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K-12 School Funding Up in Most 2018 Teacher-Protest States, But Still Well Below Decade Ago

By Michael Leachman and Eric Figueroa

Protests by teachers and others last year helped lead to substantial increases in school funding in Arizona, North Carolina, Oklahoma, and West Virginia, four of the 12 states that had cut school “formula” funding — the primary state revenue source for schools — most deeply over the last decade.¹ Despite last year’s improvements, however, formula funding remains well below 2008 levels in these states. Further, three of these four states boosted school funding using revenue sources that will be difficult to maintain over time, likely making their progress short lived unless they raise revenue in more sustainable ways. Kentucky, another deep-cutting state where teachers protested in 2017, held state formula funding for schools roughly flat last year.

Several other deep-cutting states that did not see major teacher protests last year also remain well behind their previous formula funding levels. For instance, per-student formula funding in Texas is now a full 20 percent below 2008 levels adjusted for inflation after lawmakers in that state further cut formula funding last year.

At the same time, more than half of the states have now *increased* total per-student funding compared to a decade ago. As of 2016, the latest year for which comprehensive data are available, 26 states were providing more total state and local funding per student than before the recession, after adjusting for inflation. Since state and local revenues generally have continued to improve since 2016, the number of states whose school funding finally has recovered from the Great Recession has likely continued to grow.

Further, some states have made new investments that research suggests are likely to boost student outcomes, an approach that likely will strengthen those state economies over time relative to their neighbors. States where funding remains depressed may fall behind their peers unless they raise sustainable additional revenue and invest it wisely in their schools.

¹ This analysis examines 12 of the states with the deepest cuts in “formula” or general K-12 education funding as identified in CBPP’s 2016 paper, “After a Nearly a Decade, School Investments Still Way Down in Some States.” These states are Alabama, Arizona, Idaho, Kansas, Kentucky, Michigan, Mississippi, North Carolina, Oklahoma, Texas, Utah, and West Virginia. While Wisconsin appeared among the 12 deepest-cutting states in our 2016 paper, that state has been providing school districts with an increasingly large amount of general funding outside of the state formula. Including this non-formula general aid, Wisconsin’s cuts since 2007-08 are not in the top 12.

Schools Rely Heavily on State “Formula” Funding

K-12 schools in every state rely heavily on state aid. On average, 47 percent of school revenues in the United States come from state funds. Local governments provide another 45 percent; the remaining 8 percent comes from the federal government. (See Figure 1.)

States typically distribute most of their funding through a formula that allocates money to school districts to support general educational activities, including salaries for teachers, textbooks, electricity, heating, and supplies such as pencils and paper. Each state uses its own formula. Most states target at least some funds to districts with greater student need (e.g., more students from low-income families) and less ability to raise funds from property taxes and other local revenues. These features make state formula funding an especially important source of funding for schools in high-poverty areas, which disproportionately educate children of color.² That said, this targeting often doesn’t fully equalize educational spending across wealthy and poor school districts.³

In addition to this “general” or “formula” funding, states typically provide revenue for other, more specific purposes, such as bus transportation, contributions to school employee pension plans, and teacher training. States vary in what they include in their general funding formula and what they fund outside the formula.

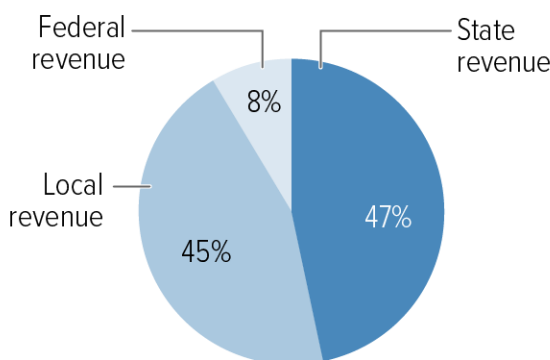
Because schools rely so heavily on state aid, cuts to state funding (especially formula funding) generally force local school districts to scale back educational services, raise more revenue to cover the gap, or both.

Our previous research found that 12 states cut formula funding especially deeply — by more than 8 percent — between 2008 and 2017. In this paper, we update our analysis of formula funding in these 12 deepest-cutting states. Since schools also receive other funding from states, and since local governments also provide substantial school funding, we also provide the latest data on total state and local revenue for schools, using data from the U.S. Census available through the 2016 school year.

FIGURE 1

States Provide Nearly Half of Public School Funding

Share of total K-12 education funding, 2016



Source: Census Bureau, “Public Elementary-Secondary Education Finance Report, 2016 Data,” May 2018

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² Julien LaFortune, Jesse Rothstein, and Diane Whitmore Schanzenbach, “School Finance Reform and the Distribution of Student Achievement,” Washington Center for Equitable Growth, March 2016, <http://equitablegrowth.org/wp-content/uploads/2016/02/School-finance-reform.pdf>.

