

## **PUBLIC SCHOOL FUNDING IN MASSACHUSETTS** *Putting Recent Reform Proposals in Context*

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### **Executive Summary**

In their fiscal year 2007 budget proposals, Governor Romney, the House of Representatives, and the Senate each propose significant reforms to Chapter 70 of the General Laws, which regulates state aid for education. Significantly, none of these proposals substantially increases the per pupil foundation budget, which is the amount that state law establishes as the minimum amount – from state and local sources – that school districts are required to spend so that they can provide every child with an adequate education.

Importantly, the foundation budget was developed as part of the Education Reform Act of 1993 before the implementation of state education standards and the Massachusetts Comprehensive Assessment System (MCAS) exam that measures student progress towards those standards. The state has not sought to determine whether the original foundation budget levels provide adequate resources to ensure that students receive the support they need to meet the current state standards.

While the Governor makes some very modest changes in the foundation budget and the Senate proposes some more significant changes, neither proposes a true reassessment of the foundation budget in light of the challenges that now face students in Massachusetts. Furthermore, the Governor maintains, and the Senate modifies only partially, a cap in current law that limits the extent to which the foundation budget keeps pace with inflation, as defined by the law.

All three plans do propose significant reforms to the manner in which education aid is divided among cities and towns. They also offer modest increases in state aid. Compared to the baseline cost of allowing every district to remain at the foundation level without reducing aid to any one district, the total proposed increases are as follows:

Governor's proposal:	\$90.1 million
House proposal:	\$99.3 million
Senate proposal:	\$136.8 million

The specific reforms proposed by the Governor, House, and Senate overlap somewhat, but there are also significant differences:

- The Governor’s proposal streamlines the calculation of the foundation budget, introduces a new formula to account for local wealth and property values with updated information that would be used to set local contributions and state aid, and introduces a new form of aid, known as “growth aid,” that will particularly help districts with increasing enrollments.
- The House proposal adopts the Governor’s proposal to use updated income and wealth data and further modifies that proposal to accelerate the increase in aid for districts that the formula dictates should receive additional aid. The House also proposes that every district should eventually receive 15 percent of its foundation budget in state aid, regardless of need. This has the effect of redistributing some aid to communities with the least need, according to the existing formula, and away from other communities.
- The Senate proposal adopts the Governor’s proposals to streamline the foundation budget, to update the income and wealth measures for local districts, and to create “growth aid” for districts with rising enrollments. Like the House’s proposal, it too provides accelerated aid for districts that the new formula dictates deserve such “growth aid.” The Senate also proposes to phase in a requirement that each district receive 20 percent of its foundation budget in state aid. Like the House proposal, but to a greater degree, this would shift new aid to those communities that the other elements of the formula identify as having the least need.

None of the proposals put forth during this year’s budget process would restore Chapter 70 funding to the levels called for in state law. Specifically, Chapter 70 identifies a particular measure of inflation – the implicit price deflator for state and local government – as the best estimate of the changes in the cost of providing public education. The law calls for state aid for education to be increased each year by this measure. Had that law been followed, Chapter 70 spending in fiscal year 2007 would exceed the proposed appropriations by the following amounts:

Governor’s proposal:	\$329 million
House proposal:	\$320 million
Senate proposal:	\$283 million

As important as it is to understand the implications of various proposals to reform the Chapter 70 funding formula, it is also worth considering how the financing of primary and secondary education in the Commonwealth compares to other states. When that comparison is made, it becomes clear that Massachusetts lags behind other states in two key respects: the relative contribution that state government makes to financing public primary and secondary education and the share of available economic resources it devotes to such purposes. More specifically, annual U.S. Census Bureau data on public primary and secondary education financing show that:

- Local governments provided the largest share of revenue for public elementary and secondary education in Massachusetts for FY 2004 – 53.6 percent. (FY 2004 is the most recent year for which such data are available on a fifty-state basis.) State government provided 39.8 percent of such revenue, while the federal government supplied just 6.5 percent.
- Consequently, 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 7<sup>th</sup> largest share of total public elementary and secondary education revenue in FY 2004. Local governments across the United States provided 43.9 percent of revenue for public primary and secondary education that year.
- Between FY 2002 and FY 2004, state government’s share of the total amount of revenue dedicated to public and primary secondary education in Massachusetts declined from 42.1 percent to 39.8 percent, reversing some of the progress that had been made in this area over the course of the 1990s. The state share of public primary and secondary education revenue in Massachusetts climbed almost continuously from FY 1993 to FY 1999, fluctuated somewhat between FY 1999 and FY 2002, and has dropped since then. Overall, though, between FY 1993 and FY 2004, the share of primary and secondary education revenue flowing from the state’s coffers grew from 31.5 percent to 39.8 percent.
- In FY 2004, state and local spending on public primary and secondary education in Massachusetts equaled 4.2 percent, putting the Commonwealth in 35<sup>th</sup> place nationally. (This figure excludes spending enabled by federal education aid.) The comparable amount for the country as a whole was 4.6 percent; thus, if state and local spending in Massachusetts in FY04 had been at the same level as the national mark, the Commonwealth and its municipalities would have dedicated an additional \$1 billion to educating its children that year.
- In FY 1993, state and local spending on primary and secondary education in Massachusetts totaled 3.4 percent of state personal income; again, by FY 2004, that figure was 4.2 percent of state personal income. This change amounts to the largest increase of its kind among the fifty states over this time period; as a result, Massachusetts’ national ranking improved from 49<sup>th</sup> to 35<sup>th</sup> by this measure.
- Here, too, though, there has been somewhat of a drop off since FY 2002. State and local spending on primary and secondary education, as a share of personal income, reached a high of 4.28 percent in FY02 and fell to 4.19 percent by FY04.

## Introduction

As the Massachusetts economy continues to recover from the 2001 recession, public attention has increasingly begun to focus on whether the Commonwealth's growing state revenues can be used to restore cuts made to public education in recent years and to provide local schools with the resources they need to provide every child with a high quality education. This paper examines several recent proposals to improve education funding in Massachusetts and also documents how deeply state aid to education has been cut in recent years. In brief, those proposals – offered by the Governor, the House of Representatives, and the Senate – address a series of significant issues, but do not squarely confront a question that is central to the long term debate about adequate funding for education: what level of funding would be required to provide every child in Massachusetts with a high quality education?

This paper also puts the discussion of reforming education finance laws into a broader context by using US Census Bureau data to examine how education funding in Massachusetts compares to funding in other states and how this has changed over time. This analysis looks both at the share of overall resources that Massachusetts spends on education and at the balance between state and local revenues used to fund education.

The evidence shows that after a decade in which Massachusetts was one of the most aggressive tax cutting states in the country,<sup>1</sup> the Commonwealth responded to the fiscal crisis caused by the combination of those tax cuts and the national recession by reducing state funding for education and other vital public services. In addition to reducing the overall share of resources being used to support public education, this state policy shifted more of the costs of funding schools onto localities in the years between 2002 and 2004.

## Chapter 70 Reform Proposals

In their FY 2007 budget proposals, the Governor, the House of Representatives, and the Senate all propose significant reforms to the state's education funding formula. The current funding formula, known as "Chapter 70" (because it is established in Chapter 70 of the General Laws), was developed as part of the Education Reform Act of 1993.

In recent years there has been increasing public interest in updating the Chapter 70 formula. Several issues have emerged: the original formula may have treated some communities inequitably; the data used by the formula have not been updated; and state aid cuts have taken away funding on which communities had relied.

Perhaps most significantly, the Chapter 70 formula's definition of adequate funding has not been comprehensively updated in 13 years. The formula currently begins by determining what it costs to provide an appropriate public education for students in Massachusetts. But this formula was developed before the implementation of the new curriculum frameworks and the standards mandated by the Education Reform Act.

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<sup>1</sup> Zahradnik, Robert, *Tax Cuts and Consequences: The States That Cut Taxes the Most During the 1990s Have Suffered Lately*, Center on Budget and Policy Priorities (Washington, DC), January 12, 2005.

Consequently, the existing formula describes the resources needed in the days before education reform – not the resources needed to help all children to achieve the levels of learning required by the current state standards and the MCAS test. Yet, it is those new higher standards that children are now required to meet to graduate. One objective of reforming the education funding system could be to align the funding formula with the needs of schools that are seeking to help students to meet the state’s high standards. This is not, however, the primary objective of the proposals adopted so far in the budget process.

This section will describe the changes in education funding recommended by the Governor, the House, and the Senate. These changes fall into three major categories: changes in calculating the costs of education; changes in calculating minimum required local contributions; and changes in allocating state aid for education.

