Office of Learning Recovery and Acceleration

ESSER Funding Cliff Toolkit

Data-Driven Financial Decision Making for Post-ESSER Spending

North Carolina Department of
PUBLIC INSTRUCTION

Table of Contents

To access a digital copy of the toolkit, scan the QR Code below or navigate to: go.ncdpi.gov/FundingToolkit

Toolkit Introduction and Purpose

Introduction

The COVID-19 pandemic and subsequent federal ESSER funding was a historic moment in education. As one of the largest influxes of funding into the K-12 educational system, districts and schools had opportunities to fund initiatives and programs not possible before. In the early stages of ESSER, funding was provided rapidly and educational leaders were faced with developing plans to spend millions of dollars. Now, as ESSER funding ends in September 2024, educational leaders are challenged with tough decisions to determine what programs worked and deciding what to continue funding in the 2024-2025 school year. This toolkit is designed with these factors in mind and to support PSU leaders in making those difficult decisions.

Purpose

The purpose of the ESSER Funding Cliff Toolkit is to provide PSU leaders with relevant information and data around ESSER expenditures and student outcomes as well as resources to understand which ESSER investments were most effective. The data sources, tools, and information in this toolkit alone cannot provide answers to all these questions. However, this toolkit is designed to support a data-driven approach to evaluating investments and budgeting post-ESSER funding beyond September 2024. By approaching this process early, PSU leaders will be able to fully understand what worked during ESSER and develop plans for sustaining or sunsetting various programs and initiatives.

How to Use the Toolkit

The toolkit is designed to systematically support PSU leaders through the process of reviewing data, determining Return on Investment (ROI) for ESSER investments, and developing a budget process to support their 2024-2025 budget planning. The toolkit is **explicitly** designed to support conversations and discussions between decision makers including the superintendent (or charter school leader), chief finance officer, and administrators with budgetary responsibilities. Reviewing data, determining ROI, and budgeting should be a collaborative effort that supports and encourages healthy, yet transparent, dialogue around which ESSER investments were most impactful to understand what should or should not be funded moving forward.

Within each section of the toolkit are questions for discussion that will help initiate conversations amongst the leadership team. It is suggested that the toolkit be reviewed in its entirety and then dedicate specific time to review data and discuss each section.

Defining Return on Investment (ROI) in Education

According to Forbes, "Return on Investment (ROI) is a simple ratio that divides the net profit (or loss) from an investment by its cost"[1]. For this toolkit, the business formula for ROI was customized for educational use. To accomplish this customization, it was necessary to define "profit" differently, as education does not naturally generate currency-based profit.

In redefining educational profit, this question was central to the process: "What is the ultimate goal in education spending?". **For the purposes of this toolkit, the improvement of student outcomes is defined as the goal of educational spending.** Therefore, student outcomes are the central variable in the education ROI equation. Further, the ROI equation also accounts for Implementation Fidelity (IF) as IF is integral to measuring program and intervention effectiveness. With these variables in mind, the equation below was developed for estimating ROI in education within the toolkit.

$$\frac{(Outcomes \ * \ IF) \ * \ (Number\ of\ Students \ * \ Special\ Populations\ Multiplier)}{Total\ Cost} \ \times \ 100 \ = \ ROI$$

Figure 1: Educational ROI Formula

DISCLAIMER: Due to the subjective nature of determining educational outcomes and measuring implementation fidelity, the tool and resulting ROI is relative only to a PSU and the individuals who determined each variable. It is important to consider the results as a discussion point but not an absolute in determining effectiveness.

Contacts

If you have additional questions, please reach out to the individuals below:

