

Our Children Our Future

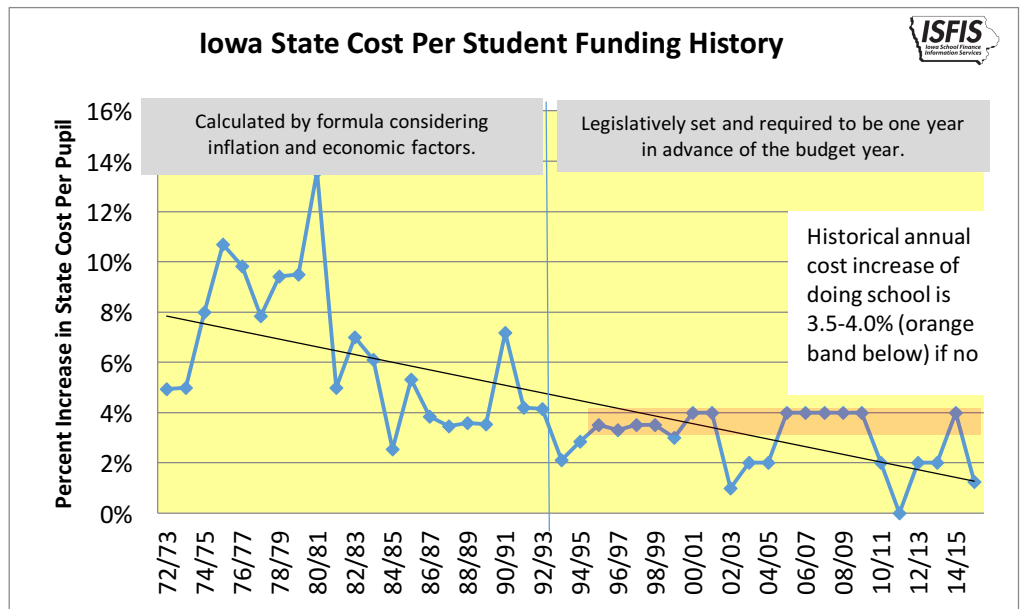


Education Funding and the Cost of Doing Business

The Conference Committee on school funding (SF 174 and SF 175) appears stalled with the Senate at 4% and the House at 2%, despite initial hopes of achieving a speedy decision setting the State Cost per Pupil for July 1, 2016. A clearer understanding of the cost of doing the business of school might help break the logjam. What about inflation? "A nickel ain't worth a dime anymore," Yogi Berra

Although change in the Consumer Price Index (CPI) might be a good indicator of inflation on the 20% of school budgets that aren't staff, it is not a good metric for staff costs which make up 80% of school budgets. In 5 of the last 6 years, the increase in the cost per pupil has fallen short of cost increases typically experienced in schools. A 2% increase for FY 2017 would extend that trend to 6 out of the last 7 years. Timing is likewise critical; in 4 of the last 6 Sessions, the Legislature has not set the growth rate in the year preceding the budget year, as required by Iowa law. The legislature is over a year late on the 2017 decision and now beyond the deadline for 2018, too. Schools cannot afford another year of too little, too late.

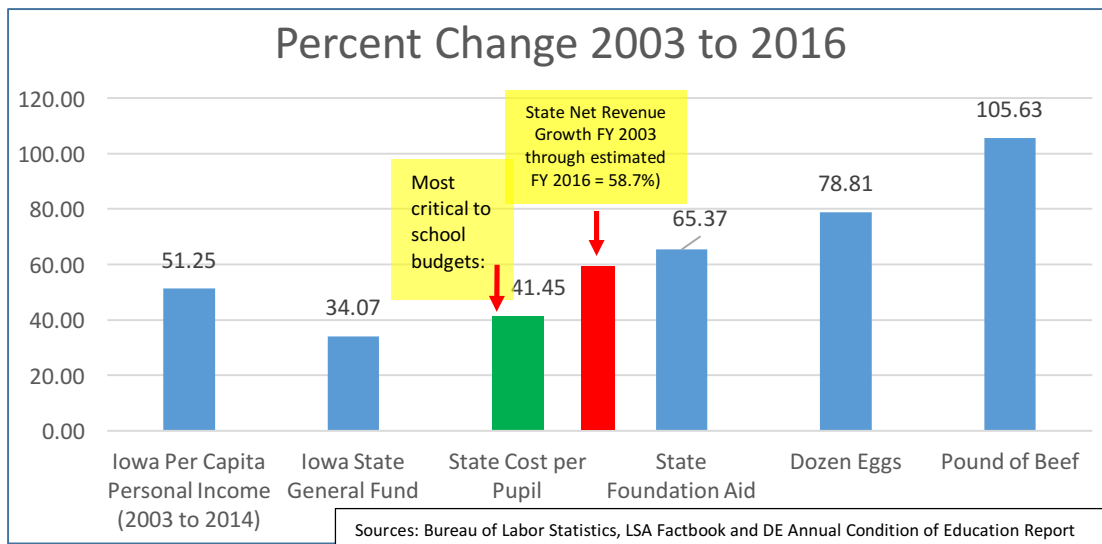
The historical annual cost increase of doing school business (orange band) includes new investments such as early literacy or more AP courses, aging the salary schedule, salary negotiations, providing all-day kindergarten, cost of employee benefits, insurance, busing (drivers and fuel), staff training, textbooks, utilities, teacher professional development, assessments, paper and materials, library books, instructional



software, science labs and equipment, dropout prevention, at-risk and other targeted programs, etc. Low funding increases impact the weightings, or multipliers, assigned to students requiring special education services, English-language learner supports, and preschool. The percentage is also applied to class size/early intervention, teacher salary supplements and professional development supplements per student and just recently, the teacher leadership and compensation supplements per student. Unfunded mandates from the state and federal level are also paid from the per pupil amount.

Other Comparisons with Iowa Economic Indicators:

A close look at several other metrics that Iowans understand shows why schools are feeling the pinch. The state cost per pupil has not kept pace with income or revenue growth, although the growth in the state’s contribution to the school formula (State Foundation Aid) has grown faster. It’s easy to see why there is confusion. As the state takes on a greater share of the funding responsibility, such as delivering property tax relief through the formula or making up for loss of value due to commercial/industrial property taxes, it looks like schools are getting significantly more money. Despite that appearance, the State Cost per Pupil and enrollment are the drivers of school budgets. When the price of beef goes up, Iowans do not blame beef producers for being inefficient. They understand that the cost of inputs has gone up. Schools are faced with increased costs, too.



The education community is asking for a speedy resolution to the FY 2017 and FY 2018 funding decisions. Thanks to both chambers for getting the school funding discussion started early in Session. Keep at it. Find common ground and set the FY 2017 State Cost per Pupil as soon as possible. Please consider FY 2018 before adjourning this 2016 Legislative Session. Please keep in mind:

- Districts with growing enrollment are not generating enough new funding to provide teachers, textbooks and reasonable class sizes for new students.
- Districts with declining enrollment will make more program and staff reductions to live within tighter constraints.
- In the last five years, state net revenue growth has averaged 4.1% annually while the cost per pupil growth has averaged 2.0%. Add in the current year 1.25% increase in per pupil rate and 3.3% Revenue Estimating Conference estimate and that spread continues: six year average Cost per Pupil is 1.87% and state net revenue growth is 3.9%. Schools haven’t experienced the economic recovery that the state has enjoyed.

Brought to you by the joint efforts of 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.