To make sense of the proposed changes it is important to understand the system created by the Education Reform Act. While the formula is quite complex, it seeks to implement a few simple principles. The basic structure has three steps:

1. The state determines the minimum level of spending that is required to educate all of the students in each district. This amount is called the foundation budget.
2. The state sets a minimum required local contribution. These amounts were initially calculated in 1993 by a formula that was intended to reflect a locality’s resources. The formula is based on local property values, local incomes, and historic education funding levels. In general, communities were initially expected each to contribute the same share of their own resources to their public schools. This amount is called the “gross standard of effort.” In subsequent years, however, most communities were just required to increase their local contribution by their “municipal revenue growth factor,” which measures the growth in local revenue.
3. The state provides each community enough Chapter 70 education aid to fill the gap between the minimum amount it needs for its schools (the foundation budget) and the amount that it can generate locally by dedicating the assigned share of its local resources to education. In practice, the formula includes many additional complicating factors.<sup>2</sup> In the discussion of proposed changes that follows, those complicating factors will be described when relevant. In general, however, understanding the basic outlines of the existing system is enough to make sense of the proposed changes.

To examine the cost of Chapter 70 reforms in this year’s budget, the first step is to divide new Chapter 70 spending into two categories: the cost of paying for inflation and enrollment increases and the cost of new initiatives, as seen in Figure 1 below. Had the state made no changes to the Chapter 70 formula, it would have to spend an additional \$74 million in FY 2007 (relative to FY 2006) to cover the costs of inflation, as defined by law, enrollment changes, and

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<sup>2</sup> These factors are explained in more detail in a prior edition of this report – *Public School Funding in Massachusetts: How It Works, Trends Since 1993* – available at: [http://www.massbudget.org/Public\\_School\\_Funding\\_FY03.pdf](http://www.massbudget.org/Public_School_Funding_FY03.pdf)).

to make sure that no town’s aid would be reduced.<sup>3</sup> This amount appears as “FY 2007 Baseline” in Figure 1. The increases due to reforms in each proposal are the total amount of spending proposed in FY 2007 for Chapter 70 less this “FY 2007 Baseline.” Thus, as Figure 1 shows, the increased spending due to reforms varies from \$90 million under the Governor’s proposal to \$137 million under the Senate’s.

**Figure 1.**

	<b>FY 2006</b>	<b>FY 2007 Baseline</b>	<b>FY 2007 Proposal</b>	<b>Increase</b>
Governor	3,288,603,062	3,362,477,150	3,452,591,608	90,114,458
House	3,288,603,062	3,362,477,150	3,461,749,605	99,272,455
Senate	3,288,603,062	3,362,477,150	3,499,325,960	136,848,810

The section below describes the changes proposed by the Governor, the House, and the Senate and estimates the contribution that each element of the three proposals makes to the total “reform-related” increase in spending.<sup>4</sup>

### *Governor Romney’s Proposal*

The Governor’s proposal is most notable for its creation of a new category of state education aid, known as “growth aid,” which provides additional aid to districts where the foundation budget is growing due to increasing enrollments and inflation. The Governor’s proposal would also adjust how the state calculates the share of spending required by each community and how state aid is distributed in relation to those local contributions.

#### **The proposed reforms make limited changes in the foundation budget.**

The per student foundation budget is the amount that the Chapter 70 formula sets as the floor for how much money should be spent to educate each student in a district. The district foundation budget is the total of the foundation budgets for all students in that district. The Governor’s proposal would make only one small change in the overall amount of the foundation budget. The proposed change would increase the assumption regarding the costs of employee health care by 5 percent, which would have a state-wide cost of about \$15 million. This increase would not,

<sup>3</sup> As will be explained below, this baseline cost does not actually account for the full costs of inflation because the Chapter 70 formula caps inflation related spending at a level below this year’s inflation rate.

<sup>4</sup> Clearly identifying how much of each proposal’s increase is due to which changes poses serious technical challenges, because the effects of reforms often overlap and there is no simple way to sort them out. For example, both the Governor and the Senate provide each community with the larger of its growth aid amount or its foundation aid amount. Thus, if a given community receives its growth aid amount because that is larger than the foundation aid amount, one could attribute all of its new aid the creation of the new category “growth aid” or one could attribute to growth aid only the difference between the growth aid it received and what it would have received due to the other reforms if there had been no growth aid. The estimates provided in this paper calculate changes in the foundation budget first, then changes related to the new target shares, then down payment aid, then growth aid, and minimum aid last.

however, continue in future years unless districts adopt certain reforms in their employee health plans.

The proposal would, however, make significant changes in the structure of the foundation budget. While the original law built the foundation budget amount by first identifying costs in eighteen different categories (such as teachers at various grade levels, books and equipment, special education, professional development), the new proposal streamlines this process by using only eleven categories. The eleven categories more closely match how districts actually track and report spending to the Department of Education. While these changes would not increase the overall state-wide value of the foundation budget, they would affect the amount of the foundation budget in particular communities. In particular, the changes would increase the foundation budget amount for high schools while reducing it for junior high and middle schools. These changes would reduce the overall foundation budget for districts that don't include a high school and would increase the foundation budget for districts with a disproportionate number of high school students. For example, the change would have a significant effect in any area where there are local town elementary schools and a regional high school.<sup>5</sup>

### **The proposed reforms create a new “target local share.”**

#### *What the “target local share” measures*

Like the Education Reform Act's “gross standard of effort,” the “target local share” is a measure of how much each community should be expected to contribute towards its public schools. Like “gross standard of effort,” “target local share” is based on local property values and incomes, but uses a different method to combine these measures, and weights both equally in determining local contributions. It is also important to note that in recent years the statutory formula has not been used, as annual budgets have simply required all districts to increase their education spending by the rate that their local revenue increases (called the municipal revenue growth factor). The Governor's formula, like the original law, requires communities with higher incomes and property values to make larger local contributions. While each community would be responsible for a different share of the education costs of its students (with none being required to pay more than 88 percent of the costs), the state average would be 40 percent from the state and 60 percent from local communities.

Perhaps the most significant change the Governor proposes in this area is that the new formula would update property value and income data annually, unlike the existing law. The existing law calculated local capacity in 1993. It then required increases in local spending each year based on the growth in local revenues, without updating the underlying calculation of local property values and incomes. While this updating could be a meaningful change for some communities, the Governor's proposal does not actually implement the effects of this change for many communities, as explained below.

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<sup>5</sup> These changes are explained in greater detail in the Department of Education publication, *Reconstituting the Foundation Budget*, available at: [http://finance1.doe.mass.edu/chapter70/chapter\\_07p\\_change\\_detail.pdf](http://finance1.doe.mass.edu/chapter70/chapter_07p_change_detail.pdf)

*What the new target local share means for local contributions and state aid*

While these changes could allow the formula to reflect more accurately localities' current capacity to fund education, in practice, they would have only a limited effect on either required local contributions or state aid.

First, the new formula measures essentially the same things as the existing formula, although in slightly different ways.

Second, like the existing law, the new proposal does not actually require communities spending below their "target local share" to increase their spending to that level. Instead, it requires these communities to increase their contribution each year by the "municipal revenue growth factor" (a measure of the increase in local tax capacity and other revenue). This is essentially the same requirement they face under current law. Both the new formula and existing law operate in this manner partly because the constraints of Proposition 2 ½ make it very difficult to require significant increases in local spending even for those communities that are failing to meet their target local share.

There is, however, an effect on those communities spending above their target local share. Those communities would be allowed to phase down their local spending so that at the end of five years they would be spending only the target share (they would be allowed to close 20 percent of the gap each year). Initially, the primary effect of these reductions would not be more local aid for many of these towns, but rather just permission from the state for these communities to reduce total spending on education in their schools. The reason for this result is explained immediately below.

*When would this change lead to more state aid for a community?*

Like the existing law, the Governor's proposal requires the state to provide "foundation aid" to fill the gap between each community's foundation budget amount and its required local spending. As a result of this requirement, if a community is allowed to reduce its local contribution (because the contribution is more than the target local share) and such a reduction would leave total spending below the foundation budget level, then the state is required to fill the gap. When that happens, communities would get more state aid as a result of being able to reduce their local contribution.

*When could this change lead to less required total funding for a community's schools?*

If required education spending in a given community (including both state aid and local contributions) is above the district foundation budget level, then a reduction in local spending requirements may not lead to new state aid in some circumstances.

For example, if a community has a foundation budget of \$2.1 million, would have been required to spend \$1.5 million of its own money under the old law, would have received \$1 million in state aid, and now has a target local share of \$1 million, then it would not receive any new state aid as a result of being allowed to reduce its local spending towards this new target. The

community would be able to cut its contribution by \$100,000 (20 percent of \$500,000) in the first year, but that would bring the total funding for its schools down to just \$2.4 million. Since this is above the foundation budget amount, the state would not provide any new aid.

In contrast, if a district with a foundation budget of \$2.1 million would have been required to spend \$1.5 million of its own money, would have received \$600,000 in state aid, and now has a target local share of \$1 million, then the allowed reduction would result in new state aid. The \$100,000 reduction allowed by the new law would mean that total education spending in the town would fall \$100,000 below the foundation amount if state aid didn't change. Therefore, the formula would automatically increase state aid to that town by \$100,000.

