**UEN 2023 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 formula increases have not been enough to pay salaries and benefits to compete with the private sector, plus other costs of operating schools and meeting student needs. Few or no applicants at all, even in urban areas,demonstrates the inability to compete for human capital in Iowa’s thriving 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. 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. Growing enrollment demands additional staff and supports, both compromised by low SSA.

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

**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, while the state cost per pupil increased 19% over the same decade. https://fred.stlouisfed.org/

**Other State Comparisons:** 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.
* [US Census data](http://www.census.gov/programs-surveys/school-finances.html) from May 2022 shows Iowa now $1,536 below the national average. Contrast this recent trend with Iowa’s early history. In the 70s, 80s, and 90s, Iowa schools spent more than the national average per pupil on education. [US Census data](https://nces.ed.gov/programs/digest/d21/tables/dt21_236.65.asp)
* Iowa still ranks 30th in the nation in per pupil expenditures FY 2020.

The State’s contribution to school funding is roughly 42% of the state general fund budget. As the State has taken on a bigger share of the formula, lowering property taxes, the 42% benchmark is no longer indicative of a commensurate increase in resources available for educating students. The State has also created other funds (Taxpayer Relief Fund or Healthy Iowans Trust Fund) and lowered taxes, both of which invalidate the benchmark as a meaningful indicator of adequate funding. For true apples-to-apples, compare all state resources spent on education. The NASBO (National Association of State Budget Officers) annual [State Expenditure Report](https://www.nasbo.org/reports-data/state-expenditure-report) shares this comparison:

* 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 (a reduction of 0.8%).
* Iowa’s formula has become increasingly state-funded, significantly more so than the national average.
* Iowa’s ability to maintain 16.6% in FY 2021 may have been due in most part to the property tax relief portion of the formula (property tax relief payment) and changes to the foundation threshold in the formula, which increased the relative state share of school funding in Iowa.

**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 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. SSA is the lifeblood of Iowa schools. Declining enrollment combined with low SSA means reduced staff, fewer programs, stretched services and ultimately, less opportunities and choices for students.

**Invest in Iowa’s Future**
Fund Iowa’s public schools at a level sufficient to deliver the quality education all Iowa students deserve and need to be successful. Adequate funding provides program options, delivery options and individual student place-based choice within their neighborhood public school. The goals of public education are to close achievement gaps, provide career exploration and work-based learning experiences, fine arts, and extra-curriculars to help students uncover their skills and passions. This quality education prepares all students for engaged citizenship, further postsecondary study and/or credentialed workforce participation.

Adequate funding positions public schools to respond to needs deepened by the pandemic, do better for our most at-risk students, provide supports and enhancements for special needs and gifted students, provide more individualized attention and build better relationships via smaller class sizes, provide a more diverse, multi-lingual workforce, and hire and competitively compensate the dedicated teaching and support staff who nurture and challenge today’s students, tomorrow’s leaders. Iowans expect top-notch public schools with many programming choices for students.

The funding level should demonstrate Iowa citizens’ recognition that PK-12 Education drives family decisions for where to live, where to work and where to go to school in every community. Our high-quality public schools in Iowa provide our business community with a great recruitment and economic development tool.

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.