



Are State Legislatures getting *Schooled* on Income Inequality?



In the first five months of 2018, teacher strikes throughout the country have been making headlines. The first teacher strike in 2018 began in West Virginia when some 34,000 teachers walked out on February 22 and did not return until March 7 when a deal was reached with lawmakers promising teachers a \$2,000 raise. Soon after, more teachers across the U.S. followed suit. The Kentucky teachers' strike closed nearly 30 schools on March 30, calling it a “day of action at the Capitol” for increased funding. Oklahoma’s teachers went on strike for 10 days until teachers were guaranteed not only a raise of \$6,000, but an increase in school funding by the state. Arizona, where teachers’ salaries rank among the lowest in the country, began strikes in April. Teachers in that state are currently in negotiations with lawmakers, asking for a 20% pay increase by the year 2020 and for the state to provide an extra \$371 million in school funding over five years. Lastly, Colorado held education funding rallies at the State Capital to advocate for educators in smaller towns who face financial hardships and lack of proper supplies. The Colorado Education Association estimated that teachers spend an average of \$656 of their own money for school supplies for students while making an average salary of only \$46,000 per year.

These strikes are more than a demand for a simple salary increase. Across America, teachers are rallying for an increase in educational funding for their classrooms. As of 2015, 29 of the states K-12 funding fell below 2008 levels according to the Center on Budget and Policy Priorities (chart 1).

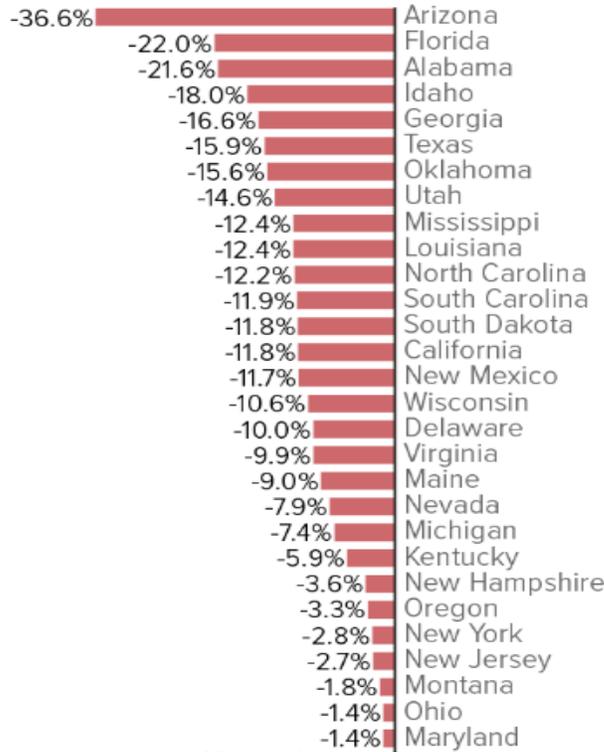
These strikes are also bringing attention to an even bigger problem for states: underfunded pensions. In 2016, state pension funds reported a deficit of around \$1.4 trillion, an increase of 15% from 2015¹. It comes as no surprise that states across the nation are facing challenges of underfunded pensions. Only 4 states in 2016 had at least 90% of the assets needed to pay promised benefits (chart 2). Some have argued if states weren’t forced to pay down pension debt, then average teacher salaries might be higher.

One thing is evident, insufficient educational funding will only continue to create picket lines for teachers, students, and families. With an estimated 3.6 million full-time-equivalent elementary and secondary school teachers in our nation, APA expects to see legislators get creative to produce higher teacher salaries and funds for education. As seen in Oklahoma, higher taxes on oil and gas production, tobacco, motor fuels, and online sales were proposed. Arizona is counting on lower Medicaid costs and increased hospital assessment fees to help reach these funding goals. As always, APA will continue to monitor states’ and localities’ budgets, particularly in these low-spending states, to see how teacher strikes and demands impact credit quality of state and local issuers.



Total State K-12 Funding Below 2008 Levels in Most States

Percent change in total state funding per student, inflation adjusted, fiscal years 2008-2015

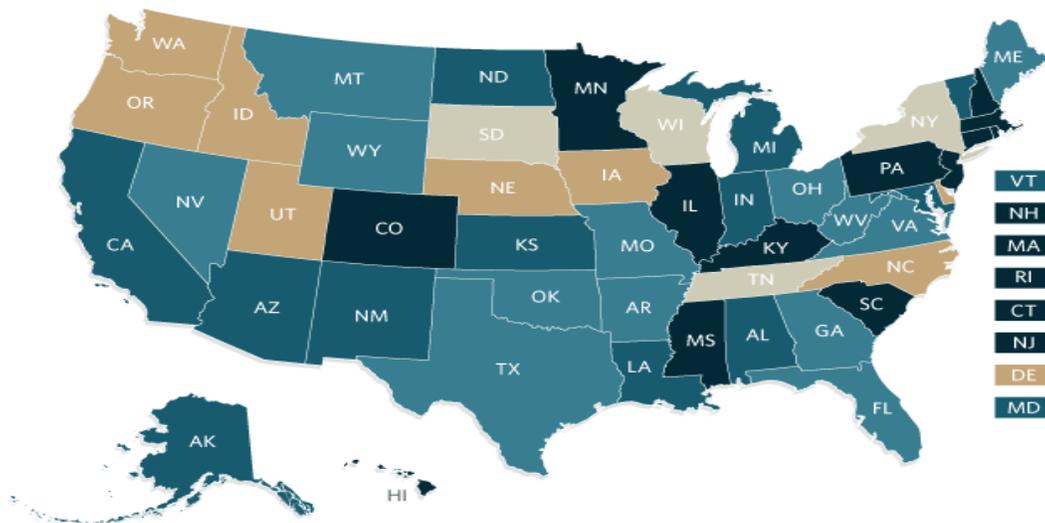


Source: CBPP analysis of Census Bureau's Public Elementary-Secondary Education 2015 Data and National Center for Education Statistics enrollment estimates.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Funded Ratios for State Pension Plans, 2016

Only 4 states had at least 90% of the assets needed to pay promised benefits



66% U.S. average

Note: Percentages reflect 2016 Governmental Accounting Standards Board reporting standards.

Sources: Comprehensive annual financial reports, actuarial reports and valuations, other public documents, or as provided by plan officials

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¹ *The Pew Charitable Trusts, "The State Pension Funding Gap: 2016" <http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/04/the-state-pension-funding-gap-2016>*

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