



Center for Public Education



# Walking in the District Leaders' Shoes: Seven Commonsense Considerations for the 2024 School Funding Cliff

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AN **nsba** PUBLICATION

**“American Schools Got a \$190 Billion COVID Windfall. Where Is It Going? Unprecedented federal aid could help schools dig out of pandemic problems – if they can figure out how to spend it in time.”**

**(The New York Times, 9/8/2022)**

**“As \$190 billion in pandemic relief expires, schools face tough budget decisions”**

**(The Washington Post, 4/18/2023)**

**“These 15 states could take the biggest hit as ESSER funds expire”**

**(EducationWeek, 4/4/2023)**

**“Districts brace for fiscal cliff in final year of COVID relief funding”**

**(AASA, The School Superintendents Association, 8/23/2023)**

**“The ESSER fiscal cliff will have serious implications for student equity”**

**(Brookings Institution, 9/12/2023)**

**“Schools face a funding cliff. How bad will the fall be?”**

**(Chalkbeat, 9/13/2023)**

Since last fall, news media, think tanks, and educational organizations have been increasingly and intensively sending warning signals of the impending, perilous post-COVID fiscal cliff for K-12 public schools. The COVID-19 pandemic posed many challenges to student learning, classroom instruction, and the management of school systems. Perhaps a blessing in disguise amidst the crisis is that U.S. students received nearly \$190 billion from the federal government in the form of the Elementary and Secondary School Emergency Relief (ESSER) funds.

With the unprecedented amount of money invested in K-12 schools, district leaders (e.g., superintendents and school board members) probably felt empowered as never before. But with the ESSER expiration date just around the corner, pressures on their leadership began to intensify. Since 2021, district leaders have experienced increased financial stress. According to researchers with the RAND Corporation ([Diliberti and Schwartz, 2022](#)), in June 2021, just over one-third of district leaders were concerned about a fiscal cliff or an abrupt cutoff in their funding once the ESSER money expires, but by March 2022, half the district leaders reported this concern.

### **A \$190 Billion COVID Windfall**

“By March 30, 2020, all but one U.S. public school districts were closed, representing the first-ever nearly synchronous nationwide closure of public K-12 schools in the U.S.” ([Zviedrite et al., 2021](#)). In March 2020, former President Trump’s Coronavirus Aid, Relief, and Economic Security (CARES) Act set aside \$13.2 billion for the ESSER fund (ESSER I). In December 2020, the CARES Act added another \$54.3 billion, which is referred to as ESSER II. In March 2021, President Biden signed the American Rescue Plan Act (ARP) and added \$122 billion to ESSER, which is referred to as ESSER III.



The first two ESSER funds were designed to “meet the needs of the moment: How can students learn from home? And then: How can they maintain social distance at school?” (Locke, 2022). Many school districts bought Chromebooks and hotspots. The U.S. Department of Education (ED) estimated that 92% of districts used ESSER funds to purchase hardware, software, connectivity, or related products and services to continue instruction remotely during COVID-19 (Office of Inspector General, 2023). At the same time, to help students return to in-person classroom learning as early as possible, many school districts also installed plastic shields between desks and upgraded HVAC systems.

The third funding package, ESSER III, was allocated once most districts had already returned to in-person learning in the United States. The focus of this federal investment was on “How can schools help students recover, academically and emotionally?” (Locke, 2022). All the ESSER funding must be spent or allocated by 2024; the states must disburse at least 90% of the funding to districts and local education agencies using Title I formulas to prioritize low-income students. School leaders were required to use the funds to “help safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on the nation’s students” (ED, 2023).

## Three Dilemmas

According to [The New York Times](#), U.S. Education Secretary Miguel Cardona said, “The system was disrupted for us, and we’d be failing our country if we didn’t look at this as an opportunity, now that we have more money than ever before, to level up education and make it better than it ever was.” The challenge is that never before have school district leaders “faced such competing priorities: spend down relief dollars in ways that bring value for students, while also bracing for budget gaps unlike any in history” (Roza, 2023).

