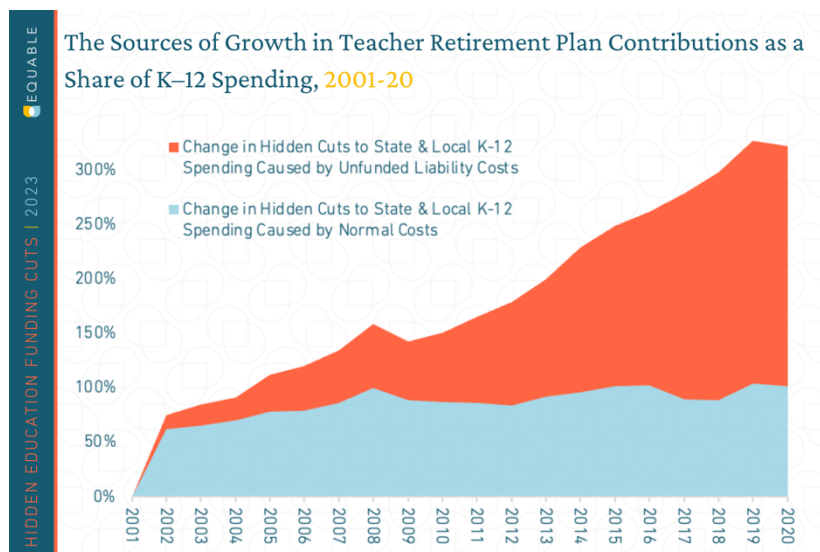


Teacher Pension Costs Have Tripled as a Share of State and Local K–12 Education Spending Since 2001

Report also finds that 69% of all teacher retirement costs went to unfunded liability payments in 2021 – a 414% increase over two decades



NEW YORK, March 1st, 2023 – [A new report](#) from Equable Institute finds that the share of state and local education spending going to teacher retirement costs in the U.S. has tripled since 2001. The report, *Hidden Education Funding Cuts: How Growing Teacher Pension Debt Stresses America’s K–12 Education Budgets*, analyzes state and local K-12 education spending relative to growing teacher pension debt.

Equable Institute’s research reveals that pension costs have grown significantly faster than K-12 education spending over the past two decades, driven by teacher pension unfunded liabilities that topped \$816 Billion in 2022. As a result, teacher retirement costs have consumed an increasing share of total K-12 education funding, resulting in effective cuts to education budgets.

Hidden Education Funding Cuts also analyzes the driving factors behind the national trends and assesses the impact on teachers and students. Specifically, the report finds:

- From 2001–2020, the share of state and local K-12 education spending going to teacher retirement costs increased 322%. In 2001, teacher pension costs accounted for 1.3% of state and local K-12 spending. In 2020, 5.5% went to retirement costs.
- 69% of all teacher retirement costs went to unfunded liability payments in 2021 – a 414% increase over two decades.
- Since 2002, total retirement contributions paid have increased 220%, while state and local K-12 funding increased just 33%.
- Teacher retirement costs per-student has grown from \$430 per pupil in 2001 to \$1,336 per pupil in 2020.
- Pension costs consumed 15.65% of all state-only K-12 education funding 2021, a more than 100% increase since 2001 when pension costs consumed 7.03% of state-only K-12 spending.
- The value of teacher retirement benefits has declined by 6% since 2002, but the cost of providing those benefits have increased by 93%. In the same time period, teacher salaries remained relatively stagnant by comparison, increasing by 14% in two decades.

“The problem for the future of school funding is growing pension debt for teacher retirement plans,” said Equable executive director Anthony Randazzo, co-author of the report. “The cost of paying for these unfunded liabilities is growing much faster

than the growth rate of K-12 spending generally. Without a change to the way that states pay for teacher retirement costs, hidden education funding cuts will keep growing. And students and teachers will feel the effects of this silent reduction of resources.”

On the state-level, the report looks at the scale of hidden education funding cuts by state and spotlights how various states have both exacerbated and avoided the negative impact of teacher pension debt costs on education budgets. While the report finds that the impact of teacher pension debt on education budgets is widespread, each state’s specific challenge is unique.

“There is a lot of variance between states in how much retirement costs have changed as a share of state and local K-12 spending,” Randazzo says. “It is important to look at the trend lines of percentage change over time, in addition to looking at the change in annual share. Together both can be a helpful way to determine how much of a problem a specific state is facing today and illuminate any warning signs for potential problems in the near future. While some changes may seem too small to make a difference, when we’re talking about billions of dollars in education spending, even half a percentage point can be a meaningful difference to teachers and students.”

Largest State & Local Hidden Education Funding Cuts by Percentage Change, 2002–2020

	State	Percentage Change	Absolute Change	Hidden Funding Cut, 2002	Hidden Funding Cut, 2020
1	D.C.	1867%	1.68%	0.09%	1.77%
2	New Jersey	1678%	5.37%	0.32%	5.69%
3	Pennsylvania	1393%	9.33%	0.67%	10.00%
4	North Carolina	865%	3.46%	0.40%	3.86%
5	Delaware	600%	0.24%	0.04%	0.28%
6	New York	362%	4.27%	1.18%	5.45%
7	Washington	343%	2.81%	0.82%	3.63%
8	Virginia	338%	3.62%	1.07%	4.69%
9	Arizona	315%	2.27%	0.72%	2.99%
10	Illinois	313%	10.56%	3.37%	13.93%

Smallest State & Local Hidden Education Funding Cuts by Percentage Change, 2002–2020

	State	Percentage Change	Absolute Change	Hidden Funding Cut, 2002	Hidden Funding Cut, 2020
42	Maine	29%	1.19%	4.14%	5.33%
43	Indiana	25%	1.16%	4.65%	5.81%
44	Arkansas	25%	1.00%	3.95%	4.95%
45	Wyoming	25%	0.57%	2.27%	2.84%
46	Ohio	24%	0.65%	2.72%	3.37%
47	Idaho	20%	0.75%	3.66%	4.41%
48	South Dakota	17%	0.29%	1.72%	2.01%
49	West Virginia	12%	0.89%	7.43%	8.32%
50	Nebraska	8%	0.19%	2.45%	2.64%
51	Florida	1%	0.02%	2.30%	2.32%

To read and download Hidden Education Funding Cuts, access interactive data visualizations and case studies, and download our open-source data, please visit: <https://equable.org/hiddenfundingcuts>

About Equable Institute

Equable is a bipartisan non-profit that works with public retirement system stakeholders to solve complex pension funding challenges with data-driven solutions. We exist to support public sector workers in understanding how their retirement systems can be improved, and to help state and local governments find ways to both fix threats to municipal finance stability and ensure the retirement security of all public servants.

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