Overall the changes the Governor proposes in calculating local contributions and resulting state aid account for approximately \$21 million of the new aid proposed in his FY 2007 budget.

### **The proposed reforms create a new category of “growth aid.”**

#### *What is “growth aid”?*

Growth aid would be granted to communities where the district foundation budget is increasing. This can occur either because of enrollment growth or because of inflation. Each community would receive “growth aid” for each new student in an amount calculated based on incomes and property values in that community, as measured by the target aid share. This reform accounts for about \$54 million in new state aid, the lion's share of the new money provided in the Governor's proposal.

#### *What is the “target aid share”?*

The target aid share is based on the target local share described in the preceding section. The target aid share is simply 100 percent less the target local share. For example, if the target local share for a given community is 65 percent, then the target aid share is 35 percent. Because it is derived from the target local share formula, the target aid percentage is higher in communities with low incomes and low property values and lower in more affluent communities.

#### *What are the effects of distributing “growth aid” in this manner?*

The Governor's growth aid proposal is the most significant change he proposes in the education funding formula. Like any change, it achieves certain goals and may frustrate others. The primary purpose of this change appears to be to remove a disincentive to increasing enrollments or at least to compensate communities for the added costs of additional school children. These costs are often cited as a reason for communities not encouraging new housing, especially for families.

The change does, however, raise several problems. Most significantly, the Governor's proposal does not fully coordinate the growth aid allocation with the target local share calculation. As a result, a community that is making a local contribution significantly below its target local share could receive a windfall of local aid if it increases enrollment. For those communities that are

contributing above their local share and receiving less state aid, this result could raise significant equity issues.

Furthermore, the Governor’s growth aid formula does not seek to account for the type of new housing being built. A given community would generally receive the same new per student aid regardless of whether it allows only new luxury houses to be built or whether it encourages the development of affordable housing.

The Governor’s proposal would also provide growth aid to some communities where enrollments are declining. This is because the total foundation budget amount can increase for two reasons: inflation and rising enrollments. If enrollment is declining in a community, but not quickly enough to offset the effects of inflation, then that community would be eligible to qualify for growth aid. Providing growth aid to these communities serves as a type of hold harmless provision that allows communities that would lose foundation aid because of their declining enrollments to receive some state aid in the form of growth aid.

**Figure 2.**

<u>Proposal</u>	<u>Governor</u>	<u>House</u>	<u>Senate</u>
<b>Raise Foundation Budget</b>			
Consolidate foundation budget categories	✓		✓
Assume increased cost of employee health care	✓		
Remove cap on inflation adjustment		✓	
Raise cap on inflation adjustment			✓
Change SPED, low-income, and ELL components			✓
<b>New Target Aid</b>	✓	✓	✓
<b>Growth Aid</b>	✓		✓
<b>Remove Hold Harmless</b>	✓		
<b>Down Payment Aid</b>		✓	✓
<b>Minimum Aid</b>		✓	✓

## *The House of Representative's Proposal*

The FY 2007 budget approved by the House of Representatives includes its own education reform proposals, adopting some of the Governor's reforms and making other significant changes.

### **The proposal more accurately adjusts the foundation budget to account for inflation.**

Chapter 70 requires that the foundation budget be adjusted each year to account for inflation. As described in the section on state education aid and inflation later in this paper, Chapter 70 uses a particular measure of inflation that the federal government has developed to measure changes in costs for state and local government services. The existing law, however, caps the inflation adjustment at 4.0 percent. For FY 2007, however, the actual change in this inflation adjustment was 5.9 percent. The House proposal eliminates the cap and adjusts the foundation budget to account for inflation completely. This change results in approximately \$48 million in additional aid.

### **The proposal adopts the Governor's target local share reforms with two changes.**

The House proposal adopts most of the target local share and related state aid changes that were part of the Governor's proposal. The House, however, makes one significant change in how state aid is distributed to communities that are currently spending over the target local share. Because the Governor's proposal simply allows communities to reduce their contribution each year, for five years, by 20 percent of the amount by which they were spending over the target local share, those communities where total spending would still be over the district foundation amount even with the 20 percent reduction would receive no new state aid in the first year. (This issue is described more completely in the description of the Governor's proposal above.)

The House proposal makes a change to allow more communities that are spending above the target local share to receive new state aid right away. Like the Governor's proposal, it allows communities to reduce their local contribution by only 20 percent of the amount by which they are over the target local share. But the House formula calculates this category of state aid by determining what total spending in each community would be if those spending over the target share were allowed to reduce their spending all the way to the target share (not just 20 percent of the way). For all of those districts in which this reduction would bring total spending below the district foundation, the formula determines how much aid the community would need to be able to spend at the foundation amount. Each community then receives 20 percent of that amount in aid.

Many more communities receive aid under this mechanism than under the Governor's proposal because communities where total spending does not fall below the district foundation amount as a result of the reduction in local spending that they are actually allowed to make in the first year would fall below foundation if they were allowed to make the complete reduction to the target local share all in one year. By calculating the state aid amounts based on what would happen if this local reduction were implemented immediately, and then providing a share of that aid in the first year, the House proposal ensures that every community that will eventually benefit from

these changes starts to receive some aid in the first year. The House calls this “Down Payment Aid” and it accounts for \$18 million of the new aid proposed by the House. This is in addition to the \$20 million in aid due to the House’s adoption of the Governor’s proposals relating to target local contributions.

In addition, the House proposal would increase the amount of aid distributed to districts that have the least need as calculated by the other elements of the formula. Specifically, it would phase in a requirement that every district would receive state aid equal to at least 15 percent of its foundation budget, regardless of how high property values and incomes are in those communities. Because the basic formulas adopted by the House, as well as the Senate and the Governor, rely on an assumption that foundation aid state-wide should ultimately account for 40 percent of foundation budget costs, increasing the state aid for wealthier communities primarily shifts aid to those communities from other, less affluent communities, rather than creating a new state cost.

### **The House proposal does not adopt the Governor’s growth aid proposal.**

The House budget does not adopt the Governor’s proposal to create a new category of growth aid. The House plan, like existing law, would still provide additional state aid for many communities that have growing enrollments. It would do so because this is the natural result of the way the basic foundation budget formula works. In both the existing law and all of the new proposals, the state is required to provide aid to fill the gap between required local spending and the district’s foundation budget amount. When enrollments increase a district’s foundation budget increases. When a district’s foundation budget grows, if required local spending does not increase by enough to allow the district to continue to spend at least the district foundation amount then state aid increases to close that gap.

### **The proposal provides minimum aid of an additional \$50 per student**

To protect all of those communities that would not receive any new state aid under the formula proposed by the House, the proposal includes a special provision that simply requires that every district receive at least \$50 per student in new education aid in 2007. The House proposal distributes \$14 million of this “minimum aid.” As a result of this provision, there would be aid increases even for communities where enrollments are declining more rapidly than inflation is increasing costs.

### *The Senate’s Proposal*

The Senate budget incorporates the target local share and target aid share proposals put forward by the Governor and the House as well as the Governor’s growth aid proposal. It also adds several new initiatives, including some changes to the foundation budget and a provision (phased in over five years) requiring that the state pay at least 20 percent of each community’s foundation budget amount.

**The proposal increases several elements of the foundation budget, but does not fully account for inflation.**

The Senate proposal makes several changes in the calculation of the foundation budget that have the effect of increasing this minimum spending requirement. Specifically, it provides for a higher assumption about the number of special education students in all schools and recognizes some additional costs in districts with relatively high numbers of low-income and English-language learning students. By increasing aid to raise minimum spending levels across the state, these changes would help communities – particularly those with more low-income children and English-language learners – to enable students to meet state standards. The Senate also adopts the Governor’s proposal to reduce the number of categories used to calculate the foundation budget.

The Senate, however, does not allow the foundation budget to grow at the same rate as inflation. While the House had allowed the foundation budget to rise directly in line with the inflation measure identified in Chapter 70 (5.9 percent for FY 2007 purposes) and the Governor had left in place the existing 4.0 percent cap on inflation, the Senate takes a middle road and raises that existing cap to 5 percent. As a result, the amount of foundation aid that the Senate distributes even after its adjustments to the foundation budget is not significantly more than would have been distributed if it had simply eliminated the existing cap altogether. While the Senate proposal would help those communities where the increased foundation budget categories have a particularly large effect, other communities would have received more aid if the foundation budget had simply been able to grow with inflation.

The increases in the foundation budget proposed by the Senate would increase state aid state-wide by \$33 million in FY 2007. By increasing the inflation cap to 5 percent, the Senate would provide another \$16 million in state aid.

