

# **AFTER ARPA, WHAT'S NEXT FOR K-12 SCHOOLS AND LOCAL GOVERNMENTS? EXPLORING THE “ESSER FISCAL CLIFF”**

**Tuesday, October 7, 2025**

**IPPSR Public Policy Forum**

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# READ OUR REPORT



# THE ESSER POLICY CONTEXT

## Pandemic-era funding and the “ESSER fiscal cliff”

- Between March 2020 and March 2021, the federal government allocated \$190 billion to K-12 districts via the Elementary and Secondary School Emergency Relief (ESSER) Fund
- It was “the largest one-time infusion of federal funds ever” in K-12 education (Aldeman, 2024).
- September 2024 and the “ESSER fiscal cliff” (Roza & Silberstein, 2023)
  - Federal deadline to obligate ESSER funds (and the end of that aid)
  - Declining public school enrollment
  - State revenue uncertainty (flagged pre-tariffs and before this year’s budget debates)
    - [Michigan stalemate](#) pre-resolution and broader political trends nationwide

Aldeman, C. (2024, September 26). ESSER Post-Mortem: How Did Districts Spend \$190B in Federal Funds? Did It Work? *The 74*. [Available online](#).

Roza, M. & Silberstein, K. (2023, September 12). *The ESSER Fiscal Cliff Will Have Serious Implications for Student Equity*. Brookings. [Available online](#).



# OUR RESEARCH QUESTIONS

## We wanted to know...

- Is there a real or perceived “ESSER fiscal cliff” impacting K-12 districts in Michigan? How are they responding?
- How else are Michigan’s K-12 districts navigating resource scarcity?
- What factors influenced the perception or experience of an “ESSER Fiscal Cliff” in Michigan’s K-12 districts?

# OUR RESEARCH PROCESS

## Surveys to learn from Michigan's K-12 leaders

- Surveys of **78** unique districts from **all** of Michigan's 16 regions
  - Responses covered **18.8% of ESSER funds allocated** in Michigan (based on [Edunomics](#))
  - 47.4% rural, 26.9% suburban, and 25.6% urban
  - 88.5% traditional public and 11.5% charter

3. What is your current role in the district?

Superintendent	Assistant Superintendent	District Fiscal Officer	Central Office Staff Member	Administrative Assistant	Other (please specify)
66.7%	9.0%	7.7%	6.4%	1.3%	9.0%

N = 78

## Interviews to learn from Michigan's K-12 leaders and MDE officials

- Interviews of **11** unique districts, plus **1** with a representative of the Michigan Department of Education (MDE) – **12** total interviews
  - 27.3% rural, 27.3% suburban, and 45.5% urban



# Q1: WAS THERE A FISCAL CLIFF?

## Evidence of an “ESSER fiscal cliff” in Michigan

- [K-12 Outreach](#)’s [MAPPR-funded](#) research ([one-pager](#), [full policy brief](#), and [project profile](#))

6. To what extent did ESSER funds increase your district's annual spending? (Screeners question, the survey ended for respondents who selected “zero impact”).

ESSER funds had zero impact on my district's spending	ESSER funds had a limited impact on my district's spending	ESSER funds had a moderate impact on my district's spending	ESSER funds had a substantial impact on my district's spending
2.6%	5.1%	34.6%	57.7%

N = 78

11. Please select your level of agreement with the following statement: Generally speaking, my district was prepared for the September 2024 ESSER funds deadline.

Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree
70.4%	25.4%	4.2%	0.0%

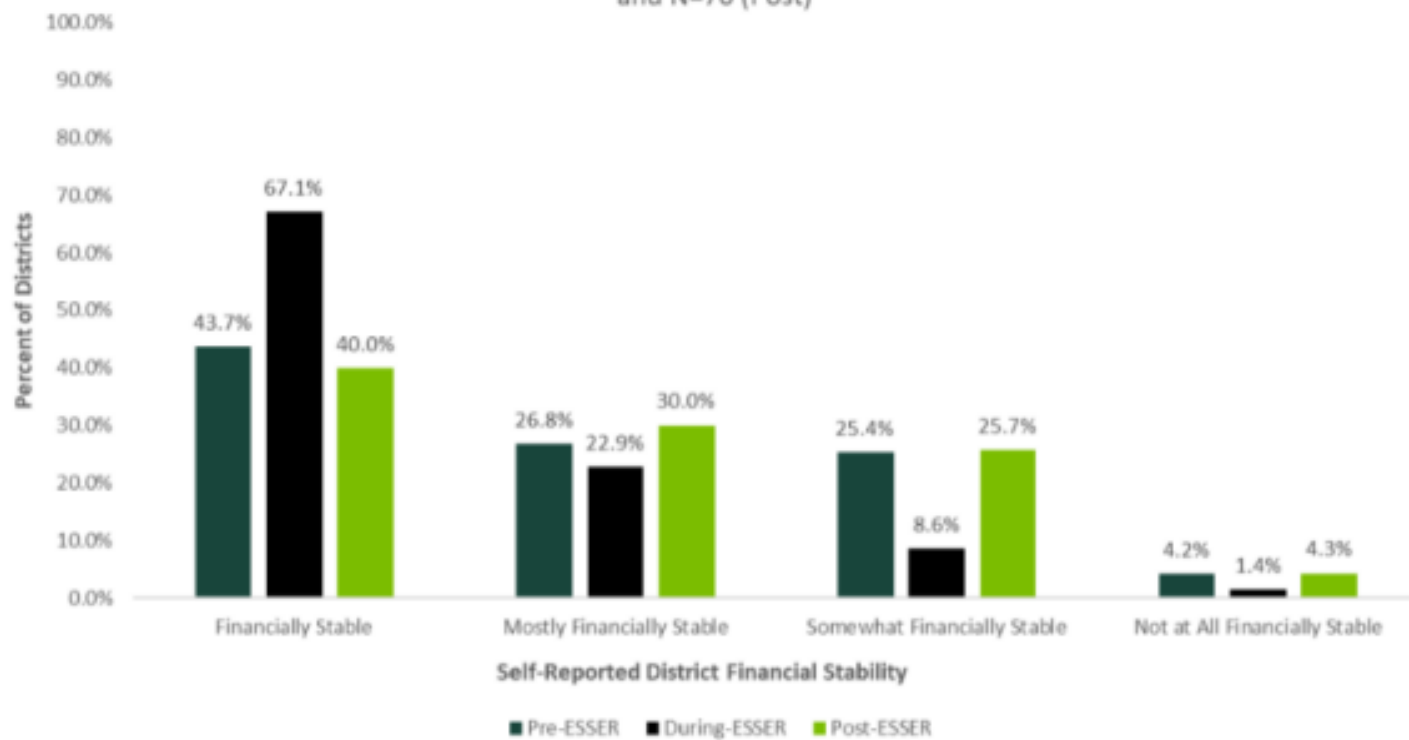
N = 71

# Q1: WAS THERE A FISCAL CLIFF?

## Evidence of an “ESSER fiscal cliff” in Michigan – Continued...

Figure 1: Self-Reported District Financial Stability Pre-, During-, and Post-ESSER<sup>9</sup>

Varied Numbers of Districts Responded to These Questions: N=71 (Pre), N=70 (During), and N=70 (Post)



Footnote 9 in [the report](#) explains that “instances of totals not summing to 100.0% are due to rounding.”

# Q1: WAS THERE A FISCAL CLIFF?

## Evidence of an “ESSER fiscal cliff” in Michigan – Continued...

Table 1: Reported and Planned District Staffing Actions Post-ESSER<sup>10</sup>

	2024-25 Actions (N = 60)	2025-26 Actions (N = 56)	Anticipated Change <sup>11</sup>
Cutting non-staffing costs to maintain staffing levels	26.7%	39.3%	12.6%
Eliminating or reducing retention bonuses, hiring incentives, etc.	28.3%	28.6%	0.2%
Eliminating positions	41.7%	57.1%	15.5%
Instituting hiring freezes	10.0%	16.1%	6.1%
Not posting vacated positions	53.3%	66.1%	12.7%
Other	18.3%	19.6%	1.3%
Reducing non-wage benefits	8.3%	25.0%	16.7%
Replacing in-building positions with third-party contractors	6.7%	5.4%	-1.3%
Support staff or third-party contractor layoffs	13.3%	17.9%	4.5%
Teacher layoffs (academic core)	1.7%	5.4%	3.7%
Teacher layoffs (special education)	1.7%	1.8%	0.1%
Teacher layoffs (specials)	5.0%	7.1%	2.1%
Using long-term substitute teachers	23.3%	21.4%	-1.9%

The “anticipated change” footnote in [the report](#) explains that “the change column was calculated using unrounded 2024-25 and 2025-26 values. Hence, some of the reported differences might appear off by a tenth of a percent.”



