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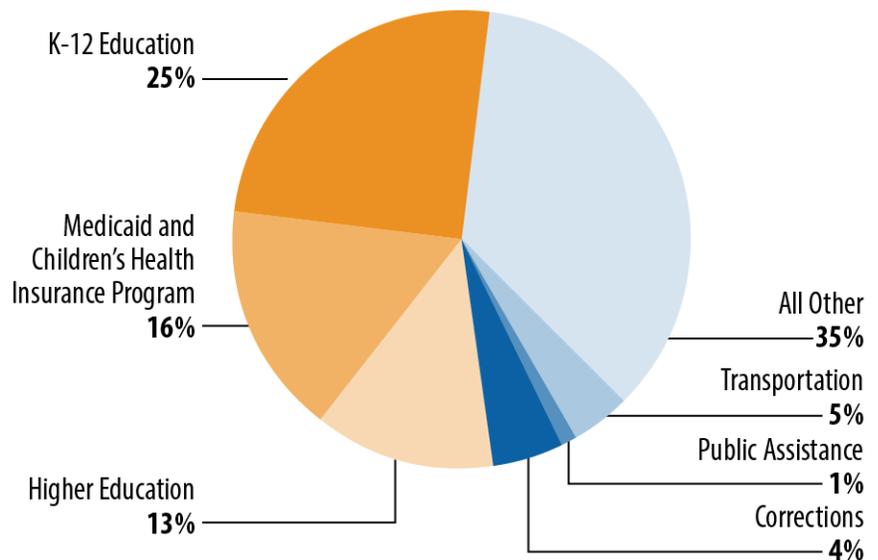
Updated April 14, 2015

States are responsible for delivering many of the nation’s highest priorities. Understanding where state tax dollars go – and the trends in state spending – can help state policymakers make good decisions about how to pay for these important services now and in the future.

In total, the 50 states and the District of Columbia spent \$1.1 trillion in state revenues in fiscal year 2013, according to the most recent survey by the National Association of State Budget Officers (NASBO). (This figure does not include the federal funds that states also spent that year.)

More Than Half of State Tax Revenues Fund Education and Health Care

Percentage of state spending



Note: "All Other" includes care for residents with disabilities, pensions, and health benefits for public employees, economic development, environmental projects, state police, parks and recreation, and general aid to local governments.

Source: NASBO State Expenditure Report FY 2013

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Policy Basics is a series of brief background reports on issues related to budgets, taxes, and government assistance programs.

The Center on Budget and Policy Priorities
 820 First Street, NE, Suite 510
 Washington, DC 20002
 Ph: 202-408-1080
 Fax: 202-408-1056
center@cbpp.org
<http://www.cbpp.org>

By far the largest areas of state spending, on average, are education (both K-12 and higher education) and health care. But states also fund a wide variety of other services, including transportation, corrections, pension and health benefits for public employees, care for persons with mental illness and developmental disabilities, assistance to low-income

families, economic development, environmental projects, state police, parks and recreation, housing, and aid to local governments.

Education has stayed a fairly constant share of state spending in recent decades. The share of state budgets devoted to Medicaid has grown, however, while the shares devoted to transportation and cash assistance to low-income families have declined.

Most State Dollars Go Toward Education and Health Care

Three areas of spending make up over half of state spending, on average:

K-12 education

States are one of the main funders of the nation's public elementary and secondary schools, which some 50 million students — nine out of ten enrolled school-age children — attend. One-fourth of state spending on average, or about \$280 billion, goes toward public education. States generally provide grants to local school districts (or to cities or counties, where those entities are responsible for administering schools) to fund schools, rather than paying teacher salaries and other school costs directly. Local governments are the other primary funder of public schools. The federal government provides only about 10 percent of public school revenues.

Higher education

States play a large role in funding higher education through their support of public community colleges, university systems, and vocational education institutions. This support accounts for about 13 percent of state spending, or some \$145 billion.

Health care

Along with the federal government, states fund health insurance for low-income families through Medicaid and the Children's Health Insurance Program (CHIP). These programs provide health coverage or coverage for long-term care to roughly 70 million low-income children, parents, elderly people, and people with disabilities in a typical month. Together, they constitute about 16 percent of state budgets, or about \$183 billion.

States spend the remaining half of their budgets on a wide variety of programs.

For example:

Transportation

State funding for transportation totals some \$55 billion, accounting for 5 percent of state spending on average. These funds are used to build and repair roads and bridges and for public transit systems.

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Corrections

Prisons, juvenile justice programs, and parole and other corrections programs make up about 4 percent of state budgets, or \$49 billion. These costs grew significantly over recent decades as states sent more people to prison and left them there longer.

Assistance for the poor

Cash assistance to low-income individuals through Temporary Assistance for Needy Families (TANF) and some smaller programs, such as general assistance, makes up only a tiny share of state spending — about 1 percent or \$11 billion.

Other spending

Comparable national data do not exist for the individual areas of spending that make up the remaining 35 percent of state budgets. But some of the larger items in this “Other” category are contributions to public employees’ pension and health benefits and general aid to local governments.

The Spending Mix Varies From State to State

The figures above show how states spend their tax dollars on average for the entire country. But the specific mix of spending varies from state to state, depending on such factors as how the state and its localities share funding responsibilities for public services and how much state policymakers choose to invest in health care, education, and other areas.

In some cases, this variation is significant. For example, West Virginia spends 10 percent of its budget on K-12 education, while Vermont, at the other end of the spectrum, spends 32 percent. Similarly, Medicaid makes up only 7 percent of the state budget of Wyoming but 36 percent in Missouri.

Though the mix varies from state to state, tax dollars raised in states fund essential services — and tax cuts at a time when revenues are weak place those services at risk.