

# Hidden Education Funding Cuts

## Idaho

For two decades teacher pension costs have consistently consumed about 10% of state education funding — that could grow in the future

Teacher retirement systems across the country have seen costs rise over the past two decades, driven largely by growth in pension debt (known as unfunded liabilities). The costs of paying down these shortfalls in teacher pension funds have been steadily cutting into the spending on key education priorities. The effects are felt particularly hard in high-need districts which have fewer local resources to draw on to fill in the gaps when education costs rise, creating less funding for teacher salaries and programs aimed at improving academic and other outcomes.

However, this squeeze has not been felt uniformly across all states, as revenue and education spending experiences have varied. As a result, there are notable differences in the degrees of crowd out that pension debt costs have had on education spending when looking from state-to-state.

This profile provides detailed analysis for your state, supplementing the analysis highlighted in our primary research on [Hidden Education Funding Cuts](#) in America. The state profile examines three key elements:

- **State Education Spending:** the state's "own-source" K-12 spending for 2001-2018, both in the aggregate and on a per student basis. This excludes federal funding (which is typically not used to pay pension costs) and local revenues (which also vary as a funding source from state-to-state);
- **Pension Funding Status:** the pension system's unfunded actuarially accrued liabilities (UAAL) and actuarially determined employer contributions (ADEC) for 2001-2018; &
- **Education Crowd Out:** the shares of a state's own-source K-12 spending consumed for the pension contributions paid for 2001-2018.

For each element identified above analyses are from a state budgeting perspective, excluding both federal and local funding. We offer illustrations of trends over time, and a brief analysis of those trends. The last page includes a quick glossary of terms and link to the methodology for all of the data provided.

It is important to note that all charts provide figures adjusted for inflation except for displays of state own-source K-12 spending. This allows for a reference of how much of the increase in nominal education spending is just driven by inflation as opposed to the expansion of education budgets.

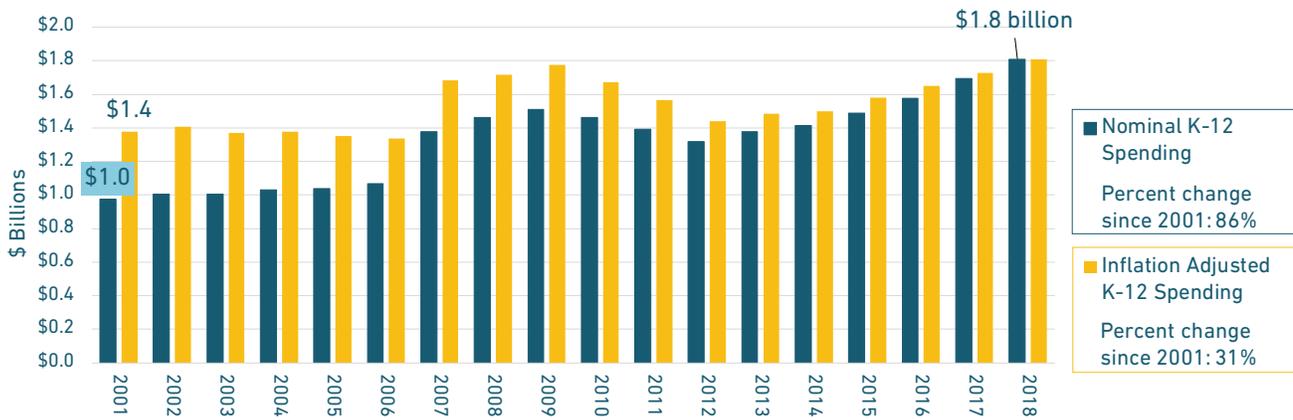
The Gem State is home to nearly 1.8 million citizens, and more than 300,000 primary and secondary school students. In 2018, the state’s total expenditures were almost \$8 billion — funds for schools, transportation, public safety, and other public services. Out of that spending, the state’s own-source expenditures — defined as all state funding that does not draw on federal or local revenue — totaled \$5.3 billion.

Idaho teachers are enrolled in a guaranteed income plan, known as a defined benefit pension, administered by the Public Employees’ Retirement System of Idaho (PERSI). PERSI manages retirement benefits for nearly 120,000 active and retired teachers, municipal employees, and state workers. PERSI also administers separate retirement plans for Idaho firefighters and judges, but those plans are excluded from our analyses. Although PERSI provides retirement for more than just teachers, they comprise the largest share (44%) of any group of members in the PERSI general plan.