³ Bruce Baker, Danielle Farrie, and David Sciarra, “Is School Funding Fair? A National Report Card,” seventh edition, Education Law Center, February 2018, <https://drive.google.com/file/d/1BTAjZuqOs8pEGWW6oUBotb6omVw1hUJI/view>. See also Bruce D. Baker and Sean P. Corcoran, “The Stealth Inequities of School Funding,” Center for American Progress, September 2012, <https://www.americanprogress.org/wp-content/uploads/2012/09/StealthInequities.pdf>.

Most Teacher-Protest States Significantly Boosted School Formula Funding

In the spring of 2018, teachers and other school employees in several states walked out of their classrooms to protest low pay and other funding shortages. Most of the states where these protests occurred are among those that had cut their school formula funding most deeply since the 2007-08 school year, when the last recession hit. Last year, teachers struck or engaged in other protests in five of the 12 states that cut formula funding particularly deeply after the last recession — Arizona, Kentucky, North Carolina, Oklahoma, and West Virginia.

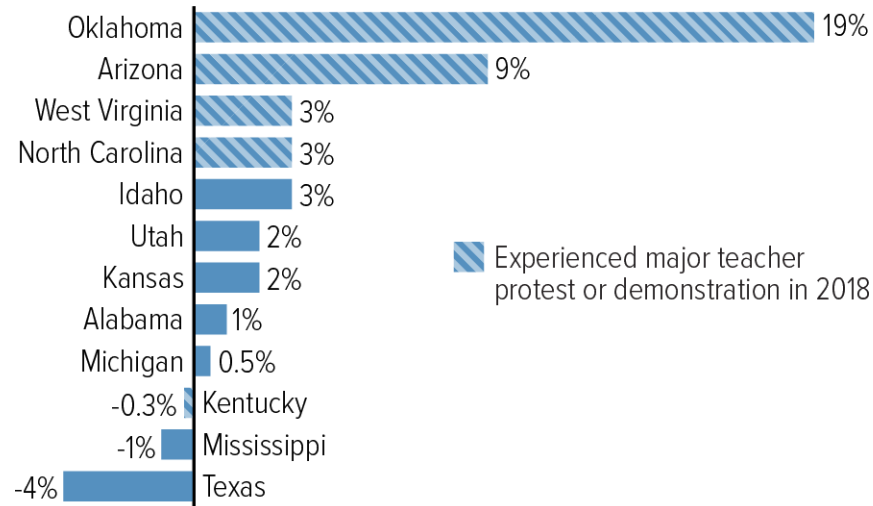
Lawmakers in four of those five states — all but Kentucky — boosted school formula funding last year, at least partially in response to the protests. The funding boosts were substantial, especially in Oklahoma, where lawmakers increased formula funding per student by 19 percent, after adjusting for inflation. Arizona, North Carolina, and West Virginia also increased funding substantially, with the hikes ranging from 3 percent to 9 percent per student, after inflation. But in Kentucky, where teacher protests focused primarily on opposing legislation that cut teacher pensions, per-student formula funding remained about flat relative to inflation.

Most of the other seven states that cut their school formula funding especially deeply over the last decade also boosted their school funding last year (though typically these funding hikes were smaller than in most of the states with protests). Alabama, Idaho, Kansas, and Utah all increased per-student formula funding for schools last year by between 1 and 3 percent after adjusting for inflation. Another deep-cutting state, Michigan, provided per-student funding that was nearly equivalent to the previous year adjusted for inflation. Two states, Mississippi and Texas, cut their funding further, with Texas cutting especially deeply (in part because in Texas state formula funding automatically declines when local funding grows). (See Figure 2.)

FIGURE 2

Many States With Deep K-12 Funding Cuts Since Recession Boosted Funding in 2018

Percent change in state formula funding* per student, inflation adjusted, fiscal years 2018-19



*General or formula funding is the primary form of state K-12 funding. States also typically provide revenue for other, more specific purposes, such as bus transportation and contributions to school employee pension plans.

Source: CBPP budget and enrollment analysis

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Funding in Deep-Cutting States Remains Well Below Pre-Recession Levels

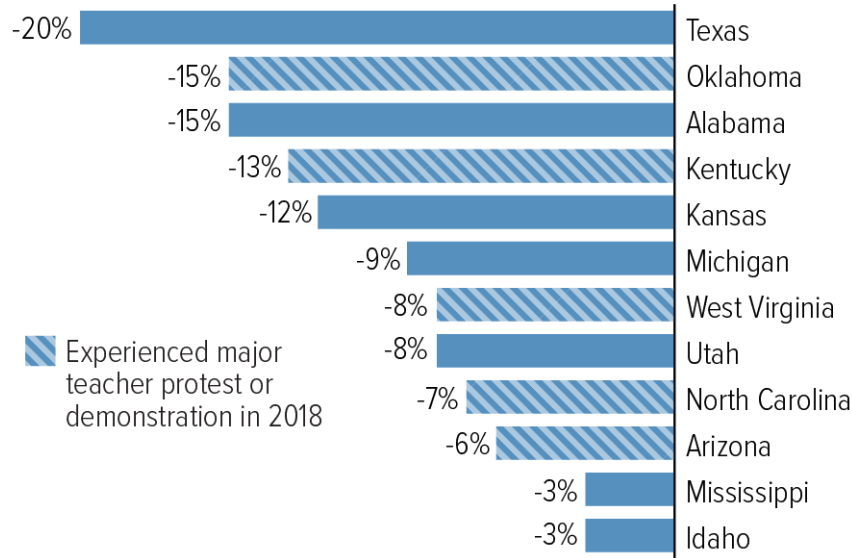
Most of the teacher-protest states had cut their formula funding so deeply over the last decade that even last year's sizeable funding boosts weren't enough to restore funding to pre-recession levels. For example, in Oklahoma, per-student formula funding remains 15 percent below 2008 levels, including inflation adjustments. And per-student formula funding in Arizona, North Carolina, and West Virginia, as well, is still well below pre-recession levels. (See Figure 3.)

