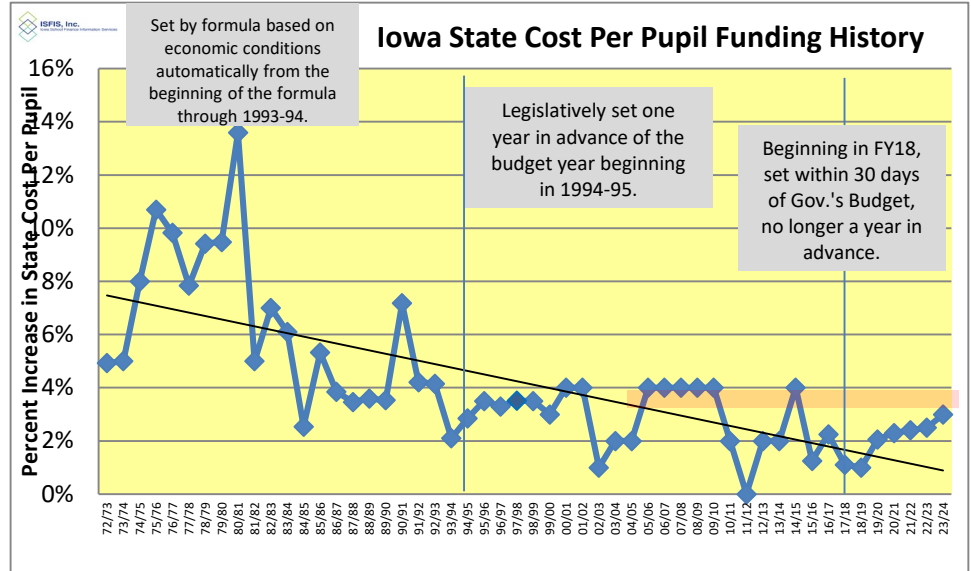




## RSAI 2024 Legislative Priority: Adequate School Funding

**History:** This chart shows the percentage increase in Iowa's state cost per pupil, called State Supplemental Assistance or SSA, since the funding formula began in 1972-73. Although never below zero, in 13 of the last 14 years, the per pupil increase has been lower than the cost increases schools experience (orange band on the Per Pupil Funding Chart), which typically run from 3-4% if enrollment is constant.



**Current reality:** Annual formula increases have not been enough to pay salaries and benefits to compete with the private sector, plus other costs of operating schools and meeting student needs. Since the school's General Fund pays primarily for staff, allocating 80% of General Fund expenditures typically for salaries and benefits, low per pupil increases have a staffing shortage echo. Few or no applicants at all, not just in rural districts but in districts of all sizes across the State, demonstrates the inability to compete for human capital in Iowa's thriving economy. SSA impacts the weightings, or multipliers, assigned to students with special education needs, English-language learner supports, college credit courses and preschool, providing resources for student programs.

The SSA funding percentage is also applied to Teacher Salary, Professional Development, Teacher Leadership and Compensation (TLC), and the new Transportation Supplements. Although the transportation funds are for any general fund purpose (considered as reimbursement), other categorical funds are restricted for specific purposes. AEA special education and school improvement resources are also dependent on adequate increases in the per pupil amount. State and Federal unfunded mandates are paid from this funding (such as the increased employer share of IPERs or mandated new computer science courses). When school costs increase more than funding, program and staff reductions follow. Declining enrollment requires even further reduction. Growing enrollment demands additional staff and supports, both compromised by low SSA.

**Staff Shortages:** Without adequate funds, school districts cannot pay a competitive wage and attract quality staff to our schools; this dynamic has intensified over the last decade. See the RSAI Staff Shortage position paper for additional data regarding staff shortages.

**Benchmarks/Economic Measures for Comparison:** When comparing the state cost per pupil to economic benchmarks and other states, Iowa school funding falls short. Economic benchmarks:

- ❖ The Gross Domestic Product (GDP) for Iowa grew 30.5%, controlling for inflation, 2011 to 2020, compared to the state cost per pupil, which grew 16.9% over the same period. <https://www.bea.gov/sites/default/files/2021-09/qgdpstate1021.pdf>
- ❖ Iowa Per Capita Personal Income increased 40%, 2010-2020, while the state cost per pupil increased 19% over the same decade. <https://fred.stlouisfed.org/>

**Other State Comparisons:** from 2019 US Census data, May 2021

<https://www.census.gov/data/tables/2019/econ/school-finances/secondary-education-finance.html>

