

School Finance Interim

December 2, 2015

Jeff Berger
Iowa Department of Education

Formula Equity/Inequity

- ▶ Iowa's School Aid Funding formula is widely known as a very stable, equitable formula
- ▶ Over the years, funding situations like roll-ins, optional levies, and unequal expenses create inequities
- ▶ As with any complex formula, adjustments can cause unintended consequences

Formula Equity/Inequity

- ▶ Examples of situations that have some inequity
 - District cost per pupil (DCPP)
 - Teacher Salary Supplement, Professional Development, and Early Intervention Supplement DCPP (2010 roll-ins)
 - Transportation Costs
 - Instructional Support Levy (or any other discretionary levy)
 - Supplementary Weightings (At-risk, ELL, Reorg, Operational Sharing)
 - Budget Guarantee

Formula Equity/Inequity

- ▶ Examples of situations that have some inequity
 - Special Education Weightings
 - Drop-out Prevention Modified Supplemental Aid
 - Lack of on-time funding
 - Differential cost of support for various types of students and locations
- ▶ Solutions are typically
 - Add funds to raise lower limit
 - Reduce funds to bring down upper limit
 - Hybrid
- ▶ There will always be some inequities. Fixing some inequities can create other inequities

State Aid vs. Property Tax

- ▶ Critical to Iowa's long-time formula stability and equity is the "blended portfolio" concept behind our formula
- ▶ Similar to stocks vs. bonds concept in your own investments
- ▶ When state revenues are stretched, the ability to support with local property taxes is essential to avoid severe fluctuations in local school revenue
- ▶ In FY09/10, the property tax component of our formula helped Iowa avoid the severe fluctuations in other states (NJ, CO, CA, etc.)

State Aid vs. Property Tax

- ▶ The “correct balance” is always a subject of debate for policy-makers
- ▶ Extremes either way will destabilize what is a functional, equitable formula
- ▶ Modified supplemental state aid is necessary to a degree to avoid slowly creeping on amounts of property taxes (budget deficits filled with property taxes in certain situations)
- ▶ Whatever we do, let’s continue to support this “blended portfolio” concept (Berger’s opinion)

Categorical Funding

- ▶ Categorical funding is funding created for a specific purpose
- ▶ Can be state, federal, local, or other
- ▶ Typically have statute related to uses, separate formula computation, and accounting
- ▶ Dillon's rule applicable and appropriate
 - Why this is an advantage for legislators

Categorical Funding

▶ Pros

- Guide funding to a specific purpose
- Easier to track uses of funds
- Discrete decision-making
- Can establish separate formulas for each fund

▶ Cons

- Complexity of various funding increases risk of errors
- Increased need for management
- May not be necessary (TAG example)
- Creates inequities

FY 2016 SCPP and DCPD Amounts

	District Cost Per Pupil				Districts Below	Districts Above
	SCPP	Minimum	Maximum	Range	SCPP	SCPP
Regular Program	\$ 6,446	\$ 6,446	\$ 6,621	\$ 175	164	172
Teacher Salary Supp.	\$ 555	\$ 475	\$ 819	\$ 344	98	238
Professional Dev. Supp.	\$ 63	\$ 37	\$ 92	\$ 55	183	153
Early Intervention Supp.	\$ 69	\$ 41 ²	\$ 113	\$ 72	218	118
Teacher Leadership Supp.	\$ 313	\$ 313	\$ 313	\$ -	336	0

¹ The 164 districts are at the SCPP

² LuVerne Received \$9.06 per pupil, but was not included due to reporting issues.

