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Why K-12 Education Needs More Federal Stimulus Funding

By Lisette Partelow, Jessica Yin, and Scott Sargrad   July 2020

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Introduction and summary

The economic downturn that has resulted from the COVID-19 pandemic is already devastating households and families. While we do not yet know the full magnitude of the virus's impacts on the U.S. economy—and, in turn, on the nation's schools—it is evident that the effects will be substantial and likely reverberate for years to come. As states and localities work to estimate their budgets for the upcoming fiscal year, most are expecting large declines in revenue that will result in substantial budget shortfalls.[1] Given that states and localities are the primary funding sources for K-12 public education, schools can also expect big budget cuts this coming year and likely for years to come.[2] Worse yet, these deep cuts are coming at a time when many school budgets have still not recovered from the Great Recession, and in some communities, disinvestment has been chronic and systemic for generations.[3]

Congress has introduced some legislation to address the dire need for federal investments in K-12 education. In March, it passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a $2 trillion economic relief package that included $16.5 billion for states and school districts as emergency relief and to stabilize education.[4] This investment, however, falls far short of what is needed. Various education advocacy groups have put forward estimates—ranging from more than $100 billion to about $250 billion—regarding how much money is needed to stabilize state and local K-12 budgets; close gaps in remote learning; provide students with mental, physical, and academic supports; and provide a safe school environment for educators and students should schools reopen.[5]

In May, the House introduced and passed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, a $3 trillion stimulus package that includes $90 billion in stabilization aid for K-12 and higher education, as well as $5 billion to help students connect to the internet for remote learning.[6] The bill would also provide almost $1 trillion in stabilization aid to state and local governments, some of which can be used to shore up education budgets.[7] In June, Sen. Patty Murray (D-WA) introduced the Coronavirus Child Care and Education

Relief (CCCER) Act, a $430 billion package aimed specifically at providing funding for child care, K-12 education, postsecondary education, and workforce development.[8] It includes, among other provisions, $175 billion in stabilization aid for K-12 schools and $12.9 billion to provide services to K-12 students in communities disproportionately affected by the pandemic. Given the additional demands that schools are facing in response to the pandemic and how heavily they depend on state and local revenue sources that are currently in jeopardy, Congress must pass legislation like these two bills in order to provide critically necessary funds for public education.

If additional federal assistance is not given and predicted cuts to education funding are made, both schools and students will suffer. Money matters in education, and a lack thereof can harm students and educators [9] What is more, these harms will be unevenly distributed. The inequity in America's funding system for K-12 education is already incredibly pronounced, with some states spending far less on their students than others and the distribution of funds within states often failing to direct resources to the schools and students who need them most.[10] Local revenue resources, the other main source of funding for K-12 education, can be more stable than state revenue sources, especially in districts that rely more heavily on property taxes. However, they also tend to be more unequal.[11] In high-wealth school districts, a higher percentage of funding comes from these more stable local sources, providing districts with both more funding overall and more stability during economic downturns. Conversely, even in states with progressive funding formulas, schools that serve lower-income communities are often hardest hit by state budget shortfalls because they must rely more on state funding sources.

Therefore, as was the case with the Great Recession, the coming cuts to education funding will likely be most painful for schools that serve large populations of Black, Latinx, and Indigenous students as well as those that serve communities experiencing concentrated poverty.[12] Historic disinvestment in these communities has left schools underfunded for generations, exacerbating the impact of funding cuts.[13]

This is why the federal government needs to direct significantly more funding to K-12 education—and needs to do so now. This report highlights lessons from the previous recession that show the impact of insufficient federal investment on K-12 education and demonstrates how the current federal response is falling short of what is needed. It then provides recommendations for specific elements that a new stimulus package could include in order to best support both K-12 public schools and the educators, students, and communities that they serve.

