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K-12 Spending More Reliant on Federal Government Since No Child Left Behind Act

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New data from the National Center for Education Statistics show that the federal government has been commandeering a continually larger role in K-12 education in recent years, especially since 1999 and the January 2002 passage of the No Child Left Behind Act.

The new statistics include detailed financial data about school districts across the nation for the 2004-05 school year. Five years earlier, during the 1999-2000 school year, public school districts received an average of \$578 per pupil from the federal government. By 2004-05, that number had risen to \$919. That's a 60-percent increase, and even after adjusting for inflation, it's a 39 percent boost in federal aid. In this study we rank the states on how much more reliant they have become on Uncle Sam for this traditionally local government function.

There are several ways to quantify this increasing reliance on the federal government. The two we present in Table 1 are the absolute dollar amounts per pupil that the federal government sent to each state's school system, and the percentage of each state's education spending that comes from the federal government. The rightmost column shows how every state's share of revenue from the federal government has changed since 1999-00.

Table 1: Some States' School Systems Rely Heavily on Federal Government

State	Share of Revenue from Federal Government		Per Pupil Federal Revenue (Current Year Dollars)		Percentage Increase in Real Federal Revenue Per Pupil 1999-2004
	1999 School Year	2004 School Year	1999 School Year	2004 School Year	
U.S. Average	7.27%	9.19%	\$ 578	\$ 919	39.59%
Alabama	9.08%	11.96%	\$ 592	\$ 960	42.37%
Alaska	15.44%	18.08%	\$ 1,562	\$ 2,283	28.32%
Arizona	10.76%	11.68%	\$ 694	\$ 912	15.37%
Arkansas	8.82%	11.14%	\$ 534	\$ 970	59.48%
California	8.73%	11.19%	\$ 652	\$ 1,034	39.24%
Colorado	5.33%	6.96%	\$ 383	\$ 628	43.96%
Connecticut	4.15%	5.31%	\$ 454	\$ 737	42.52%
Delaware	7.50%	9.45%	\$ 713	\$ 1,092	34.47%

Florida	8.43%	10.51%	\$ 600	\$ 902	31.99%
Georgia	6.61%	9.59%	\$ 515	\$ 909	54.96%
Hawaii	9.04%	10.42%	\$ 684	\$ 1,294	66.09%
Idaho	7.72%	10.78%	\$ 463	\$ 765	45.06%
Illinois	7.69%	8.64%	\$ 630	\$ 877	22.22%
Indiana	5.27%	6.55%	\$ 449	\$ 723	41.37%
Iowa	6.07%	8.35%	\$ 454	\$ 783	51.42%
Kansas	6.26%	10.16%	\$ 452	\$ 968	88.02%
Kentucky	10.01%	12.24%	\$ 668	\$ 976	28.28%
Louisiana	11.47%	13.89%	\$ 744	\$ 1,162	37.12%
Maine	7.97%	9.84%	\$ 690	\$ 1,142	45.31%
Maryland	5.64%	6.68%	\$ 483	\$ 763	38.69%
Massachusetts	5.28%	6.03%	\$ 503	\$ 788	37.54%
Michigan	6.84%	8.41%	\$ 609	\$ 882	27.15%
Minnesota	4.82%	6.54%	\$ 406	\$ 677	46.40%
Mississippi	13.71%	15.85%	\$ 761	\$ 1,165	34.41%
Missouri	6.59%	8.91%	\$ 481	\$ 824	50.40%
Montana	12.19%	15.06%	\$ 852	\$ 1,328	36.85%
Nebraska	6.86%	10.34%	\$ 528	\$ 1,013	68.44%
Nevada	5.03%	7.57%	\$ 349	\$ 642	61.50%
New Hampshire	4.38%	5.65%	\$ 331	\$ 613	62.60%
New Jersey	3.91%	4.40%	\$ 451	\$ 686	33.54%
New Mexico	14.07%	16.49%	\$ 972	\$ 1,542	39.28%
New York	5.81%	7.33%	\$ 652	\$ 1,128	51.89%
North Carolina	7.11%	10.85%	\$ 491	\$ 818	46.27%
North Dakota	12.93%	16.13%	\$ 860	\$ 1,477	50.79%
Ohio	5.83%	7.67%	\$ 484	\$ 830	50.56%
Oklahoma	9.95%	13.72%	\$ 588	\$ 1,008	50.51%
Oregon	6.77%	10.15%	\$ 538	\$ 919	49.97%
Pennsylvania	6.44%	8.32%	\$ 575	\$ 976	49.02%
Rhode Island	5.79%	7.98%	\$ 536	\$ 958	56.92%
South Carolina	8.38%	10.56%	\$ 618	\$ 940	33.54%
South Dakota	12.52%	16.94%	\$ 826	\$ 1,465	55.72%
Tennessee	9.02%	11.40%	\$ 529	\$ 841	39.58%
Texas	8.62%	11.19%	\$ 619	\$ 935	32.62%
Utah	7.46%	10.10%	\$ 401	\$ 647	41.66%
Vermont	6.74%	7.41%	\$ 623	\$ 966	36.13%
Virginia	5.65%	6.90%	\$ 436	\$ 686	38.14%
Washington	7.26%	9.45%	\$ 548	\$ 859	37.62%
West Virginia	9.48%	11.84%	\$ 745	\$ 1,175	38.47%
Wisconsin	4.76%	6.42%	\$ 422	\$ 701	45.84%
Wyoming	8.40%	9.44%	\$ 717	\$ 1,260	54.29%
Dist. of Columbia	20.45%	12.41%	\$ 2,319	\$ 2,079	- 21.29%

