



Rockefeller Institute Policy Brief

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STATE FISCAL REPORT: STATE-SPECIFIC DATA REVEAL GROWING DIFFERENCES IN EDUCATION RESOURCES SINCE THE LAST RECESSION

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Total revenues supporting K-12 education — after factoring in inflation and changes in the number of students — fell in most states between 2002 and 2005. These overall revenue declines were driven largely by reductions in state support for K-12 education. Increases in revenues from the federal government and local governments compensated for some of the state-level cuts in many states. However, states varied greatly in their revenue patterns after the recession of 2001-02. Traditionally low spending states were more likely to experience total revenue reductions between 2002 and 2005 than were traditionally high spending states, a development that exacerbated inequalities in education resources in the U.S.

This brief supplements the recent Rockefeller Institute report, “K-12 Education Spending by State and Local Governments: Drop in State Revenues Continued in 2005.”¹ That report describes broad changes over time. This report provides state-specific information on changes in K-12 revenues since the end of the last recession, from 2002 to 2005.

Table 1 shows that, in the U.S. as a whole, total K-12 revenues per pupil dropped by \$154 (in 2005 dollars) between 2002 and 2005.² Most of that decline was due to cuts in state government funding, which fell \$321 over this three-year period. Local and federal revenues per pupil countered some of the effects of the state cuts, as they increased by \$48 and \$119, respectively.

Table 1 also shows how K-12 revenues fared in each state between 2002 and 2005. The prior report found that state revenues declined the most in states that had traditionally spent less on K-12 education on a per pupil basis. To follow up this finding, the states in Table 1 are sorted according to

1 Report may be accessed at <http://www.rockinst.org/WorkArea/showcontent.aspx?id=11942>.

2 Revenues and expenditures in this report are adjusted with Price Indices for State and Local Government Consumption Expenditures and Gross Investments for K-12 Education and are expressed in 2005 dollars.

Table 1. Changes in K-12 Revenues Per Pupil Between 2002 and 2005 (2005 Dollars)

Cells represent real (inflation adjusted) changes in per pupil revenues between 2002 and 2005.

States are ranked according to their average spending levels prior to this period (1992-2002).

<i>States</i>	<i>Changes in Revenues, 2002-05</i>				<i>Average K-12 Education Spending Per Pupil, 1992-2002</i>
	<i>State Revenue Per Pupil</i>	<i>Local Revenue Per Pupil</i>	<i>Federal Revenue Per Pupil</i>	<i>Total Revenue Per Pupil</i>	
New Jersey	398	539	54	991	14,875
New York	-129	1,192	241	1,304	14,046
Vermont	2,493	-2,127	193	559	13,532
Alaska	-109	58	113	61	12,939
Connecticut	-85	97	110	122	12,617
Pennsylvania	14	461	150	625	11,752
Michigan	-1,199	7	28	-1,164	11,266
Massachusetts	34	-77	72	29	11,240
Delaware	-9	264	46	301	10,802
Minnesota	629	-1,119	80	-411	10,773
Wisconsin	-645	273	62	-310	10,704
Rhode Island	-138	200	236	298	10,405
Maryland	101	-45	67	123	10,249
Maine	-208	403	214	409	9,898
Indiana	-31	643	89	701	9,764
Illinois	-400	-46	72	-374	9,699
Wyoming	1,114	90	270	1,475	9,698
New Hampshire	-1,037	1,604	135	702	9,590
Oregon	-1,178	170	72	-936	9,473
Washington	-486	-69	46	-509	9,450
Ohio	-364	-154	161	-357	9,293
Iowa	-364	-63	108	-319	9,245
Virginia	56	102	64	222	9,194
Nebraska	-503	126	226	-151	9,133
Hawaii	270	55	225	550	8,944
West Virginia	-207	-185	118	-274	8,930
Nevada	-149	51	133	34	8,825
Colorado	15	-229	87	-127	8,824
Florida	-201	321	63	183	8,798
California	-295	-309	178	-425	8,726
Georgia	-859	-109	173	-795	8,559
Kansas	-586	130	66	-390	8,540
Texas	-640	3	116	-521	8,532
Missouri	-222	-91	76	-237	8,407
South Carolina	-874	175	62	-637	8,238
North Carolina	-563	-72	126	-510	8,089
Montana	-285	41	148	-96	8,029
North Dakota	81	44	265	390	7,925
Arizona	-340	-254	102	-491	7,909
Kentucky	-233	22	97	-115	7,734
South Dakota	-350	50	256	-43	7,613
New Mexico	-182	-48	198	-33	7,427
Oklahoma	-493	-19	150	-362	7,394
Louisiana	-169	26	110	-33	7,163
Alabama	-351	143	102	-106	7,106
Arkansas	467	-84	114	497	7,062
Tennessee	-137	-224	126	-235	7,016
Idaho	-615	-52	103	-564	6,827
Mississippi	101	39	85	225	6,315
Utah	-509	20	93	-396	6,126
Total U.S.	-321	48	119	-154	9,536

the average of their annual, inflation-adjusted, per-pupil education expenditures from 1992 through 2002, the decade prior to the post-recession interval analyzed here (2002-05).