Formula funding also remains well below pre-recession levels in several other states that did not see teacher protests last year. Formula funding per student in Texas is now 20 percent below where it stood in 2008, after adjusting for inflation. The cuts in a number of other states, including Alabama, Kansas, Michigan, and Utah, also have been quite deep.

FIGURE 3

Despite 2018 Funding Boosts, Some States Remain Far Below Pre-Recession Funding Levels

Percent change in state formula funding* per student, inflation adjusted, fiscal years 2008-2019



*General or formula funding is the primary form of state K-12 funding. States also typically provide revenue for other, more specific purposes, such as bus transportation and contributions to school employee pension plans.

Source: CBPP budget and enrollment analysis

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Teacher-Strike States Failed to Provide Sustainable Funding

While the funding hikes enacted in teacher-protest states last year allowed for teacher pay increases and other improvements, those gains may be reversed in coming years unless the states take additional steps to boost their school funding. Three of the four teacher-protest states that increased formula funding last year used revenue sources that may prove unsustainable, leaving them vulnerable to back-tracking in coming years. More specifically:

- Arizona** teachers ended their strike after Governor Doug Ducey signed a budget giving them a 20 percent salary increase over three years. But the budget doesn't include the new revenue required to finance the planned spending, relying instead on optimistic predictions of economic growth, continued cuts in the Medicaid rolls, and one-time funding shifts. Meanwhile, the new revenue sources the budget *does* include — like a new car-registration fee — would fall disproportionately on low- and middle-income families as a share of their income.
- North Carolina's** legislature increased funding for schools without raising new revenue to do so, even though the state faces a revenue shortfall next year for covering ongoing needs, primarily due to unsustainable income tax cuts that began to take effect in 2014. Those tax cuts did not fully phase in until January 1, 2019, masking their cost until now. North

Carolina's legislative budget experts have projected that the state will face a structural shortfall of \$1.2 billion in 2020, rising to \$1.4 billion in 2022.⁴ Because the state constitution requires a balanced budget, lawmakers will need to raise new revenue, cut spending deeply, or both, jeopardizing the sustainability of last year's K-12 funding increases.

- **Oklahoma** funded pay increases for teachers and other public employees with a revenue package that included a hike in cigarette taxes, a boost in gasoline taxes, and an increase in the tax rate on oil extraction. While these revenue sources were adequate to cover the pay hikes, they may not be in the future. Cigarette tax revenue typically fails to keep pace with state revenue needs over time, in part because the higher taxes tend to reduce cigarette consumption. And gasoline tax revenue also is not a particularly sustainable source, since revenues may be depressed in coming years by consumers continuing to purchase more efficient gasoline-powered cars and more cars fueled by less-polluting forms of energy.

The fourth deep-cutting state that raised teacher pay, West Virginia, funded a 5 percent pay raise for teachers and other public employees without raising new revenue, by cutting funding in other areas.⁵ This approach appears to be relatively sustainable, particularly since revenue has been exceeding expectations recently in West Virginia, though a decline in demand for the state's natural resources could reverse the state's good fortunes.⁶

Thus far in 2019, leading policymakers in these states have not proposed raising new revenue for school investments. Oklahoma's governor proposed an additional pay raise for teachers but no new revenue (and no boost in revenue to reduce class sizes or support general classroom operations).⁷ In West Virginia, it appears likely that lawmakers will further boost teacher pay without raising new revenue.⁸ And Arizona's governor has proposed to stay on track with the teacher pay hikes, also without raising new revenue.⁹

⁴ Legislative analysts produced this estimate in the summer of 2017 and have not produced a more recent one. Lynn Bonner, "NC Projections Show Future State Revenue Projections," *The News and Observer*, July 10, 2017, <https://www.newsobserver.com/news/politics-government/politics-columns-blogs/under-the-dome/article160611959.html>.

⁵ Sean O'Leary, "FY 2019 Budget Recap," West Virginia Center on Budget and Policy, March 14, 2018, <https://wvpolicy.org/fy-2019-budget-recap/>.

