

**FACT SHEET**

**STATE SCHOOL FUNDING BILLS SHORTCHANGE IOWA STUDENTS**

Governor Kim Reynolds and Iowa House and Senate leaders once again are holding PK-12 school funding below what the state can afford, below what is needed to catch up with longtime funding deficiencies, and below what is needed to keep up with current costs.

**Lawmakers’ rhetoric against sustainable increases in funding doesn’t hold up**

**1 School funding lags costs of educating kids**

For 14 years, Iowa per-pupil spending growth has averaged 2% a year. The Senate-passed school funding proposal for Fiscal Year 2026, SF 167, sticks with that number for a 15th year. Iowa’s recent surpluses of about \$2 billion a year<sup>1</sup> show the state has – and has had – resources to help schools keep up with cost increases and enhance learning opportunities. New tax cuts are slashing revenues,<sup>2</sup> assuring it will be very difficult to reverse these trends without harming other critical public services funded by diminished state budget resources.

**Holding per-pupil \$\* below costs**

School funding trends down last 15 years



\*Supplemental State Aid (with Senate, Gov proposals FY26)

**Holding down state support means state-imposed property tax increases for many**

**2**

When the Legislature sets the Supplemental State Aid percentage, it caps budget growth in an enrollment-based formula of state aid and property tax. The “cost per pupil” used to build a school budget increases by that percentage – 2% in the Senate bill or 2.25% as proposed in the House (HF 319). If a district has stable or increasing enrollment, its budget will increase by that percentage. But if it has declining enrollment, it is permitted just a 1% per-pupil cost increase which (1) may not ultimately result in any overall increase depending on the number of lost students, and (2) must be paid for totally out of property tax. In FY 2026, 159 school districts will be on that so-called “budget guarantee,” funded by property tax at a cost of \$25 million to affected local property taxpayers.<sup>3</sup>

**Voucher spending, already set to expand, increases automatically with SSA**

**3**

Iowa’s new voucher program to subsidize private school systems will make eligibility universal in 2025-26, meaning that students in families of any income will be eligible. These are students in families that already can afford private school and do not need a subsidy. The voucher amount is tied directly to the “State Cost Per Pupil,” or SCPP, that is used in the funding formula combining state and local revenue for school district budgeting. That figure will be \$7,983 if the Senate bill becomes law, up from \$7,826 this year. The Governor’s budget projects the voucher cost in state funds to be \$314.6 million.<sup>4</sup>

**Policy Recommendation: Better focus use of taxpayer funds to public education**

Legislators often boast that they spent more this year than last on education, but years of small increases below inflation do not meet public school needs. The state now funds a separate education system that it expressly does not supervise,<sup>5</sup> while slashing tax revenues and holding public schools’ resources below their costs. Iowa can afford a far better investment in its future.

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<sup>1</sup> Governor’s Budget, Jan. 14, 2025. See page 71, Estimated Condition of the General Fund.

<https://dom.iowa.gov/media/776/download?inline>

<sup>2</sup> Iowa Capital Dispatch, Dec. 12, 2024. <https://iowacapitaldispatch.com/2024/12/12/tax-cuts-expected-to-reduce-state-revenues-600-million-this-year/>

<sup>3</sup> Iowa Legislative Services Agency, Fiscal Note for Senate File 167, Feb. 11, 2025. See page 5, Fiscal Impact, fifth bullet point.

<https://www.legis.iowa.gov/docs/publications/FN/1521299.pdf>

<sup>4</sup> Iowa Legislative Services Agency, Preliminary Analysis of the Governor’s Budget Recommendations, FY 2026. Jan. 14, 2025. See page 36, Unassigned Standings. <https://www.legis.iowa.gov/docs/publications/LAGRP/1518943.pdf>

<sup>5</sup> CGI analysis of Chapter 257.11B, Code of Iowa. See esp. Section 10. <https://www.legis.iowa.gov/docs/code/257.11B.pdf>