## EDUCATION SPENDING

In 2018, Idaho’s state distributed K–12 expenditures totaled \$2.1 billion. Out of that total, \$1.8 billion came from state own-source funding while the remaining \$283 million was from federal grants and other education programs. (Local sources provided additional funding.)

**Figure ID1: Idaho’s state spending on education only increased by \$430 million after accounting for inflation.**



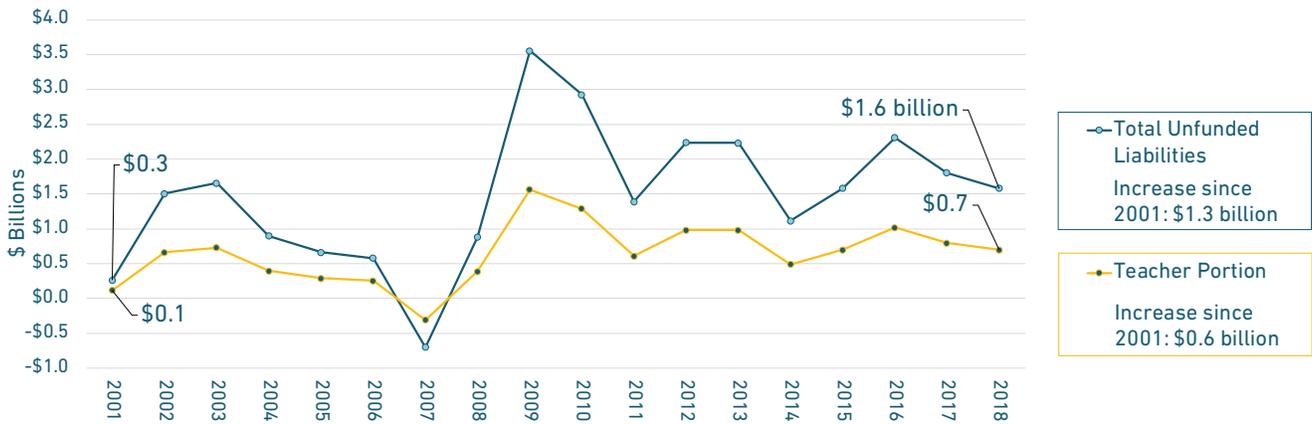
State Own-Source K–12 Spending, 2001–2018

As Figure ID1 illustrates, state spending on primary and secondary education in Idaho has increased moderately since 2001 — growing by \$835 million in nominal dollars; however, it only increased by roughly half as much after adjusting for inflation, climbing by only \$430 million. On a dollars per student basis, spending increased 7.9% since 2001 — growing from \$5,541 to \$5,980 (inflation adjusted).

## PENSION FUNDING STATUS

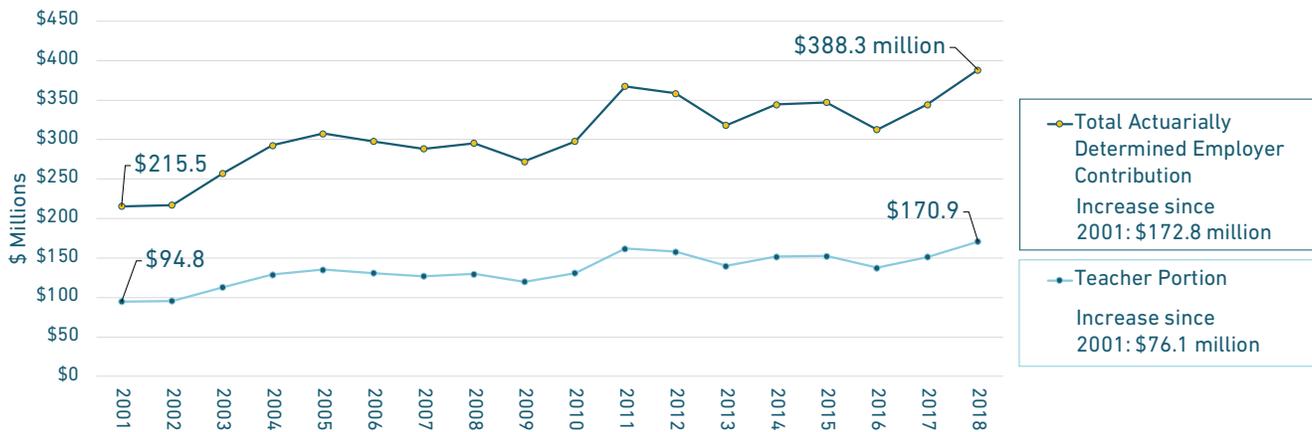
In 2001, PERSI was nearly fully funded with only facing \$260 million in pension debt. In 2007 the plan reached full funding, but over the following 11 years a combination of underperforming investments coupled with changing demographics have caused the unfunded liability for PERSI to grow — reaching \$1.6 billion in 2018. Figure ID2 shows the change in the unfunded liabilities and Figure ID3 illustrates the change in what state actuaries have recommended as contributions from government employers.

