Learning Loss and Lost Funds: How $190 Billion in COVID-19 Relief Spending Failed America's Students

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Commentary

"No one wants poor children to foot the bill for the pandemic, but that is the path that most states are on." – Dr. Thomas Kane

Nearly $190 billion Elementary and Secondary School Emergency Relief (ESSER) funds have been spent since the onset of the COVID-19 pandemic. The third and largest wave of funds, funneled through the American Rescue Plan of 2021, consisted of an unprecedented $122 billion in taxpayer dollars. Those funds were touted as a lifeline intended to aid in the academic recovery of those disadvantaged students most affected by pandemic-induced learning loss. Billions of dollars later, however, poor students continue to disproportionately struggle.

When local governments shut down the nation's schools in response to COVID-19, poor students bore the brunt of the impact. In low-income communities, kids were not always sent home to a conducive learning environment with enough resources to sustain their education. Many of their parents lost their jobs, and some had little or no access to the technology or the tailored learning tools rolled out during the pandemic. Together, these challenges broadened the poor-rich student gap in academic outcomes.

A 2020 report from McKinsey & Company studied that gap in achievement, finding that students in households with incomes under $25,000 lost an average of seven months of progress in math and six months in reading, nearly double the learning loss experienced by kids in wealthier families. In response, ESSER III funds were provided in hopes of rebalancing the learning-loss scales. Unfortunately for poor students, federal education funding has a track record of falling short of promised results, and it seems ESSER III was no different.

From 2022 to 2023, with funding pouring into schools, the achievement gap between low and high-income students not only persisted, it grew. Although both low-income and high-income students showed increases in test scores coinciding with ESSER III, that improvement was smaller for poor students and increased the size of the already-prevalent achievement gap.

ESSER III, like the Title I program, relied on complex formulas that tried (and failed) to account for the unique needs of every student. The average low-income district received $7700 per pupil, but the distribution of funds was erratic. One in ten low-income districts received over $10,700 per student and an equal number received less than $3,700 per student. As an extreme example of this variance, students in Detroit received around $26,000 per pupil — totaling $1.3 billion allocated across fewer than 49,000 students.

As with any federal funding, the American Rescue Plan came with strings attached. State education agencies were required to allocate five percent of ESSER III funds to address learning loss, one percent for afterschool activities, and one percent for summer learning programs. Once the money finally trickled down to local education agencies, 20 percent of funds were required to address learning loss, allowing the remaining 80 percent to largely be spent at the discretion of schools.

Although the attempt at providing flexibility at the local level was a step in the right direction, it did not escape the incentive problem of use-it-or-lose-it funding. One-time, radically expensive construction projects were a far more effective way of avoiding the approaching "fiscal cliff" that loomed in the background of every investment. Student-driven interventions, on the other hand, required ongoing funding and a commitment to innovating new solutions. While wealthy school districts went into the pandemic with the existing infrastructure and financial support to invest in such programs, low-income districts did not.

ESSER III is only the latest in a long line of inequitable education funding. To give a general sense of the imbalance, a 2018 report shows that low-income school districts receive around $1,000 less per pupil from the federal government than high-income districts. Similar, often starker inequities exist between property tax bases that define districts. Low-income schools face a long legacy of inadequate resources, poor quality teachers, overcrowded classrooms, deteriorating facilities, and a variety of social, academic, and mental health issues.

Under these ongoing conditions, schools servicing primarily disadvantaged communities had pre-existing needs at the time that ESSER III rolled out. In a recent paper, Matthew Springer and Christopher Brooks at the University of North Carolina studied the divergent spending strategies adopted by many low-income districts. Their research found that disadvantaged districts have spent proportionally less on academic recovery and tackling learning loss, instead favoring facilities and operations spending.

To be clear, investment into much-needed repairs, improved facilities, and increased operational capacity could certainly prove beneficial to student achievement in the long term. In the short term, however, decisions to replace the gym roof instead of hiring tutors may have inadvertently exacerbated the learning gaps that ESSER III aimed to bridge. Each dollar siphoned into a long-term and expensive construction project was a dollar that could have been spent on tutoring services, extended schooling, staffing, instructional materials, and other academic resources designed to tackle learning loss.

Even in wealthier districts, reports of wasteful spending practices have surfaced, highlighting taxpayer-funded investments into sports facilities, a nature center, pool passes, accommodations at Caesars Palace in Las Vegas, and even an ice cream truck. This is not the first time that federal funding has suffered from the short-sightedness of prescribing one-size-fits-all solutions without any local knowledge of needs. In Oklahoma last year, federal emergency relief funds were used to purchase Xbox gaming systems, smartwatches, Christmas trees and other items that are unlikely to tackle inequality in education.

At the beginning of the pandemic, learning-delay interventions were at the top of the priority list for district and school decision-makers, according to a recent survey. In 2023, however, only half listed addressing learning delays as a priority, and just 30 percent planned to spend significantly on interventions to address the shortfalls. Conversely, investment into new long-term capital projects, the third fastest-growing spending category between 2020 and 2023, was identified as a top priority by nearly 40 percent of decision-makers.

The problems with ESSER III are far from new and are emblematic of broader issues with one-size-fits-all education funding. Funds that are distributed at the federal level are subject to a complex web of federal, state, and local bureaucracies before reaching the schools and their students. This top-down design of funding allows decision-makers at all levels to misallocate funds, and direct spending away from the problem that the money was budgeted for. Despite its record size and scope, ESSER III is a retelling of the same old story that ignores the unique needs of school districts across the nation.

Education funding should be centered around students, not the interests of a detached system that never seems to learn from its mistakes. Because funds change hands through a series of board meetings and handshakes, it is never given the chance to escape the magnetism of special interest groups, teachers' unions, and bureaucrats who are entirely disconnected from the needs of poor kids. A better alternative would involve parents in these choices, reward teacher excellence, offer local flexibility, and put kids and their needs first.

From the American Institute for Economic Research (AIER)

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