



**THE NELSON A.
ROCKEFELLER
INSTITUTE
OF GOVERNMENT**

UNIVERSITY AT ALBANY
State University of New York

Federal, State & Local Education Finances

**Nomura Global Media
New York Field Trip 2012**

New York City, New York

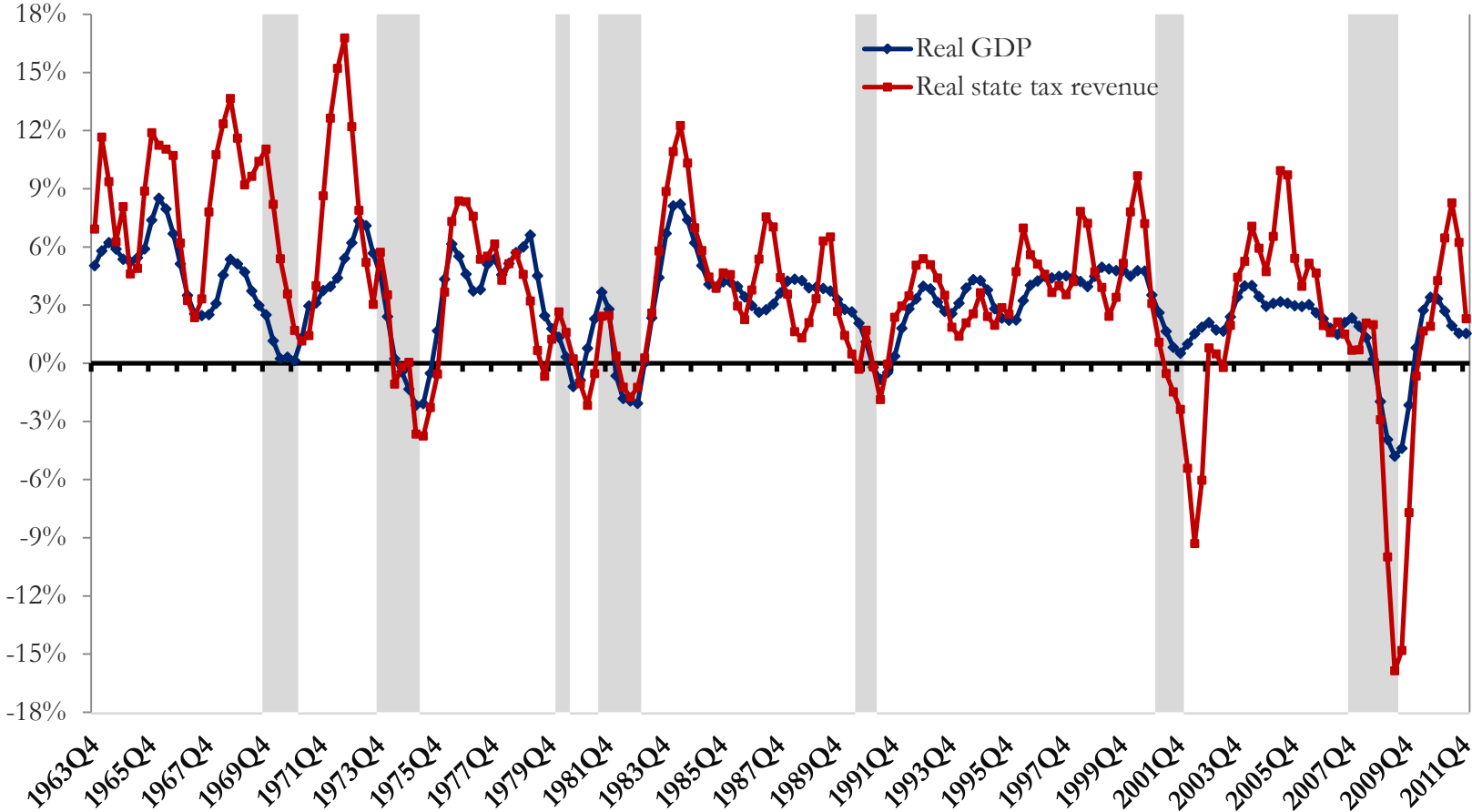
Thomas Gais & Lucy Dadayan

May 22, 2012

**State revenue crisis is easing,
but state-local fiscal crisis continues**

Worst state government tax declines in 5+ decades - worse than 2001 recession

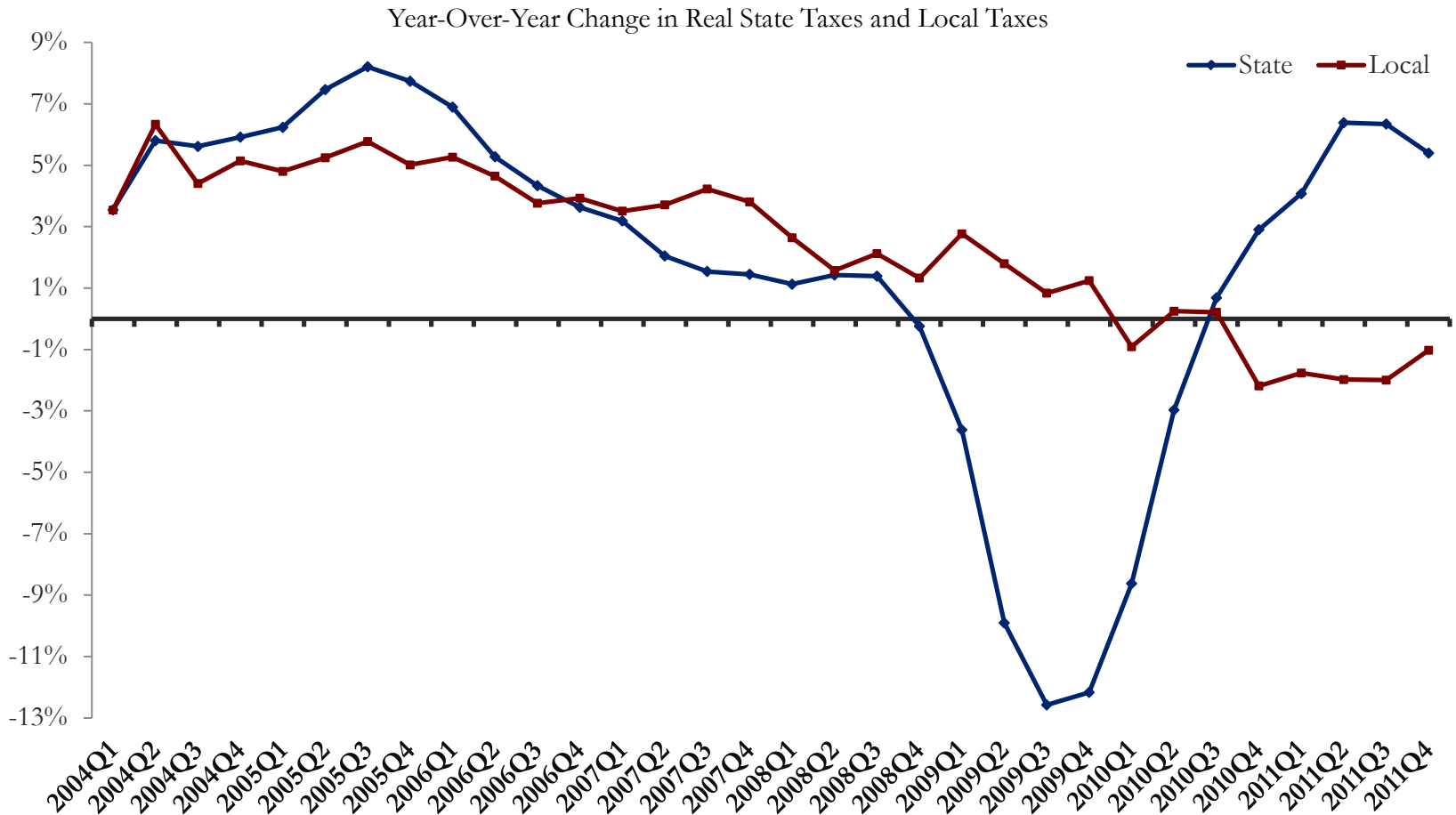
Percentage Change in Real State Government Taxes & Real GDP vs. Year Ago



Sources: U. S. Census Bureau (Quarterly tax collections); Bureau of Economic Analysis (real GDP).

Notes: (1) % changes averaged over 2 quarters; (2) No legislative adjustments; (3) Recession periods are shaded.

State Taxes are Improving While Local Taxes Continue to Decline

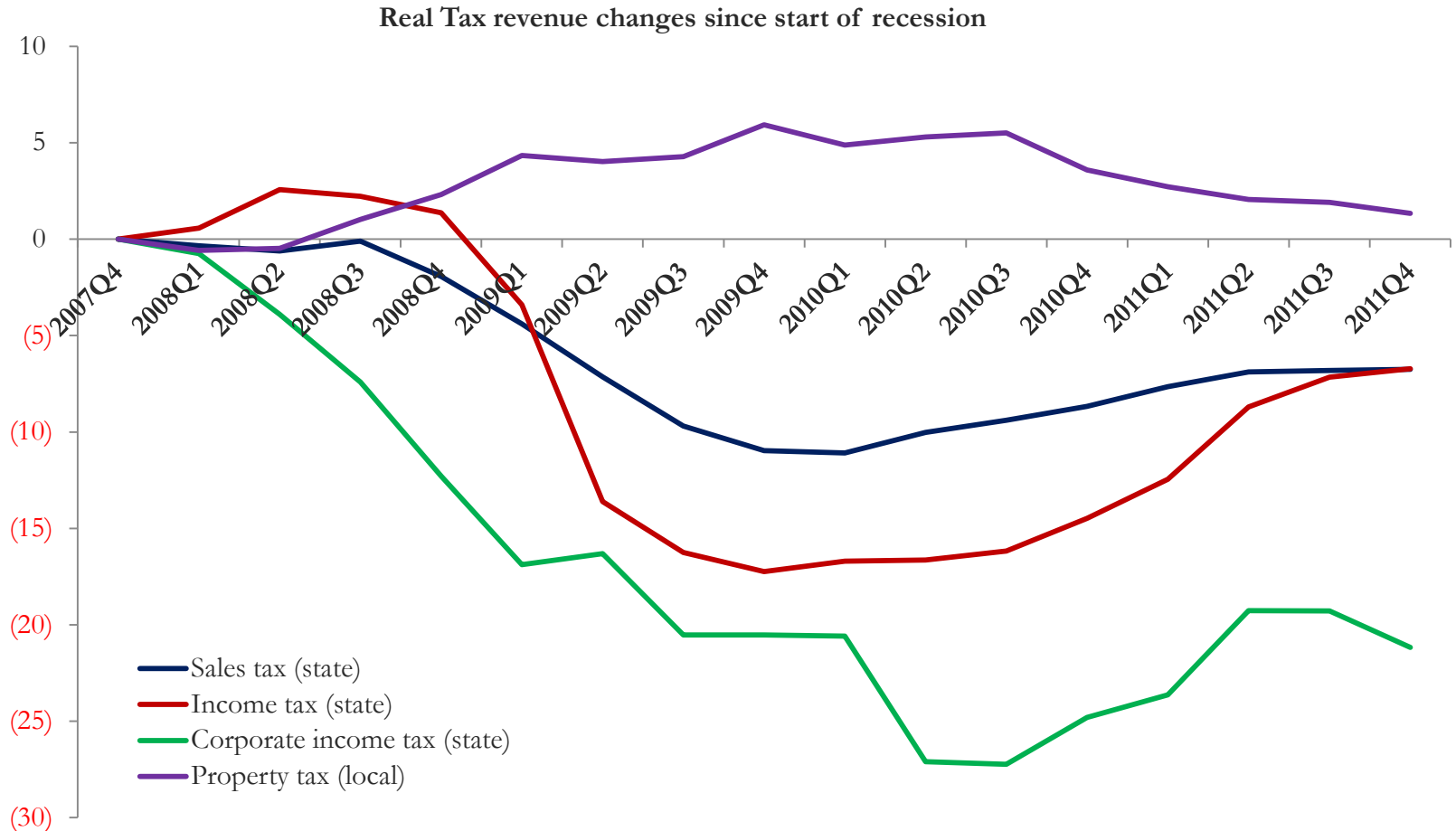


Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP price index).

Notes: (1) 4-quarter average of percent change in real tax revenue; (2) No adjustments for legislative changes.

