

Education Financing in Massachusetts and the 50 States, Fiscal Year 2006

The budgetary response to the state's fiscal crisis dominated discussions of education funding in Massachusetts in the current year. In order to put the current education finance discussion in perspective, however, it is important to look at historical trends for primary and secondary (K-12) public education within the state and to compare education spending in Massachusetts with other states and with the nation as a whole.

This brief examines changes in Massachusetts education spending from 1993 to 2006. In that time, Massachusetts' support of public education is compared to other states in terms of federal, state and local spending. Finally, the brief looks at how the costs of education in Massachusetts are shared between the federal, state and local funds.

The analysis in this brief relies on U.S. Census Bureau data for Fiscal Years 1993 to 2006 – the most recent year for which such data are available. We rely on three key measures to make comparisons between Massachusetts and the rest of the country both for the Fiscal Year 2006 (FY 2006) and over time. These measures include:

1. Spending on K-12 public education as a share of total state personal income.¹
2. Cost-adjusted spending per pupil.²
3. The share of overall primary and secondary education revenue derived from state sources as opposed to local or federal sources.

Education Financing Trends over Time

To put changes in spending on K-12 education into context, it is first helpful to understand how education financing in Massachusetts has changed over time. Over the course of the 1990s -- due largely to the enactment of the landmark Education Reform Act in 1993 -- Massachusetts substantially increased the amount of state revenue dedicated to primary and secondary education. That progress all but came to a halt between FY 2003 and FY 2005 when, during a recession, the Commonwealth adopted nearly \$3 billion in budget cuts,

¹ Data on state personal income is compiled by the U.S. Commerce Department, Bureau of Economic Analysis and can be obtained at <http://www.bea.gov/regional/index.htm#state>.

² Data on primary and secondary education spending and on student enrollment were taken from U.S. Census Bureau, Governments Division, *Public Education Finances*, downloaded from <http://www.census.gov/govs/www/school.html>. The Comparable Wage Index was used to adjust for cost differences between states. Comparable Wage Index data can be found online at <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2007397>

including substantial cuts to education.³ In FY 2006, the state began to restore some of the cuts made in K-12 education. In FY 2007, Massachusetts adopted a five-year plan to increase the state's share of education spending and to address perceived inequities in required local contributions. In FY 2010, as the state has struggled to address a \$5 billion budget gap, state aid to districts was cut by 2 percent and a number of the components of the FY 2007 reforms have been suspended in an effort to limit state education spending.⁴

As the following summary of the Census Bureau's data from FY 1993 to FY 2006 indicates, the share of total primary and secondary education revenue furnished by the state grew dramatically in the 1990s, but then fell as a result of budget cuts between FY 2002 and FY 2004. Data from FY 2005 and FY 2006 reflects the state's efforts to restore some of the funding cuts in the prior three years. Likewise, aggregate and cost-adjusted per pupil spending on primary and secondary education grew in the 1990s and then fell with budget cuts in the early part of the new decade. The most recent Census data show aggregate and cost-adjusted per pupil spending continues to rise, but still remains below the FY 2002 level that was achieved before budget cutting began.

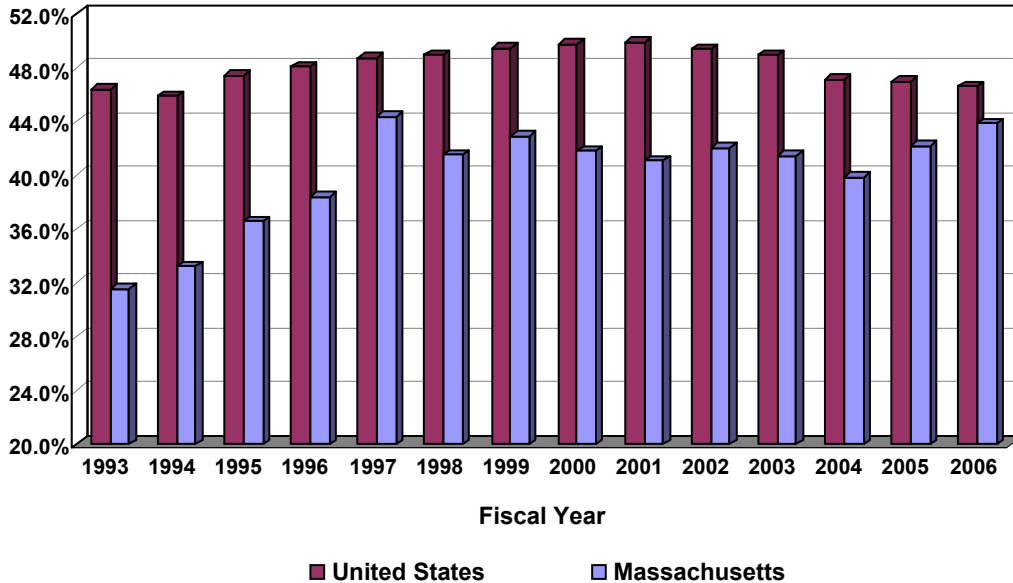
- Since FY 2004, when the Commonwealth's share of the total amount of revenue dedicated to public primary and secondary education in Massachusetts declined to 39.8 percent, from a high of 42.1 percent in FY 2002, the state share of education spending has risen. As shown in Figure 1, In FY 2005 the state share rose to 42.2 percent as the state began to replace cuts made between FY 2002 and FY 2004. In FY 2006, the amount of education spending for state sources rose again to just under 44 percent. Between FY 1993 and FY 2006, the share of primary and secondary education revenue flowing from state coffers grew from less than 33 percent to 44 percent, a dramatic increase of more than one-third.
- While the share of all revenue for primary and secondary education in the state paid for by cities and towns rose from 52.5 percent in FY 2002 to 53.6 percent in FY 2004, the share declined in the following two years. By FY 2006, the contributions by cities and towns fell to 50.7 percent of the total revenue for elementary and secondary education.

