

April 3, 2024

## Schools Could Lose 5,100 Teaching Positions in the Next Couple Years as Federal Pandemic Aid Ends

### In a Nutshell

- Balancing K-12 school budgets over the next couple of years is likely going to involve some tough decisions around staffing levels, including laying off some teachers.
- The coming ESSER “funding cliff”, combined with the projected slowdown in future School Aid Fund revenue growth and the exhaustion of massive state surpluses, present a new set of fiscal challenges for school leaders following the pandemic.
- Our initial analysis suggests that districts would have to lose up to 5,100 teachers statewide to get back to the same staffing ratios they had in 2018-19.

Right now across the country, public school boards and administrators are in the midst of preparing budgets for the upcoming school year. Michigan state law requires all public schools to adopt a balanced budget before July 1, the start of their 2024-25 fiscal year. Balancing those budgets over the next couple of years is likely going to involve some tough decisions around staffing levels, including laying off some teachers.

Significantly, board members and district financial staff will be developing next year’s spending plans without the aid of large amounts of federal COVID-19 relief funds that have been used to prop up budgets over the last few years. That is because the deadline for spending the last and largest tranche of federal Elementary and Secondary School Emergency Relief (ESSER) funding schools received to address pandemic learning disruptions is just six months away.

Collectively, Michigan schools directly received nearly \$3.7 billion in ESSER funding from the 2021 American Rescue Plan Act that must be spent by September 2024. The programming of these federal resources, coupled with substantial amounts of both ongoing and one-time state aid flowing to public schools, have driven K-12 education funding levels in the Mitten State to historic heights. Even after taking into account the recent spike in inflation, total general fund revenue collected by all public schools grew by 10 percent between 2018-19 and 2022-23.

However, the coming ESSER “funding cliff”, combined with the projected slowdown in future School Aid Fund revenue growth and the exhaustion of massive state surpluses, present a new set of fiscal challenges for school leaders following the pandemic. At the same time, statewide public school enrollment continues its two-decades-long decline, with further declines on the horizon. Because most funding is distributed to schools based on enrollment, this demographic trend portends fewer dollars flowing to those districts experiencing enrollment losses.

Michigan is not unique here. Nationally, school finance experts have been warning that the combination of factors makes for a “perfect storm” for school budgets in the coming years. While nobody knows exactly when the storm will arrive, or how hard it will hit each district, we are starting to see its effects in a handful of communities across Michigan as budget discussions for the coming school year begin in earnest this spring and staff layoff notices are being prepared.

The end of the one-time federal relief funds leaves districts with only resources from their ongoing revenue sources available to finance programs going forward. This means rolling back academic and student health

programs that students and families have grown accustomed to receiving since the onset of the COVID-19 pandemic.

To navigate the impending fiscal storm, many school leaders will likely look to trim teachers and other personnel from their ranks because much of the budget growth has been used to swell district staffing. Our initial analysis suggests that districts would have to lose up to 5,100 teachers statewide to get back to the same staffing ratios they had in 2018-19, before the federal aid arrived.

## K-12 Education Funding is up, WAY UP

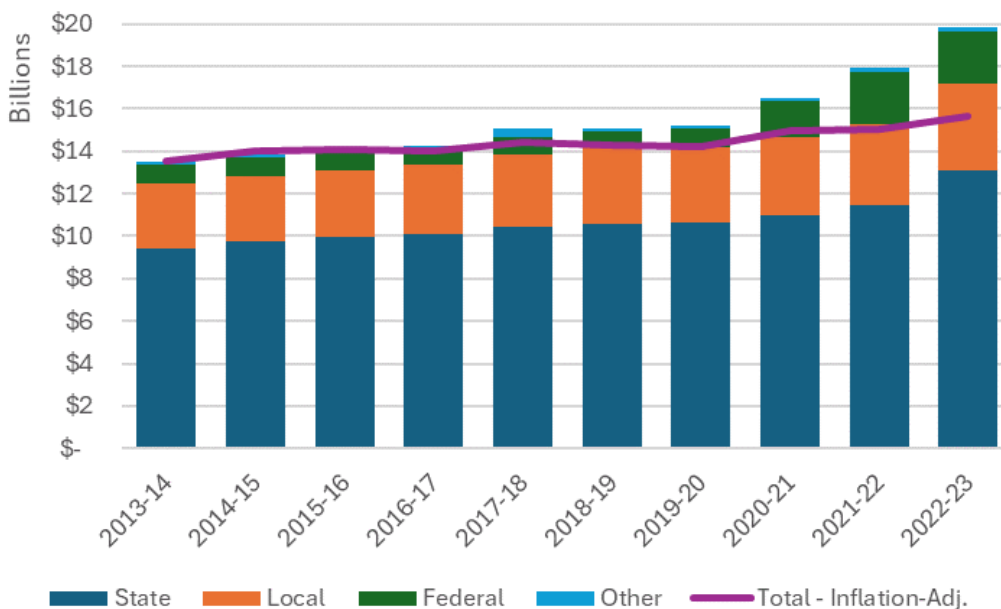
For the casual observer, Michigan public school funding in recent years might best be characterized as the Roaring Twenties – a period of strong revenue growth and widespread budget stability marked by healthy reserves. Given that general picture, it seems like an odd time to be talking about school layoffs. But that is the case given the realities of the one-time federal and state revenue bumps; these dollars are not available to support long-term, ongoing K-12 programs and services.

