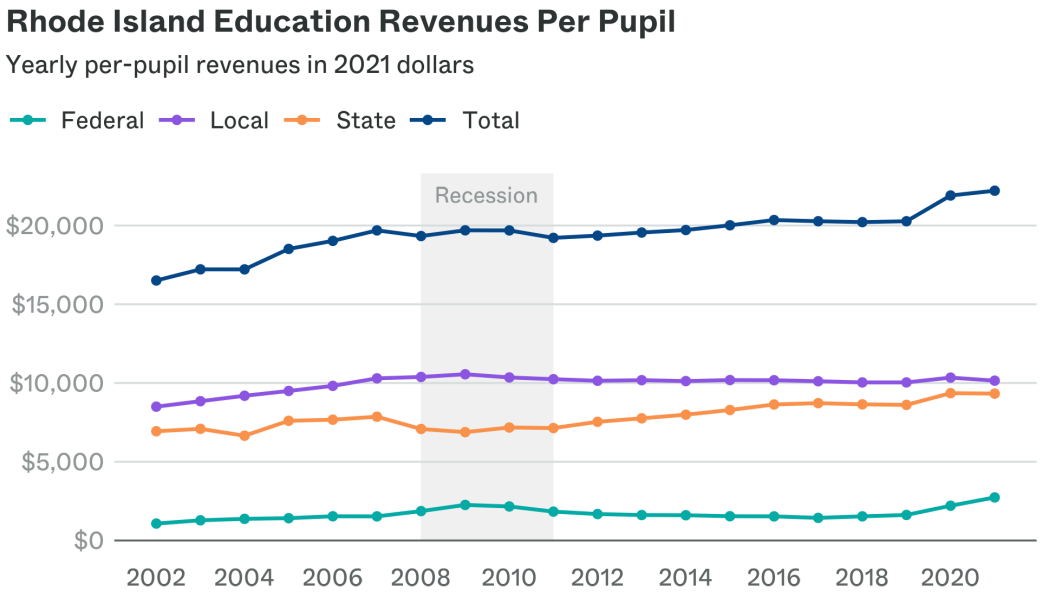
RHODE ISLAND

Lessons from the Great Recession

1. How did the Great Recession affect education spending?

The Great Recession provides some indication of how Rhode Island's education budget may fare during a future recession. From 2007 to 2009, Rhode Island reduced spending by roughly $980 per pupil in inflation-adjusted terms, equivalent to wiping out roughly five weeks of educational spending for every student. Initially, this was somewhat offset by federal funding through the American Recovery and Reinvestment Act (ARRA), and state revenues began to recover in 2010, surpassing their pre-recession peak after 2014. Rhode Island's education budget saw a faster recovery than many other states. Between 2011 and 2012, Rhode Island was one of only nine states to increase per-student spending.[1] This may be connected to the 2010 adoption of Rhode Island's current school funding formula.



