

Impact of Senate Tax Bill on Funding for Public Education

The Senate Tax Bill Repeals the Deduction for State and Local Taxes

The Senate tax bill would blow a \$370 billion hole in State and local revenue to support public elementary and secondary education over the next ten years by repealing the deduction for State and local taxes. How? For individuals that itemize and deduct state and local income or sales and property taxes, the deduction lowers the individual's federal tax bill while the cost of the deduction is picked up by the federal government. As Michael Dannenberg points out in a recent blog, the "federal deduction makes using state and local taxes to fund education and other public goods or services more attractive, because it makes state and local taxes a cheaper source of revenue for regular people than they otherwise would be" (<https://edreformnow.org/betsy-devos-tax-cut/>).* Without the federal deduction, the individual bears the full cost of their state and local taxes. This will place pressure on the ability of state and local governments to raise sufficient revenue to support public education. Proponents of the repeal make a similar claim. The accompanying table shows the impact by state of repealing the state and local tax deduction and compares the revenue at risk resulting from the repeal to the federal revenue public schools can expect to receive over the next ten years for key grant programs to illustrate the scale of the fiscal loss.

State	Revenue at Risk in Support of Public Elementary and Secondary Education				The revenue at risk over ten years is comparable to estimated federal revenue for...	Ten Years
	One Year			Ten Years		Federal Revenue (\$000)
	Amount (\$000)	Per Public School Student	Educator Jobs at Risk	Amount (\$000)		
Alabama	\$216,871	\$298	2,540	\$2,168,709	IDEA Special Education and ESEA Title II-A Effective Instruction grants	\$2,193,583
Alaska	34,302	264	228	343,018	IDEA Special Education Grants to States	378,962
Arizona	354,936	336	4,798	3,549,360	ESEA Title I-A Grants to Local Educational Agencies	3,489,773
Arkansas	191,269	400	2,460	1,912,685	ESEA Title I-A, Title II-A Effective Instruction, and Title III-A EL grants	1,862,654
California	6,253,215	1,005	50,946	62,532,155	Two times that of ESEA Title I-A and IDEA Special Education grants	61,751,567
Colorado	426,843	462	5,366	4,268,431	Almost all state-formula allocated preK-12 Education Department grants	4,253,357
Connecticut	1,034,903	1,988	7,769	10,349,029	Four times that of ESEA Title I-A and IDEA Special Education grants	10,666,851
Delaware	86,113	615	774	861,125	ESEA Title I-A and IDEA Special Education grants	877,621
District of Columbia	161,032	1,753	1,424	1,610,318	Three times that of ESEA Title I-A, plus IDEA Special Education grants	1,611,498
Florida	933,212	335	11,700	9,332,125	ESEA Title I-A and Title IV-B Community Learning Centers grants	9,203,982
Georgia	1,161,210	648	12,546	11,612,095	All state-formula allocated preK-12 Education Department grants	11,232,444
Hawaii	81,469	452	829	814,686	IDEA Special Education and ESEA Title VII Impact Aid grants	802,826
Idaho	103,752	346	1,356	1,037,516	ESEA Title I-A and IDEA Special Education grants	1,162,712
Illinois	1,677,008	820	14,293	16,770,081	Two times that of IDEA Special Education, plus ESEA Title I-A grants	17,164,881
Indiana	379,343	373	3,957	3,793,431	ESEA Title I-A and half of IDEA Special Education grants	3,977,807
Iowa	296,437	575	3,269	2,964,372	All state-formula allocated preK-12 Education Department grants	2,850,384
Kansas	224,659	456	2,808	2,246,592	ESEA Title I-A and IDEA Special Education grants	2,174,003
Kentucky	353,643	498	4,043	3,536,427	Two times that of IDEA Special Education, plus ESEA Title II-A grants	3,569,417
Louisiana	229,735	314	2,676	2,297,347	IDEA Special Education and ESEA Title II-A Effective Instruction grants	2,400,568
Maine	142,069	791	1,586	1,420,691	All state-formula allocated preK-12 Education Department grants	1,492,088
Maryland	1,210,239	1,355	9,974	12,102,392	Six times that of IDEA Special Education Grants to States	12,341,164
Massachusetts	1,335,414	1,407	10,052	13,354,144	Four times that of ESEA Title I-A, plus IDEA Special Education grants	12,691,047
Michigan	815,974	561	6,524	8,159,741	Two times that of IDEA Special Education Grants to States	8,209,218
Minnesota	784,434	918	8,299	7,844,335	Four times that of IDEA Special Education Grants to States	7,800,764

