

# Our Children, Our Future



April 8, 2016

## School Funding Challenges: The Facts about Education Funding

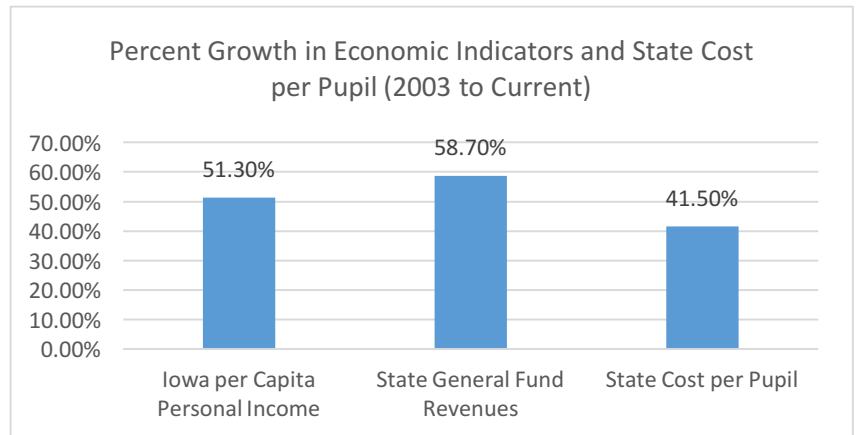
In several opinion editorials and legislative newsletters this last week, some accusations have been made about interpreting low educating funding levels as “spin”, specifically stating an increase of 809 teachers in the last six years at a time of relatively stable enrollment. “These facts show that any problems related to school budgets have much more to do with out-of-control costs than with insufficient state funding.”

This Education Fact is committed to providing data, diffusing the politics, and getting to a level of civil discourse necessary for education to return to Iowa’s number 1 priority. In that vein, consider the following:

Compared to the rest of the Iowa economy, cost per pupil is not keeping up. Since 2003:

- Iowa Per Capita Personal Income has grown 51.3% Source: Bureau of Labor Statistics
- State General Fund Revenues have grown 58.7% Source: LSA Revenue Tracking
- State Cost per Pupil (drives school foundation formula) has grown 41.5%, well below the other two.

Source: Iowa Department of Management



Compared to the rest of the nation, Iowa per pupil expenditures:

- Rank 29<sup>th</sup> in the nation in revenue per student compared to per capita personal income
- Rank 29<sup>th</sup> in the percent of school revenue that is local (39.1% compared to 44%, meaning the state of Iowa has to cover more of the increase in per pupil funding)
- Rank 16<sup>th</sup> in the nation in the percent of school revenue that comes from the state (54.7% vs. 47.6%)
- Iowa spends about \$1,100 LESS per pupil than the national average Iowa ranks 37<sup>th</sup> in the nation in current expenditures for Public K-12 schools per \$1,000 of Personal Income Source: [NEA Rankings and Estimates: Rankings of the States 2014 and Estimates of School Statistics 2015](#)

Answering the claim that education is a priority in the 2017 budget. First Claim: Schools are getting 87% of the new revenue available, which means education is a priority.

- Answer: The definition of new money is concerning. The Governor and Legislators revised budget targets this week based on the impact of federal tax coupling, lowering the FY 2016 ending balance by an estimated \$97.6 million. Why is that money available for tax cuts but not for education. Put another way, if the tax cuts cost \$97.6 million and there's only \$177 million total new money, is it not mathematically correct to state the tax cuts get 54%? How does that leave 87% for education? Additionally, do they include the expenditure of \$29 million for business consumable exemptions in the calculation of new money? Source: [Fiscal Note HF 2433](#)
- Priority is what you do first: had education funding been set according to Iowa law, meeting the deadline of February 2015 to set the cost per pupil for the 2016-17 school year, they may not have been able to afford the tax cuts. Delaying the school funding decision until after they passed the tax cuts suggests a different priority altogether.
- Some of the new revenue in the form of school funding is not really more funding for schools. This is tricky, but because of legislative decisions about the mix of state and local funding, \$65 million in this newest increase per pupil is actually property tax relief, replacing dollars that school otherwise would have gotten locally (\$25 million in lost \$5.40 levy commercial property taxes and \$41 million in the state assuming what would otherwise be the property tax impact of the 2.25% increase in the cost per pupil.) Yes, it costs the state coffers more to pay for this tax relief. But this is not “out of control **school** costs” as the newsletters and opinion editorials suggest. Source: [Fiscal Note SF 174](#)

