

Financing Public Education in Brazil: The Constitutional Framework

By Nina Beatriz Stocco Ranieri, Ph.D.



The Brazilian government plays a significant role in both public and private education. It plans, establishes, and implements policies and legislates, regulates, finances, and subsidizes teaching and research. At the same time, the federal government in Brazil maintains public schools; authorizes, recognizes, accredits, and supervises courses and institutions; evaluates students, courses, and institutions nationwide; and interferes in the organization of teaching.

This structure presents an interesting contrast to the U.S. federal government's role in education funding and is worth examining.

Brazil's Federal Constitution of 1988 establishes the incumbencies of

local, regional, and federal governments concerning education.¹ Because the Brazilian government's priority, as established in the constitution, is the universalization of free fundamental education, a legal framework for financing education has been conceived to achieve this goal and has been implemented using public funds.

The general rule of this legal framework guarantees the public resources for education by a binding percentage of tax revenue; Article 212 of the Federal Constitution

¹The Federative Republic of Brazil (the union) embodies three distinct kinds of political entities: the states, the municipalities, and the federal district.

states that the union shall apply no less than 18% and the states, the federal district, and the municipalities, at least 25% of the tax revenues annually. At the same time, education and health are the only public social areas that are specially treated by this form of binding resources to tax revenue.

Article 167 of the Federal Constitution clearly makes an exception of the prevailing prohibition of binding tax revenues to a public agency, fund, or expense. Article 218 provides that the states and the federal district may allocate a share of their budgetary revenues to public entities that foster scientific and technological education and research. These percentages are mandatory and when not applied accordingly demand interference by the union in the states, and likewise the states in the municipalities, which is permitted by the constitution. This is one of the rare situations in which the federal autonomy of each entity can be breached.

In 1996, the constitution was amended to impose an obligatory allocation of 60% of these resources to universalize fundamental education and improve teacher salaries. In December 2006, the constitution was amended again to extend these goals to basic education (primary and intermediate). Both these amendments created temporary funds for the maintenance and development of education with a redistributive objective; the former established the Fund for the Maintenance and Develop-

ment of the Fundamental Education (FUNDEF), originally aimed solely at primary education, and the Fund for Maintenance and Development of Basic Education (FUNDBE), extended to cover preschool and basic education, replacing FUNDEF.

Allocation and Distribution

The core of the idea of establishing a single education fund, such as FUNDEF and FUNDEB, was to rationalize the allocation of public education resources and to distribute the responsibilities and resources among the states and the municipalities. More specifically, the resources of the fund are to be distributed according to the number of students enrolled annually in the public schools maintained by each government entity, based on a minimum value per student established by the federal government. The union is obliged to supplement the fund whenever the nationally set minimum value per student is not reached by the responsible government entities. The distribution of the resources will also prioritize enrollments from the first to the eighth grade of basic schooling.

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The new education fund, FUNDEB, is foreseen to last 14 years, when the target of 47.2 million students enrolled in basic education is achieved; it does not oblige the states, the federal district, and the municipalities from applying the remaining stipulated percentage.

The FUNDEF experience deserves some considerations though. Despite the criticism that the effect of FUNDEF was less than expected—due to difficulties and limitations arising from both its conception and structure, as well as more general circumstances inherent in the social and political context of Brazil—FUNDEF has achieved many of its goals. There was a significant increase in the total number of enrolled pupils; according to the Brazilian Institute of Geography and Statistics,



between 1995 and 2005, the percentage of children between the ages of 7 and 14 not in school decreased from 9.8% to 2.6%; from the ages of 15 to 17, the decrease was from 33.4% to 18%.

It also has had an important effect on basic education, principally by changing the educational level of the teachers, increasing the school periods and the number of teachers, and reducing the number of students falling behind. FUNDEF also prioritized expenditures on teachers and students instead of expenditures on infrastructure, and has especially benefitted areas lagging behind the rest of the country, like the Northeast and the cities with a low life conditions index.

Quantity and Quality

FUNDEF illustrates an important and successful case of decentralizing the federal fiscal resources in a country with a long tradition of centralized federalism. These findings are sustained by the comparative analyses of former finance data, such as those presented in “Critical Reexamination of the Revenue Standard and of the Spending on Education in Brazil in 1995” by the Brazilian Institute of Applied Economic Research.

According to this document, in 1995, and before FUNDEF, the tributary revenue represented approxi-

mately 30% of the gross domestic product (GDP), of which the union received 66%, the states 29%, and the municipalities 4%. When intergovernmental transfers are taken into consideration, the participation of the municipalities reached 17%, while the participation of the states was almost unaltered. At that time, in the richer states, and in almost all state capitals, the largest source of financing corresponded to state taxation.

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National expenditure on education in 1995 reached about R\$39 billion, or 5.97% of the GDP, which corresponded to US\$275, per inhabitant, or US\$966 per student in the private and public school network; public funds represented more than 80% of the total spending, reaching R\$31.9 billion (4.85% of GDP). Of this amount, the states contributed 47% and the municipalities 29%. In conclusion, according to the report, “The national resources applied in education are not meager, especially in the public system. . . . In other words, in the debate over the finance of education, the most important issue is not how much is spent or how much more should have been spent, but how it is spent; that is to say that the biggest problems are related more to the quality than to the quantity of resources applied in education.”

FUNDEF gave priority to financing primary education, followed by intermediate education. (The new FUNDEB extended financing to preschool and secondary education.) Hence, the entire binding municipal budget for education (a minimum of 25%) must be reverted to obligatory primary education until it is universalized. Once this goal has been reached, up to 40% of the binding resources can be allocated to preschool education.

For the states and the federal district, apart from the mandatory resources destined to primary education, the remaining educational budget (40% of the constitutionally imposed 25%) must be applied to intermediate schooling, aiming at universalizing it. Therefore, public higher education is funded by nonbinding resources for education.

In the state of São Paulo, the state constitution stipulates that 30% of the state’s tax revenues must be used

for all levels of education; so 5% more than the mandatory percentage established in the Federal Constitution, which, in turn, reverts to higher education. In other parts of the country where the federal government has to provide higher education; there are 53 federal universities in Brazil.

On the other hand, in spite of the significant advance in universalizing primary education between 1995 and 2005, FUNDEF has had little effect on the quality of education. This conclusion is based on the results of the evaluation of basic education carried out in February 2007 by the Ministry of Education, through the National System of Evaluating Basic Education (Sistema Nacional de Avaliação da Educação Básica). Still, as reflected by the results of the National Exam of Secondary Education, there has been no improvement in the quality of either basic or secondary education.

Focus on Education

Financing public education in Brazil is made possible through a mechanism that combines binding investments at each level of government with a national educational fund (FUNDEB). This approach allows for decentralizing responsibilities and fiscal resources in the country. This decentralization is upheld by constitutional norms that promote a division of incumbencies among all the federate entities (the union, states, and municipalities), combining national, regional, and local responsibilities with general duties. This cooperation, in a very centralized Brazilian federalism, is an exception. In this sense, the nonattribution of exclusive duties to the union reinforces its coordinating role in the educational system.

Brazil’s recent experience with FUNDEF proves that there is room for improvement in the mechanism adopted. Such an improvement is necessary not only to decentralize revenue and universalize basic education but also to invest in teacher education, aiming at better quality in public schooling, and, consequently, better academic standards. The strategic point of the constitutional provisions is the progressive extension of the concept of basic education to include preschool, primary, and intermediate education as obligatory and free for all.

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