**UEN 2022 Priority Issue Brief
Adequate Education Resources**

**History:** This chart shows the historical percentage increase in Iowa’s state cost per pupil, called State Supplemental Assistance or SSA, since the funding formula began in 1972-73:

**Current reality:** Annual cost increases have not been enough to pay for staff salaries sufficient to compete with the private sector, employee benefits, and all of the other costs of operating schools and meeting student needs. Few or no applicants for all, especially urban districts, demonstrates the inability to compete for human capital in Iowa’s growing 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 regulated for specific purposes. AEA special education and school improvement are also dependent on adequate increases in the per pupil amount and state and federal unfunded mandates are paid from this funding. When school costs increase more than funding, program and staff reductions follow. Declining enrollment requires even further reduction. Although growing enrollment demands additional staff and supports, those are compromised with low SSA.

**COVID-19:** Schools are still striving to replace retirees or hire long-term substitutes to fill in when staff are ill or have not returned to teaching. Schools not benefitting much from federal pandemic funds based on the Title I formula still have additional costs and labor shortages due to the pandemic. Districts with high poverty have additional pandemic educational needs. Without adequate funds, urban districts cannot pay a competitive wage and attract quality staff to our schools; this dynamic has intensified due to the pandemic. See the UEN Staff Shortage position paper for additional data regarding staff shortages.

**Other State Comparisons:** First, from 2019 US Census data, May 2021 <https://www.census.gov/data/tables/2019/econ/school-finances/secondary-education-finance.html>

* Iowa slipped to 30th in per pupil public elementary and secondary school system expenditures, which is $1,280 below the national average.
* Since 2014, Iowa elementary and secondary education spending has increased 11.6%, while the national average increase has been 19.9%. In the Midwest region, Nebraska is the only state outpaced by Iowa. Iowa ranks 40th nationally in the per pupil expenditure ***increase*** since 2014.

A true apples-to-apples comparison shows what percent of total state resources are spent on education. The NASBO (National Association of State Budget Officers) annual [State Expenditure Report](https://www.nasbo.org/reports-data/state-expenditure-report) analyzes all state expenditures:

* In FY 2021, Iowa’s education expenditures were 16.5% of total state expenditures. Plains states averaged 18.2%. All states averaged 18.9%.
* Iowa’s 2021 drop of 0.3% was not as steep as the national average decline as a percentage of total expenditures, which was a reduction of 0.8%.
* Iowa’s formula has become increasingly state-funded.
* Iowa’s ability to maintain 16.6% in FY 2020 may be due in most part to the property tax relief portion of the formula (property tax relief payment.)

**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>
* Expressing the state cost per pupil as a percentage of one billion GDP shows a disturbing trend. In the 1990s, the SCPP ranged between 52-44% of one billion GDP. In the 2000s, the SCPP ranged from 45-37% of one billion GDP. Since 2010, the SCPP has ranged from 37-34% of one billion GDP; the last six years show the lowest comparison in the formula’s history.
* Iowa Per Capita Personal Income increased 40%, 2010-2020, <https://fred.stlouisfed.org/> while the state cost per pupil increased 19% over the same decade.

This chart shows the ratio of the State Cost per Pupil as a percentage of Iowa’s per capita personal income (PCPI) from 1993 to 2020. The 12.9% found in 2020 is the lowest comparison in the history of the funding formula. Source for PCPP <https://fred.stlouisfed.org/series/IAPCPI>

**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 school 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. Investments in Iowa schools will return economic benefits to taxpayers and Iowa’s business community. Many of this year’s kindergarten students will be entering the workforce in 2035. They will be Iowa’s caregivers, entrepreneurs, welders, lawyers, doctors and computer scientists. They will teach the next generation of students. Our investment today will improve the quality of life for all Iowans in the future.

**Invest in Iowa’s Future:** provide adequate school funding with SSA set at 5.0%, including a minimum of 3.75% SSA for inflationary costs and competitive wage and benefits for staff, and an additional 1.25% SSA for childcare and workforce pipeline challenges for 2022-23 school year. Funding should be set predictably, timely, sustainably and equitably. Continued progress on the inequity within the formula is important. Districts need adequate funding to address growing inflation and teacher and staff shortages in Iowa’s competitive employment economy.