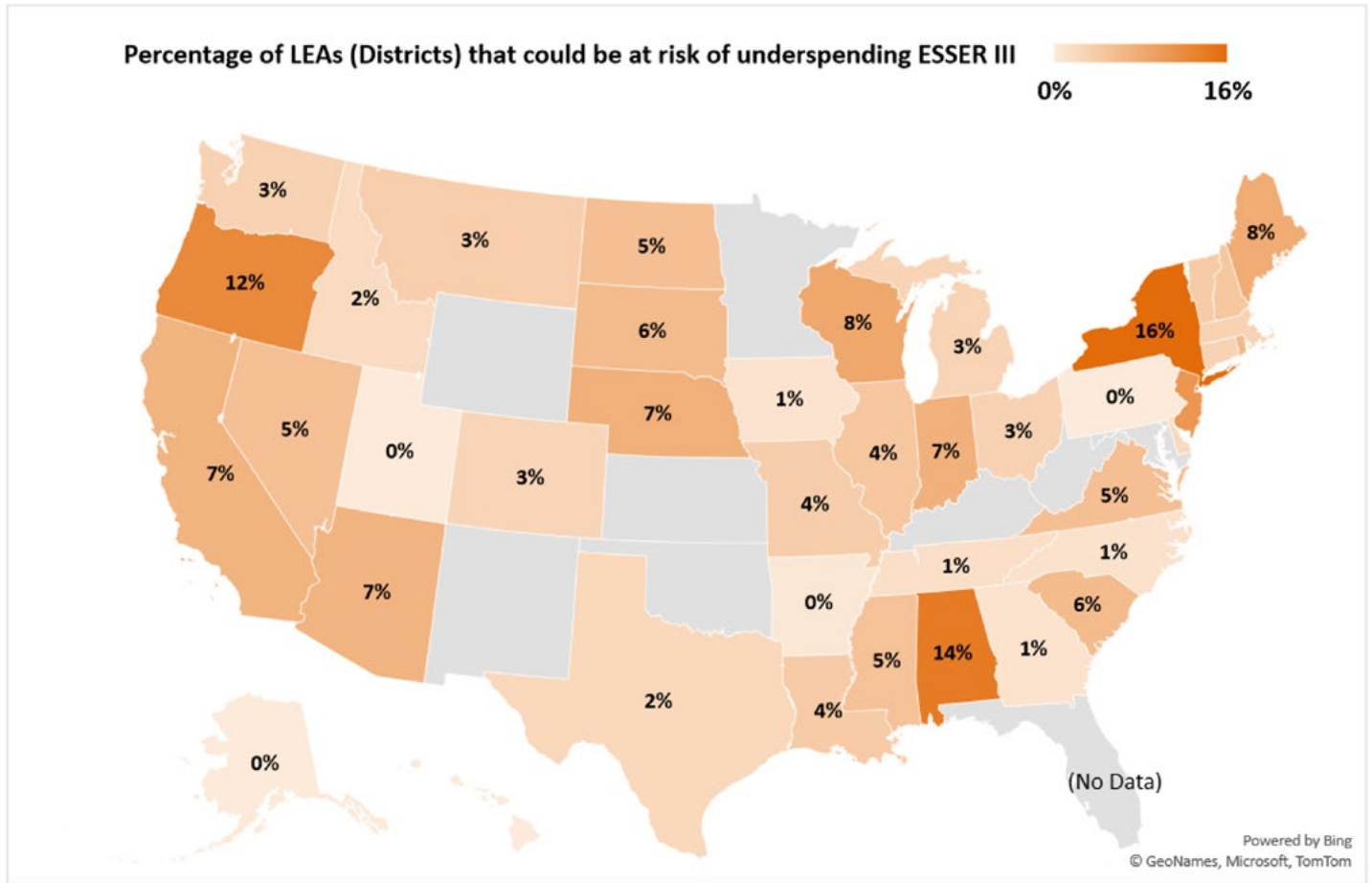
Recently, the U.S. Department of Education Office of Inspector General reported that some states do not have an adequate review and approval process to ensure that districts’ ESSER plans meet all applicable requirements (Office of Inspector General, 2023). Without specific training, preparation, or guidance, district leaders were entrusted with a huge task, namely, spending the COVID windfall dollars speedily and effectively. “When states don’t take on the extra work of figuring out how to effectively spend these billions, the burden falls to overwhelmed, undersupported local district leaders” (Locke, 2022).

### **In general, district leaders are facing the following dilemmas in terms of the ESSER deadline requirements:**

#### **1. To Spend or Not to Spend**

Many school districts are reportedly racing against the clock to spend the federal COVID funds (Arundel, 2023). As of the end of June 2023, state records show that numerous districts nationwide have spent just 10% or less of ESSER III funds. In New York, for example, about 16% of school districts could be at risk of underspending ESSER III funds, which means that 158 districts spent 10% or less of the allocated federal funds, including districts that did not spend any ESSER III dollars (Figure 1). Researchers on education finance suggest that “Where students are behind in learning, delays in spending could mean students have to wait for needed services to get back on track (or worse, miss out on those services if funding isn’t spent in time)” (Edunomics Lab, 2023).

Figure 1. Percentage of School Districts (Local Education Agencies or LEAs) That Had Spent 10% or Less of ESSER III Funds, By State: June 30, 2023



Source: [At risk ESSER\\_final\\_10.5.23.pdf | Powered by Box \(10/5/2023\)](#); [Table 2. Number of operating public schools and districts, student membership, teachers, and pupil/teacher ratio, by state or jurisdiction: School year 2015–16 \(ed.gov\)](#)

## 2. Long Term or Short Term

According to [AASA's surveys](#), the top three long-term investments for superintendents were (1) expanding whole child supports, services, and programs; (2) renovating and rebuilding school facilities; and (3) engaging high school students. Since 2021, there has been an increased prioritization of school facility spending. Researchers found that some underspending districts may be intentionally waiting to spend their ESSER III money in this final year for larger facilities upgrades ([Edunomics Lab, 2023](#)).