State income and sales taxes are recovering

Local property taxes are weakening

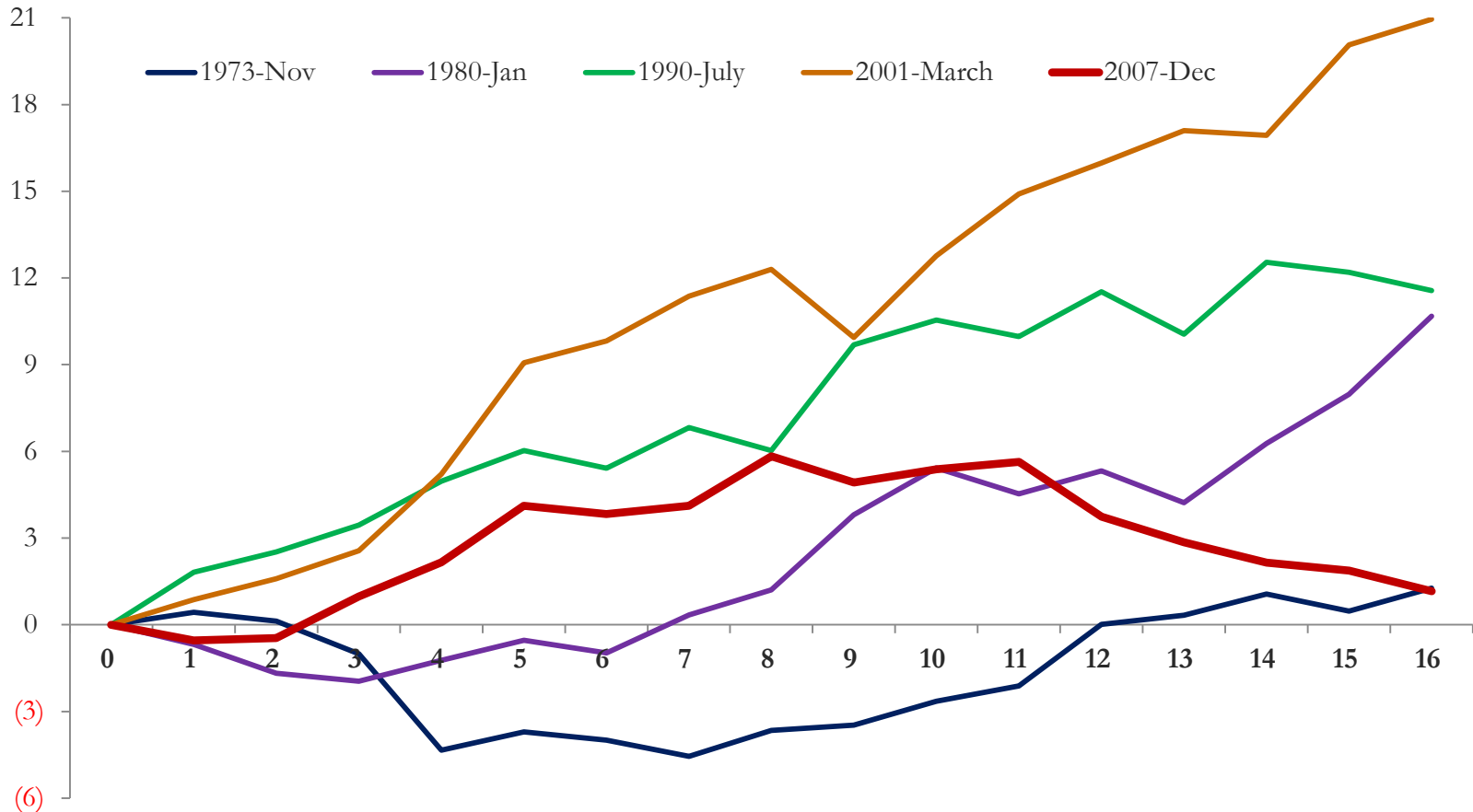


Notes: Income, sales, & corporate taxes for state governments, property taxes for local governments. Rolling annual totals.

Source: Rockefeller Institute analysis of data from Census Bureau and Bureau of Economic Analysis.

Property Taxes Trending Downward and Are Likely to Fall Further

Real Percent Change in State-Local Property Taxes Since the Start of Recession

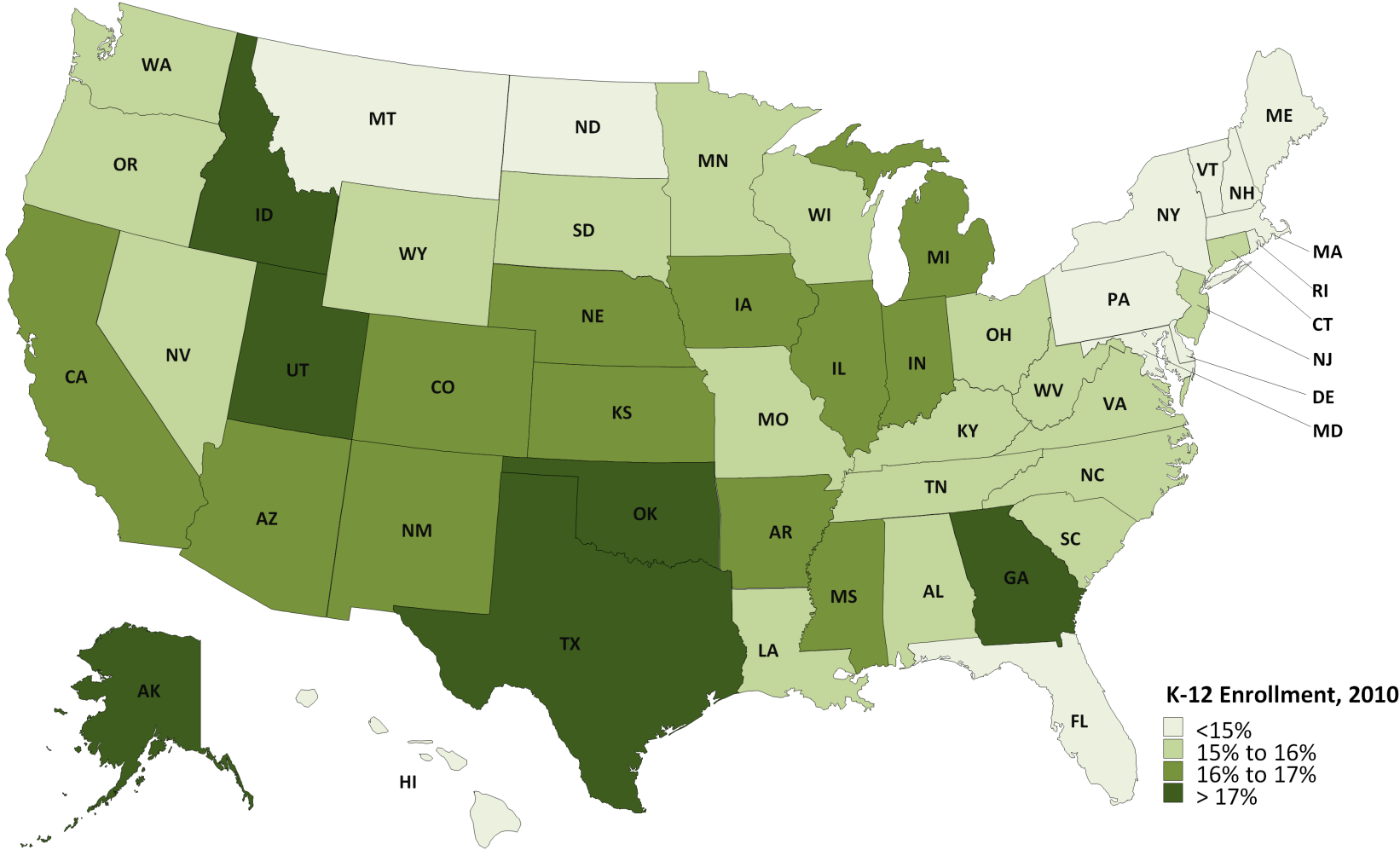


Notes: Four quarter moving averages.

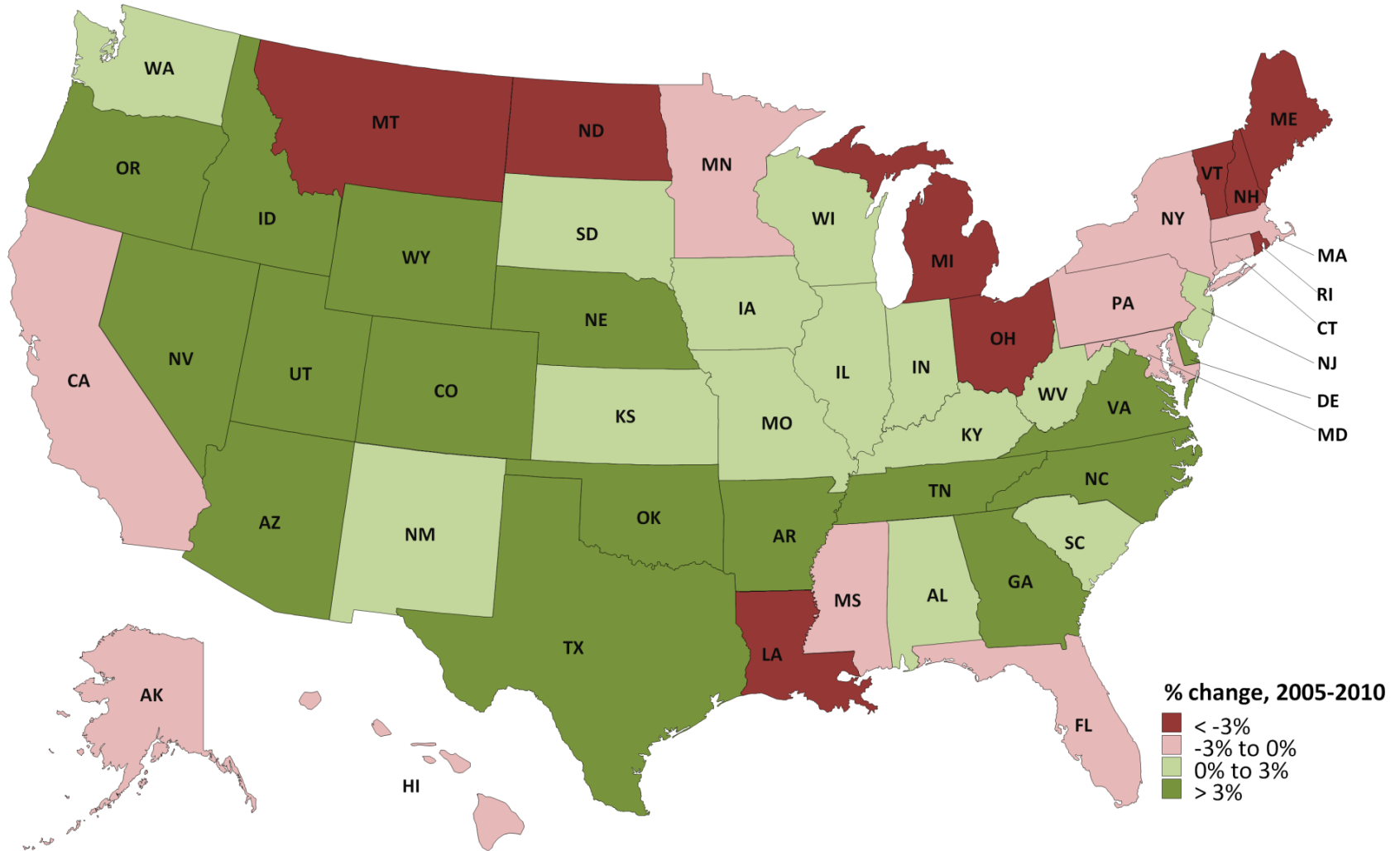
Source: Rockefeller Institute analysis of U. S. Census Bureau quarterly tax survey.

