



Myth versus Fact on Federal Funding for Education

February 2023

Myth: Federal education funding has grown out of control.

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

Annual funding for the Department of Education is \$8 billion less than in 2011 in inflation-adjusted dollars. In nominal dollars, funding remained below the 2011 level until 2018, and then dipped again in 2019 before increasing since then. Education spending has remained at about 2% of the federal budget for decades.

Myth: There's so much pandemic relief unspent that we don't need to increase education funding.

- ✓ **Fact: Virtually all the education relief funding has been obligated, and it wasn't intended to address long-standing needs that remain.**

More than 99% of the total federal COVID-19 spending for Department of Education programs has been obligated (that means a binding agreement to spend the money, even if the funding will be released in future payments, such as under a contract with future payment dates). The emergency relief funding was intended for immediate needs of college students and institutions, as well as for new costs that schools face in addressing the pandemic's impact on student learning. It was not intended to support ongoing education programs or to backfill long-standing, under-funded education needs, which will remain after the pandemic wanes.

Myth: Money doesn't matter in education.

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

Not surprisingly, spending more to train educators, hire staff, 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 eliminating wasteful education spending.

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

The Department of Education is the [smallest cabinet agency](#) and is efficient with its money – last year it administered the fifth largest discretionary budget and provided over \$80 billion in new student loans. It has cut its staff by 3 percent since 2015 and spends less on program administration now than in 2015 despite pay inflation and increases for physical and information technology 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: 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 2021, those with just a high school diploma on average had incomes of just 61% of those with a Bachelor's degree, and those with just a high school degree had an unemployment rate of almost twice 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.

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.