**The Senate proposal adopts the same target local share and target aid share as the Governor and House proposals, but adds extra aid for some communities.**

Like the House, the Senate adopts the Governor’s target local share and target aid share proposals and enhances that proposal with “down payment aid” (as described in the analysis of the House proposal above). The major change proposed by the Senate is a requirement that the state eventually pay at least 20 percent of the foundation budget amount for each community. The Governor had set this floor at 12 percent and the House proposed phasing in a 15 percent requirement. As a result, the Senate proposal would significantly increase state aid for communities with high incomes and high property wealth. As explained in the description of the House proposal, this higher foundation budget guarantee is paid for primarily by transferring aid from other, less affluent communities, and is not a significant new state cost. The cost in the Senate plan for the target local share changes is about \$16 million. The cost of down payment aid in the Senate plan is about \$28 million.

## **The Senate proposal adopts the Governor’s growth aid plan.**

The Senate proposes the same growth aid formula as the Governor. The details of this plan are described in the analysis of the Governor’s plan above. There are some very minor differences in the town by town numbers because the Senate budget was drafted later and could use more recent estimates of enrollment.

## **The Senate proposal provides minimum aid of an additional \$50 per student.**

To protect all of those communities that would not receive any new state aid under its proposal, the Senate, like the House, includes a special provision that simply requires that every district receive at least \$50 per student in new education aid in 2007. The Senate proposal distributes \$1 million of this “minimum aid.” This is less than the cost of minimum aid in the House proposal because many of the communities that received minimum aid in the House plan receive some other kind of aid in the Senate plan and therefore are not eligible for minimum aid.

## **State Education Aid and Inflation**

In understanding trends in state education funding it is important to examine the role of inflation. Because costs increase, if state aid does not increase at the same pace, schools will be forced either to cut back on services to students or to seek additional local money from sources such as the property tax.

This reality was recognized in the Education Reform Act, which called for state aid to increase each year to account for inflation. This annual inflation adjustment was in addition to the substantive increases also called for in that law.

Chapter 70 identifies a specific measure of inflation as the appropriate adjustment factor to reflect changes in the costs faced by public schools. This measure is “the implicit price deflator for state government services as published by the United States department of commerce.” The text below is what appears in state law (references to additional increases have been removed because they refer to years that have already passed). The language in this section is essentially a technical way of saying that Chapter 70 aid should increase each year by the rate of inflation, using the particular measure of inflation identified. As discussed earlier, it also places a cap on the required inflation increase.

*Section 12. (a) Subject to appropriation ... the amounts appropriated for state school aid in any given year shall be .... the amount of state aid appropriated in the previous fiscal year, multiplied by an annual adjustment factor equal to the ratio of (i) the implicit price deflator for state government services as published by the United States department of commerce for the first quarter of the prior fiscal year to (ii) the same deflator one year earlier ..... In no case shall the annual adjustment factor exceed one hundred and four percent.<sup>6</sup>*

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<sup>6</sup> M.G.L., Ch. 70, Sec. 12.

Figure 3 shows the amount by which state aid to education has been cut below the levels called for by state law in each of the past five years (including proposed spending for FY 2007). Because the spending requirements in Chapter 70 are “subject to appropriation” it is probably not illegal for the Legislature to ignore these requirements by simply not appropriating the amount called for. Nonetheless it is valuable to compare the Chapter 70 proposals being made in this year’s budget process to the amounts called for by state law. As Figure 3 indicates, the Governor, the House, and the Senate propose funding levels that are \$276 million to \$322 million below the amounts called for in Section 12 of Chapter 70 of the general laws.

**Figure 3.**

<b>Fiscal Year</b>	<b>Amount Appropriated</b>	<b>Amount Called For</b>	<b>Difference (Called For - Appropriated)</b>
2002	3,213	3,213	0
2003	3,262	3,297	35
2004	3,108	3,387	279
2005	3,183	3,503	320
2006	3,289	3,630	341
<b>2007</b>			
Governor	3,453	3,775	322 (390)
House	3,462	3,775	313 (382)
Senate	3,499	3,775	276 (345)

*All figures are in millions of dollars; figures in parentheses for FY07 reflect difference if the maximum adjustment factor for Chapter 70 were not capped at 4.0 percent*

Another set of comparisons that can help to shed light on the size of the cuts to Chapter 70 since FY 2002 is to compare recent years’ spending to FY 2002 spending adjusted for inflation. Figure 4 provides three sets of numbers.

The first is simply the nominal dollars appropriated each year. The second expresses the numbers in constant FY 2006 dollars, using the Consumer Price Index for All Urban Consumers (or CPI-U). The third set of numbers adjusts each year’s appropriations by the inflation factor that Chapter 70 identifies as the most accurate measure of the changes in the costs of operating public schools. This third set of numbers uses the same inflation index as Figure 3, but with a few differences. The law calls for each year’s appropriation to be increased by an inflation factor that is known with some certainty at the time the budget is being drafted (specifically, the change in the implicit price deflator for state and local government services in the first quarter of the current fiscal year over the first quarter of the prior fiscal year). For obvious practical reasons, that time lag is needed when drafting a budget. In adjusting the numbers for prior years, however, this paper is able to use a combination of actual inflation rates (for FY 2002 through FY 2005) and projected rates (for FY 2006 and FY 2007). The law also includes a cap of 4.0 percent on any year to year increase due to inflation; this analysis does not.

What Figure 4 shows is that more than \$400 million has been cut from the amount that schools would need to maintain the services provided in 2002, according to the measure of inflation that the state law selected. It should also be noted that there were years prior to 2003 in which increases exceeded the amounts required by law. The law does not, however, identify such increases as a justification for future cuts.

**Figure 4.**

<b>Fiscal Year</b>	<b>Nominal \$</b>	<b>Constant FY06\$ (CPI)</b>	<b>Constant FY06\$ (IPD)</b>
2002	3,213	3,564	3,798
2003	3,262	3,540	3,723
2004	3,108	3,301	3,444
2005	3,183	3,282	3,381
2006	3,289	3,289	3,289
<i>2007</i>			
Governor	3,453	3,368	3,349
House	3,462	3,377	3,358
Senate	3,499	3,414	3,395
<i>Difference (FY02 to FY07)</i>			
Governor	239	(195)	(449)
House	249	(186)	(440)
Senate	286	(150)	(403)

## **Education Financing in Massachusetts and the Fifty States for FY 2004**

As important as it may be to understand the implications of various proposals to reform the Chapter 70 funding formula for specific municipalities, it is also worth considering how the financing of primary and secondary education in the Commonwealth compares to other states, since that comparison can help to inform decisions not only about the allocation of responsibility for education funding between the Commonwealth and its localities but also about the aggregate level of state and local education spending generally. When that comparison is made, it becomes clear that Massachusetts lags behind other states in two key respects: the contribution that state government makes to financing public primary and secondary education and the share of available economic resources it devotes to such purposes.

More specifically, this paper uses data from the U.S. Census Bureau for fiscal years 1993 through 2004 – the most recent year for which such data are available – to calculate three key measures and, in turn, to make comparisons between Massachusetts and the rest of the country, both for fiscal year 2004 and over time. The three measures are as follows: (1) the share of overall primary and secondary education revenue derived from state sources (as opposed to federal or local ones); (2) spending on primary and secondary education as a share of personal

income; and (3) cost-adjusted spending per pupil.<sup>7</sup> The first measure attempts to quantify the extent to which the Commonwealth has assumed responsibility for providing adequate funding across local districts; the second measure gauges the share of total economic resources within the state that is dedicated to primary and secondary education; and the third measure adjusts nominal per pupil spending figures to account for changes in the cost of living and in student enrollment.

### *State and Local Contributions*

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 2004 relative to other states. Of note:

- Local governments provided the largest share of revenue for public elementary and secondary education in Massachusetts for FY 2004 – 53.6 percent. State government provided 39.8 percent of such revenue, while the federal government supplied just 6.5 percent.
- Consequently, 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 7<sup>th</sup> largest share of total public elementary and secondary education revenue in FY 2004. Local governments across the United States provided 43.9 percent of revenue for public primary and secondary education that year.
- In addition, Massachusetts depends less on federal aid than the vast majority of states – the share of total revenue that federal aid comprised in Massachusetts in FY 2004 was 43<sup>rd</sup> in the country. This is most likely attributable 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.”<sup>8</sup> According to data from the US Census Bureau's American Community Survey, in 2004, only 8 states had a lower child poverty rate than Massachusetts, where it was 12.5 percent.