K-12 Education Enrollment and Financing

K-12 Enrollment as Share of Total Population: Great Variation Across States



K-12 Enrollment: Percent Change, 2005-2010

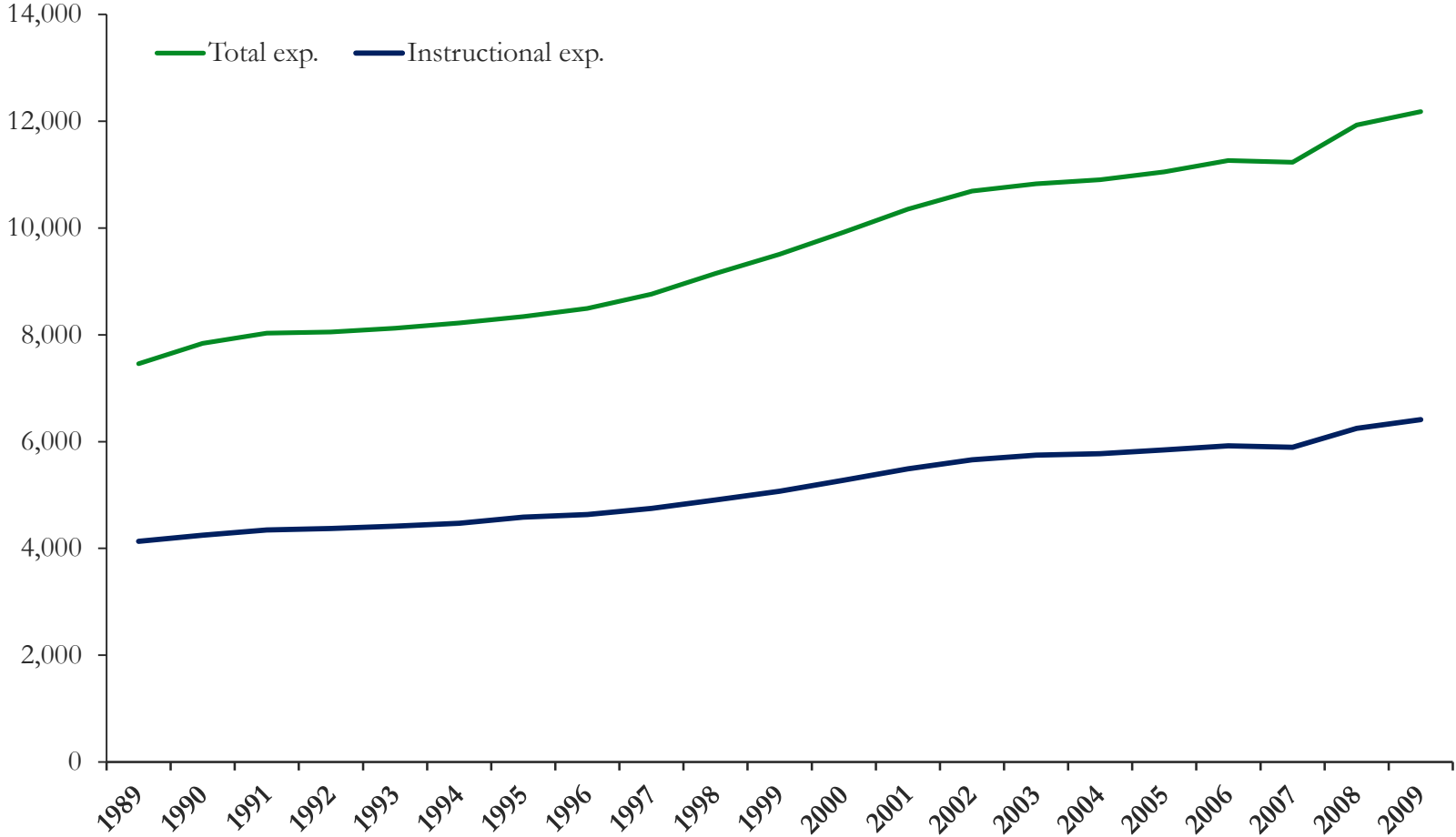


NCES Projects Large Pupil Enrollment Growth in West; Declines in Northeast

Projected pupil enrollment growth, 2009-2020			
State	% change	State	% change
NY	-5.9%	MI	-5.9%
MA	-4.0%	ND	-0.8%
PA	-2.7%	OH	-0.7%
NH	-2.3%	IN	1.2%
CT	-2.1%	MO	1.5%
RI	-0.6%	IA	1.6%
NJ	0.0%	IL	1.9%
ME	2.8%	WI	4.3%
VT	6.7%	KS	5.4%
Northeast	-3.2%	NE	6.9%
WV	-5.5%	SD	12.1%
MS	-5.0%	MN	13.5%
LA	-3.3%	Midwest	1.6%
AL	-2.8%	HI	4.6%
KY	-1.7%	MT	4.8%
OK	2.6%	UT	9.4%
AR	2.9%	NM	9.8%
SC	4.3%	CA	10.3%
FL	5.8%	OR	11.5%
TN	6.0%	WY	12.5%
VA	8.6%	CO	16.0%
MD	8.6%	WA	17.2%
GA	9.5%	ID	18.2%
DE	11.7%	AK	23.8%
NC	15.5%	AZ	27.4%
TX	20.2%	NV	29.7%
South	9.4%	West	13.7%

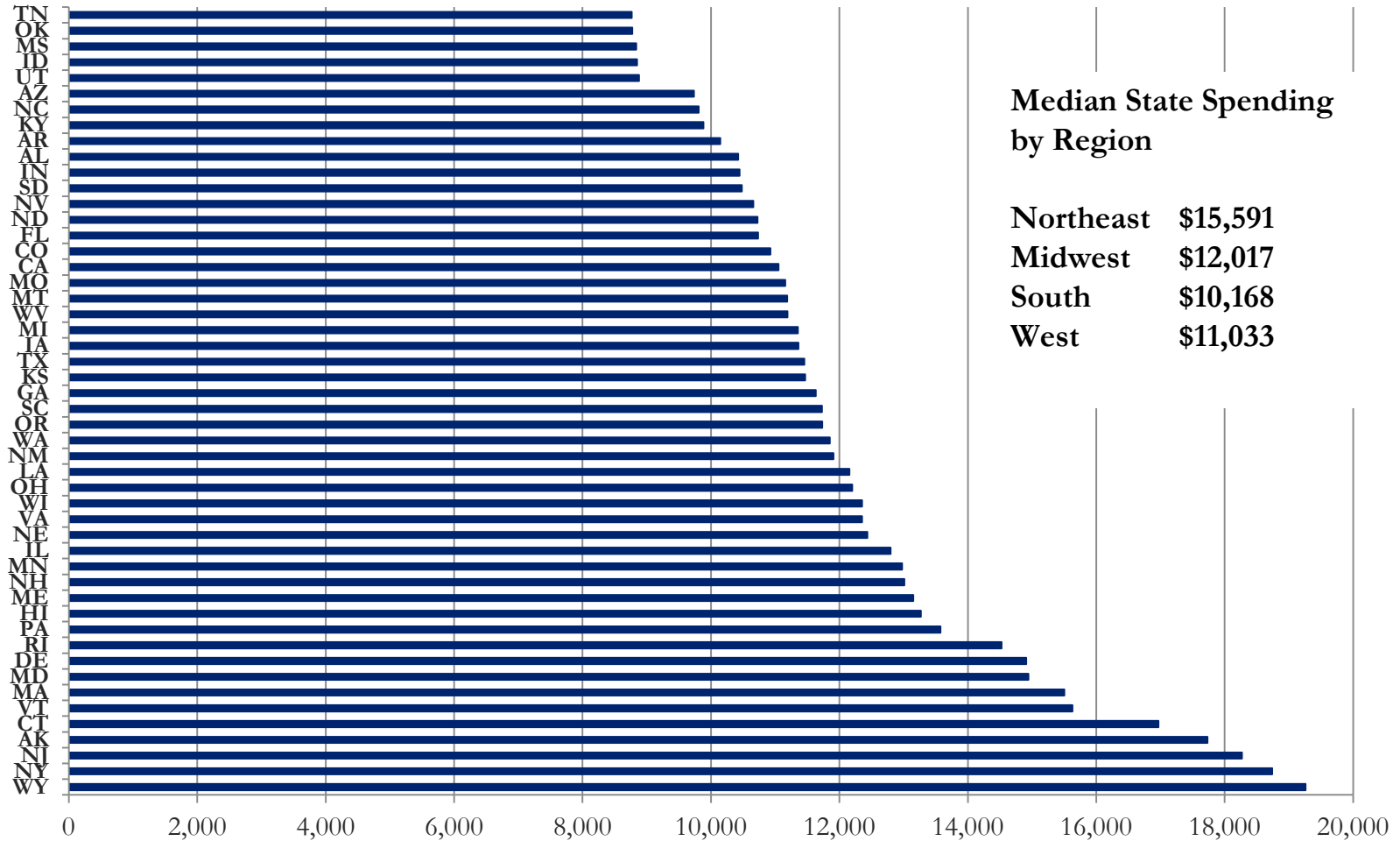
Source: Rockefeller Institute analysis of NCES data.

Real Per Pupil Expenditures



Sources: Rockefeller Institute Analysis of NCES and BEA data.

Great Variation in Average Per-Pupil Total Spending, 2009

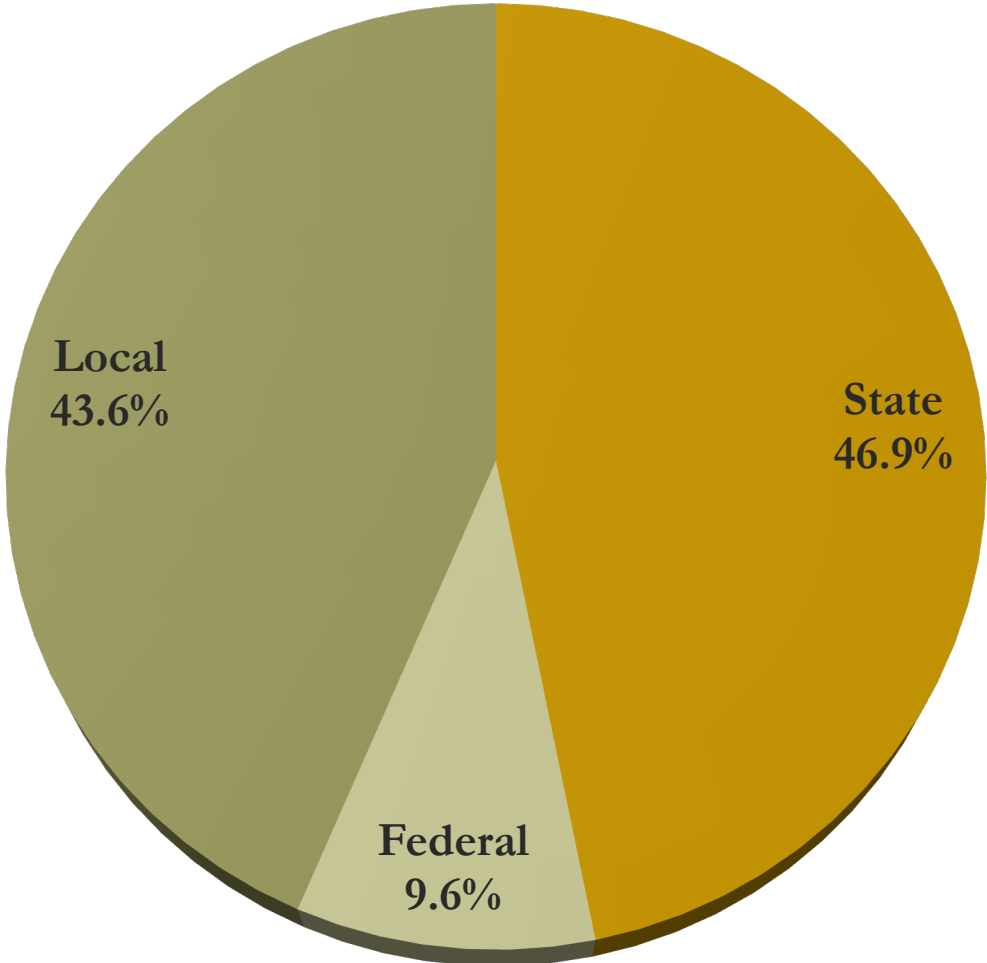


Notes: Spending adjusted to inflation.

Sources: Rockefeller Institute analysis of NCES and BEA data.

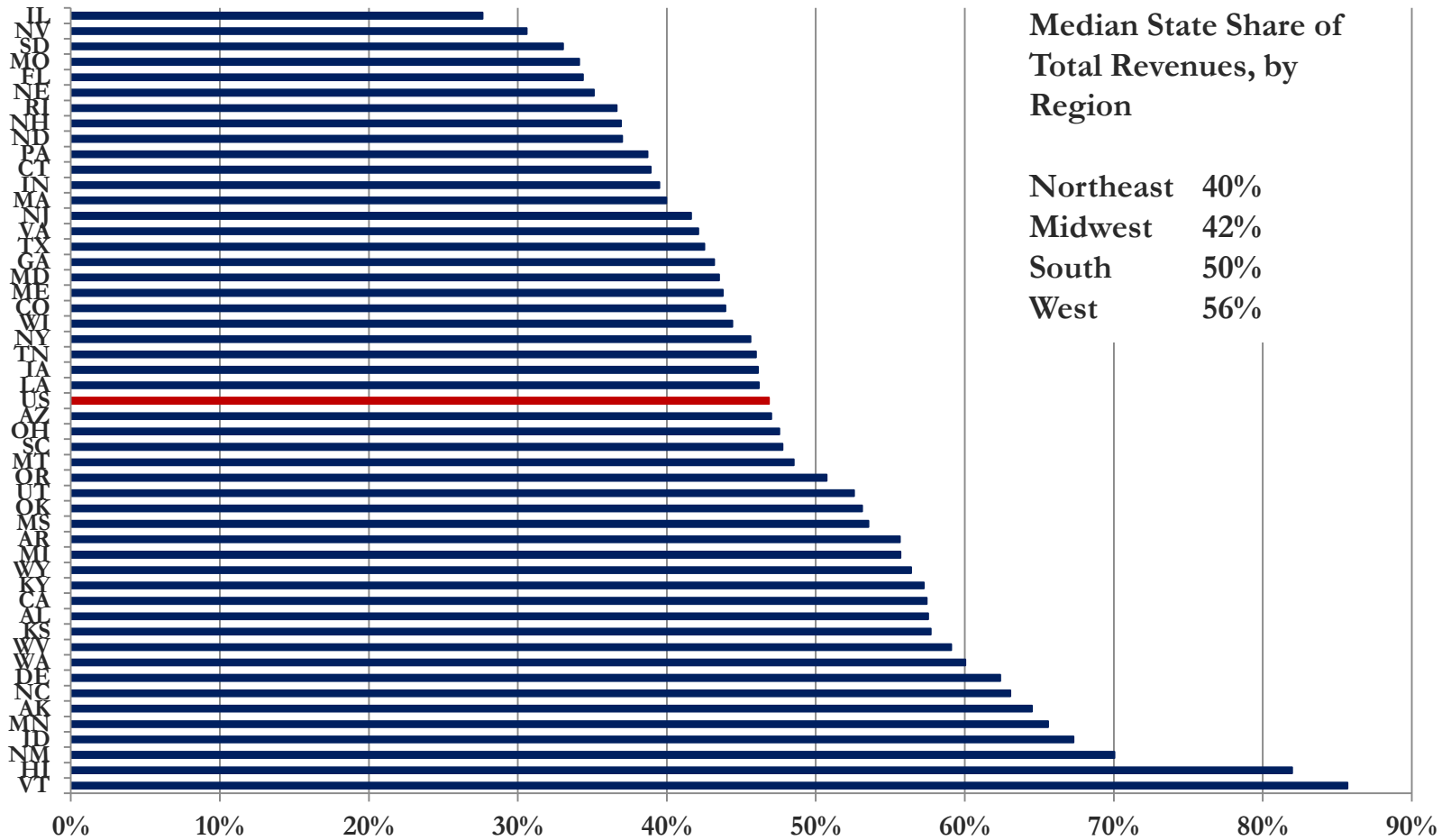
Sources of K-12 Education Revenues, 2009