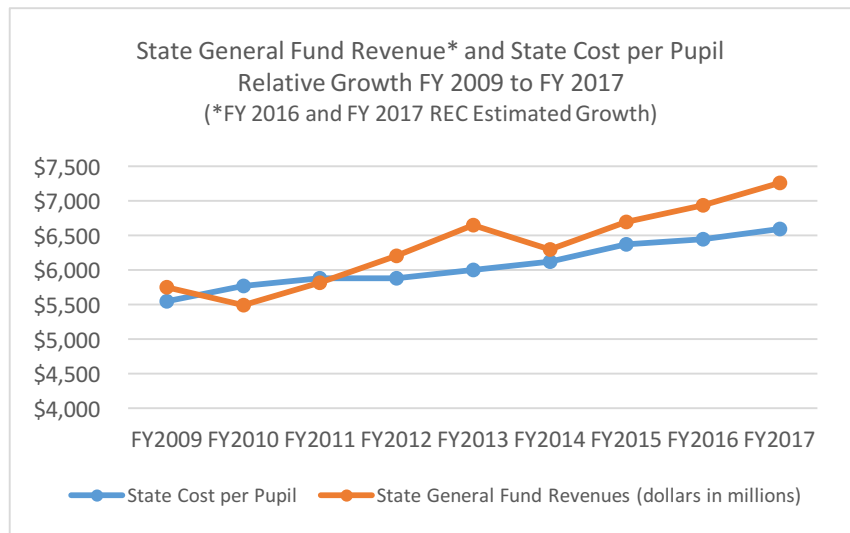
Compared to State General Fund revenues:

- The state cost per pupil (SSA) has grown \$708, up 12.0%, from 2011 to 2017. Over a 6-year period, that’s an average annual increase of 2.01%. (School budgets typically experience cost increases every year around 3% to 3.5% annually.) Source: Department of Management SCPP
- State General Fund Revenue during this same time has grown \$1.448 billion, or 24.9%, from 2011 to 2017, more than double the increase in the cost per pupil that the legislature sets.

That’s an average annual increase of 3.41%.

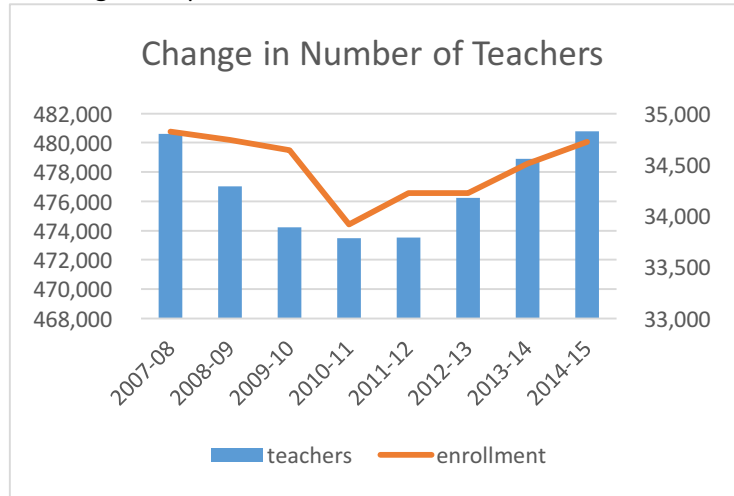
Schools haven’t experienced the recovery and growth that the state General Fund has experienced since the great recession. Source: LSA Revenue Tracking

- Last year’s contrast provides a strong example; FY 2015 state general fund revenue growth was in excess of 6% but schools were given a 1.25% increase in the state cost per pupil for FY 2016. Source: REC 2015 Actual Revenues



Second Claim: “The last 6 years have seen a significant investment in education, with \$660 million more in spending at almost double the historical inflation-adjusted rate. These increases have created a net hiring of 809 teachers across the state at a time of relatively level enrollment.”

- The growth in 809 teachers is partially explained by preschool expansion. Preschool enrollment growth alone counts for 2,500 students that required new teachers. Source: [DE Statewide Voluntary Preschool Programs for Four-Year-Old Children 2014-2015 Legislative Update \(2015\)](#)
- The Governor’s Teacher Leadership and Compensation initiative mandates that 25% of teachers have a leadership role, many of those outside of the classroom. If only half of the teachers in leadership roles are out of the classroom, schools should have hired 2,600 more teachers in the last 2 years alone and another 1,300 in the upcoming school year. Instead, schools are implementing TLC by removing other positions from the district.
- By the way, school nurses, counselors, and librarians are included in this number too, not just classroom teachers.
- Both Iowa’s funding formula and the number of teachers working in Iowa schools are driven by enrollment changes. The chart on the left shows the parallel decline followed by parallel growth in both enrollment and teachers. Source: DE Basic Education Data Survey, FTE Teachers and Enrollment



During this time of low funding increases, schools have expanded preschool, taken on the teacher leadership initiative, dedicated funding to early literacy, provided college level courses for credit during high school and have the highest graduation rate in the nation, with over 90% of Iowa students getting a diploma in four years. Source: [Iowa Condition of Education Report 2015](#) Educators are working harder than ever to serve the needs of Iowa students. Iowans should let their Legislators and the Governor know education funding is a necessary and meaningful investment in our future.

*Brought to you by the joint efforts of the 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.*