Total K-12 education revenue (federal, state, and local) jumped from \$15.1 billion in 2018-19, the last full year before the pandemic hit in March 2020, to \$19.8 billion in 2022-23. This equates to a remarkable 31 percent increase in just four years caused by the influx of three separate federal ESSER funding packages totaling \$5.6 billion combined with robust School Aid Fund revenue growth.

The chart below shows general fund revenue received by all Michigan public school districts (traditional, charter, and intermediate) by major source (state, local, and federal) over the last 10 years, as well as the inflation-adjusted total. This provides a longer-term look at changes in K-12 funding while illustrating the components contributing to the increase over the last four years.

Over the five-year period between the 2013-14 school year and the 2018-19 school year, total revenue grew from \$13.5 billion to \$15.1 billion, outpacing changes in general inflation by a modest 5.6 percent. Over the next four years through the 2022-23 school year, inflation-adjusted total revenue is up another 10 percentage points.

### K-12 General Fund Revenue by Source, 2013-14 to 2022-23



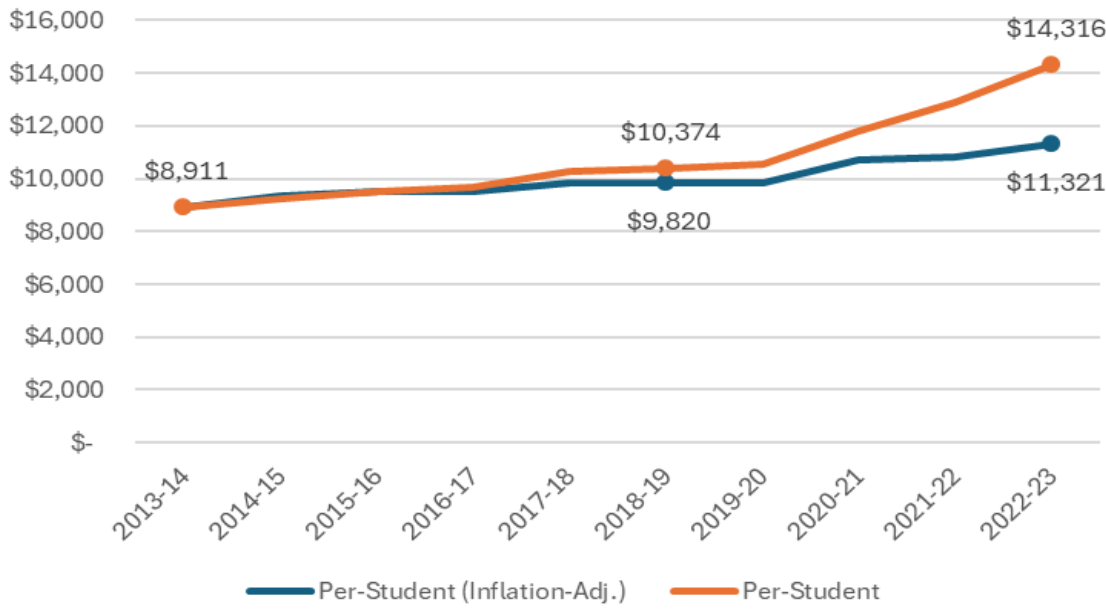
As can be seen, since 2018-19, total federal revenues flowing into districts' general fund budgets more than tripled with the availability of ESSER dollars, exploding from just under \$790 million to \$2.5 billion in 2022-23. Given the amount of unspent relief funds districts had remaining going into the current year (2023-24), we expect total federal revenue to remain around \$2.5 billion.

Added to this federal funding, state aid flowing into districts' general fund budgets is up from \$10.6 billion in 2018-19 to \$13.1 billion in 2022-23, an increase that is nearly five percent greater than

Source: Data from Center for Educational Performance and Innovation; inflation adjustment using Detroit CPI

the rise in inflation during this time. As shown in the chart, most of this increase came in 2022-23. We expect another sizable bump in state-source revenues to K-12 school budgets in 2023-24 arising from a \$1.7 billion state appropriation increase to the School Aid Budget this year. Nearly all of the recent state appropriation increases resulted from spending down large one-time surpluses in the School Aid Fund that resulted from better-than-expected state tax revenue growth combined with conservative state budgeting early in the pandemic.