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<sup>7</sup> Data on public 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/school04.html>, March 2004. 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/bea/regional/statelocal.htm>; these data have been adjusted to reflect state fiscal years. Finally, cost-adjusted per pupil spending is derived by using the revised 2004 version of the Berry-Fording-Hanson state cost of living index originally found in Berry, William, D., Richard C. Fording, and Russell L. Hanson, “An Annual Cost of Living Index for the American States, 1960-95,” *Journal of Politics*, vol. 60, no. 2, May 2000: 550-67. The revised version of the index is available at <http://webapp.icpsr.umich.edu/cocoon/ICPSR-PRA/01275.xml>. The index is set so that the cost of living in each state is measured as a percentage of the cost of living in the two median states – Kansas and Indiana – in 2003. Please note that this index is different from the one used in prior editions of this report; consequently, figures regarding cost adjusted per pupil spending on primary and secondary education can not be compared across reports. In addition, this index has been modified, per the authors' April 2006 communication with Berry, to include data for 2004.

<sup>8</sup> *National Assessment of Title I Interim Report: Executive Summary*. Washington, DC: U.S. Department of Education, Institute of Education Sciences, 2006., p. 1.

## *Total Spending*

Under the Census Bureau's system of classification, total spending on education is made up of current spending and capital spending. Current spending includes all those expenditures necessary for day-to-day operations – pencils, books, teacher salaries, etc. Capital spending is defined as “direct expenditure for construction of buildings ... and other improvements” as well as “for purchases of equipment, land, and existing structures...” It does not include building maintenance or repairs – those expenses are categorized as current spending.

- Relative to its capacity to finance public primary and secondary education – as expressed by state personal income – Massachusetts' total state and local spending on primary and secondary education was considerably less than the majority of states. In FY 2004, total spending on public primary and secondary education in Massachusetts amounted to 4.5 percent of personal income, earning the Commonwealth a rank of 38<sup>th</sup>. Nationally, total spending on public primary and secondary education constituted 5.0 percent of personal income in FY04, roughly 12 percent more than in Massachusetts.
- If one were to exclude the amount of spending enabled by 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 does improve slightly. That is, in FY 2004, state and local spending on public primary and secondary education in Massachusetts equaled 4.2 percent, putting Massachusetts in 35<sup>th</sup> place nationally.<sup>9</sup> The comparable amount for the country as a whole was 4.6 percent; thus, if state and local spending in Massachusetts in FY04 had been at the same level as the national mark, the Commonwealth and its municipalities would have dedicated an additional \$1 billion to educating its children that year.
- When operating and capital costs are combined and adjusted for state cost-of-living differences, total spending per pupil in Massachusetts was \$9,680 in FY 2004, leaving the Commonwealth 17<sup>th</sup> in the country and modestly above the overall U.S. mark of \$9,474 per pupil.<sup>10</sup>

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<sup>9</sup> This measure is derived by reducing total state and local spending on public primary and secondary education spending as a share of personal income by the share of total revenue that federal funds comprise in each state. For instance, in FY 2004, 6.5 percent of total public primary and secondary education revenue in Massachusetts came from federal sources, while total public primary and secondary education spending as a share of personal income was 4.5 percent of personal income. Thus, 93.5 percent of 4.5 percent is 4.2 percent.

<sup>10</sup> The state cost of living index developed by Berry, Fording, and Hanson and used in this report does not include data for Alaska and Hawaii; consequently, all rankings contained in this paper based on cost-adjusted per pupil spending are out of a possible 48 states rather than out of the complete 50 states. It also does not include a value for the United States in the aggregate; consequently, the values for the United States in Figure 2 – and in subsequent discussions of cost-adjusted spending – are based on a weighted average of the cost of living for each of the 48 states in the index.

### *Current Spending*

- When measured as a share of income, current spending for public elementary and secondary education in Massachusetts ranked 30<sup>th</sup> in the nation in FY 2004. A total of 4.1 percent of personal income was devoted to this expenditure category that year.
- On a per pupil basis, when adjusted for cost-of-living differences, current spending in Massachusetts was the 12<sup>th</sup> highest in the country in FY 2004. The Commonwealth spent \$8,901 per pupil or 9.4 percent more than the comparable national amount.
- Approximately 64 percent of current spending in Massachusetts in FY 2004 was used for instruction. Just five states – led by New York with 69 percent – dedicated a larger share of current spending to teaching that year. Almost all remaining current spending in Massachusetts – roughly one-third – went to support services. By comparison, the fifty states, when taken together, devoted 60.5 percent of current spending to instruction and 34.2 percent to support services.
- Cost-adjusted per pupil spending on instruction in Massachusetts totaled \$5,674 in FY 2004, putting it in 7<sup>th</sup> place.

### *Capital Spending*

The Census data show that capital spending for primary and secondary education in Massachusetts ranked in the lower tenth of states in FY 2004. All capital projects performed by state and local entities are included in the capital outlay figures.

- Massachusetts allocated a cost-adjusted amount of \$471 per pupil to capital outlays in FY 2004, leaving it 46<sup>th</sup> out of the 48 states for which cost-adjusted data are available.
- Measured as a share of income, Massachusetts was 49<sup>th</sup> in the country in spending for capital outlays, allocating 0.22 percent of personal income to such outlays in FY04. The national average for capital spending – 0.56 percent of personal income – was more than twice that of Massachusetts.

### **Education Financing Trends since FY 1993**

Just as it is worth considering how the financing of primary and secondary education in the Commonwealth currently compares to other states, it is also helpful to understand how education financing in Massachusetts has changed over time and, in particular, how it has changed as a result of Commonwealth's fiscal crisis from FY 2002 through FY 2004. In brief, 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. Yet, that progress has all but come to halt in recent years, as the Commonwealth has adopted nearly \$3 billion in budget cuts, including substantial cuts to

education, as a consequence of both the 2001 national recession and the billions of dollars worth of tax cuts put in place in Massachusetts during the prior decade.

As the following examination of the Census Bureau's data from FY 1993 to FY 2004 indicates, the share of total primary and secondary education revenue furnished by the state fell between FY 2002 and FY 2004, while state revenue allocated to primary and secondary education, after adjusting for inflation, declined, both in the aggregate and on a per pupil basis, over the same span. Relative to personal income, state revenue allocated to primary and secondary education dropped as well between FY 2003 and FY 2004. As a result, localities have been forced to boost their already considerable contributions to primary and secondary education.

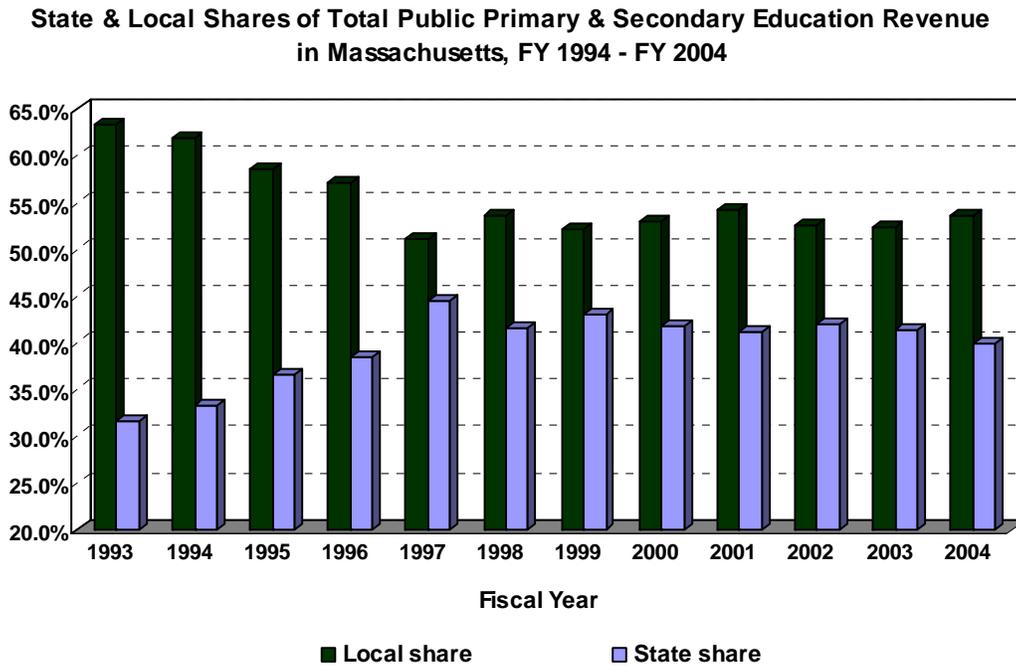
### *State and Local Contributions*

- Between FY 2002 and FY 2004, the Commonwealth's share of the total amount of revenue dedicated to public and primary secondary education in Massachusetts declined from 42.1 percent to 39.8 percent, thus reversing some of the progress that had been made in this area over the course of the 1990s. That is, as Figure 5 suggests, the state share of public primary and secondary education revenue in Massachusetts climbed almost continuously from FY 1993 to FY 1999, fluctuated somewhat between FY 1999 and FY 2002, and has dropped since then.<sup>11</sup> Overall, though, between FY 1993 and FY 2004, the share of primary and secondary education revenue flowing from the state's coffers grew from 31.5 percent to 39.8 percent. This nearly one-quarter increase was the eighth largest increase of its kind among the 50 states.
- As noted earlier, in FY 2004, cities and towns in Massachusetts provided 53.6 percent of all revenue for primary and secondary education. As Figure 5 demonstrates, this the largest share of total revenue that municipalities have produced in Massachusetts since FY 2001, though the local share of primary and secondary education revenue in Massachusetts is still well below its FY 1993 level, when it stood 63.5 percent, a greater percentage than in all but two states – New Hampshire and Michigan.