³ As the state faces its current recession, the cuts and policies adopted in between FY 2003 and FY 2005 are particularly relevant as they show how the state has approached reducing school finance funding in the past.

⁴ For more information on education funding in the FY 2010 budget, see the MassBudget Preliminary Analysis of the FY 2010 Conference Committee budget, available online at http://www.massbudget.org/documentsearch/findDocument?doc_id=622

Figure 1.

State Revenue as a Share of Total Public Primary & Secondary Education Revenue, FY 1993 - FY 2006



Comparing Massachusetts to the Rest of the Country

It is also important to understand how Massachusetts’ financial commitment to K-12 public education compares with other states and the how those costs are shared between the federal, state and local governments.

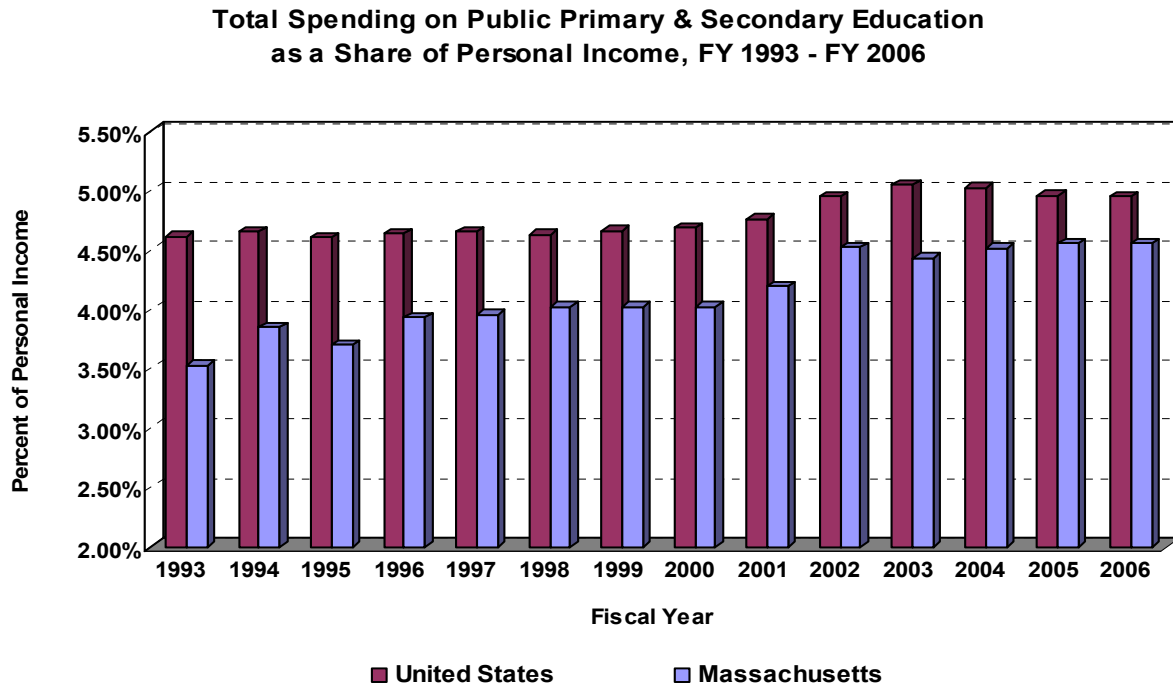
To consider total education spending in Massachusetts, we examine elementary and secondary spending as a share of total personal income earned in each state as well as per-pupil spending adjusted for cost differences between states.

