



MINUTES

School Finance Inequities Study Committee

Wednesday, December 2, 2015

MEMBERS PRESENT

Senator Brian Schoenjahn, Co-chairperson
Senator Herman C. Quirnbach
Senator Amy Sinclair
Senator Roby Smith

Representative Ron Jorgensen, Co-chairperson
Representative Cecil Dolecheck
Representative Ross Paustian
Representative Cindy Winckler

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I. Procedural Business

Call to Order. The meeting of the School Finance Inequities Study Committee was called to order by temporary Co-chairperson Jorgensen at 10:03 a.m., Wednesday, December 2, 2015, in Room 116 of the State Capitol, Des Moines.

Election of Permanent Co-chairpersons. Members of the committee elected, by voice vote, temporary Co-chairpersons Jorgensen and Schoenjahn as permanent co-chairpersons.

Adoption of Rules. Members of the committee adopted, by voice vote, the proposed rules for the committee that had been previously distributed.

Opening Remarks. Co-chairperson Schoenjahn welcomed those in attendance and thanked them for coming. Co-chairperson Schoenjahn said that there is a critical need to increase school funding and noted that Iowa spends less than the national average on a per pupil basis. He noted that as a result of the current funding levels, school districts have to offer teachers early retirement, increase class sizes, and cut arts, sports, and other extracurricular activities. He added that he wanted the committee to be able to present an analysis of all the presentations to the General Assembly for review.

Co-chairperson Jorgensen also welcomed those in attendance and expressed his desire for a good discussion. He noted that the issues the committee would be reviewing are not new, and hoped that the committee would be able to find realistic solutions. He said that typically the proposed solution is spending more, raising property taxes, or shifting existing spending away from other priorities, but those proposals usually hit roadblocks. Co-chairperson Jorgensen hoped that the committee could find alternative solutions to increase the chance of success.

Adjournment. The meeting was adjourned at 3:17 p.m.

II. Transportation Cost Inequities

Dr. Jeff Berger, Deputy Director, Iowa Department of Education (DE), provided the committee with statewide and school district level transportation cost data including a historical analysis of route miles traveled, pupils transported, net operating transportation costs, average cost per mile, average cost per pupil, and average cost per pupil transported. Of the roughly 450,000 students served by Iowa school districts, nearly 240,000 are transported by a school district. The data presented was from the years 2010 through 2014 and demonstrated significant increases in transportation costs over that period of time, both as a total cost and on a per pupil basis. From 2010 to 2014, the total transportation cost in the state rose from approximately \$121 million to \$152 million, and the average cost per pupil enrolled increased from \$257 to \$317. Dr. Berger noted that low student populations and the need to transport students drive up costs per pupil. He also explained that school consolidation often does not reduce transportation costs for districts and outlined the existing funding structure for school district transportation costs.

Dr. Berger also outlined several items for the committee to consider when analyzing the data provided, including whether or not a particular school district's transportation costs include costs for transportation services that are not required by law, the provision of transportation for nonpublic



school students, and the current limits placed on the amount of time students are allowed to be transported.

Mr. Shawn Snyder, Finance Support Director, Iowa Association of School Boards (IASB), provided additional statistical analysis of school district transportation costs in Iowa including a comparison of each district's transportation cost as a percentage of the district's regular program district cost. Mr. Snyder explained that transportation costs vary significantly between school districts. The school district that pays the highest percentage of its regular program amount for transportation spends 16.5 percent on transportation costs, while the lowest percentage spent by a school district is .7 percent. As a result, the amount of money per pupil districts have to spend after deducting transportation costs ranges from \$5,090 to \$6,119 per pupil.

Committee members were informed that discretionary transportation costs were included in the total transportation costs being reported by school districts to DE. Several members identified the need for transportation cost data excluding discretionary transportation costs being incurred by districts.

Mr. Snyder then outlined a proposal to address transportation cost inequities through additional supplementary weighting used in determining a school district's overall budget. The proposed transportation supplementary weighting would be based on three factors: net operating transportation costs, enrollment, and route miles per pupil. As the result of using supplementary weighting, funding for the proposal would be a mix of state funding and local property taxes. The IASB proposal phases in the additional weighting over a five-year period seeking to provide \$30 million in FY 2016-2017 and increasing that weighting until FY 2020-2021 when the total funding would be \$150 million. Mr. Snyder noted that total costs of the proposal would be impacted by the state percent of growth set by the General Assembly for each of those fiscal years. Under the proposal, all school districts would receive additional funding, though the weighting could be set to allow school districts with higher transportation costs to receive more additional funding. Under the proposal, funding generated would be limited to expenditures for nondiscretionary transportation expenses of the district.

