TRENDS IN STATE & LOCAL REVENUES AND EXPENDITURE: *OPPORTUNITIES TO IMPROVE PENSION FUNDING*

Nick Johnson
NCPERS 2019 Public Pension Funding Forum
September 11 – 13
New York, NY
Today’s economy
Wealthiest 10 Percent of White Households Own Two-Thirds of U.S. Wealth

87 percent of wealth owned by white households

- 65% Share owned by top 10 percent of white households
- 22% Share owned by other white households
- 13% Share owned by all other households

Source: Federal Reserve’s Survey of Consumer Finances
State taxes on inherited wealth – once universal – are disappearing
WHAT'S THE MATTER WITH KANSAS?

HOW CONSERVATIVES WON THE HEART OF AMERICA
1990s: Five biggest tax-cutting states had slower job growth than other states

Average annual growth, 2000-2007

*Average does not include NJ, which was one of the six states with the largest tax cuts in the 1990s (along with CO, CT, DE, MA, and NY), but – unlike those states – raised taxes enough in the 2000s to offset the 1990s tax cuts.
2010s: Big tax cuts, mediocre economic growth

Growth in private state and national gross domestic product in period with tax cuts in effect

Note: Effective dates for tax cuts are Jan. 2012 for Maine, Jan. 2013 for Kansas, June 2013 for Ohio and Wisconsin (retroactive to Jan. 2013), and Jan. 2014 for North Carolina. In June 2017, Kansas restored some but not all of its tax cuts; the figures above for Kansas reflect the period between enactment and repeal of the majority of the January 2013 tax cuts.

Source: Chained, quarterly private GDP from Bureau of Economics Analysis, February 2018
State General Fund Revenue as a Share of GDP

- Loss of $97 billion/yr

Source: CBPP analysis of NASBO and BEA data

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG
Per-student state funding for K12 schools in 12 states, 2008-19

-20% Texas
-15% Oklahoma
-15% Alabama
-13% Kentucky
-12% Kansas
-9% Michigan
-8% West Virginia
-8% Utah
-7% North Carolina
-6% Arizona
-3% Mississippi
-3% Idaho
Tuition as a share of higher education costs (%)
A Better Path
ADVANCING TAX REFORM
OK Policy Helps Secure $480M in New Revenue for Education

- Oklahoma overcame a supermajority requirement to increase taxes for the first time in more than 25 years.
- OK Policy armed teachers and other education advocates with analysis and data.
- They used the Center's annual education report to put Oklahoma's education funding in a national context.

This is not 'OK'. Cuts are hitting all aspects of public education.

Over the past decade, cuts in education funding have been severe.

While K-12 enrollment has grown by over 50,000 students, state general funding is down nearly $180 million.
$480M in New Revenue for Education in Oklahoma

First tax increase in 25+ years

Closed tax breaks for oil&gas companies to fund teacher pay increases

Overcame a three-fourths supermajority requirement
New Mexico Takes Step Forward

• Adopted combined reporting, which prevents multi-state corporations from artificially shifting income to other states to avoid taxes.

• Boosted the state’s Earned Income Tax Credit (EITC) from 10 percent to 17 percent of the federal credit, putting $40 million more into the pockets of 200,000 individuals and families.

• Scaled back a tax break for the very wealthiest New Mexicans by reducing the portion of capital gains that are exempt from taxation.

• Leveled the playing field between brick-and-mortar stores and online retailers by adopting an internet sales tax and applying the state’s gross receipts tax to online sales.
Kansas Welcomes You!
Beyond revenue reform: agendas for prosperity
TRENDS IN STATE & LOCAL REVENUES AND EXPENDITURE: OPPORTUNITIES TO IMPROVE PENSION FUNDING

Nick Johnson
NCPERS 2019 Public Pension Funding Forum
September 11 – 13
New York, NY