- [US Census data](#) from May 2022 (reporting on FY 2020 expenditures) showed Iowa \$1,536 below the national average, ranking Iowa 30<sup>th</sup> in the nation in per pupil expenditures. [US Census Data](#) from May 2023 (reporting on FY 2022 expenditures) shows Iowa now spending \$13,259 per student or \$3,081 below the national average, ranking Iowa 35<sup>th</sup> in the nation. Contrast this recent trend with Iowa's early history. In the 70s, 80s, and 90s, Iowa schools spent more than the national average per pupil on education. [US Census data](#)
- Why does relative spending matter? Other states that spend more either have the ability to pay staff more (about 80% of the school budget) or provide more staff to meet student needs. Iowa's average teacher pay was \$7,035 behind the national average (Iowa Condition of Education Report and the [National Education Association](#)), and Iowa ranks 38<sup>th</sup> in beginning teacher pay ([Learning Policy Institute](#)).

**Education is a Significant Share of the State's General Fund:** the State's contribution to school funding is roughly 42% of the State General Fund budget. Legislators will sometimes refer to education as being "57% of the State General Fund", but that includes PK-12 PLUS postsecondary education (community colleges, universities, tuition grants) and other expenses. As the State has taken on a bigger share of the formula, lowering property taxes, the 42% benchmark is no longer indicative of a commensurate increase in resources available for educating students. It is also unknown if either of these benchmarks will be revised with the addition of hundreds of millions for Education Savings Accounts which will fall in the education budget line.

As the State is phasing in significant income tax cuts over the next few years, anticipating a smaller General Fund, committing to a percentage of a smaller pie means a smaller slice of pie for public schools. Additionally, the State of Iowa has many funds in addition to the General Fund (e.g., the Taxpayer Trust Fund is estimated to end FY 2024 with \$3.6 Billion, the Road Use Tax Fund is typically another Billion or so). According to the National Association of School Business Officials Annual [State Expenditure Report](#), Iowa spends 18.6% of all funds available to Iowa on Elementary and Secondary Education (FY 2022).

**Impact:** Efforts to educate students, prepare a qualified workforce, and deliver the excellent educational outcomes to which Iowans are accustomed will be compromised if the basic foundation of school funding is not sustained. There are not enough qualified applicants to fill jobs, generally indicating that the profession of teaching is being outpaced in the marketplace.

Class sizes are going up. Programs are being eliminated. Districts are offering fewer extracurricular and fine arts opportunities for students, especially in middle school. SSA is the lifeblood of Iowa schools.

Declining enrollment combined with low SSA means reduced staff, fewer programs, stretched services and ultimately, less opportunities and choices for students.

**Adequate School Resources:** the increase in SSA provides resources for Iowa schools to deliver an educational experience for students that meets the expectations of Iowa parents, communities, employers and policymakers. **Iowa's school foundation formula must maintain balanced state and local resources, be predictable, minimally exceed inflation, allow schools to compete for labor, and assure adequate time for budget planning and staffing.**

What schools can deliver is dependent on the level of funding provided, which begins with the 2024-25 school year and requires a consistent and sustainable commitment:

- **World-Class Education:** an investment of at least 10% SSA (\$763 per pupil, or \$4.23 per day of 180 days of instruction) would position Iowa schools and AEAs to deliver a world-class education, lower class sizes, attract and retain qualified staff, increase and individualize internships and other workforce experiences for students, and provide programs to close achievement gaps. Iowa per pupil expenditures, ranked 29<sup>th</sup> in the nation in 2021, fall \$1,581 short of the national average (*source: NCES Finance Tables, May 2023*), which does not meet the standard of Iowa's pride in our foundation of education, as shown on the Iowa state quarter. The 10% investment would be a down payment in closing Iowa's lagging funding gap, unless other states commit even more to their students' education.
- **Sustain Current Status:** an investment of at least 5% (\$382 per pupil, or \$2.12 per day of 180 days of instruction) would position school districts and AEAs to maintain current status with Iowa's competitive economy, recovering *partially* from high inflation and increased student needs.
- **Continued Erosion:** an investment of 2.5% (\$191 per pupil, or \$1.06 per day of 180 days of instruction) will *partially* cover expected increased costs of the next fiscal year, including staff salaries and benefits, but will require schools and AEAs to scale back, provide part-time librarians, counselors and nurses, shift some classes to online learning, or take other actions to squeeze more out of the current system in order to set a salary sufficient to retain existing staff (teachers, bus drivers, custodians, paraprofessionals) and provide a rounded course offering and programs.