Lessons from the Great Recession

After the collapse of the subprime mortgage market that led to the 2008 financial crisis, Congress responded with legislation designed to mitigate some of the most harmful effects to both individual households and the national economy.[14] Most relevant to the education sector was the American Recovery and Reinvestment Act (ARRA). Until the CARES Act, ARRA was the largest economic stimulus package ever passed.[15] The law included a $48.6 billion state fiscal stabilization fund designed to shore up state budgets—particularly for K-12 education. It also contained $32 billion in K-12 education funding directed through discretionary and formula grants, such as Title I and the Individuals with Disabilities Education Act (IDEA).[16]

Eventually, the recession brought on by the 2008 financial crisis waned, and the United States experienced its longest economic expansion on record.[17] Many economic indicators painted an impressive picture of recovery: On average, almost 200,000 jobs were created each month during the recovery, and the unemployment rate declined by an average of 0.9 percentage points from 2012 to 2016.[18] Additionally, corporate profits after tax and the stock market did very well during these years.[19] Unfortunately, however, the gains of this economic recovery were distributed unevenly, part of a decadeslong trend of U.S. economic growth primarily benefiting the richest households.[20]

An uneven recovery for workers and families, and ongoing underfunding of schools

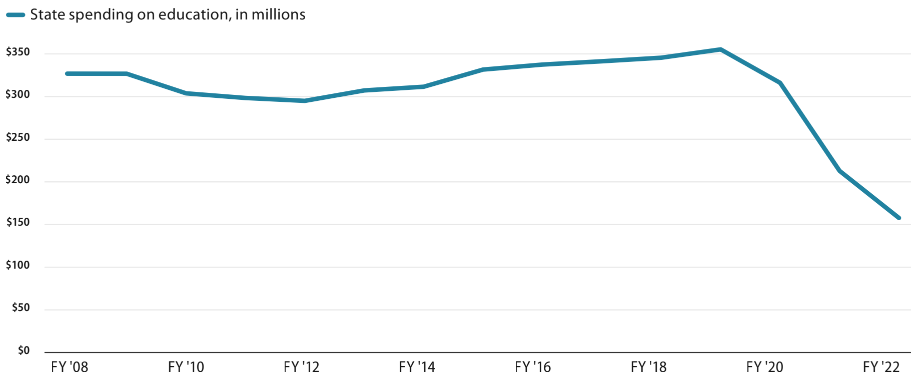
Despite the long recovery and impressive-sounding statistics, most American households saw their incomes stagnate and waited many years into the recovery for their net worth to reach pre-recession levels.[21] Additionally, Black and Latinx families recovered from the recession more slowly and to a lesser degree than white families. For example, a 2018 Center for American Progress report found that although median wealth for white families had grown since the recession, the median wealth of Black families in 2016 was about half as high as it was right before the Great Recession.[22] Furthermore, Latinx, Black, and Native American unemployment rates did not recover to pre-recession lows until 2017.[23]

The benefits of the recovery also did not fully extend to education: K-12 schools have experienced a lost decade when it comes to funding.[24] In fact, state funding for K-12 education continued to be cut further until 2013, well into the recovery; even in 2015, most states were still spending below 2008 levels.[25] At the national level, state spending on education declined during the recession and for many years afterward. When adjusting for inflation, state spending on education exceeded fiscal year 2008 spending levels for the first time in FY 2015—and it exceeded it by less than $5,000. (see Figure 1) Although state spending on education has made modest gains since FY 2015, current estimates about impending state budget shortfalls could mean that if state budgets are not stabilized through a federal stimulus package, state spending on education may decrease again to even lower levels than during the 2008 recession.[26]

FIGURE 1

State spending on education was slow to recover after the 2008 recession and could decline again in the coming years

State spending on education, by fiscal year



Note: Figures are estimated for FY 2019--2022. State spending on education is adjusted for inflation to May 2020 dollars.

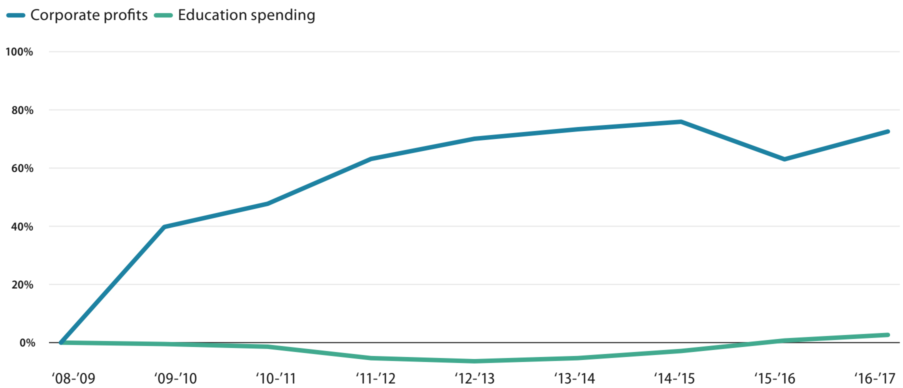
Sources: National Association of State Budget Officers, "Archive of State Expenditure Report," available at https://www.nasbo.org/reports-data/state-expenditure-report/state-expenditure-archives (last accessed July 2020); U.S. Bureau of Labor Statistics, "CPI Inflation Calculator," available at https://data.bls.gov/cgi-bin/cpicalc.pl (last accessed July 2020); National Association of State Budget Officers, "2019 State Expenditure Report, Fiscal Years 2017–2019" (Washington: 2019), available at https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2019_State_Expenditure_Report-S.pdf; Elizabeth McNichol and Michael Leachman, "States Continue to Face Large Shortfalls Due to COVID-19 Effects," Center on Budget and Policy Priorities, July 7, 2020, available at https://www.cbpp.org/research/state-budget-and-tax/states-continue-to-face-large-shortfalls-due-to-covid-19-effects.