³ All districts that receive Teacher Leadership funding are at the SCPP

	District Cost Per Pupil				Districts Below	Districts Above
	SCPP	Minimum	Maximum	Range	SCPP	SCPP
AEA Special Ed. Support	\$283.02	\$ 275.31	\$ 297.57	\$ 22.26	118	218
AEA Media Services	\$ 52.76	\$ 52.55	\$ 53.09	\$ 0.54	185	151
AEA Ed Support	\$ 58.23	\$ 57.33	\$ 59.63	\$ 2.30	139	197
AEA Teacher Salary Supp.	\$ 29.07	\$ 22.56	\$ 36.51	\$ 13.95	139	197
AEA Professional Dev. Supp.	\$ 3.39	\$ 2.87	\$ 4.19	\$ 1.32	208	128

3 Proposals on DCPD

- ▶ 1. Bring all districts up to highest DCPD
 - Similar to SSB 1254 last year
 - Calculated by highest resident pupil DCPD minus resident pupil DCPD X budget enrollment
 - Additional \$84.2 million in spending authority, all of which would be local property tax if fully utilized
 - Cash reserve levy limit – calculated at current 20 percent levy limit minus DCPD equity budget adjustment amount approved by local board

3 Proposals on DCPP

- ▶ 2. Reduce all higher DCPP amounts down to SCPP over three years
 - Currently, highest DCPP is 2.7% higher than SCPP. Reduce to 2 percent max., then 1 percent max., then same as SCPP
 - \$12.9 million decrease cumulative in spending authority over 3 years
 - No impact on cash reserve levy limits

3 Proposals on DCPD

- ▶ 3. Reduce higher DCPD by offsetting with variable supplemental state aid (SSA) increases
 - Supplemental state aid adjustments are only made if state percent of growth is 1% or higher
 - Example: Provide SSA of \$175 to districts with DCPD equal to SCPP and \$175 minus the amount the district is over SCPP to all other districts. District currently \$175 above SSA would receive \$0 SSA per pupil ($\$175 - \175). District \$65 over would receive increase of \$110 SSA per pupil ($\$175 - \65).
 - If SSA is over \$175 per pupil or higher, no district will receive a reduction in DCPD, although half of the districts will not receive full \$175 state SSA.

3 Proposals on DCP

- ▶ Proposal 3 continued:
 - End result = all districts have same DCP as SCP moving forward
 - No impact on cash reserve levy limits
 - 1% SSA = \$64 per pupil - \$10.5 m reduction in authority
 - 2.72% SSA = \$175 per pupil - \$12.9 m reduction in authority
 - 4% SSA = \$258 per pupil - \$12.9 m reduction in authority

Transportation Data

- ▶ Statewide Route Miles

▶ 2010	41,561,331
▶ 2011	42,650,138
▶ 2012	41,736,052
▶ 2013	41,339,772
▶ 2014	41,502,265
▶ 2015	Data not yet sorted (ATR)

Transportation Data

- ▶ Net Operating Cost
- ▶ 2010 \$120,665,204
- ▶ 2011 \$137,005,859
- ▶ 2012 \$141,467,343
- ▶ 2013 \$145,753,296
- ▶ 2014 \$151,526,832

Transportation Data

- ▶ Average Cost Per Mile

▶ 2010	\$2.90
▶ 2011	\$3.21
▶ 2012	\$3.39
▶ 2013	\$3.53
▶ 2014	\$3.65

Transportation Data

- ▶ Average Number Transported

▶ 2010	235,346
▶ 2011	237,591
▶ 2012	235,575
▶ 2013	238,293
▶ 2014	239,237

Transportation Data

- ▶ Average Cost Per Pupil Enrolled

▶ 2010	\$257.46
▶ 2011	\$289.35
▶ 2012	\$298.89
▶ 2013	\$306.18
▶ 2014	\$316.53

Transportation Data

- ▶ Average Cost Per Pupil Transported
- ▶ 2010 \$512.71
- ▶ 2011 \$576.65
- ▶ 2012 \$600.52
- ▶ 2013 \$611.66
- ▶ 2014 \$633.38

Transportation Considerations

- ▶ Must consider voluntary vs. mandatory costs
- ▶ Costs increase when fuel costs are high
- ▶ Limits to amount of time on bus (60 min. for elementary, 75 min. for secondary)
- ▶ Low populations and need to transport driving up costs per pupil
- ▶ Consolidation of schools not the answer to transportation issues

Transportation Considerations

- ▶ All costs funded through general fund (a couple PPEL exceptions for bus costs)
- ▶ Mitigating highest cost districts possible
- ▶ Can be through DE or SBRC
- ▶ Dependent on how much you want to put behind the proposal OR how much local property tax you are willing to allow
- ▶ DE willing to work on details to ensure the proposals work – no vested interest in a specific outcome
- ▶ Validating the inequity