⁶ Brad McElhenny, "Lawmakers start to question aspects of justice's budget proposal," MetroNews, January 10, 2019, <http://wvmetronews.com/2019/01/10/lawmakers-start-to-question-aspects-of-justices-budget-proposal/>.

⁷ See David Blatt, "Prosperity Policy: Walkout message not being heard," Oklahoma Policy Institute, February 6, 2019, <https://journalrecord.com/2019/02/06/prosperity-policy-walkout-message-not-being-heard/>.

⁸ Both legislative houses approved teacher pay increases. The Senate version also contained provisions weakening teacher unions and encouraging more students to attend private schools. As of February 26, a teacher strike in opposition to these provisions appears to have been successful in preventing the Senate version from moving forward. The House version, a clean pay raise for teachers, school personnel, and state police, is awaiting consideration in the Senate.

⁹ Maria Poletta *et al.*, "Arizona Budget: Gov. Doug Ducey Releases Conservative Spending Plan Focused on Education," *Arizona Republic*, January 18, 2019, <https://www.azcentral.com/story/news/politics/arizona/2019/01/18/arizona-gov-doug-ducey-unveils-his-budget-2019-2020/2594039002/>.

Other Sources of Funding Typically Don't Make Up for Deep State Funding Cuts

Local government funding increases, boosts in state funding outside of the formula, or federal funding hikes can at least mitigate the impact of state formula funding cuts on school districts. But school districts typically can't rely on these other sources to fully make up for deep cuts to state formula funding. Local governments typically cannot raise enough revenue to cover the added expenses, especially after recessions, when property values have fallen. State funding outside the formula is typically provided for more specific purposes that — while helpful in some ways — may not make up for cuts in funding for basic school expenditures. And federal funding, a much smaller overall source of school funding, is not particularly responsive to state and local funding cuts. As a result, when states sharply reduce formula funding, districts typically are less able to make investments that research indicates improve student outcomes, such as expanding high-quality preschool, reducing class sizes, or increasing teacher quality.

That seems to have been the pattern in most of the states where teachers protested last year. Indeed, the protests themselves typically resulted from low levels of compensation for teachers, overly large class sizes, and a lack of other resources for schools that help students succeed — all products of inadequate funding.

The effects of state funding cuts are evident in trends in average teacher pay. Some 42 states cut the average teacher's salary relative to inflation between 2010 and 2017, the latest year with available data. (Comparable data for 2008 are not available.) Oklahoma cut its average, inflation-adjusted teacher's salary by 15 percent over the 2010-17 period, the third-deepest cut in the country behind Mississippi and Colorado, another state where teachers protested last year (but not among the states that has cut formula funding the most since the last downturn began). West Virginia and Arizona cut their average salaries by 11 percent and 10 percent, respectively — the fifth- and sixth-deepest cuts in the country. Kentucky and North Carolina cut as well. (See Appendix Figure 1.)

Last year's improvements in teacher pay did not fully reverse those cuts, and harm remains from other cuts imposed in earlier years. For instance, Arizona has not restored the full-day kindergarten programs it used to provide, and Oklahoma is still not meeting state standards for class sizes — standards that the state suspended in the aftermath of funding cuts.¹⁰

While no comprehensive data on *total* state and local funding for schools are available for the current school year, the U.S. Census Bureau provides such data through the 2016 school year. At that time, overall state and local funding per student remained far below pre-recession levels in the teacher-protest states of Arizona, North Carolina, and Oklahoma. It was also more modestly below pre-recession levels in Kentucky and somewhat above them in West Virginia.

¹⁰ "State of Arizona FY2011 Appropriations Report," Joint Legislative Budget Committee, May 2010, <https://www.azleg.gov/jlbc/11app/FY2011AppropRpt.pdf>; Rebecca Fine, "Kicking the Can Down the Road: How Inadequate Funding Dismantles Data-Driven Education Reform," Oklahoma Policy Institute, January 24, 2019, <https://okpolicy.org/kicking-the-can-down-the-road-how-inadequate-funding-dismantles-data-driven-education-reform/>.

Nationally, school funding shifted somewhat away from states to local governments in the years after the recession hit. While combined state and local funding in 2016 was nearly back to pre-recession levels nationally, state funding was down \$167 per student while local funding was up \$161. (See Figure 4.) Local funding increases help school districts absorb deep cuts in state funds, but a shift toward local funding raises equity concerns. Because school districts in neighborhoods with high property values find it much easier to raise adequate revenue than districts where property values are low, a shift toward more local funding can exacerbate school funding inequities. States typically structure their funding formulas to help overcome these inequities, but their ability to do so diminishes when they cut formula funding sharply.