Source: Tax Foundation calculations based on data from the National Center for Education Statistics

In current dollar amounts, school systems in Alaska led the nation, receiving \$2,283 per student. North Dakota, South Dakota and New Mexico also received amounts much larger than average. At the bottom of the list is New Hampshire. Even though the flow of federal funds into New Hampshire has increased dramatically since 1999, the dollar amount in the 2004-05 school year was still the lowest in the nation: \$613 per student.

As a percentage of state education spending, the ranking is not dramatically different. The states that rely most heavily on the federal government for funding are rural states. South Dakota, North Dakota and New Mexico lead the list. At the bottom are mostly high-income and high-tax states that spend large amounts on education from their own sources. Their high incomes disqualify them for some federal assistance, and their own high taxes and education spending make whatever federal assistance they do get appear smaller. New Jersey depended less on the federal government for education spending than any other state, with only 4.4 percent of its education spending supplied by Uncle Sam during the 2004-05 school year.

Kansas's federal assistance per pupil has grown the fastest during this five-year window. From 1999-00 to 2004-05, it more than doubled its federal take with an 88 percent increase in federal revenue per student. Nebraska was second with a 68-percent increase. Hawaii (66%), New Hampshire (63%), and Nevada (62%) also increased their federal assistance rapidly.

The District of Columbia is an anomaly in almost every respect. Most high-income, high-tax jurisdictions receive comparatively little federal assistance, but the District receives a large dollar figure per pupil and is heavily dependent on federal sources for its spending. Also, for no obvious reason, it is the only jurisdiction to reduce its dependency on federal government revenue between 1999 and 2005. During the 1999-2000 school year, the District depended on the federal government for over 20 percent of its education spending, but that dependence was down to less than 13 percent during the 2004-05 school year. By contrast, even in the state with the smallest increase in federal dependence over the five year period, Arizona, the increase was substantial.