Mr. Snyder said that the advantages of the proposal were that all school districts would receive additional funding, that the additional funding would free up regular program dollars for school districts, and that the funding mechanism was flexible and would allow the General Assembly to adjust the weighting as necessary depending on the projected state revenues. Mr. Snyder explained that the five-year phase-in is both an advantage and a disadvantage. The phase-in lessens the budget impact in any one year but delays the time until full equity is achieved. Mr. Snyder identified the \$150 million cost as another disadvantage of the proposal. Mr. Snyder said that the proposal would require oversight and recommended review every three to five years. He added that the phase-in period could be adjusted, and the mix of state funding and local property tax could be adjusted if the property tax burden is too high.

Senator Sinclair said that it was important to make sure that any additional funding is spent on transportation costs and asked Mr. Snyder how oversight would work. Mr. Snyder replied that the DE would be able to monitor the spending. In response to Senator Sinclair's question regarding alleviating transportation costs, Mr. Snyder said that there could be a mechanism where if a school



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district's actual transportation costs were less than the money it received for transportation, the excess amount could be returned to the state.

Representative Winckler noted that if basic funding for schools was adequate, the transportation inequity would not be as significant of an issue, and asked how the proposal to increase transportation funding compared to simply increasing state supplemental aid. Mr. Snyder replied that the difference in the budget school districts have to spend per pupil after transportation costs would remain, but that the percentage of the budget school districts would have to spend on transportation would decrease. Dr. Berger said that as long as transportation costs come out of a school district's general fund, the transportation inequity will exist. Representative Winckler expressed an interest in seeing data that only showed mandatory transportation costs and addressing the transportation inequity on the basis of mandatory transportation costs.

In response to Senator Quirnbach's question regarding transportation requirements for school districts, Dr. Berger stated that elementary students who live more than two miles from their assigned elementary school and secondary students who live more than three miles from their assigned secondary school are entitled to free transportation from the school district. Senator Quirnbach noted that some school districts choose to transport students that live closer than two or three miles, as well as nonpublic students. Senator Quirnbach stated that the goal should be to reduce inequities for the costs that school districts are required to bear. He added that the committee needed transportation data that shows mandated costs of transporting students in order to address those inequities. He also stated that for school districts with low transportation costs, the state does not need to subsidize those districts as some transportation costs are simply the cost of operating a school. Senator Quirnbach said that the solutions should instead address school districts where transportation costs are significantly higher.

Representative Dolecheck indicated his interest in a proposal where only school districts with high transportation costs received additional funding for transportation. Representative Jorgensen said that in the previous year there was a proposal to provide funding for the high-cost school districts that would reduce their transportation costs to the current average transportation cost. He believed the cost of that proposal was roughly \$26 million.

III. District Cost per Pupil Inequities

Dr. Berger acknowledged that Iowa's school finance formula is widely believed to be a stable and equitable formula, but he also noted that the formula's complexities and modifications over time have resulted in some inequities that can be improved upon. Currently, the funding formula allows for variances in the amount of each district's cost per pupil. This variance creates differences in the overall spending authority per pupil among school districts. Dr. Berger outlined three proposals that seek to eliminate or reduce that variation in district cost per pupil. Those proposals include (1) increasing specific districts' cost per pupil over time until all are equalized, (2) reducing specific districts' cost per pupil over time until all are equalized, or (3) enactment of variable percents of growth for school districts based on district cost per pupil to offset the differences until all district cost per pupil amounts are equalized.

Ms. Margaret Buckton, Urban Education Network of Iowa (UEN), provided background on the historical changes to the funding formula and the circumstances that created the current inequity.



