

**PRESENT LAW AND DATA RELATING TO
PRIMARY AND SECONDARY EDUCATION**

Scheduled for a Public Hearing
Before the
HOUSE COMMITTEE ON WAYS AND MEANS
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Prepared by the Staff
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INTRODUCTION

The House Committee on Ways and Means has scheduled a public hearing for October 25, 2023 on “Educational Freedom and Opportunity for American Families, Students, and Workers.” This document,¹ prepared by the staff of the Joint Committee on Taxation, describes present law provisions related to primary and secondary education. The document also presents data about primary and secondary school enrollment trends and the Federal government’s role in primary and secondary education finance.

¹ This document may be cited as follows: Joint Committee on Taxation, *Present Law and Data Relating to Primary and Secondary Education* (JCX-47-23), October 23, 2023. This document can be found on the Joint Committee on Taxation website at www.jct.gov. Unless otherwise indicated, all section references in this document are to the Internal Revenue Code of 1986, as amended (the “Code”).

I. PRESENT LAW PROVISIONS RELATED TO PRIMARY AND SECONDARY EDUCATION

A. Overview

Present law includes a variety of provisions that provide tax benefits to individual taxpayers for primary and secondary education expenses.² These provisions include income, wage, and gift tax exclusions for certain education expenses, such as the exclusion from gross income and wages for qualified tuition reductions³ and the gift tax exclusion for payments of certain educational expenses.⁴ Present law also includes tax benefits for saving for future education expenses, including qualified tuition programs,⁵ Coverdell education savings accounts,⁶ and qualified ABLE programs.⁷ These provisions are described in part I.B, below.⁸

Present law also includes a variety of tax benefits for education organizations, including K-12 and post-secondary schools. Certain of these benefits are described in part I.C, below.

² Primary and secondary education together refer to grades K-12.

³ Secs. 117(a) and 3121(a)(20).

⁴ Sec. 2503(e). In addition, present law provides an exclusion from gross income and from wages for employment tax purposes for employer-provided education assistance, if certain requirements are satisfied. Secs. 127 and 3121(a)(18).

⁵ Sec. 529.

⁶ Sec. 530.

⁷ Sec. 529A(b)(1).

⁸ In addition to the tax benefits described below, other exclusions from gross income are available that under limited circumstances may be allowed for certain primary or secondary education expenses, although they are more typically relevant for higher education expenses. For example, present law provides an exclusion from gross income and from wages for employment tax purposes for employer-provided education assistance, if certain requirements are satisfied. Secs. 127 and 3121(a)(18). An exclusion from gross income for the value of certain student loan indebtedness cancelled before December 31, 2026 is allowed under limited circumstances without regard to the level of education funded by the loan. Sec. 108(f)(5)(C), (D).

B. Tax Benefits Relating to Expenses for Primary and Secondary Education

1. Qualified tuition reduction

Present law provides an exclusion from gross income and wages for employment tax purposes for qualified tuition reductions for certain education provided to employees (and their spouses and dependents) of organizations described in section 170(b)(1)(A)(ii) (that is, institutions that normally maintain regular faculty and curriculum and have a regularly enrolled body of pupils or students in attendance at the place where the institutions' activities are regularly carried on).⁹ These institutions include K-12 schools. The education must be provided at the employing organization or another organization described in section 170(b)(1)(A)(ii).

This exclusion does not apply to any amount received by a student that represents payment for teaching, research, or other services by the student required as a condition for receiving the tuition reduction.

2. Gift tax exclusion for educational expenses

Under present law, gift tax is imposed on transfers of property by gift, subject to several exceptions. One exception is the gift tax annual exclusion of section 2503(b). Under this exclusion, a donor can transfer up to \$17,000 of property to each of an unlimited number of donees without incurring gift tax on such transfers.¹⁰

In addition to the gift tax annual exclusion, the Code provides that certain tuition payments are not considered transfers of property by gift for gift tax purposes.¹¹ This exclusion covers amounts paid on behalf of an individual as tuition to an educational organization described in section 170(b)(1)(A)(ii) (that is, an institution that normally maintains regular faculty and curriculum and has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on) for the education or training of such individual. No unlimited exclusion is permitted for books, supplies, dormitory fees, board, or other similar expenses that do not constitute direct tuition costs.¹² The exclusion applies only to direct transfers to the educational institution, not to reimbursements to donees for amounts paid by them for otherwise qualifying services, or to trusts to provide for the education of designated beneficiaries.¹³ This exclusion applies without regard to the relationship of the donor and donee.