US Total = \$591.4 billion

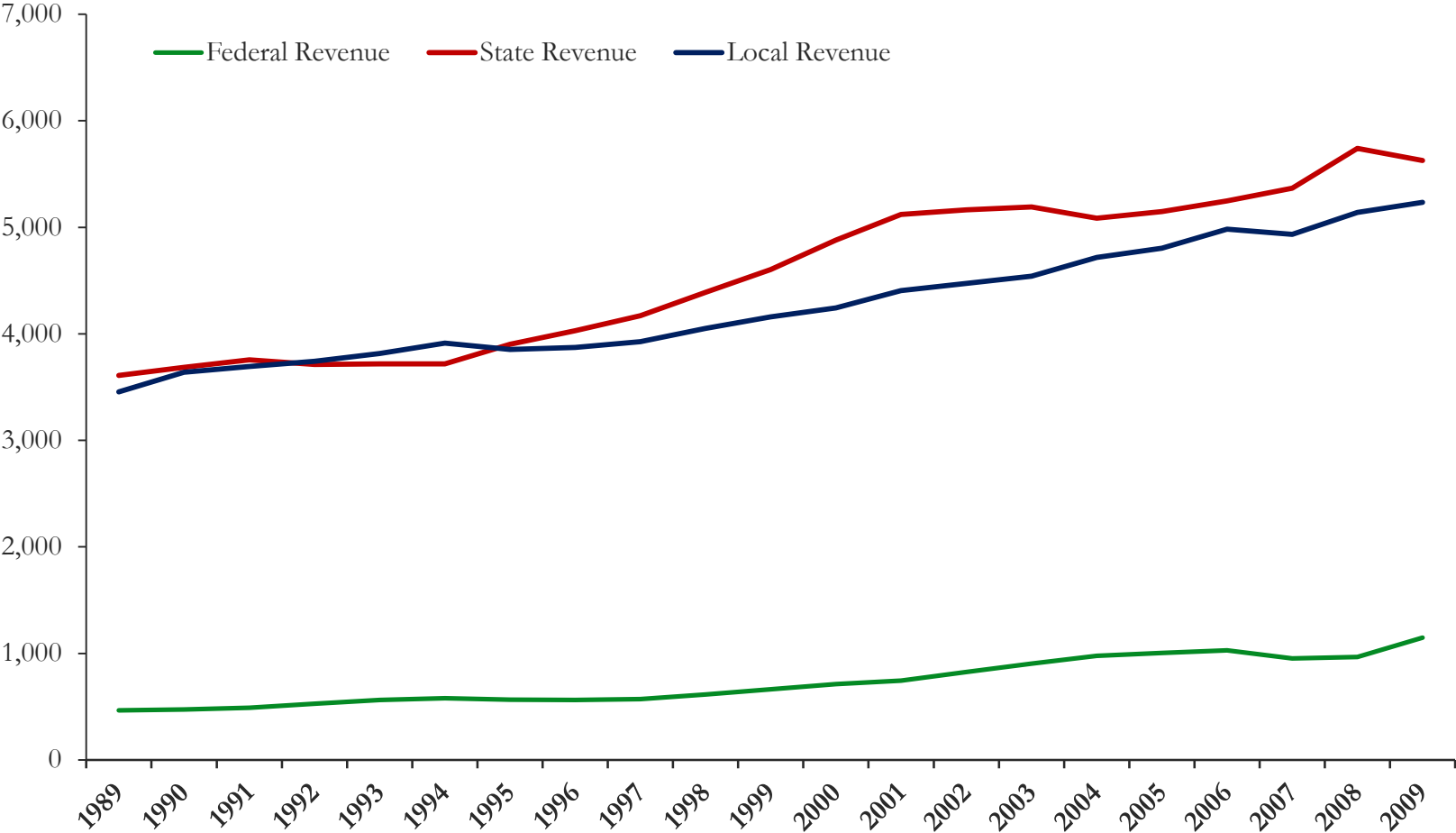


Source: NCES.

State Revenue as Share of Total K-12 Revenues in 2009: Wide Variations

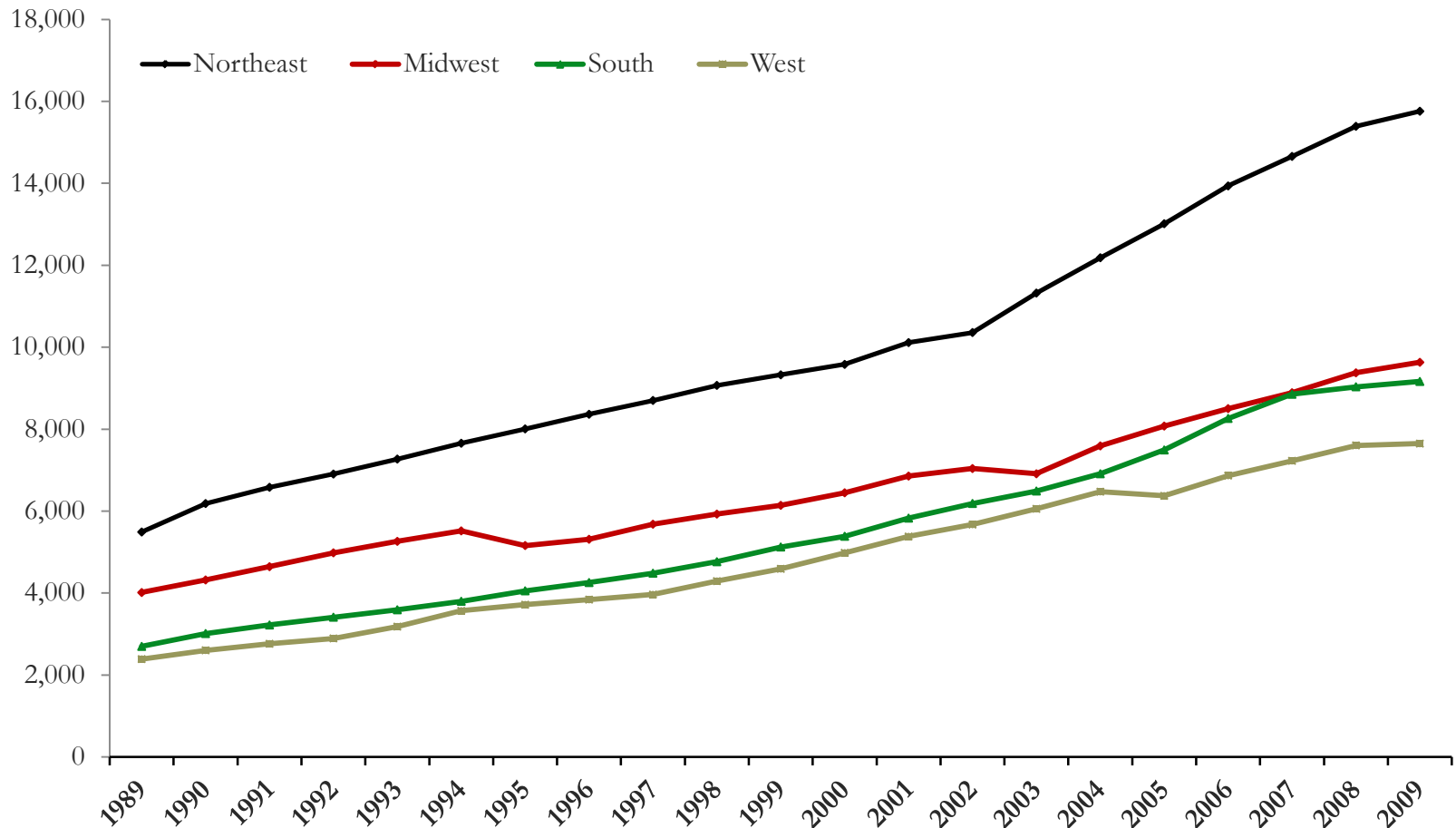


Per-Pupil Federal, State, and Local Real Revenues, 1989-2009



Sources: Rockefeller Institute Analysis of NCES and BEA data.

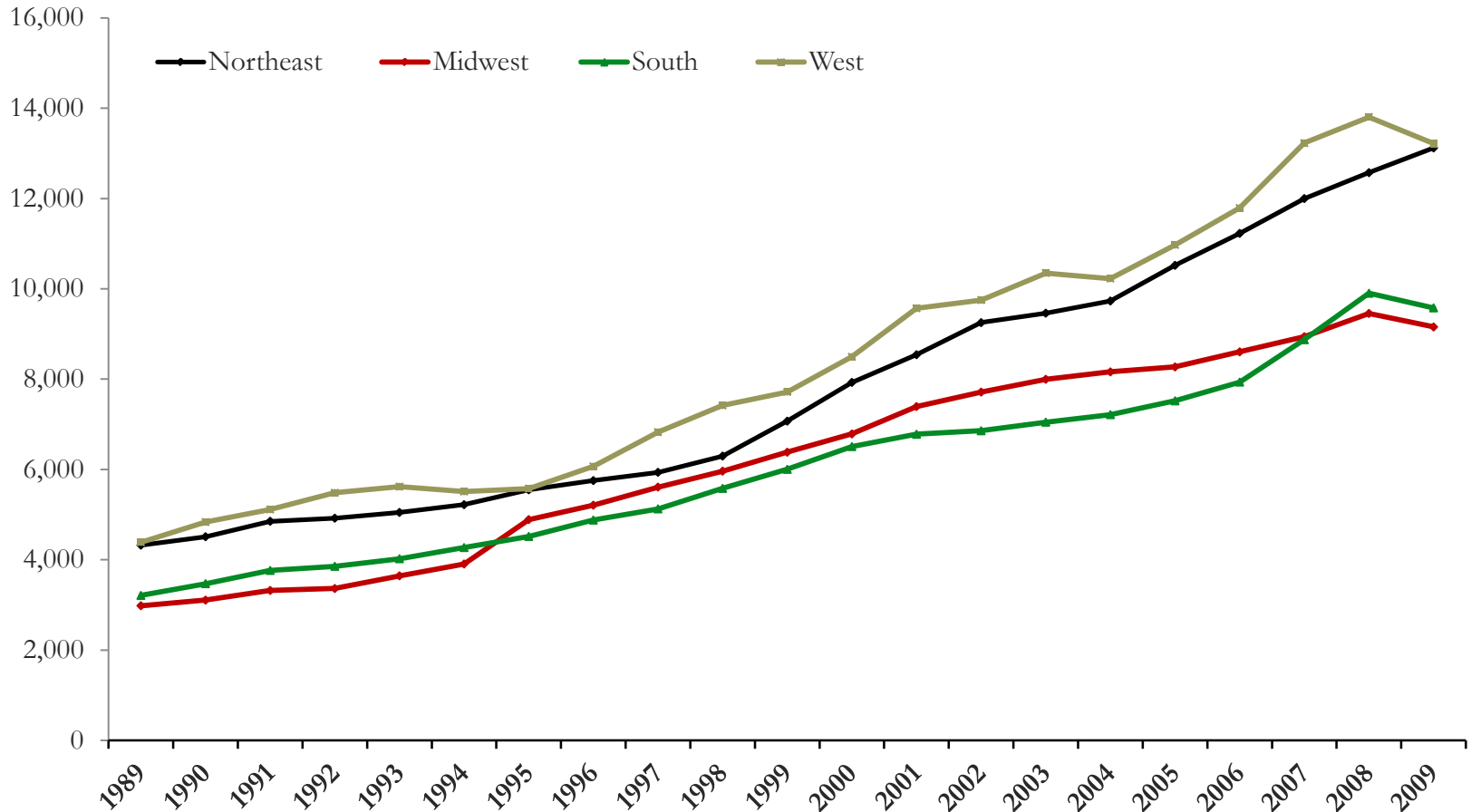
Real Per Pupil Local Revenues: Growing Divergence b/n Northeast & West States



Notes: States classified based on average real per pupil total expenditures from 1989 to 2009.

Sources: Rockefeller Institute Analysis of BEA and NCES data.

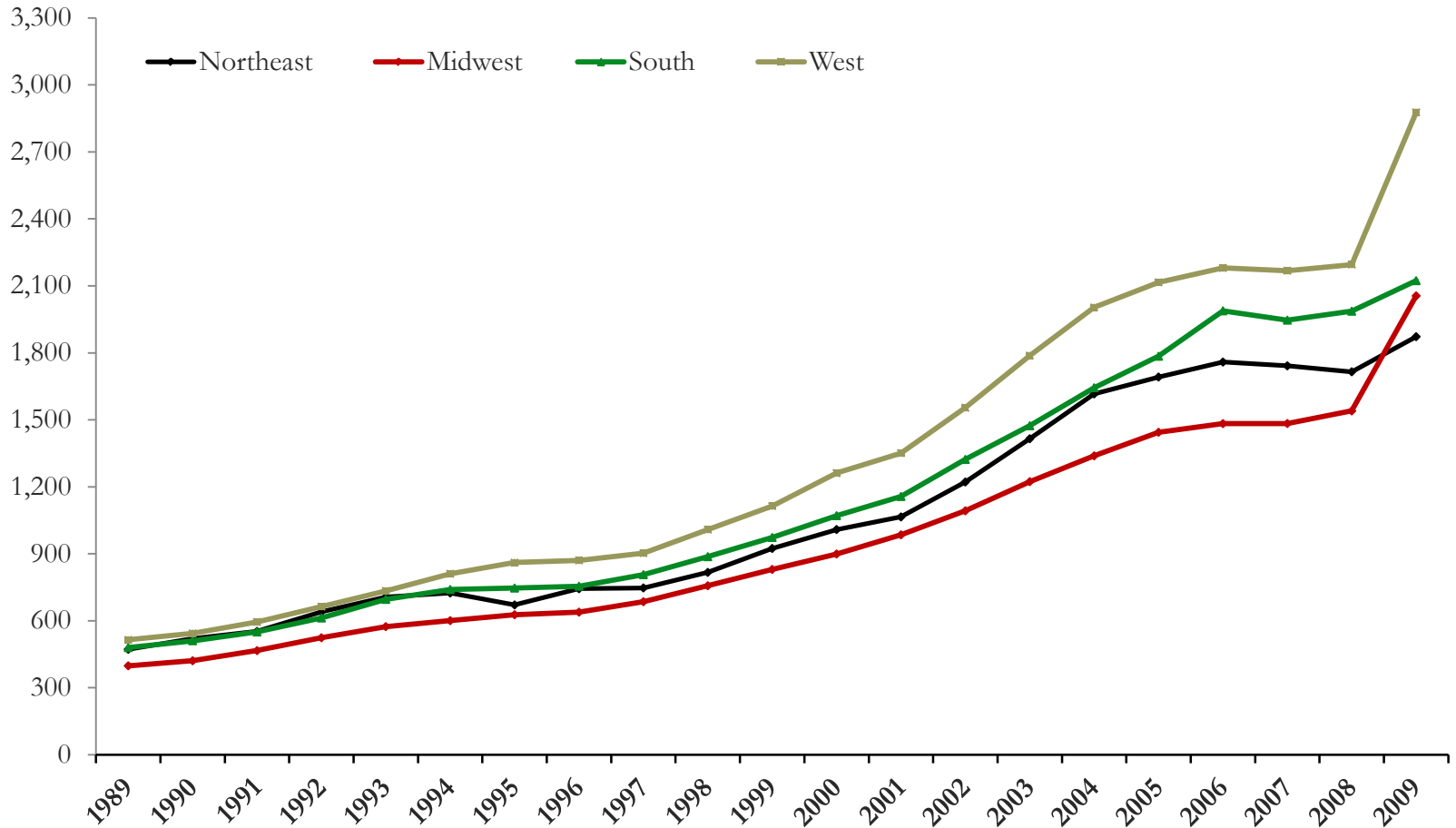
Real Per Pupil State Revenues, by Region



Notes: States classified based on average real per pupil total expenditures from 1989 to 2009.

