

Iowa's increasingly shaky foundation of school funding

An honest look at Iowa K-12 education funding

By Mike Owen, Iowa Policy Project

There are so many numbers, and so many ways to parse the data, that an honest look at how Iowa lawmakers fund public K-12 schools is often missed in a blizzard of talking points and political spin. What Iowans long took for granted — a strong and ongoing commitment to local schools, even promoted on the back of a quarter — is increasingly threatened by budget choices and options being considered at the Statehouse.

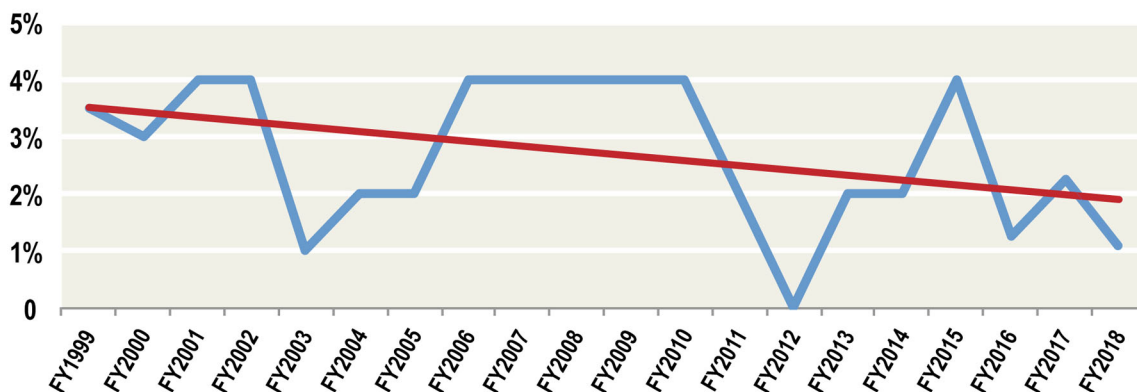


Supplemental State Aid is trending downward

The building block of Iowa's enrollment-based local school budgets is a per-pupil cost figure, adjusted annually by something called "Supplemental State Aid," (SSA) formerly known as "allowable growth." SSA governs the percentage increase in the per-pupil cost limit in a school budget. In FY2018, that per-pupil figure — funded by a combination of property tax and state aid — is \$6,664 for about half of Iowa's 333 school districts, and ranges up to \$6,839, with only a handful of districts at the maximum.¹ For FY2018, lawmakers set the SSA percentage at its second-lowest level in 15 years: 1.11 percent.

The SSA percentage arguably is the best single indicator of K-12 funding trends in Iowa. It governs what local districts can spend on their regular program budgets, separating facilities improvements, for example, from administration and classroom costs including teachers and support staff. As shown below, SSA is on a downward trend — from 4 percent from FY2006-10 to a 1.8 percent average over the last eight years.

School Funding: Iowa's 20-Year Downhill Trend
Per Pupil Growth (Supplemental State Aid), 1999-2018



Misdirection from the Governor

Governor Kim Reynolds is promoting an isolated figure from a report by a respected national organization to claim Iowa is doing more for schools than the report itself suggests. Citing a Center on Budget and Policy Priorities report² using U.S. Census Bureau data to show how states responded in education funding during recovery from the Great Recession of 2007-09, she pronounces Iowa fourth-best in the nation from FY2008-15.³ Taking one graph in the report, she boasts of a 20.6 percent increase in state spending on K-12 education from FY2008-15. There are two big problems with her approach — flaws not with the report itself, but in the Governor's choice and interpretation of the Iowa data.

First, she focuses on state-only funding. Iowa school budgets are not solely state-funded, but a state, local and federal mix — the state and local shares governed by state policy. *The same CBPP report* shows Iowa state-and-local per-pupil spending growth at a much smaller 4.9 percent over the period,⁴ but the Governor ignores that more pertinent data.

Second, Census Bureau data compared across the 50 states in the report does not separate funding for the education program — driven by a state formula — from funding for buildings and equipment. In Iowa, these are quite different issues, and funded separately. The Governor's figure relies on a revenue shift from local schools, not new state general fund dollars, for her claim. Analysis by the Iowa Association of School Boards (IASB) notes that in the period covered by the report, a 1-cent local option sales tax for school infrastructure became a statewide sales tax. IASB found that change alone accounts for the difference between the state-only per-pupil increase, 20.6 percent, and the full state and local increase of 4.91 percent — a 0.7 percent average per year.

A better way to compare Iowa education spending across years would set aside the variable of facility and equipment spending and look at formula funding for districts' regular education program. Such an apples-to-apples comparison focuses not only on what the state spends on education, but on *the larger and defining matter of state policy: what the state permits school boards to spend*. Larry Sigel of Iowa School Finance Information Services (ISFIS) has done this analysis through FY2015. Controlling for changes in the formula and changes in how certain funds are accounted for, he found Iowa per-pupil spending for the eight years rose 6.72 percent. Further controlling for inflation, the figure is 4.91 percent in effective spending — 0.7 percent per year.⁵

2018 funding challenges and potential vouchers

The data above are critical to a responsible debate on school funding during the 2018 session. First, the SSA level for FY2019 needs to be set so that schools can prepare and publish budgets to meet an April deadline; some project this to be as low as zero growth, as in FY2012. This would force many districts with declining enrollment to raise property taxes for one year, as the state formula provides. Second, the penny sales tax for school infrastructure is due to expire in 2029; schools have sought an extension to permit bonding against those revenues, but lawmakers have not acted. Third, the formula falls short of full equity across the state; will this issue continue to be kicked down the road? And finally, the big issue of private-school subsidies — vouchers or so-called "Education Savings Accounts" — is expected in this session; vouchers would cause a tremendous diversion of dollars to private schools when public education has been held back.

¹ Iowa Department of Management, District Cost Per Pupil FY2018, <https://dom.iowa.gov/document/district-cost-pupil-fy2018>

² Center on Budget and Policy Priorities, "A Punishing Decade in School Funding," November 2017. <https://www.cbpp.org/research/state-budget-and-tax/a-punishing-decade-for-school-funding>

³ Governor Kim Reynolds' website, Nov. 29, 2017. <https://governor.iowa.gov/2017/11/iowa-ranks-4-in-increasing-state-funding-for-k-12-schools>

⁴ CBPP, *Ibid*, Figure 8.

⁵ Communications with Larry Sigel, Iowa School Finance Information Services.