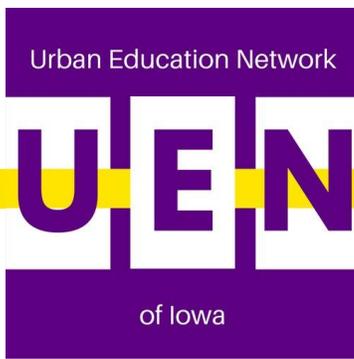


Explaining Education Funding, January 24, 2019: There have been many references to specific education funding metrics stated by the Governor, legislators and in the media over the last two years regarding education funding and the priority of education in the state budget. Here's what education leaders want you to know as you look deeper into those numbers:

"Increased \$765 million for Education since 2011" (before HF 306 increase of 2.06% per pupil) or "Increased \$845 million since FY 2011" (includes the \$81 million in HF 306). These numbers reflect the increase in state foundation aid appropriations. From FY 2011- FY 2019, the increase in state investment is \$765 million. That is a true number. Adding \$78.8 million to the prior year, we get \$844 million, so close enough on the second claim. These investments are often stated as a 30-31% increase (over 8 or 9 years respectively). In looking at the total increase in state funds, consider the following:

- Although education funding is an increase of 31% over 8-9 years, the increase in the state cost per pupil, which is the driver of school budgets, was only 14.2% over that period.
- \$99 million of the state investment is state aid that offsets property taxes. To school budgets, this is a shift in funding from local to state aid, not an increase in funding for school classrooms. Such examples include moving from 4 to 5 years of ELL state funding, commercial and industrial property tax hold harmless and the property tax replacement payment since 2015. All of these represent property tax relief, not new resources for the classroom. With HF 306, the Property Tax Replacement Payment, through which the state assumes the increased cost of SSA which would otherwise be funded locally, \$109 per student is paid by the state. That alone is \$62 million of the total \$845 million increase.
- \$98 million is due to growth of 18,962 public school students statewide since the 2010-11 school year. These students require additional teachers, textbooks, computers and supports. This funding does not help keep the lights on or compensate staff already in classrooms.
- \$162.5 million is Teacher Leadership, an investment to improve teaching and student outcomes. These funds are restricted; not available for lowering class size, purchasing technology, textbooks, keeping the lights on or paying for inflationary increases in staffing costs. Teacher Leadership is an investment in a specific staff type to improve instruction, but should not be confused with additional resources.
- Net of \$453 million new education funds to schools since 2011; this works out to \$51 million annually, 19% over the nine-year period, or an average net increase of 2.0% per year at a time when school costs have grown closer to 3-3.5%. Because the funding formula is pupil driven, for districts with declining enrollment, the funding growth is even less and for many districts, is even a reduction in funding. The 2.06% per pupil increase proposed in HF 306 and SF 172 means 117 districts will be on the budget guarantee and 101 districts will experience a net reduction in formula revenue.
- Another way to think about this, if you divide the \$453 million by 9 years, then by the PK-12 enrollment of 512,971, then divide by 180 instructional days, it equates to 58 cents per student per day. Although \$845 million is a lot of money, when it boils down to the student, 58 cents a day may be easier for parents, staff and policy makers to understand in context.
- \$39 million in other appropriations outside the formula that have been eliminated are not measured in that number, including \$14 million for Instructional Support, \$15 million for AEAs, \$4.5 million for Teacher Mentoring and Induction, and another \$5 million in combined smaller cuts. Another \$10 million in high needs schools grants that was appropriated annually since 2015 has continuously been delayed and not yet funded. Unfunded mandates like increased employer share of IPERS or ½ financial literacy for graduation also come out of the per pupil funding increase. All of these result in reduced resources for funding student needs.
- 2018 increased appropriations of \$11.2 million for transportation in SF 455 and for the state assessment, \$2.7 million in SF 2415 Education Appropriations (and other smaller line-items) are not included in the \$845 million. All of these resulted in increased resources for schools.



Some other things you may be hearing:

"We have more teachers in Iowa and class sizes ratios are lower"

DE's Condition of Education report shows growth from 2010-11 of 3,119 teachers, with 37,035 total teachers in the 2017-18 school year. Since PK-12 enrollment has grown 24,407 since 2011, that alone would require an additional 900 or so teachers over those 8 years. How do we explain the other 2,219 additional teachers since 2011?

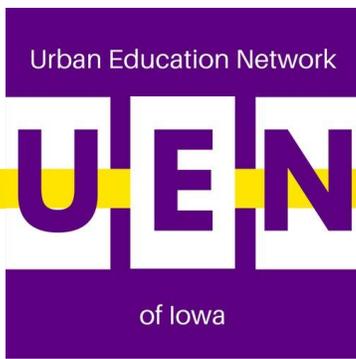
- In FY 2018, 25% of Iowa's 37,035 full time teachers, or 9,258 teachers, are teacher leaders. If only 75% of those teacher leaders are outside the classroom (and it could be more), we should have added 6,944 teachers to replace classroom teachers who are now in leadership roles. This demand alone, not considering enrollment growth, is more than double the actual growth experience.
- Schools have staffed the requirements of the TLC plan and covered those new classrooms by laying off other positions, not replacing retiring classroom teachers, and increasing class sizes.
- Scaling up TLC, now at \$162.5 million for FY 2020 as proposed in HF 306 and SF 172, has happened while funding for the regular classroom experienced record low increases in the formula. Schools are balancing the budget and staffing the TLC by not replacing, in our estimate, an estimated 6,739 teachers statewide that Iowa school districts would have grown but for record low funding increases.
- As most parents can tell you, the 13.5 student/teacher ratio is not a statistic that tells the whole story about class sizes. It is likely that those teacher leaders, still on teaching contracts, are included in the denominator when dividing students by FTE teachers, so the ratio is not meaningful to explain how many students are in a classroom. It also includes all classrooms, such as preschool that are much lower class sizes by design and special education classrooms and others that are very small.