However, this national picture masks substantial variation across states: In nearly half of states, combined state and local funding has yet to reach pre-recession levels.[27] It is also important to note that while declining revenues and a sluggish recovery account for some states' inability to return to 2008 spending levels, in other states, leaders made deliberate policy choices that hampered school budgets, such as cutting taxes as revenues rebounded rather than reinvesting in education.[28] It is unsurprising, then, that corporate profits were able to grow in the years following 2008, while local, state, and federal spending on education only returned to pre-recession levels during the 2015-16 school year. (see Figure 2) Therefore, as policymakers consider what recovery from this current recession should look like, it is important for them to pay attention to not only whether businesses are regaining profits again but also whether spending on public education and other important programs has recovered and hopefully grown.

FIGURE 2

Corporate profits recovered quickly after the recession, while education spending continued to decline for several years

Percent change for corporate profits and education spending by school year



Note: Corporate profits are after tax, and an average of the third quarter to second quarter of the following year was calculated to coincide with the timeline of a school year. Education spending is per-pupil revenue for elementary and secondary schools, from all funds, in constant 2018-19 dollars.

Sources: Federal Reserve Bank of St. Louis, "Corporate Profits After Tax (without IVA and CCAdj)," available at https://fred.stlouisfed.org/series/CP (last accessed July 2020); National Center for Education Statistics, "Table 235.10. Revenues for public elementary and secondary schools, by source of funds: Selected years, 1919-20 through 2016-17," available at https://nces.ed.gov/programs/digest/d19/tables/dt19_235.10.asp?current=yes (last accessed July 2020).

Negative impacts on student learning outcomes

Researchers have been able to demonstrate a correlation between the funding cuts of the Great Recession and student achievement. A 2018 analysis found that in schools with a heavy reliance on state funding for education, every 10 percent cut in school funding during the recession correlated with a 7.8 percent of a standard deviation decrease in student test scores measured by the National Assessment of Educational Progress (NAEP).[29] Moreover, when the 10 percent cut was sustained across the last four years of high school for a cohort, that cohort's graduation rate was reduced by 2.6 percentage points. Additionally, a 2017 analysis found that the negative impact of the recession on student achievement scores in math and

English language arts (ELA) was especially pronounced in districts with a higher concentration of economically disadvantaged students, students with disabilities, English language learners, and Black students, as well as in districts that had the highest reductions in teacher personnel due to the recession.[30]

Negative impacts on educators and school conditions

Because staff salaries make up a large portion of education budgets, chronic under-funding of education in the years following the Great Recession also resulted in teacher layoffs and stagnant teacher salaries. Even with ARRA and the Education Jobs Fund—a later piece of legislation specifically designed to ward off the prospect of widespread teacher layoffs—the public sector lost more than 220,000 teacher jobs from 2009 to 2011.[31] For those able to keep their jobs, teacher salaries declined in real terms during the recovery, widening the pay gap between teachers and other professionals with college degrees.[32]

Within schools, the impacts of the Great Recession and the resulting consecutive years of cuts and austerity are still tangible for both students and staff. Teachers, frustrated by both low pay and the working conditions that have resulted from slashed school budgets, staged grassroots protests and strikes in several states and localities across the country beginning in 2018.[33] Amid these protests, teachers began taking pictures of what was happening in their schools: dilapidated and dated textbooks, school buildings that were crumbling or infested with pests, and technology that was outdated or insufficient for student use.[34] A recent report from the Government Accountability Office illustrates the scale of the problem: 54 percent of school districts need to make multiple updates to building conditions to ensure safe and healthy environments for students and educators.[35]

