of per-pupil ESSER spending. Every 10 percentage point increase in a district’s share of Black students is associated with an additional \$111 of per-pupil spending. Both relationships are highly statistically significant.

As these figures show, the expiration of ESSER funding will have dramatically different impacts based on school district wealth and racial composition. Vance County, where 88 percent of the students are students of color, stands to lose an amount equal to 12 percent of its per-

student funding over the past five years. By contrast, Chapel Hill-Carrboro stands to lose the equivalent of just 2 percent of its per-student funding.

The figures above understate the extent to which the loss of ESSER funding will harm these districts since the data includes the 2020 fiscal year when districts spent relatively little of their ESSER funds, and the 2024 fiscal year, for which data is only available through the end of February.



Room for improvement in state response

The Department of Public Instruction (DPI) has done commendable work helping school districts prepare for the ESSER funding cliff. They have developed a toolkit to help local school leaders (e.g., superintendents and chief finance officers) review spending data, determine which ESSER-supported investments are working, and develop the case for maintaining those investments.⁸ District leaders could then bring this information to their school board, county commissioners, or General Assembly delegation to advocate for continued funding.

While this work is highly commendable, it suffers from several weaknesses.

By placing responsibility on local school leaders, the toolkit absolves state lawmakers of their responsibility to provide our public schools with adequate operating resources. Under North Carolina law, state leaders are fully responsible for public schools' operating costs and student learning outcomes. Education staffers at DPI and the General Assembly should be reviewing schools' ESSER investments and recommending a state-level response to the ESSER funding cliff.

A look at the State Board of Education's 2024 legislative priorities shows that DPI leadership has not sought a state-level response to the ESSER funding cliff.⁹ The handful of items for which the State Board is requesting funding is informed by post-pandemic test results, but none of the items are a statewide effort to sustain or scale programs, personnel, or other practices that have been implemented locally with federal ESSER funds.

Furthermore, pushing this responsibility onto local school leaders threatens to create an uneven response that will likely worsen educational equality across school districts.

Implementing DPI's ESSER Funding Cliff Toolkit requires central office capacity that many districts lack, particularly in small, rural, low-wealth communities. The General Assembly has slashed funding for central office staff by a third since the 2011 change in leadership.¹⁰ Over this same period, demands on central offices have increased. As a result, many districts may lack the capacity to implement a high-quality analysis of their ESSER spending and formulate a case for continued funding.

The districts that are able to complete the toolkit with fidelity will primarily be using the data to advocate for their school board and county commissioners to increase local funding. Unfortunately, capacity to generate local revenue varies dramatically from county to county. North Carolina's low-wealth counties already tax their residents at higher rates than their wealthier neighbors.¹¹ Even if school leaders make a compelling case for continuing ESSER activities, many rural counties lack the capacity to generate additional local revenue for their schools.

What would it look like if the state response centered equity?