The shift to local funding after the last recession may be one reason for a sharp decline in the number of states in which overall state and local school funding is “progressive” — where high-poverty schools receive more funding per student than low-poverty schools. In 2008, 22 states met this standard; by 2015, only 11 states did, according to an analysis by the Education Law Center and the Rutgers Graduate School of Education.¹¹

Meanwhile, federal policymakers have cut ongoing federal funding for states and localities outside of Medicaid in recent years, thereby worsening state fiscal conditions. The part of the federal budget that includes most forms of funding for states and localities outside of Medicaid, known as non-defense “discretionary” funding (funding that is annually appropriated by Congress), is near record lows as a share of the economy.¹² Federal spending for Title I — the major federal assistance program for high-poverty schools — is down 4.1 percent since 2008, after adjusting for inflation.¹³

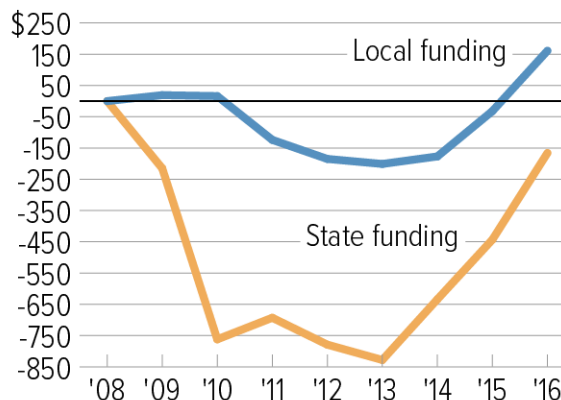
Most States Have Raised Combined State-Local Per-Student Funding

While some states have sharply reduced total per-student school funding over the last decade, most have boosted it above pre-recession levels. In 2016, for the first time since the recession hit, a majority of states (26 states) provided higher levels of total state and local funding per student than

FIGURE 4

K-12 Funding Shifted Toward Local Governments After Recession

Change in funding per pupil compared to 2008, inflation adjusted



Note: Excludes Hawaii and Indiana due to lack of data.

Source: CBPP analysis of U.S. Census Bureau, “Public Education Finances: 2016.”

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¹¹ Bruce Baker, Danielle Farrie, and David Sciarra, “Is School Funding Fair? A National Report Card,” seventh edition, Education Law Center, February 2018, p. 9, <https://drive.google.com/file/d/1BTAjZuqOs8pEGWW6oUBotb6omVw1hUJI/view>.

¹² “Policy Basics: Non-Defense Discretionary Programs,” Center on Budget and Policy Priorities, November 14, 2018, <https://www.cbpp.org/research/federal-budget/policy-basics-non-defense-discretionary-programs>.

¹³ CBPP analysis of data from the U.S. Department of Education, through fiscal year 2019.

they did before the recession took hold in 2008. (See Figure 5.) As the economy has remained strong since then, states and localities likely have continued to improve their school funding.

Once the recession ended and its aftermath gradually dissipated, state revenues slowly improved, allowing states to reinvest in their schools. Some also raised new revenue to avoid further funding cuts in the midst of the recession, or, once the recession ended, to improve their school systems in ways that research indicates will boost their long-term economies. For example, in 2013 Minnesota's legislature approved tax increases for high-income households to allow for full-day kindergarten programs in districts across the state, plus scholarships that enable more low-income children to attend pre-school and to afford college.¹⁴ Research has found that high-quality early education programs boost long-term outcomes for low-income children, to the benefit of state economies generally.¹⁵ And states that produce more college graduates are likely to be more productive, resulting in a higher quality of life and faster economic growth.¹⁶

¹⁴ Michael Leachman, "Minnesota's Tax Plan a Recipe for Future Growth," Center on Budget and Policy Priorities, May 21, 2013, <https://www.cbpp.org/blog/minnesotas-tax-plan-a-recipe-for-future-growth>.

