

Idaho Center on Budget and Tax Policy

July 24, 2006

General Fund Expenditures for Public Education in Idaho Show Continuing Decline

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The 2006 Idaho Legislature considered reducing or repealing the local property tax levy for the maintenance and operation (m&o) of Idaho's public schools, and replacing local property tax revenues with General Fund revenues. In the end, the 2006 Legislature decided replacing local property tax dollars with General Fund revenues was not in the best interest of maintaining adequate funding for Idaho's public schools. Nonetheless, proposals to repeal the m&o levy continue to surface and may become the *raison d'etre* for a special session later this summer.

Proposals to replace local property tax dollars with state General Fund revenues raise serious questions about the commitment and ability of the General Fund to provide ongoing adequate funding for Idaho's public schools. What do recent, and even longer-term historical, trends in General Fund expenditures for K-12 education tell us about the likelihood that increasing the responsibility of the General Fund for supporting public schools will be sustained going forward?

The charts on page 2 look at spending on K-12 education in Idaho as a share of the General Fund, real General Fund revenue spending per pupil, and General Fund spending on K-12 education as a share of personal income since 2001. 2001 was the year substantial permanent tax cuts went into effect, an economic recession began, and the state went into a fiscal crisis. Hence these charts examine how state funding for public education has fared as the economy has recovered and state government has adjusted to both the tax cuts and the economy.

Furthermore, it is wise to consider more than just one indicator in deriving conclusions about the likely sustainability of increasing the responsibility of the General Fund for funding Idaho's public schools. Any given indicator can go up or down for somewhat idiosyncratic or quirky reasons. Considering more than one indicator provides "checks and balances" and helps to ensure an accurate picture of a trend, in this case the trend in General Fund support for public education in Idaho.

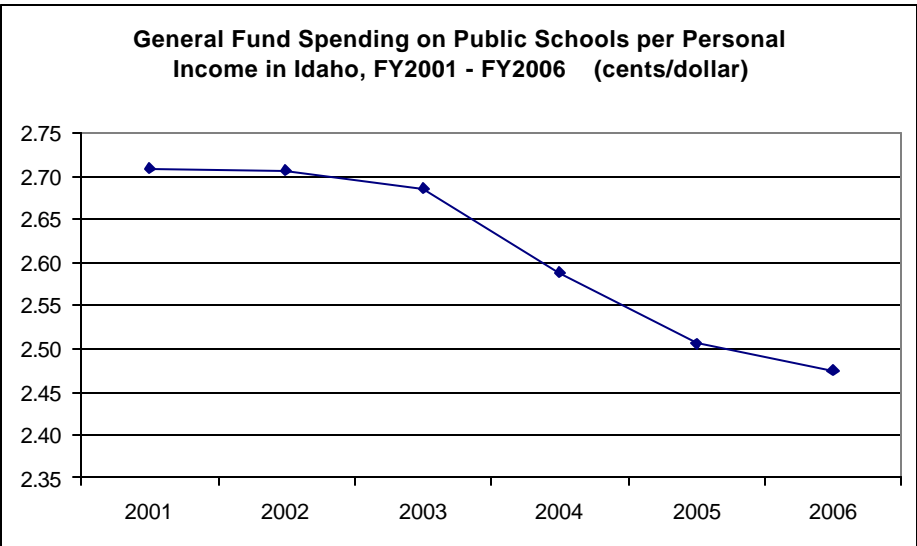
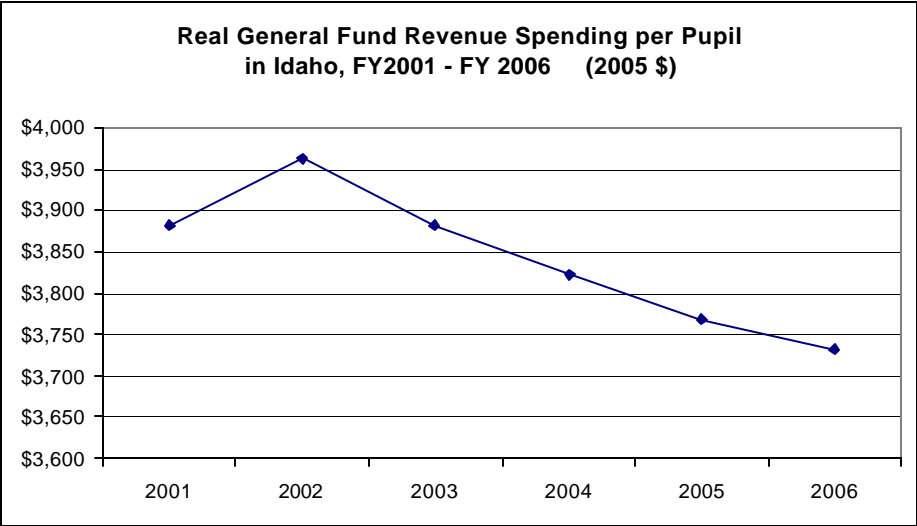
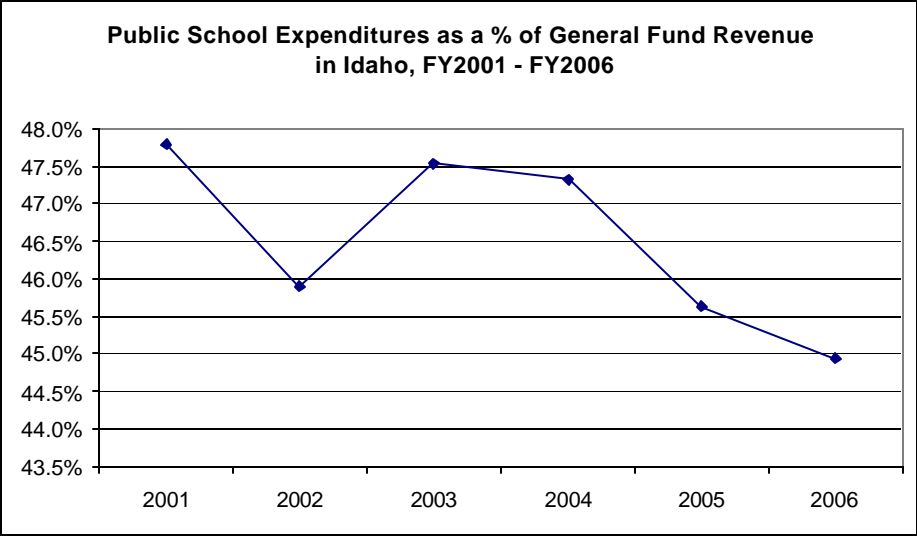
All three indicators illustrated on page 2 show a steady decline in General Fund support for K-12 education. Public school expenditures as a share of the General Fund declined sharply in FY2002, the height of the state's fiscal crisis and the year in which the first-ever holdback of public school funds was made permanent. Public school expenditures recovered a bit in FY2003 as the economy recovered and the temporary 6-cent sales tax rate went into effect. Since that time, however, even though the Idaho economy has been growing robustly, public school expenditures as a share of the General Fund have continued to decline.