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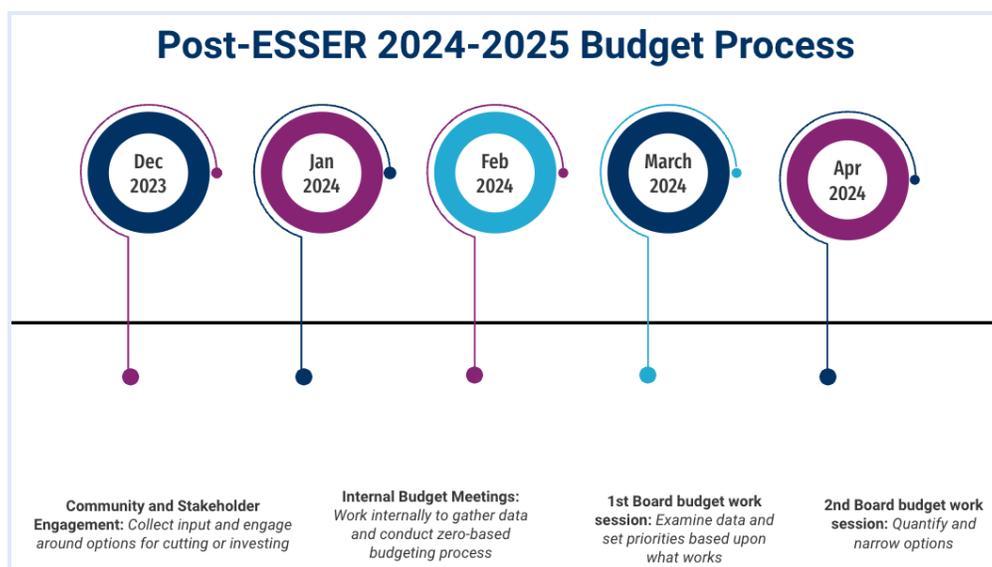
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[1] Birken, E. G., & Curry, B. (2022, September 28). Return on Investment (ROI). Forbes. Retrieved from https://www.forbes.com/advisor/investing/roi-return-on-investment/

Step 1. Determine Budget Process & Timeline

The first step to successfully implementing the budgeting process is to backward design your PSU's budgeting timeline. The budget timeline and process vary depending on multiple factors, including internal PSU, school board, and county commissioner deadlines. The information in the link below provides a budgeting process/timeline template that can support visualizing each step of the process. With the uncertainty of budget requests and funding levels, it is suggested that PSUs communicate the process with impacted stakeholders early. This consistent and transparent communication will be critical to the change management process.

Timeline Template for Budgeting Decisions

Post-ESSER 2024-2025 Budget Process

| Dec 2023 | Jan 2024 | Feb 2024 | March 2024 | Apr 2024 |

Community and Stakeholder Engagement: *Collect input and engage around options for cutting or investing*

Internal Budget Meetings: *Work internally to gather data and conduct zero-based budgeting process*

1st Board budget work session: *Examine data and set priorities based upon what works*

2nd Board budget work session: *Quantify and narrow options*

Questions for Discussion

1. What are key deadlines in the budgeting process and who are the decision makers?

2. Who will serve on the leadership team to develop and implement the budget?

3. Compared to previous years, to what level will the budget be different and impact various stakeholders?

4. Depending on the answer to question three, which stakeholders should be consulted or aware of budget decisions?

5. What level of change management might be needed to implement the 2024-2025 budget?

Step 2. Collect Data and Evidence

In this section, PSU leaders will use available data including the NCDPI Office of Learning Recovery's newly created *Fiscal Cliff Dashboard* and *Year over Year (YoY) Analysis* to help determine the magnitude of the fiscal cliff and the students that may be most affected by that cliff.

Additionally, PSU leaders should use both local and state-level data, including qualitative data, to identify evidence of progress towards outcomes for ESSER-funded initiatives. The ROI Explainer Document (Step 3) contains an *Evidence of Progress Towards Intended Outcomes* template that can be used to document data and evidence of student outcomes for a specific investment.

The Fiscal Cliff Dashboard

The ESSER Fiscal Cliff Dashboard uses available data from several sources to visualize ESSER spending longitudinally. Each PSU across the state has their own dashboard which can be viewed by clicking the link below and selecting a specific PSU.

