**Schools need a 3.75% increase in SSA - Summary Talking Points:**

* 2.5%, as recommended by the Governor, is not sufficient to attract, recruit and compensate school staff, from secretaries and custodians, to educators and administrators. Schools must be able to compete with the private sector for human capital, with competitive salary and benefits packages.
* The difference between 2.5% and the 3.75% requested by the UEN would mean \_\_\_\_\_\_\_\_\_\_\_\_\_ for our school district. (See [The ISFIS New Authority Calculator (aka "New Money Report") with all districts listed for FY 2021](https://www.iowaschoolfinance.com/system/files/members/Excel/New%20Authority%20Report%20FY%202021.xlsx) to see the difference for your district. What would this amount allow you to do for staff and students?
  + Health Insurance Benefits are estimated to increase 8% annually. School districts can offset some of this cost with higher copays and deductibles (but see #1 above – we must be competitive with the private sector)
  + Salaries for staff are estimated to cost us 3.2% annually. With 3.75%, we can get closer to that number without having to reduce staff and increase class sizes (unless you have declining enrollment, then you are likely still going to have reductions.)
  + We are working on additional programs for students: CTE, STEM, computer science, attendance and truancy reduction, embedding fine arts throughout the curriculum, expanding a new section of preschool are all good examples.
* The Governor’s 2.5% recommendation would be the second highest increase in the cost per pupil in 11 years. The accumulated impact of many years of reductions is daunting. A reversal of that trend, closer to the actual cost of doing the business of school, would be of great benefit to students and staff.

The following explanation provides additional detail, some benchmarks with known economic variables in the Iowa Economy, some reasoning why the consumer price index isn’t the best benchmark to use for adequacy, and a sample budget scenario for a school district with a $10 million budget and a 3.75 increase in SSA, assuming no change in enrollment.

**Why are we asking for a 3.75% increase is SSA for the 2020-21 school year?**

Governor Reynold’s 2021 budget recommends a 2.5% increase in the state cost per pupil. If the legislature agrees to 2.5%, this will be the second largest increase school will have experienced in 11 years. Since schools on an annual basis need between 3.5% and 4.0% to continue to do what they’ve done, in 9 of the last 10 years, school boards have had to make program or staff reductions in order to balance the increased costs they face. The Governor and Legislative leaders have championed “record funding” as proof that schools are getting what they need. The SSA increase was even lower than the relatively low inflation rate in the last decade, as measured by the Consumer Price Index (CPI).

School inflation, or the cost of doing the business of school, is not comparable to the growth in the CPI which is a family’s cost of basic necessities based on a market basket of goods. School general fund budgets typically commit over 80% - of resources to staff salaries and benefits. If the growth in school budgets is lower than the continued cost of doing business, staff and/or program reductions must make up the difference. If there is a decline in enrollment, the staff and/or program cuts must be even larger to balance the budget.

Iowa’s economy has been strong. Our low 2.6% unemployment combined with a workforce shortage means that Iowa employers are searching for qualified employees. Iowa school districts are facing workforce shortages too, with difficulty in recruiting and retaining qualified support staff, bus drivers, lunchroom workers, custodians, paraprofessionals, teachers and administrators. Schools must pay market-competitive wages for teachers and other staff in order to find and keep quality employees.

The attached budget scenario shows benchmarked line-item increases based on Iowa’s economy and experience in the private sector.

The attached scenario shows the expected increased costs for schools in the 2020-21 school year based on a scenario of a $10 million annual general fund budget. The 3.75% does not restore any programs or staff reduced in the last 10 years or pay for any expected significant unfunded mandates or programs based on changing student needs. The 3.75% does not provide additional funds to incentivize existing staff to obtain the certification needed to fill shortage area positions or provide investments to expand PK, or state or local priorities. The budget needs of any individual school district may vary based on local circumstances and recent revenue or enrollment changes.