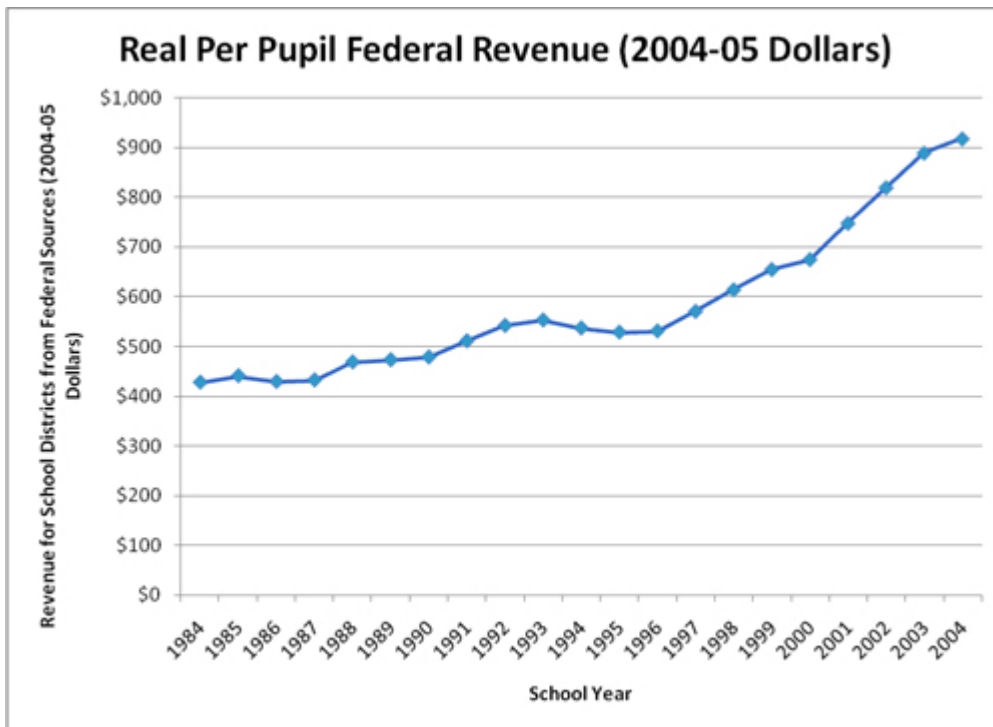
Federal Assistance Even Outpaced Property Tax Revenue

Considering the massive surge of local property tax revenue during this five-year period, which coincided with the housing boom and bubble, it is all the more remarkable that federal assistance was the biggest source for increased local spending on education between 1999 and 2005. Overall, in 1999, school districts relied on the federal government for 7.3 percent of their revenue. By the 2004 school year, that number had risen to 9.2 percent.

To put this surge of federal money in historical context, we can see how much more slowly federal funds grew prior to the late 1990s. Figure 1 presents two decades of federal education revenue.

Adjusting for inflation so that dollars are comparable throughout this 20-year period, we can see that school districts received \$428 per student during the 1984-85 school year, \$578 in 1999 and \$919 in the 2004-05 school year.

Figure 1
Education Revenue from Federal Government Has Surged in the Last Ten Years



Source: Tax Foundation calculations based on data from the National Center for Education Statistics

Which States Spend the Most on Education?

With surges in two types of education revenue—federal assistance and property tax revenue—how much have the states spent per pupil?

From 1999-00 to 2004-05, spending per pupil increased 26 percent nationwide. Adjusted for inflation, that is about a 12-percent real increase. Table 2 breaks the data down by state over a 20-year period.

Table 2
Education Spending Per Pupil by State in Selected School Years, 1984-2004
Current Year Dollars

State	1984-85 School Year	1989-90 School Year	1994-95 School Year	1999-00 School Year	2004-05 School Year	Rank in 1984-85	Rank in 200-05
U.S.	\$3,173	\$4,643	\$5,529	\$6,912	\$8,701		
Alabama	\$2,055	\$3,144	\$4,109	\$5,638	\$7,073	49	42
Alaska	\$8,627	\$7,577	\$8,033	\$8,806	\$10,847	1	8
Arizona	\$2,751	\$3,717	\$4,264	\$5,030	\$6,184	34	49
Arkansas	\$2,235	\$3,229	\$4,186	\$5,277	\$7,659	45	36
California	\$2,963	\$4,502	\$4,799	\$6,314	\$7,905	27	29
Colorado	\$3,373	\$4,357	\$5,047	\$6,215	\$7,826	17	33
Connecticut	\$4,023	\$7,463	\$8,380	\$9,753	\$12,263	5	3