⁹ Secs. 117(d) and 3121(a)(20).

¹⁰ The Code provides an amount of \$10,000 for the maximum gift tax annual exclusion, adjusted in \$1,000 increments for inflation occurring after 1997. The inflation-adjusted amount for 2023 is \$17,000.

¹¹ Sec. 2503(e).

¹² Treas. Reg. sec. 25.2503-6(b)(2).

¹³ Treas. Reg. sec. 25.2503-6(c), ex. 2.

3. Section 529 qualified tuition programs

A qualified tuition program is a program that a State, an agency or instrumentality of a State, or one or more eligible educational institutions establishes and maintains and under which a person may purchase tuition credits or certificates on behalf of a designated beneficiary that entitle the beneficiary to the waiver or payment of qualified higher education expenses of the beneficiary (a “prepaid tuition program”).¹⁴

In the case of a program established and maintained by a State or an agency or instrumentality of a State, a qualified tuition program also includes a program under which a person may make contributions to an account that is established for the purpose of satisfying the qualified higher education expenses of the designated beneficiary of the account.¹⁵

Under both types of qualified tuition programs, a contributor establishes an account (a “529 account”) for the benefit of a designated beneficiary to provide for that beneficiary’s education expenses.

Federal income tax benefits for 529 accounts include tax exemption for earnings on assets held in the account and tax exemption for distributions used to pay a beneficiary’s qualified higher education expenses.¹⁶ Like Coverdell education savings accounts and qualified ABLE programs (described below), a qualified tuition program is subject to unrelated business income tax.¹⁷ Under rules similar to those for qualified ABLE programs and Coverdell education savings accounts, when there are cash distributions from a 529 account, the portion of the distributions that is considered to be earnings on contributions to the account is includible in the gross income of the recipient of the distributions only to the extent that the total amount of cash distributions during the taxable year exceeds the qualified higher education expenses of the account beneficiary during that year.¹⁸ The income tax that is imposed on a recipient of a distribution that is included in the recipient’s gross income is, with certain exceptions, increased by 10 percent of the amount of the inclusion.¹⁹

Qualified higher education expenses include not only amounts paid for post-secondary education, but also, for certain purposes of section 529, expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school.²⁰ There is a \$10,000 limitation on the total amount of nontaxable cash distributions that may be

¹⁴ Sec. 529(b)(1)(A)(i).

¹⁵ Sec. 529(b)(1)(A)(ii).

¹⁶ Sec. 529(c).

¹⁷ Sec. 529(a).

¹⁸ Sec. 529(c)(3)(A), (B)(iii).

¹⁹ Sec. 529(c)(6).

²⁰ Sec. 529(c)(7).

made in a taxable year from all 529 accounts established for a beneficiary to pay for that beneficiary's elementary or secondary school tuition.²¹

4. Coverdell education savings accounts

A Coverdell education savings account is a trust or custodial account created exclusively for the purpose of paying qualified education expenses of a named beneficiary.²² Annual contributions to a Coverdell education savings account may not exceed \$2,000 and may not be made after the designated beneficiary reaches age 18 (except in the case of a special needs beneficiary).²³ A contributor's contribution limit is reduced ratably to \$0 over a \$30,000 income range starting at \$190,000 of modified adjusted gross income in the case of a married taxpayer filing a joint return and over a \$15,000 income range starting at \$95,000 of modified adjusted gross income for any other taxpayer.²⁴

A Coverdell education savings account is subject to the unrelated business income tax but is otherwise exempt from income tax.²⁵ Generally, when there is a distribution from a Coverdell education savings account, the portion of the distribution that is considered to be earnings on contributions to the account is includible in the gross income of the recipient of the distribution only to the extent that the total amount of distributions during the taxable year exceeds the qualified education expenses of the account beneficiary during that year.²⁶ The income tax that is imposed on a recipient of a distribution that is included in the recipient's gross income is, with certain exceptions, increased by 10 percent of the amount of the inclusion.²⁷

Tax-free transfers or rollovers of account balances from one Coverdell education savings account benefiting one beneficiary to another Coverdell education savings account benefiting another beneficiary (as well as redesignations of the named beneficiary) are permitted if the new beneficiary is a member of the family of the earlier beneficiary and (except in the case of a special needs beneficiary) is under age 30.²⁸ In general, any balance remaining in a Coverdell education savings account is deemed to be distributed within 30 days after the date on which the

²¹ Sec. 529(e)(3)(A).