Several reasons may have led to the decision by school districts to spend their ESSER III money on facilities in the last funding year ([AASA, 2023](#)). Due to supply chain delays and workforce shortages, districts may have experienced setbacks when trying to commit to facility work early in the pandemic. Some districts had been interested in spending money on facilities but could not find contractors to commit to doing the construction or renovation projects until recently and are just now paying down their final portion of funds. Other districts may have intentionally tried to postpone facility repairs until inflation decreased to maximize the scope of the work they could do on their buildings and grounds. It should be noted that “the U.S. Department of Education will prioritize school construction projects when considering applications to extend ESSER spending deadlines for contract expenses” ([Lieberman, 2022](#)).

As of August 2023, superintendents ranked the top three immediate or short-term investments as follows: (1) increasing instructional time and opportunities and investing in high-quality curriculum materials; (2) adding specialist staff; and (3) investing in teacher planning and professional development. In 2023, more superintendents prefer investing in curriculum over adding specialist staff. “The reason for this shift is the longevity of the funds: district leaders understand that they cannot sustain the investments of additional staff for more than another school year and are beginning to shift their focus away from funding people and towards investing in more hardware and software as well as professional development, which can be used beyond the expiration of ARP funding” ([AASA, 2023](#)).

### 3. Make It or Break It

According to the National Center for Education Statistics ([NCES, 2022](#)), without accounting for ESSER funds, per pupil expenditure in fall enrollment is estimated to increase every year between SY2020-21 and SY2024-25, from \$14,010 to \$16,644 (in current dollars without being adjusted to compensate for inflation) (Table 1). Based on per-pupil expenditure in student attendance (ADA), the estimated per-student spending in SY2024-25 is \$16,213 after adjusting for inflation and other economic indicators. Roza, an education finance researcher and director of Georgetown University’s Edunomics Lab, however, reportedly predicted that in the 2024-25 school year, on average, a school district will have to cut costs by about \$1,200 per student ([Modan, 2023](#)). If we deduct \$1,200, the per pupil expenditure in SY2024-25 would be even lower than that of SY2019-20.



Table 1. Current Expenditures and Current Expenditures per Pupil in Public Elementary and Secondary Schools: School Years 2019-20 Through 2024-25

	School year (SY)	Current expenditures in unadjusted dollars		Current expenditures in constant 2021-22 dollars	
		Per pupil in fall enrollment	Per pupil in average daily attendance (ADA)	Per pupil in fall enrollment	Per pupil in average daily attendance (ADA)
<b>Actual</b>	<b>2019-20</b>	<b>13,489</b>	<b>14,420</b>	<b>14,789</b>	<b>15,810</b>
<b>Projected (The expenditures do not account for ESSER funds)</b>	<b>2020-21</b>	<b>14,010</b>	<b>15,003</b>	<b>15,015</b>	<b>16,079</b>
	<b>2021-22</b>	<b>15,118</b>	<b>16,190</b>	<b>15,118</b>	<b>16,190</b>
	<b>2022-23</b>	<b>15,833</b>	<b>16,955</b>	<b>14,990</b>	<b>16,052</b>
	<b>2023-24</b>	<b>16,211</b>	<b>17,360</b>	<b>14,991</b>	<b>16,053</b>
	<b>2024-25</b>	<b>16,644</b>	<b>17,824</b>	<b>15,141</b>	<b>16,213</b>

Note: In general, enrollment is higher than average daily attendance (Stoops, 2017). Average daily attendance is the total number of students who reported to school divided by the number of instructional days held during a prescribed period. Enrollment is the total number of students who have registered during the school year without regard for transfers, withdrawals, deaths, or early graduation. Data source: NCES [Table 236.15](#) prepared in December 2022.

Additionally, Roza predicted that many school districts will experience a sizable budget gap with the halt of ESSER funds as well as the decline in student enrollment. In the coming months, many districts may face “make it or break it” budget decisions (Roza and Silberstein, 2023). The following school districts are considered vulnerable and likely to have make-or-break moments:

- School districts that have been using ESSER funds for recurring financial commitments, such as backfilling their budgets or spending on new hires and permanent raises.
- School districts that have been experiencing enrollment declines, such as urban districts, districts with delayed in-person instruction, and northern states.
- School districts offering permanent raises that are larger than typical (e.g., 2% to 5%) and those growing their staff rolls.
- School districts that are more dependent on state revenue (or in states more affected by economic slowdowns).

### Seven Commonsense Considerations for District Leaders to Bridge Over the ESSER Funding Cliff

Not all school districts will face the financial crisis caused by the expiration of ESSER funding, but many will. Fortunately, some district leaders have foreseen the coming budget challenges. To limit the pain of hitting a potential fiscal crisis, district leaders, especially for districts that might be anticipating declining student enrollment and state funding levels, have already shifted spending priorities (AASA, 2023). While experts (e.g., Roza and Aldeman, 2023) offer wisdom to bridge over the ESSER funding cliff, the strategies for district leaders may boil down to seven common-sense considerations:

## 1. Having data in hand to reevaluate and reallocate ESSER funds

An ancient Chinese saying states that “If you know the enemy and know yourself, you need not fear the result of a hundred battles.” In the context of the impending school fiscal cliff, to “know yourself” is to have all relevant district data in hand. In addition to recording what the funds have been used for, data should document the impact of ESSER investments on students. In other words, district leaders should consider whether their spending decisions so far have helped students recover from the pandemic, and if not, how they can change course on their spending plans.

