



Myth versus Fact on Federal Funding for Education

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Myth: The U.S. education system is flush with cash but leaves students deprived of knowledge.

- ✓ **Fact: Before the pandemic, annual education funding for elementary and secondary education – both from the federal government and almost half the states – had just returned to what it was ten years ago.**

After the 2008 recession, it took ten years for federal K-12 funding to return to the 2008 level. The story is even worse for state and local funding, which is the largest source of support for elementary and secondary education; before the pandemic hit, a handful of states still had not brought their education funding back to the levels provided before the 2008 recession. During that period, public school enrollment increased by almost 3 percent. The pandemic has dramatically increased education costs at all levels while once again lowering revenues. Despite \$150 billion that the CARES Act provided in 2020 for states and local support and nearly \$113 billion in education support that Congress provided in 2020 for COVID-relief, states and localities are expected to face steep fiscal declines for several years as they struggle to recover from another recession. These budget cuts jeopardize support for education along the continuum.

Myth: Federal education funding has grown out of control.

- ✓ **Fact: Education spending accounts for 2% of the federal budget, and has for decades.**

Appropriations for the Department of Education are \$7 billion less than ten years ago in inflation-adjusted dollars. Funding remained below the 2011 level until 2018, and then dipped in 2019 before increasing slightly in 2020 and 2021. Total federal education spending has remained at about 2% of the federal budget for decades.

Myth: Money doesn't matter in education.

- ✓ **Fact: Increased funding can and does boost student achievement.**

Not surprisingly, spending more to train educators, lower class size, provide safe learning environments, and other targeted strategies does increase student achievement and lower achievement gaps, especially in low-income school districts. Funding reforms since the 1990s have focused more on providing adequate funding to low-income districts, and the results are promising. Nationwide tests show that the gap in achievement between low-income and high-income districts shrank in states that reformed their school financing formulas this way, but did not in the states that did not implement these reforms.

Myth: The U.S. spends more than other countries on education.

- ✓ **Fact: Public spending on K-12 education in OECD countries averages 3.2% of the economy, about the same as in the U.S.**

The Organization for Economic Cooperation and Development keeps track of many education inputs and outcomes among 37 industrialized and emerging nations, and its data shows that the [U.S. spends 3.2% of its gross domestic product on public K-12 education](#) – almost exactly the average among OECD countries. Of course, most of that funding in the US is from state and local governments, while many other nations have a central, federalized education system. Thirteen OECD countries spend a bigger share of their economy on public K-12 education, including Canada, the UK, and France.

Myth: We can save a lot by just cutting out wasteful education spending.

✓ **Fact: Federal education spending is efficient.**

The Department of Education is the smallest cabinet agency and is efficient with its money – it administers the fourth largest discretionary budget and provides over \$100 billion in student loans each year. It has cut its staff by 27 percent since 2011 and spends less on program administration now than in 2011 despite pay inflation and increases for security. Administration – including for student aid – accounts for only about 3 percent of the Department total funding. Most federal education funding flows to state education agencies based on the number of eligible students. The states in turn allocate the funding to local educational agencies that distribute the funding to individual schools. All along the way there are tight limits on how much each agency may use for administrative purposes.

Myth: There is too much financial aid – every increase just leads colleges to increase tuition.

✓ **Fact: Tuition and public college revenue do not reflect federal aid increases.**

College costs for tuition, fees, room, and board, have increased regardless of whether federal aid has increased, not because federal aid increased. While some have argued that tuition rises to take advantage of increases in federal aid, there is no convincing cause and effect between federal aid and college prices. In fact, costs have risen even when aid has not – even when both the maximum Pell and the student loan limit were frozen for years, college costs still rose.

Myth: A college education isn't worth the cost anymore.

✓ **Fact: Education pays – in lifetime salary and in employment opportunities.**

The nation's economy depends on having a well-educated workforce, and peoples' own finances depend on that, as well. The fact is that education pays, both in terms of lifetime earnings and in employment. In 2019, those with just a high school diploma on average had incomes of just 60% of those with a Bachelor's degree, and those with just a high school degree had an unemployment rate that was two-thirds higher than that of people with a Bachelor's. There are societal benefits, as well: volunteerism and voting rates are correlated with increased education, while smoking rates decrease with higher rates of education.