"We are 8th in the nation in teacher pay"

- Although often not sourced, we think it likely comes from a DSM Register Article March 26, 2018.
- That article quoted The Fight Over Teacher Salaries: [A Look At The Numbers](#), March 16, 2018. The analysis did not use the BLS data which is the metric of choice economists and policy makers typically use. But even if the measure they used was accurate, the study itself issues a caution. Here's what the study says:

"Before we get into the numbers, a few quick caveats: There is obviously wide variation in the costs of living *within* states, too, that these numbers can't clearly capture. In some cases, deep pockets of veteran teachers may also conceal low pay for young teachers." From that same analysis, Iowa ranks 24th in starting teacher pay adjusted for cost of living and 33rd in starting teacher pay nominally (not adjusted for COL). Especially with Iowa's TLC System in place, the EdBuild's caveat that higher experienced teacher pay is masking a low beginning teacher pay is no doubt true. By other comparisons, Iowa ranks 22nd in the nation in average teacher salary ([NEA Rankings and Estimates](#) 2018).

- Iowa's new teachers have higher than average student-loan debt and opportunities in other states or increasingly the private sector in non-teaching positions. In Iowa, with the lowest unemployment rate in the nation, graduates are able to find salaries significantly higher than starting teacher pay. Schools are receiving fewer applications for many positions and content areas across the educational system. Schools are not exempt from labor market economics.



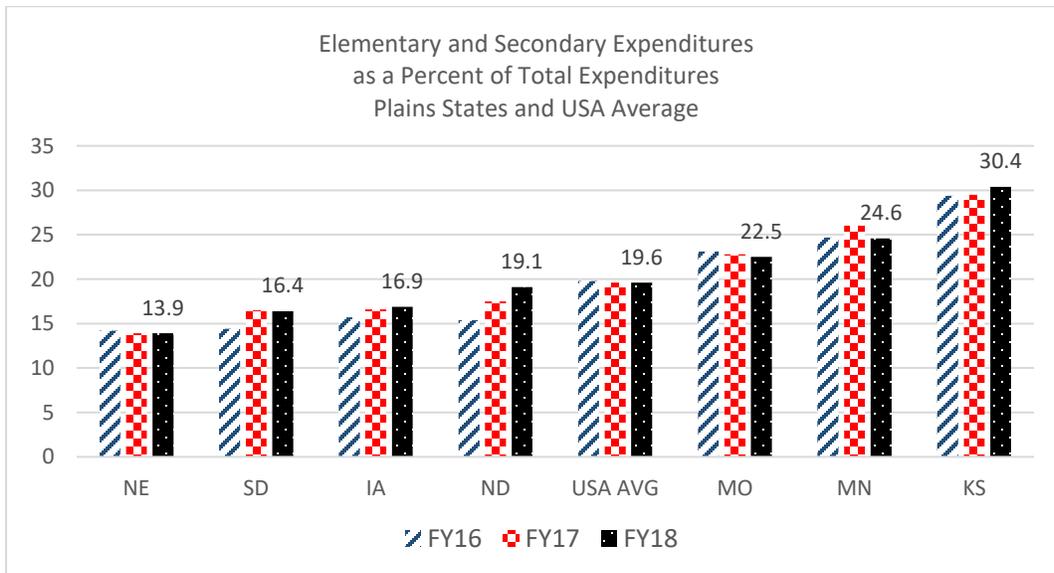
Iowa is “4th in the Nation in school funding” or “bucking the national trend in school funding”

This is a reference to the Center for Budget and Policy Priorities study, Nov. 2017, which compared FY 2008 state funding for schools with 2015 state funding for schools.

The researchers did not include the SILO sales tax in the 2008 base, since it was a local option tax. By 2015, that \$420 million was considered a state revenue source, which is essentially an accounting change. So instead of the 20.9% increase in state funding over the time period, Iowa's real net funding increase to schools was closer to \$4.9%. The CBPP revisited this study and corrected for the omission, showing Iowa ranked 9th in the increase in state funding over the period studied. However, remember the \$90 million of property tax relief in the formula cited above? The increase in state funding does not necessarily equate to a \$1 for \$1 increase in net funding for Iowa schools and classrooms. A two-page Iowa Fiscal Partnership [IFP backgrounder](#), published Jan. 8, 2018, offers a summary of how to look at Iowa education funding in the full context of state education funding policy, which governs both state and local funding of education.

Lastly, Iowa had further to go for education funding parity that other states and this analysis just compares a percentage increase. After the final year of this analysis, Iowa is still more than \$700 behind the national average in education expenditures per pupil. In an apples-to-apples comparison of state expenditures by NASBO (the National Association of State Budget Officers), Iowa spends relatively less of total resources on education than many states in our region. Find the report issued in November of 2018 here: <https://www.nasbo.org/mainsite/reports-data/state-expenditure-report>. Iowa ranks third from the bottom of the Plains States ranking only ahead of Nebraska and South Dakota and well below the national average.

This chart shows the comparison percentages of the plains states and the USA average:



Margaret Buckton, Legislative Analyst, Urban Education Network

margaret@iowaschoolfinance.com