Discouragingly, only a few districts and states are using data to track the effects of ESSER investments on students ([Silberstein and Roza, 2023](#)). The following are some good practices at the state or district level,

- Connecticut [state government](#) used ESSER funds to launch a research collaborative to study whether ESSER investments are working. In one funded study, researchers reported that a pandemic-era home visit program boosted student attendance ([Stemler et al., 2022](#)). In another study, researchers ([Cobb et al., 2022](#)) found that the Summer Enrichment Initiative met its goal of expanding access to summer programming for Connecticut students by offering scholarships and fee waivers. On average, 56% of students received a scholarship or a fee waiver to attend summer camps.
- Tennessee state government asked districts to predict the effects of their investments and then publicly examined its test scores to explore whether the investments are delivering ([TNDE, 2022](#)). The [district report format](#) can be used for districts across the country to collect ESSER-related data. As the state government remarks, “... we have a collective responsibility to invest strategically, monitor implementation, and report on quantifiable outcomes transparently.”
- Some districts have been posting their ESSER spending reports on their websites. To be transparent with the community about the spending of ESSER funds, the Prince George’s County Public Schools ([PGCPS, MD](#)), for example, is posting biannual reports every September and February through October 2024. The reports outline the spending in each focus area. District leaders invite their communities not only to read the detailed reports on how ESSER funding has been put into action, but also to take a moment to view the PGCPS’ ESSER funding video to see how federal support is making a difference in schools.

Having all relevant data in hand can help school districts achieve at least three goals. First, district leaders can have a clear view of where they are and what they can do next. Second, district leaders can use the gathered data to align their agenda further with ESSER funding requirements and prepare for future state government inspection. Lastly, if data can tell a story about how ESSER-funded programs support students to make remarkable progress, school leaders should use it to seek continuous funding.

## 2. Regularly communicating with all stakeholders to be transparent about spending and budgeting

Ongoing communication and conversations with parents, educators, and other stakeholders regarding ESSER funds are crucial. Many school districts have been engaging their communities since the beginning of the pandemic. For instance, Alexandria City Public Schools ([ACPS, VA](#)) provides ongoing community engagement opportunities through Online Feedback Surveys on its ESSER plan, school board meetings, and public hearings to gather new ideas and uncover additional unaddressed needs to tailor the best district plans for its community.

- In December 2022, the ACPS community survey showed that respondents considered that the ESSER funding top priority should be helping at-risk student populations (low-income families, students experiencing homelessness, children in foster care, children who are incarcerated, migratory students, etc.).
- In May 2023, the same survey results showed that the top priority had shifted to mental health needs and evidence-based interventions in reading and math.



In Nevada, as part of its commitment to transparency and accountability, the Clark County School District (CCSD) has been developing a dashboard to give the community easy access to district data in areas such as student assessments ([Hernandez, 2022](#)). Additionally, the district is allocating \$332,000 of its ESSER funds to monitor the implementation of the projects funded by the ESSER III money and ensure that the funds are spent appropriately.

### **3. Making tough decisions sooner rather than later**

According to Silberstein and Roza ([2023](#)), half of the COVID relief funds are paying for labor, setting the stage for a painful fiscal cliff. Among the 22 states that provide some detail on what was purchased, labor is the largest item (just under 50%). “Federal COVID relief funds fed a hiring habit that can’t be sustained” ([Silberstein and Roza, 2023](#)). In some states, school staffing has been increasing while student enrollment has been decreasing. For example, over the last decade:

- In Michigan, districts overall have grown staffing rolls by 9%, while student enrollment fell by 8%.
- In Connecticut, staffing is up by 8%, while enrollment is down 7%. The same trend exists in Pennsylvania.
- In Washington State, while there has been an enrollment growth of 3%, it will not be sufficient to sustain the 20% increase in staffing over the same time period.

Financial experts often warn that locking in multiyear raises and holding on to excess employees could worsen school budget gaps ([Modan, 2023](#)). If a school district has a budget gap larger than 2% of the district budget, the district is more likely to have no choice but to cut labor costs, considering labor is a big chunk of district budgets ([Modan, 2023](#)). For a district with 5,000 employees, approximately 215 jobs would be at risk, per [Edunomics Lab calculations](#). Accordingly, many district leaders are acting prudently by slowly reducing the number of staff while redirecting resources towards building the capacity of staff that will be part of the system on a more permanent basis (AASA, 2023).

Closing schools could be another possible practice in school districts facing sizable budget gaps, according to researchers ([Modan, 2023](#)). If this regretful scenario happens, more than ever do district leaders need to study their data and consider key questions such as: What criteria will the district use to select schools for closure — enrollment levels, student performance, or location of schools? How should district leaders communicate with their communities regarding tough decisions on school closures and employee layoffs? “It is better to make these tough decisions sooner rather than later, considering delays can worsen the situation” ([Modan, 2023](#)).