²² Sec. 530.

²³ Sec. 530(b)(1)(A) (including applicable flush language of paragraph (b)(1)).

²⁴ Sec. 530(c).

²⁵ Sec. 530(a).

²⁶ Sec. 530(d)(1), (2).

²⁷ Sec. 530(d)(4).

²⁸ Sec. 530(d)(5).

beneficiary reaches age 30 (or, if the beneficiary dies before attaining age 30, within 30 days of the date on which the beneficiary dies).²⁹

Qualified education expenses include qualified higher education expenses within the meaning of section 529(e)(3) and qualified elementary and secondary education expenses.³⁰ The term “qualified elementary and secondary education expenses” means expenses for: (1) tuition, fees, academic tutoring, special needs services, books, supplies, and other equipment incurred in connection with the enrollment or attendance of the beneficiary at a public, private, or religious school providing elementary or secondary education (kindergarten through grade 12) as determined under State law; (2) room and board, uniforms, transportation, and supplementary items and services (including extended day programs) required or provided by such a school in connection with the beneficiary’s enrollment or attendance; and (3) the purchase of any computer technology or equipment or Internet access and related services, if the technology, equipment, or services are to be used by the beneficiary and the beneficiary’s family during any of the years the beneficiary is in elementary or secondary school.³¹ Computer software primarily involving sports, games, or hobbies is not considered a qualified elementary and secondary school expense unless the software is predominantly educational in nature.³²

5. Qualified ABLÉ programs

A qualified ABLÉ program is a program that, among other requirements, is established and maintained by a State or an agency or instrumentality of a State and that allows a person to make contributions to an account (an “ABLE account”) for paying the qualified disability expenses of the designated beneficiary of the account.³³

An individual may be a designated beneficiary of an account only if, among other requirements, the individual is entitled to benefits based on blindness or disability under title II or XVI of the Social Security Act and the blindness or disability occurred before the individual attained age 26.³⁴

²⁹ Sec. 530(b)(1)(E), (d)(8).

³⁰ Sec. 530(b)(2)(A).

³¹ Sec 530(b)(3).

³² Sec. 530(b)(3)(A) (flush language).

³³ Sec. 529A(b)(1).

³⁴ Sec. 529A(e)(1), (3).

Qualified disability expenses are any expenses related to an ABLE account designated beneficiary's blindness or disability that are paid for the benefit of that beneficiary.³⁵ These expenses include, among other listed items, education expenses.³⁶

The amount of contributions that may be made to an ABLE account in a taxable year generally is limited to the gift tax annual exclusion in effect for that year (\$17,000 for 2023).³⁷

Income tax benefits for a qualified ABLE program include exemptions for earnings on amounts held in an ABLE account and for distributions from the account that do not exceed the qualified disability expenses of the designated beneficiary of the account.³⁸ Like section 529 qualified tuition programs and Coverdell education savings accounts, a qualified ABLE program is subject to unrelated business income tax.³⁹ Under rules similar to those for qualified tuition programs and Coverdell education savings accounts, when there is a distribution from a qualified ABLE account, the portion of the distribution that is considered to be earnings on contributions to the account is includible in the gross income of the recipient of the distribution only to the extent that the total amount of distributions during the taxable year exceeds the qualified disability expenses of the account beneficiary during that year.⁴⁰ The income tax that is imposed on a recipient of a distribution that is included in the recipient's gross income is, with certain exceptions, increased by 10 percent of the amount of the inclusion.⁴¹

³⁵ Sec. 529A(e)(5).

³⁶ *Ibid.*

³⁷ Sec. 529(b)(2)(B)(i).

³⁸ Sec. 529A(a), (c).

³⁹ Sec. 529A(a).