Education Support as a Share of Terms of Personal Income

- Relative to its capacity to finance public primary and secondary education (as expressed by state personal income), Massachusetts’ total spending (from federal, state, and local sources) on primary and secondary education was considerably less than the majority of states. In FY 2006, total spending on public K-12 education in Massachusetts amounted to 4.6 percent of personal income, earning the Commonwealth a rank of 35th among all states. Nationally, total spending on public primary and secondary education constituted 5 percent of personal income in FY 2006, roughly 10 percent more than in Massachusetts. See Appendices A & B for more information on state rankings.
- If one were to exclude federal education aid to the states from total spending -- and, thus, to examine state and local spending on public primary and secondary education in isolation -- Massachusetts’ relative standing relative to the national average does improve. Figure 2 shows, that in FY 2006, state and local spending on public primary and secondary education in Massachusetts equaled 4.3 percent of total

personal income, putting Massachusetts in 25th place nationally. The country as a whole devoted 4.5 percent of total personal income to state and local support of public education.

Figure 2.



Education Support in Terms of Per Pupil Spending⁵

- When operating and capital costs are combined and adjusted for differences between states, total spending per pupil in Massachusetts was \$12,774 in FY 2006, leaving the Commonwealth 10th in the country and above the overall U.S. mark of \$10,885 per pupil. See Appendix D for state by state per-pupil spending information.

Looking at Education Support on Instruction and Capital Costs

- Approximately 63 percent of current education spending in Massachusetts in FY 2006 was used for instruction. Just four states – led by New York with 69 percent – dedicated a larger share of current spending to teaching in that year. Almost all remaining current spending in Massachusetts -- roughly one-third -- went to support services. By comparison, the 50 states, when averaged together, devoted 60.2 percent of current spending to instruction and 34.6 percent to support services.

⁵ This report controls for differences in costs between states using the Comparable Wage Index, developed by research supported by the National Center for Education Statistics. Information on the merits of using the Comparable Wage Index to adjust for cost differences between states can be found online at <http://nces.ed.gov/pubs2006/2006865.pdf>

- Measured as a share of total income, Massachusetts was 43rd in the country in spending for capital outlays for education, allocating 0.31 percent of personal income to such outlays in FY 2006. The national average for capital spending – 0.55 percent of personal income – was 77 percent greater than Massachusetts. See Appendix D for comparisons of state support for capital spending.

