



FINAL REPORT

School Finance Inequities Study Committee

January 1, 2016

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

Staff Contacts:

Organizational staffing provided
by: Michael Duster, Senior Legal
Counsel,
(515) 281-4800
michael.duster@legis.iowa.gov

Minutes prepared by: John
Heggen, Legal Counsel,
(515) 725-7827
john.heggen@legis.iowa.gov

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AUTHORIZATION AND APPOINTMENT

The Legislative Council created the School Finance Inequities Study Committee for the 2015 Legislative Interim. The charge of the committee was as follows:

Review current provisions of the school finance formula and consider alternatives for achieving a more equitable application across all public school districts in the state. Aspects of the study shall include transportation funding with a particular emphasis on small and rural school district transportation funding levels, school district property taxation levels, at-risk student funding challenges, and other school finance formula provisions which may result in funding disparities between school districts. Based on stakeholder input from the Department of Education, school districts, education-related organizations and associations, and other interested stakeholders, the committee shall submit recommendations, if deemed appropriate, to the General Assembly by January 1, 2016.

The Legislative Council authorized the committee for two meetings, and the committee met on December 2, 2015.



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I. Procedural Business

Members of the committee elected, by voice vote, temporary Co-chairpersons Jorgensen and Schoenjahn as permanent co-chairpersons. Members of the committee adopted, by voice vote, the proposed rules for the committee that had been previously distributed. Co-chairpersons Schoenjahn and Jorgensen each provided opening remarks.

II. Transportation Costs 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. The data presented was from the years 2010 through 2014 and demonstrated significant increases in transportation costs over that period of time. 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, including the provision of transportation for nonpublic school students, and the current limits placed on the amount of time students are allowed to be transported. Dr. Berger also noted that school consolidation often does not reduce transportation costs for districts and outlined the existing funding structure for school district transportation costs.

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 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 tax. The IASB proposal phases in the additional weighting over a five-year period seeking to provide \$30 million in FY 2016-2017 and increases 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, not just those with high transportation costs, and funding generated would be limited to expenditures for nondiscretionary transportation expenses of the district. Some members of the committee questioned the need to provide assistance to all districts instead of targeting those districts with the highest costs. Members of the committee 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 that excludes discretionary costs being incurred by districts.

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, representing Urban Education Network of Iowa (UEN), provided background on the historical changes to the funding formula and the circumstances that created the current inequity. She also 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 difference is \$70 or less per pupil. She 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 outlined components of a proposal that would dedicate \$15 million per year 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 additional methods of funding the proposal.

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 2024-2025, which results in the equalization of the district cost per pupil for all districts in the state. 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 annual increased cost during the phase-in period could be increased or decreased based on the length of the phase in. Committee members 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 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



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the property tax burden for residents of those districts. Ms. Buckton also compared the formula's mix of state funding and local funding to other states, and 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. 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. He also described the property tax relief currently provided to districts through the Property Tax Equity and Relief (PTER) Fund. Fiscal Year 2015-2016 PTER Fund 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. 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 2016-2017) and increase the percentage (currently 2.1 percent) of Secure an Advanced Vision for Education (SAVE) Fund revenue excess that flows into the PTER Fund. Option 3 would again 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 2016-2017), 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 to further increase the regular program foundation base percentage. Mr. Snyder specified that the three options can be modified to provide the desired equalization effect. Committee members acknowledged that 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 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, he compared the current demographic data to the data for the school year 2000-2001. He also cited the disparity in performance between ELL students and non-ELL students in the areas of reading and math. The weighted enrollment for ELL students provided through the school finance formula has increased from 8,151 in 2000-2001 to 18,008 in 2013-2014. Dr. Berger additionally noted the ability of school districts to seek additional funding authority through the School Budget Review Committee. In response to the committee's questioning, he 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 (ISEA), 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.

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 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. She 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. She 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.

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. He also acknowledged recent legislative action that allows 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 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 with making 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,



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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. Committee members discussed the benefits of at-risk programs in increasing an individual's earning capacity, decreasing the likelihood for arrest or incarceration, increasing life expectancy, and the likely reduction in societal costs attributable to that individual.

VI. Committee Discussion

Committee members discussed a desire for 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. Committee members cited existing funding mechanisms including the PTER Fund and the projected growth of the SAVE portion of the state sales tax as possible funding sources that could be used to address the inequities, but 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. Several 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 committee's meeting and are on file 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/committee?ga=86&session=1&groupID=24164>

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.