### **4. Cautiously contracting out needed services/programs and making advanced payments**

Financial experts agree that contracting out needed services/programs is an effective way to add temporary capacity while avoiding recurring obligations, especially when dealing with one-time funds ([Lieberman, 2022](#)). In states that delineate spending on contracts, some 20%-30% of ESSER is going out the district door for purchased services, curriculum, supplies, one-time projects, technology upgrades, and more. If these numbers hold, ESSER will have brought \$40-\$60 billion in new public money for vendors (nearly doubling the prior levels), according to Silberstein and Roza ([2023](#)).

“ESSER fueled a large jump in vendor contracts, and with it a burden on districts to ensure these dollars deliver value” ([Silberstein & Roza, 2023](#)). Selecting vendors based on evidence and approving every contract with rigorous standards is a common-sense approach to make sure contracted services or programs have high quality and deliver value for students. District leaders should keep in mind that “blame for any poorly spent funds will land on the leaders who approved these expenses” ([Silberstein & Roza, 2023](#)).

In Texas, for example, the Ector County Independent School District dedicated \$6.1 million of its \$55.9 million ARP funding to provide individualized virtual tutoring to 6,000 of its 32,000 students in the 2021-22 school year ([Arundel, 2022](#)). District leaders adopted an outcomes-based finance model, which is not typically used in K-12 education, to choose tutoring companies. The district was working with several tutoring companies that were paid based on how much academic growth participating students experienced over time. An early pilot of 40 students working with one company showed impressive results, so the district scaled up the model. The superintendent said, “It’s simply taking a strategy that was used effectively in the business world and applying it to education, and it’s working for us in a pretty powerful way.”

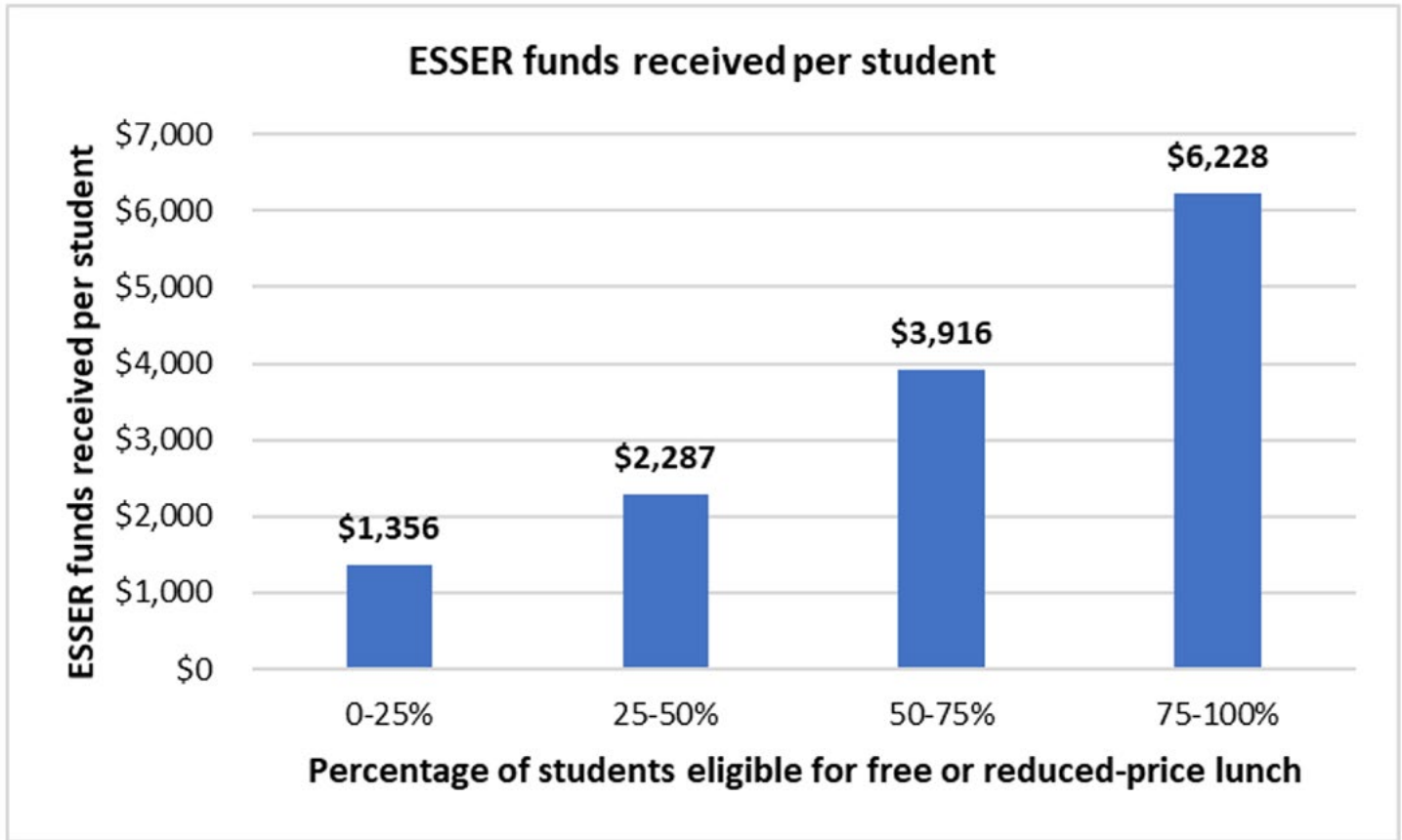
## 5. Seeking collaboration with the state government for equitable funding