English Language Learner Data

- ▶ Race and Ethnicity – Public Schools
 - 2000-01 9.7% non-white
 - 2013-14 21.1% non-white

 - 2013-14
 - 9.7% Hispanic
 - 5.4% African American
 - 3.2% Two or more races
 - 2.2% Asian

English Language Learner Data

- ▶ Race and Ethnicity – Nonpublic Schools
 - 2000-01 4.7% non-white
 - 2013-14 13.1% non-white

 - 2013-14
 - 6.5% Hispanic
 - 2.6% Asian
 - 2.0% African-American
 - 1.5% Two or more races

English Language Learner Data

- ▶ Race and Ethnicity by District size
 - 2013-14 21.1% non-white
 - 7500+ 36.7% non-white
 - 2500-7500 21.1%
 - 1000-2499 14.7%
 - 600-999 9.5%
 - 300-599 7.2%
 - <300 7.3%

English Language Learner Data

▶ English Language Learner Students

- 2000-01 11,264
- 2013-14 26,209

- 2013-14 ELL Languages
- Spanish 17,840
- Vietnamese 916
- Bosnian 717
- Arabic 663
- Karen Langs. 598
- Chinese 356
- Somali 339

English Language Learner Data

- ▶ Percent of ELL
- ▶ Public Schools
 - 2000-2001 2.3%
 - 2013-14 5.3%
- ▶ Nonpublic Schools
 - 2000-2001 0.5%
 - 2013-14 3.0%

English Language Learner Data

- ▶ Weighted Enrollments

- 2000-01 8,151
- 2013-14 18,008

- ▶ Migrant Student Enrollments

- 2004-05 3,615 (0.8%)
- 2013-14 778 (0.2%)

English Language Learner Data

▶ Performance Data 2013-14

▶ Reading ELL Non-ELL

○ 4 th Grade	46.1	77.4
○ 8 th Grade	24.6	72.0
○ 11 th Grade	31.3	82.1

▶ Math

○ 4 th Grade	58.6	80.2
○ 8 th Grade	33.7	76.2
○ 11 th Grade	44.1	83.6

At-Risk – Legislative Action

- ▶ At-risk/Dropout Funds (HF 445 and HF 658)
 - Broadens use of dropout funds to mirror at-risk supplementary weighting
 - Allows up to 5% of both funds for proactive measures
 - Did not change funding streams
 - At-risk supplementary weighting computed just as it has been, a mix of state aid/property taxes
 - Dropout/Dropout prevention computed just as it has been, local levy, SBRC approval for any increases

At-Risk – Legislative Action

- ▶ At-risk/Dropout Funds (HF 445 and HF 658)
 - DE will modify the application for FY17 (due in December – maybe). Will attempt to get a simpler application done in time, but essentially 6 weeks to get this done.
 - Plan is to submit an overall at-risk plan and budget that describes uses of both funds.
 - No legislative reporting required other than CAR on both funds.

At-Risk – Legislative Action

- ▶ At-risk/Dropout Funds (HF 445 and HF 658)
 - With HF 445, allows districts with facilities to cover costs of educating general education students at actual instructional costs vs. DCPD limitation
 - This means instruction – not mental health or behavioral management (not SPED)
 - General and Special Education
 - PMIC residential Billing for actuals
 - Non-PMIC residential No billing
 - Day treatment Billing for actuals

At-Risk Data

- ▶ Dropout/Dropout Prevention MSA for FY16 - \$106,984,986 – 306 districts
- ▶ At-Risk Supplementary Weighing for FY16 - \$15,259,047 – 336 districts

At-Risk Data

- ▶ Graduation Rates
- ▶ Class of 2012 4-year rate 89.3%
- ▶ Class of 2012 5-year rate 92.1%

- ▶ Class of 2013 – Total 89.7%
 - White 91.5%
 - African American 73.8%
 - Hispanic 79.5%
 - Asian 91.1%
 - ELL 75.7%
 - IEP 72.7%
 - Low SES 80.4%

Questions?