Both real (inflation-adjusted) General Fund revenue spending per pupil and General Fund spending on public education as a share of personal income have also *(continued. on page 3)*

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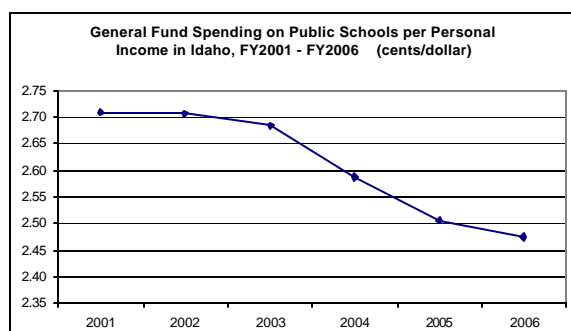
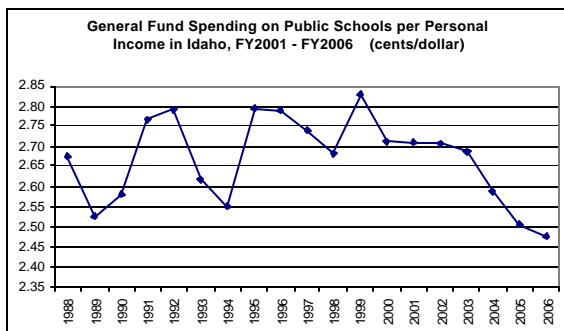
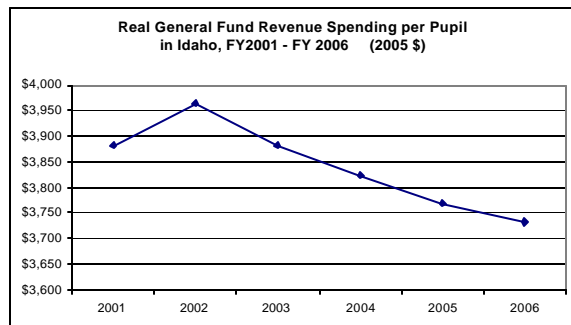
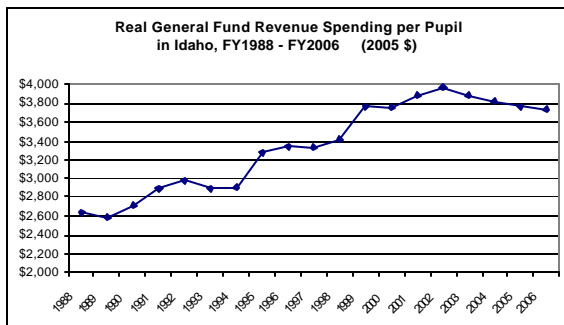
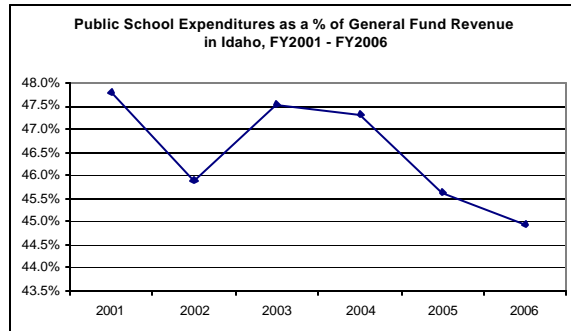
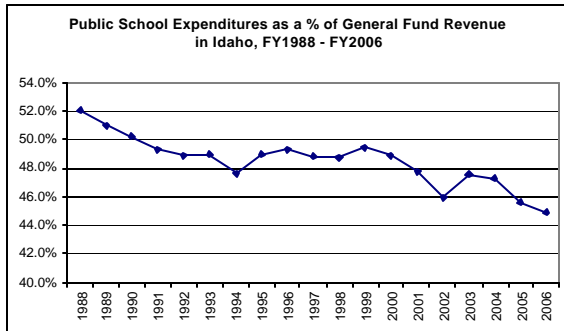


Sources: Idaho Division of Financial Management, US Census Bureau, US Bureau of Economic Analysis, National Education Association School Statistics Database

declined steadily since FY2002. The decline in education spending as a share of personal income is particularly noteworthy. Growth in personal income is the source of a state's ability to strengthen funding for vital public programs as incomes improve and a state grows and develops. Over the past couple of years, personal income in Idaho has been growing at a "gangbuster" rate. Nonetheless, spending on public education has declined from just over 2.7 cents per dollar of income earned in the state in 2002 to less than 2.5 cents per dollar of income earned in 2006.

The charts below look at the same three indicators of General Fund spending on Idaho's public schools over a longer time period, since 1988. Public school expenditures as a share of the General Fund declined dramatically during the late 1980s and early 1990s, showed slight improvement during the mid-1990s and then, as already discussed, resumed an ongoing decline in recent years.

Real General Fund spending per pupil improved significantly from the late 1980s to about 2002, and since then has entered a period of steady erosion. General Fund spending on public schools as a share of personal income had a rocky ride during the 1990s, taking some hits and then recovering. Since 2000, however, it has entered a period of gradual and now sharp decline.



Sources: same as previous page

The previous charts and indicators identify FY2001 as a turning point in education funding in Idaho. 2001 of course was the beginning of the worst state fiscal crisis in 50 years, brought on by both a recession and by tax cuts enacted in many states during the last years of the economic boom. Fortunately, the fiscal crisis was much less severe in Idaho than in many states. 2001 as a turning point, however, does raise questions about how different states protected their commitments to public education through this difficult time. As shown in the chart below, many

