

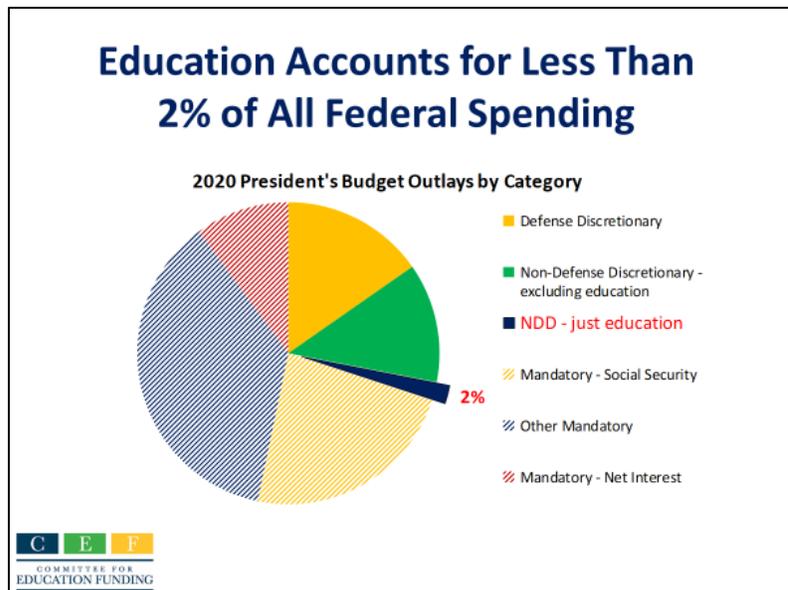


5¢ Makes Sense

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. That total counts all spending for Head Start, federal elementary and secondary services including Title I and special education, career 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, and the increasing cost of college makes higher education a struggle for many. 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. If we want to keep America strong and be 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; those 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 did worse than students in 27 of the 33 industrialized nations in the Organisation for Economic Co-operation and Development (OECD). American students did slightly better on the science and reading assessments, but still were either below or just at the average for OECD countries. Our national [high school dropout rate is 4.8 percent](#) each year, but is much higher – 7.2 percent – for students from low-income families, and students in the south had a higher dropout rate than students elsewhere.

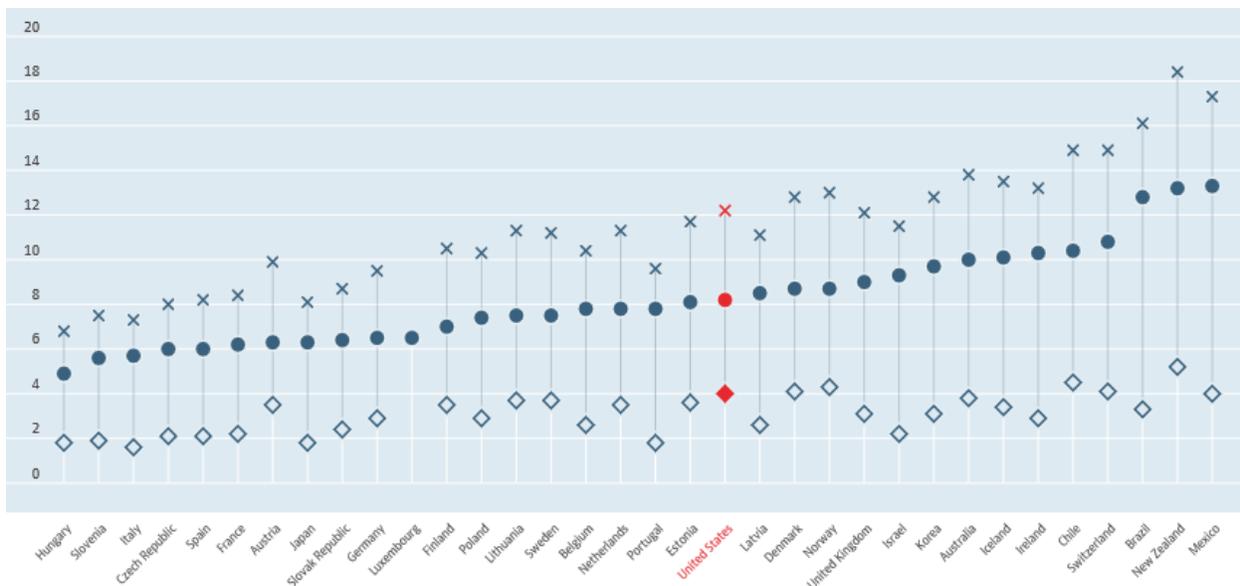


[A greater education investment – spent wisely – makes sense](#) by increasing educational achievement. For example, funding that [allows for better teachers](#) and smaller class size [increases high school graduation rates](#), especially for low-income students. Because of how education is funded in the U.S., low-income students 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 [more 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. The [OECD chart](#) below shows that many other countries spend more of their budget on education.

Percentage of Public Spending for Education

(Diamond shows tertiary education, circle shows primary through non-tertiary, x shows total)



Why does 5 cents make sense? Raising the U.S. 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. Here 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. In fact, 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. However, for example, the largest federal investment in early childhood education is Head Start, but the current funding of \$10.1 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 15 percent of the costs, placing the remaining burden on state and local education budgets. If the federal government provided the extra \$20 billion needed to meet its full obligation, that would free up \$18 billion of state and local funding to meet other educational needs – school maintenance and construction, teacher training, technology, 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: \$1.5 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 without so much 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 level and it took 14 years to return it to that level – but it is still far behind in inflation-adjusted dollars. Increasing this investment will help provide 11 million high school, college, and adult students with critical education and workforce training. Federal support for adult education is far less, even though 70 percent of adult education programs in the US had waiting lists in 2013 and an international study that year found that roughly one in six million American adults lack basic literacy skills. 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.