Sources: Rockefeller Institute Analysis of BEA and NCES data.

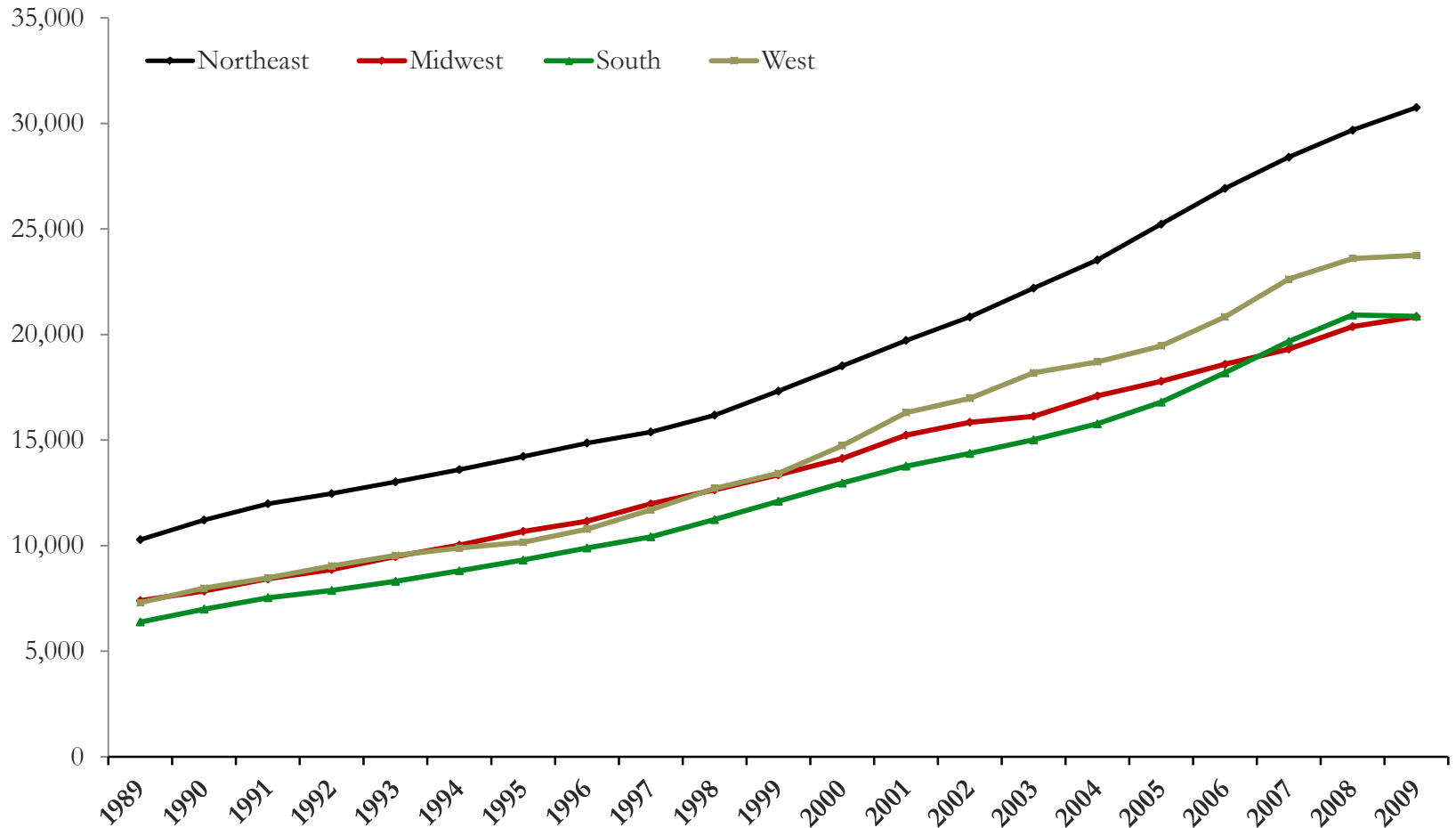
Real Per Pupil Federal Revenues, by Region



Notes: States classified based on average real per pupil total expenditures from 1989 to 2009.

Sources: Rockefeller Institute Analysis of BEA and NCES data.

Real Per Pupil Total Revenues, by Region

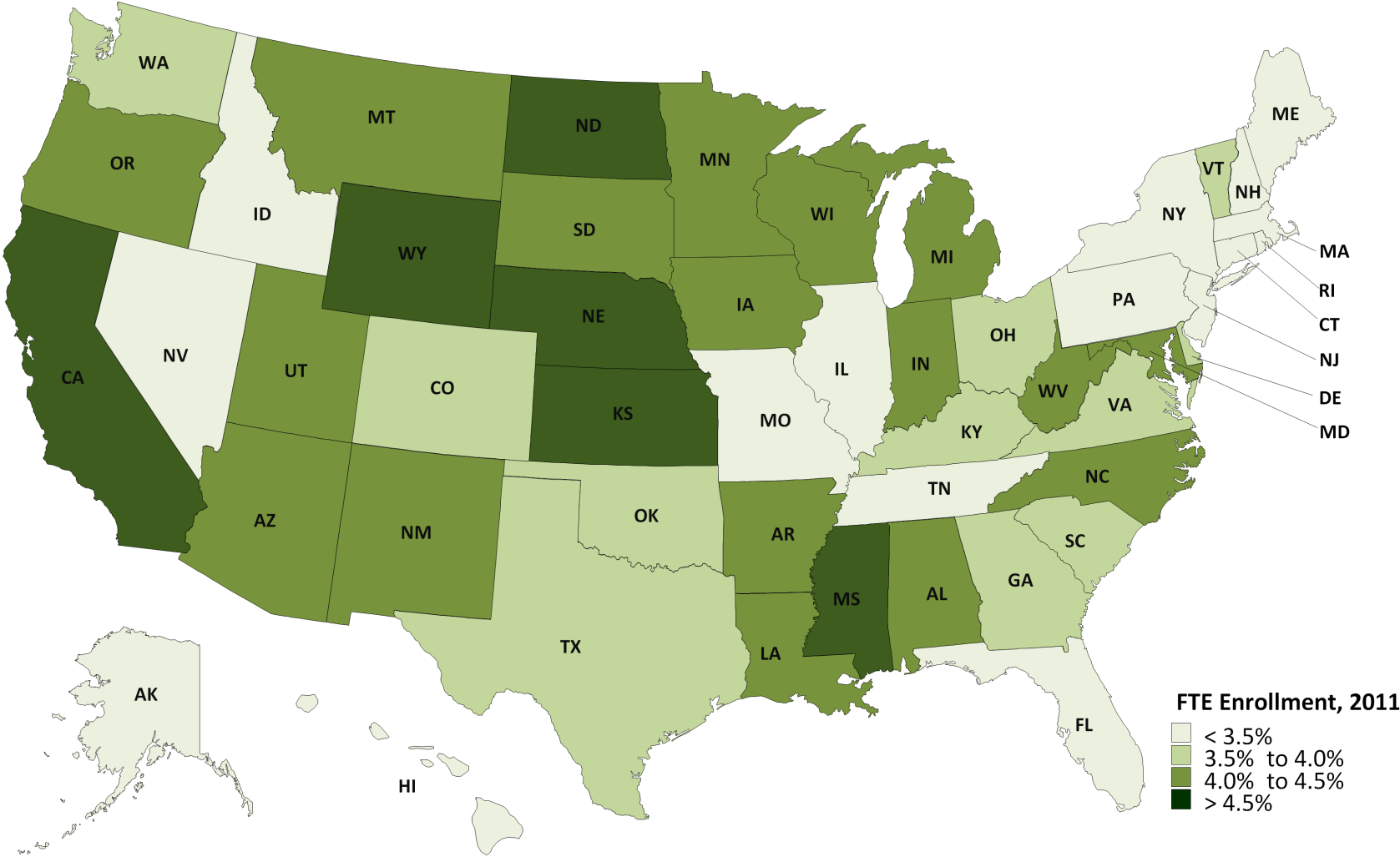


Notes: States classified based on average real per pupil total expenditures from 1989 to 2009.

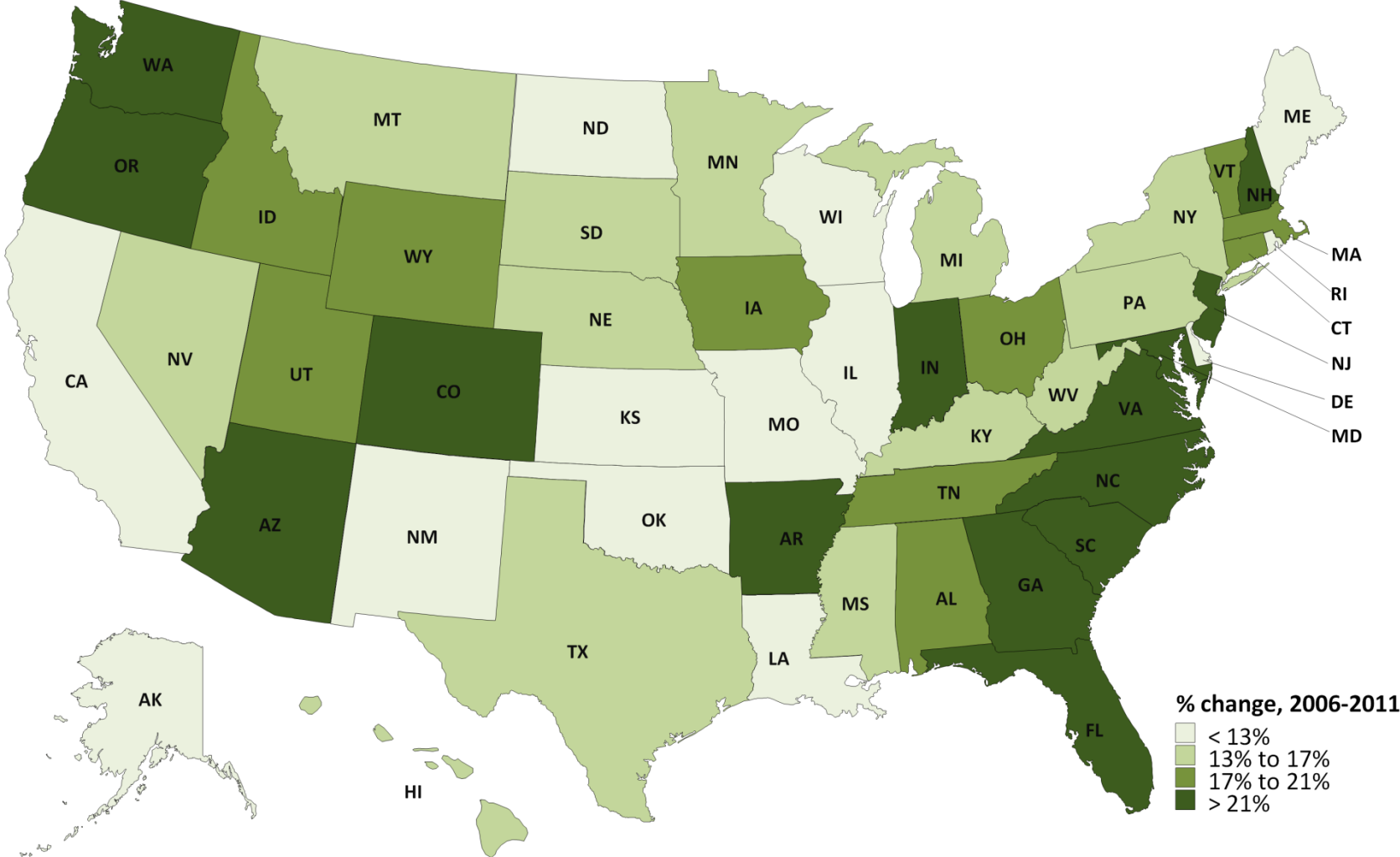
Sources: Rockefeller Institute Analysis of BEA and NCES data.