“Educational equity means providing children, and especially poor children, with excellence — excellent instruction, excellent curricula, excellent teachers, excellent tutoring, excellent enrichment” ([Petrilli, 2023](#)). Naturally, school districts, particularly high-poverty schools, spent relatively more ESSER funds on hiring teachers, tutors, and other school staff. Compared with low-poverty school districts, excellent educators are more needed and likely to cost more in high-poverty settings ([Petrilli, 2023](#)).

The pandemic-caused school closures left disadvantaged students or higher-needs students even further academically behind their more advantaged peers ([Goldhaber et al., 2022](#)). While high-poverty districts, on average, received more ESSER funding, the journey for disadvantaged students to catch up with their peers seems longer and needs more support. Since high-poverty districts have received about five times greater ESSER funds per student than low-poverty districts, these districts will face a steeper fiscal cliff when ESSER ends in 2024 (Figure 2) ([Roza and Silberstein, 2023](#)). Researchers predict that the use-it-or-lose-it federal funding will have serious implications for student equity ([Brookings, 2023](#)).



Figure 2. ESSER Funds Received per Student, by the Proportion of Students Qualifying for Free or Reduced-Price Lunch: 2023



Source: [The ESSER fiscal cliff will have serious implications for student equity | Brookings](#)

The bad news is that if school districts continue to overspend or hardly overcome sizeable budget gaps, the state government may intervene. According to Bowman and Zuschlag (2022), all states have laws that enable them to intervene in school districts’ finances, but “These actions were most prominent in a handful of states.” Some researchers (Fehr and Murphy, 2016) reported that “Ranging from monitoring local government finances to offering technical advice to taking over day-to-day operations, laws in 20 states allow intervention.”

It is often the case that “communities hate the state intervention” (Modan, 2023). Therefore, district leaders should seek collaboration with and consultation from the state government as early as possible. As a good example, Indianapolis Public Schools (IPS) has initiated dialogs with the state government to seek equitable funding.

IPS is a large city district where 80% of students are non-White, of which 40% are Black and 32% Hispanic. Most IPS students are from low-income families. According to the district leaders (Black, 2021), the district needs \$500 million each year to operate its schools; “50% of the district’s budget comes from the state, and around 15% is federal funding, leaving about 35% that comes from local property taxes.”

Due to the pandemic and the ongoing decline in enrollment, IPS did need a budget cut. To ensure classroom instruction, the district decided to cut transportation costs. “By making strategic decisions now about how IPS spends money based on current projections in federal, state and local funding, IPS can avoid having to make dramatic cuts later, like layoffs and cuts in pay the district worked so hard to increase” ([Black, 2021](#)). To support all students in achieving their potential in a sustainable way, the district sought not only short-term strategies but also long-term solutions. District leaders have taken action to convince lawmakers to change the state funding formula. They shared their district data with lawmakers and stated that if IPS could receive more complexity dollars (part of the Indiana school funding formula), the district could help every student keep pace with surrounding districts, increase the ability to attract and retain teachers, and provide learning materials to meet the needs of disadvantaged students.

## **6. Diligently sharing stories of student achievement resulting from the ESSER funding; actively looking for continuous financial support**

Although district leaders share concerns about what will happen when the ESSER III funds run out, school districts have certainly witnessed benefits from the investments. For instance, researchers ([Peña et al., 2023](#)) with the Migration Policy Institute ([MPI](#)) found that, with ESSER funds, school districts serving relatively large student populations who are English language learners (ELs) were able to invest in structural changes and resources that support ELs in ways that go beyond pandemic response.

In South Carolina, the [Beaufort County School District](#) invested a sizable chunk of its ESSER funds in nearly a dozen “extended learning sites,” such as churches and other local organizations where retired educators provide additional instruction for students after the school day ([Lieberman, 2023](#)). The district’s superintendent reported proudly that their 6,000 students have shown early signs of reading improvement and have already surpassed the district’s high expectations.

In a Rhode Island school, educators creatively used their ESSER funding to support students in recovering their credits and working toward their graduation ([Hitchings, 2023](#)). After listening to students and learning that some had to deal with significant life challenges, school leaders created a Credit Recovery Academy during the school day. The goal of this program was to optimize the time that students spent in the school building (6.5 hours each day) and have educators with them to work toward their diplomas. The program provided opportunities for school staff to have conversations with students who would share their stories and tell their teachers what would help their education.

