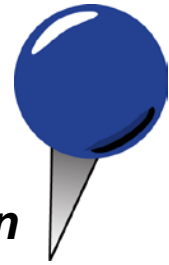




Iowa Policy Project

A Roadmap for Opportunity



Path to a better future starts with public education

One of the most misunderstood and easily distorted statistics in Iowa political debate is what the state spends on K-12 public education. It is the biggest share of the state budget, so the numbers look large even when spending is cut or held below the increased costs. The K-12 funding scheme is complex, encompassing not only state funds but local and federal funds, and is subject to a formula designed to deliver equitable education opportunities no matter the zip code of the student.

There are simple and honest ways to gauge these trends as a check on political talking points. In this piece we will focus on the best measures, which show clear and chronic threats to the stability of public schools that Iowa leaders once championed:

- Permitted per-pupil spending has been held far below costs for nearly a decade.
- Pressure from private and religious school advocates has diverted tax dollars to their less accountable operations.
- Funding disparities have been allowed to fester for decades, with merely a passing nod when challenged.

Supplemental State Aid is trending downward

The building block of Iowa’s enrollment-based local school budgets is a per-pupil cost figure, adjusted annually by “Supplemental State Aid” (SSA), formerly known as “allowable growth.” SSA sets the percentage increase in the per-pupil cost assumed in a school budget. In FY2019, that figure — funded by both property tax and state aid — is \$6,736 for 170 of Iowa’s 330 school districts, ranging up to \$6,906 for a handful of districts.¹ For FY2019, lawmakers set the SSA percentage at its second-lowest level in 15 years: 1 percent, just one year after setting it at 1.1 percent. SSA has averaged only 1.7 percent over the last nine years, well below what is needed to keep up with costs.

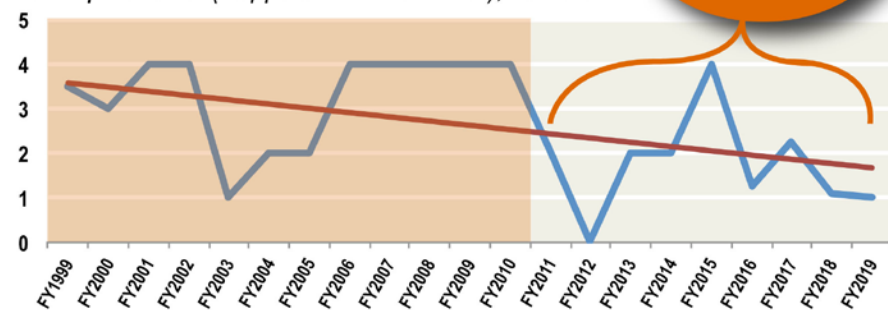
Destination:

- Adequate funding to support good-quality public schools.**
- Improve Supplemental State Aid to reflect actual costs.
 - Curtail existing diversion of K-12 funds from public to private or religious schools.
 - Reject vouchers.
 - Reduce funding disparities, particularly for districts with high transportation costs.



School Funding: Iowa’s Rocky Road Down

Per Pupil Growth (Supplemental State Aid), 1999-2019



The SSA percentage arguably is the best single indicator of state policy on K-12 funding in Iowa. It governs what local districts can spend on their regular program, supporting administration and classroom costs, including teachers and support staff. Facilities improvements are not included.

Political spin about school funding

Clouded by political claims over the past year is a continued shift from local to state funding that leaves schools with no or little real increase. Governor Reynolds and others point to state funding increases but ignore the reduced local share. For example, a national report² on post-recession K-12 spending growth in the states is frequently misrepresented. Iowa spending growth on K-12 education from FY2008-15 was only 4.9 percent³ — seven-tenths of 1 percent per year on average — whether looking at state funding or the most important measure, state and local funding, which covers the majority of school budgeting and is guided almost totally by state policy. While Iowa was one of 19 states in that period to increase *state* funding per pupil, the report, by the Center on Budget and Policy Priorities, offers greater evidence of a generally poor performance by states overall in restoring school funding in the wake of the Great Recession. Only four states produced even 2 percent average *state and local* funding growth per pupil over the period; Iowa, which ranked 13th, was not among them. And rankings mean little when most states do poorly. In fact, Iowa ranks 25th on per-pupil total revenues — \$734 below the U.S. average.⁴

Fending off diversions to private schools

Iowa makes significant funding contributions to private schools. Beyond transportation and other benefits provided to private-school students by taxpayers, the state offers a “Student Tuition Organization” (STO) tax credit that has expanded steadily since it started in 2006, when the cap on the program was set at \$2.5 million. A special Tax Credit Review Panel in 2010 recommended that it be reduced, from what was then \$7.5 million, but lawmakers ignored the suggestion. This year, lawmakers instead raised the cap to \$13 million,⁵ while setting SSA for public schools at 1 percent, below their cost increases and assuring property tax increases.

A greater threat is the prospect of vouchers — or so-called “Education Savings Accounts” — that would divert far greater sums than the STO credit from already-underfunded public schools.

Policy Alternatives

- Setting SSA at a level assuring student achievement and stability of local school districts.
- Renewing the penny sales tax for school infrastructure scheduled to expire in 2029 to permit bonding against those revenues.
- Reining in private-school subsidies — curtailing the STO credit, and blocking any consideration of a voucher or so-called “Education Savings Account” program in Iowa.
- Addressing funding disparities across the state by adjusting the school funding formula to separate transportation funding — a far greater share of school general fund expenses in some districts than in others — and by responsibly phasing in a uniform state cost per pupil that raises lower-funded districts to a level in the upper range of the current scale.

¹ Iowa Department of Management, District Cost Per Pupil FY2019, <https://dom.iowa.gov/document/district-cost-pupil-fy2019>

² Center on Budget and Policy Priorities (CBPP), A Punishing Decade for School Funding, Nov. 29, 2017, <https://www.cbpp.org/research/state-budget-and-tax/a-punishing-decade-for-school-funding>. See also Iowa Fiscal Partnership, Get facts on school funding, Jan. 8, 2018, <http://www.iowafiscal.org/get-facts-on-school-funding/>

³ Ibid, CBPP, Figures 3 and 8.

⁴ U.S. Census Bureau, 2016 Annual Survey of School System Finances.

⁵ Iowa Department of Revenue, Tax Credits Users Manual 2018 (p.77).