⁴⁰ Sec. 529A(c)(1)(A), (B).

⁴¹ Sec. 529A(c)(3).

C. Tax Benefits for Educational Organizations and Donors

1. Tax exemption for educational organizations

Charitable and educational organizations described in section 501(c)(3) generally are exempt from Federal income tax on contributions received, income from activities that are substantially related to the purpose of the organization's tax exemption, and investment income.⁴² A charitable or educational organization must operate primarily for one or more tax-exempt purposes constituting the basis of its tax exemption.⁴³ The term "charitable" includes, for purposes of section 501(c)(3), the advancement of education or science.⁴⁴ The term "educational," as used in section 501(c)(3), relates to the instruction or training of individuals for the purpose of improving or developing their capabilities, or the instruction of the public on subjects useful to individuals and beneficial to the community.⁴⁵

The following types of organizations may qualify as educational within section 501(c)(3): (1) an organization, such as a primary or secondary school, a college, or a professional or trade school, that has a regularly scheduled curriculum, a regular faculty, and a regularly enrolled student body in attendance at a place where the educational activities are regularly carried on; (2) an organization whose activities consist of conducting public discussion groups, forums, panels, lectures, or other similar programs; (3) an organization that presents a course of instruction by correspondence or through the use of television or radio; (4) a museum, zoo, planetarium, symphony orchestra, or other similar organization; and (5) a nonprofit children's day care center.⁴⁶ In addition, college athletic organizations that promote certain aspects of athletic competition have generally been held to be educational and, thus, exempt under section 501(c)(3). The exemption is based on the principle that an athletic program conducted for the physical development and betterment of the students is an integral part of a university's overall educational activities.

Notwithstanding its tax-exempt status, a section 501(c)(3) organization generally must pay tax on income derived from a regularly carried on trade or business that is unrelated to the organization's exempt purposes. This system of taxation for unrelated income of otherwise tax-exempt organizations is sometimes referred to as the unrelated business income tax, or UBIT.⁴⁷

⁴² Private foundations, a subset of section 501(c)(3) organizations, are subject to an excise tax on net investment income of 1.39 percent. Sec. 4940.

⁴³ Treas. Reg. sec. 1.501(c)(3)-1(c)(1).

⁴⁴ Treas. Reg. sec. 1.501(c)(3)-1(d)(2).

⁴⁵ Treas. Reg. sec. 1.501(c)(3)-1(d)(3).

⁴⁶ *Ibid.*

⁴⁷ See secs. 511-515.

2. Charitable contribution deduction

In computing taxable income, an individual taxpayer who itemizes deductions or a corporate taxpayer generally is allowed to deduct the amount of cash and the fair market value of property contributed to an organization described in section 501(c)(3) or to a Federal, State, or local governmental entity, including to most educational organizations.⁴⁸

The amount of the deduction allowable for a taxable year with respect to a charitable contribution of property may be reduced or limited depending on the type of property contributed, the type of charitable organization to which the property is contributed, and the income of the taxpayer.⁴⁹ For individual taxpayers, more generous charitable contribution deduction rules apply to gifts made to public charities, such as most tax-exempt schools, than to gifts made to private foundations. Contributions of cash to a public charity generally are deductible up to 60 percent⁵⁰ of the donor's adjusted gross income ("AGI")⁵¹ (30 percent for capital gain property, and 50 percent for non-capital gain property other than cash), whereas contributions to most private foundations generally are deductible up to 30 percent of the donor's AGI (20 percent for capital gain property).⁵² For corporate taxpayers, the deductible amount of charitable contributions generally is limited to 10 percent of taxable income.⁵³ For all taxpayers, gifts of capital gain property to a public charity generally are deductible at the property's fair market value,⁵⁴ whereas gifts of capital gain property (other than publicly traded stock) to most private foundations are deductible at the taxpayer's basis (cost) in the property.⁵⁵

In general, if a donor receives a benefit or *quid pro quo* in return for a contribution, any charitable contribution deduction is reduced by the amount of the benefit received. For example, amounts paid for tuition are not deductible as a charitable contribution.

⁴⁸ Within certain limitations, donors also are entitled to deduct such contributions for estate and gift tax purposes. See secs. 2055 and 2522.