Through this program, educators changed the perspective of many students. Within one school year, the number of seniors in danger of not graduating on time dropped from 128 to 38 students. The school’s [assistant principal](#) said, “We didn’t hand out unearned credits; the students worked harder than I ever imagined they could. They were driven by the idea that their voice and their ideas directly led to this program that was going to help them graduate.”

In Nevada, the CCSD district leaders expressed that if the district and individual school sites decide any ESSER-funded project was worth continuing, the district would consider tapping into its general fund, individual school budgets, or even asking for additional state funding to keep some of the project going ([Hernandez, 2022](#)). In brief, for the best interest of their students, school leaders should diligently share stories of student achievement resulting from the ESSER funding with their communities and actively look for continuous financial support from both public and private sectors.

## 7. Engaging federal and state policymakers to improve school funding systems

[EducationWeek](#) reported that on September 21, 2023, several district leaders and one state education chief held a closed briefing with congressional staffers on Capitol Hill ([Lieberman, 2023](#)). The district leaders believe that the emergency investments from Congress in K-12 schools have yielded strong yet incomplete results. They hope that the federal government can learn lessons from the positive effects ESSER dollars have had, and that Congress will continue to support schools with additional resources even once the COVID emergency aid runs out.

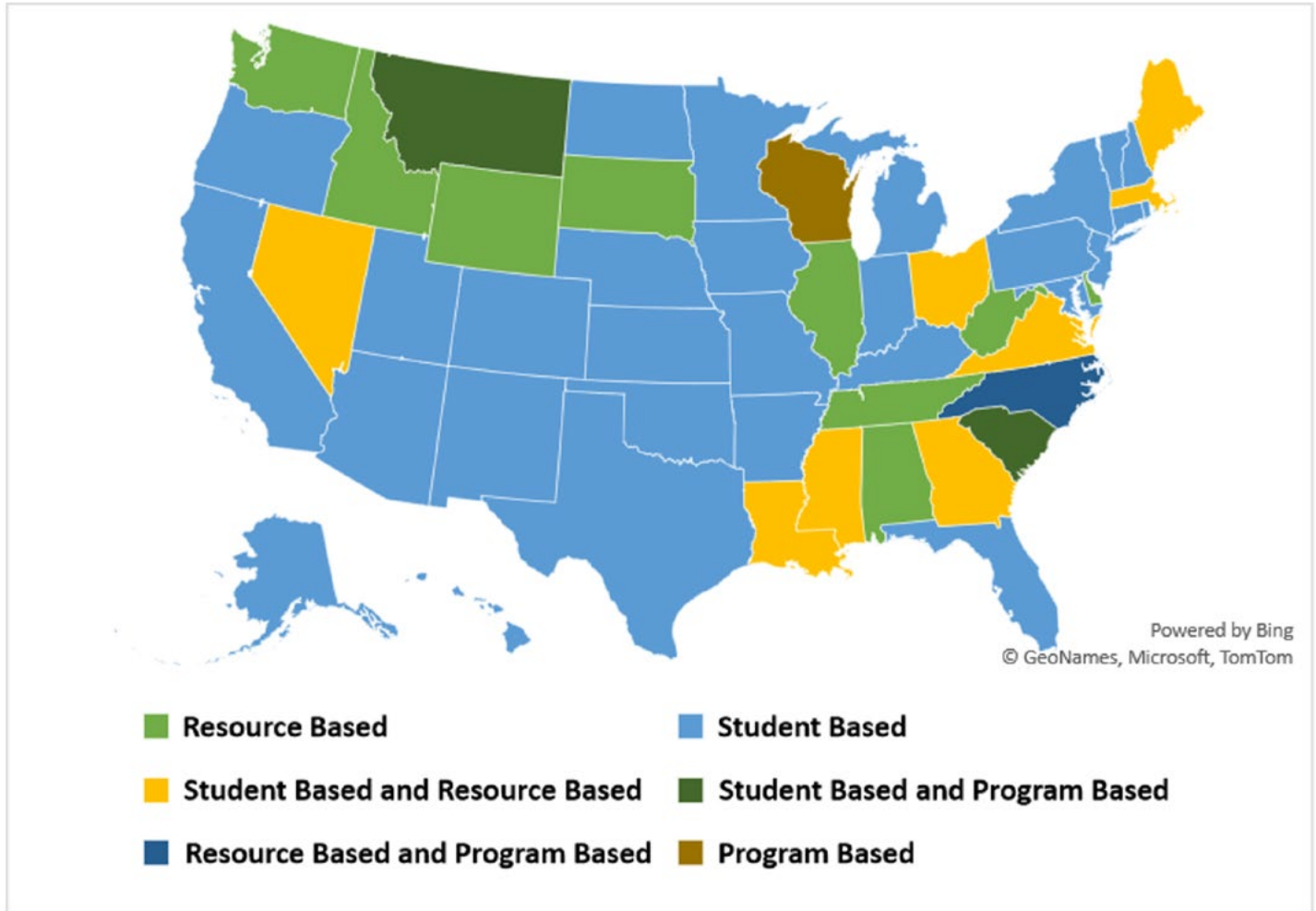
The latest discussions of the potential school budget gaps after the end of ESSER funding have revived scrutiny of the formulas that determine how — and how much — state funding flows to schools ([Lieberman, 2023](#)). Some researchers ([Allegretto et al., 2022](#)) conclude that “Education funding generally is inadequate and inequitable” and “Our current system for funding public schools shortchanges students, particularly low-income students.” Some researchers ([Gartner and Stadler, 2023](#)) predict that there will be a movement toward reforming school funding formulas in the next 10 years.

