



How Are Public Schools Funded?

#2 IN THE SERIES • OCTOBER 2021 (updated October 2023)

Public schools receive funding from three different government sources: local, state, and federal. Local and state governments contribute the majority of funding to support public school systems, while the federal government provides a small fraction (only about 8% on average). Even with recent infusions of federal funding related to the COVID-19 pandemic, the federal share remains the smallest.¹

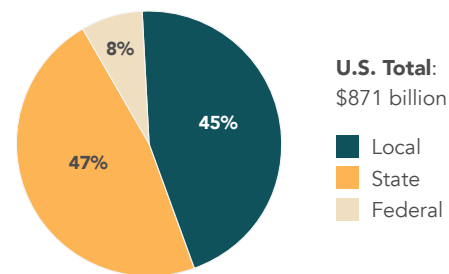
Three factors determine how much funding districts receive and from which sources:

1. Property value of homes and businesses within school district boundaries.
2. How many students the school district serves and their educational needs (e.g., special education services for students with disabilities or language supports for students learning English).
3. State policies, including if and by how much the state funding formula adjusts for differences in student population among districts and in the ability of local districts to raise funding through local taxes.

Local Funding

In most communities, local school funding comes from property taxes levied by the school board or another local government entity. Local property tax is a relatively stable and predictable form of revenue for school systems.² Some communities may also dedicate local

REVENUE SOURCES FOR PRE-K THROUGH GRADE 12 PUBLIC SCHOOLS, 2019-20



Source: National Center for Education Statistics, "Public School Revenue Sources," 2023.

sales tax or other taxes to schools, but these revenue streams are smaller and less consistently common across the country.

Property taxes are a major source of funding inequity among school districts.³ Wealthier communities can tax property owners at relatively low rates and still generate more funding for their public schools than less wealthy communities. To keep up, communities with lower property values have to tax their residents at significantly higher rates (or provide their schools with less funding). Less wealthy communities are also more likely to enroll a higher-need student population, deepening their funding disadvantage.

School district boundaries magnify the scale of local funding inequity. It is usually easier to achieve equitable school district funding in states with fewer districts,

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each with a larger tax base. For example, Maryland has approximately 880,000 students across 24 school districts, while similarly sized Massachusetts has approximately 920,000 students across 322 school districts.^{4,5} Drawing (and redrawing) district boundaries is an intensely political process, deeply intertwined with systemic school and community segregation by race and class.⁶

State Funding

Every state constitution establishes the state's responsibility for public education,⁷ leading to state funding systems that determine how state (and sometimes local) funds are allocated. K-12 education usually makes up a significant percentage of state budgets, although states' allocation towards K-12 education in relation to the size of their economies varies.⁸

Every state has a school funding formula, the majority of which (38 of 50 states, D.C., and Puerto Rico) are based on student enrollment and specific categories of student learning needs.⁹ Many states have other funding streams or grants for specific types of school spending, like transportation or facilities investments. Multiple funding mechanisms can make it challenging to understand how education finance systems work as a whole.

Most state school finance systems theoretically aim for both **adequacy** (enough funding) and **equity** (funding distributed to where it is most needed) through different formula and policy mechanisms. But success on both fronts is rare: A state might have a relatively equitable formula, without adequate money supporting it; or a state could spend generously on education, but distribute money inequitably.¹⁰ These issues routinely end up as lawsuits in state courts.¹¹

Federal Funding

The federal government provides a relatively small but consequential share of funding to public schools. Federal education dollars pass through states, which then distribute funds to school districts and charter schools based on formulas laid out in federal law. Most federal funding sent to school systems is targeted at students who need additional support, such as funding aimed at low-income students through Title I of the Every Student Succeeds Act, or funding for special education students through the Individuals With Disabilities Education Act.¹²

Questions for Advocates

- *What does your state constitution say about public education and state funding obligations?*
- *How does your state account for differences in local funding?*
- *How much does total funding per student vary among school districts? What differences among districts influence funding the most?*

Endnotes

- 1 National Center for Education Statistics (2023), "Public School Revenue Sources," Condition of Education, U.S. Department of Education, Institute of Education Sciences, <https://nces.ed.gov/programs/coe/indicator/cma/public-school-revenue?tid=4>.
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- 3 Matthew M. Chingos and Kristin Blagg, "Do Poor Kids Get Their Fair Share of School Funding?" Urban Institute, May 2017, https://www.urban.org/sites/default/files/publication/90586/school_funding_brief_1.pdf.
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- 6 "Dividing Lines: School District Borders in the United States," EdBuild, accessed September 15, 2021, <http://viz.edbuild.org/maps/2015/dividing-lines/>.
- 7 Scott Dallman and Anusha Nath, "Education Clauses in State Constitutions Across the United States," Federal Reserve Bank of Minneapolis, January 8, 2020, <https://www.minneapolisfed.org/~media/assets/articles/2020/education-clauses-in-state-constitutions-across-the-united-states/education-clauses-in-state-constitutions-across-the-united-states.pdf?la=en>.
- 8 Bruce Baker, Matthew Di Carlo, Lauren Schneider, Mark Weber, "The Adequacy and Fairness of State School Finance Systems: Third Edition," The Albert Shanker Institute and Rutgers University, 2021, <https://www.shankerinstitute.org/resource/adequacy-and-fairness-state-school-finance-systems-third-edition>.
- 9 "50-State Comparison: K-12 Funding," Education Commission of the States, accessed September 15, 2021, <https://www.ecs.org/50-state-comparison-k-12-funding/>.
- 10 Baker et. al., "Adequacy and Fairness, 2021.
- 11 "School Finance Litigation," Congressional Research Service, January 15, 2009, https://www.everycrsreport.com/files/20090115_RS22622_aded489460960d42607582c26452261fa40c01b6.pdf.
- 12 "Federal Funding Streams and Strategies to Improve Conditions for Learning: A Resource Guide for States," Council of Chief State School Officers, 2019, <https://ccsso.org/sites/default/files/2019-04/CCSSO%20Federal%20Funding%20Streams%20and%20Strategies%20040419FINAL.pdf>.

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Any errors in fact or analysis are the responsibility of the authors alone.

ABOUT THE SERIES

Splitting the Bill is a crash course in the essentials of school finance equity for advocates and others interested in reforming state education finance systems. Learn more and read the other briefs in this series [here](#).

About Bellwether

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