Delaware	\$3,849	\$5,326	\$6,502	\$8,310	\$10,911	8	7
Florida	\$2,932	\$4,597	\$5,220	\$5,831	\$7,215	28	40
Georgia	\$2,352	\$4,000	\$4,828	\$6,437	\$8,065	41	26
Hawaii	\$3,334	\$4,130	\$5,597	\$6,530	\$8,997	19	18
Idaho	\$2,146	\$2,921	\$3,957	\$5,315	\$6,319	47	48
Illinois	\$3,298	\$4,521	\$5,553	\$7,133	\$8,896	20	20
Indiana	\$2,725	\$4,270	\$5,411	\$7,192	\$8,919	36	19
Iowa	\$3,274	\$4,190	\$5,240	\$6,564	\$7,962	22	27
Kansas	\$3,284	\$4,290	\$5,222	\$6,294	\$7,926	21	28
Kentucky	\$2,311	\$3,384	\$4,545	\$5,921	\$7,132	42	41
Louisiana	\$2,694	\$3,625	\$4,356	\$5,804	\$7,669	38	35
Maine	\$2,700	\$4,903	\$6,029	\$7,667	\$10,342	37	9
Maryland	\$3,858	\$5,573	\$6,427	\$7,731	\$10,031	7	12
Massachusetts	\$3,595	\$5,766	\$6,783	\$8,816	\$11,642	12	6
Michigan	\$3,556	\$5,090	\$6,465	\$8,110	\$9,340	13	15
Minnesota	\$3,395	\$4,698	\$5,626	\$7,190	\$8,718	16	23
Mississippi	\$2,244	\$2,934	\$3,798	\$5,014	\$6,548	44	47
Missouri	\$2,748	\$4,071	\$4,866	\$6,187	\$7,858	35	30
Montana	\$3,604	\$4,240	\$5,137	\$6,314	\$8,133	11	24
Nebraska	\$3,221	\$4,553	\$5,555	\$6,683	\$8,794	23	22
Nevada	\$2,690	\$3,816	\$4,730	\$5,760	\$6,804	39	45
New Hampshire	\$2,980	\$4,786	\$5,567	\$6,860	\$9,771	26	13
New Jersey	\$4,496	\$7,546	\$9,178	\$10,337	\$14,117	4	1
New Mexico	\$2,928	\$3,446	\$4,404	\$5,825	\$7,834	29	31
New York	\$5,117	\$7,051	\$8,311	\$9,846	\$13,703	2	2
North Carolina	\$2,303	\$4,018	\$4,703	\$6,045	\$6,904	43	43
North Dakota	\$3,028	\$3,899	\$4,482	\$5,667	\$7,829	24	32
Ohio	\$2,982	\$4,531	\$5,529	\$7,065	\$9,330	25	16
Oklahoma	\$2,859	\$3,293	\$4,533	\$5,395	\$6,610	32	46
Oregon	\$3,677	\$4,864	\$5,649	\$7,149	\$8,071	9	25
Pennsylvania	\$3,648	\$5,737	\$6,565	\$7,772	\$10,235	10	10
Rhode Island	\$3,938	\$5,908	\$7,126	\$8,904	\$11,667	6	5
South Carolina	\$2,183	\$3,769	\$4,501	\$6,130	\$7,549	46	37
South Dakota	\$2,685	\$3,511	\$4,271	\$5,632	\$7,464	40	38
Tennessee	\$2,101	\$3,405	\$4,017	\$5,383	\$6,850	48	44
Texas	\$2,784	\$3,835	\$4,779	\$6,288	\$7,246	33	39
Utah	\$2,053	\$2,577	\$3,409	\$4,378	\$5,216	50	50
Vermont	\$3,359	\$5,770	\$6,367	\$8,323	\$11,972	18	4
Virginia	\$2,870	\$4,690	\$5,421	\$6,841	\$8,886	31	21
Washington	\$3,465	\$4,382	\$5,477	\$6,376	\$7,717	15	34
West Virginia	\$2,879	\$4,020	\$5,663	\$7,152	\$9,024	30	17
Wisconsin	\$3,513	\$5,020	\$6,301	\$7,806	\$9,755	14	14
Wyoming	\$4,523	\$5,239	\$5,753	\$7,425	\$10,190	3	11
D.C.	\$4,766	\$7,872	\$8,290	\$10,107	\$13,348		

Source: Tax Foundation calculations based on data from the National Center for Education Statistics

New Jersey and New York stand out in K-12 education spending. New Jersey's per pupil spending is double the amount spent by the eight states at the bottom of the list. On the flip side, Utah spent the least, less than half as much per student as nine other states in the 2004-05 school year. In fact, New Jersey spent more per student in 1986-87 than Utah spent in 2004-05 (even without adjusting for inflation).