Other findings from Table 1 include:

- ❖ *Total revenues declined* in most states between 2002 and 2005. Total revenues per pupil dropped in 29 states and increased in 21 states. The five states experiencing the largest cuts in education revenues were Michigan (-\$1,164), Oregon (-\$936), Georgia (-\$795), South Carolina (-\$637), and Idaho (-\$564). These drops were due mainly to large losses in state revenues.
- ❖ The five states that saw the largest increases in total revenues per pupil were Wyoming (\$1,475), New York (\$1,304), New Jersey (\$991), New Hampshire (\$702), and Indiana (\$701). All these states except New Hampshire experienced gains or only small losses in state supports.
- ❖ *State revenues fell* in the vast majority of states. Thirty-eight states reduced support for K-12 education between 2002 and 2005, and only 12 states increased funding. The five states that saw the largest cuts in state revenues per pupil were Michigan (-\$1,199), Oregon (-\$1,178), New Hampshire (-\$1,037), South Carolina (-\$874), and Georgia (-\$859).
- ❖ The five states that increased state support for K-12 education on a per pupil basis the most were Vermont (\$2,493), Wyoming (\$1,114), Minnesota (\$629), Arkansas (\$467), and New Jersey (\$398). Among these states, only Minnesota showed a drop in total revenues per pupil (-\$411), mainly because of a huge loss in local funding (-\$1,119).
- ❖ Most states saw *increases in local revenues* between 2002 and 2005. Local revenues per pupil grew in 30 states and fell in 20. Among the 20 states where local revenues declined, total revenues per pupil increased in only four states. Among the 30 states where local revenues increased, 13 states experienced an increase in total revenues per pupil. The five states where local revenues dropped the most per pupil were Vermont (-\$2,127), Minnesota (-\$1,119), California (-\$309), Arizona (-\$254), and Colorado (-\$229). The five states experiencing the largest increases were New Hampshire (\$1,604), New York (\$1,192), Indiana (\$643), New Jersey (\$539), and Pennsylvania (\$461).
- ❖ *Federal revenues per pupil* increased in all states between 2002 and 2005 and helped counter cuts in state revenues. Yet large differences in the rate of federal revenue growth were not found among states. In Michigan, federal support for education increased by only \$28, while in Wyoming it swelled by \$270. Increases in federal funding in other states ranged between these extremes.

Table 2 shows the same revenue changes as in Table 1 but expresses them in percentage shifts between 2002 and 2005. In the U.S. as a whole, total revenues per pupil declined by 1.5 percent. State revenues dropped by 6.3 percent, while local revenues increased by 1.1 percent, and federal revenues grew by 14.8 percent.

State-specific percentage changes in Table 2 parallel the changes expressed in dollar amounts already noted in Table 1. Changes in total revenues, for instance, ranged between a 10 percent de-

Table 2. Percent Changes In K-12 Revenues Per Pupil Between 2002 and 2005 (2005 dollars)

Cells represent percent changes in real (inflation adjusted) revenues per pupil between 2002 and 2005.

States are ranked according to their average spending levels prior to this period (1992-2002).

