**UEN 2023 Legislative Priority: State Cost per Pupil**

**and Instructional Support Formula Inequities**

**Formula Inequity History:** Before the Iowa school foundation formula was created, school districts depended almost entirely on local property taxes for funding. The level of support varied due to many factors, including community attitudes about the priority of education and local property tax capacity. The formula set a State Cost Per Pupil (SCPP) in the mid-1970s and then brought all districts spending less than that amount up to the SCPP. A combination of some local property tax and some state foundation aid provided funding. Those districts which spent more than the newly defined SCPP were allowed to continue for five decades, funded by local property taxpayers. Although the formula was created in the mid-1970s, the difference between the SCPP and a higher District Cost Per Pupil (DCPP) has remained, although narrowed over the last several years by legislative action. This graphic shows the property tax and state aid components of the SCPP and the DCPP above the $7,413 (FY 2022-23 SCPP). In the 2022 Session, the Legislature enacted [HF 2316](https://www.legis.iowa.gov/legislation/BillBook?ga=89&ba=hf2316) School Funding (SSA), which set a 2.5% increase per pupil. The bill also closed the formula inequity gap by an additional $5 per pupil. Many of the following details are from the LSA’s [Fiscal Note](https://www.legis.iowa.gov/docs/publications/FN/1287240.pdf).



**DCPP**

$175 PP state relief

Up to $140 above SCPP funded with local property tax

**FY 2023:** State   
Cost Per Pupil is $7,413

Additional Levy

Foundation Level is 88.4% of the state cost per pupil. The State funds the difference between what the uniform levy generates and the foundation level.

**FY 2023:**

88.4% of State Cost ($7,413) X 88.4% = $6,553 funded with state aid and local uniform levy property tax

$5.40 Uniform Levy is multiplied by net assessed taxable valuation

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| --- | --- |
| **FY 2021 Count of Districts** | **Amount DCPP is Greater than SCPP** |
| 224 | $0 |
| 20 | $1 to $14 |
| 21 | $15 to $29 |
| 20 | $30 to $49 |
| 20 | $52 to $85 |
| 22 | $88 to $140 |
| Total = 327 |  |

**Current Reality:** In FY 2023, 224 districts (69%) are limited to the $7,413 as their District Cost Per Pupil (DCPP). The other 103 districts (31%) have a DCPP ranging from $7,414 to $7,553, or $1 to $140 more per student. When the Legislature determines the increase in the SCPP, that dollar amount is added to the DCPP, so the gap continues at the same dollar amount. On a percentage basis, the $140 is much less today than it was in 1975. However, when school budgets are tight, every dollar matters. This table shows the count of districts based on the range of authority in the formula to exceed the SCPP.

**DCPP inequity impacting students:** The amount of funding generated per pupil for regular education is not the same for all districts. Thus, a student, based solely on the historical practice of the district of residence, can generate more or less funding. Inequities are further compounded by the formula’s use of multipliers or formula weightings for special student needs. Those multipliers, applied to the DCPP, generate different amounts of support for students, such as special education students, by application of the formula.

**ISL inequity impacting students:** Another inequity in the formula impacting students is the proration formula for Instructional Support Levy (ISL) State Aid. In short, since the state does not provide the required 25% match for ISL, districts with lowest property values supporting students, who would otherwise receive a proportionately larger share of State Aid, instead suffer an ISL shortfall. Although district school boards or voters have approved an ISL that is 10% of their regular program district cost, only those very property rich districts, such as LuVerne (ISL generated is $734 per pupil) and South O’Brien (ISL generated is $714 per pupil) receive nearly the full amount compared to the property poorer districts of Eagle Grove (ISL generated is $359 pupil) and Sioux City (ISL generated is $288 per pupil). Total Cost to the state of funding the required 25% ISL state match would have $95.9 million in FY 2021. Of that amount, $42.7 million was short funded in UEN member districts. Unlike other elements of the formula, school districts may not request or receive spending authority (modified supplemental amount) from the School Budget Review Committee for the ISL state shortfall.

**Solutions:** Possible solutions to promote equality without lowering the per pupil amount available for any school district include:

* For either ISL shortfall or SCPP equity, the state could grant all local districts spending authority for the difference and allow school boards to decide locally whether to fund it. This solution maintains the state’s funding commitment without increasing it and provides local property taxes to support community schools. Although not all districts have equal political capacity to assess local property taxes, the impact on taxpayers is now buffered by efforts to promote tax equity, such as the Property Tax Equity and Relief (PTER) fund which lowers the highest school property tax levies in the state and phases in property tax relief for all property taxpayers. Additionally, the redirection of sales tax revenue from the State Penny for School Infrastructure, (also known as SAVE), could first be directed to partially match or fully offset the impact on local property taxpayers.
* Set the state cost per pupil at the highest amount but lower the foundation percentage threshold from 88.4% to an amount that balances the impact on the state and on property taxes.
* While the two preceding solutions depend on local funding, many districts have sufficient cash on hand, meaning little or no cash reserve levy impact for several years.
* Phase in a long-term commitment to eliminate the inequality over time. [HF 2316](https://www.legis.iowa.gov/legislation/BillBook?ga=89&ba=hf2316) closed the formula inequity gap by an additional $5 per pupil. At this pace ($5 per pupil per year), it will take 28 more years to obtain full equity. A commitment to close the gap by an average of $14 per pupil would get to equity in 10 years.
* A combination of the two options above would also be possible – authority in the meantime, close the gap over the long haul.

Iowa’s funding formula includes meaningful and significant categorical funds which support teachers, school improvement and students. Adequate and timely SSA, at least meeting the inflation rate, is needed to deliver and sustain world-class educational opportunities for students. Funding should be set predictably, timely, sustainably and equitably. ***Continued progress on inequity within the formula is important.*** Districts must have adequate funding to address growing inflation and teacher and other staff shortages in Iowa’s competitive employment economy.