



Education Service Center
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Written testimony
to the 2009 School Finance Interim Committee
from the Sioux City Community School District

Iowans have historically recognized that the education of *all* citizens generates more productivity and reduces more social cost than any other government service, and that we each have a significant stake in the educational success of our fellow Iowans. With that recognition, the Iowa Legislature has made significant strides to equalize school funding in Iowa, so that a child's address does not limit his/her opportunity. In that spirit, Iowa's School "Foundation Formula" equalizes statewide district general fund dollars per child to 87.5% of the cost/student (and with recent changes, even more progress has been made to elevate that percentage closer to 100% over the coming years). In this way, our state collects income tax fairly from all, and is approaching a fair distribution to all.

Similarly, the Legislature recently passed a modification to the school sales tax fund, extending the penny statewide and, over time, providing for the distribution of revenues to districts on a per pupil basis at the statewide average collection. In this way, our state collects sales tax fairly from all, and is approaching a fair distribution to all.

Unfortunately, the same cannot yet be said for our property tax. Gross inequities remain there, which are applied 100% to local district levies for Instructional Support, Physical Plant and Equipment, Management, At Risk/Drop-out Prevention, and Debt. It takes our property poorest Iowa district an astounding 6½ times the tax rate of our wealthiest Iowa district to raise the same \$ per child for these property tax based funds. As a result, districts with lower than average property values per student take in an average of \$154.00 less per pupil just in building related levies – in a property poor district of 14,000 students like ours, that is \$2,256,000 less every year for buildings than a property fortunate district of the same size. When property poor districts try to recover some of this loss by increasing the local asking, the cumulative effect of this annual deprivation causes rates to rise and property tax base to flee to the property rich district, further aggravating the problem.

Consider the effect of the recent trend of the Legislature to increase allowable growth, but not to fund it. That decision has a very disparate impact on property poor districts, as to make up for that loss is allowable growth funding, they must either levy a much higher rate than their property rich neighbors to collect the same dollars per student, or make do with less dollars per student. Why should citizens who live in property rich districts be permitted to hoard their property tax base from the citizens in property tax poor districts who are sharing their income and sales tax base equally?

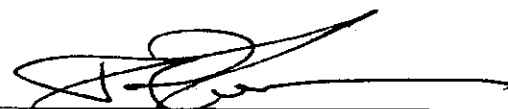
These inequities have nothing to do with decisions by local school boards. Property tax base is almost entirely random. For example, Sioux City's industrial park is located in a sister school district, and we are bordered by a state with no income tax. (However, we are not an isolated situation –over two-thirds of Iowa students live in property poor districts). Yet, it is these gross disparities in property tax funding that create a barrier to the efficiencies that might be gained through consolidations of Sioux City and our sister district. No district can support merging with a district that has a lower property tax base than its own, because it will mean an automatic increase in tax levy. So instead of joining forces to do what's best for all children, there is tremendous financial incentive to maintain the parochial interests that divide us, distracting the larger educational community from approaching educational issues with one common focus.

The uncomfortable reality is that property poor districts are made up significantly of students of low socio-economic status and of color. The forces that encourage wealth and whites to flee property poor districts for property rich districts also cause the properties in those devaluing districts to become a magnet for further poverty. That is a gross injustice to those Iowans loyal to, and remaining in, these property poor communities. It also makes our current school funding system appear designed to cause disparate impact on protected classes.

It is time for the Legislature to complete its goal of insuring a child's address does not determine the quality of his/her education. It is time that school property tax funding joins income tax and sales tax in being equalized statewide.



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Cc: Roger Wendt, Steve Warnstadt, Christopher Rants, Ron Wieck, and Wes Whitead