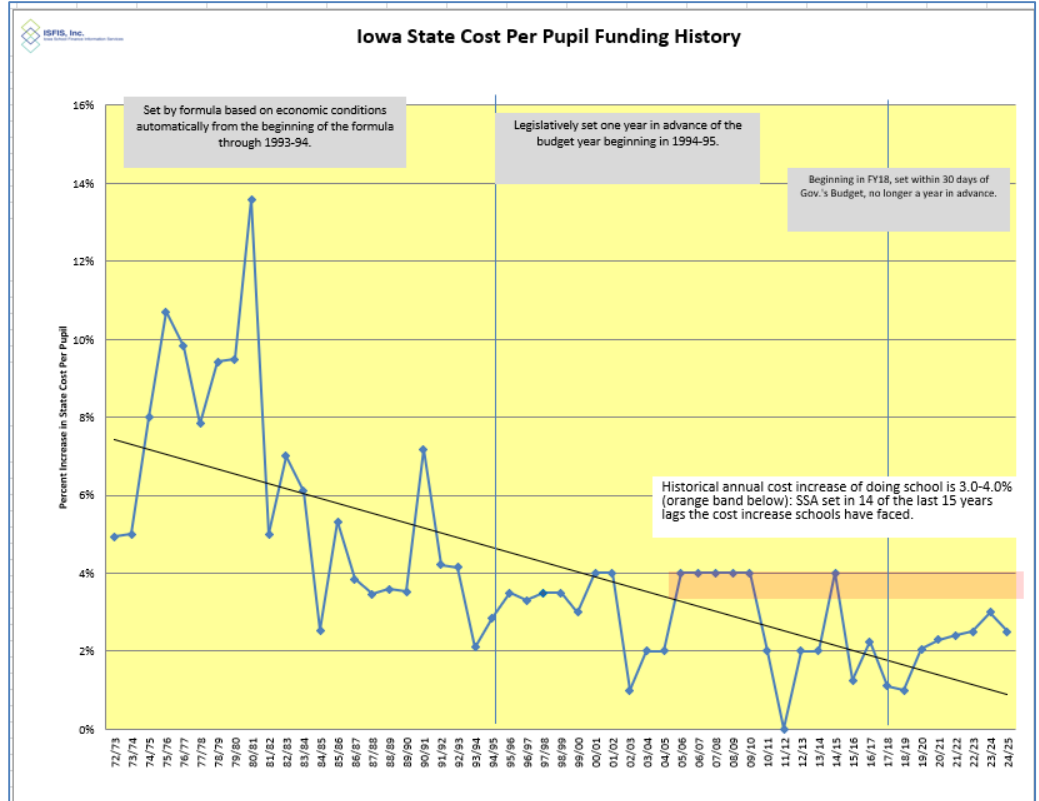




RSAI 2025 Legislative Priority: Adequate School Funding

History: This chart shows the percentage increase in Iowa's state cost per pupil, called State Supplemental Assistance (SSA), since the funding formula began in 1972. Although never below zero, in 14 of the last 15 years, the per pupil increase has been lower than the cost increases schools experience (typically between 3-4% if enrollment is constant). HF 2612 set the SSA rate for the 2024-25 school year at a 2.5% increase.



Current reality: Annual

formula increases have not been sufficient to compete with the private sector salaries and benefits, plus satisfy the costs of operating schools and meeting student needs. Since the school's General Fund pays primarily for staff, averaging 80% of General Fund expenditures 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 Iowa districts of all sizes, 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 plans, college credit courses and preschool, and others providing resources for student programs.

The SSA funding percentage is also applied to categorical supplements, among them Teacher Salary, Professional Development, Teacher Leadership and Compensation (TLC), and Transportation Supplements. Transportation funds are reimbursement for prior year expenses above the state average. 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 generally paid from this funding (e.g., 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, textbooks and support. Low SSA compromises both situations.

Staff Shortages and Teacher Pay Investments: Without adequate funds, school districts cannot pay a competitive wage and attract quality staff; this dynamic has intensified over the last decade. See the RSAI Staff Shortage position paper for additional data regarding staff shortages. HF 2612, enacted in the 2024 Session, set new teacher pay minimums and injected \$73 million into school coffers to compensate teachers. The funding is embedded in the formula through Teacher Salary Supplement (TSS) and is set to continue going forward. The bill also included an additional \$14 million for support staff hourly pay, which was a one-time appropriation. This funding will obviously improve school districts' ability in the short term to increase pay as mandated. However, the TSS for teachers, hourly pay for support staff and SSA increase decisions in 2025 are critical to maintain any competitive position provided by these investments initiated the 2024-25 school year.

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/ggdpstate1021.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 2023 US Census data, Oct. 2024

<https://www.census.gov/library/visualizations/interactive/how-did-covid-19-affect-school-finances.html>

- [US Census Data](#) reporting on FY 2023 expenditures shows Iowa spent \$13,792 per student or \$2,033 below the national average, ranking Iowa in the bottom half of 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 and programs to meet student needs. Iowa's average teacher pay was \$7,035 behind the national average (sources: Iowa Condition of Education [Report](#) and the [National Education Association Rankings and Estimates](#)). Iowa ranked 38th in beginning teacher pay in 2021 ([Learning Policy Institute](#)). HF 2612 set new teacher pay minimums beginning in the Fall of 2024, investing \$73 million in teacher pay. Although that is progress, the increase applied to 38,190 Iowa teachers will increase Iowa teacher pay an average of \$1,911, well below the \$7,035 gap compared to the national average.

Education is a Significant Share of the State's General Fund: Iowa's State contribution to school funding has historically hovered around 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 falling into 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. The only other alternative is significant reductions in other state appropriations. However, 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, and there are many others). According to the National Association of School Business Officials Annual [State Expenditure Report](#), Iowa spent 18.6% of all funds available to Iowa on Elementary and Secondary Education (FY 2022), but in the most recent [Report](#) for FY 2024, Iowa spent 16.0% of all funds available to Iowa on Elementary and Secondary Education.

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.

Other policy decisions at the state level impact expenditures. Restructuring of AEAs in HF 2612 in the 2024 Session is already hitting the bottom line for school districts whose allocation of media and education services funding looks inadequate to provide the support they received in prior years. This is especially evident in smaller school districts. Necessary expenditures for safety and cyber security, mandated electronic library catalogs or chronic absenteeism certified letters also redirect funds that would have paid for teachers and instruction.

Class sizes are going up. Programs are being eliminated. Districts are offering fewer extracurricular and fine arts opportunities for students, especially in middle school. Declining enrollment combined with low SSA means reduced staff, fewer programs, stretched services and ultimately, fewer opportunities and choices for students.

RSAI Supports 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, at least 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 2025-26 school year and requires a consistent and sustainable commitment.

Impact of AEA changes: rural schools may not be able to afford the services, especially education services (such as crisis support, instructional materials and professional development) and media services (such as software, technical equipment, and virtual libraries), which AEAs used to provide, given changes in economy of scale and AEA staffing challenges. Without sufficient increases in SSA to cover these costs combined with fewer dollars provided to the AEAs, rural school students and staff may not be able to access or afford the support that AEAs have provided in the past.