**K-12 General Fund Revenue Per Pupil, 2013-14 to 2022-23**



These federal and state funding increases are reflected in the amount of general fund dollars available to school districts on a per-pupil basis (chart below). Again, looking at the five-year period (2013-14 to 2018-19) and accounting for student enrollment declines, inflation-adjusted per-pupil revenue grew from \$8,911 to \$9,802, a 12 percent increase. Over the four-year period since, per-pupil funding has outpaced the change in inflation even more, rising another 15 percentage points to \$11,321 in 2022-23.

**Source: Data from Center for Educational Performance; and Innovation: inflation adjustment using Detroit CPI**

### K-12 Staffing is Up Too, While Enrollment is Down

Several K-12 districts across the state used these funding increases to drive statewide employment levels to an all-time high. Much of this hiring came in direct response to student needs arising from pandemic learning disruptions and the social-emotional effects associated with on-again/off-again in-person learning many students experienced while concerns over the virus raged following the 2020-21 school year. Statewide staffing levels dropped nearly 2.5 percent in 2020-21 as many schools remained close to in-person learning and schools held back on new hires and retirements among existing staff grew.

After most students returned to full-time, in-person learning in 2021-22, statewide staffing levels have been on an upward trajectory with schools adding “temporary” staffing to provide additional and expanded out-of-school learning opportunities (e.g., summer school, after-school programming) and tutoring services to address student learning loss. Additionally, many schools used federal dollars to provide expanded physical and mental health student support.

According to the most recent state data (fall 2023), Michigan public schools added just over 5,800 employees in the current 2023-24 school year. This comes after they added nearly 5,000 employees in the 2022-23 school year. These numbers are in full-time equivalents (FTEs), which are adjusted based on the number of hours worked by part-time staff and better reflect the total staff time available. Since the 2014-15 school year, total FTE staffing is up 13 percent (chart).

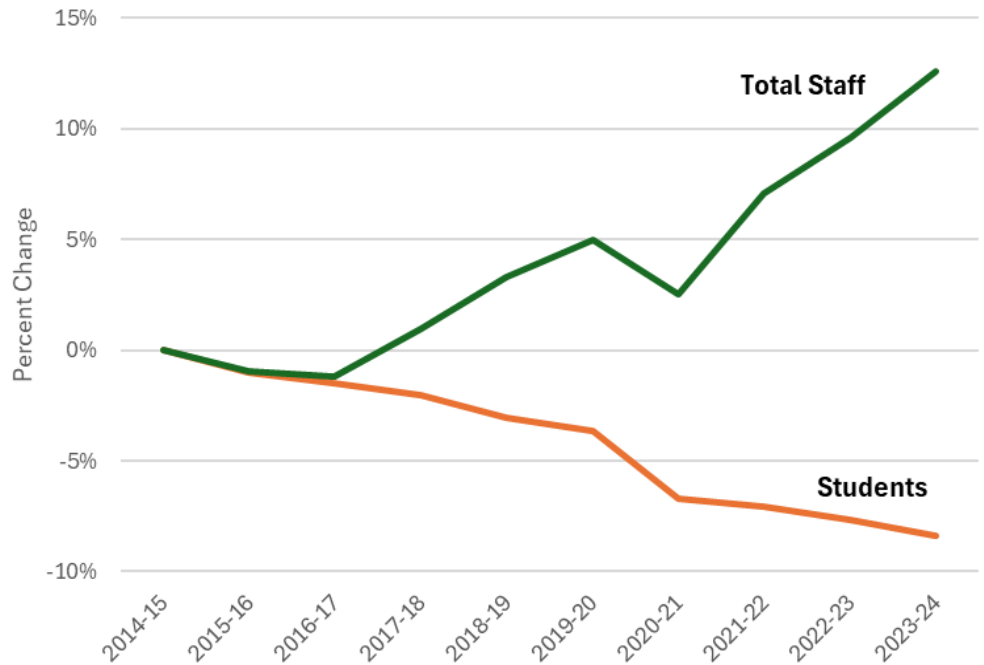
The school staffing increase comes amidst a continuation of the long-term public school enrollment decline going back to the early 2000s. Statewide, this drop has been fueled by several long- and shorter-term factors, including declining birth rates, a slowdown in immigration and, more recently, shifts in enrollment triggered by

COVID-19 with families opting out of public schools in favor of private schools and homeschooling. We have discussed various dimensions of the long-term trend in our previous writings and analyses.

