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EDUCATION FUNDING

Schools Could Lose Funding as Lawmakers Spar Over the National Debt Ceiling

By Mark Lieberman — May 02, 2023 4 min read

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As school district leaders worry about tumbling over the fiscal cliff with the expiration of COVID relief funds next year, the nation is bracing to possibly crash through its debt ceiling next month —with billions of dollars in cuts for federal education spending hanging in the balance.

U.S. Treasury Secretary Janet Yellen said this week that the federal government will run out of money as early as June 1. Congressional lawmakers are currently sparring over whether to simply raise the amount of debt America can owe at one time, or to cut federal spending as well.

Those spending cuts would likely hit K-12 schools hard. House Republicans last week passed a bill that would increase the debt ceiling while reducing investments in a wide range of federal programs, including Title I and the Individuals With Disabilities Education Act.

The bill also aims to trim portions of the Inflation Reduction Act spending package passed last year that was designed to combat climate change and included funding schools could apply to use to purchase electric buses and improve indoor air quality. And federal agencies that support schools for Native American students would have to return some unspent COVID relief money sooner than anticipated.

In a statement, House Republicans touted the bill as an effort to "limit federal spending, save taxpayers trillions of dollars, grow our economy, and lift the debt limit into next year."

This version of the bill is unlikely to become law without major changes from the Senate, which is narrowly controlled by Democrats. And even if it took effect as currently written, the bill doesn't spell out funding levels for individual programs, making it difficult to determine the package's precise impact.

Still, school district leaders are starting to gather details on how proposed cuts would affect their operations.

Many worry that losing federal funding—the Biden administration says the bill would force 22 percent cuts to non-defense programs—will only exacerbate the pain of other funding challenges, from volatile state aid to uneven property tax collections.

"Schools are struggling right now in general with student and parent behavior, increase in student mental health concerns, and what I would characterize as a staffing crisis that is only expected to get worse," said Brooke Olsen-Farrell, superintendent of the Slate Valley district in Vermont. "Certainly a cut of 22 percent could be catastrophic for schools and the straw that breaks the camel's back."

Democratic President Joe Biden has held firm on his position that Congress should raise the debt ceiling without attaching spending cuts. But his administration is under pressure to reach a compromise with a divided Congress—or find a constitutional workaround—in time to avert the fiscal calamity that would ensue if America owes more debt than the law permits.

That unprecedented event could upset global markets, devalue the American dollar, and trigger major jumps in everyday expenses like credit card debt and mortgage payments, experts say.

Here's a look at the programs that would be affected if the House's currently passed budget proposal takes effect. While the House budget plan doesn't specify exact dollar amounts, it asserts that aggregate discretionary spending—excluding defense—will drop back to fiscal year 2022 levels.

Title I

Biden promised during his presidential campaign to triple Title I funding for districts with large shares of high-need students, which would work out to an increase of more than $36 billion based on current funding. But with a 22 percent across-the-board cut, the current proposal could instead strip away $4 billion, bringing the dollar amount to its lowest level in years. Those cuts would be roughly equivalent to cutting 60,000 teachers and support personnel from schools across America, according to a U.S. Department of Education fact sheet published last week.

IDEA, for students with disabilities

The federal government has never achieved its original 1970s-era commitment to subsidize 40 percent of the excess costs schools incur to provide special services to students with disabilities. That percentage in recent years has hovered between 12 and 14 percent—and the House proposal would likely lower that percentage.

Mental health grants

Schools can take advantage of funding through the Title IV program to provide mental health support to students in need. States have been slowly developing grant programs to provide districts with a boost in funding that the program received under a bipartisan bill passed last year in the wake of the fatal school shooting in Uvalde, Texas. The current debt ceiling proposal could remove $300 million from that program, according to the Education Department.

COVID relief funds

The effort to claw back unspent COVID relief money likely wouldn't affect the money schools received through the three rounds of pandemic ESSER aid. It would, however, slash $260 million from efforts to boost mental health and summer school services for Native American students through the Bureau of Indian Education and related agencies, according to an analysis from the Democratic minority on the House Committee on Appropriations.

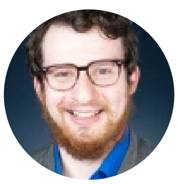
Visualization by Gina Tomko/Education Week

IRS enforcement

The Biden administration has ramped up efforts to invest in staffing for the Internal Revenue Service since last year's passage of the Inflation Reduction Act. The goal is to ensure that the nation can crack down on tax avoidance, especially among the wealthy. Doing so would provide revenue that could fund a number of education line items.

Federal spending increases

Inflation triggers increased federal spending each year to continue funding existing services. But the current debt ceiling proposal would cap annual federal spending increases at 1 percent, limiting appropriators' future ability to invest additional funds in services for K-12 students.



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