

## Introduction to School Funding Services

This Guide to Grants is a publication of School Funding Services (SFS), an interactive on-line tool that helps schools, districts, and education organizations identify and access information on federal money available for school improvement programs. This guide introduces basic information about the school funding process to people new to the topic, or hoping to refresh their memory.

Please feel free to share this guide with your colleagues and friends. If you have any questions about the information presented in this document or about School Funding Services, please contact us at [schoolfundingservices@nasdc.org](mailto:schoolfundingservices@nasdc.org) or 703.647.1600.

## Basic Funding for Public Schools

Three levels of government sources contribute revenue to public schools: federal, state and local. Private foundations, corporations and individuals also make contributions to schools.

The great majority of funds used to operate public schools come from a combination of state and local funding. Nationwide, an average of 48 percent of funding for public schools is contributed by the state, while 42 percent comes from local sources, mostly from property tax revenues.<sup>1</sup> Local revenues pay for the basics of operating a school: classroom teacher salaries, books, furniture, and office supplies.

The ratio of state to local contributions varies widely between the states. While Vermont's state aid accounts for nearly 75 percent of its schools' budgets, Connecticut's state revenue supplies less than 39 percent of its education dollars. The majority of funds contributed by the states to their public schools are in the form of general, or basic, aid calculated on a per-pupil basis. Funding formulas for distributing basic aid are often complex and combine a per pupil dollar award with a calculation of a district's educational needs and ability to pay for services. Many state aid formulas try to equalize fiscal resources between districts. The average state contribution is \$3,500 per student, but varies between \$2,246 in Arizona and \$6,973 in Vermont.<sup>2</sup>

Although the federal contribution to public education has been growing steadily over the last six years, both in real dollars and as a percentage of school revenue, the federal government still contributes less than eight percent of funding for public schools. Intended exclusively as a supplement to local and state funds, most federal funding is provided to the neediest schools and communities.

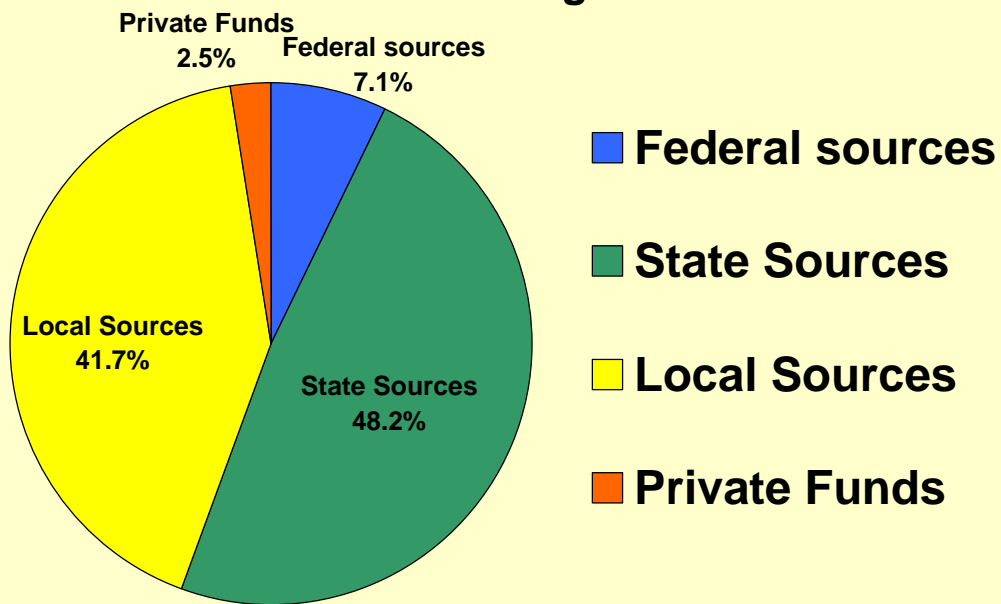
*See chart on following page.*

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<sup>1</sup> SOURCE: U.S. Department of Education, National Center for Education Statistics, *Statistics of State School Systems; Revenues and Expenditures for Public Elementary and Secondary Education*; and Common Core of Data surveys as published in *Digest of Education Statistics 2001, 2002*, table 158.

<sup>2</sup>SOURCE: *The Funding Gap: Low-Income and Minority Students Receive Fewer Dollars*, The Education Trust , 2002, table 4: "State Revenue Only- by Districts serving highest and lowest numbers of Minority Students: Some States Exacerbate the Funding Gap: 1999-2000."

## Revenue Sources for Public Schools: National Averages



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<sup>3</sup> Private funds include all non-governmental private sources of funding, including grants from foundations and companies, gifts from individuals, and revenues from tuition and transportation fees. Due to rounding, total does not equal 100.

SOURCE: U.S. Department of Education, National Center for Education Statistics, *Statistics of State School Systems; Revenues and Expenditures for Public Elementary and Secondary Education*; and Common Core of Data surveys as published in *Digest of Education Statistics 2001, 2002*, table 157.