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Education Spending and Changing Revenue Sources

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Although school districts are the primary supplier of education services, they do not always have independent authority to set spending levels or raise revenues. The ability to set expenditure levels depends in part on the taxing authority of school districts. School districts in 36 states are designated independent, meaning they may generate their own revenues, usually by setting property tax rates. In the other states, some school districts are dependent on a city, town, or county to raise revenues. For example, most school districts in Connecticut, Massachusetts, and Rhode Island are city- or town-dependent, while districts in Maryland and North Carolina are primarily dependent on counties. Other states have a mix of both dependent and independent school districts, with dependent school districts generally found in larger cities. Most dependent school districts are on the East Coast.

State aid finances a growing share of school spending, with reliance on property tax — the traditional source of revenues — diminishing. Nationally, state aid increased from 44 percent of education expenditures in 1972 to 56 percent in 2002, with much of the shift to state aid occurring in the 1970s. However, the shift masks differences across school districts. For the 36 states that contain primarily independent school districts, state aid increased from 46 percent in 1972 to 60 percent in 2002, offsetting a decline in property tax revenues from 49 percent to 34 percent (not shown). A similar shift occurred in states with both dependent and independent school districts, although the change has been less dramatic. For county-dependent school districts in Maryland and North Carolina, however, state aid has remained roughly constant at about 60 percent of total funding.

Real per capita school spending increased by about 50 percent between 1972 and 2002. Spending levels fell in the late 1970s and early 1980s, reflecting declines in student populations and funding that grew more slowly than inflation. However, those real declines were reversed by the mid-1980s.

Changes in School Financing by Type of School District				
Percentage of Total Education Expenditures From State Aid				
	1972	1982	1992	2002
United States	44.3	56.6	54.4	56.4
City Dependent	25.7	37.9	37.0	41.2
County Dependent	58.4	62.6	56.8	61.0
Independent	45.6	60.1	58.5	59.7
Other	43.5	48.9	45.1	49.2
Real Per Capita Total Education Expenditures (\$2002)				
	1972	1982	1992	2002
United States	\$960	\$851	\$1,136	\$1,428
City Dependent	\$1,022	\$854	\$1,204	\$1,627
County Dependent	\$897	\$798	\$1,060	\$1,279
Independent	\$917	\$834	\$1,084	\$1,362
Other	\$1,096	\$915	\$1,346	\$1,699

Notes: City Dependent states are CT, MA, and RI. County Dependent states are NC and MD. Other states are ME, NH, NJ, NY, TN, VA, and WI. Independent states include all other states except AK, DC, and HI, which are excluded from the categorical breakdowns.
Source: U.S. Bureau of the Census, *State and Local Government Finances*.



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