⁴⁹ Sec. 170(b) and (e).

⁵⁰ For contributions made in taxable years beginning after December 31, 2025, the 60-percent limit is reduced to 50 percent. Sec. 170(b)(1)(G)(i).

⁵¹ The charitable percentage limits are applied to the donor's "contribution base," which is the donor's AGI computed without regard to any net operating loss carryback to the taxable year under section 172. Sec. 170(b)(1)(H).

⁵² Sec. 170(b)(1).

⁵³ Sec. 170(b)(2).

⁵⁴ Sec. 170(e)(1). However, contributions of tangible personal property not for an exempt purpose of the donee organization are deductible at the taxpayer's basis in the property. Sec. 170(e)(1)(B)(i). A special rule determines the aggregate deduction for contributions of certain intellectual property. Secs. 170(e)(1)(B)(iii) and 170(m).

⁵⁵ Sec. 170(e)(1)(B)(ii) and 170(e)(5).

A donor who claims a deduction for a charitable contribution must maintain reliable written records regarding the contribution, regardless of the value or amount of the contribution. In the case of a charitable contribution of money (regardless of the amount), applicable recordkeeping requirements are satisfied only if the donor maintains as a record of the contribution a bank record or a written communication from the donee showing the name of the donee organization, the date of the contribution, and the amount of the contribution.⁵⁶ In addition, a charitable deduction generally is not allowed for a contribution of \$250 or more unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgement of the contribution by the donee organization. Such acknowledgement must include the amount of cash and a description (but not value) of any property other than cash contributed, whether the donee provided any goods or services in consideration for the contribution, and a good faith estimate of the value of any such goods or services.⁵⁷ Additional substantiation rules apply to contributions for which deductions of more than \$500 and more than \$5,000 are claimed.⁵⁸

3. Tax-exempt financing for facilities and activities of educational organizations

In general

Interest on bonds issued by State and local governments generally is excluded from gross income for Federal income tax purposes.⁵⁹ Because the interest income is excluded from gross income, investors generally are willing to accept a lower return on tax-exempt bonds than they might otherwise accept on a taxable investment. This, in turn, lowers the borrowing cost for the beneficiaries of tax-exempt financing.

Bonds issued by State and local governments may be classified as either governmental bonds or private activity bonds.

Governmental bonds

Governmental bonds are bonds the proceeds of which are primarily used to finance governmental functions or which are repaid with governmental funds. Like other activities carried out and paid for by State and local governments, the construction, renovation, and operation of public schools are activities eligible for financing with the proceeds of tax-exempt, governmental bonds.

Qualified private activity bonds

Private activity bonds are bonds in respect of which a State or local government serves as a conduit to provide financing to nongovernmental persons. For these purposes, the term

⁵⁶ Sec. 170(f)(17).

⁵⁷ Sec. 170(f)(8).

⁵⁸ Sec. 170(f)(11).

⁵⁹ Sec. 103(a).

“nongovernmental person” generally includes the Federal government and all other individuals and entities, including section 501(c)(3) organizations, other than States or local governments. Present law provides two tests for determining whether a State or local bond is in substance a private activity bond, the private business test and the private loan test.⁶⁰ The exclusion from income for interest on State and local bonds does not apply to private activity bonds unless the bonds are issued for certain permitted purposes (“qualified private activity bonds”) and other Code requirements are met.⁶¹ Qualified private activity bonds that benefit educational institutions include qualified 501(c)(3) bonds and bonds for qualified public educational facilities.⁶²

In most cases, the aggregate volume of qualified private activity bonds is restricted by annual aggregate volume limits imposed on bonds issued by issuers within each State (the “State volume cap”). Certain types of private activity bonds are exempted from the annual State volume cap. For 2023, the State volume cap is the greater of \$120 multiplied by the State population, or \$358,845,000.⁶³

Qualified 501(c)(3) bonds

One type of qualified private activity bond is a bond issued by a State or local government to finance the activities of an organization described in section 501(c)(3) (“qualified 501(c)(3) bonds”). All property financed by the net proceeds of qualified 501(c)(3) bonds must be owned by a section 501(c)(3) organization or a State or local governmental unit. In addition, at least 95 percent of the net proceeds of qualified 501(c)(3) bonds generally must be used to finance projects or activities that further the exempt purposes of the section 501(c)(3) organization, as contrasted with unrelated trade or business activities under section 513(a). The beneficiaries of this type of financing frequently are private, nonprofit hospitals and private, nonprofit colleges and universities. Both capital expenditures and limited working capital expenditures of charitable organizations described in section 501(c)(3) may be financed with qualified 501(c)(3) bonds. Qualified 501(c)(3) bonds are not subject to the State volume cap.