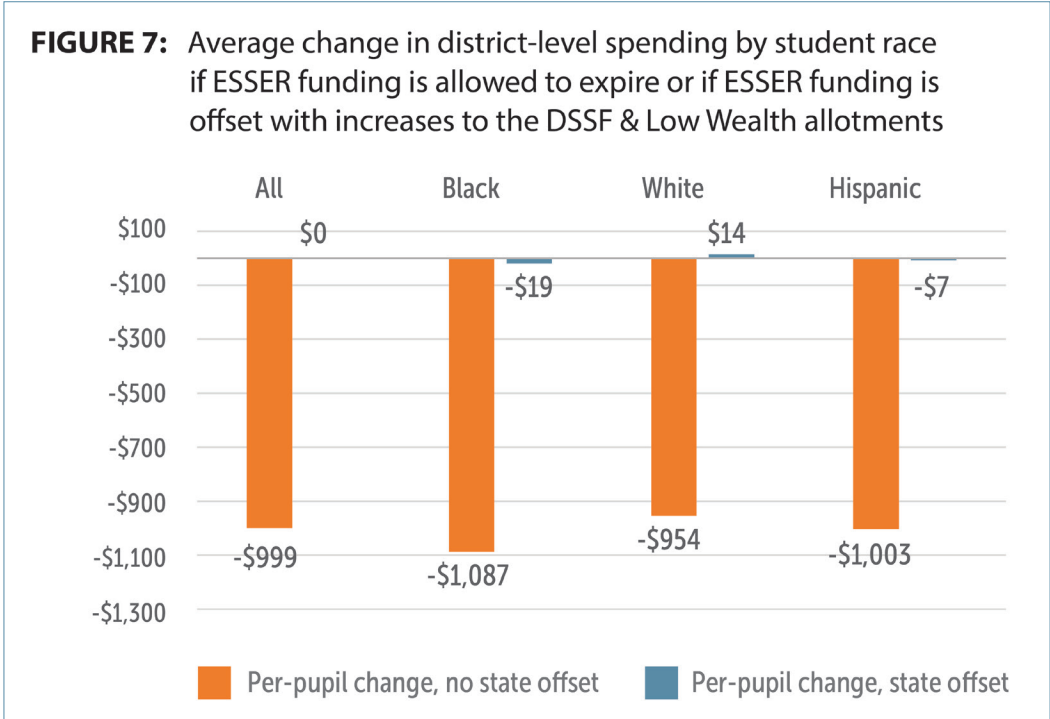
North Carolina’s ongoing pandemic recovery requires a statewide response to ensure positive momentum is continued and that the recovery is equitable. Since test score declines were greater for students of color and for students from families with low incomes, recovery efforts must continue to center these students. However, such an approach becomes impossible if state leaders push ongoing recovery efforts onto individual school districts with wildly varying capacities to address ongoing recovery.

In a recent report, researchers from the Center for Education Policy Research at Harvard University and The Educational Opportunity Project at Stanford University recommended focusing on:

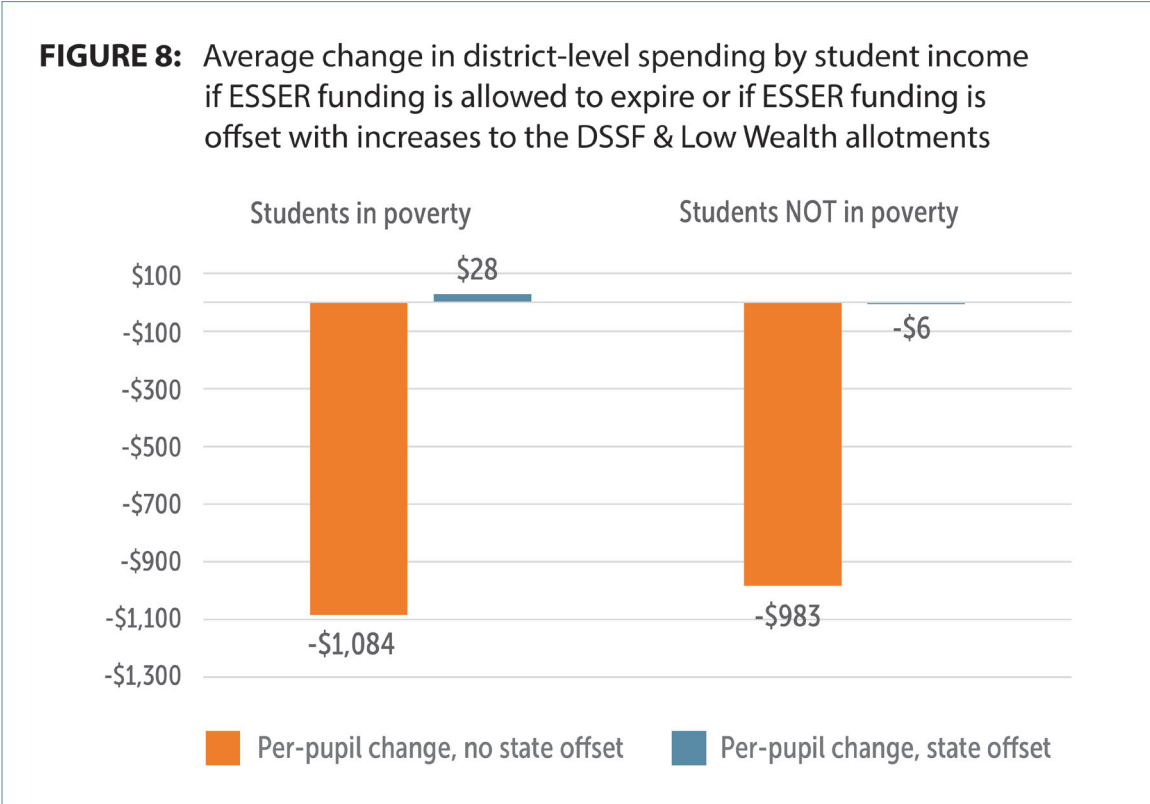
- informing parents if their student is below grade level in math or reading so parents have time to enroll in summer learning
- expanding summer learning opportunities
- extending high-quality tutoring and after-school programs
- galvanizing local government, employers, and community leaders to work together to lower student absenteeism, which has remained high since the pandemic¹²