# Q1: WAS THERE A FISCAL CLIFF?

## Evidence of an “ESSER fiscal cliff” in Michigan – Continued...

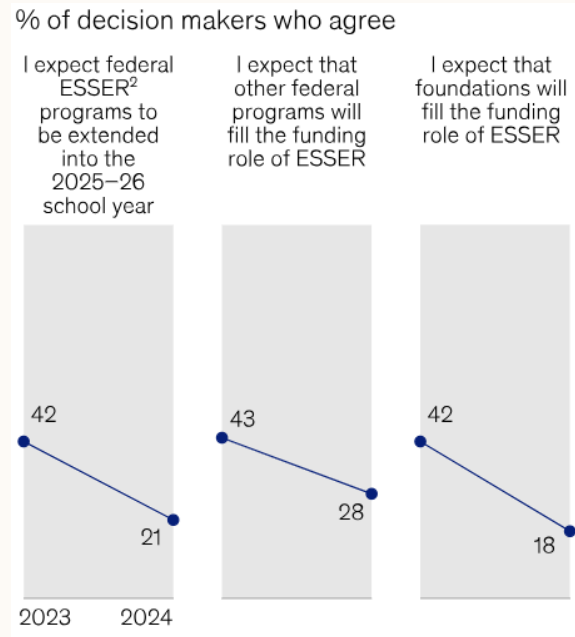
- “We're going to be maximizing classes as well as eliminating some positions...to kind of help with the cost because...**we will not be able to afford some of the tools that are making a difference**” – An urban deputy superintendent
- “Just looking at what’s happening in society in general, and then for our families who are incredibly under-resourced, **how are we going to make sure that we are fully providing the environment where the children can learn?**” – An urban superintendent
- “Regardless of funds, we are underfunded and have been for years. **It is also harder to go back to paying people less now that we do not have ESSER funds** for summer school and tutoring” – A suburban superintendent
- “[**ESSER funds**] were very needed for a time, a very difficult time. That helped us do great amounts of things and get kids educated” – A rural superintendent



# Q1: WAS THERE A FISCAL CLIFF?

## Evidence of an “ESSER fiscal cliff” from related research

- [McKinsey survey](#) (September 2024)
- [MSBO survey](#) (August 2025)



More than half (53 percent) of decision makers expect a fiscal cliff in their district’s spending when ESSER concludes.

### The survey found:

- 11% of districts have had classroom personnel layoffs
- 15% had non-classroom personnel layoffs
- 42% cut staff through attrition
- 27% made non-staff spending cuts

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TALENT & EDUCATION

### Survey: 1-in-10 Michigan districts cut class staff for new school year

by Isabel Lohman and Jordyn Hermani  
August 22, 2025

[G](#) [X](#)



## Q2: OTHER RESPONSES

### Market-based competition for externally trained educators → GYO

- Plans to rely on “grow your own programs such as **Talent Together**, the **Rural Educator Initiative**, **alternative certification routes**, [and the] **promotion of current students to become teachers** and return home” – A rural superintendent

### Use of professional networks to (1) share costs or (2) strategize

- “We all belong to our different organizations in a district this size. So being the business official, I looked often to MSBO [Michigan School Business Officials]...we spent a lot of...time with [an expert from the MDE]. He probably very much knows my name and my face...**We all spent a lot of time...hashing it out**, talking it through. **What are you doing? How are you addressing this? What kinds of creative things are you doing with yours?**” – An urban associate superintendent of finance and accounting

# **Q2: OTHER RESPONSES**

## **Reliance on other grant funds**

- Used by 51.1% of self-identified financially stable (post-ESSER) districts
- Emphasis on federal Title dollars and/or state At-Risk funds

## **Leveraging the lack of a “supplement versus supplant” provision**

- We “could always get around [any restrictions on allowable expenses] somehow some way” – An urban director of business services and operations
- ESSER funds and general fund reserves

## **General resiliency and creativity**

- “We need to be creative in how we can continue to do more with less” – A rural state/federal grants coordinator

# Q3: EXPLAINING DIFFERENT EXPERIENCES

## Structural explanations:

18. You indicated that you **anticipate district financial challenges going forward**. Which of the following structural reasons do you attribute your district's financial challenges to? Please select all that apply. (Shown to self-identified "somewhat" or "not at all financially stable" districts).

We were already facing financial challenges prior to the allocation of ESSER funds	28.6%
Enrollment decreases	85.7%
Expiration of local millages	0.0%
Increased expenses	90.5%
Insufficient state per-pupil funding	66.7%
The loss of philanthropic support	4.8%
Other	4.8%

N = 21

15. You indicated that you **anticipate district financial stability going forward**. Which of the following structural reasons do you attribute your district's financial health to? Please select all that apply. (Shown to self-identified "mostly" or "financially stable" districts).

