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American Rescue Plan Act Includes Much-Needed K-12 Funding

By Nicholas Johnson and Victoria Jackson

American schools sorely need additional funding to ensure that they can reopen safely and meet students' educational needs, and the American Rescue Plan Act provides \$123 billion in new, flexible funds for school districts that they can spend over the next three-and-a-half school years — the largest-ever one-time federal investment in K-12 education.

The Act, which provides broad economic relief, also includes important provisions to protect schools, especially those serving large numbers of poor children, from disproportionate state funding cuts. Such protection is entirely appropriate in light of school funding needs — particularly schools' need to make up for lost learning time — and the likely impact of funding decisions on student outcomes and the economy.

Historically, K-12 schooling in America has been funded almost entirely by states and localities. Currently, states provide 47 percent of the funding, localities provide 45 percent, and the federal government provides the rest.¹ COVID-19, however, has forced some states to cut education funding and created enormous financial and educational challenges that states and localities will be hard pressed to meet over the next several years without federal assistance.

Meanwhile, state and local governments face extraordinary, unexpected costs to fight the virus and to help the millions of people and businesses struggling during the pandemic.² Plus, while state revenues have come in better than was expected last spring, they remain down in most states, and far below pre-pandemic expectations in some.³ The resulting fiscal challenges threaten school

¹ Michael Leachman and Eric Figueroa, "K-12 School Funding Up in Most 2018 Teacher-Protest States, But Still Well Below Decade Ago," Center on Budget and Policy Priorities, March 6, 2019, <https://www.cbpp.org/research/state-budget-and-tax/k-12-school-funding-up-in-most-2018-teacher-protest-states-but-still>.

² Center on Budget and Policy Priorities, "Tracking the COVID-19 Recession's Effects on Food, Housing, and Employment Hardships," updated March 10, 2021, <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-recessions-effects-on-food-housing-and>.

³ Michael Leachman and Elizabeth McNichol, "Despite Improved State Fiscal Conditions, Serious Challenges Remain, Including for Localities, Tribal Nations, and Territories," Center on Budget and Policy Priorities, February 26, 2021, <https://www.cbpp.org/research/state-budget-and-tax/despite-improved-state-fiscal-conditions-serious-challenges-remain>.

funding cuts because K-12 education comprises about 26 percent of state budgets, and state policymakers must meet their annual balanced-budget requirements even when their revenues are down and their costs are up, as they are now.

Prior to the American Rescue Plan Act, federal aid had been insufficient to support schools through the pandemic. The CARES Act of March 2020 provided \$13.2 billion for K-12 education and the relief package of December provided another \$54 billion.⁴ Those sums are significant but, mounting evidence suggests, schools will need far more to pay for the costs of distance learning, safe in-person instruction, caring for the physical and mental health of returning students, and — most significantly — making up for learning loss.

Even before COVID-19, schools had endured years of inadequate and inequitable funding. In 2016, 24 states were funding K-12 schools less than before the Great Recession of more than a decade ago, on a per-pupil basis after adjusting for inflation.⁵ Many school districts never recovered from the layoffs they imposed at that time; when COVID-19 hit, schools overall were employing 77,000 fewer teachers and other workers even though they were educating 1.5 million more children. Moreover, funding levels are lowest for schools that serve the greatest shares of students from low-income families and students of color — even though inadequate funding hurts the education of those students the most.⁶

Research has shown that money matters in education. Adequate school funding helps raise high school completion rates, close achievement gaps, and make the future workforce more productive by boosting student outcomes.⁷ The Great Recession, in particular, hurt students' educations, driving down test scores and college attendance rates.⁸

Schools face hefty price tags to safely reopen even as they continue to cover the costs of distance learning:

⁴ Center on Budget and Policy Priorities, “How Much Will States Receive Through the Education Stabilization Fund in the CARES Act?” April 3, 2020, <https://www.cbpp.org/research/state-budget-and-tax/how-much-will-states-receive-through-the-education-stabilization-fund>; Moriah Balingit, “Schools get a \$54 billion lifeline in stimulus package — but the money won’t last for long,” *Washington Post*, December 28, 2020, https://www.washingtonpost.com/education/schools-get-a-54-billion-lifeline-in-stimulus-package-but-the-money-wont-last-for-long/2020/12/28/dfd22f62-4956-11eb-839a-cf4ba7b7c48c_story.html.

⁵ Leachman and Figueroa, *op. cit.*

⁶ EdBuild, “Nonwhite School Districts Get \$23 Billion Less Than White Districts Despite Serving the Same Number of Students,” February 2019, <http://edbuild.org/content/23-billion>.