These recommendations are more ambitious than the current DPI/State Board response but also insufficient to fully address the loss of funds schools are facing.

In the full three years for which we have data (fiscal years 2021 to 2023), ESSER spending averaged \$1.35 billion per year, and, as established above, this spending was highly correlated with districts’ economic and racial demographics. Luckily, North Carolina has existing funding streams that are also correlated with race and income: the Disadvantaged Student Supplemental Funding (DSSF) allotment and the Low Wealth allotment.



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In another stroke of luck, North Carolina is already sitting on a plan that would expand these funding streams by \$1.35 billion. The Leandro Comprehensive Remedial Plan (Leandro Plan) is a multi-year spending plan the North Carolina Supreme Court ordered implemented in November 2022. While state leaders have failed to comply with this order, the Leandro Plan can still serve as a blueprint for effectively and equitably protecting historically marginalized student groups from the negative impacts of the ESSER funding cliff.

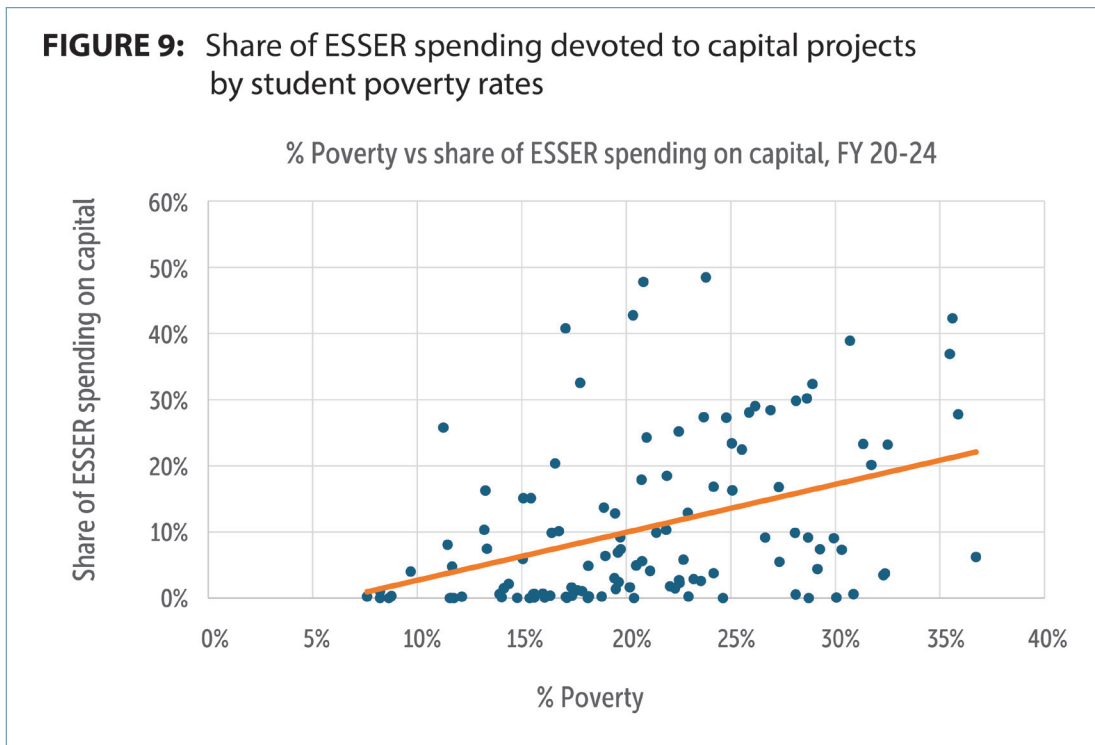
If state leaders pursue this change, they will sustain the improved degree of school funding equity brought about by the infusion of ESSER funds. If the legislature takes no action to offset the ESSER funding cliff, the average student’s per-pupil spending will decrease by about \$1,000, or an 8.3 percent decrease in total per-pupil spending. The average Black student’s district will suffer disproportionately, facing a \$1,087 per-student decrease (91 percent). Spending in the average white student’s district will see a smaller decrease in per-student spending—\$954 (8 percent).