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Mississippi	118,721	241	1,662	1,187,208	IDEA Special Education Grants to States	1,231,107
Missouri	549,573	622	7,090	5,495,735	IDEA Special Education, and ESEA Title I-A, Title II-A Effective Instruction, and Title VII Impact Aid grants	5,443,820
Montana	96,614	662	1,152	966,145	IDEA Special Education and ESEA Title VII Impact Aid grants	942,047
Nebraska	208,060	644	2,415	2,080,605	Almost all state-formula allocated preK-12 Education Department grants	2,079,567
Nevada	121,916	272	1,224	1,219,165	ESEA Title I-A Grants to Local Educational Agencies	1,304,053
New Hampshire	181,511	1,025	1,701	1,815,114	Two times that of ESEA Title I-A and IDEA Special Education grants	1,840,316
New Jersey	2,752,157	2,110	22,215	27,521,567	Three times that of all state-formula allocated preK-12 Education Department grants	27,457,280
New Mexico	96,099	288	1,214	960,989	IDEA Special Education Grants to States	937,102
New York	5,146,192	1,958	34,400	51,461,917	Two times that of all state-formula allocated preK-12 Education Department grants	50,611,897
North Carolina	697,918	481	8,703	6,979,176	Two times that of IDEA Special Education Grants	6,925,726
North Dakota	21,935	207	261	219,350	ESEA Title II-A Effective Instruction, Title IV-B Learning Centers, Title VI-A Indian Education, and Career and Technical Education grants	222,513
Ohio	1,133,834	641	11,795	11,338,345	Two times that of ESEA Title I-A Grants to Local Educational Agencies	11,126,308
Oklahoma	210,757	298	2,854	2,107,574	IDEA Special Education, and ESEA Title VI-A Indian Education and Title VII Impact Aid grants	2,120,779
Oregon	497,540	854	4,219	4,975,398	Three times that of ESEA Title I-A and Career and Technical Education	4,974,739
Pennsylvania	1,524,990	902	12,635	15,249,903	Three times that of IDEA Special Education and ESEA Title II-A grants	15,635,748
Rhode Island	158,010	1,195	1,311	1,580,104	Three times that of ESEA Title I-A Grants to Local Educational Agencies	1,599,821
South Carolina	352,240	449	4,317	3,522,396	Two times that of IDEA Special Education Grants to States	3,638,921
South Dakota	31,054	232	452	310,542	IDEA Special Education Grants to States	364,629
Tennessee	226,449	234	2,789	2,264,491	IDEA Special Education Grants to States	2,438,691
Texas	1,653,683	304	22,083	16,536,826	ESEA Title I-A, Title III-A EL, and Title IV-B Learning Centers grants	16,384,524

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Utah	230,523	350	2,758	2,305,232	Two times that of IDEA Special Education Grants to States	2,327,705
Vermont	91,220	1,335	854	912,199	Almost all state-formula allocated preK-12 Education Department grants	914,436
Virginia	1,173,454	902	13,489	11,734,538	Four times that of IDEA Special Education Grants to States	11,686,602
Washington	483,925	441	5,457	4,839,254	Two times that of IDEA Special Education and ESEA Title III-A EL grants	4,867,543
West Virginia	84,916	305	978	849,157	IDEA Special Education and Career and Technical Education grants	858,426
Wisconsin	727,933	834	7,407	7,279,335	Three times that of ESEA Title I-A and Title II-A Effective Instruction	7,270,302
Wyoming	26,648	278	262	266,483	ESEA Title IV-B Learning Centers and Title VII Impact Aid grants	273,165
State Total	\$37,085,956	\$741	345,916	\$370,859,556		
U.S. Total	\$37,307,579	\$745	370,783	\$373,075,787		\$369,636,940

* The Betsy DeVos Tax Cut, November 2, 2017 (<https://edreformnow.org/betsy-devos-tax-cut/>). Source: NEA calculations using data on deductions for State and local taxes by state from the IRS' Statistics of Income for tax year 2015 (latest available) and applying a 25 percent average marginal rate for all taxpayers when determining the revenue at risk from repealing the deduction for State and local taxes. NEA calculated each state's current expenditures for elementary and secondary education as a percentage of general revenue from own sources to determine the revenue at risk in support of public elementary and secondary education using data from Census Bureau's State and Local Government Finance, 2015. NEA used its own publication, Rankings and Estimates, for fall enrollment estimates for each state, and the National Center for Education Statistics' Digest of Education Statistics for educator salary and compensation data by state. NEA calculated educator jobs at risk from 80 percent of the revenue at risk in support of public elementary and secondary education for each state, or the portion of current expenditures devoted to personnel costs on average. NEA extrapolated the one year results for revenue at risk over ten years without further adjustments or assumptions. NEA compared the revenue at risk over ten years to federal revenue states can expect to receive for certain Education Department state-allocated formula grant programs based on current funding levels extrapolated over ten years using data from the Education Department Budget Service.

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