⁷ Jesse Rothstein, Julien Lafortune, and Diane Schanzenbach, “Can School Finance Reforms Improve Student Achievement?” Washington Center for Equitable Growth, March 16, 2016, <http://www.equitablegrowth.org/can-school-finance-reforms-improve-student-achievement/>; C. Kirabo Jackson, Rucker C. Johnson, and Claudia Persico, “The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms,” *Quarterly Journal of Economics*, Vol. 131, No. 1, February 1, 2016, <https://doi.org/10.1093/qje/qjv036>.

⁸ Cortney Sanders, “Protecting Against Separate and Unequal K-12 Funding Amid COVID-19,” Center on Budget and Policy Priorities, May 15, 2020, <https://www.cbpp.org/blog/protecting-against-separate-and-unequal-k-12-funding-amid-covid-19>.

- Closing the “digital divide” to ensure that all students and teachers have access to the devices and connectivity they need will cost up to \$12 billion over 12 months, plus up to \$6 billion for each additional year, according to a study by Common Sense Media and the Boston Consulting Group.⁹ (Many schools have already diverted money toward these costs because of the urgency of the current crisis, but that took funding away from other critical needs; more investment is needed to ensure that gaps are further closed even as students return to in-person learning.)
- Schools should open for in-person instruction only under safe conditions, which will require investments in personal protective equipment, custodial staff, HVAC systems, and additional transportation costs. The Centers for Disease Control and Prevention estimates that safely operating in-person schools could cost as much as \$12.6 billion for items like plexiglass shields and hand sanitizer, \$12.7 billion for additional custodial staff time, and \$19 billion for transportation. And those figures are just for the current school year; schools will undoubtedly need to extend some costs into the next school year as well.¹⁰
- A quarter of schools have neither a full-time nor a part-time school nurse, and most schools lack the counselling support they will need to help students navigate the mental-health challenges of returning to school; adding needed nurses and counsellors will cost several billion dollars per year.¹¹
- Many schools will need to add staff and/or portable classrooms to reduce class size to meet social-distancing guidelines; a one-year, 10-percent increase in staffing would cost schools \$35 billion, according to the American Federation of Teachers.¹²

Perhaps the most significant cost — and the hardest to estimate — will be making up for lost learning time. Schoolchildren have lost many months of in-person learning time that — if not made up — could deliver a lasting blow to their long-term earning potential and America’s economic competitiveness, and it could exacerbate longstanding disparities in educational outcomes between white students and students of color.¹³

⁹ Sumit Chandra *et al.*, “Closing the K–12 Digital Divide in the Age of Distance Learning,” Common Sense Media and Boston Consulting Group, 2020.

¹⁰ Ketra L. Rice *et al.*, “Estimated Resource Costs for Implementation of CDC’s Recommended COVID-19 Mitigation Strategies in Pre-Kindergarten through Grade 12 Public Schools — United States, 2020–21 School Year,” Centers for Disease Control and Prevention, December 18, 2020, <https://www.cdc.gov/mmwr/volumes/69/wr/pdfs/mm6950e1-H.pdf>. The CDC estimate does not include ventilation system upgrades; those costs are particularly hard to estimate, but the Learning Policy Institute estimates the cost of modernizing the nation’s HVAC systems could reach \$72 billion. Michael Griffith and Allie Pearce, “The Air We Breathe: Why Good HVAC Systems Are an Essential Resource for Our Students and School Staff,” Learning Policy Institute, December 8, 2020, <https://learningpolicyinstitute.org/blog/covid-hvac-systems-essential-resource>.

¹¹ Mayumi A. Willgerodt, Douglas M Brock, and Erin D Maughan, “Public School Nursing Practice in the United States,” *Journal of School Nursing*, Vol. 34 No. 3, June 2018.

¹² American Federation of Teachers, “Reopening Schools During a Time of Triple Crisis: Financial Implications,” <https://www.aft.org/sites/default/files/wysiwyg/reopen-schools-financial-implications.pdf>.

¹³ Eric A Hanushek and Ludger Woessmann, “The Economic Impacts of Learning Losses,” Organisation for Economic Co-operation and Development, September 2020, <https://www.oecd.org/education/The-economic-impacts-of-coronavirus-covid-19-learning-losses.pdf>.