Ms. Buckton described the current level of inequity among school districts. In FY 2015-2016, the state cost per pupil is \$6,446 and 164 districts are limited to this amount for their district cost per pupil. The other 172 districts have a district cost per pupil ranging from \$6,446 to \$6,621, which creates additional spending authority for the district that may be funded through local property taxes. Ms. Buckton also provided data relating to the distribution of those districts with higher per pupil costs along the spectrum of the \$175 differential range. For approximately 65 percent of those 172 districts, the amount per pupil difference is \$70 or less per pupil. Ms. Buckton provided analysis of district cost per pupil data as it related to other district characteristics such as certified enrollment, transportation cost per pupil, the percentage of enrollment that receives free and reduced price lunch, percentage of enrollment that are minorities, and property value in the district per pupil. Ms. Buckton informed the committee that there was no correlation between district cost per pupil and the number of students enrolled in a school district, a slight positive correlation between district cost per pupil and transportation costs, the number of students who qualify for free and reduced lunch, and the percentage of white students enrolled in the school district. The most significant correlation was between district cost per pupil and property values, as the higher the property values in the district, the higher the district cost per pupil is. Ms. Buckton then outlined components of a proposal that would dedicate \$15 million per year, from a combination of state and local funds, to close the gap in the differences in district cost per pupil over a period of five to six years by increasing those districts on the lower end and holding those districts at the higher end harmless. She also identified several methods of funding the proposal. Ms. Buckton explained that the General Assembly could dedicate revenue to fund the proposal, exempt the uniform levy from the division of taxes under Iowa's urban renewal law, which would save the state \$55 million that could be used instead to provide funding to address the district cost per pupil inequity, or use local revenue during the transition, in the form of the cash reserve levy or another levy, such as the education improvement levy, or an income surtax.

Mr. Snyder provided data and geographical analysis of the differences in district cost per pupil in Iowa and outlined a proposal recommended by IASB. Under the proposal, the state cost per pupil is increased \$20 per year from FY 2016-2017 through FY 2023-2024 and then an additional \$15 is added to the state cost per pupil in FY 2025. The result of the proposal would be the equalization of the district cost per pupil for all districts in the state. For districts that are currently above the state cost per pupil, those districts will receive property tax relief due to the added increase in the foundation level per pupil. According to Mr. Snyder, all school districts would continue to receive the benefit of increased funding resulting from supplemental state aid established by operation of the formula. The estimated state cost is roughly \$11 million per year. The annual increased cost during the phase-in period could be increased or decreased based on the length of the phase-in. If the equalization occurred in one year, the cost would be \$97 million in that year. Mr. Snyder identified as advantages for the proposal that every district would benefit each year of the phase-in period and that it would equalize district cost per pupil across the state. The disadvantage identified by Mr. Snyder is the cost, but Mr. Snyder explained that the nine-year phase-in period is an advantage and a disadvantage, as the phase-in period delays the equalization for nine years but lessens the impact on the budget for any one year.

Senator Quirnbach said that although the \$175 differential in district cost per pupil is often quoted, only 2 percent of the state's school districts are authorized to spend \$175 more than the state cost



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per pupil. He noted that the median amount above the state cost per pupil is more representative, which is roughly \$80 more than the state cost per pupil. Senator Quirmbach also noted that \$175 only represents 2.7 percent of the state cost per pupil. He said that the district cost per pupil is the amount the school district is authorized to spend, but that school districts do not have to spend that much, particularly due to the fact that the money that finances the extra spending is property tax. Senator Quirmbach questioned if there is a reason for more state funding, and asked if all school districts should instead be given the authority to spend more. Ms. Buckton replied that the school districts whose district cost per pupil amount is equal to the state cost per pupil amount probably already have a high tax levy. Dr. Berger replied that because some voters may not support the increase in property tax to fund the additional spending, the inequity may increase. Senator Quirmbach stated his belief that the additional funding should be a local choice, and if a local community wants to approve a property tax increase to spend a little more, then that should be allowed.

Representative Winckler said that it would be useful to know whether any school districts that have extra spending authority are not utilizing it. She also said that the state cost per pupil was designed to equalize the amount a district can spend, and that the differential is an inequity that should not exist. She stated that the proposal was a measured approach and could be accomplished without too much difficulty. She noted that the proposal would decrease property taxes for some districts. Representative Winckler noted that there are four school districts in her district, two of which had additional spending authority, and two of which did not. Of the two that did not, one of the school districts also had high transportation costs.

Representative Dolecheck stated that the role of the committee was to fix the inequity. He said that this inequity exists because districts are allowed to spend extra, and some districts cannot afford to spend extra.

