

Our Children, Our Future



March 30, 2016

Set Cost Per Pupil for the 2017-18 School Year Before Adjourning

Timing: Current law requires the state cost per pupil increase, now known as state supplemental assistance, to be determined within 30 days of release of the Governor's budget in the year prior to the budget year. That deadline exists for good reason: it operationalizes education funding as the first priority of legislative budget-setting. School funding becomes a built-in expenditure, providing school and area education agency (AEA) leaders with stability, predictability, and the knowledge of size of their budget in time to plan thoughtfully to meet the needs of students. That deadline has passed. A timely decision of setting the 2017-18 cost per pupil is necessary for schools and AEAs to meet planning, budgeting and bargaining deadlines, as well as fully engage in school reform efforts.

Planning: School district and attendance center staff, school boards, and community members, and AEAs are often engaged in budget planning for many months. Careful budgeting of the billions of dollars spent on behalf of Iowa students should not be rushed. If the state cost per pupil is not known when all the negotiation, budgeting and publications deadlines come due, it is impossible to plan and project needs for the following year. Guesswork is used instead of factual information. Energy is spent on scenario planning and settlements are hard to come by. Tax rates are set as high as possible with varying assumptions in order to preserve flexibility. Dropout prevention budgets receive no growth, since those plans are due to the DE in December. High School students register for classes that in the end, may not be offered. Delayed decisions ripple through the process, creating unnecessary tension for school boards, staff, and students. Many staff worry about whether their job will exist next school year. Much lies in limbo waiting on the Legislature.

New Longer Look Revenue Estimate: The Revenue Estimating Conference met on Wed., March 16, 2016, and for the first time ever, set a new out-year estimate of 4.1% growth for FY 2018. **The 4.1% growth for FY 2018 is an increase of \$301.7 million, compared to the FY 2017 estimate of \$7,357.4 million.**

Missing this deadline has only been a recent phenomenon, with some legislators expressing a reluctance to set the out-year state cost per pupil as required by Iowa law since they did not have a picture of out-year revenues. [SF 510 Standings Appropriations](#), enacted in the 2015 Session, requires the REC to meet in March and set the estimate for the out year (in this case, FY 2018). The REC set the FY 2018 estimate at 4.1%. The built-in expenditure down payments on Teacher Leadership and Compensation (TLC) and commercial industrial property tax relief are both completed with this FY 2017 budget proposal. The Governor's FY 2017 Budget (and likely the Legislature's) keeps the state's economic emergency fund and cash reserve funds full, at over \$737 million, to protect against any uncertainty or economic downturn in FY 2018. There is more information about the future than has ever existed in the past, when the Legislature was able to set the per pupil cost in advance of the budget year. It's time, given this new information, to return to that practice.

History: The Legislature and Governor have not been compliant with the 30-day requirement once since 2010. Although they missed the 30-day deadline, they did set the out-year cost per pupil increase twice in the last six years, providing some notice for planning – in both 2011 and 2013. The following table provides this history:

Year	Timing of Cost per Pupil Decision by Legislature
1973-1992	Cost per pupil set automatically based on economic factors (growth in property value and growth in state general fund revenues was the original formula in the 70s)
1993-2009	Cost per pupil set for the out year during the Session preceding the budget year (approximately 14-18 months before the start of the school year)
2010	First delay of setting Allowable Growth, did not set the 2012 growth rate during the 2010 session.
2011	The General Assembly did not set an Allowable Growth rate for FY 2012, so the FY 2011 rate remained to zero. Established an allowable growth rate of 2.0% for regular school aid and each of the state categorical supplements for FY 2013. So were technically in compliance for setting 2013 about 18 months prior.
2012	The General Assembly did not establish allowable growth rates for FY 2014.
2013	Established the FY 2014 AG rate at 2% for regular school aid and categorical supplements. Established FY 2015 AG rate at 4%.
2014	The General Assembly did not establish the State percent of growth for FY 2016.
2015	The General Assembly set the cost per pupil increase at 1.25% for FY 2016 and did not set AG for FY 2017.
2016 so far	The General Assembly set the cost per pupil increase at 2.25% for FY 2017.

The Education Coalition calls on our Legislature and Governor to set at least a 4% growth rate per student for the 2017-18 school year, returning to the practice required by Iowa Code 257.8. **Please set the FY 2018 state cost per pupil this year before adjourning.** Senate has already passed bills which set the increase at 4% ([SF2092](#) / [SF 2093](#)) which have been assigned to the House Education Committee.

Schools need sufficient notice to anticipate revenue, make timely staffing decisions, and thoughtfully plan to invest 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 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.