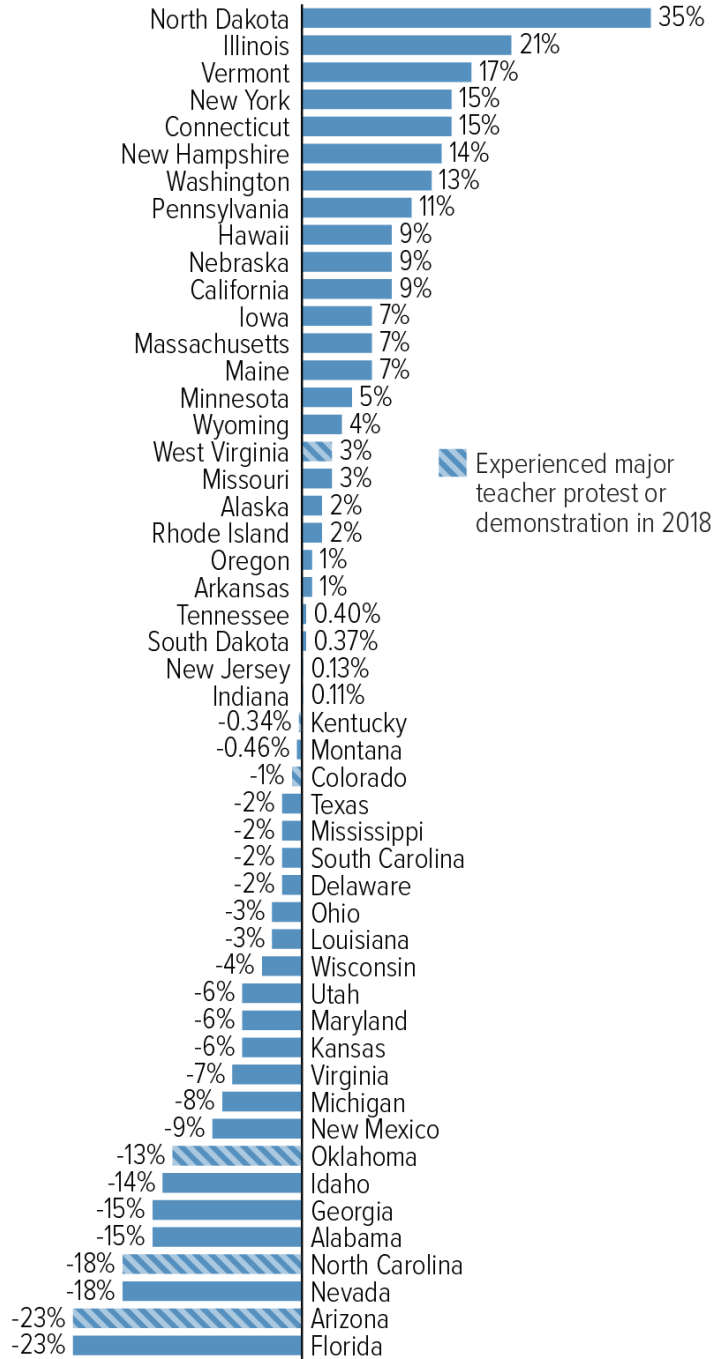
¹⁵ Timothy J. Bartik, *From Preschool to Prosperity* (Michigan: W.E. Upjohn Institute for Employment Research, 2014), <https://upjohn.org/sites/default/files/WEfocus/FromPreschooltoProsperity.pdf>.

¹⁶ Noah Berger and Peter Fisher, "A Well-Educated Workforce is Key to State Prosperity," Economic Policy Institute, August 22, 2013, <https://www.epi.org/publication/states-education-productivity-growth-foundations/>.

FIGURE 5

In More Than Half of States, Combined State-Local K-12 Funding Topped Pre-Recession Levels by 2016

Per-student funding, 2008-2016, adjusted for inflation



Note: Colorado also saw major teacher protests in 2018, but is not among the deepest-cutting states that we focus on in this report.

Source: CBPP analysis of Census Bureau's Public Elementary-Secondary Education 2016 Data and National Center for Education Statistics enrollment figures.

Deep-Cutting States Can Reinvest in Schools

It's also useful to evaluate how much states are spending on their schools relative to others. State and local school funding varies greatly by state, even after accounting for differences in the cost of living and other factors that affect school costs. As of 2015, the latest data available, schools in three of the teacher protest states — Arizona, North Carolina, and Oklahoma — were among the five most poorly funded in the country (along with those in Idaho and Utah).¹⁷ (See Appendix Figure 2.) At that time, none of these three states provided school districts even half the average per-student state and local funding that the most generous states were providing, after adjusting for cost variation across states, according to estimates by the Education Law Center and the Rutgers Graduate School of Education.¹⁸ While last year's funding hikes may have boosted these states' position, they likely remain well below the funding levels of most of their peers.

Those sharply lower funding levels will likely produce relatively poor student outcomes.¹⁹ Steep funding cuts make it hard for states to improve teacher quality, reduce class sizes, extend learning time, and enact other reforms that, research indicates, improve student outcomes. States that provide inadequate funding for their schools weaken those states' futures and put them at risk of falling behind other states that are investing in a better-educated future population. States such as Minnesota that raised new revenue to improve early education and other school programs, especially in low-income areas and communities of color, have likely boosted their economies' long-term prospects.

Several of the deepest-cutting states — including Arizona, North Carolina, and Oklahoma — enacted deep income tax cuts over the last decade, making it much more difficult for their school funding to recover from cuts they imposed after the last recession hit. These states can reverse course on the tax cuts as part of a broader effort to improve their educational systems, as Kansas has begun to do.

¹⁷ The model used to make these comparisons compares districts in which 20 percent of students are from families living in poverty. See Baker *et al.*, "Is School Funding Fair?" for methodological details.

¹⁸ Baker *et al.*, "Is School Funding Fair?" Figure 1, <https://drive.google.com/file/d/1BTAjZuqOs8pEGWW6oUBotb6omVw1hUJI/view>.

¹⁹ See, for example, Bruce Baker, "Does Money Matter in Education?" second edition, Albert Shanker Institute, 2016, <http://www.shankerinstitute.org/resource/does-money-matter-second-edition>. See also Bruce D. Baker *et al.*, "The Real Shame of the Nation: The Causes and Consequences of Interstate Inequity in Public School Investments," Rutgers University and Education Law Center, <https://drive.google.com/file/d/1cm6Jkm6ktUT3SQplzDFjIy3G3iLWOtj/view>.