**Figure ID2: PERSI’s pension debt has increased to more than five times what it was in 2001.**



PERSI Unfunded Liabilities (Actuarial Value), 2001–2018

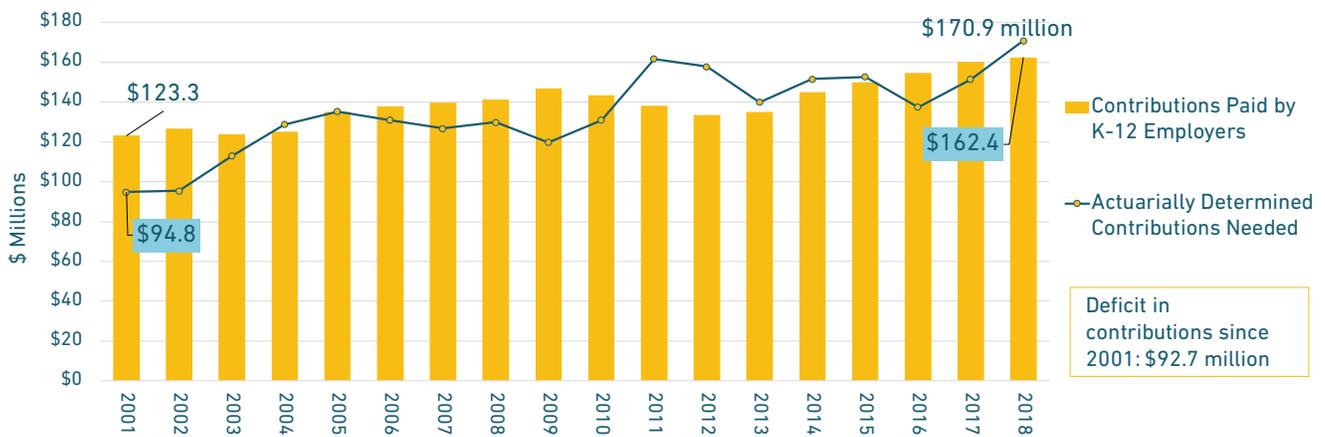
**Figure ID3: To address growing pension debt the amount actuaries recommend the state should contribute to PERSI has nearly doubled.**



PERSI Actuarially Determined Employer Contributions, 2001–2018

There are a number of states across the country that do not always ensure that the ADEC is paid in full to the pension fund each year. Unfortunately, Idaho is one of those states. In fact, Idaho typically does not pay the exact ADEC, failed to pay the full pension bill six times since 2001, but also overpaid the ADEC many years, shown in Figure ID4. As a result, the actual contributions paid into PERSI using education funds have been less than if the ADEC trend displayed in Figure ID3 was paid in full. Even though the state has not ensured the ADEC is paid every year, the actual contributions paid to PERSI have increased by one-third from \$123.3 million in 2001 to \$162.4 million in 2018.