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<sup>11</sup> Figure 1 shows a spike in state revenue as a share of total public and primary secondary education revenue – and a trough in local revenue – in FY 1997, when those forms of revenue comprised 44.4 percent and 51.1 percent of total revenue respectively. However, in that year, the Census Bureau's data include a value of \$727.8 million for a subcategory of state revenue listed as "other and nonspecified state aid." This is at least \$400 million above the values listed for the same subcategory in either FY 1996 or FY 1998. If this \$400 million value were reallocated, Figure 1 would show a much smoother progression for both forms of revenue between FY 1996 and FY 1998.

**Figure 5.**



*Total Spending*

The growth in the Commonwealth's responsibility for education financing over the course of the 1990s was accompanied by a sizable increase in total spending on primary and secondary education, but, between FY 2002 and FY 2004, spending for those purposes has declined

- In FY 1993, state and local spending on primary and secondary education in Massachusetts totaled 3.4 percent of state personal income; by FY 2004, that figure was 4.2 percent of state personal income. This change amounts to the largest increase of its kind among the fifty states over this time period; as a result, Massachusetts' national ranking improved from 49<sup>th</sup> to 35<sup>th</sup> by this measure.
- Here, too, though, there has been somewhat of a drop off since FY 2002. State and local spending on primary and secondary education, as a share of personal income, reached a high of 4.28 percent in FY02, fell to 4.15 percent in FY03, and rebounded slightly in FY04 to 4.19 percent. This modest recovery has occurred despite a decline in the share of economic resources committed by state government to primary and secondary education: between FY03 and FY04, state revenue devoted to such purposes fell from 1.89 percent of personal income to 1.80 percent.
- Since FY 2002, cost-adjusted per pupil spending on primary and secondary education in Massachusetts has fallen as well. Once interstate cost-of-living differences are taken into account, spending per pupil in Massachusetts dropped from \$9,999 to \$9,431 between FY02 and FY03 and, while it climbed to \$9,680 in FY04, remains below that FY02 level.

- Overall, spending on primary and secondary education, when measured on a cost-adjusted, per-pupil basis grew between FY 1993 and FY 2004. In FY 1993, total per pupil spending for primary and secondary education was \$6,666; again, that figure was \$9,680 in FY 2004. Consequently, Massachusetts' national ranking for total cost-adjusted per-pupil spending (among the 48 states for which such data are available) climbed from 33<sup>rd</sup> to 17<sup>th</sup>.

**Figure 6.**

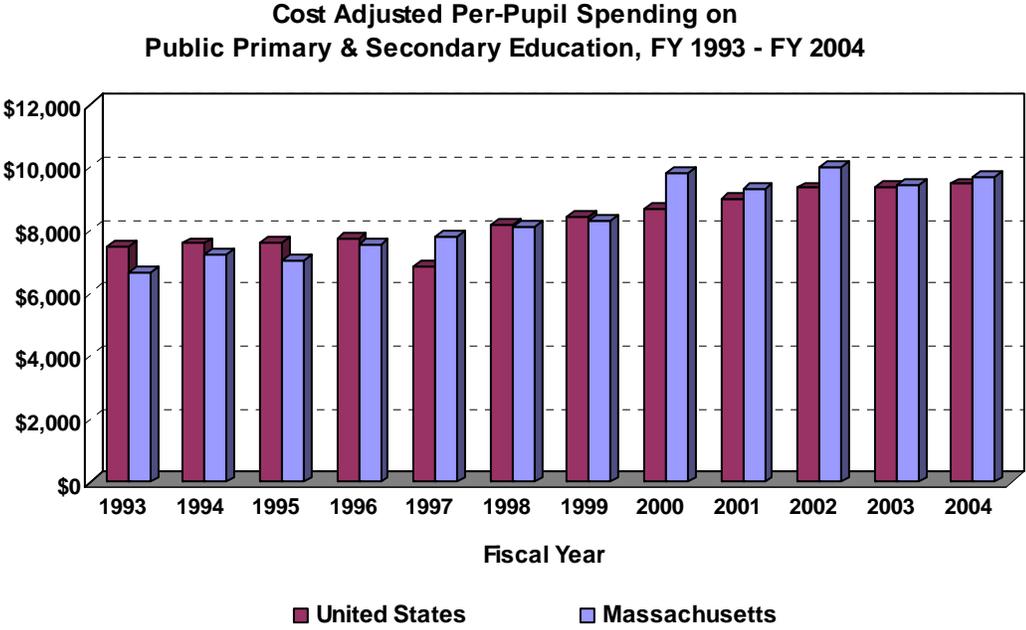


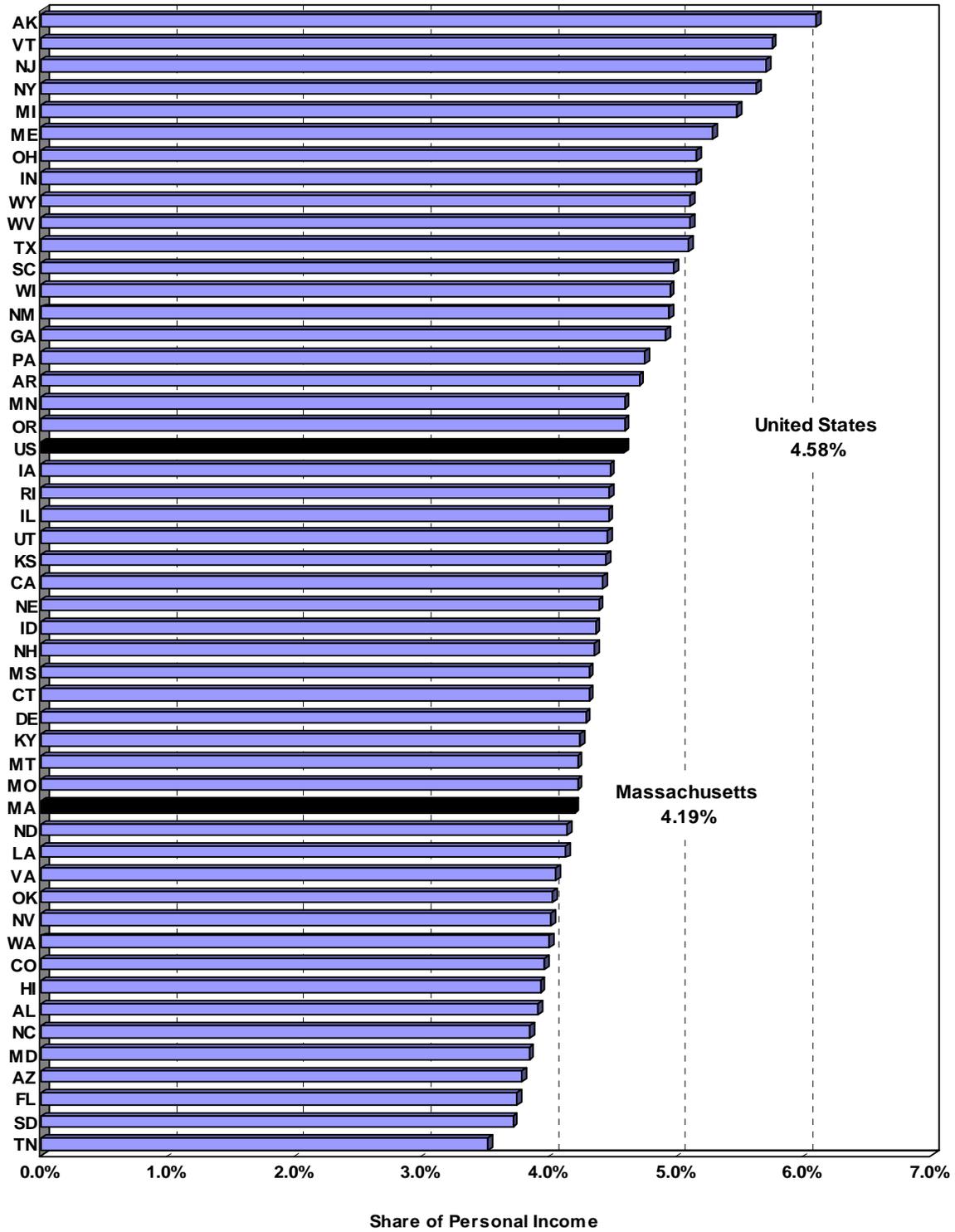
Figure 7.