Sharing the cost of education

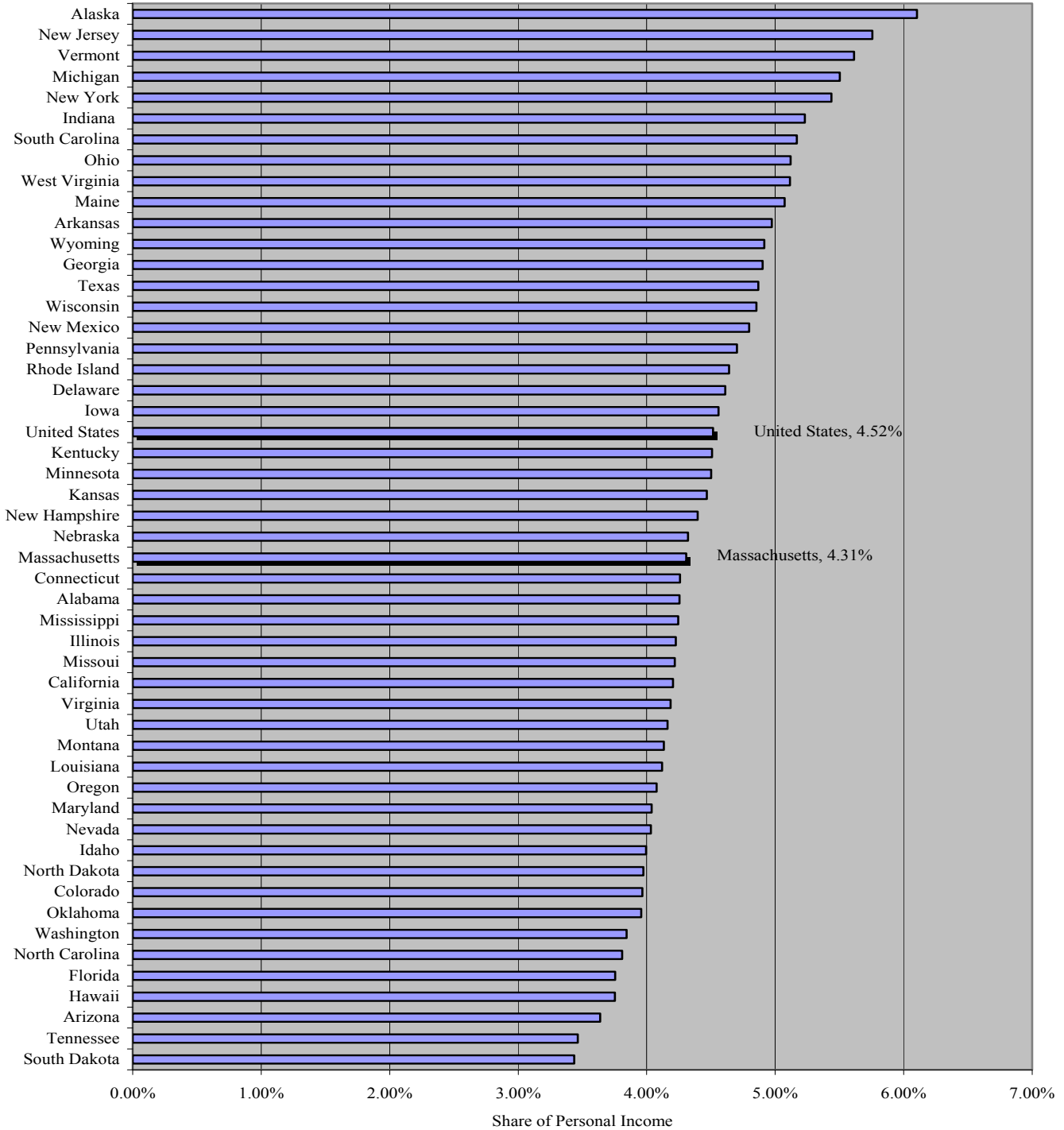
The Census Bureau's data offer some insight into the way in which responsibility for financing public primary and secondary education was shared in Massachusetts in FY 2006 relative to other states. Of note:

- Local governments provided the largest share of revenue for public elementary and secondary education in Massachusetts for FY 2006 – 50.7 percent, as show in Figure 3. State government provided 44 percent of such revenue, while the federal government supplied just 5.3 percent.
- Massachusetts continues to rely more than most states on local governments to generate revenue for public primary and secondary education. Among local governments, those in Massachusetts produced the 12th largest share of total public elementary and secondary education revenue in FY 2006. Local governments across the United States provided 44.4 percent of revenue for public primary and secondary education; by comparison, Massachusetts cities and towns provided 50.7 percent of primary and secondary education revenue. Appendix E provides additional information on the different levels of federal, state and local support in the states.
- Massachusetts also receives less federal aid than the vast majority of states – the federal share of total education revenue in Massachusetts in FY 2006 was 48th in the country. This is due to the manner in which federal education aid is distributed. Funds available under Title I, the “largest federal program supporting elementary and secondary education” are targeted “primarily to high-poverty districts and schools, where the needs are greatest.”⁶

⁶ *National Assessment of Title I Interim Report: Executive Summary*. Washington, D.C.: U.S. Department of Education, Institute of Education Sciences, 2006, p. 1.