Bonds for qualified public educational facilities

States or local governments may issue qualified private activity bonds to finance certain types of exempt facilities, including qualified public educational facilities. Qualified public educational facilities are public elementary and secondary school facilities that are owned by private, for-profit corporations pursuant to public-private partnership agreements with a State or local educational agency. The term “school facility” includes school buildings and functionally

⁶⁰ Secs. 141(b) and (c).

⁶¹ Sec. 141(e). Qualified private activity bonds also include exempt facility bonds; qualified mortgage or veterans’ mortgage bonds; small issue bonds, redevelopment bonds, and student loan bonds; and qualified 501(c)(3) bonds.

⁶² A separate category of private activity bonds – qualified student loan bonds – may be used to finance higher education student loans. Sec. 144(b).

⁶³ Rev. Proc. 2022-38, 2022-451 I.R.B. 445, p. 452.

related and subordinate land (including stadiums or other athletic facilities primarily used for school events) and depreciable personal property used in the school facility. The school facilities for which these bonds are issued must be operated by a public educational agency as part of a system of public schools. These bonds are subject to a separate annual volume cap equal to the greater of \$10 multiplied by the State population, or \$5 million.⁶⁴

4. Tax credit bonds for educational institutions under prior law

Certain tax-credit bonds (“qualified tax-credit bonds”) issued before 2018 provide Federal income tax credits to investors to replace a prescribed portion of the interest cost. Unlike tax-exempt bonds, qualified tax-credit bonds generally are not interest-bearing obligations. Rather, the taxpayer holding a qualified tax-credit bond on a credit allowance date is entitled to a tax credit in an amount measured by reference to the credit rate set by the Department of the Treasury. Qualified tax credit bonds for educational institutions include qualified zone academy bonds (“QZABs”),⁶⁵ and qualified school construction bonds.⁶⁶ The authority to issue new tax credit bonds was repealed by Public Law 115-97, also known as the Tax Cuts and Jobs Act of 2017, effective for bonds issued after December 31, 2017.

⁶⁴ Sec. 142(k)(5).

⁶⁵ Prior law sec. 54E. A school is a “qualified zone academy” if (1) the school is a public school that provides education and training below the college level, (2) the school operates a special academic program in cooperation with businesses to enhance the academic curriculum and increase graduation and employment rates, and (3) either (a) the school is located in an empowerment zone or enterprise community designated under the Code, or (b) it is reasonably expected that at least 35 percent of the students at the school will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

⁶⁶ Prior law sec. 54F. Qualified school construction bonds must meet three requirements: (1) 100 percent of the available project proceeds of the bond issue is used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a bond-financed facility is to be constructed; (2) the bond is issued by a State or local government within the jurisdiction of which such school is located; and (3) the issuer designates such bonds as a qualified school construction bond.

II. BACKGROUND DATA RELATING TO PRIMARY AND SECONDARY EDUCATION

The role of the Federal government in primary and secondary education finance

The Federal government supports K-12 educational institutions through a variety of tax and expenditure programs. On the expenditure side, State and local governments provide the largest share of total revenues for K-12 education (92.4 percent of total revenues in fiscal year 2020), with the Federal government providing a much smaller portion (7.6 percent of total revenues in fiscal year 2020).⁶⁷ Table 1 shows the Federal government share of total expenditures ranges from 8.3 percent of total revenues in fiscal year 2015 to 7.6 percent of total revenues in fiscal year 2020.⁶⁸ Federal direct expenditures to elementary and secondary schools most often take the form of institutional categorical funds targeted to specific uses or programs. For example, the Federal government provides aid to States for elementary and secondary school programs such as Title I; special education; math, science, and teacher quality; drug education; vocational education; nutrition; and bilingual education programs. States then distribute these funds to local districts, usually according to State-specific funding formulas.