Spending on Public Primary and Secondary Education as a Share of Personal Income, FY 2004

Total Spending		State and Local Spending		Current Spending		Capital Spending		
United States	5.0%	United States	4.6%	United States	4.3%	United States	0.56%	
1	Alaska	7.6%	Alaska	6.1%	Alaska	6.2%	Alaska	1.17%
2	Vermont	6.2%	Vermont	5.7%	Vermont	5.8%	New Mexico	0.92%
3	New York	6.1%	New Jersey	5.7%	New York	5.4%	Utah	0.77%
4	New Mexico	6.0%	New York	5.6%	West Virginia	5.3%	Nevada	0.77%
5	New Jersey	5.9%	Michigan	5.5%	New Jersey	5.3%	California	0.76%
6	Michigan	5.9%	Maine	5.3%	Maine	5.2%	Wyoming	0.75%
7	Maine	5.8%	Ohio	5.1%	Michigan	5.0%	South Carolina	0.75%
8	West Virginia	5.7%	Indiana	5.1%	New Mexico	5.0%	Texas	0.72%
9	Texas	5.7%	Wyoming	5.1%	Wyoming	4.9%	Georgia	0.69%
10	Wyoming	5.7%	West Virginia	5.1%	Ohio	4.8%	Michigan	0.66%
11	South Carolina	5.5%	Texas	5.1%	Wisconsin	4.7%	Florida	0.64%
12	Ohio	5.5%	South Carolina	5.0%	Montana	4.7%	Ohio	0.61%
13	Indiana	5.5%	Wisconsin	4.9%	Rhode Island	4.6%	Iowa	0.61%
14	Georgia	5.4%	New Mexico	4.9%	South Carolina	4.6%	Washington	0.59%
15	Wisconsin	5.3%	Georgia	4.9%	Georgia	4.6%	Minnesota	0.58%
16	Pennsylvania	5.2%	Pennsylvania	4.7%	Indiana	4.6%	New Jersey	0.56%
17	Arkansas	5.1%	Arkansas	4.7%	Texas	4.6%	Delaware	0.55%
18	Mississippi	5.1%	Minnesota	4.6%	Arkansas	4.5%	New York	0.55%
19	Oregon	5.0%	Oregon	4.6%	Mississippi	4.5%	Illinois	0.54%
20	Montana	5.0%	Iowa	4.5%	Pennsylvania	4.4%	Nebraska	0.54%
21	California	4.9%	Rhode Island	4.5%	Louisiana	4.4%	Colorado	0.53%
22	Utah	4.9%	Illinois	4.5%	North Dakota	4.3%	Arkansas	0.53%
23	Minnesota	4.9%	Utah	4.4%	Kansas	4.3%	Arizona	0.53%
24	North Dakota	4.9%	Kansas	4.4%	Idaho	4.2%	North Dakota	0.53%
25	Iowa	4.9%	California	4.4%	Kentucky	4.2%	Idaho	0.51%
26	Illinois	4.9%	Nebraska	4.4%	Oklahoma	4.2%	Indiana	0.50%
27	Idaho	4.9%	Idaho	4.4%	Iowa	4.2%	Maine	0.49%
28	Nebraska	4.8%	New Hampshire	4.3%	Illinois	4.2%	Pennsylvania	0.48%
29	Kansas	4.8%	Mississippi	4.3%	Nebraska	4.2%	Mississippi	0.47%
30	Rhode Island	4.8%	Connecticut	4.3%	Massachusetts	4.1%	South Dakota	0.46%
31	Kentucky	4.8%	Delaware	4.3%	Hawaii	4.1%	Oregon	0.46%
32	Louisiana	4.8%	Kentucky	4.2%	California	4.1%	Kentucky	0.46%
33	Delaware	4.7%	Montana	4.2%	New Hampshire	4.1%	New Hampshire	0.43%
34	Oklahoma	4.6%	Missouri	4.2%	Minnesota	4.1%	Virginia	0.43%
35	New Hampshire	4.6%	Massachusetts	4.2%	Delaware	4.1%	Missouri	0.43%
36	Missouri	4.6%	North Dakota	4.1%	Utah	4.1%	Vermont	0.40%
37	Connecticut	4.5%	Louisiana	4.1%	Connecticut	4.1%	West Virginia	0.40%
38	Massachusetts	4.5%	Virginia	4.0%	Missouri	4.0%	North Carolina	0.39%
39	Alabama	4.4%	Oklahoma	4.0%	Alabama	4.0%	Connecticut	0.38%
40	Hawaii	4.4%	Nevada	4.0%	Oregon	4.0%	Alabama	0.36%
41	South Dakota	4.4%	Washington	4.0%	South Dakota	3.8%	Kansas	0.35%
42	Washington	4.4%	Colorado	4.0%	Virginia	3.8%	Tennessee	0.34%
43	Virginia	4.3%	Hawaii	3.9%	Maryland	3.8%	Oklahoma	0.34%
44	Nevada	4.3%	Alabama	3.9%	North Carolina	3.7%	Wisconsin	0.32%
45	Arizona	4.3%	North Carolina	3.8%	Washington	3.6%	Louisiana	0.31%
46	North Carolina	4.2%	Maryland	3.8%	Arizona	3.6%	Hawaii	0.30%
47	Colorado	4.2%	Arizona	3.8%	Tennessee	3.5%	Maryland	0.27%
48	Florida	4.1%	Florida	3.7%	Colorado	3.5%	Montana	0.26%
49	Maryland	4.1%	South Dakota	3.7%	Florida	3.4%	Massachusetts	0.22%
50	Tennessee	3.9%	Tennessee	3.5%	Nevada	3.3%	Rhode Island	0.08%

Figure 8.

State and Local Spending on  
Public Primary and Secondary Education, FY 2004



**Figure 9.**

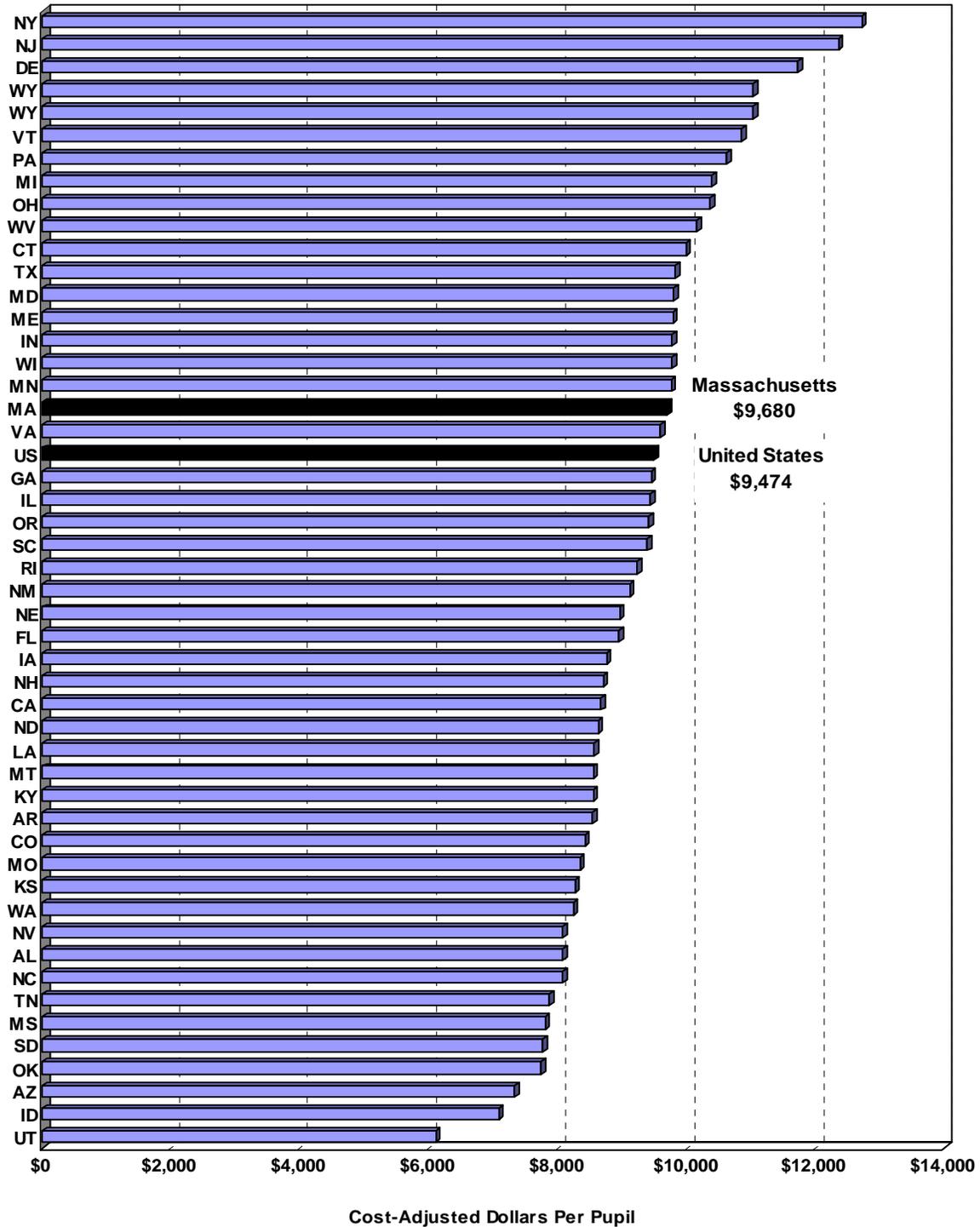
**Spending Per Pupil on Public Primary and Secondary Education, FY 2004**  
(in dollars; adjusted for interstate cost-of-living differences)