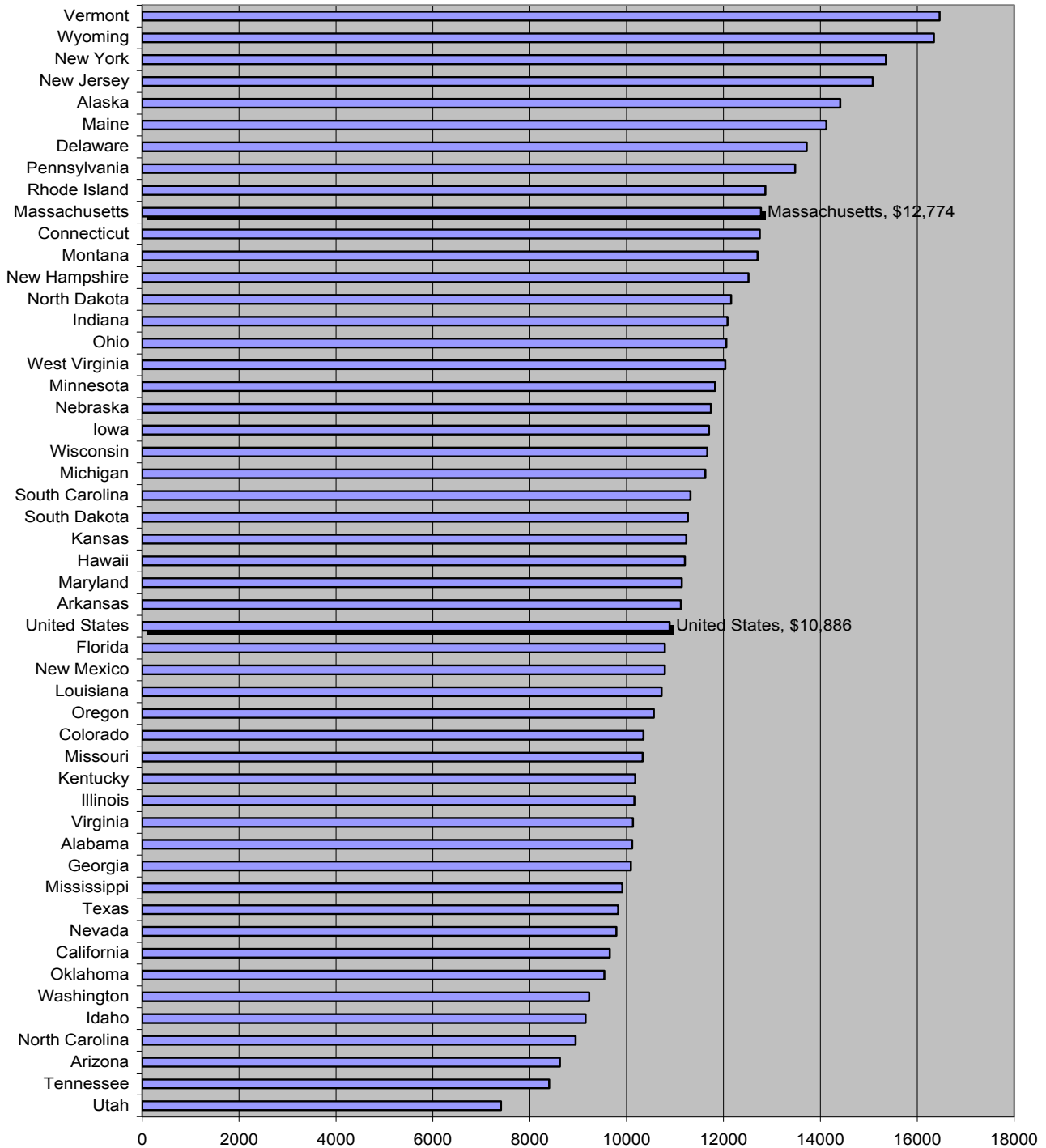
Appendix A.

State and Local Spending on Elementary and Secondary Education, FY 2006
as a Share of Personal Income



Appendix B

Total Cost Adjusted Spending Per Pupil on Public Elementary and Secondary Education, FY 2006



Appendix C.

Spending Per Pupil on Public Primary and Secondary Education, FY2006
(in dollars, adjusted for interstate cost-of-living differences)