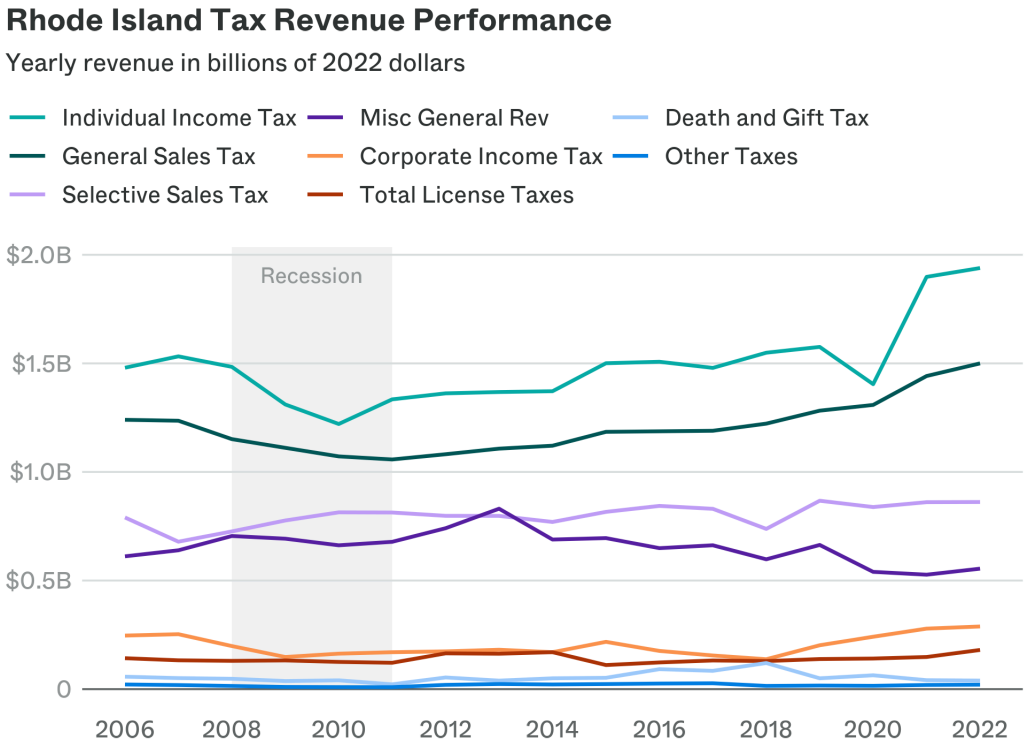
Source: National Center for Education Statistics.

2. How did the state's revenue base perform during the Great Recession?

In the immediate aftermath of the Great Recession, Rhode Island saw sharp declines in income tax and general sales tax revenues, the two largest sources of state revenue. Income tax revenue began to recover by 2011, but only surpassed 2008 levels in 2015 and grew very little for the next four years. General sales tax revenues followed a similar recovery trajectory but have continued steadily increasing after 2015. Selective sales tax revenues, on the other hand, actually increased through 2010, then remained largely stable, likely aided by increases to cigarette and gas taxes in 2009.[2]

Rhode Island's real tax revenues peaked in 2006 and did not return to that level until 2019, a roughly 13-year recovery from the Great Recession. This was significantly longer than the national average state recovery time of 4.5 years. [3] By some measures, Rhode Island experienced the most severe recession, and slowest recovery, of any New England state. A report from the Federal Reserve Bank of Boston finds that this sluggishness was in part due to job losses in the manufacturing industry (already in decline before the recession) and sharper declines in house prices than in other New England states.[4]

A future recession may be driven by different economic factors. However, this analysis does raise concerns that Rhode Island's revenue base could struggle to recover from a downturn, especially since the state unemployment rate is already higher than both national and regional averages.[5]



Source: Urban Institute.

Notes

1. Phil Oliff and Michael Leachman, *New School Year Brings Steep Cuts in State Funding for Schools* (Center on Budget and Policy Priorities, October 7, 2011), https://www.cbpp.org/research/new-school-year-brings-steep-cuts-in-state-funding-for-schools.
2. Nicholas Johnson, Catherine Collins, and Ashali Singham, *State Tax Changes in Response to the Recession* (Center on Budget and Policy Priorities, March 8, 2010), https://www.cbpp.org/sites/default/files/atoms/files/3-8-10sfp.pdf.
3. Barb Rosewicz, Justin Theal, and Alexandre Fall, "Decade After Recession, Tax Revenue Higher in 45 States," Pew, January 9, 2020, https://pew.org/39AxqhJ.
4. Mary A. Burke, *Rhode Island in the Great Recession: Factors Contributing to Its Sharp Downturn and Slow Recovery* (Federal Reserve Bank of Boston, July 30, 2014), https://www.bostonfed.org/publications/current-policy-perspectives/2014/rhode-island-in-the-great-recession-factors-contributing-to-its-sharp-downturn-and-slow-recovery.aspx.
5. State of Rhode Island, Executive Office of Commerce, "Overview of the Rhode Island Economy," April 15, 2025, https://eoc.ri.gov/media/701/download?language=en.