The Pernicious Myth of the Underfunded American Education System

By Inez Feltscher

The myth that education is underfunded in the United States, where per-pupil spending is higher than most of the countries that outperform it on the PISA exam, is both wrongheaded and pernicious when it stymies and replaces more systemic reform efforts.

Contra the Media, More Money Hasn’t Bought Excellent Schools

If there exists a truism of state politics, a fact agreed upon across the political spectrum, it is that the education system is woefully underfunded. While those generally in favor of big-government solutions advocate for ever-higher salaries and benefits in teachers’ union contracts, even fiscal conservatives have been known to make the push for balanced budgets elsewhere, or even special taxes, so that K-12 spending can be increased.¹ And American taxpayers, from the reddest² to the bluest³ states, are nearly always ready to dig into their pockets for the sake of education. After all, if anything brings together Republicans and Democrats, it is concern for our students’ futures, on whose shoulders the future our country rests.

That the American education system suffers from a lack of funding is an unquestioned maxim among politicians, voters, and the media. To read newspapers, listen to radio, or watch television reports about education, is to be certain that, regardless of what else ails the education system, the cure at least involves more money. There are even “adequate funding” lawsuits, alleging that the underfunding is so systemic and pervasive, it amounts to a dereliction of legal duties under state constitutional provisions which demand that states fulfill their obligations to create and sustain a system of public schools.
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In Kansas, the Supreme Court recently threatened to shutter schools because it determined, despite studies showing no link between funding and achievement, that the legislature’s chosen funding was insufficient to close achievement gaps.

The idea that the education system is underfunded is so pervasive, it goes nearly unquestioned in most media coverage and by both political parties, from superintendents to the President. But, in fact, there is little evidence to show that more money, whether from state or national taxpayers, improves student achievement in the nation’s schools. Education is not underfunded in the United States, where it is a $600 billion industry. “Underfunding,” and its corollary excuses for the system’s poor performance, is a myth. Worse still, it is a myth that stymies real reform that could improve academic achievement, enhance students’ and families’ educational experiences, and change the trajectory of lives.

Federal Spending Increases, Results Stagnate

Education spending, both federal and at the state level, has been rising for decades, as achievement stagnates or even declines. While the majority of education policy is still made on the state level, increasingly the federal government directs enormous amounts of money into the public education system.

President Lyndon Johnson signed the Elementary and Secondary Education Act (ESEA), the first substantial federal spending on education, in 1965. The landmark law directed $1 billion (7 billion in today’s dollars) in spending toward local education agencies with high concentrations of low-income students, in an attempt to equalize educational outcomes between rich and poor neighborhoods as part of Johnson’s Great Society “War on Poverty.” In the intervening decades, federal education spending has skyrocketed, and the Department of Education (created in to administer the ever-escalating funds) now has an operating discretionary budget of $38 billion.

The Department of Education, which President Ronald Reagan called Jimmy Carter’s “bureaucratic boondoggle,” now has the third-largest discretionary budget, only coming in behind the Department of Defense and Health and Human Services. Since its creation in 1979, funding for the Department of Education has increased by 500 percent. Federal per-pupil funds have tripled since Johnson’s 1960s programs.
And taxpayers have seen few results for their increased spending. While federal spending has nearly tripled in real dollars since 1970, achievement has mostly stagnated. Reading scores have mostly stayed flat, and math scores edged up just slightly. And stagnation is really failure, when the current achievement levels of the education system are so abysmal. When American kids rank 27th out of 34 OECD countries on PISA mathematics, 17th in reading, and 20th in science, it is difficult to imagine how American businesses will be able to find the talented and educated workforce they will need to compete in the next half-century. Just over a quarter of United States 12th graders are proficient in math, and just over a third in reading, according to our domestic assessment, the NAEP, frequently referred to as the “nation’s report card.”10 The last round of NAEP results have actually showed modest declines.11

Equally important, racial achievement gaps have actually been widening while spending has increased. The testing gap between black and white 12th graders was 24 points in 1992, when NAEP was first administered. Today, despite the declared focus of many federal programs to narrow it, the gap is 29 points and growing, undermining the American ethos of equal opportunity for all.12 Continuing and widening racial gaps indicate large discrepancies in the quality of education American students receive based on neighborhood residence and school assignment, which threaten the promise of the American Dream for many students stuck in failing public schools.

What Are We Paying For?

So if standardized test result trends have been flat or worse, what does all that federal money pay for? For starters, a six-figure average salaries for the Department of Education’s over 4,200 employees.13 Those 4,200 employees are put to work administering federal grants and programs, creating bureaucratic accountability for those dollars. States and school districts put in roughly 7.8 million hours every year, at a cumulative compliance cost of $235 million, just gathering and reporting the information needed for just one section of the ESEA – Title I. There are nine titles in the newest iteration of the ESEA, the Every Student Succeeds Act, each with its own set of compliance requirements and piles of paperwork.