Distance learning hasn't worked well for many children, and some aren't participating at all. When students don't show up for school, of course, their learning suffers.¹⁴ McKinsey & Company estimated that students on average will likely lose nine months of learning by the end of the 2020-21 school year. Students of color, who face particular barriers in education partly due to the historical legacy of discrimination, may well have lost a *full year* of learning due to the pandemic.¹⁵

Researchers have identified two key strategies that schools likely will employ to overcome this deficit: (1) a broad-based program of extended learning time, which might include lengthening the school day or the school year; and (2) an intensive program of "high-dosage" tutoring for students who have the furthest to catch up.

A program of extended learning that provides 20 extra days of schooling for half of students would cost \$35.5 billion for the 2020-21 school year, according to the Learning Policy Institute.¹⁶ McKinsey estimates a cost of \$66 billion for high-intensity tutoring over one year for half of schoolchildren. And making up that scale of learning time will not happen in a single school year.¹⁷ Education Resource Strategies, a nonprofit education research firm, estimates that in districts that serve high concentrations of students living in poverty, Black and Hispanic students, and English-language learners, it could take *five years* of extended learning time and tutoring to put students back on track at a total cost roughly \$10,000 per student, suggesting nationwide costs that could run into the hundreds of billions of dollars to make up for COVID-related learning loss.¹⁸

Recognizing those needs, the American Rescue Plan Act requires that at least 20 percent of the funds address learning loss. Beyond that, the Act provides a great deal of flexibility in the *types* of programmatic expenditures that are allowed, naming 18 categories of spending — many quite broad — as allowable uses of the funds. The Act does include two important requirements related to overall funding *levels*, however.

One is a "maintenance of effort" provision to limit states' ability to reduce their own funding levels for education below pre-pandemic levels as a share of the overall state budget. This ensures that school funding is not cut by a larger share than other areas of the state budget, preserving more funding to cover increased costs of coping with the pandemic and learning loss.

¹⁴ Emma Garcia and Elaine Weiss, "COVID-19 and student performance, equity, and U.S. education policy," Economic Policy Institute, September 10, 2020, <https://www.epi.org/publication/the-consequences-of-the-covid-19-pandemic-for-education-performance-and-equity-in-the-united-states-what-can-we-learn-from-pre-pandemic-research-to-inform-relief-recovery-and-rebuilding/>.

¹⁵ Emma Dorn *et al.*, "COVID-19 and Learning Loss — Disparities Grow and Students Need Help," McKinsey & Company, December 8, 2020, <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19-and-learning-loss-disparities-grow-and-students-need-help>.

¹⁶ Michael Griffith, "What Will It Take to Stabilize Schools in the Time of COVID-19?" Learning Policy Institute, May 7, 2020, <https://learningpolicyinstitute.org/blog/what-will-it-take-stabilize-schools-time-covid-19>.

¹⁷ Dorn *et al.*, *op. cit.*

¹⁸ Tiffany Zhao, Tomas Malfino, and Jonathan Travers, "The Cost of Covid: Understanding the full financial impact of COVID-19 on districts and schools," Education Resource Strategies, January 13, 2021, <https://www.erstrategies.org/cms/files/4699-cost-of-covid-paper-final.pdf>. The study focused on large school districts, but if the findings held true nationwide the added cost could reach \$500 billion over five years; without more revenues, the study finds, school districts would have to restructure or cut elsewhere in their budgets.

Perhaps even more importantly, the Act also includes “maintenance of equity” provisions that require states to avert cuts specifically to schools and school districts with high numbers of children living in poverty. Specifically, one such provision protects districts with higher-than-average poverty rates from disproportionate state funding cuts; another such provision protects against any state cuts below 2019 levels for the highest-poverty districts that together serve a fifth of the state’s students; a third provision requires that school districts protect state and local funding for individual schools with high poverty rates. These provisions, taken together, should help address the problem from past recessions that the educations of poor kids suffered the most because low-income school districts are often the most dependent on state funding.

The \$123 billion in additional K-12 funding may even fall *short* of COVID-induced education costs, particularly if states and localities make a commitment to the investments needed to overcome the learning loss students have suffered. To supplement the Act’s direct support for schools, states may wish to use some of the general fiscal aid it also provides through the Coronavirus State Fiscal Recovery Fund. In addition, that Act’s funding is one-time and won’t sustain schools over the long term. States and school districts may therefore need to raise additional funds for education over time. Raising such funds can be difficult but is not impossible; Arizona voters in November voted narrowly to undo years of budget cuts and raise nearly \$1 billion a year for K-12 education by raising taxes on high-income earners.¹⁹

¹⁹ Nicholas Johnson, “Arizona Ballot Measure Would Help More Kids Thrive,” Center on Budget and Policy Priorities, October 15, 2020, <https://www.cbpp.org/blog/arizona-ballot-measure-would-help-more-kids-thrive>.