Higher Education Enrollment and Financing Instability and Long-Run Shifts in Sources of Funding

Higher Education FTE Enrollment as Share of Total Population: 2011

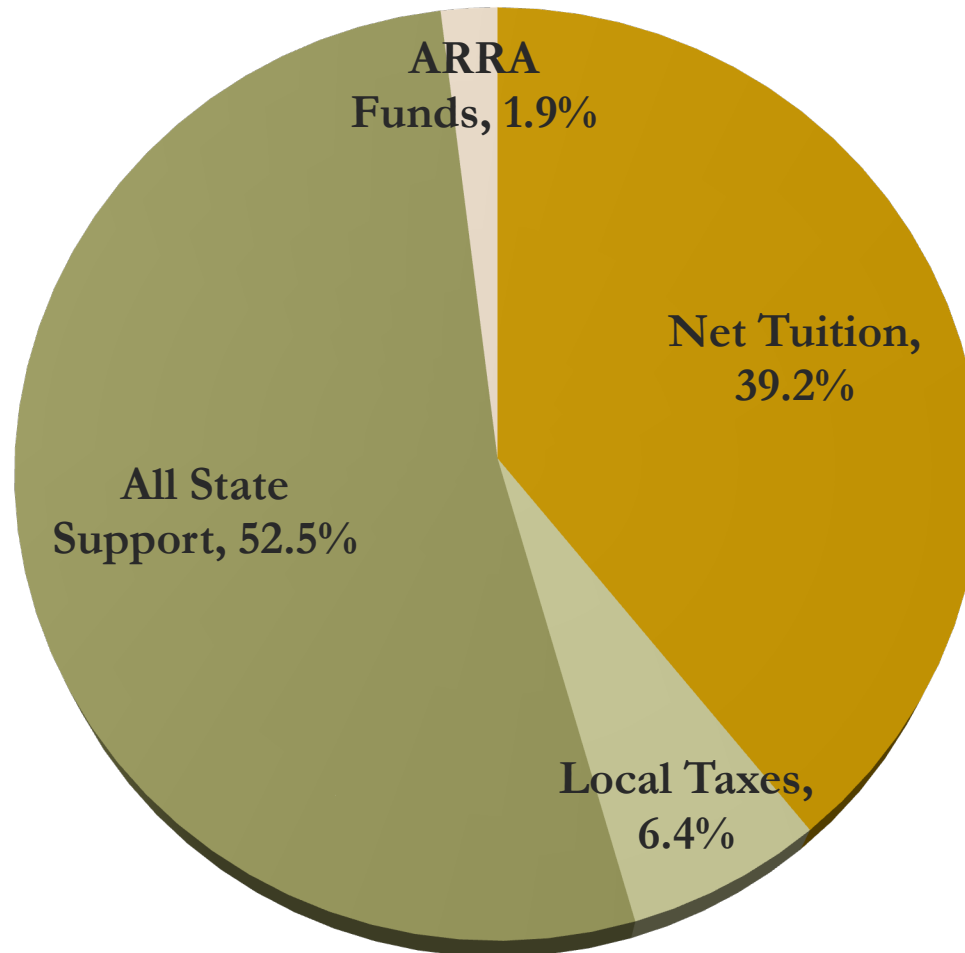


Higher Education FTE Enrollment: Percent Change, 2006-2011



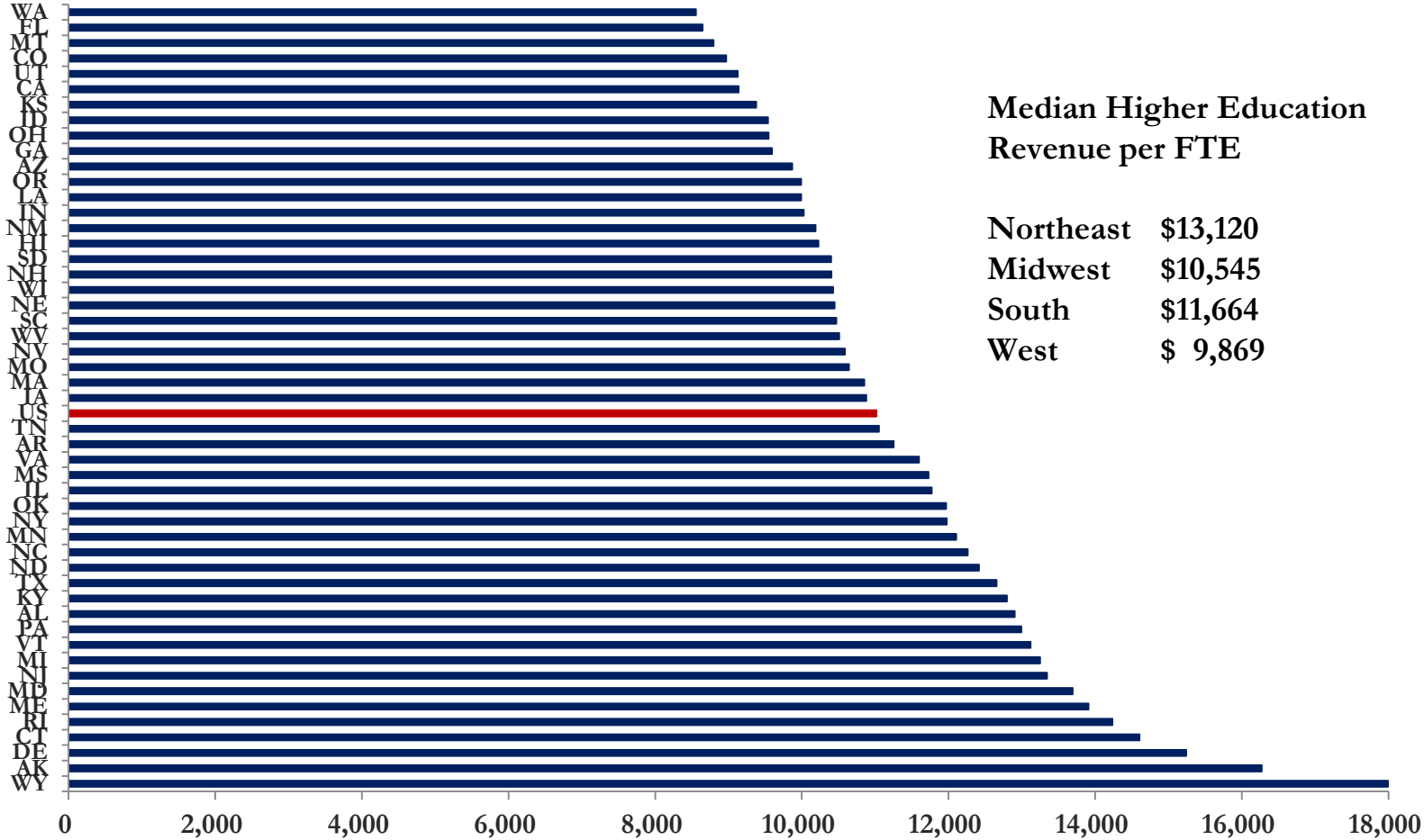
Sources of Higher Education Revenues, 2011

US = \$143.8 billion



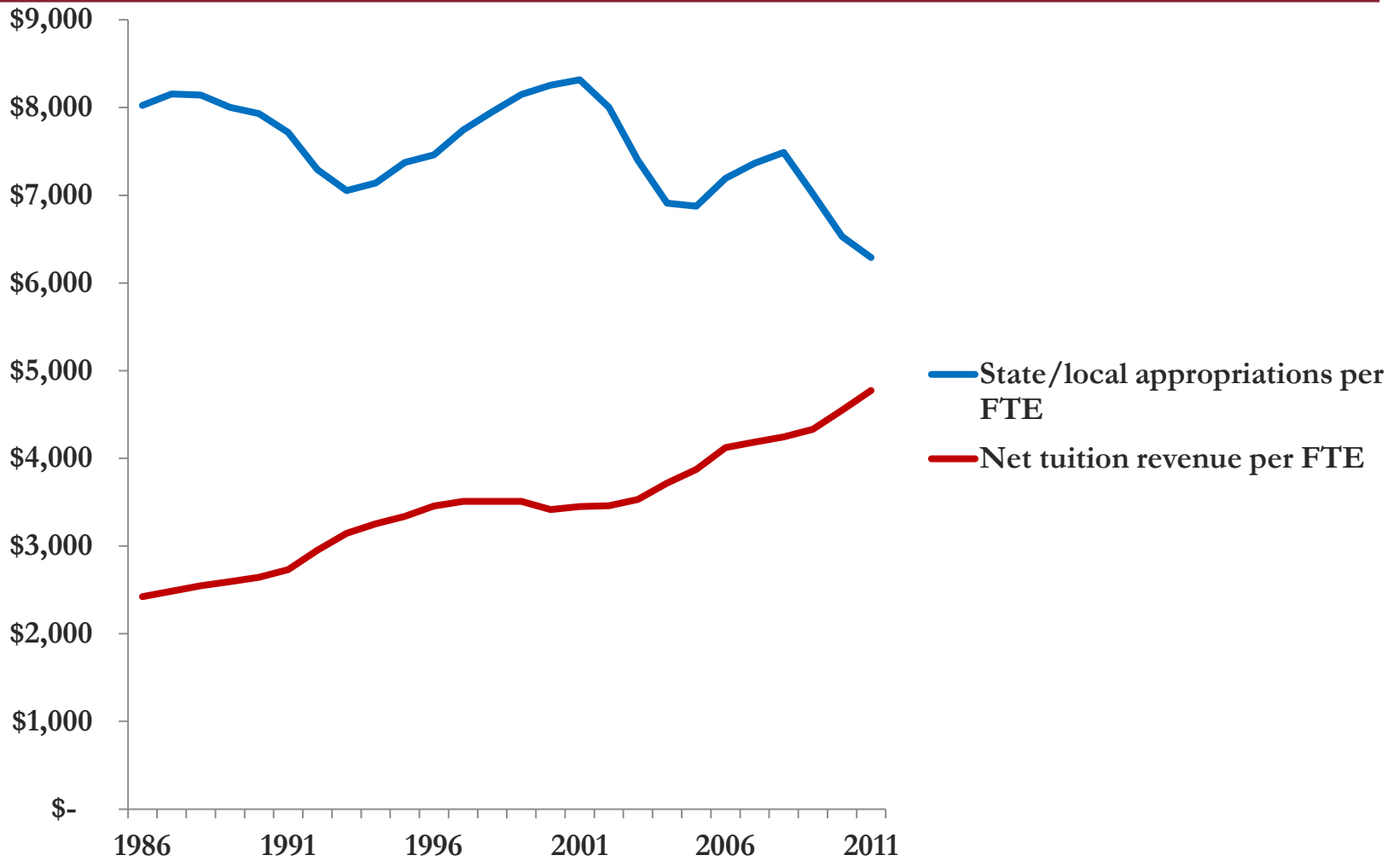
Source: State Higher Education Executive Officers.

Total Educational Revenue Per FTE, FY 2011

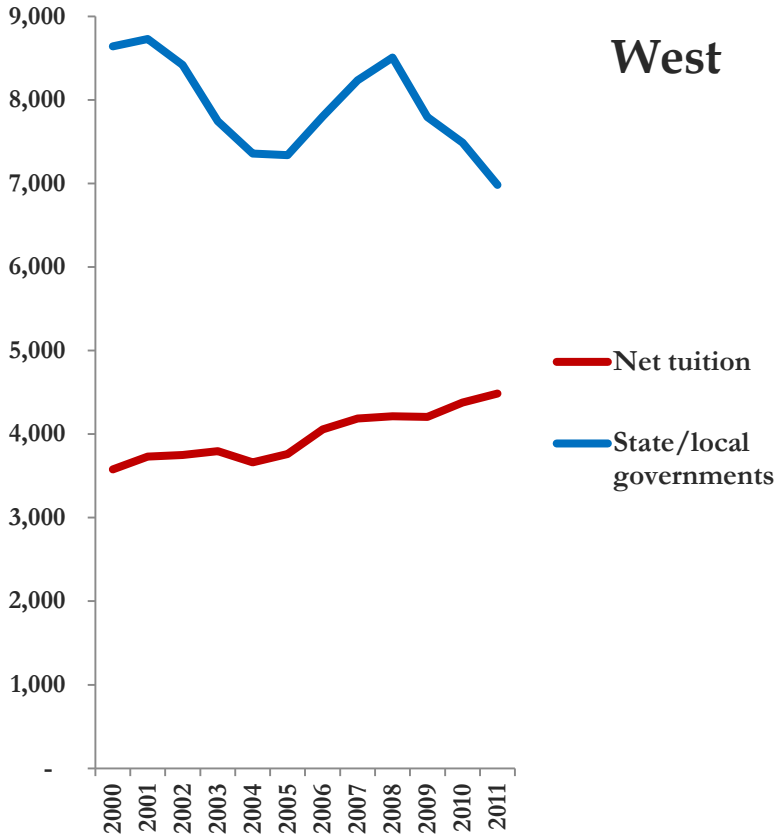
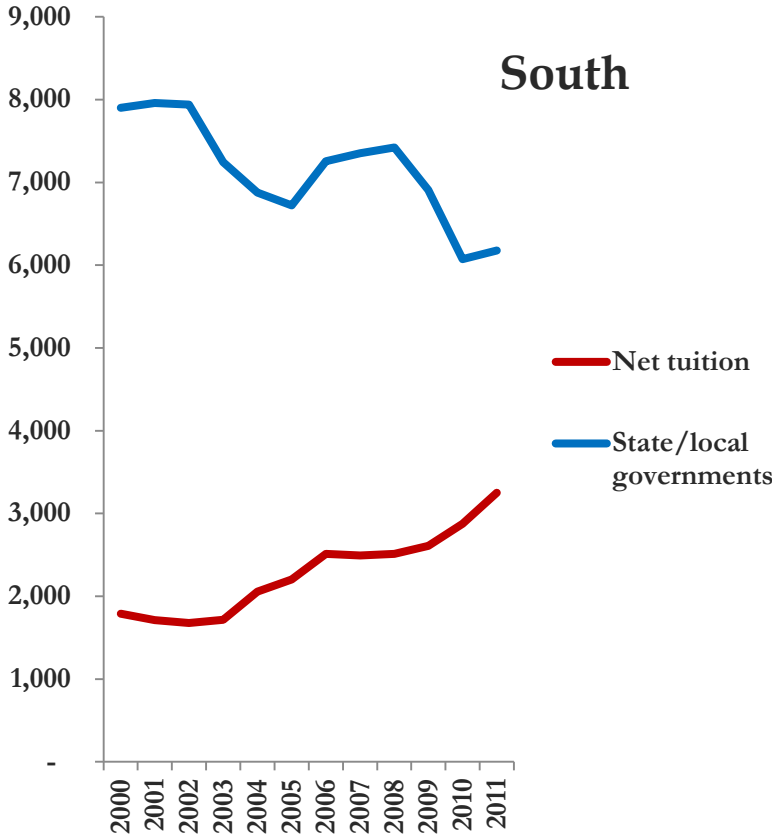


Source: Rockefeller Institute analysis of State Higher Education Executive Officers data.

