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Fiscal Federalism and Education

Based on the work of Nora Gordon and Paul E. Peterson

“What We Know About Our Schools,” an essay by Nora Gordon and Paul E. Peterson, examines the roles of different levels of government in funding and regulating education in the United States.

Key Facts on Fiscal Federalism and Education

1. Each tier of the federal system plays a distinctive role in education: local school districts operate schools and raise much of their own revenue, states provide the legal framework and distribute revenues, and the federal government provides funding and establishes national standards.
2. As of 2021, while there is considerable variation, school districts in aggregate receive approximately 45 percent of their funds from local sources, 45 percent from state sources, and 10 percent from the federal government.
3. Local school districts manage daily operations, including hiring staff, setting salaries, overseeing construction and maintenance, purchasing supplies, and engaging in collective bargaining where required.
4. School districts raise most of their local revenue by levying taxes on district commercial and residential property.
5. State dollars are usually distributed according to a per-pupil formula, which in some cases is weighted to take into account the potentially higher cost of educating particular groups of students, such as those from low-income households or those in need of special education.
6. The federal government’s most significant influence on school operations is through regulations tied to the acceptance of federal funds.
7. As of 2023, approximately 15 percent of the public school population is identified as in need of special education, an increase from 8 percent in 1978.
8. Federal funding for special education authorizes expenditures up to 40 percent of each state’s special education costs, but appropriation levels typically fall far short of authorized levels.

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at www.hoover.org/fact-based-policy-program.**



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