

Our Children, Our Future



This is a copy of the *Facts about Public Education* e-newsletter sent weekly during the legislative session to all members of the General Assembly. Please follow up with your legislators and ask if you can clarify the issue or answer any other questions they may have as a result of this communication.

Education Fact of the Week: Economics 101

You have seen many references to Iowa's 35th in the nation ranking and \$1,612 expenditure gap compared to the rest of the nation. Iowa's education coalition is concerned about this because we know an adequate investment is necessary to improve outcomes and opportunities for our students. There are, however, so many ways to rank states and spending that we thought it was time to review some observations about educational investments in Iowa over time and compared to other states.

Controlling for Inflation and Real Growth (Economics 101)

During the House Floor debate on HF 80 on Tuesday evening, a legislator stated, "the costs of education have grown 84% since 1974, controlling for inflation. Where has the money gone?"

We should not be surprised if education spending has grown by about 80% over the past 40 years, even in real terms (CPI Index from the Bureau of Labor Statistics). State Personal Income in Iowa has grown 84% in real terms since 1974, according to the Bureau of Economic Analysis. Education has maintained its relative share of the pie since then, only barely keeping pace with the economy, despite all of the additional responsibilities schools have relative to 1974, such as pre-school, all day kindergarten, and special education. Consider additional outcomes: the dropout rate is about half of what it was in the 70s, more students have college credit when they leave high school

and more credits are required to graduate, giving students a better preparation for their future and exposure to elevated expectations. See the [Jan. 22 Education Facts](#) for even more evidence of improvements.

Looking back at labor market differences, women dominated the teaching profession in 1974 with few other choices to be a professional. Today, women enjoy many more opportunities in the economy. As the profession now competes with other professions, it is more difficult to attract the same talent pool for the same wages relative to total personal income in the state. This difficulty is evidenced by many content-area shortages in teaching positions across the state today. DE annually identifies the designated shortage areas, which can be found [here](#).

Understanding Comparisons

Another comment during the debate of HF 80 suggested that Iowa's relative ranking of 35th in the nation was not correct, citing another ranking of 28th. Many different studies and organizations rank so many things. Iowa's LSA uses the NEA rankings and estimates (and has for decades) in reporting total expenditures per pupil in the [annual FACTBOOK](#). NCES also does a ranking, although their reporting cycle is two years behind NEA, the source for the FACTBOOK. The NCES figures reported in July 2013 ranking Iowa 28th compared expenditures for the 2010-11 school year. The NEA data comparison of 34th is based on the estimates for FY 2013-14. The NEA ranking for FY 2011 was 31st, which isn't really far off from the 28th cited in the NCES data. Again, the relative ranking depends on what each study includes in the comparison and what year is cited. So what happened since the NCES data has been reported? Iowa expenditures dropped \$434 per student from 2010-11 to 2011-12. Add that to the \$904 gap reported by NCES and the expenditure gap drops to \$1,338. That's much closer to the \$1,612 gap reported by NEA data for 2013-14 with the 2012-13 year not yet considered.

Another ranking compares per pupil expenditures controlling for inflation, again yielding a different result, ranking Iowa 25th in the nation. Relative to their cost of living, this means 24 other states are spending more on educating students, suggesting a higher priority in their budget compared to their ability to pay for it.

Consistent in all of the rankings is the downward trend from where Iowa was, -- a decade or more ago.

State General Fund Dollars Replace Property Tax

Another interesting trend over the past several years is the replacement of locally generated property tax dollars with state general fund revenues. This results in no new money for school district budgets, just a different source. Since FY 2014, the amount of state dollars replacing property taxes has grown from \$93.2 million to an estimated \$170.7 million in FY 2017.

Over time, policymakers have instituted provisions to minimize the impact of their actions on property taxpayers. These actions obligate funds from the state's general fund but do not increase the amount of new money available to school districts. In fact, one could argue that by taking these actions, policymakers have actually reduced the amount of new money available to fund schools. These actions include: tax increment financing (TIF) backfill, supplemental state aid provision, commercial/industrial rollback – uniform levy backfill, commercial/industrial rollback – replacement of additional levy, property tax equity and relief (PTER) funds and the property tax adjustment aid.

Investing in Continued Success

Imagine what would be possible if Iowa students were funded at the national average, an additional \$1,612 more per pupil than is currently spent ([Jan. 13 Education Fact of the Week.](#)) The Education Coalition calls on our Legislature and Governor to set a 6% growth rate per student for the 2015-16 school year. Setting the 2015-16 per pupil rate needs to be done within the first 30 days. Additionally, the 2016-17 rate should be set within 30 days of the release of the Governor's budget, returning to the practice required in Iowa law (Iowa Code 257.8).

Schools need sufficient notice to anticipate revenue, make timely staffing decisions and thoughtfully plan to invest the funds wisely for student learning. The future of Iowa's students and our state's continued success depend on a solid investment in the priority of public education.

Brought to you by the joint efforts of Iowa Association of School Boards, School Administrators of Iowa, Iowa Area Education Agencies, Iowa State Education Association, the Rural Schools Advocates of Iowa, and the Urban Education Network of Iowa in support of adequate and timely school funding.

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