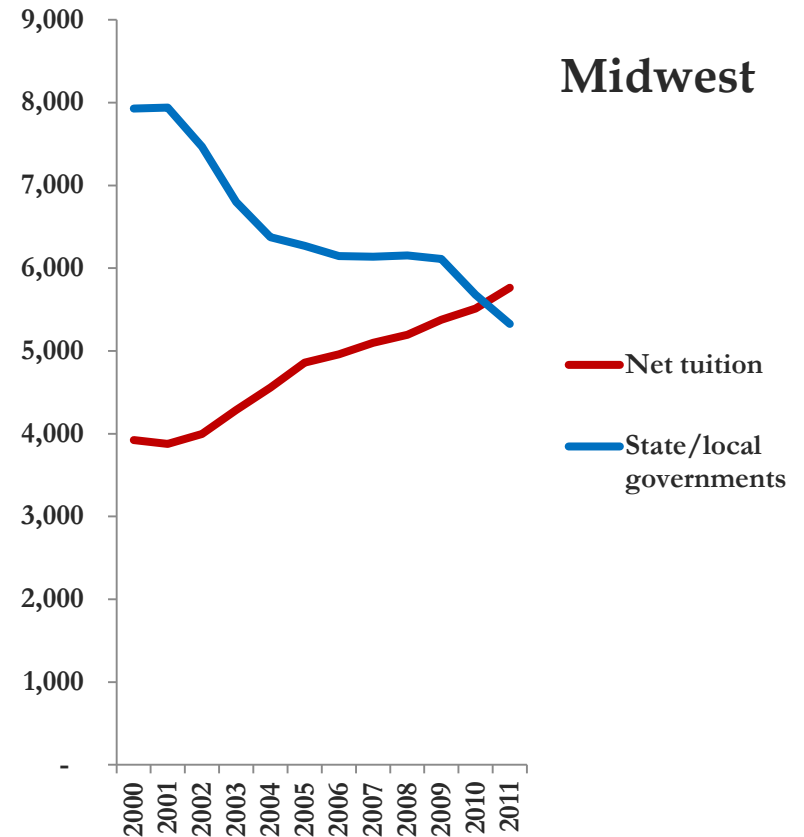
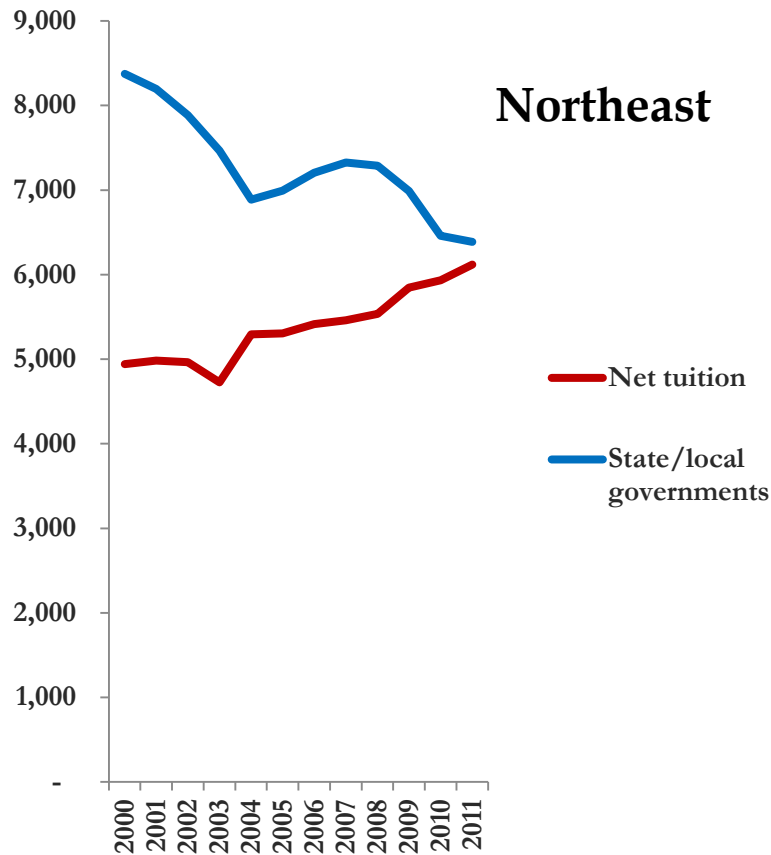
Higher education as “balance wheel” in state budgets: Volatility in state/local appropriations and growth of net tuition



Public universities in South and West still rely heavily on S/L govts – despite trends toward convergence



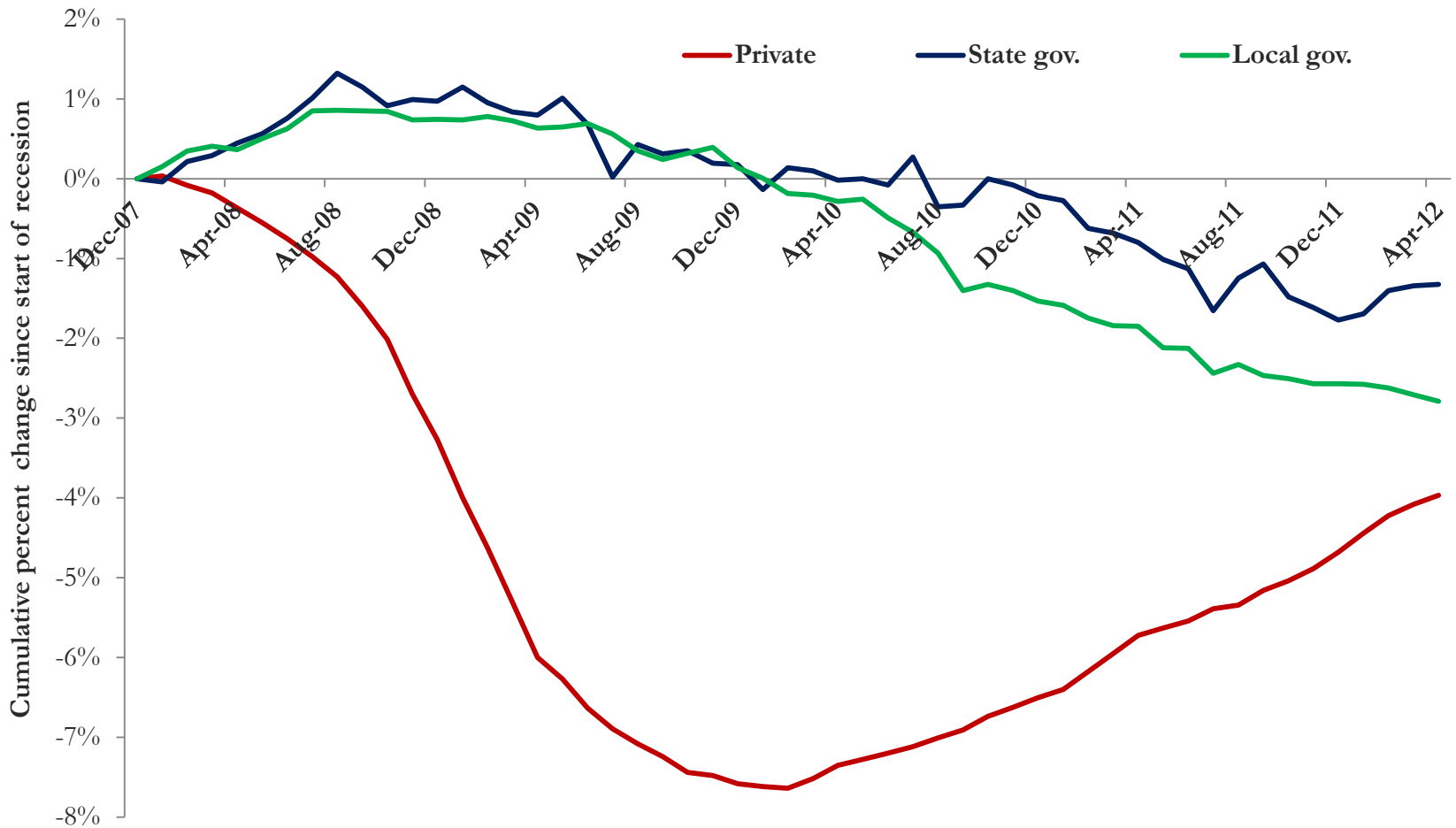
Public higher education in Northeast & Midwest now splits costs between tuition & SLG appropriations



**Significant cuts in local government
education employment**

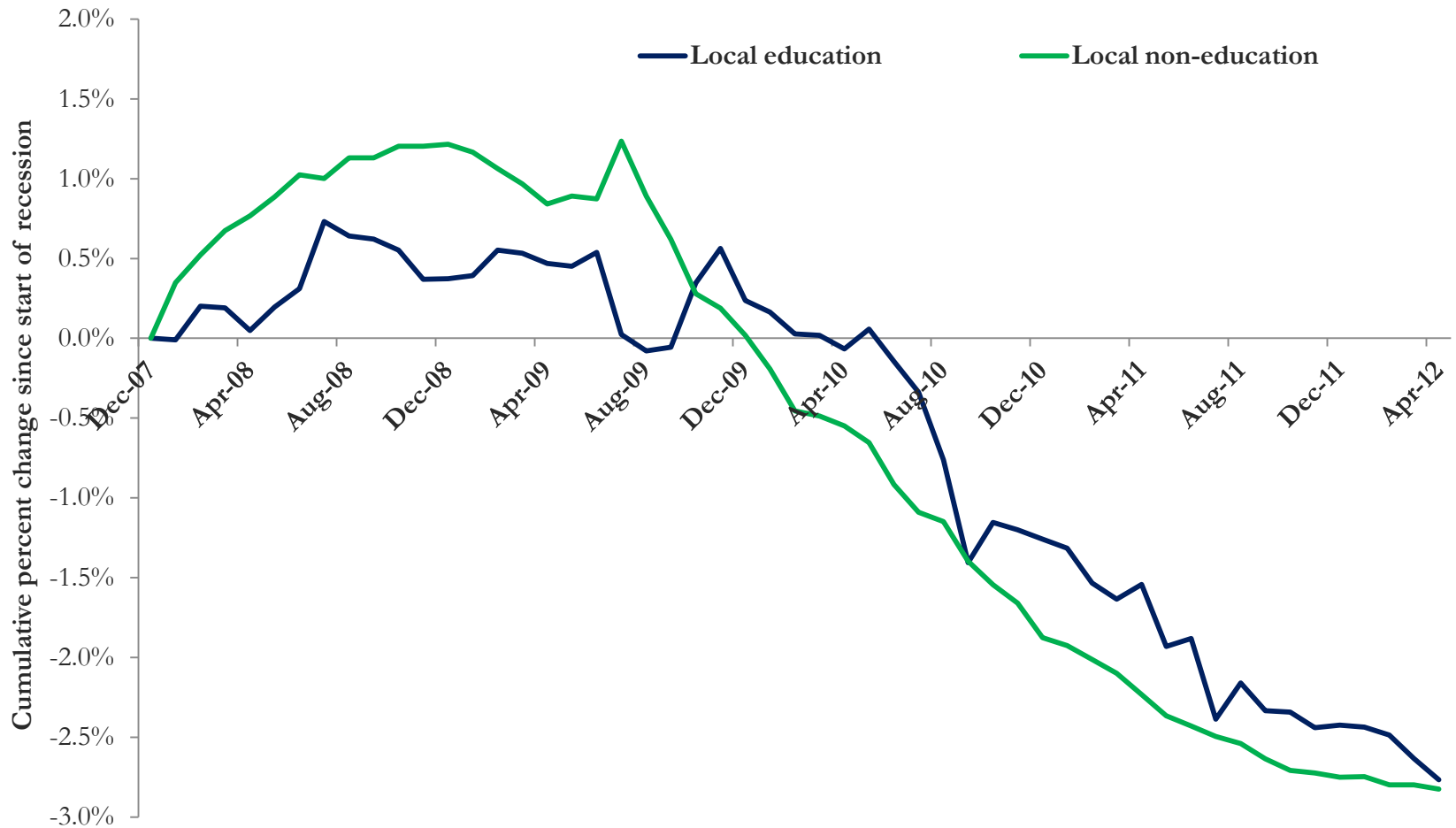
**Continued growth in state government
education employment (largely higher
education institutions)**