In 1994, the General Accounting Office (GAO) report looked at the regulatory compliance burden on the states as a result of federal education programs. Even more than two decades ago, states had already hired an additional 13,400 employees to deal with federal regulations.14 While states still provided, as they continue to do today, the lion’s share of the funding for actual schools (federal funding is usually between seven and 11 percent of per-pupil spending), 41 percent of their paperwork burden came from the federal government.15

Even federal programs meant to entice the public school system to make radical changes have had a mixed record. In 2009, the competitive School Improvement Grant (SIG) program received three billion dollars as part of the Obama Administration’s stimulus package, the largest pot of money aimed at turning around failing schools to date. The program had a competitive grant application process, and four models for reforming persistently-failing schools serving low-income student populations – the schools known in the media as “dropout factories.”16

The results: one-third of the schools receiving frequently-large infusions of SIG funds saw declines in academic performance.

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as a whole, massive federal spending increases over the past four decades have failed moved the needle or provide American students with the educational opportunities they deserve.

State Spending Increases Not Correlated with Achievement

While the picture of state spending is less uniform by nature, the evidence suggests that increases in spending beyond current levels does little for achievement, and may actually backfire by continuing to fund failing systems with little incentive to change.

As concerned politicians and media watchdogs lamented\(^\text{18}\) the unpleasant surprise of last year’s NAEP backslide, the buried lede was the lack of correlation to state increases and decreases in per-pupil spending with the results. Over time, states like Texas and Wisconsin have netted reading gains vis-à-vis their scores in 2003, while actually modestly decreasing their per-pupil spending in real dollars. States like Arizona, where a robust charter sector performed spectacularly\(^\text{19}\) enjoyed huge increases in student achievement, all for slightly fewer education dollars than they had spent in the past. Conversely, states like New York and North Dakota saw lower scores despite substantial increases in funding between $3,000 and $5,000 per student.

**Improvement/Decline in NAEP 8th Grade Reading (2015 minus 2003 scores in scale points) by Increase (Decline) in Constant Dollar Spending per Pupil 2002 to 2013 (Sources: NAEP, Digest of Education Statistics)**

\(^\text{18}\) Source: Jay P. Greene’s Blog.

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Larger-scale studies of any links between state spending and achievement have been difficult because main NAEP data only goes as far back as the 1990s, while other test data such as SAT or ACT scores necessarily pull from a select group of students – those intending to at least attempt post-secondary studies – which varies from state to state. However, in 2014, the Cato Institute attempted to control many of these factors, for a comparison that was fair across all 50 states. Unsurprisingly, it found a similar stagnating trend, going back to the 1970s, as other performance indicators such as graduation rates and the more-recent NAEP scores. Over this same period of stagnation, however, inflation-adjusted average state per-pupil spending had increased by 120 percent, and overall per-pupil spending had doubled. The study concluded, damningly: “…there has been essentially no correlation between what states have spent on education and their measured academic outcomes.”

There is as little evidence that spending cuts trigger declines in academic performance on the SAT as there is showing that cuts hurt NAEP scores. Four states – Alaska, California, Florida, and New York – have all gone through multiple years of belt-tightening periods in education spending, but the study found no notable declines in their SAT scores over those corresponding years. Indeed, the trends of SAT scores in most states seem largely disconnected from funding at all, driven by the myriad of other factors that change in the states over time.

**Cui Bono?**

But if per-pupil funds in the states have more than doubled over the last several decades, that money has been going somewhere. Like the federal bureaucracy, it has rarely been going to students or classrooms.

One filmmaker in a New Jersey city tried to find out where the dollars allotted to a single classroom, which in the state runs between $300,000 and $450,000 annually, were actually going. His documentary discovered favorable construction projects to principals’ families, made-up teachers’ aides drawing salaries, and all kinds of flagrant corruption. But even non-fraudulent uses of taxpayer funds by the education system frequently overlap very little with the vision of textbooks and teacher salaries the typical taxpayer imagines he funds.

One measure of superfluous spending is percentage of non-teaching staff in the average school. A school system needs some administrators to keep the ship running smoothly, of course, but a large imbalance in growth between student populations, teachers, and administrative staff shows bureaucratic bloat rather than investment in classroom needs.

Back in the 1950s, teachers made up approximately 70 percent of school staff, on average. Today, they make up barely half. Similarly, public schools in the 1950s employed 2.36 teachers for every non-teacher employee; today, the ratio is creeping closer to one-to-one. While student enrollment has increased only modestly (eight percent) since the 1970s, and teaching staff employment by 38 percent, non-teaching staff has exploded by 138 percent, making up the majority of hiring and a clear indication of runaway administrative largess.
Since 1970, total student enrollment in public schools increased by 3.7 million, or 8 percent. However, during that same period, total education staffing rose by 2.8 million, or 84 percent. Most notable was the growth in non-teaching staff which increased by 138 percent.

Source: The Heritage Foundation
Even when taxpayers are paying for teachers in the classrooms, it is sometimes their large union-negotiated retirement packages that suck up state dollars rather than money for competent or energetic new hires. In some cities, like Chicago, education spending has become so divorced from real classroom needs—which can be very real to teachers using their private salaries to buy pencils for their classes—that 89 cents of every new dollar spent on education goes directly into pension costs.