Senator Smith said that the average district cost per pupil was \$23 per student greater than the state cost per pupil. He proposed that the committee consider bringing every district up to the average district cost per pupil, which would cost roughly \$6.9 million. Senator Smith said that while such a proposal was not perfect, it was meaningful and feasible.

Committee members then discussed how the existing property tax inequities between districts may impact the efficacy of this proposal and whether a complete, rather than a partial, equalization of the differences, is necessary.

IV. Property Tax Inequities

Ms. Buckton provided a brief history on the establishment and evolution of the school finance formula and the replacement of the prior system that relied almost exclusively on local property tax revenue. She explained that Iowa currently has a primarily state-funded system, with state sources providing 51.7 percent of the funding for Iowa's school districts. She added that this is slightly higher than the national average, where state funding represents 45.6 percent of school revenue across the country. Ms. Buckton then utilized the Okoboji School District and the Sioux City School District to demonstrate how property values and real estate conditions inside the territory of a school district can impact the property tax burden for residents of those districts. Ms. Buckton also illustrated how the property tax rates among districts would vary if the current state



funding portion of the formula was removed and replaced with local property taxes. Without state support, the local property tax disparity between property-rich and property-poor school districts would be much greater. Ms. Buckton identified several recommendations for the committee to consider when analyzing proposals to address the property tax inequity, including the use of local and state revenue, holding harmless those districts that may incur increased property taxes, and the use of existing funding mechanisms to effectuate the equalization.

Mr. Snyder provided data and geographical analysis of the property tax valuation per pupil in school districts throughout the state as well as graphical analysis of the differences in funding sources for school districts with low property valuations as compared to those with high property valuations. Mr. Snyder also described the property tax relief currently provided to districts through the Property Tax Equity and Relief (PTER) Fund. Fiscal Year 2015-2016 PTER revenues provided property tax relief to 59 districts. In addition, \$31.1 million in property tax relief was also provided to all school districts through the School District Property Tax Replacement Payments (PTRP). Mr. Snyder outlined three options for addressing the property tax inequity in the current formula.

Option 1 would freeze the regular program foundation base percentage at the “effective” regular program foundation base percentage for FY 2015-2016 (approximately 88.4 percent due to PTRP) and add any amount appropriated for any additional PTRP pick-up approved for FY 2016-2017 to the PTER Fund. Mr. Snyder explained that this is a targeted approach to provide property tax relief to property-poor school districts. Currently, the PTER Fund decreases the adjusted additional levy rate of the 63 school districts that would otherwise have the highest levy rate to \$3.27 per \$1,000 of assessed value. Under Option 1, the 83 school districts that otherwise have the highest levy rate would have their adjusted additional levy rate decreased to \$3.08. Mr. Snyder explained that the statewide average is \$2.77, and that it would cost an additional \$17.5 million of funding for the school districts above that figure to have their levy rate decrease to \$2.77. Mr. Snyder stated that the advantages of Option 1 are that there is no fiscal impact on the state budget and that it provides property tax relief to districts who need it the most, but that the disadvantage is that not all school districts benefit.

Option 2 would freeze the regular program foundation base percentage at the “effective” regular program foundation base percentage for FY 2016-2017 (resulting from supplemental state aid change for FY 2017) and increase the percentage (currently 2.1 percent) of Secure an Advanced Vision for Education (SAVE) Fund excess that flows into the PTER Fund. Option 2 would provide property tax relief to property-poor school districts. The results are generally the same as with Option 1, except that the additional funds for the PTER Fund are from the SAVE Fund, and the initial year is FY 2017-2018. Mr. Snyder explained that, as with Option 1, the advantages of Option 2 are that there is no fiscal impact on the state budget and that it provides property tax relief to districts who need it the most. He added that the disadvantages are that not all districts benefit, and that the amount of SAVE funds, which benefit all districts, are decreased.

Option 3 would again freeze the regular program foundation base percentage at the “effective” regular program foundation base percentage for FY 2015-2017 (resulting from a supplemental state aid change for FY 2016-2017), would increase the uniform levy rate from \$5.40 to \$6.40 per \$1,000 of assessed value, and then use the resulting state foundation aid savings, estimated at \$160 million, to increase the regular program foundation base percentage to 92.9 percent. Mr.