Perhaps as a result of low pay and difficult working conditions, recent trends also point toward a decline in interest in the teaching profession. In surveys, for the first time ever, a majority of parents say they do not want their children to become teachers.[36] High school students also report declining interest in the teaching profession in surveys of their career aspirations, and this is borne out in drastically declining enrollment in teacher preparation programs over the past several years.[37] While there is not conclusive evidence about whether all of these factors have or will lead to nationwide teacher shortages, there are shortages in particular locales and subjects that are concerning. Many schools—particularly those that primarily serve students of color—are overreliant on teachers who are long-term substitutes or are not fully certified to fill positions.[38]

With so many school budgets still lacking adequate funding as a result of the Great Recession, it is deeply troubling that many will soon be facing a new round of budget cuts expected to be both swift and severe.[39] Without major federal intervention to backfill state budget holes created by the coronavirus crisis—including dedicated funding for K-12 education—it is likely that another generation of students and schools will suffer potential learning loss, more layoffs of teachers and other school staff, and potentially more widespread teacher shortages.

The federal response to the economic fallout of COVID-19 has been woefully inadequate

The first confirmed cases of COVID-19 in the United States were recorded in January 2020, and confirmed cases of the virus grew exponentially throughout the following months, leading to widespread lockdowns and school closures in most states by the end of March.[40]

By all accounts, the economic effects of the COVID-19 pandemic look to be larger than those of the Great Recession: The U.S. gross domestic product (GDP) fell 4.8 percent in the first quarter of 2020, before the most intense effects of the virus were felt; 40 million people have filed for unemployment since the start of the pandemic, a number described by experts as "off the charts"; and in March, there was a 7.5 percent decline in consumer spending, the largest drop over a single month on record.[41] As a result, economists are predicting that the pandemic will lead to the worst economy since the Great Depression.[42]

Congress passed several initial relief packages in response to the pandemic, the largest and most recent of which was the CARES Act—a $2 trillion economic relief package that included payments to individuals, expansion of unemployment benefits, and funding for small businesses, among other provisions.[43] Unfortunately, although this relief package was large, only a small portion of the funding was devoted to education, and it pales in comparison to the projected need. The $16.5 billion provided to states and school districts as emergency relief and to stabilize education is paltry when considering that ARRA provided $100 billion for education spending during what was likely a less dire economic scenario.[44] Yet even still, in the years following ARRA's passage, there were teacher layoffs in the hundreds of thousands, and state education budgets did not fully recover until a few years ago—if at all.[45]

Furthermore, since the CARES Act was enacted in late March, Congress has not passed another stimulus package. The House and Senate have each introduced packages: the HEROES Act and the CCCER Act, respectively.[46] Both would provide much-needed additional federal assistance to the public education system, although the HEROES Act is a broader stimulus package while the CCCER Act focuses on child care, education, and preparation for the workforce in particular. Both would provide billions of dollars for state stabilization aid, with certain amounts earmarked for K-12 public education and funding for schools to provide at-home internet service and technological equipment in order to give students greater access to remote learning.[47] If Congress passes a broader stimulus package, rather than a more education-focused bill such as the CCCER Act, it is important that advocates urge state policymakers to pass a sufficient amount of stimulus funding to school districts for K-12 public schools.

Passing an additional federal stimulus package to provide support for public education is an urgent need given current projections about impending budget shortfalls. Some estimates predict that states alone will lose approximately $555 billion over fiscal years 2020 through 2022.[48] The National Conference of State Legislatures, which is tracking states' revisions to their revenue projections for the upcoming fiscal years, reports for FY 2021 estimated losses of $4.6 billion in Illinois (12 percent), $13.3 billion in New York (14 percent), $643 million in South Carolina (27.5 percent), and $448.5 million in Wyoming (19.8 percent).[49]

And even before next year's potential budget cuts, many people in public education are already losing their jobs. A report from the Economic Policy Institute highlights that more public education jobs were lost in April than during the Great Recession.[50] Half of those jobs were lost by special education teachers, tutors, and teaching assistants, with counselors, nurses, and maintenance staff also suffering significant losses. The large state budget cuts predicted for the 2020-21 school year will likely lead to further widespread teacher layoffs. According to one model, if every state made a 15 percent cut to state education funding, there would be an estimated loss of about 300,000 teacher jobs nationwide, or slightly more than 8 percent of the teacher workforce.[51] This may even be an underestimate, as an organization representing the largest school districts recently reported that it expects a loss of 275,000 teachers in big-city public schools absent additional federal stimulus spending.[52] Given that the teaching workforce is currently majority-female, impending cuts may only worsen the current trend of more women losing their jobs during the pandemic than men.[53] In fact, women already account for slightly more than 70 percent of jobs lost in elementary and secondary schools.[54]