State & Local Government vs. Private Sector Employment During The Great Recession



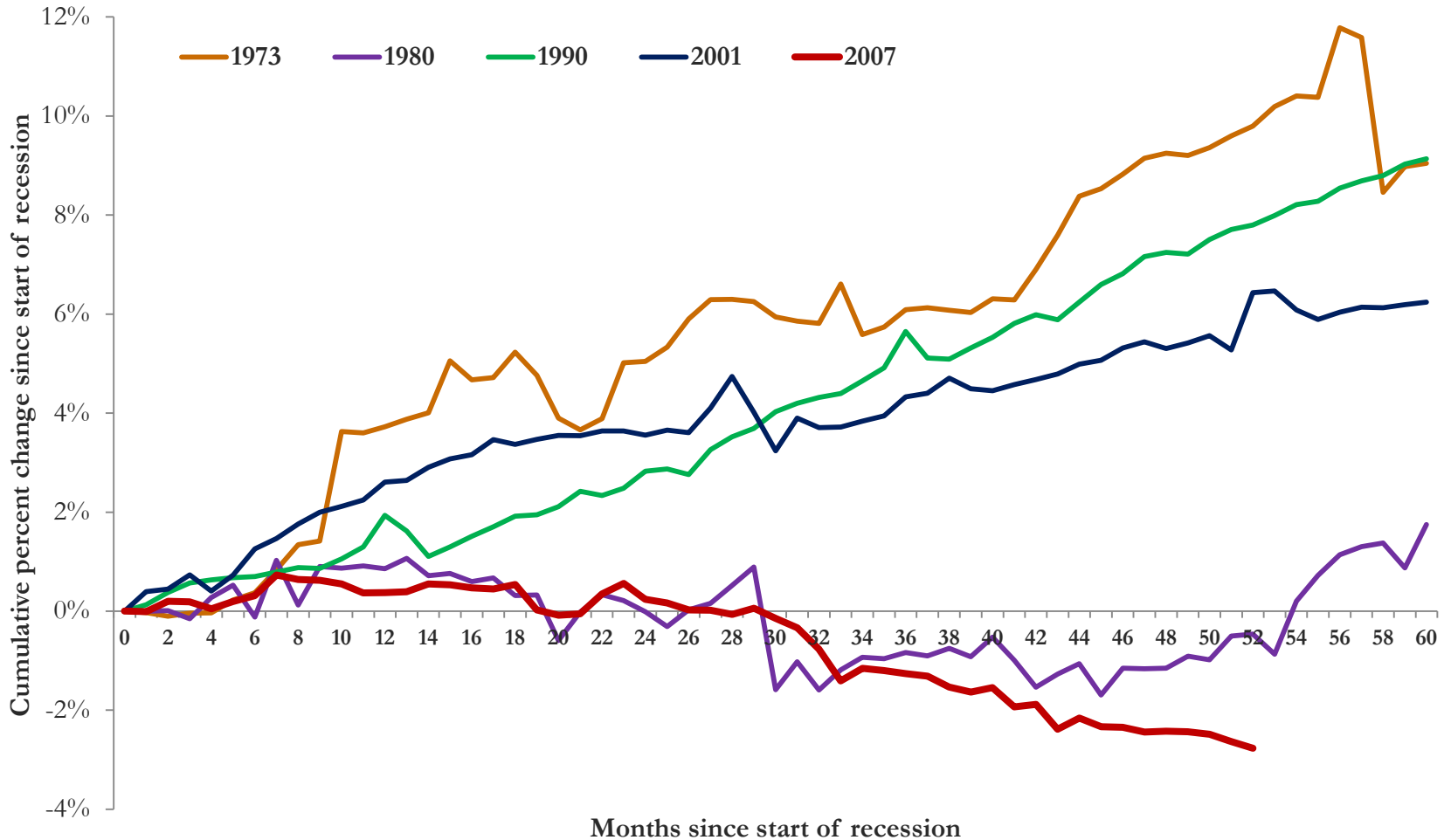
Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

Local Government Employment Has Declined Sharply Since the Great Recession



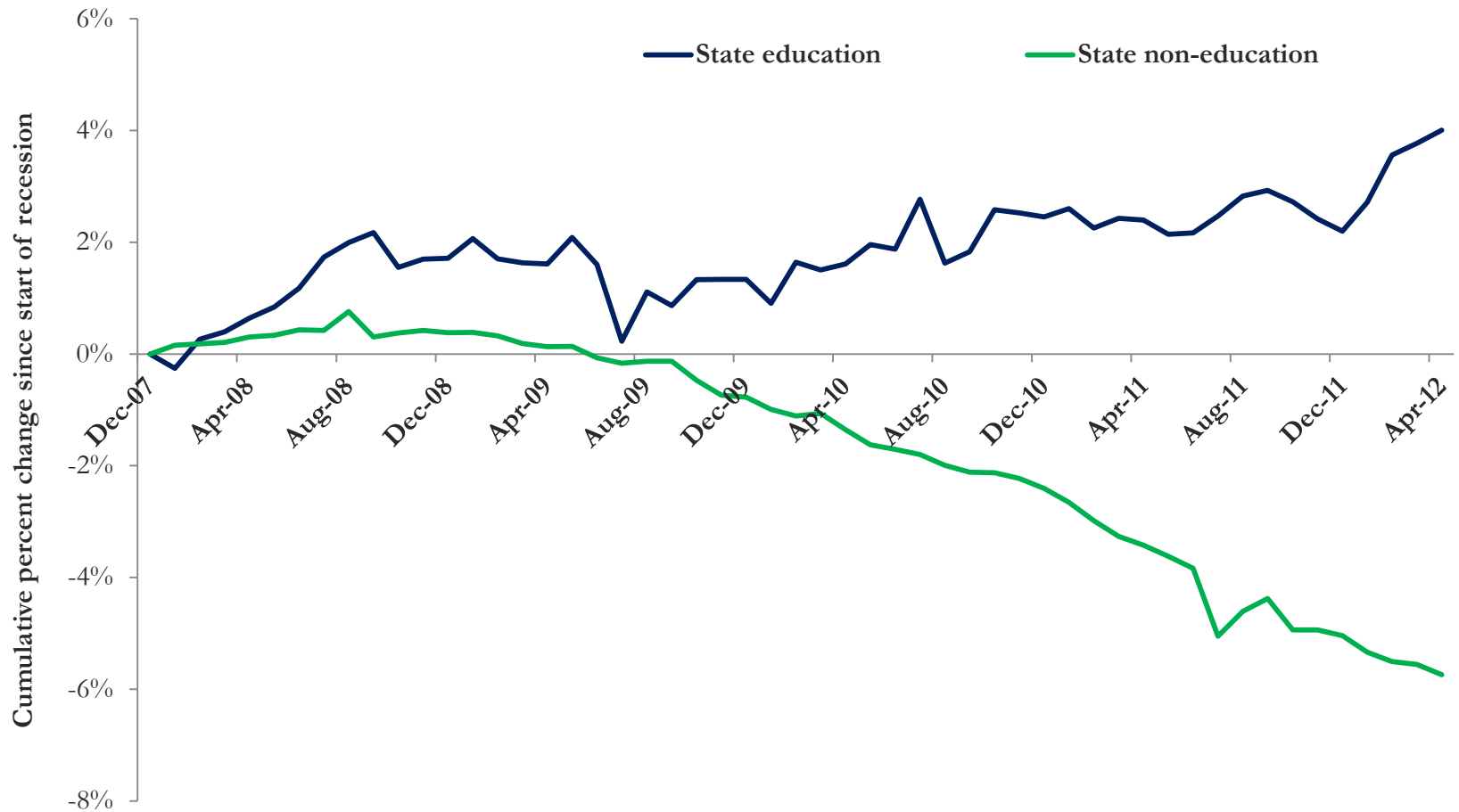
Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

Local Government Education Employment Hit Much Harder Than Past Recessions



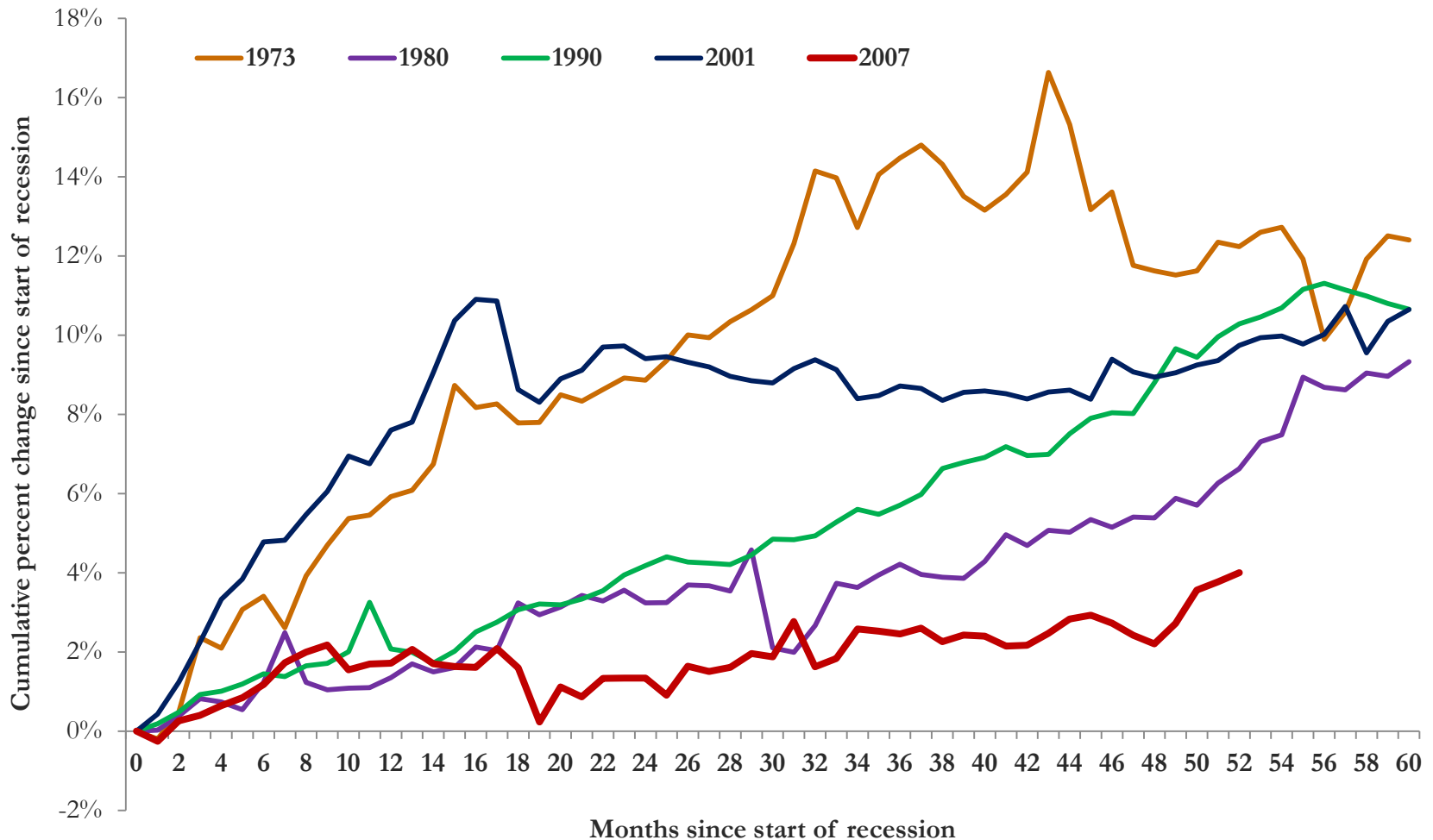
Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

State Government Education Jobs Continued to Increase in The Great Recession



Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

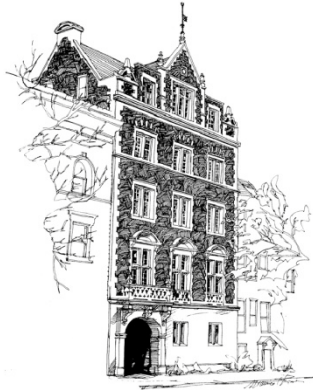
State Government Education Employment Grew 4%, Weaker Than Past Recessions



Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

Looking forward

- ❖ **K-12 education financing is strained in several ways:**
 - **weakness of local revenues—property tax no longer a cushion for schools seeing drops in state assistance**
 - **volatility in state revenues—less predictability, with implications for workforce**
 - **population of school age children increasing in states with lower fiscal capacity, smaller state budgets, economies harder hit by recession**
- ❖ **Higher ed spending is growing but not through govt appropriations; funded increasingly through tuition and thus affected by many factors, e.g., changes in federal loans/grants, interest rates, jobs, personal income**
- ❖ **Federal funds/policies may become more important as state differences grow in K-12 financing and as higher education revenues are privatized**
- ❖ **Yet federal support for all levels of education is, at best, vulnerable—to sequestration process, political immobilism, focus of budget balancing efforts on discretionary programs (fed education programs except some student loans are non-defense discretionary and thus subject to caps)**
- ❖ **Biggest problem, however, is state fiscal systems: shrinking and volatile revenue base, competition for resources from health care programs, etc.; and persistent regional patterns, which raise hard issues for federalism**



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