

Our Children, Our Future



Education Fact of the Week: Money Matters

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 a necessary condition to improve outcomes and opportunities for our students. Scientific evidence confirms what we know:

According to a paper recently published by the National Bureau of Economic Research, educational spending does impact educational and economic outcomes. *The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms*, written by C. Kirabo Jackson (Northwestern University), Rucker C. Johnson (Northwestern University) and Claudia Persico (University of California-Berkeley), concludes:

"A suggestive benefit-cost analysis reveals that investments in school spending are worthwhile. Increasing spending by 10% for all school-age years increased wages by 7.25% each year (Table 4). . . . This implies a benefit-cost ratio of 2.01 and an internal rate of return of 8.9%. This internal rate of return is similar to those estimated for pre-school programs (Deming, 2009), smaller than estimates of the internal rates of return for class size reductions (Fredriksson et al, 2012), and larger than long-term returns to stocks. In sum, the estimated benefits to increased school spending (that go toward productive inputs) are large enough to justify the increased spending under most reasonable benefit-cost calculations."

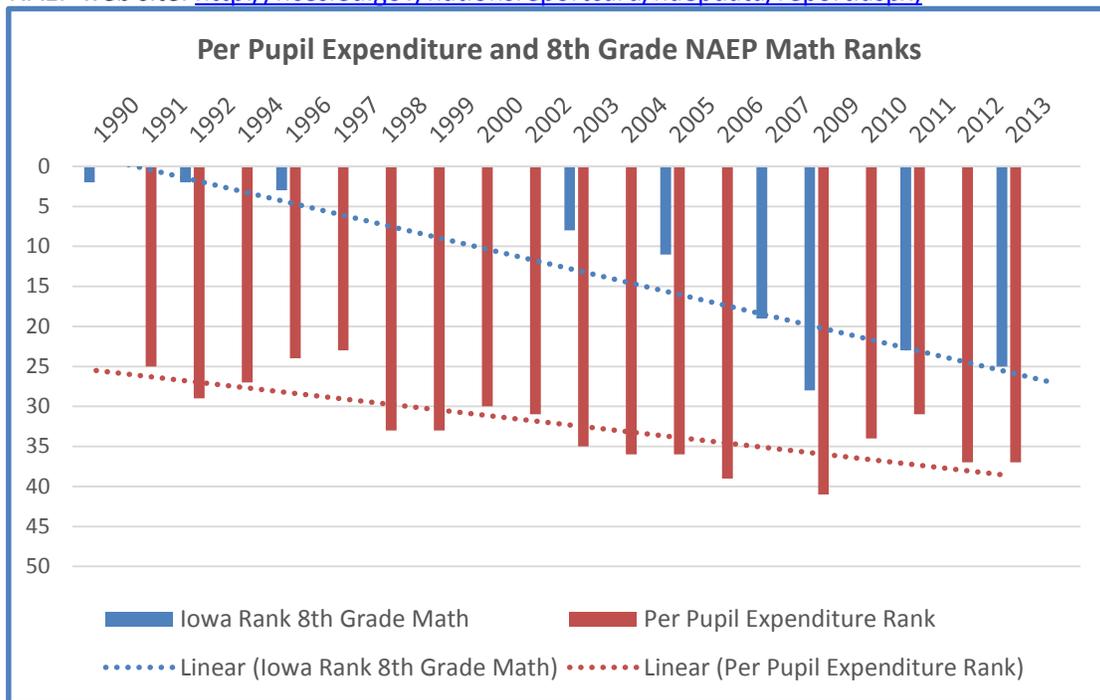
Their conclusions further show the importance of coupling education reform, such as Teacher Leadership and Compensation systems, with adequate funding increases:

"Money alone may not be sufficient, but our findings indicate that provision of adequate funding may be a necessary condition. Importantly, we find that how the money is spent

may be important. As such, to be most effective it is likely that spending increases should be coupled with systems that help ensure spending is allocated toward the most productive uses.” <http://www.nber.org/papers/w20847>

The Trends in Iowa

The following chart shows the relationship between Iowa’s relative ranking in per pupil expenditures and relative ranking in NAEP scale scores for students. The relationship is statistically significant and undeniable. Please note: Iowa scale scores for 4th grade math are up eight points and up one point for 4th grade reading and 8th grade math and reading since 2003. This chart shows a decline in Iowa’s relative ranking, not in NAEP scores. (Chart data compiled from LSA Factbook, NEA Rankings and Estimates 2013, and NAEP rankings from the NAEP web site: <http://nces.ed.gov/nationsreportcard/naepdata/report.aspx>)



Understanding the Numbers

We’ve seen many references to changes in the state foundation aid line-item budget in legislative responses to contacts from constituents. We offer the following observations:

- Does the analysis look at all funds or just state aid? If it’s just state aid, it doesn’t tell the story of what resources schools actually have or property tax relief delivered through the formula.
- Is the analysis thorough? How does the number change if you add a prior year to the data set?
- When someone says that money doesn’t make a difference, it’s often because of comparing apples and oranges.

- Districts are considering the impact of a 1.25% increase in the cost per pupil as proposed in HF 80, passed by House Education Committee on Jan. 21. Here's the impact of that very low proposal:
 - State cost per pupil \$6,446 (increase of \$80).
 - 162 (nearly 50%) districts on budget guarantee
 - \$16.3 million property tax to fund budget guarantee
 - 274 districts (80% of districts) have an increase less than 3%, which is a conservative estimate of likely cost increases (budget cuts will be necessary)

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 (see the Jan. 13 Education Fact of the Week for more details about the spending gap.) 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. 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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