If the General Assembly offsets the funding cliff by following the Leandro Plan recommendations on funding for the DSSF and Low Wealth allotments, these spending cuts—and the associated racial disparities—will be largely avoided. Replacing ESSER funding with DSSF and Low Wealth is not an exact dollar-for-dollar offset, but it is awfully close.

The results are similar when examining students experiencing poverty versus their peers not experiencing poverty. If the General Assembly takes no action, the average student experiencing poverty will be in a district facing a \$1,084 decrease in per-pupil spending, while the average student not experiencing

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FIGURE 9: Share of ESSER spending devoted to capital projects by student poverty rates



poverty will be in a district facing a \$983 decrease in per-pupil spending. Suppose ESSER funding is replaced by increases to DSSF and Low Wealth. In that case, the average student experiencing poverty will be in a district with a slight increase in per-student spending (\$28), compared to a de minimis decrease in spending for students not experiencing poverty.

The above recommendations are what is required to simply maintain current levels of funding adequacy and equity. Legislators interested in eliminating opportunity gaps and ensuring that all students can achieve at state standards would need to be much more aggressive in increasing the adequacy and equity of state funding.

A close examination of ESSER spending patterns reveals that legislators interested in advancing educational equity might also increase state support for school capital needs. A close examination of ESSER spending patterns reveals that legislators interested in advancing educational equity might also consider increasing state support for school capital needs. Under North Carolina law, local governments are responsible for funding and maintaining school buildings, while the state is responsible for funding operations.

Schools could use federal ESSER funds to cover a combination of operating and capital expenses. In general, districts with a higher proportion of students experiencing poverty spent more of their ESSER funds on capital projects, mainly upgrading HVAC and ventilation systems to better protect students from airborne illnesses.

In addition to better protecting student health, such investments are associated with higher student test scores.¹³ The ESSER spending patterns reveal that economically disadvantaged communities need and value additional help in making these types of capital improvements. State leaders would be wise to provide them with the additional investments they need.

CONCLUSION

The ESSER funding cliff threatens to worsen school conditions for all students. Absent swift action from the General Assembly, districts will be forced to close budget gaps by cutting jobs, scaling back benefits, taking away retention pay, or closing underused school buildings. Black students and students from rural, working-class families with low incomes will face the biggest funding decreases if the funding expires without state action.

This report offers lawmakers a path forward to ensure that the ESSER funding cliff doesn't negatively impact students. The proposal is hardly radical as it comprises just two elements of the larger statewide plan to deliver school funding that meets the bare minimum of what our state constitution calls for. In California, for example, lawmakers are already acting to deliver additional funding targeted to help those students still trying to recover from the pandemic.¹⁴ North Carolina's lawmakers should follow suit.

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