The Federal Investment in Education

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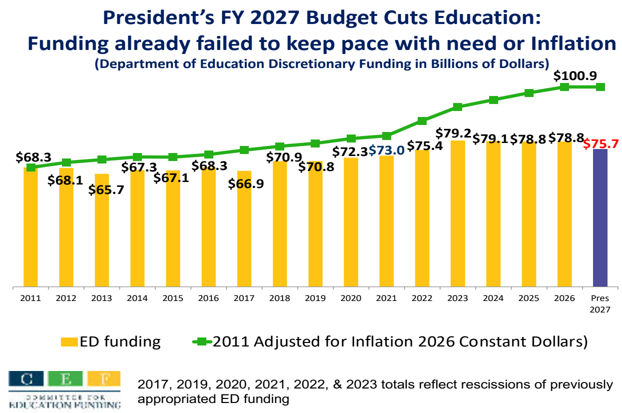
The federal investment in education is important to everyone, yet the United States invests only about 2 percent of the regular federal budget on education. A larger investment would support a better educated workforce, leading to more economic growth, more innovation and research, and better national security in many ways, not the least of which is a military prepared for today's challenges. A bigger federal education investment would help ensure access to high quality education from pre-school to higher education, fill gaps where local and state funding is insufficient or where new needs arise, and help with the costs of federally mandated services, such as special education. Federal funding is targeted to where it is most needed – almost two thirds of appropriations for the Department of Education support teaching in low-income communities or aid for low-income college students. In addition, federal student loans are available to students at all income levels.

Federal education investment is already low – Federal education funding is currently $22 billion below what it was in 2011 in inflation-adjusted dollars and has failed to keep up with growing needs. While Congress boosted funding for the Department of Education in 2022 and 2023, support for education was cut again in both 2024 and 2025 (see chart to the right).



Federal education investments support state and local funding choices – Federal investments in education benefit even those students who do not directly receive services provided by federal dollars by targeting funding to meet specific needs and fill mandates. This frees up state and local dollars to cover other education costs, such as school construction and repair, specialized teacher training, transportation, etc. For example, federal law mandates that all students with disabilities have access to a free appropriate education and in return pledges to cover up to 40 percent of the additional cost associated with educating children with disabilities. However, the federal share of special education funding has never approached that level, so state and local education budgets must cover 90 percent of the costs. When the federal contribution rises, more of the state and local funding is available to meet other educational needs.

Federal funding matters – Federal funding accounts for about 11 percent of all elementary and secondary education spending in the United States, but that small portion plays an outsized role. Simply put, education pays. In many communities, schools are the largest employer. Spending on higher education boosts the economy in many ways – directly for current employees, and later supporting innovation and future income for graduates. In some school districts, federal funding accounts for a far greater share of the total education budget, especially schools with a significant percentage of poor students or students living on military bases or Native American lands. For example, 26 million students in nearly 90 percent of all school districts receive extra academic support under Title I (Education for the Disadvantaged), the largest K-12 program at $18.4 billion. More than 10 million students benefit from Impact Aid, which can comprise up to half of the income for 1,100 school districts where the federal government – which pays no property taxes – owns much of the land. Both this type of formula funding as well as competitive grant funding for specific purposes can benefit teaching and learning.

Federal investments can address unmet needs – Despite its intent, the US education system is not succeeding for all students, and well-targeted investments can make a difference. For example, in the latest international math assessment, American 15-year-olds continue to score below the average of the industrialized nations in the Organisation for Economic Co-operation and Development. Nationally, 5 percent of high-school aged students have dropped out, but the rates are much higher for students with disabilities or who are Hispanic. Federal investments can address these and other specific issues to expand proven strategies to areas of need.

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 (visit cef.org/advocacy/cef-budget-book/)
- CEF's education funding table shows current and past funding for federal education and related programs (visit cef.org/charts-and-resources/charts/)