The Fiscal Cliff Dashboard
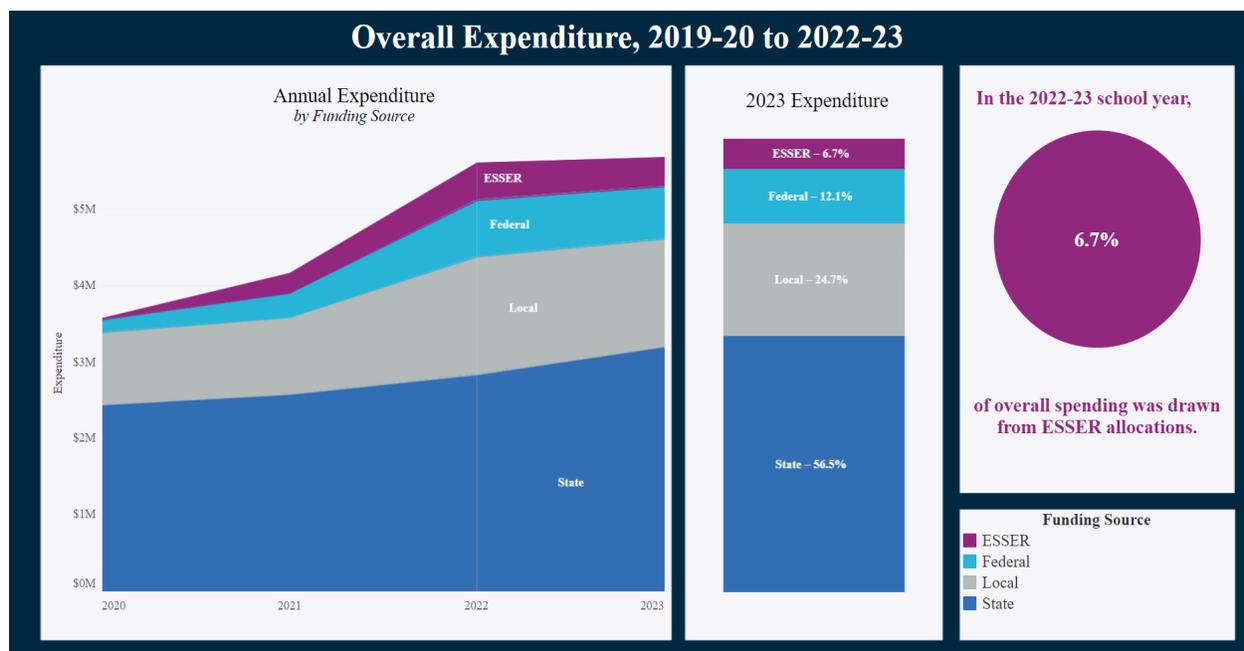
Disclaimer: In some instances and for various reasons, datasets may not be available and therefore some sections of the dashboard may not populate for some PSUs.

How to Use the Dashboard

In a collaborative discussion with relevant stakeholders and key leaders in the budget process, review each section of the dashboard. The first section reviews overall expenditures for the past four years. This section is designed to provide a high-level overview of a PSU's budget and the impact of ESSER funding.

The second section provides a detailed view of ESSER expenditures by year and spending category. By clicking on various categories, the dashboard will provide visibility to the object code level across each year. The third section provides a specific visualization on 2023 salary expenditure categories and is designed to provide visibility to any ESSER-funded staff that may need to be addressed before the ESSER fiscal cliff in September 2024. As a contributing factor to the budget process, the third section also provides enrollment trends and teacher staffing levels.

The final section provides grade level effect size for the most recent and available student outcome data (2021-2022). This section is designed to show pandemic student recovery data and support an analysis of which programs and interventions were most effective.

Estimating the Fiscal Cliff

The data provided in the dashboard will also help PSUs to estimate the magnitude of the fiscal cliff that they may face post-ESSER. ERS has identified six key factors to indicate whether a particular PSU might be at greater risk of a fiscal cliff. These factors include the following:

1. Large ESSER allocations
2. Increased teacher salaries
3. Increased staffing levels
4. Change in per-pupil funding levels
5. Limited unrestricted fund balance
6. Unspent ESSER dollars.

Read more at ERS' website which also includes formulas and examples for calculating each of the 6 factors.

Questions for Discussion

1. What was the percent increase to the PSU's operating budget with ESSER funds?

2. Which programs/initiatives were funded solely or more than 50% percent by ESSER funds?

3. How many of your ESSER-expenses are recurring costs vs non-recurring/one-time costs? (e.g. non time limited salaries vs. capital projects)

4. What were the total expenditures during FY23 compared to post pandemic expenditures?

5. In looking at the third section of the dashboard (salary expenditures in 2023), how many staff are fully or partially funded by ESSER? If salaries are funded, what is the plan for moving them off ESSER in September 2024?

6. How much does the PSU have in reserves? How might you leverage this funding, if needed/warranted?

7. Are there any restrictions or policies on the use of fund reserves in your PSU?

Student Outcome Data Dashboards and Resources

The purpose of the dashboards linked below is to empower PSUs with additional tools to comprehensively evaluate student outcomes. These dashboards serve as a resource for PSU leaders to delve deeper into assessing and analyzing various facets of student performance and facilitating informed decision making.