⁶⁷ U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), “National Public Education Financial Survey (NPEFS),” selected years.

⁶⁸ The Education Stabilization Fund (“ESF”) was established by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) in March 2020, with subsequent allocations to the Fund codified through the Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSA Act”) and the American Rescue Plan Act (“ARP Act”). A total of \$189.5 billion was awarded to State educational agencies for elementary and secondary education relief, including \$13.23 billion in the CARES Act, \$54.31 billion in the CRRSA Act, and \$121.97 billion in the ARP Act. See <https://covid-relief-data.ed.gov/>.

Revenue amounts from Federal sources in 2020 listed in this document include amounts received from funds authorized by the CARES Act. However, although the CARES Act was enacted in March 2020, local education agencies (“LEAs”) do not begin receiving Federal funds that flow through the State until after allocations are made by the Federal government, assurances and certifications are signed and awards are made by the State, and reimbursement for expenditures is requested by the LEA. Because of this process, there is a lag between the time when the funds are appropriated and when the LEAs record the amounts as revenues. Most States end their fiscal year on June 30; therefore, the amounts reported for fiscal year 2020 are expected to be only a small portion of the total amounts allocated to LEAs. Given variations in accounting methods and timelines for awarding these funds, many States and LEAs did not record any CARES Act revenues in fiscal year 2020.

**Table 1.—Source of Revenues for Public Elementary and Secondary Education for the United States, Fiscal Years 2015 to 2020
(in billions of dollars)**

Year	Federal	State	Local	Total	Federal as a share of Total Percentage
2015	61.8	350.0	335.3	747.9	8.3
2016	62.1	359.3	342.9	764.3	8.1
2017	60.8	364.8	353.1	778.7	7.8
2018	62.7	370.9	360.9	794.5	7.9
2019	61.3	368.8	352.9	783.0	7.8
2020	60.4 ¹	377.3	356.8	794.5	7.6

Note: Amounts are adjusted for inflation and stated in 2020-21 dollar values.

¹ Revenue from Federal sources in 2020 include amounts received from funds authorized by the CARES Act. However, due to a lag between the time when the funds are appropriated and when State and local agencies record the amounts as revenues, many State and local agencies did not record CARES Act revenues in 2020.

Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), “National Public Education Financial Survey (NPEFS), selected years.

The Federal government also supports K-12 education through a variety of tax preferences. As described above, these include the deduction for charitable contributions and the exclusion of interest on State and local government bonds. The staff of the Joint Committee on Taxation provides estimates of these and other education-related Federal tax expenditures annually.⁶⁹ Published estimates generally include the estimated value of preferences for K-12 education together with post-secondary education.

Enrollment

A large majority of K-12 and preschool students are enrolled in public (versus private) schools. In the 2021-22 school year, total public K-12 and preschool enrollment was 49,433,092 students, of which approximately 34 million were in primary school (preschool and grades K through 8) and 15 million were in secondary school (grades 9 through 12).

Table 2 shows steady growth in enrollment in public schools over much of the previous decade followed by a three percent drop (1.4 million students) in 2020, the first school year after the coronavirus pandemic began. Enrollment between the 2019-20 and 2020-21 school years dropped 22 percent (0.4 million students) for preschool students, nine percent (0.3 million students) for kindergarten students, and three percent (0.8 million students) for students in grades 1 through 8. By contrast, enrollment for students in grades 9 through 12 increased slightly from 15.2 million students for school year 2019-20 to 15.3 million students for school year 2020-21.

⁶⁹ Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2022-2026* (JCX-22-22), December 22, 2022.

