STATE TRENDS IN EDUCATION FINANCE

2017 NCSL MIDWEST STATES FISCAL LEADERS MEETING

March 10-11, 2017
The James Hotel | Chicago, Illinois
National Topography of Education Finance

- Trends in current spending
- Sources of revenue
- Education employment

Advancements in State Education Finance Systems

- Intergovernmental aid formulas
- Cost differentials
National Topography of Education Finance

- Trends in current spending
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- Education employment
State Expenditures: K-12 vs. Medicaid

bit.ly/midwest-state-expenditures
State Expenditures: FY1995

State K-12 Education and Medicaid Spending as a Percent of Total State Expenditures

K-12 (FY1995): 20.6%
K-12 (FY2016): 19.4%

Medicaid (FY1995): 19.2%
Medicaid (FY2016): 29.0%

Average of Medicaid: average of Elementary & Secondary Education. Color shows details about state. Size shows average of Higher Education. The marks are labeled by state. The data is differenced in Fiscal Year, which keeps FY1995.

SOURCE: National Association of State Budget Officers. State Expenditure Reports. (Selected years.) Washington, D.C.
State Expenditures: FY2016

K-12 (FY2016): 19.4%

Medicaid (FY2016): 29.0%

Medicaid Total Exp.
FY1995: $138.3 billion
FY2016: $558.3 billion
% change: 303.6%

K-12 Total Exp.
FY1995: $150.7 billion
FY2016: $373.7 billion
% change: 148.0%

SOURCE: National Association of State Budget Officers. State Expenditure Reports. (Selected years.) Washington, D.C.
Total State Fund Expenditures
(in constant 2015 dollars)

NOTE: figures in the horizontal bar graph represent state-level appropriations and does not include local-level spending. Where state legislatures distribute federal funds, those funds are included in these figures. Figures based on data collected from the National Association of State Budget Officers and the U.S. Census Bureau. Full citations on following page. Download the report data here.

* All 2015 figures are provisional. Per pupil and total expenditure figures for 2015 are based on data collected from the National Education Association.

K-12 Funding Fell Sharply After Recession Hit
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: 2014"
Local Education Employment

Source: U.S. Bureau of Labor Statistics
fred.stlouisfed.org

myf.red/g/cqIP
Local Education Employment

Percentage Change Since Peak Employment (2008-Q3)

- Private Sector Employment (% change): 5.99%
- Local government education employment (% change): -3.48%

K-12 Education Jobs Have Fallen as Enrollment Has Grown
Change third quarter 2008 to third quarter 2016

Education Jobs
-221,000
Student enrollment
1,220,000

Source: CPSP analysis of data from Bureau of Labor Statistics, and Student Consumer Price Index for Education Tuition
Advancements in State Education Finance Systems

- Intergovernmental aid formulas
- Cost differentials
State legislatures write the laws that distribute over 80% of funding for public schools.

Local school boards decide how to distribute and spend that money within their districts.
Federal dollars...

...while only less than 10% of total funding, enjoy high level of leverage in compelling the adoption of certain policies at the state and local levels.

(Cunningham, 2014.)
### State Intergovernmental Aid Formulas

#### Type of Formula

<table>
<thead>
<tr>
<th>Formula</th>
<th>States Using Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation Programs (37 states)—Provides a uniform state guarantee per pupil, with state and local district funding.</td>
<td>AK, AL, AZ, AR, CA, CO, CT, DE, FL, ID, IN, IA, KS, ME, MA, MI, MN, MS, MO, NE, NV, NH, NJ, NM, NY, ND, OH, OR, PA, RI, SC, SD, TN, VA, WA, WV &amp; WY</td>
</tr>
<tr>
<td>Full State Funding (1 state)—All funding is collected and distributed by the state.</td>
<td>HI</td>
</tr>
<tr>
<td>Flat Grants (1 state)—Provides a uniform amount per pupil from state funds; localities can add funding to this amount.</td>
<td>NC</td>
</tr>
<tr>
<td>District Power Equalization Systems (2 states)—Provides funding that varies based on tax rates.</td>
<td>VT &amp; WI</td>
</tr>
<tr>
<td>Combination Systems (9 states, all of which use some form of the foundation program)—These combine several funding plans (list earlier).</td>
<td>GA, IL, KY, LA, MD, MT, OK, TX &amp; UT</td>
</tr>
</tbody>
</table>

#### Map of States Using Each Formula

The map illustrates the distribution of each type of formula across the states, with each state shaded in a different color to represent the type of aid formula it uses.
Productivity: ROI Superstars

- Professor Marguerite Roza’s “School Effects” research

HIGHLY PRODUCTIVE RURAL DISTRICTS: WHAT IS THE SECRET SAUCE?

Marguerite Roza • Georgia Heyward
What is Productivity?

- “Productivity” involves raising outcomes for a given expenditure

```
Outcomes
---------------------
Inputs ($)  
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“Efficiency” generally refers to achieving the same outcomes at a lower expenditure.

(Roza, 2016)
Modest relationship between spending and outcomes.

Data from Center for American Progress, ROI study.
Rural districts vary on spending, outcomes and ROI.

ROI Superstars

Studied rural districts of similar size, poverty level:

-- 1400-2000 students
-- 40-60% FRL

SOURCE: Marguerite Roza
EDUNOMICS LAB AT GEORGETOWN UNIVERSITY
EDUNOMICS.GEORGETOWN.EDU
True or False?

Two schools with roughly the same mix of students can spend the same amount money and get different results.

True                False

Two schools with roughly the same mix of students can spend the same amount money \textit{in the same way} and get different results.

True                False

Why? The “school effect.”

\textbf{SOURCE: Marguerite Roza}

\textsc{Edunomics Lab at Georgetown University}

\texttt{Edunomics.georgetown.edu}
What’s the secret sauce for ROI superstars?

1. Can we explain it with demographics, size or other measurable district characteristics? **Yes**  **No**

2. Is it about aggregate spending patterns? **Yes**  **No**

<table>
<thead>
<tr>
<th>Percent Spent On:</th>
<th>Rural ROI Superstars</th>
<th>All Other Rural Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Student/Staff Support</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Administration</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Ops, Food, Other</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

SOURCE: Marguerite Roza
EDUNOMICS LAB AT GEORGETOWN UNIVERSITY
EDUNOMICS.GEORGETOWN.EDU
Toward a System That Can Link Resources and Results

- Previous efforts at reform mixed
- Focused on inputs
- Spending increases went toward:
  - Teacher salaries
  - Smaller class sizes
  - Support spending

(Hill, Roza and Harvey, 2008)
Sources


Sources

Further Reading