**Figure ID4: Idaho did not pay the actuarial bill to PERSI each year, shorting it some years and overpaying others. The result is a \$93 million deficit in contributions since 2001.**



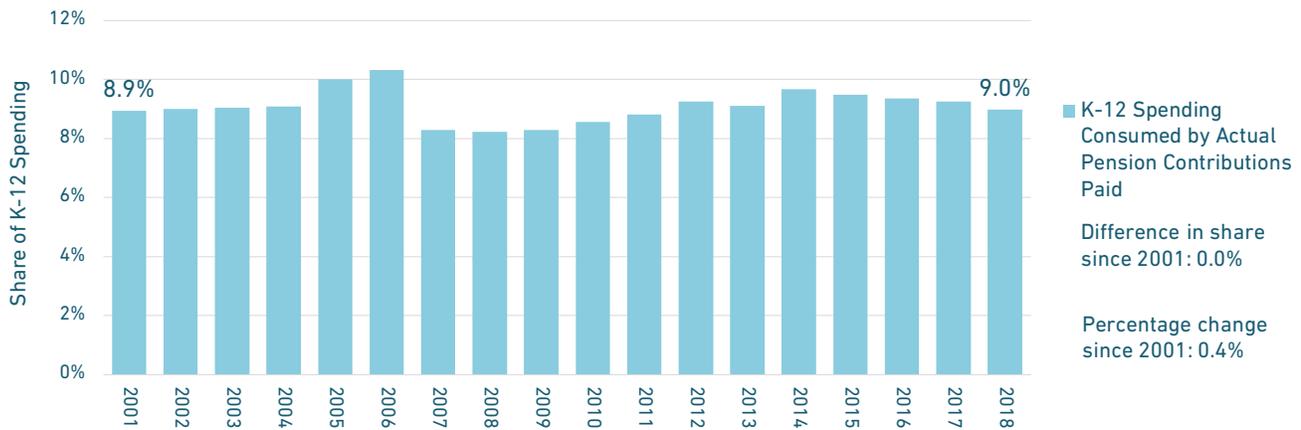
Actuarially Determined Employer Contribution Compared to Actual Contributions Paid to PERSI, 2001–2018

Paying the full required pension bill each year is the bare minimum for ensuring a pension system is fully funded. Best practice would be for Idaho to adopt a policy of ensuring the ADEC is paid every year. However, from the perspective of education funding, any increase in pension costs will be viewed negatively if it is shrinking the dollars available for teacher salaries and serving kids. If the ADEC had been paid every year without some adjustment to expand Idaho’s education funding, then the state could have suffered an even larger hidden cut than we show in the final chart on the next page.

## PENSION COSTS CROWDING OUT K-12 SPENDING

The growing costs of funding PERSI have soaked up a relatively consistent share of Idaho’s education spending. This is especially important for teachers, as any growth in PERSI’s costs that outpaces growth in state own-source K-12 spending can mean less money will reach the classroom. PERSI’s contributions reported as a share of K-12 spending increased from 8.94% in 2001 to 8.98% in 2018.

**Figure ID5: The hidden cut to Idaho’s state education funding has been consistent over time. PERSI contributions are consuming nearly 10% of state K-12 funding.**



Actual Pension Costs as a Share of State Own-Source K-12 Spending, 2001–2018

Unlike most states, Idaho has done a good job of keeping the hidden cut to state education funding from growing. This success can be attributed to both the increase in state K-12 spending and the slow rise in the ADEC, despite the rapid accumulation of pension debt. However, the accumulation of any new unfunded liabilities or a slowdown in state education funding could easily result in a larger hidden funding cut.

Idaho has failed to meet its commitments to funding PERSI by not paying the full ADEC each year. And even the actual amounts paid have grown a bit faster than the state’s own-source education spending. Unless there is a change that reduces PERSI’s costs and/or ensures the state’s education funding will fully account for changes to pension contributions, Idaho is at risk of a perpetual hidden cut in dollars intended for serving the state’s children.

An even more concrete way to understand how changes in pension debt and pension costs have influenced education resources is to think about them relative to total student enrollment. Table ID1 shows the teacher portions of the UAAL and actual pension contributions on a per student basis compared against state education spending. Breaking the numbers down this way shows that growth in unfunded pension liabilities and related pension contributions have eaten roughly one tenth of the increase in per student spending by the state. In fact, after accounting for inflation and pension costs, Idaho only spent about \$400 more per student in 2018 than 2001.