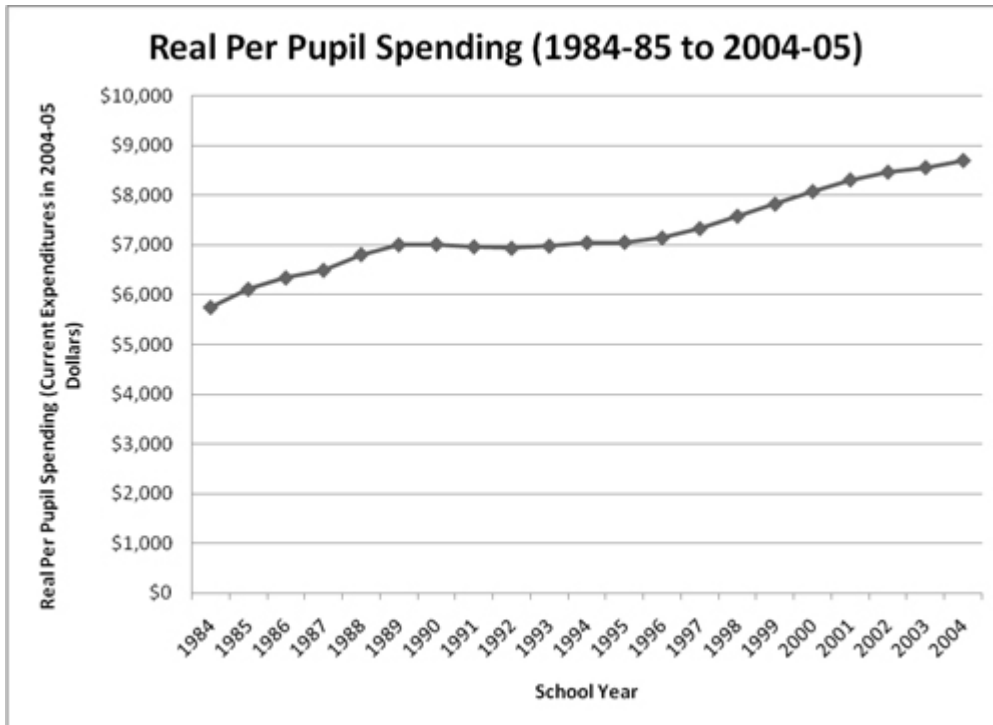
There are quite a few reasons for these disparities. First, residents of some states simply prefer to spend more on education and pay the necessary higher taxes. Second, certain fixed costs—land and, to some extent, labor—differ substantially from state to state, with the result that a school district in a low-cost environment could achieve the same educational objectives for less money per student. Third, there are probably economies of scale with respect to education: states like Alaska with many scattered school districts are more likely to have higher costs per student than states with dense populations. Finally, different regulations, especially on labor and the power of teachers' unions, can lead to cost differences between school districts.

Generally, the rankings have remained relatively stable over the twenty year period, although some states have jumped or fallen. Maine's education spending was comparatively low in 1984-85, 37th highest per pupil. By 2004-05, it was 9th highest. In New Hampshire courts mandated higher education spending, and unlike many states faced with court mandates, New Hampshire increased its per pupil spending from 26th highest to 13th.¹

The states that fell fastest in the ranking were Colorado and Oregon, who each fell by 16 spots. Colorado's spending per pupil was 17th highest in 1984-85 but 33rd in 2004-05. Oregon was a top-ten spender in 1984-85, but by 2004-05 its 9th highest rank had fallen to 25th.

Nationwide, spending per pupil has increased in real terms (adjusted for inflation) by over 51 percent, averaging about a 2.5 percent increase each year in real terms. Figure 2 takes a look at how real spending per pupil increased nationwide from 1984-85 to 2004-05.

Figure 2
Real Per Pupil Spending Has Increased on Average by 2.5 Percent Each Year



Source: Tax Foundation calculations based on data from the National Center for Education Statistics

Conclusion

All this data leads to the question: Is there too much federal government involvement in education? Many conservatives say there is, while others argue that more needs to be done in Washington.

There are costs and benefits of the federal government's role in K-12 education. On one hand, low-income states can use federal money for capital costs like new school buildings, or for recurring costs such as higher salaries and even more generous pensions for administrators and teachers. The money may be spent well or poorly. On the other hand, accepting federal money means giving up some local control and quite possibly a less efficient education program.

Overall, regardless of these differing views on the federal government's proper role in education, the numbers show that the Department of Education is playing an ever-increasing role in the education of America's youth. And this impact is growing throughout all types of school districts, not merely those with the lowest spending levels.

1. For more on state reactions to court mandates, see Chris Atkins, "Appropriation by Litigation:

Estimating the Cost of Judicial Mandates for State and Local Spending," *Tax Foundation Background Paper*, No. 55, 2007.

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