Table 2.—Public school enrollments, school years 2010-11 through 2021-22

Year	Total Public	Pre-K to Grade 8	Grades 9 to 12
2010-11	49,484,181	34,624,530	14,859,651
2011-12	49,521,669	34,772,751	14,748,918
2012-13	49,771,118	35,017,893	14,753,225
2013-14	50,044,522	35,250,792	14,793,730
2014-15	50,312,581	35,369,694	14,942,887
2015-16	50,438,043	35,387,986	15,050,057
2016-17	50,615,189	35,477,332	15,137,857
2017-18	50,685,567	35,496,055	15,189,512
2018-19	50,694,061	35,497,748	15,196,313
2019-20	50,796,445	35,550,583	15,245,862
2020-21	49,374,751	34,061,242	15,313,510
2021-22	49,433,092	33,997,563	15,435,529

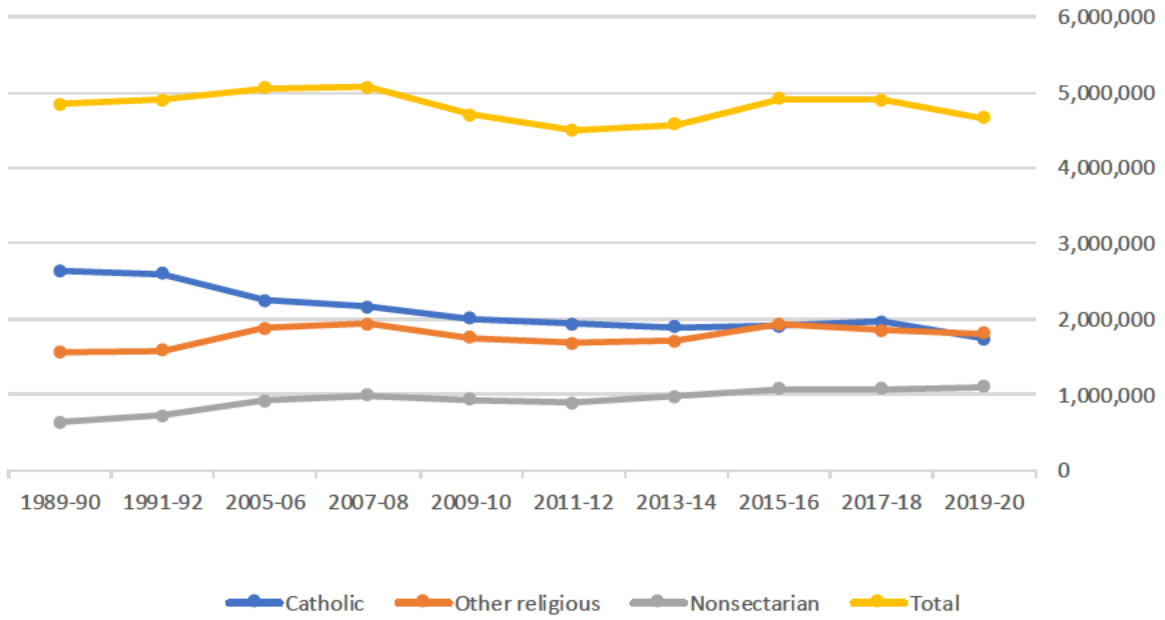
Note: Enrollments are measured in the Fall of the school year indicated.

Sources: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), “State Nonfiscal Survey of Public Elementary/Secondary Education,” 2010–11 through 2021–22; and National Elementary and Secondary Enrollment Projection Model, through 2031. See Digest of Education Statistics 2022, table 203.10.

Approximately 4.7 million K-12 students were enrolled at private schools in the 2019-20 school year. Of these, 37 percent were enrolled at Catholic schools, 39 percent at other religious⁷⁰ schools, and 24 percent at nonsectarian private schools. Figure 1 shows trends in enrollment over prior years. Total K-12 private school enrollment has hovered around five million since at least 1989-90, but the composition of school types has shifted over time with a relative decline in Catholic school enrollments and increases in other religious and nonsectarian school enrollments over this period.

⁷⁰ The category, “other religious,” includes schools with the following religious orientations: African Methodist Episcopal, Amish, Assembly of God, Baptist, Brethren, Calvinist, Christian (unspecified), Church of Christ, Church of God, Church of God in Christ, Church of the Nazarene, Disciples of Christ, Episcopal, Friends, Greek Orthodox, Islamic, Jewish, Latter Day Saints, Lutheran Church- Missouri Synod, Evangelical Lutheran Church in America, Wisconsin Evangelical Lutheran Synod, Other Lutheran, Mennonite, Methodist, Pentecostal, Presbyterian, Seventh-Day Adventist, and others.

Figure 1.—Trends in Private School K-12 Enrollments, 1989-2019



Source: NCES Private School Universe Survey (PSS), various years.