It is reasonable to hypothesize that in addition to teacher layoffs, COVID-19-related budget cuts to schools will be correlated with student achievement declines similar to those that occurred following the Great Recession.[55] Furthermore, any academic effects of the pandemic will likely be magnified because of missed instructional time. In most states, schools closed during March and did not open for the rest of the school year. Since remote learning tends to be less effective than face-to-face coursework, this means that approximately 55 million students spent a significant portion of the academic year receiving instruction that was, on average, inferior to what they had in school.[56] This is, of course, if they were able to access online instruction at all: An estimated 17 percent of students lack access to computers at home, and 18 percent lack access to broadband internet.[57] As a result, several districts have experienced significant attendance issues with remote learning.[58]

In an attempt to quantify what school closures and the ongoing transition to remote learning might mean for students' learning, researchers at Brown University projected the change in average student growth trajectories as a result of school shutdowns, using previous studies on the impact of time spent out of school on student achievement as a reference point. They calculated that students, on average, will be returning to school in September not only having missed several months of academic growth in the Spring but also with a significant portion of the gains they made during the 2019-20 school year erased.[59]

To avoid worsening the negative effects that are already being felt in the education sector, Congress must pass legislation like the HEROES Act or the CCCER Act in order to provide significant federal funding to shore up state and local budgets, including dedicated funds for K-12 schools. States and school districts must also develop more robust and comprehensive plans for remote and hybrid learning models for the fall, with a clear focus on equitable access for those students with the greatest needs. To protect against situations such as this in the future, the federal government must also engage in a long-term rethinking of how it invests in education.

Policy recommendations: A large investment in K-12 education is urgently needed

As was the case during the Great Recession, a large federal investment in education is needed in order to stave off major state and local budget cuts that would disproportionately affect the nation's most vulnerable students. Below is a description of the level of investment needed to avoid the mistakes of the past recession, as well as a discussion of how to design these policies to ensure that such investments do not exacerbate existing educational inequities. Encouragingly, many of the investments and provisions recommended below are included in the HEROES Act and/or the CCCER Act. Urging Congress to pass either piece of legislation should be a major priority for education advocates.

There are actions that states and school districts can take as well, so advocating at the state and local level is also important. But greater federal investment remains a significant need. Additionally, it is past time for policymakers to rethink the federal role in investing in education so that they can correct for chronic underfunding and inequity in many communities and prevent harmful cuts during future recessions.

Backfill state and local budgets to reduce cuts to education funding

Back in April, when it became obvious that the COVID-19 pandemic would lead to major shortfalls in state budgets, governors requested $500 billion in federal funding to help stabilize their budgets; a coalition of state and local leaders associations made a similar ask.[60] Prior to the pandemic, K-12 education made up more than a third of state general fund expenditures, so shoring up state budgets would go a long way toward protecting funding for education.[61] This is why more than 70 education organizations wrote a letter to Congress in support of the governors' request, asking for both a proportional amount of this funding to be dedicated to K-12 education and additional funding to go to specific targeted education programs such as Title I and IDEA that serve particularly vulnerable student groups.[62] The HEROES Act and the CCCER Act both designate additional funding for state stabilization funds, with specific emphasis on communities disproportionately affected by the pandemic.[63]

In addition to advocating for greater federal assistance, states have policy options at their disposal to help them make any necessary cuts in a more equitable manner.[64] For example, they can first target funding streams that are less progressive or provide aid to districts that are unable to raise adequate local revenue.

Finally, maintenance-of-effort requirements in federal legislation can prevent deeper, inequitable cuts to high-poverty school districts. For example, federal legislation should ensure:

- Any reductions to state education funding do not disproportionately affect high-poverty school districts.
- State K-12 funding—including current and capital spending—remains at least equivalent to the average share of total state expenditures from fiscal years 2017 to 2019.
- In return for this federal aid, states provide assurances that there will be no reductions in state tax rates for major sources of education funding for at least three years.
- There are clear, upfront, and escalating consequences for noncompliance, including paying back state administrative set-asides and, in future fiscal years, double-targeting the within-state distribution of Title I, IDEA, and other federal, formula-allocated education funds to high-need communities.