Percentage Change in State Funding for K-12 Public Education				
	Fiscal Year 2003 to 2004		Fiscal Year 2002 to 2004	
	Percentage Change in Nominal School Aid	Percentage Change in Real per Pupil State Aid	Percentage Change in Nominal School Aid	Percentage Change in Real per Pupil State Aid
Alabama	-0.3%	-3.0%	2.2%	-4.6%
Alaska	-2.7%	-8.4%	-1.1%	-10.0%
Arizona	10.6%	5.7%	11.9%	1.6%
Arkansas	2.1%	-0.4%	4.2%	-2.3%
California	-0.5%	-4.5%	-2.0%	-11.2%
Colorado	4.2%	0.2%	14.1%	4.7%
Connecticut	1.5%	-1.0%	3.8%	-3.9%
Delaware	2.6%	-1.4%	4.2%	-4.5%
Florida	6.3%	2.2%	12.7%	3.2%
Georgia	-1.8%	-5.5%	-1.8%	-10.3%
Hawaii	9.7%	5.8%	10.5%	0.6%
Idaho	1.3%	-2.6%	3.0%	-5.8%
Illinois	5.9%	2.5%	4.5%	-3.5%
Indiana	13.0%	0.6%	39.3%	29.1%
Iowa	2.3%	-0.2%	1.0%	-6.2%
Kansas	-9.2%	-11.4%	-8.2%	-13.5%
Kentucky	3.4%	1.0%	4.2%	-0.7%
Louisiana	-5.0%	-7.0%	6.0%	-0.8%
Maine	1.0%	-1.1%	3.4%	-2.9%
Maryland	7.0%	3.5%	12.6%	3.5%
Massachusetts	-5.7%	-8.6%	-7.5%	-14.3%
Michigan	-0.9%	-4.4%	0.0%	-10.5%
Minnesota	3.7%	1.2%	32.0%	24.0%
Mississippi	0.7%	-1.9%	3.3%	-3.6%
Missouri	-3.8%	-0.5%	-0.8%	-7.8%
Montana	-3.6%	-5.3%	11.1%	4.3%
Nebraska	-2.4%	-4.8%	-0.8%	-7.0%
Nevada	11.4%	4.3%	18.3%	3.8%
New Hampshire	-1.8%	-4.3%	-6.2%	-12.6%
New Jersey	10.0%	5.8%	14.7%	4.4%
New Mexico	4.0%	0.9%	21.6%	11.4%
New York	-1.2%	-4.0%	1.6%	-6.1%
North Carolina	2.7%	-0.7%	3.0%	-4.9%
North Dakota	1.6%	0.4%	5.8%	-1.0%
Ohio	1.9%	-0.6%	9.4%	2.1%
Oklahoma	3.8%	1.4%	-4.6%	-9.2%
Oregon	21.1%	17.4%	2.7%	-4.9%
Rhode Island	3.3%	-0.5%	7.7%	-2.6%
South Carolina	0.3%	-2.9%	-0.8%	-8.3%
South Dakota	2.5%	0.1%	2.2%	-4.1%
Tennessee	2.1%	-1.2%	5.5%	-2.6%
Texas	-2.3%	-5.9%	1.1%	-5.9%
Utah	1.3%	-2.2%	-7.0%	-14.0%
Vermont	2.4%	0.3%	2.2%	-4.1%
Virginia	3.6%	-0.2%	5.6%	-4.1%
Washington	0.6%	-2.5%	2.0%	-5.6%
West Virginia	2.8%	0.3%	6.1%	-0.3%
Wisconsin	0.5%	-1.0%	4.6%	-1.0%
Wyoming	0.0%	-2.0%	6.1%	1.5%
Average	1.7%	-1.6%	4.5%	-4.0%

Source: Andrew Rechovsky, "The Impact of State Government Fiscal Crises on Local Governments and Schools, University of Wisconsin-Madison, December 2003.)

but not all states reduced real per pupil state aid for public education during and immediately following the state fiscal crisis. The average decline in real per pupil state aid was -4.0%. The decline in real per pupil state aid in Idaho was -5.8%. Although the recession and fiscal crisis in Idaho were milder than in the nation as a whole, Idaho cut back on funding for public education more than did most states. It is especially noteworthy that Idaho neighbors Oregon and Washington were both hit particularly hard by the recession and fiscal crisis, and yet both protected funding for their public schools better than did Idaho.

Public school expenditures as a share of the General Fund, real General Fund spending per pupil, and General Fund spending as a share of personal income are all declining in Idaho. These indicators provide food for thought as Idaho asks whether the responsibility for funding K-12 education out of the General Fund should be increased, and reliance on the local property tax for funding public education essentially repealed. Ongoing erosion in state funding for public education surely raises serious questions as to whether an expanded state responsibility for funding public education can be sustained.

The nonpartisan, nonprofit Idaho Center on Budget and Tax Policy provides timely and credible economic analysis on a range of budget and tax decisions, with special emphasis on how they impact low- and moderate- income Idahoans. The Idaho Center on Budget and Tax Policy is a project of United Vision for Idaho, a permanent, multi-issue coalition of organizations that represent over 50,000 people statewide. For more, see www.uvidaho.org.