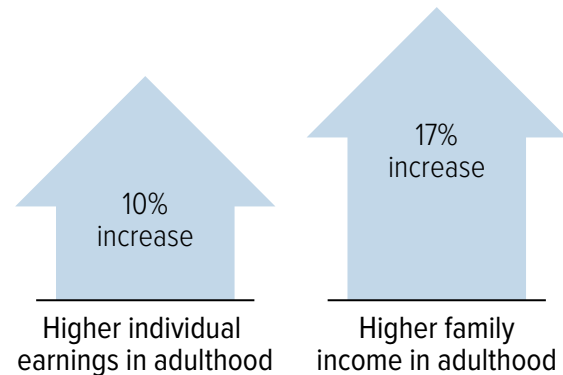
In addition, states with poorly funded school systems can raise new revenue for high-quality school programs targeted to children most in need. And states that rely heavily on local property tax revenue to fund their schools can raise revenue at the state level and funnel it through their funding formulas to increase opportunities for low-income children and children of color. States can also improve their funding formulas to better target high-poverty school districts.

State funding increases can improve educational outcomes for students, benefiting the economy as a whole in the long run. One study found that low-income children whose schools received a 10 percent increase in per-pupil spending before they began their 12 years of public school had 10 percent higher earnings — and 17 percent higher family income — in adulthood, were likelier to complete high school and less likely as adults to be poor.²⁰ (See Figure 6.) A future in which more of our children grow up to live not in poverty, but in prosperity, is a future in which our country’s overall economy is likely stronger and the quality of life for most Americans has likely improved.

FIGURE 6

School Funding Increases Lead to Big Gains for Poor Kids

For low-income students, a 10 percent increase in per-pupil spending (for all 12 school-age years) is associated with:



Source: C. Kirabo Jackson, Rucker C. Johnson, and Claudia Persico, “The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms.” *Quarterly Journal of Economics*. October 1, 2015

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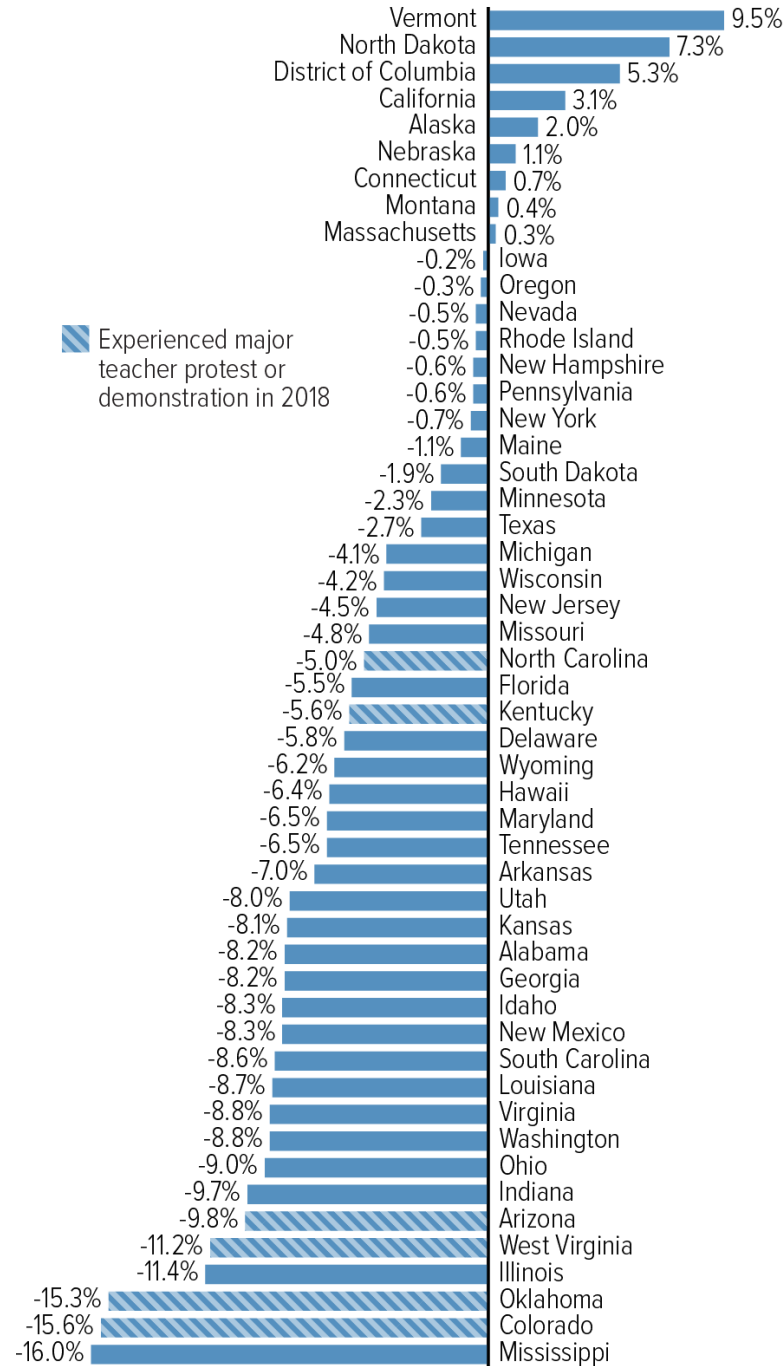
²⁰ C. Kirabo Jackson, Rucker C. Johnson and Claudia Persico, “The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms,” *Quarterly Journal of Economics*, Vol. 131, Issue 1, February 1, 2016, pp. 157–218, <https://doi.org/10.1093/qje/qjv036>.

