

Urban Education Network
School Funding Formula
Recommendation

The uniform levy (\$5.40) needs to be raised so that the Iowa school funding formula is once again equitable. The basic formula is sound. But in today's dollars, the uniform levy is too low. As a result, districts with high property value per student can maintain lower taxes while having more available funding for the education of the students in their community. Districts with lower property value per student must have very high tax rates in order to generate funding for education, and their students are often not receiving equal funding. This creates a taxpayer inequity that is quite dramatic from district to district in Iowa. But the real problem is that has lead to inequity of funding for students. Districts with very low tax rates and high property value have the ability to raise their rate by a few pennies, generate a great deal of cash in their reserves, and have additional funding from their cash reserves for the education of the student in their district. The same is not true for property poor districts that have high tax rates and would have to add a great deal more than a few pennies to their already high tax rates to build up their cash reserves. As a result of this problem, property rich districts can build large cash reserves, have low tax rates and provide more resources for their students than property poor districts that have much higher tax rates. This is creating inequities in education in Iowa schools. In a time when school budgets are lean, property rich districts can dip into their cash reserves and provide a level of education not available to students living in a property poor district that do not have the capacity to build large cash reserves. Iowa students living in property rich districts can have advantages that students living in property poor districts may not have. This is a problem that in creating inequities in Iowa and threatens our funding formula that originally provided equity for all Iowa students.

The uniform levy has not been raised for decades. To restore equity, based on today's dollars, the uniform levy should be raised to between \$9 and \$10 per thousand and increase the foundation percentage (currently 87.5%) to 100%, eliminating the additional levy completely. This would restore equity in the distribution formula and guarantee that every Iowa student receives equitable funding of their education. This change would do two important things. It would first and foremost create equity in educating Iowa students. And second, it would lead to property tax reform in Iowa, correcting serious taxpayer inequities that have evolved in the current system. True, some property taxes would increase and others would decrease. But even the increases could be mitigated, for example, by fully funding the Family Farm Tax Credit. There would be, of course, other options as well.

Bottom line: after many decades, it is imperative that the school funding formula be revised and the uniform levy raised to reestablish equity for educating Iowa students.