<i>States</i>	<i>Percent Changes in Spending, 2002-05</i>				<i>Average K-12 Education Spending Per Pupil, 1992-2002</i>
	<i>State Revenue Per Pupil</i>	<i>Local Revenue Per Pupil</i>	<i>Federal Revenue Per Pupil</i>	<i>Total Revenue Per Pupil</i>	
New Jersey	6.2	6.6	8.6	6.5	14,875
New York	-1.8	18.3	26.8	9.0	14,046
Vermont	27.4	-75.6	23.6	4.4	13,532
Alaska	-1.6	1.9	5.2	0.5	12,939
Connecticut	-1.6	1.2	18.1	0.9	12,617
Pennsylvania	0.3	7.2	17.8	5.4	11,752
Michigan	-16.0	0.2	3.3	-10.0	11,266
Massachusetts	0.6	-1.1	10.0	0.2	11,240
Delaware	-0.1	8.5	5.1	2.5	10,802
Minnesota	9.6	-30.8	14.1	-3.8	10,773
Wisconsin	-10.4	6.1	10.4	-2.7	10,704
Rhode Island	-2.8	3.2	33.1	2.5	10,405
Maryland	2.4	-0.7	9.5	1.1	10,249
Maine	-4.4	7.5	27.3	3.8	9,898
Indiana	-0.6	13.6	14.6	6.7	9,764
Illinois	-10.4	-0.8	8.8	-3.6	9,699
Wyoming	19.1	1.8	27.1	12.3	9,698
New Hampshire	-19.3	35.5	27.8	6.8	9,590
Oregon	-21.0	4.8	8.6	-9.4	9,473
Washington	-8.1	-2.5	6.2	-5.4	9,450
Ohio	-7.2	-2.8	25.5	-3.2	9,293
Iowa	-7.8	-1.4	16.5	-3.3	9,245
Virginia	1.4	2.0	10.3	2.3	9,194
Nebraska	-14.0	2.2	27.8	-1.5	9,133
Hawaii	2.5	24.8	21.1	4.6	8,944
West Virginia	-3.5	-6.4	11.2	-2.8	8,930
Nevada	-2.9	1.8	26.9	0.4	8,825
Colorado	0.4	-4.9	16.5	-1.4	8,824
Florida	-5.1	8.4	7.8	2.1	8,798
California	-5.0	-9.7	18.6	-4.3	8,726
Georgia	-17.1	-2.4	24.2	-7.7	8,559
Kansas	-10.4	4.2	9.5	-4.2	8,540
Texas	-17.6	0.1	14.0	-5.7	8,532
Missouri	-5.2	-2.0	11.0	-2.5	8,407
South Carolina	-17.8	4.5	7.3	-6.6	8,238
North Carolina	-10.6	-2.7	18.1	-5.9	8,089
Montana	-6.7	1.2	12.8	-1.1	8,029
North Dakota	2.5	1.0	21.8	4.4	7,925
Arizona	-8.9	-6.9	12.2	-5.9	7,909
Kentucky	-4.8	0.9	11.2	-1.4	7,734
South Dakota	-11.1	1.2	22.1	-0.5	7,613
New Mexico	-2.8	-3.8	15.5	-0.4	7,427
Oklahoma	-11.3	-0.7	16.2	-4.5	7,394
Louisiana	-4.2	0.8	10.3	-0.4	7,163
Alabama	-7.3	5.6	12.6	-1.3	7,106
Arkansas	7.7	-6.9	13.4	6.1	7,062
Tennessee	-4.2	-6.5	17.7	-3.2	7,016
Idaho	-13.2	-2.2	15.8	-7.4	6,827
Mississippi	2.6	1.7	8.3	3.2	6,315
Utah	-12.6	0.9	16.2	-5.7	6,126
US Total	-6.3	1.1	14.8	-1.5	9,536

cline (Michigan) and a 12 percent increase (Wyoming). State funding changes varied even more, from a 27 percent increase in Vermont, to a 21 percent decline in Oregon.

Declines in state, local, and total revenues between 2002 and 2005 were more common among states that traditionally spent less on K-12 education prior to 2002-05. Table 3 shows this pattern by dividing the states into two equal groups, based on their average real spending levels per pupil between 1992 and 2002. The upper two rows in Table 3 indicate the percentage of states in each of these groups experiencing an *increase* in spending between 2002 and 2005. When we compare traditionally high and low spending states in this way, high-spending states were more likely to see an increase in state, local, and total revenues *after* the recession. By contrast, traditionally low-spending states were less likely to see increases in financial support from state, local, and all sources.

The two lower rows in Table 3 show the mean percentage changes in revenues for high and low spending states. Traditionally low-spending states, when compared to high-spending states, typically had much larger drops in state revenues between 2002 and 2005, smaller increases in local revenues, and slightly smaller increases in federal revenues. As a result, total revenues for low-spending states *fell* by 2.0 percent, while total revenues for high-spending states *increased* an average of 1.1 percent.

Table 3. Changes in K-12 Revenues Per Pupil From Various Sources, 2002-05, By Prior Levels of Spending (1992-2002)

<i>Real State Spending Per Pupil (Average of Prior Years)</i>	<i>State</i>	<i>Local</i>	<i>Federal</i>	<i>Total</i>	<i>No. of States</i>
Percent of states whose revenues increased from source, 2002-05					
Higher-than-average spending states (1992-2002)	36%	68%	100%	64%	25
Lower-than-average spending states (1992-2002)	16%	52%	100%	20%	25
Mean percentage change in revenues from source, 2002-05					
Higher-than-average spending states (1992-2002)	- 2.3%	1.2%	16.3%	1.1%	25
Lower-than-average spending states (1992-2002)	- 6.4%	0.1%	15.1%	- 2.0%	25

The reasons for the growing divide among states in K-12 revenues are unclear. Demographic and economic changes probably contribute to the differences, along with state and local policy and budgetary choices. A future Institute report will attempt to assess the impacts of these diverse factors. However, whatever the underlying reasons for the diverging trajectories of state education revenues, the differences would be matters of national concern if the education resources of many states continue to lag behind the resources available to others, despite growing demands for educational performance in all jurisdictions and for all pupils.