American taxpayers might respond differently to education bond measures if they knew where the money was going instead of the classroom. The wastefulness of the system produces real shortages, often in the places where money is most needed, but it is clear that decades of uncritical funding increases have exacerbated, rather than alleviated, bad systemic priorities.

Private Philanthropy Takes a Swing, and Misses

America is home to some of the most generous people in the world, many of them deeply concerned by the failures of the education system tasked with making sure young Americans enter their adult lives prepared for the opportunities they will find there. But while philanthropy has done plenty of good in the education sphere, large cash donations to status-quo systems have not had much more success than their counterpart government efforts.

One such well-intentioned effort is the Broad Prize, a contest founded by the Eli and Edythe Broad Foundation to award a yearly $1 million cash prize to any school district who could show substantial gains in the success of its low-income and minority students. The program’s administrators used a complex variety of indicators to judge district success, including both absolute results and value-added improvement on standardized tests, narrowing of racial and socio-economic achievement gaps, high school graduation rates, and measures of college preparation such as the SAT and ACT.

But after a dozen years of funding the prize every year, the Broad Foundation suspended the prize category in 2015. In response to a reporter’s query, the Foundation admitted that it could not find any school districts “doing enough good work to merit [continuing] the award.”

Similarly, Facebook CEO Mark Zuckerberg has achieved media notoriety recently for the failure of his generous $100 million matched grant to the Newark Public School District. The $200 million in total donations was announced with much fanfare back in 2010, when it was lauded by the unlikely bipartisan duo of Republican Governor Chris Christie and then-Mayor Cory Booker as a way of helping the struggling students of Newark. In the last two years, virtually all sides of the debate have concluded that the money has been wasted; used to buy out union contracts for retiring teachers, hire armies of “educational consultants” and additional administrative staff, and similarly non-essential purposes in a system that continues to fail its students every day. Vivian Cox Fraser, the president of an local organization, summed up the spectacular flop: “everybody’s getting paid [now], but Raheem still can’t read.”

Whether the additional money comes from taxpayers’ pockets or generous private investors, the system absorbs it with little effect on students and families. The experience of well-intentioned philanthropists demonstrates that the public education system in the United States is broken, and infusions of cash will only feed the beast, not improve the academic outcomes or lives of American students.
What Does Work?

While education funding of a certain level is obviously necessary for any kind of productive and successful public school system, in most cases states are probably past that point, and further increases are unlikely to yield additional positive results. The story of education spending increases over the last 40 years is the sad tale of throwing more money into a flailing system that will not, and likely cannot, reform itself without radical restructuring. Perhaps the repeated calls for more funds would be understandable out of desperation; “maybe this time, with the right organization.” But unfortunately such desperate measures only feed the beast and remove any incentive for more serious reforms with better track records of success.

While educational choice opponents like to highlight selected studies with poor results, a recent meta-analysis of 19 evaluations of 11 school choice programs by University of Arkansas researcher Patrick Wolf shows substantial long-term gains in both reading and mathematics achievement for students in choice programs.

Perhaps more important than testing improvements, however, are results like the DC Opportunity Scholarship Program’s 93 percent high school graduation rate – and 98 percent college participation rate for graduates – compared with 58 percent in the public schools, or a study of the Milwaukee Parental Choice Program that showed participation resulted in a 42 percent decrease in criminal convictions and 79 percent drop in felony convictions for students later in life. These results, more than any test scores, are changing lives. As long as the political focus remains on the hope that this time, unlike the last 40 years, more money will finally change the system for the better, solutions that offer great promise, like education savings accounts, will remain on the backburner.

Conclusion

After decades of failure, it is time to put to rest the idea that education in the United States – a $600 billion enterprise – is failing because it is underfunded. Decades of spending increases at both the state and federal level have not changed stagnant or declining results. Even large philanthropic infusions of cash have done little to improve student achievement and life outcomes. The education underfunding myth is more than wrong, it’s pernicious when it allows the education system to make excuses for its failures rather than enact more systemic changes that have proven effective for students and families, like educational choice. There is no evidence that paying more money into a failing system won’t produce higher academic achievement or better life outcomes for students.
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(Endnotes)


21 Long-term trend NAEP data begins in 1971 and 1973 for math and reading, respectively.

22 SAT scores, of course, only capture the performance of students interested in applying to college. Nevertheless, comparisons of this subgroup of students between states can be instructive.


30 For example, a modeling study in Michigan found almost no correlation between how much schools in that state spent and their results, such as standardized test scores and graduation rates, when schools and students were demographically matched. The study concludes: “Based on these results, it is unlikely that injecting new resources into Michigan’s public school system, all else remaining equal, will make a meaningful difference in improving student achievement.” See Ben DeGrow and Edward C. Hoang, School Spending and Student Achievement in Michigan: What’s the Relationship?, Mackinac Center for Public Policy (April 18, 2016), available at <http://www.mackinac.org/22364>.


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