<u>Total Spending</u>		<u>Current Spending</u>		<u>Capital Spending</u>	
United States	\$10,886	United States	\$9,332	United States	\$1,216
1 Vermont	\$16,458	Vermont	\$15,519	Wyoming	\$2,412
2 Wyoming	\$16,343	Wyoming	\$13,881	Florida	\$1,971
3 New York	\$15,354	New York	\$13,710	Delaware	\$1,957
4 New Jersey	\$15,080	New Jersey	\$13,495	Alaska	\$1,878
5 Alaska	\$14,409	Maine	\$13,124	Nevada	\$1,852
6 Maine	\$14,122	Rhode Island	\$12,469	South Carolina	\$1,791
7 Delaware	\$13,716	Alaska	\$12,134	California	\$1,465
8 Pennsylvania	\$13,480	Pennsylvania	\$11,729	Iowa	\$1,464
9 Rhode Island	\$12,865	Montana	\$11,660	Texas	\$1,401
10 Massachusetts	\$12,774	Massachusetts	\$11,624	Colorado	\$1,370
11 Connecticut	\$12,748	Delaware	\$11,605	New Mexico	\$1,345
12 Montana	\$12,703	Connecticut	\$11,524	Minnesota	\$1,345
13 New Hampshire	\$12,515	New Hampshire	\$11,207	Washington	\$1,328
14 North Dakota	\$12,160	West Virginia	\$11,194	New Jersey	\$1,304
15 Indiana	\$12,085	North Dakota	\$10,810	Ohio	\$1,285
16 Ohio	\$12,059	Hawaii	\$10,769	New York	\$1,273
17 West Virginia	\$12,037	Wisconsin	\$10,609	Arizona	\$1,243
18 Minnesota	\$11,828	Ohio	\$10,444	Georgia	\$1,230
19 Nebraska	\$11,742	Nebraska	\$10,350	Pennsylvania	\$1,199
20 Iowa	\$11,702	South Dakota	\$10,110	North Dakota	\$1,181
21 Wisconsin	\$11,667	Iowa	\$10,050	Nebraska	\$1,161
22 Michigan	\$11,627	Michigan	\$10,012	Arkansas	\$1,156
23 South Carolina	\$11,319	Indiana	\$9,968	Kentucky	\$1,143
24 South Dakota	\$11,265	Kansas	\$9,932	Maryland	\$1,116
25 Kansas	\$11,232	Minnesota	\$9,907	Utah	\$1,110
26 Hawaii	\$11,202	Maryland	\$9,894	Michigan	\$1,091
27 Maryland	\$11,137	Louisiana	\$9,728	Indiana	\$1,081
28 Arkansas	\$11,120	Arkansas	\$9,703	New Hampshire	\$1,077
29 Florida	\$10,788	Oregon	\$9,490	Alabama	\$1,024
30 New Mexico	\$10,787	New Mexico	\$9,318	Mississippi	\$1,007
31 Louisiana	\$10,722	Missouri	\$9,138	Virginia	\$989
32 Oregon	\$10,562	South Carolina	\$9,123	Connecticut	\$986
33 Colorado	\$10,348	Illinois	\$8,932	South Dakota	\$931
34 Missouri	\$10,330	Alabama	\$8,900	Illinois	\$931
35 Kentucky	\$10,180	Virginia	\$8,782	Missouri	\$915
36 Illinois	\$10,159	Kentucky	\$8,777	Idaho	\$913
37 Virginia	\$10,131	Georgia	\$8,749	Montana	\$911
38 Alabama	\$10,115	Mississippi	\$8,733	Kansas	\$910
39 Georgia	\$10,089	Oklahoma	\$8,637	Massachusetts	\$875
40 Mississippi	\$9,910	Florida	\$8,571	Oklahoma	\$818
41 Texas	\$9,825	Colorado	\$8,533	Louisiana	\$809
42 Nevada	\$9,788	Idaho	\$8,019	North Carolina	\$803
43 California	\$9,651	California	\$7,978	West Virginia	\$791
44 Oklahoma	\$9,539	North Carolina	\$7,865	Vermont	\$758
45 Washington	\$9,228	Texas	\$7,711	Maine	\$711
46 Idaho	\$9,153	Washington	\$7,579	Wisconsin	\$661
47 North Carolina	\$8,948	Tennessee	\$7,573	Tennessee	\$654
48 Arizona	\$8,622	Nevada	\$7,424	Oregon	\$628
49 Tennessee	\$8,399	Arizona	\$7,133	Hawaii	\$433
50 Utah	\$7,407	Utah	\$6,124	Rhode Island	\$189

Appendix D

Spending on Public Primary and Secondary Education as a Share of Personal Income, FY2006