To get a sense of how the expiration of federal ESSER funding could impact school budgets and their staffing levels (combined with district-level enrollment declines), we looked at how staffing ratios have changed over time. Using ratios provides context for these staffing changes relative to the number of students enrolled in each district.

Based on our district-level analysis, about 86 percent of all Michigan local districts (traditional and charter schools) have reduced their student-staff ratios over the course of the pandemic. That is, they have more staff per student than they had in 2018-19.

### Change in Total K-12 Public School Staffing and Enrollment Since 2014-15



Source: Data from Center for Educational Performance and Innovation

Similarly, but to a slightly lesser extent, schools have reduced their student-teacher ratios; about 71 percent of districts have more teachers per student in 2023-24 than they did before the pandemic. (Data note: Intermediate school districts are excluded as they don't provide regular K-12 educational services, as well as any charter schools that opened or closed during the intervening period.) Focusing on instructional impacts, we looked to see how many teachers each district would lose if they went back to the same staffing ratios they had in 2018-19. Statewide, we estimate that schools would have to shed 5,156 FTE teaching positions if all districts returned to their earlier ratios based upon their 2023-24 student enrollment.

Consider Ann Arbor Public Schools as an example. Its student-teacher ratio shrunk from 15.7 students per teacher in 2018-19 to 13.8 in 2023-24. Over this five-year period, it increased its teaching staff by six percent even as student enrollment dropped six percent. For Ann Arbor to go back to the same staffing ratio it had four years ago, it would need to shrink by 142 teachers. The table below identifies the local districts that would experience the largest reductions in teaching workforce to return to their pre-pandemic student-teacher ratios.

### Districts Most At Risk of Teacher Layoffs

District	Student/Teacher Ratio		Reduction in Teachers to Get Back to 2018-19 Ratio	Change: 2018-19 to 2023-24	
	2018-19	2023-24		Students	Teachers
Ann Arbor Public Schools	15.7	13.8	(142)	-6%	6%
Utica Community Schools	20.6	18.8	(119)	-6%	3%
Wayne-Westland Community School District	18.4	15.2	(106)	-11%	8%
Walled Lake Consolidated Schools	20.0	17.4	(89)	-12%	1%
Plymouth-Canton Community Schools	19.4	17.5	(88)	-8%	2%
Warren Consolidated Schools	20.0	17.6	(85)	-8%	4%
Lake Orion Community Schools	18.6	15.6	(67)	-8%	9%
Detroit Public Schools Community District	16.4	16.0	(66)	-3%	-1%
Port Huron Area School District	17.5	15.0	(66)	-13%	2%
Livonia Public Schools School District	17.9	16.4	(63)	-7%	1%

Source: Data from Center for Educational Performance and Innovation

even as student enrollment dropped six percent. For Ann Arbor to go back to the same staffing ratio it had four years ago, it would need to shrink by 142 teachers. The table below identifies the local districts that would experience the largest reductions in teaching workforce to return to their pre-pandemic student-teacher ratios.

Districts like Ann Arbor wouldn't have to lay off those teachers all at once. Many could start by letting

attrition and slower hiring rates thin their employee ranks over time. Efforts by some schools to protect classrooms from staffing cuts would shift more layoffs to other personnel areas, such as “temporary” instructional aides and non-instructional staff that have been added to address student needs arising from pandemic disruptions. While many positions may have been added to support pandemic-related programs using one-time federal dollars, from a purely budgetary perspective, these reductions in force are indistinguishable from other staffing cuts.

We don’t know exactly when each of Michigan’s 800-plus local school districts will face these tough staffing decisions or how deep the personnel impacts will go. However, we are starting to see some examples play out as local boards and administrators grapple with the end of their federal relief aid and the realization that their schools are educating far fewer K-12 students than before the pandemic. There is little hope of escaping the budgetary math at play as school systems from Ann Arbor to Wayne-Westland are going to have to right-size their staffing ratios sooner or later to live within the fiscal constraints of their “new normal”. For some, this is happening now with the development of the upcoming 2024-25 school year budget.

## ABOUT THE AUTHOR

### Craig Thiel - Research Director



Craig is the Research Council’s Research Director and primary researcher of education and school finance issues. Prior to becoming Research Director, Craig served as the Director of State Affairs and as a Senior Research Associate. During his graduate school studies, he worked for the Council as a Lent Upson-Loren Miller Fellow from 1993 to 1995. Before joining the Council in 2006, Craig worked for ten years as a fiscal analyst at both the Senate Fiscal Agency and the House Fiscal Agency. He previously worked for the Michigan Department of State, Office of Policy and Planning and the United States Environmental Protection Agency in Chicago.

Craig holds a B.A. in Economics and Political Science from Kalamazoo College and a Masters in Public Administration from Wayne State University. He holds positions on various professional, nonprofit, and local government boards/associations.

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