While the conclusion and prediction of the researchers may be debatable, district leaders should play an important role in changing and improving school funding formulas. States usually distribute education funding through a formula that determines the dollar amount to which each school district is entitled. These formulas base their calculations of how much funding should be required for each district on different factors. In general, the formulas can be classified into six categories ([Bellwether, 2023](#)) (Figure 3).

- Student-based funding formula — School districts receive funding based on the number of students enrolled or in attendance. Districts may receive additional funding based on certain enrolled student characteristics (e.g., low income, disability, English language learners). As of October 2023, 37 states, Washington, D.C., and Puerto Rico use a student-based funding formula.
- Resource-based funding formula — School districts receive funding based on the anticipated cost of resources and inputs, such as staff salaries and instructional materials, adjusted for student enrollment. As of October 2023, 16 states use a resource-based funding formula.
- Program-based funding formula — This funding system allocates dollars to school districts based on the cost of educational programs within those districts. Only four states use a program-based funding formula.
- Hybrid funding formula — As of October 2023, 11 states use a hybrid funding formula. For example, Virginia has a hybrid funding formula that incorporates both resource-based and student-based elements. North Carolina has a hybrid funding formula that combines both resource-based calculations and extensive program-based allocations. Montana has a hybrid funding formula that uses both student-based elements and extensive program-based allocations.



Figure 3. Education Funding Formulas in 50 States: 2023



Source: [EdBuild | Funded - National; SplittingtheBill\\_3\\_Bellwether\\_October2023.pdf](#)

Although both federal and state funding formulas are supposed to be designed to support disadvantaged students and meet all students’ needs, the reality is that some funding formulas may be obsolete due to changes in student demographics and enrollment. In New York, the state’s current formula relies on data sources that are more than a decade old, resulting in state funding allocations based on outdated accounting ([Spurrier et al., 2023](#)). In Washington, researchers found that the state’s resource-based funding model appears to be constricting district staffing choices, especially when it comes to deciding how many teachers and other support staff to employ ([Aldeman, 2023](#)).

For rural school districts, complex funding formulas may not help schools meet every student’s education need ([Edunomics, 2023](#)). According to the superintendent of a rural school district in New York, complexities in state funding formulas have become a challenge to districts’ ability to meet the growing expectations society places on schools — everything from providing social-emotional support to offering self-contained classrooms for students who need special accommodations. The superintendent told Education Week, “When the formula is not making sense, the output for us is not making sense” ([Lieberman, 2023](#)).

In February 2023, Pennsylvania's Commonwealth Court ruled that the state's school funding system is unconstitutional and must be reformed ([Learning Policy Institute, 2023](#)). According to the Public Interest Law Center (2023), the case *William Penn School District et al. v. Pennsylvania Department of Education et al.* was filed in 2014 by six Pennsylvania school districts, the Pennsylvania Association of Rural and Small Schools, the [NAACP-PA State Conference](#), and a group of public school parents. The petitioners assert that the massive inequality the state funding system fuels between poor and wealthy school districts discriminates against students in low-wealth communities, violating their right to equal protection in the state Constitution.

In conclusion, district leaders are advocates for their students and their communities. Despite many regulations that at times seem to hinder their effective management, ESSER funds have proven essential for district leaders to finance activities and programs that have benefitted students nationwide. The impending expiration of ESSER (September 30, 2024) poses both a challenge and an opportunity for district leaders to prove their mettle as advocates and find creative ways to reform a funding system that is intricate at best. The educational welfare of millions of students is at stake.



## About CPE

The National School Boards Association (NSBA) believes that accurate, objective information is essential to building support for public schools and creating effective programs to prepare all students for success. As NSBA's research branch, the Center for Public Education (CPE) provides objective and timely information about public education and its importance to the well-being of our nation. Launched in 2006, CPE emerged from discussions between NSBA and its member state school boards associations about how to inform the public about the successes and challenges of public education. To serve a wide range of audiences, including parents, teachers, and school leaders, CPE offers research, data, and analysis on current education issues and explores ways to improve student achievement and engage support for public schools.

## About NSBA

Founded in 1940, the National School Boards Association's (NSBA) purpose is to ensure each student everywhere has access to excellent and equitable public education governed by high-performing school board leaders and supported by the community.

With members spread across the United States, the Virgin Islands, and Canada, NSBA is the only national organization representing school boards. Along with its member state associations and member public school districts representing locally elected school board officials serving millions of public school students, NSBA believes that public education is a civil right necessary to the dignity and freedom of the American people and that each child, regardless of their ability, ethnicity, socioeconomic status, identity, or citizenship, deserves equitable access to an education that maximizes their individual potential.

For more information, visit [nsba.org](https://www.nsba.org).