**Table ID1: State education spending per student has increased by roughly \$450 since 2001, but pension costs are consuming some of that growth.**

Year	Total State K–12 Spending Per Student	Per Student Share of Pension Debt	Pension Debt as % of Per Student Spending	Employer Pension Cost Per Student	Per Student Spending Minus Pension Cost
2001	\$5,541	\$466	8.4%	\$495	\$5,046
2002	\$5,570	\$2,623	47.1%	\$501	\$5,069
2003	\$5,350	\$2,845	53.2%	\$484	\$4,866
2004	\$5,303	\$1,520	28.7%	\$482	\$4,821
2005	\$5,122	\$1,103	21.5%	\$512	\$4,609
2006	\$4,997	\$950	19.0%	\$516	\$4,482
2007	\$6,192	-\$1,135	Fully Funded	\$514	\$5,678
2008	\$6,237	\$1,407	22.6%	\$513	\$5,724
2009	\$6,420	\$5,658	88.1%	\$532	\$5,888
2010	\$6,062	\$4,663	76.9%	\$520	\$5,543
2011	\$5,598	\$2,181	39.0%	\$494	\$5,104
2012	\$5,060	\$3,452	68.2%	\$468	\$4,592
2013	\$5,007	\$3,313	66.2%	\$456	\$4,551
2014	\$5,147	\$1,687	32.8%	\$498	\$4,649
2015	\$5,403	\$2,379	44.0%	\$513	\$4,890
2016	\$5,551	\$3,417	61.6%	\$520	\$5,032
2017	\$5,769	\$2,647	45.9%	\$534	\$5,235
2018	\$5,980	\$2,298	38.4%	\$537	\$5,443

Notes: Values are inflation adjusted dollars spent per student to allow for comparison of spending over time. Figures reflect the K–12 employer portion of liabilities and employer contributions.

Per Student Share of PERSI Unfunded Liabilities and Actual K–12 Employer Contributions, 2001–2018

## ABOUT THIS PROJECT

The growing cost of unfunded pension promises is having direct and immediate influence on the ability of local school districts to serve children. To show how hidden education funding cuts work, we built a dataset of state-level K–12 education spending and combined it with contribution rate data for state pension plans where teachers are participants. Merging these two data types shows how the rate of change in teacher pension costs is growing much faster than education budgets nationally.

To review data at the national level, visit [Equable.org/hiddenfundingcuts](https://equable.org/hiddenfundingcuts) and check out: “[Hidden Education Funding Cuts: How Growing Teacher Pension Debt Payments Are Eating into K–12 Education Budgets.](#)” To learn more about our data and how we calculate a state’s hidden education funding cut, check out the methodology.

However, the hidden funding cuts to education have not been felt uniformly across all states, as revenue and education spending experiences have varied. For some states, slow growth in K–12 spending has combined with the explosion in pension debt to create a significant threat, potentially crowding other items out of the education budget. In California, for example, a report by Pivot Learning found that rising pension contributions, driven by efforts to repay pension debt, have led to deferred maintenance of schools, larger class sizes, reduction or elimination of after-school programs, and a reduction in educational equity.

But, for other states, K–12 spending itself has grown significantly, even after accounting for inflation, and this has offset part of, or most of, the state’s increase in pension costs (though in these cases, it is likely that policymakers were not increasing K–12 spending simply to offset the growth in pension costs). And a few states have even managed to buck the trend entirely. While this profile details the experience of an individual state, we encourage you to explore the profiles of other states to see how their trends compare. A collection of profiles for all 50 states and Washington, DC can be found [here](#).

## ABOUT THE AUTHORS

Jonathan Moody is vice president of Equable Institute, where Anthony Randazzo is executive director. Moody has worked on state fiscal policy since 2014 including time as research officer at the Pew Charitable Trusts. Randazzo has worked with over a dozen states on retirement system improvements, and formerly was managing director of the Pension Integrity Project.

## QUICK GLOSSARY

**Actuarially Determined Employer Contributions (ADEC):** This is the money that actuaries calculate should be paid each year by the state and local employers to cover pension benefits earned plus to pay down any pension debt (after accounting for any employee contributions).

**Unfunded Liability (UAAL):** This is the shortfall in money that a pension fund should have on hand to pay all future promised benefits. Think of this as pension debt owed to retirement systems to pay promised pension benefits. In technical terms, this refers to the Unfunded Actuarially Accrued Liability.

**Own-Source K–12 Spending:** This is the money spent on primary education using state resources only, excluding any federal funding, local resources, or expenditures on higher education.