Total Spending		State and Local Spending		Current Spending		Capital Spending	
United States	4.96%	United States	4.52%	United States	4.25%	United States	0.55%
1 Alaska	7.26%	Alaska	6.10%	Alaska	6.11%	Alaska	0.95%
2 Vermont	6.10%	New Jersey	5.76%	Vermont	5.75%	South Carolina	0.90%
3 New Jersey	6.01%	Vermont	5.61%	West Virginia	5.42%	Nevada	0.82%
4 Michigan	5.97%	Michigan	5.50%	New Jersey	5.38%	Wyoming	0.81%
5 New York	5.85%	New York	5.44%	New York	5.22%	Texas	0.78%
6 Virginia	5.82%	Indiana	5.23%	Maine	5.17%	Florida	0.76%
7 South Carolina	5.70%	South Carolina	5.17%	Michigan	5.14%	California	0.72%
8 New Mexico	5.61%	Ohio	5.12%	Arkansas	4.88%	Delaware	0.71%
9 Indiana	5.61%	West Virginia	5.12%	Rhode Island	4.87%	New Mexico	0.70%
10 Arkansas	5.60%	Maine	5.07%	New Mexico	4.84%	Utah	0.69%
11 Maine	5.56%	Arkansas	4.97%	Ohio	4.78%	Georgia	0.66%
12 Ohio	5.52%	Wyoming	4.92%	Louisiana	4.74%	Iowa	0.62%
13 Wyoming	5.47%	Georgia	4.90%	Mississippi	4.74%	Washington	0.60%
14 Texas	5.47%	Texas	4.87%	Wisconsin	4.70%	Arizona	0.60%
15 Georgia	5.40%	Wisconsin	4.85%	Georgia	4.68%	Ohio	0.59%
16 Mississippi	5.38%	New Mexico	4.80%	Wyoming	4.65%	Arkansas	0.58%
17 Louisiana	5.23%	Pennsylvania	4.70%	Indiana	4.63%	Kentucky	0.57%
18 Wisconsin	5.16%	Rhode Island	4.64%	South Carolina	4.59%	Colorado	0.56%
19 Pennsylvania	5.11%	Delaware	4.61%	Pennsylvania	4.45%	Michigan	0.56%
20 Kentucky	5.07%	Iowa	4.56%	Montana	4.41%	Mississippi	0.55%
21 Rhode Island	5.03%	Kentucky	4.51%	Kentucky	4.37%	Minnesota	0.54%
22 Iowa	4.98%	Minnesota	4.50%	Texas	4.29%	New Jersey	0.52%
23 Delaware	4.95%	Kansas	4.47%	Kansas	4.28%	Indiana	0.50%
24 Kansas	4.84%	New Hampshire	4.40%	Iowa	4.27%	New York	0.48%
25 Nebraska	4.84%	Nebraska	4.32%	Nebraska	4.26%	Alabama	0.48%
26 Montana	4.80%	Massachusetts	4.31%	Alabama	4.21%	Nebraska	0.48%
27 Minnesota	4.79%	Connecticut	4.26%	North Dakota	4.20%	North Dakota	0.46%
28 Alabama	4.79%	Alabama	4.26%	Delaware	4.19%	Pennsylvania	0.45%
29 California	4.74%	Mississippi	4.25%	New Hampshire	4.17%	Idaho	0.45%
30 North Dakota	4.72%	Illinois	4.23%	Massachusetts	4.16%	Virginia	0.44%
31 New Hampshire	4.66%	Missouri	4.22%	Oklahoma	4.11%	Maryland	0.43%
32 Utah	4.63%	California	4.21%	Missouri	4.09%	Illinois	0.42%
33 Illinois	4.62%	Virginia	4.19%	Hawaii	4.08%	Missouri	0.41%
34 Missouri	4.62%	Utah	4.16%	Illinois	4.06%	New Hampshire	0.40%
35 Massachusetts	4.57%	Montana	4.13%	Oregon	4.05%	Louisiana	0.39%
36 Oklahoma	4.54%	Louisiana	4.12%	Connecticut	4.05%	Kansas	0.39%
37 Oregon	4.51%	Oregon	4.08%	Minnesota	4.01%	Oklahoma	0.39%
38 Connecticut	4.48%	Maryland	4.04%	California	3.92%	West Virginia	0.38%
39 Virginia	4.48%	Nevada	4.03%	Idaho	3.91%	North Carolina	0.38%
40 Idaho	4.47%	Idaho	4.00%	Virginia	3.88%	Connecticut	0.35%
41 Maryland	4.31%	North Dakota	3.97%	Maryland	3.83%	Montana	0.34%
42 Nevada	4.31%	Colorado	3.97%	Utah	3.83%	South Dakota	0.34%
43 Colorado	4.25%	Oklahoma	3.96%	North Carolina	3.72%	Massachusetts	0.31%
44 Hawaii	4.25%	Washington	3.84%	South Dakota	3.72%	Tennessee	0.30%
45 North Carolina	4.24%	North Carolina	3.81%	Colorado	3.51%	Wisconsin	0.29%
46 Washington	4.18%	Florida	3.76%	Tennessee	3.50%	Vermont	0.28%
47 Arizona	4.14%	Hawaii	3.75%	Washington	3.44%	Maine	0.28%
48 South Dakota	4.14%	Arizona	3.64%	Arizona	3.43%	Oregon	0.27%
49 Florida	4.14%	Tennessee	3.46%	Florida	3.29%	Hawaii	0.16%
50 Tennessee	3.88%	South Dakota	3.44%	Nevada	3.27%	Rhode Island	0.07%

Appendix E.