The CCCER Act, for example, establishes that states must provide an assurance that they will not cut their own education spending for three years.[65]

Address the need for increased academic, social-emotional, and health-related supports for students, educators, and families in the aftermath of COVID-19

While schools in most states remained closed until the end of the 2019-20 school year, districts and schools are currently facing difficult decisions about how to balance health concerns for students and staff with students' educational needs as they figure out plans for returning to school in the fall, including the potential for in-person schooling when local health conditions allow. Recommendations from the Centers for Disease Control and Prevention (CDC) include measures such as placing desks six feet apart, requiring students and staff to wear masks, and staggering scheduling.[66]

Not only would this kind of setup be a far cry from the way schools currently operate, it would also be much more costly and, in some cases, impractical or unrealistic.[67] The School Superintendents Association estimated that complying with CDC recommendations could cost schools an additional $490 per student, amounting to a total of $1.8 million for an average-size school district.[68] In addition to the costs associated with protecting staff and students' health, as a result of the pandemic students, educators, and families will also likely have increased needs that schools will need to address, further increasing costs. The American Federation of Teachers estimated that reopening schools with health and safety precautions in place—while providing additional supports to students, educators, and families—could cost schools at least $116.5 billion overall.[69]

This is why additional, long-term federal funding support should be targeted toward the students and districts most affected by the pandemic. In addition to helping schools that physically reopen implement the necessary health and safety measures discussed above, these supports can address the academic, social-emotional, and physical needs of students. For example, policymakers should provide funding to increase access to counseling and school psychologists in order to help students and school staff experiencing grief and trauma; increase access to programs designed to make up for lost learning time, such as expanded tutoring; and provide additional supports to students who need specialized services and were at particular risk while schools were shut down, including students experiencing homelessness, students in foster care, English language learners, students with disabilities, Indigenous students, and students residing in juvenile justice facilities.[70]

The CCCER Act, for its part, allocates an additional $12.9 billion to federal programs supporting children from low-income families, migrant children and youth, children in juvenile justice facilities, English language learners, and children experiencing homelessness.[71]

Make permanent changes to K-12 funding provided by the federal government so that schools are no longer subject to large budget cuts during economic downturns

Both the Great Recession and the current economic downturn resulting from the coronavirus crisis have demonstrated a major flaw in the nation's system for funding K-12 education. In other policy areas such as health and employment, the federal government plays a crucial role in providing countercyclical funding and support—or funding that increases during a recession to accommodate higher levels of need. This is not the case in education, however, and though students' needs may increase during a recession for a variety of reasons, schools often face budget cuts that make it difficult to address them, prolonging the effects of the recession for the next generation.

What is more, because the vast majority of school funding comes from state and local sources, the federal government has few policy levers for ensuring that school budget cuts are not made in ways that exacerbate inequity—and even fewer levers for reducing the inequities that persist throughout all of the ups and downs of the economic cycle. This is one of many reasons that it is time to rethink education funding by shifting a greater share to the federal level. The federal government is the only entity capable of reducing the between- and within-state funding inequities that are so harmful to many students across the country, including students from families with low incomes as well as students of color. It is also the only entity capable of countercyclical spending that would reduce the negative impacts of a recession.

Conclusion

Given how the Great Recession played out for students and schools—with students from families with low incomes and students of color more likely to experience the negative effects of education funding cuts—it is important that lessons are used to inform better policy decisions in response to the coronavirus crisis. Congress needs to quickly pass legislation that provides a large investment in K-12 education in order to stabilize against looming state and local budget cuts and to provide funding that will allow schools to meet the ongoing needs of students, educators, and communities as they deal with the virus's devastating and widespread toll. This includes physical distancing and personal protective equipment such as masks for all staff and students as they prepare for potential physical reopening based on local health conditions.

As the pandemic is laying bare educational and other inequities that have persisted for generations, policymakers should also consider changes to how the federal government funds education, with an eye toward making it more equitable and reducing the likelihood of history repeating itself during the next economic downturn.

About the authors

Lisette Partelow is the senior director of K-12 Strategic Initiatives at the Center for American Progress.

Jessica Yin is a research assistant for K-12 Education at the Center.

Scott Sargrad is the vice president of K-12 Education Policy at the Center.

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