Here are some comparable statistics which bring context to the conversation:

**Per Capita Personal Income**: We use this benchmark to compare salary growth. Iowa’s PCPI has grown 13.3% over the five-year period from 2013-2019. That’s an average 2.7% per year. However, the most recent two years, from June 30, 2017 to June 30, 2019, the annual increase in PCPI has averaged over 5%. Iowa’s state cost per pupil, the driver for the school foundation formula, has grown 6.7%, or about 1.55% annually over the same period. [Iowa’s Workforce and the Economy 2019](https://www.iowaworkforcedevelopment.gov/sites/search.iowaworkforcedevelopment.gov/files/documents/2018/iowaworkforceandtheeconomy_2019.pdf), publication by Iowa Workforce Development and Future Ready Iowa, showed a 3.9% gain in the state’s Gross Domestic Product from 2017-2018 and a 3.7% increase in per capita personal income, both far above the SSA rate.

**Employee Benefits Costs:** School general funds allocate 19.8% of resources to employee benefits (Iowa Condition of Education Report, Jan. 2019, for the 2016-17 school year.) A Des Moines Register Article, Sept. 4, 2018, “[Iowa employers face steep health insurance price increases, but keep offering benefits](https://www.desmoinesregister.com/story/news/health/2018/09/04/iowa-employers-health-insurance-premium-increases-low-unemployment/1160638002/)”, quotes David Lind and Associates: “Lind’s new findings, which are to be published on his website Tuesday, show Iowa employers continue to face substantial premium increases. Last year’s 8.4 percent average increase was similar to what the state's employers have been facing since 2012.” Additionally, Lind explains on his [website](https://dplindbenchmark.com/) that costs would be higher if employers weren’t increasing employee share and changing insurance benefits to have increased copays and deductibles and raising maximum out-of-pocket caps for employees.

Schools also pay for utilities, textbooks and curriculum materials, supplies, professional development for staff, fuel for busing, and many other things that make up the remaining 17.6% of general fund expenditures. These items are also experiencing increased prices for schools. Utility costs provide one more example:

**Utilities:** the Cedar Rapids Gazette published a series, “[the cost of things; why Iowa utility costs keep growing](https://www.thegazette.com/subject/news/iowa-cost-of-living-electricity-bill-growing-alliant-energy-midamerican-energy-costs-20190701)”, July 14, 2019, in which they show increased cost of electricity per kwH growing 11.3% for Alliant customers and 18.2% for MidAmerican customers, from 2013-2017. They also reported on the [costs of water](https://www.thegazette.com/cost-of-things-more-water-rate-increases-on-tap-from-decrees-to-surprises-municipal-costs-go-up-20190708), showing residential median water rates increasing 37% from 2013 to 2018, or a 7.4% average annual increase. Utility increases compete with other resources available in a school’s General Fund budget the same as salary and benefits costs.

**In Summary**: Because school General Fund costs are heavily weighted to staffing costs and things like utilities, a 3.75% increase in SSA will allow schools to keep pace with cost increases, potentially lower class sizes, and increase educational opportunities for students, compared to the 2.5% SSA in the Governor’s Recommendation, which will continue to stress school budgets and require continued reductions.

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| **General Fund Expense** | **Percentage of the Budget 2017-18** | **Estimated Increase** | **Economic Benchmark** | **Historic Growth** |  | **$10 million School Budget Scenario** | **Estimated Increase $** | **Estimated Increase %** |
|  |  |  |  |  |  | $ 10,000,000 |  |  |
| Staff Salaries | 62.60% | 3.20% | Iowa Per Capita Personal Income | 13.3% over the five-year period from 2013-2019, an average 2.7% per year, with most recent 2 years averaging over 5%. |  | $ 6,260,000 | $ 200,320 | 3.20% |
| Employee Benefits | 19.80% | 6.00% | Employer share of Insurance Benefits | 8.4% Typical annual growth |  | $ 1,980,000 | $ 118,800 | 6.00% |
| Other (utilities, textbooks, instructional software, curriculum materials, assessments, supplies, professional development for staff, transportation, and many others) | 18% | 3% | Electricity and Water rates | Average annual growth 2.95% from 2013-2017 |  | $ 1,760,000 | $ 51,920 | 2.95% |
| Unfunded mandates, required programs for changing student population |  |  |  |  |  |  | $ 2,000 | 0.02% |
| Expanded programs for workforce development, computer science, STEM, concurrent enrollment |  |  |  |  |  |  | $ 2,000 | 0.02% |
| **Total:** |  |  |  |  |  | **$ 10,000,000** | **$ 375,040** | **3.75%** |