Composition of Public Primary and Secondary Education Revenue, FY 2006
states listed by order of state revenue as a share of total revenue

State Revenue			Local Revenue			Federal Revenue		
	Share of Total Revenue	Rank		Share of Total Revenue	Rank		Share of Total Revenue	Rank
United States	46.59%		United States	44.37%		United States	9.04%	
Hawaii	89.88%	1	Hawaii	1.79%	50	Hawaii	8.33%	30
Vermont	87.15%	2	Vermont	5.08%	49	Vermont	7.77%	34
Arkansas	73.42%	3	Arkansas	15.20%	47	Arkansas	11.38%	14
New Mexico	71.24%	4	New Mexico	14.27%	48	New Mexico	14.49%	6
Minnesota	70.71%	5	Minnesota	23.09%	46	Minnesota	6.20%	45
Delaware	64.52%	6	Delaware	28.23%	44	Delaware	7.25%	37
Washington	61.09%	7	Washington	30.60%	40	Washington	8.31%	31
Michigan	59.28%	8	Michigan	32.63%	37	Michigan	8.09%	32
West Virginia	58.77%	9	West Virginia	28.88%	43	West Virginia	12.35%	9
North Carolina	58.48%	10	North Carolina	31.40%	38	North Carolina	10.12%	19
California	58.31%	11	California	30.13%	42	California	11.56%	11
Nevada	57.94%	12	Nevada	35.04%	34	Nevada	7.02%	41
Kentucky	57.32%	13	Kentucky	31.34%	39	Kentucky	11.34%	15
Kansas	56.83%	14	Kansas	35.84%	32	Kansas	7.33%	36
Alaska	56.55%	15	Alaska	25.62%	45	Alaska	17.84%	3
Idaho	55.80%	16	Idaho	33.47%	35	Idaho	10.72%	17
Alabama	55.65%	17	Alabama	32.88%	36	Alabama	11.48%	13
Utah	54.07%	18	Utah	35.78%	33	Utah	10.15%	18
Wisconsin	52.21%	19	Wisconsin	41.81%	27	Wisconsin	5.99%	46
Oregon	50.86%	20	Oregon	39.54%	30	Oregon	9.61%	24
Oklahoma	50.22%	21	Oklahoma	36.99%	31	Oklahoma	12.79%	8
Mississippi	49.39%	22	Mississippi	30.55%	41	Mississippi	20.07%	1
Indiana	47.54%	23	Indiana	45.92%	21	Indiana	6.54%	43
Montana	45.92%	24	Montana	40.14%	28	Montana	13.93%	7
Iowa	45.69%	25	Iowa	45.90%	22	Iowa	8.41%	29
Arizona	45.10%	26	Arizona	42.95%	26	Arizona	11.95%	10
South Carolina	44.85%	27	South Carolina	45.30%	25	South Carolina	9.85%	22
Wyoming	44.17%	28	Wyoming	45.74%	23	Wyoming	10.10%	20
Georgia	44.16%	29	Georgia	46.83%	20	Georgia	9.01%	25
Massachusetts	43.98%	30	Massachusetts	50.68%	12	Massachusetts	5.34%	48
Missouri	43.63%	31	Missouri	47.93%	19	Missouri	8.44%	28
Tennessee	43.24%	32	Tennessee	45.69%	24	Tennessee	11.07%	16
New York	43.10%	33	New York	49.76%	16	New York	7.13%	40
Colorado	42.67%	34	Colorado	50.14%	14	Colorado	7.19%	39
Ohio	42.35%	35	Ohio	50.45%	13	Ohio	7.21%	38
Louisiana	41.52%	36	Louisiana	39.64%	29	Louisiana	18.84%	2
Maine	41.48%	37	Maine	49.71%	17	Maine	8.82%	26
New Jersey	41.29%	38	New Jersey	54.46%	8	New Jersey	4.25%	50
Florida	40.19%	39	Florida	50.13%	15	Florida	9.68%	23
Rhode Island	40.00%	40	Rhode Island	52.50%	10	Rhode Island	7.50%	35
Virginia	39.58%	41	Virginia	53.73%	9	Virginia	6.69%	42
Maryland	39.19%	42	Maryland	54.61%	7	Maryland	6.20%	44
New Hampshire	39.18%	43	New Hampshire	55.32%	6	New Hampshire	5.51%	47
Connecticut	37.99%	44	Connecticut	57.32%	3	Connecticut	4.68%	49
North Dakota	36.17%	45	North Dakota	48.14%	18	North Dakota	15.70%	5
Pennsylvania	35.01%	46	Pennsylvania	57.11%	4	Pennsylvania	7.88%	33
Texas	32.94%	47	Texas	55.50%	5	Texas	11.55%	12
South Dakota	32.82%	48	South Dakota	50.80%	11	South Dakota	16.37%	4
Illinois	32.34%	49	Illinois	59.12%	1	Illinois	8.54%	27
Nebraska	31.42%	50	Nebraska	58.57%	2	Nebraska	10.00%	21