



The Watchdog

A Legislative Update from Iowans for Tax Relief



Tuesday, August 21, 2007

Interim Report #2

SCHOOLS IN: Do You Know Where Your Tax Dollars Are? Taxpayers Spent Nearly \$10,000 Per Student for K-12 in 2007.

IOWA K-12 SCHOOL DISTRICTS SPENT \$4.7 BILLION IN 2007 AND CONSUMED 42% OF ALL LOCAL PROPERTY TAXES:

Many Iowa schools have already begun classes and others are opening over the next 10 days. It is often a time of year students dread and parents anticipate with joy. However, as taxpayers, what is our reaction?

Every year the Iowa Legislature struggles with questions of school finance and how much is enough to provide young Iowans with a quality education. Thus, this issue of **The Watchdog** is offered as a short primer on school finance in Iowa and the burden Iowa taxpayers shoulder to provide educational opportunities for our citizens.

K-12 SCHOOL DISTRICT REVENUE: 2007

Iowa K-12 schools (kindergarten through 12th grade) receive funding from a variety of sources: directly from the state general fund; local property tax; local option sales tax; local option income surtax; federal funds; and, a variety of small miscellaneous sources.

| Source | \$ Amount (in millions) | Percent of total |
|---------------|----------------------------|---------------------|
| General fund | 2,301.9 | 48.7 |
| Property tax | 1,600.9 | 33.9 |
| Sales tax | 303.1 | 6.4 |
| Federal funds | 183.6 | 3.9 |
| Income surtax | 73.6 | 1.6 |
| Miscellaneous | 259.6 | 5.5 |
| Total | 4,722.7 | 100.0 |

Source: Iowa Legislative Services Agency, Fiscal Facts, May 2007.

K-12 STUDENT ENROLLMENT: PUBLIC

| | |
|------------|---------|
| 1997-1998: | 505,130 |
| 1998-1999: | 502,534 |
| 1999-2000: | 498,607 |
| 2000-2001: | 494,291 |
| 2001-2002: | 489,523 |
| 2002-2003: | 487,021 |
| 2003-2004: | 485,011 |
| 2004-2005: | 483,335 |
| 2005-2006: | 483,105 |
| 2006-2007: | 483,122 |

Change: -22,008 (-4.36%)

Source: Public Enrollment: Iowa Department of Education, Division of Financial and Information Services, Certified Enrollment Files.

When all sources of K-12 funding are summed and then divided by total public student enrollment for 2006-2007, the actual cost per student is \$9,775.38.

This means a classroom with 20 students is backed by nearly \$200,000 in total resources. When you consider the salary and benefits of the teacher might consume a quarter to a third of those resources, you might wonder where all the rest of the money is going.

Education spending on Iowa public K-12 schools in FY 2007 consumed 37% of all state general fund revenue, 42% of all local property tax revenue, over 60% of all local option sales tax revenue, and 100% of local option income surtax revenue.

Iowans walk the walk on school spending!



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K-12 IS NOT THE WHOLE STORY. SUPPORT FOR REGENTS, COMMUNITY COLLEGES, AND PRIVATE COLLEGES NEARS ONE BILLION DOLLARS ANNUALLY:

Often lost in the education finance discussion are three other significant state appropriations to fund higher education programs in Iowa.

The largest recipients of these funds are the state's Regents institutions (Iowa, Iowa State, and UNI), with an estimated FY 2008 general fund appropriation of \$711,670,765.

| <u>Year</u> | <u>Appropriations</u> | <u>% Change</u> |
|-------------|-----------------------|-----------------|
| FY 2004 | \$617,022,987 | NA |
| FY 2005 | 616,751,408 | 0.0% |
| FY 2006 | 632,340,696 | 2.5% |
| FY 2007* | 643,990,327 | 1.8% |
| FY 2008* | 711,670,765 | 10.5% |
| *estimate | | |

Four year change: 15.3%
(avg. 3.8% per year)

Next are Iowa's community colleges which will receive an estimated \$171,962,414 in FY 2008.

| <u>Year</u> | <u>Appropriations</u> | <u>% Change</u> |
|-------------|-----------------------|-----------------|
| FY 2004 | \$135,779,244 | NA |
| FY 2005 | 139,779,244 | 2.9% |
| FY 2006 | 149,579,244 | 7.0% |
| FY 2007* | 159,579,244 | 6.7% |
| FY 2008* | 171,962,414 | 7.8% |
| *estimate | | |

Four year change: 26.6%
(avg. 6.7% per year)

Finally, the Iowa Tuition Grant program offers tuition vouchers for qualified Iowa students that can be redeemed towards educational costs at

most Iowa private colleges and universities. The estimated general fund appropriation in FY 2008 for the tuition grant program is \$53,748,576.

| <u>Year</u> | <u>Appropriations</u> | <u>% Change</u> |
|-------------|-----------------------|-----------------|
| FY 2004 | \$45,200,787 | NA |
| FY 2005 | 47,157,515 | 4.3% |
| FY 2006 | 49,673,575 | 5.3% |
| FY 2007* | 51,673,576 | 4.0% |
| FY 2008* | 53,748,576 | 4.0% |
| *estimate | | |

Four year change: 18.9%
(avg. 4.7% per year)

Source: Iowa Legislative Services Agency, Fiscal Facts, May 2007.

When all three programs are totalled, the estimated FY 2008 cost is \$937,381,755, or about 20% of the entire state general fund.

And, when added to general fund appropriations for the state's public K-12 program, total general fund appropriations for some form of education spending nears 60% of the entire general fund budget.

Other education finance issues for taxpayers to consider: 1) The Legislature and Governor approved a teacher pay increase package in 2007 that adds \$69.6 million to the budget in FY 2008 and another \$75.0 million to the budge in FY 2009.

2) The Legislature considered, but did not pass, legislation to convert the current voter approved local option sales tax for schools to a permanent (non voter approved) tax and to increase the state use tax by more than \$100 million. Expect this issue to resurface in 2008. **Iowans for Tax Relief strongly opposes making this a permanent statewide tax.**

The Watchdog is a weekly update of issues which are being considered by the Iowa Legislature.

It is a service to members of Iowans for Tax Relief. Permission is granted to forward this to any interested individuals.

Comments or questions concerning **The Watchdog** should be directed to:

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