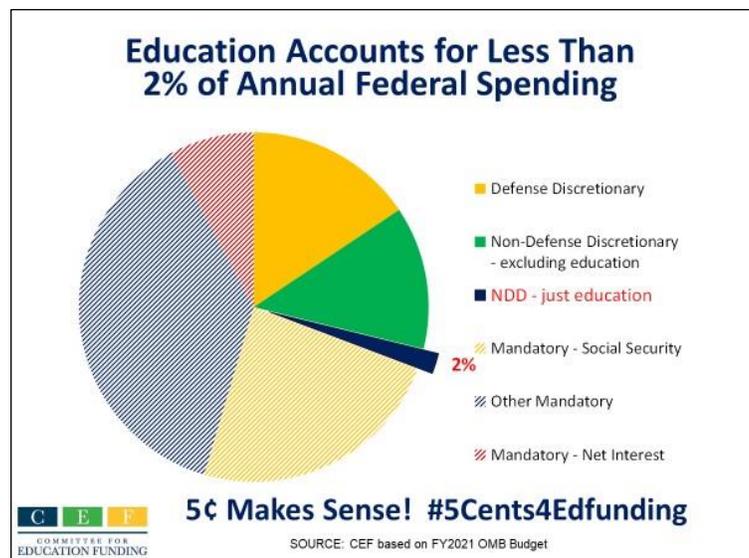




5¢ Makes Sense

Increase the Education Investment to 5 Cents of Every Federal Dollar

Spending on education accounts for just 2 percent of the United States annual federal budget of more than \$4 trillion (it is far less if you count the extra trillions of dollars of COVID-related spending in 2020). That 2 percent includes all spending for Head Start, federal elementary and secondary services including Title I and special education, career technical and adult education, and student aid including Pell grants and student loans. That’s just 2 cents of every federal dollar invested in education even though public schools serve 90 percent of all students, the cost of college makes higher education a struggle for many, and the impact of the pandemic will continue to be felt in schools, colleges, and in state and local budgets for years. The federal government invests only 2 percent of its budget in education even though we know that money matters in education – that every \$1 invested in early childhood education saves at least \$7 in later societal costs, that students who graduate from college earn more and have lower unemployment rates than those with just a high school degree. To ensure that America is strong and prepared to compete in the global economy, we need to increase the federal investment in education. Investing 5 percent of the federal budget in education would both improve student success and boost the economy; five cents makes sense.



Increasing the federal investment in education would improve an education system that is not succeeding for all students. In the latest [international math assessment](#), American 15-year-olds performed below the average of students in 24 of the 37 industrialized nations in the Organisation for Economic Co-operation and Development (OECD). Our national [high school dropout rate is 5.3 percent](#), but is much higher – 11.7 percent – for students with disabilities and for students who are not native English speakers (16.6 percent).

[A greater education investment – spent wisely – makes sense](#) by increasing educational achievement. For example, funding that [allows for better teachers](#) and smaller class sizes [increases high school graduation rates](#), especially for low-income students. Because of how education is funded in the U.S., students from low-income families are likely to benefit most from federal funding, much of which is targeted to schools in low-income neighborhoods and to low-income college students.

Investing in education pays dividends both for the students and the economy. Simply put, education pays. Those with [higher levels of education earn dramatically more](#) over their lifetime and have higher employment rates. And [countries with higher educational achievement have greater economic growth](#). About 12 percent of total public funding in the U.S. is for education, but most of that is at the state and local level.

Why does 5 cents make sense? Raising the U.S. federal education investment to 5 cents of every federal dollar over time will help states and local governments meet education needs while also freeing up their dollars for other education services. Below are just a few examples of ways increasing the federal education investment makes sense.

- **Early childhood education** – Investing in early childhood education is one of the most cost-effective investments we can make. Instead of “5¢ Makes Sense,” we could say here that “\$1 Saves \$7” as [studies have found](#) that investments in early childhood education lead to huge savings later in life. Despite this knowledge, the U.S. is not meeting the early education needs. For example, the largest federal investment in early childhood education is Head Start, but the current funding of \$10.7 billion [only serves 4 of every 10 eligible children](#) from low-income families. An additional \$15 billion per year would let Head Start or other early childhood programs serve all eligible children. There are other options, such as partnering with states to ensure access to high quality preschool for all 4-year-olds from low- and moderate-income families.
- **Special education** – Federal law requires students with disabilities to have access to a “free appropriate public education,” with the federal government pledging to cover up to 40 percent of the additional cost. However, the federal share has never come close to that pledge, and currently covers about only about 13 percent of the costs, placing the remaining burden on state and local education budgets. If the federal government provided the extra \$26 billion needed to meet its full obligation, that would free up \$26 billion of state and local funding to meet other educational needs – teacher training, technology, counseling, school maintenance and construction, one-on-one support, etc.
- **Student aid** – Shortly after Congress enacted the Pell Grant program in the 1970s the maximum award covered 88 percent of the average cost of attending a 4-year public college. But the Pell grant has not kept up with inflation, never mind increases in tuition,

and today covers only 28 percent of average college costs. The result is that American students are staggering under college debt: \$1.6 trillion in total. If, for example, the U.S. invested more in Pell grants we could increase the maximum Pell grant and lower the expected family contribution. Other federal programs provide institutional and student aid that also increase access to higher education. Increasing the federal investment in aid would mean more students could afford to get the college education that is so important in today's economy, or finish college with less debt.

- **Career and adult education** – Despite the need for a well-educated and well-trained workforce, Congress cut federal support for career and technical education after 2005 and it took 14 years to return it to that level – and even today it has lost 25 percent of its purchasing power. Increasing this investment will help provide 12 million high school, college, and adult students with critical education and workforce training. Federal support for adult education is far less, even though the most recent international study found that over 40 million American adults score at the lowest levels of literacy proficiency. Increasing investments in these areas would help create an American workforce prepared for global competition.

Every dollar wisely invested in education makes sense. Helping students of all ages achieve and succeed makes sense. Supporting them by increasing the federal investment to five percent of the budget makes sense.

CEF information resources:

- [CEF's education "budget book"](#) describes the national education programs, shows their funding history, outlines existing needs, offers downloadable education charts, and provides contact information for a CEF-member expert to answer any questions.
- [CEF's education funding table](#) shows current and past funding for federal education and related programs.