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Snyder explained that the advantages were that Option 3 would provide for an equalization of tax levy rates through the school aid formula and is revenue neutral unless Option 3 was passed with a hold-harmless provision for districts that would have a property tax increase. Such a hold-harmless provision would cost roughly \$22.6 million. Mr. Snyder explained that the disadvantage to Option 3 is that not all districts would receive property tax relief and some would have property tax increases.

Mr. Snyder specified that the three options can be modified to provide the desired equalization effect. He also noted that providing property tax relief does not increase school district operational budgets.

Representative Jorgensen noted that property taxes have a large impact on local budgets, and said if property tax rates were to go down, school districts would have a better chance of voters approving other local tax increases which fund schools.

Committee members acknowledged that other recent statutory property tax changes will also begin to impact school districts and that these proposals only impact the primary school property tax levies and would still leave inequities for other levies available for specific funding programs.

V. At-Risk and English Language Learners Funding Challenges

Dr. Berger provided the committee with demographic data about the school year 2013-2014 student population in Iowa for both public and nonpublic schools, including the percentage of enrollments based on race and ethnicity and the percentage of enrollments for English language learners (ELL). To show the increase in the minority and ELL student populations in Iowa, Dr. Berger compared the current demographic data to the data for the school year 2000-2001. In school year 2000-2001, 9.7 percent of public school students were nonwhite. In school year 2013-2014, 21.1 percent of public school students were nonwhite. Over the same time period, the percentage of nonwhite students in nonpublic schools increased from 4.7 percent to 13.1 percent. Dr. Berger also showed statistics which revealed that larger school districts in the state have a higher percentage of nonwhite students than smaller school districts.

Dr. Berger discussed the increase in the number of ELL students in Iowa schools. In school year 2000-2001, there were 11,264 ELL students. In school year 2013-2014, there were 26,209 ELL students. During the same time period, ELL students as a percentage of total enrollment in public schools increased from 2.3 percent to 5.3 percent, and from .5 percent to 3.0 percent in nonpublic schools.

Dr. Berger also cited the disparity in performance between ELL students and non-ELL students in the areas of reading and math, and that the weighted enrollment for ELL students provided through the school finance formula has increased from 8,151 in school year 2000-2001 to 18,008 in school year 2013-2014. Dr. Berger also acknowledged the ability of school districts to seek additional funding authority through the School Budget Review Committee.

In response to the committee's questioning, Dr. Berger acknowledged three ongoing ELL pilot projects funded by the General Assembly being undertaken to analyze the efficacy of innovative ELL programs. Dr. Berger informed the committee that data collection for those pilot projects was occurring and results would be forthcoming.



Ms. Melissa Peterson, Government Relations Specialist, Iowa State Education Association, noted that the existing supplementary weighting of .22 provided to ELL students is designed to provide the additional funding necessary to meet the additional needs of those students. Ms. Peterson acknowledged, however, that this uniform weighting is not sufficient to meet the requirements for all students and that the services and instruction being provided to these students goes beyond the traditional classroom instruction that was envisioned when the weighting was first established. Ms. Peterson also identified the five-year supplementary weighting period as being insufficient for many students and recommended increasing that period to seven years. Ms. Peterson noted that the national average for supplementary weighting of ELL students is .39 and recommended closing the gap between Iowa's supplementary weighting of .22 and the national average. Ms. Peterson also recommended the creation of a permanent task force to study and address ELL issues.

Senator Schoenjahn commented that local businesses recognize that ELL students will be members of the workforce and maintain a desire that ELL students learn and become proficient in English.

Dr. Tammy Wawro, Teacher, Cedar Rapids Community School District, and President, ISEA, encouraged the committee members to personally visit an ELL classroom to fully appreciate the type of instruction being provided, to review the ELL task force report that was issued in November 2013 for recommendations on addressing many of the issues facing ELL students, and to establish a permanent ELL task force with additional classroom teacher involvement. Dr. Wawro described the existing challenges in the Cedar Rapids Community School District due to the increase in students from areas like the Congo and Nepal, where students experienced traumatic events and require counseling in addition to ELL instruction. Dr. Wawro acknowledged that teachers have been required to adjust and learn to meet the needs of these populations and that the number of languages to be served as well as the individualized needs of students has stretched their resources. Dr. Wawro emphasized that the stretched resources impact non-ELL students as well by diverting personnel and money to provide quality education to all students. In response to committee questioning, Dr. Wawro discussed the possibility of further individualization of services for each student and whether further categorization of specific groups of ELL students for additional supplementary weighting would be beneficial. Dr. Wawro cited the increased cost for such individualized assessments to determine supplementary weighting amounts. Additional discussion occurred regarding the amount of instruction and services that are needed for students based upon the age at which they enter public school. In many cases, the older students require more time to acquire the necessary language skills as compared to younger students.