We were already financially stable prior to the allocation of ESSER funds	68.1%
Enrollment increases	25.5%
New local millages	10.6%
Reduced expenses	27.7%
Sufficient state per-pupil funding	19.1%
Strong philanthropic support	2.1%
Other (please specify)	23.4%

N = 47



# Q3: EXPLAINING DIFFERENT EXPERIENCES

## ESSER-based explanations:

16. Which of the following ESSER-specific reasons explain why you feel your district **will be financially stable going forward**? Please select all that apply. (Shown to self-identified “mostly” or “financially stable” districts).

Finding other grants to fill in for ESSER funds	51.1%
Seeking waivers to extend the ESSER deadline	0.0%
We did not use funds on recurring expenses	51.1%
Past strategic planning	48.9%
Other (please specify)	23.4%

N = 47

19. You indicated that you **anticipate district financial challenges** with paying for staffing going forward. Which of the following ESSER-specific reasons do you attribute your district’s condition to? Please select all that apply. (Shown to self-identified “somewhat” or “not at all financially stable” districts).

The one-time nature of the funds but our recurring needs	71.4%
We needed to spend ESSER funds on non-staffing needs (ex., ESSER funds were insufficient - COVID created too many needs to fund)	14.3%
Financial distress prior to ESSER funding was not offset (ex., ESSER funds were insufficient - our district has historically been underfunded)	28.6%
It took funds too long to get to us	0.0%
We did not have enough time to spend the funds	0.0%
Teacher labor market challenges made staff unavailable	52.4%
ESSER-funded bonuses in other districts made staff too expensive	57.1%
ESSER funds were not sufficient	4.8%
There were too many legal restrictions on how we could spend ESSER funds	28.6%
Other (please specify)	4.8%

N = 21





# STATE POLICY RECOMMENDATIONS

## Recommendation #1: Consider What ESSER-Era Practices Could Be Sustained with Added and More Equitable Funding

Why We Recommend It:	Where We Heard It:
Our finding that ESSER funds lowered the share of districts that reported being “not” or only “somewhat” financially stable during this period showed the flexibility that added resources allowed. Further, with these added funds, districts reported new staffing and programs that future research could indicate are worth sustaining.	“Regardless of funds, we are underfunded and have been for years. It is also harder to go back to paying people less now that we do not have ESSER funds for summer school and tutoring.” (Survey response from a suburban superintendent)

## Recommendation #2: Appreciate Districts’ Varied Ability to Avoid Spending on Recurring Expenses (e.g., Staffing)

Why We Recommend It:	Where We Heard It:
Given the possibility that structural factors (e.g., past underfunding of certain districts, new enrollment challenges, and more complex student needs) might have forced some districts to spend one-time ESSER funds on recurring expenses, more nuanced advice beyond “avoid these costs” might be needed.	“We didn’t do anything that we didn’t think we could also keep up...that may be different from other districts. There may be districts who said, ‘look, we’ll hire all these folks because we need ‘em right now.’” (Interview with a suburban superintendent)

# STATE POLICY RECOMMENDATIONS

## **Recommendation #3: Meet Districts Where They Are When Providing Guidance (e.g., Their Availability, Pre-Existing Trust, Capacity, Expressed Community Desires, and Past Funding)**

Why We Recommend It:	Where We Heard It:
So many districts highlighted the MDE's positive contributions that we added an interview with them to better understand their role in this process. That said, not every entity we talked to was open to the MDE's support, given past experiences, lacking trust, and perceived inequity of school governance. Where state actors can recognize and respond to these histories, they can better provide aid.	"Being more collaborative than what MDE maybe has been in the past...laid the groundwork for us to not engage in these hiccups along the way...We took a very different approach to say, 'hey, let's sit down and figure out exactly what it says and how we can help you.'" (Interview with the MDE)

## **Recommendation #4: Continue to Facilitate the Cross-District Sharing of Data and Best Practices**

Why We Recommend It:	Where We Heard It:
District leaders across Michigan developed some best practices related to ESSER funds throughout the pandemic. Where state entities can create repositories of information, data, and guidance, these perspectives can spread beyond local networks of administrators to inform practices statewide and nationwide.	"Thank you for giving the guidelines and for being available to help with questions...[The] MDE was very helpful throughout the process...I especially love the transparency page that was created, MDE Educational Entities, Covid-19 Reimbursement Dashboard." (Survey response from a rural district's grant coordinator)



# STAYING CONNECTED WITH OUR OFFICE AND RELATED PROGRAMS

Feel free to reach out with any questions or concerns:  
[beverlyb@msu.edu](mailto:beverlyb@msu.edu) (Bryan) or [thurtyl@msu.edu](mailto:thurtyl@msu.edu) (Tyler)



Review our ESSER research at  
<https://education.msu.edu/k12/publications/2024-25-mappr-grant-esser-cliff>

Learn more about our office's work at <https://education.msu.edu/k12>

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