Appendix

APPENDIX FIGURE 1

Most States Cut Teacher Pay in Recent Years

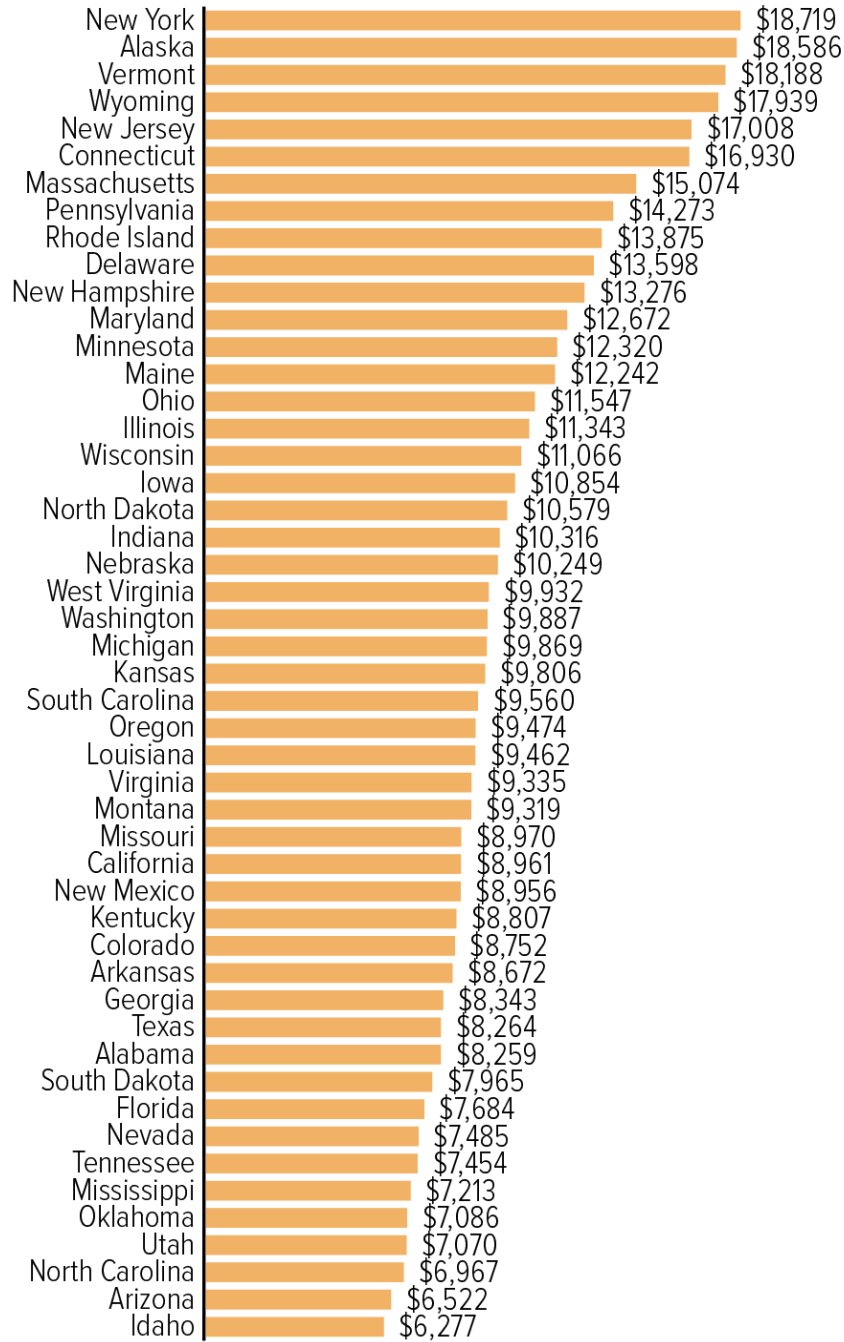
Change in average annual salary of public elementary and secondary school teachers, 2009-10 to 2016-17, inflation adjusted



Source: National Education Association, Estimates of School Statistics, selected years, 1969-70 through 2016-17.

Wide Public School Funding Disparities Exist Across States

Estimated per student state and local funding, after adjusting for cost of living, poverty, and other factors



Source: Baker, et al., "Is School Funding Fair?"