Representative Dolecheck emphasized the importance of ELL students graduating. He asked if it was important to identify what language the ELL student is speaking, and questioned if it is easier for a Spanish speaker to become proficient in English than, for example, a native Nepali speaker. Dr. Wawro replied that the research shows that if people are already fluent in their language, they are likely to become fluent in English.

Representative Winckler said that some of the ELL students enter school in Iowa after not having been in school for several years because of the situation in their homelands. As a result, there is a language issue and a learning gap issue. Representative Winckler said that instead of having a one-size-fits-all supplementary weighting for ELL students, perhaps the supplementary weighting



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should also consider whether the student has been in school or had to be out of school for a period of time.

Senator Sinclair said that there is a difference between a pre-kindergarten or kindergarten student with no knowledge of English and a high school student with no knowledge of English, as young children can generally acquire new languages more easily than older children. Senator Sinclair asked the panel if the formula should have a different weighting based on grade level. Dr. Wawro replied that an aide is still required for the student in elementary school, so while the skill set is different, the cost is still there.

Representative Jorgensen commented that the number of ELL students is going to continue to grow, and that Iowa needs an effective and efficient program. He said that the state should focus on the use of technology so that ELL students can quickly acquire enough English proficiency to transition out of ELL programs and into mainstream classrooms. Representative Jorgensen stated that the longer a student is in the ELL program, the greater the risk of failure. Representative Jorgensen added that he was anxious to see the results of the three ELL pilot projects and to see what methods had proven successful.

Senator Quirnbach said that he hoped that school districts are assessing ELL students every year, and that once they are proficient, they are moved out of the program. He stated that students should not remain in the program in order to receive additional funding, even if the student has years of weighting left. Senator Quirnbach also said that the idea of giving more weight to certain students because of additional challenges those students face has precedence in other areas of education funding. Senator Quirnbach asked if the degree of English skills could be tested to create distinctions that justify heavier weighting for some students. Dr. Berger thought so, but did not have the details available to share at the meeting.

Dr. Berger provided graduation data for students identified as at-risk and graduation rate data for all students, as well as specific graduation rates for specific minority students, ELL students, students with individualized education plans, and students identified as having a low socioeconomic status. The total graduation rate in 2013 was 89.7 percent, but was only 75.7 percent for ELL students, 72.7 percent for students with individualized education plans, and 80.4 percent for low socioeconomic status students. Dr. Berger also acknowledged recent legislative action that allow for greater flexibility in the use of at-risk and dropout prevention funding.

Mr. Chris Bern, Teacher, Des Moines Public Schools, detailed his experience working in the academic support lab classroom at Des Moines North High School that serves both potential dropouts as well as reengaged students. The primary role of the academic support lab is to assist those students to make up credits, primarily for classes those students previously failed. Mr. Bern described his role as more diverse than just a classroom teacher because he often acts as counselor, attendance monitor, and social worker, in addition to collaborating with other school and social work professionals. Of the 229 graduates from North High School last year, 66 were part of the academic support lab program. Mr. Bern noted that the students participating in the program are very diverse and come from a variety of backgrounds. Mr. Bern emphasized the importance of the program because those students are typically the individuals who are remaining in the Des Moines area after they complete school. Mr. Bern identified the attrition rate for the program, but



stated he continually tries to bring those students back to the program. Mr. Bern also detailed the story of a specific student that received his diploma in November 2015.

Representative Winckler remarked that investing in at-risk funding is a way to avoid later costs both in schools and other areas of society. She said that a student dropping out of high school will cost the state an additional \$600,000 to \$800,000 in support programs, and investing in at-risk support can help avoid these costs.