<b>Total Spending</b>		<b>Current Spending</b>		<b>Capital Spending</b>		
	United States	9,474	United States	8,129	United States	1,049
1	New York	12,709	New York	11,231	Wyoming	1,473
2	New Jersey	12,349	New Jersey	10,956	Nevada	1,437
3	Delaware	11,720	Delaware	10,220	New Mexico	1,407
4	Wyoming	11,026	Vermont	10,013	Delaware	1,394
5	Vermont	10,848	Wyoming	9,498	Florida	1,375
6	Pennsylvania	10,613	West Virginia	9,401	California	1,326
7	Michigan	10,378	Pennsylvania	9,139	South Carolina	1,268
8	Ohio	10,359	Maryland	9,027	Texas	1,242
9	West Virginia	10,146	Ohio	8,938	Georgia	1,212
10	Connecticut	9,979	Connecticut	8,937	Minnesota	1,167
11	Texas	9,814	Rhode Island	8,916	New Jersey	1,166
12	Maryland	9,791	<b>Massachusetts</b>	<b>8,901</b>	New York	1,154
13	Maine	9,775	Wisconsin	8,823	Michigan	1,152
14	Indiana	9,769	Michigan	8,804	Ohio	1,152
15	Wisconsin	9,765	Maine	8,743	Washington	1,115
16	Minnesota	9,749	Virginia	8,395	Iowa	1,087
17	<b>Massachusetts</b>	<b>9,680</b>	Indiana	8,139	Colorado	1,060
18	Virginia	9,577	Minnesota	8,134	Illinois	1,045
19	Georgia	9,439	Georgia	8,110	Nebraska	1,004
20	Illinois	9,428	Illinois	8,105	Pennsylvania	997
21	Oregon	9,403	Montana	8,019	Virginia	958
22	South Carolina	9,371	Texas	7,897	Utah	955
23	Rhode Island	9,224	Louisiana	7,840	North Dakota	930
24	New Mexico	9,110	South Carolina	7,783	Arizona	901
25	Nebraska	8,958	Nebraska	7,770	Indiana	885
26	Florida	8,944	New Hampshire	7,702	Arkansas	878
27	Iowa	8,744	North Dakota	7,592	Oregon	852
28	New Hampshire	8,701	New Mexico	7,588	Connecticut	846
29	California	8,661	Iowa	7,534	Maine	835
30	North Dakota	8,625	Kentucky	7,525	New Hampshire	822
31	Louisiana	8,557	Arkansas	7,476	South Dakota	819
32	Montana	8,545	Oregon	7,395	Kentucky	811
33	Kentucky	8,542	Kansas	7,364	Missouri	790
34	Arkansas	8,536	Florida	7,363	Idaho	743
35	Colorado	8,417	Missouri	7,342	North Carolina	741
36	Missouri	8,341	Alabama	7,242	Mississippi	724
37	Kansas	8,258	California	7,176	West Virginia	709
38	Washington	8,230	Oklahoma	7,088	Vermont	702
39	Nevada	8,073	North Carolina	7,075	Tennessee	673
40	Alabama	8,068	Tennessee	7,025	Alabama	666
41	North Carolina	8,060	Colorado	6,991	Maryland	654
42	Tennessee	7,868	Mississippi	6,920	Kansas	597
43	Mississippi	7,796	Washington	6,810	Wisconsin	586
44	South Dakota	7,756	South Dakota	6,771	Oklahoma	563
45	Oklahoma	7,730	Nevada	6,212	Louisiana	559
46	Arizona	7,316	Idaho	6,177	<b>Massachusetts</b>	<b>471</b>
47	Idaho	7,075	Arizona	6,165	Montana	445
48	Utah	6,102	Utah	5,011	Rhode Island	151
49	Alaska	N/A	Alaska	N/A	Alaska	N/A
50	Hawaii	N/A	Hawaii	N/A	Hawaii	N/A

Figure 10.

**Total Spending Per Pupil on  
Public Primary and Secondary Education, FY 2004**

*(in dollars; adjusted for interstate cost-of-living differences; excludes Alaska and Hawaii)*



**Figure 11.**

**Composition of Public Primary and Secondary Education Revenue, FY 2004**

*states listed by order of state revenue as a share of total revenue*

	<b>State Revenue</b>		<b>Local Revenue</b>		<b>Federal Revenue</b>	
	Share of Total Revenue	Rank	Share of Total Revenue	Rank	Share of Total Revenue	Rank
United States	47.1%		43.9%		8.9%	
Hawaii	86.6%	1	2.4%	50	11.1%	15
Arkansas	75.3%	2	16.1%	48	13.1%	8
Minnesota	71.4%	3	22.6%	47	6.0%	47
New Mexico	69.7%	4	13.1%	49	17.2%	2
Vermont	68.0%	5	23.9%	46	8.0%	33
Delaware	64.0%	6	27.9%	44	8.1%	31
Michigan	62.0%	7	30.0%	41	7.9%	34
Washington	61.8%	8	29.7%	42	8.5%	28
Nevada	60.4%	9	32.4%	37	7.2%	39
West Virginia	60.0%	10	28.7%	43	11.3%	14
Idaho	58.2%	11	31.6%	38	10.2%	19
North Carolina	57.9%	12	32.5%	36	9.7%	23
Kentucky	57.8%	13	30.4%	39	11.8%	10
Alabama	55.5%	14	32.8%	35	11.7%	12
Utah	55.3%	15	34.7%	33	10.0%	21
Alaska	54.9%	16	25.7%	45	19.4%	1
Mississippi	54.9%	17	30.3%	40	14.9%	6
California	54.8%	18	34.3%	34	11.4%	13
Oregon	52.7%	19	38.2%	30	9.1%	24
Wisconsin	52.2%	20	41.7%	26	6.1%	46
Wyoming	52.1%	21	38.0%	31	9.9%	22
Kansas	51.4%	22	40.8%	27	7.8%	36
Oklahoma	51.1%	23	36.1%	32	12.8%	9
Indiana	49.6%	24	44.0%	23	6.4%	44
Louisiana	48.0%	25	38.2%	29	13.8%	7
Iowa	46.2%	26	45.5%	22	8.3%	30
South Carolina	46.0%	27	43.6%	24	10.4%	18
New Hampshire	45.8%	28	48.6%	16	5.6%	48
Arizona	44.9%	29	43.3%	25	11.8%	11
Georgia	44.8%	30	46.7%	18	8.5%	29
Montana	44.4%	31	40.4%	28	15.2%	5
Florida	44.4%	32	45.6%	21	10.1%	20
Missouri	44.2%	33	47.9%	17	7.9%	35
Ohio	43.9%	34	49.2%	14	6.9%	41
Colorado	43.7%	35	49.6%	13	6.7%	42
New York	43.6%	36	48.9%	15	7.5%	37
Tennessee	43.4%	37	45.6%	20	11.0%	16
New Jersey	42.4%	38	53.3%	8	4.3%	50
Maine	40.7%	39	50.4%	11	8.9%	26
Rhode Island	40.5%	40	52.3%	10	7.2%	38
<b>Massachusetts</b>	<b>39.8%</b>	<b>41</b>	<b>53.6%</b>	<b>7</b>	<b>6.5%</b>	<b>43</b>
Virginia	38.7%	42	54.3%	6	7.0%	40
North Dakota	38.1%	43	46.7%	19	15.2%	4
Maryland	37.7%	44	55.9%	5	6.4%	45
Texas	36.8%	45	52.7%	9	10.5%	17
Pennsylvania	35.9%	46	56.1%	3	8.0%	32
Illinois	35.5%	47	56.0%	4	8.6%	27
Connecticut	35.3%	48	59.7%	1	5.0%	49
South Dakota	34.2%	49	50.3%	12	15.6%	3
Nebraska	32.8%	50	58.2%	2	9.0%	25

Figure 12.

Composition of Public Primary and Secondary Education Revenue, FY 2004  
*States ranked by state revenue as share of total revenue*