How to Use These Resources

To access the dashboards, click on the linked slide deck below. Each dashboard is linked and will take you to an external site. On the external site, PSU leaders will find an overview of the information contained within each dashboard. If you have questions about how to utilize any of these resources, please reach out to the NCDPI Research and Evaluation Director, Dr. Jeni Corn at Jeni.Corn@dpi.nc.gov.

Figure 2: NC Education-Relevant Dashboards. Click the image above to access the *slide deck* with live links and descriptions of the available dashboards.

Questions for Discussion

1. What subgroup(s) are the furthest behind in Math, ELA/Reading, Science?
2. Which subgroup(s) experienced the largest amount of learning loss in your PSU?
3. What is the PSU doing to address these gaps?
4. If asked to prioritize a specific grade level, content, or student group, what would be your top three priorities for the 2024-2025 school year?
5. What are your PSU's data highlights? Are there areas that have shown growth? What strategies or interventions have you implemented that caused this growth?

Step 3. Determine Return on Investment

The Return on Investment (ROI) Planning Tool is designed to support PSU leadership teams in understanding the impact and ROI of their ESSER funded initiatives, programs, and interventions. Through a collaborative discussion on expenditures, intended goals, and number of students impacted, the tool can be used to facilitate decision making regarding sustaining, increasing, or phasing out a given program or initiative.

To understand the various components of the ROI Tool, please review the following explainer document. The document walks through each step in the process with examples.

[ROI Explainer Document](#)

After reviewing the ROI Tool Explainer Document, click the link below. The tool is best used in a collaborative setting where various leaders and stakeholders discuss the components to determine ROI.

[ROI Tool](#)

Questions for Discussion

1. To what degree did the ROI tool produce results that surprised you or reaffirmed your thinking? What results surprised you most/least?

2. If programs/initiatives showed relatively low ROI (compared to others you analyzed) are there other factors you should consider before phasing them out?

3. For these same programs, what are the unintended consequences of not funding them moving forward? What change management processes might be needed to support the intentional phase out?

4. Based upon your conversations, which programs will you prioritize/deprioritize for the 2024-2025 budget?

5. How will you communicate continuing funding for high ROI programs and sunsetting funding for low ROI programs?

Step 4. Decision-Making Process

After reviewing the relevant finance and student outcome data and discussing the ROI of various programs, PSU leadership will need to decide which programs should be enhanced, sustained, or sunsetted. During this phase of the budgeting process, PSU leadership should also consider the alignment of the results of the ROI process and their strategic plan. For example, if a strategic plan goal is to increase mathematics proficiency rates in middle grades and an ESSER funded high dosage tutoring program in middle schools increased proficiency rates, this expenditure is highly aligned with the strategic plan and perhaps worthy of consideration in the upcoming budget.

When reviewing various programs or initiatives for inclusion in a future budget, be sure to include stakeholder feedback and discuss any potential unintended consequences. Finally, as another tool to support decision-making, PSU leaders could consider using a SWOT analysis to support the decision making process.

Questions for Discussion

- Relative to other investments in your PSU, which investment had the highest ROI?
    - What factors made this investment have the greatest ROI?
    - How much money would it take for your PSU to sustain this investment post-ESSER?
- Relative to other investments in your PSU, which investment had the lowest ROI?
    - What factors made this investment have the lowest RoO?
    - Is it worthwhile to spend any remaining funds allocated for this investment or should the PSU divert the money to a more successful investment?
        - If the PSU determines that it is worthwhile to continue funding this investment through the end of ESSER, what changes might the PSU make in order to increase the ROI?
- What is the ROI for your most popular investments?
    - What does it mean for the PSU if these "popular" investments have a relatively low ROI?
- What tradeoffs are you willing to consider for programs that made high impacts on student learning?
- What unintended consequences might come from your decision to fund or not fund various programs?

Step 5. Budgeting Process

Following the PSU leadership team's decisions around what programs and investments should be sustained, the team will be faced with funding these investments without ESSER starting in September 2024. Your leadership team will have a number of potential options for funding the initiatives:

       (1) apply for specific grant funding,

       (2) ask for an increase in local level funding from county commissioners,

       (3) utilize innovative approaches to braiding federal funds, or

       (4) use a budgeting process to identify funding from within the current budget.

In the section, a useful process to examine current budgetary spending called Zero-Based Budgeting and the concept of braiding federal funding are explored.