Senator Quirmbach said that although Iowa has the lowest dropout rate in the country, the graduation rate needs to be higher. He said that the consequences of dropping out of high school are such that a 90 percent graduation rate is not high enough. Senator Quirmbach stated that the median starting salary of a high school dropout is \$22,000, which is much lower than the median starting salary of a high school graduate. Over the course of a career, a high school dropout's earning capacity remains much lower. Senator Quirmbach added that high school dropouts are more likely to be unemployed and have higher arrest rates. He said that 75 percent of the federal prison population are high school dropouts, and the cost of operating a prison is expensive for the taxpayers. Senator Quirmbach also said that the life expectancy of a high school dropout is 67 years, while the life expectancy of a college graduate is 80 years.

VI. Committee Discussion

Senator Schoenjahn thanked all of the speakers for attending the meeting and for presenting to the committee. He expressed his desire for the committee to have a report that summarized the presentations made to the committee that would be available for review by the membership in both the House and the Senate. Senator Schoenjahn said that he believed some of the proposals were feasible in the current budget climate.

Representative Jorgensen said that the identified inequities have been around for a long time and that he would like to find a solution despite existing challenges. He remarked that he advocated every year for more money to be allocated into the PTER Fund, but has been unable to accomplish that goal because there is not enough money available. Representative Jorgensen said that he did not expect the coming year, from a budget perspective, to be any different. He noted that the October revenue numbers were lower than expected, and that it could be difficult to find an extra \$20 or \$30 million. Representative Jorgensen said that he feared nothing would be done, and that it is important to find solutions that do not cost extra money. He said that one possibility, instead of spending more funds or raising property taxes, would be to reallocate current spending. Representative Jorgensen also identified the proposal to extend the sunset of the 1 percent increase in the state sales tax, which is currently set to expire in 2029, and to allow the extra funds to be spent on eliminating inequities, rather than infrastructure.

Senator Quirmbach thanked the presenters and said that the proposals should be summarized and available for review by all members of the Senate and House. He said that there were some great options, but that the greatest inequity is that Iowa spends \$1,600 per student less than the national average.

Representative Winckler stated it is important to move the initiatives discussed forward in a reasonable time. She said that if it was not possible to implement them in FY 2016-2017, they



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should be implemented in FY 2017-2018. Representative Winckler also said that it was important for the committee to meet again and to make recommendations to the General Assembly.

Representative Dolecheck said that he would be interested in extending the sunset of the 1 percent increase in the state sales tax for an additional 20 years. He said that he would like to address the inequities as soon as possible, but it needed to be done without spending General Fund dollars that the state does not have. He said for most of the school districts, additional funding from extending the 1 percent increase in the state sales tax would be a viable solution. Representative Dolecheck said he was interested in seeing solutions where the most disadvantaged districts were brought up to average.

Senator Smith proposed allowing school districts to use a portion of their cash reserve for General Fund purposes. Senator Smith asked Dr. Berger the advantages and disadvantages of such a proposal. Dr. Berger said he was unable to discuss advantages and disadvantages off the top of his head, but that he thought the proposal was worth further review.

Additional committee members agreed that a report summarizing the presentations made to the committee should be prepared and be made available for review by the membership in both the House and the Senate. While committee members cited existing funding mechanisms like the PTER Fund and extension of the SAVE portion of the sales tax as possible sources of agreement, they noted the financial circumstances of the budget or the willingness to reallocate existing funds would impact what decisions, if any, are made. Committee members also discussed the identified inequities as part of the overall funding decisions for education in the state. The members also discussed the possibility of incremental steps toward addressing some of the inequities, the need for additional information from DE and the stakeholders, and the specific circumstances facing particular school districts as compared to neighboring school districts.

VII. Materials Filed with the Legislative Services Agency

The following materials listed were distributed at or in connection with the meeting and are filed with the Legislative Services Agency. The materials may be accessed from the “Committee Documents” link on the committee’s Internet site:

<https://www.legis.iowa.gov/committees/meetings/documents?committee=24164&ga=ALL>

1. School Finance Interim, Department of Education Presentation Materials, Dr. Jeff Berger.
2. IASB – District Cost per Pupil Equalization, IASB Proposal Review, Mr. Shawn Snyder.
3. IASB – School Aid Formula, Property Tax Inequities, Mr. Shawn Snyder.
4. IASB – Transportation Equity, IASB Proposal Review, Mr. Shawn Snyder.
5. UEN Testimony Regarding District and State Costs per Pupil Inequity, Ms. Margaret Buckton.
6. UEN Testimony Regarding Property Tax Inequity, Ms. Margaret Buckton.