Zero-Based Budgeting (ZBB) stands out as a crucial financial methodology for educational institutions, notably amidst the impending financial challenges following the conclusion of ESSER funding in September 2024. ZBB represents a fundamental shift in budgeting practices by requiring budget leaders to justify expenses, emphasizing the prioritization of funded strategies delivering the highest Return on Investment while ensuring balanced budgets.

The process of implementing ZBB within schools is comprehensive and critical to identifying funding within a current budget to fund new initiatives. Commencing with pre-planning and stakeholder involvement, the ZBB process proceeds through data collection, rigorous analysis, and strategic prioritization based on alignment with institutional goals and ROI assessments. Building budgets anew, highlighting essential expenditures, and integrating high-impact strategic initiatives are pivotal to proper implementation.

The significance of ZBB lies in its transformative potential for educational finances. Its detailed nature ensures judicious resource allocation, maximizes the impact of financial strategies, and aligns the educational system with organizational goals. The process, albeit demanding, underscores the need for prudent planning and steadfast commitment to continual improvement, promising enhanced financial efficiency, and strengthened educational quality within schools.

Zero-Based Budgeting Template and Explainer Document

The following document provides an overview of the zero-based budgeting process as well as step-by-step instructions for implementing the process.

Zero-Based Budgeting Process Explainer Document

The ZBB template below is embedded within the explainer document but can also be accessed below. When opening the link, the document will force a copy so that you can customize the workbook to fit your organization's needs.

[Zero-Based Budgeting Template](#)

Federal Funding Crosswalk Tools

An additional financial budgeting strategy is for PSUs to use the concepts of blending and braiding funds to sustain previously ESSER funded initiatives, programs, and interventions. The two resources below provide information about eligible federal entitlement grants that could be used in conjunction with other state and/or federal funds to sustain ESSER-funded programs.

Please note that both of these resources provide general information and pertain to the coordinated use of federal and state funds. As always, a final determination of whether a particular cost is allowable depends on the intent, purpose, underlying facts and circumstances. These resources do not constitute legal advice but a framework of reference. Please reach out to your Office of Federal Programs (OFP) or Office of Learning Recovery and Acceleration (OLR) Program Administrators if you have questions or specific scenarios you would like to review.

[NCDPI's OLR Crosswalk for Sustainability](#)

[New Jersey Department of Education Maximizing Federal Funds Website](#)

Questions for Discussion

1. Does the PSU fund any large programs/initiatives/interventions with Federal entitlement funds? (non-ESSER)
   a. Are these programs/initiatives/interventions successful? (*If unsure, consider evaluating these programs using the RoI tool as well*)
2. What are various cost saving measures that could provide additional funding? (i.e. economies of scale)
3. What are your PSU's cherished expenditures? Is there an appetite for considering their value and effectiveness?
4. What areas of your budget do you have the most flexibility? Are there expenditures that could be redirected to your top funding priorities?
5. What compelling arguments could be made to county commissioners to increase local funding to support these funding priorities?

Step 6. Communication

Communication Resources and Templates

As the end of ESSER approaches, open dialogue with stakeholders is pivotal in preserving trust, guiding informed decisions, and lessening the impact on the most affected groups and individuals. It will be important for PSUs to message the end of ESSER, budget decision-making, and any changes to staffing and programs. The links below provide vetted and tested communication strategies and templates that PSU leaders can use to begin to engage various stakeholder groups.

Communication Templates Document: Fiscal Cliff (Edunomics Lab, 2023)

Leading Thoughtful Conversations on Resource Equity Using School by School Spending Data (Comprehensive Center, 2022)

ESSER Plan Communication (ERS, 2022)

The ESSER Plan Communication Tool was originally designed to communicate original ESSER plans. However, the templates and strategies are still applicable for messaging and engaging stakeholders as ESSER comes to an end.

Telling Your Story: Engagement Strategies for States to Share how Relief Funding is Helping Shape Their Covid Recovery (CCSSO, 2022)

District ESSER Outreach Toolkit (Oregon Department of Education, 2023)

Questions for Discussion

1. How might the PSU tell a compelling story about any of the ESSER-funded programs that stakeholders and PSU leadership are most interested in sustaining?
2. In what ways might changes to staffing and programs be communicated transparently to stakeholders to minimize disruption and maintain support?
3. How might different stakeholder groups react to the end of ESSER funding, and what strategies can be employed to address their concerns or questions?
4. What role do stakeholders play in the budget decision-making process, and how can their input be effectively solicited and integrated into planning?