

The voucher diversion: How it works

Local school harms not immediately definable, but certain in giveaway to religious schools

Concerned Iowans are trying to understand how their local schools will be affected if Gov. Kim Reynolds' vastly expanded plan for religious school vouchers becomes law. District-by-district impacts are not clear now because the bill does not change Iowa's school funding formula,¹ which distributes dollars based on enrollment. But the broad impacts are knowable, and they are damaging.

Individual school districts would lose two ways:

- ▶ **Their spending authority and revenue would drop** as they lose students to private schools.
- ▶ **State education dollars would be squeezed by adding private-school subsidies of over \$340 million a year to the General Fund**, which is projected to be cut by nearly \$2 billion a year due to last year's severe income-tax cuts.

In short, lawmakers are both making the funding pie smaller and splitting it in more ways.

Properly connecting the dots on this issue requires understanding the state's inadequate school-funding trends, the added impacts of diverting funds to private schools and impacts of coming tax cuts.

Public schools are funded by formula; voucher plan put no limits on private schools

How Iowa funds public schools is complex, but the central budget formula combines state aid (from income and sales tax) with local property tax to meet a per-pupil amount that is set by the state. The per-pupil amount is capped to encourage equity across the state in public education resources. The more students in a district, the greater the funding; the

more property-rich the district, the less state aid per student. But all spend about the same per pupil.

The per-pupil regular program budget number, known as the State Cost Per Pupil (SCPP), is proposed to be \$7,598 for most districts in 2023-24. The Governor would make SCPP the voucher amount for students attending an Iowa private school, of which all but a handful are affiliated with a church and/or teach a religious curriculum.

The private-school voucher would be covered only with state aid — not the mix of state and local funding that goes to public schools — but would permit unlimited funding from other sources. It is easy to imagine a scenario where, subsidized by the state's taxpayers, private schools raise tuition even more, keeping it cost-prohibitive for lower-income students.

Public school students lose when their schools' resources are reduced

Funding reductions resulting from declining enrollment force districts to make tough decisions, especially when per-pupil funding has been held below inflation for years. The 2.5 percent per-pupil increase proposed for the coming year is the latest in over a decade of underfunding. The average per-pupil increase (Supplemental State Aid or SSA percentage) over the most recent 13 years, including

Some school districts will see an immediate revenue cut as they lose students to private schools. All districts should expect to see cuts over time as the cost of vouchers, combined with scheduled tax cuts, squeeze the state budget.

next year's proposal, is just below 2 percent. By comparison, increases in the previous decade averaged above 3 percent.

Districts that lose enrollment for any reason — including the state subsidizing students to leave — can face an actual cut in their budget, depending on the number of students they lose. The Iowa Association of School Boards estimates over 80 of the state's 327 districts will need to use the special "budget guarantee" provision that temporarily holds them from a loss of budget authority for one year due to low SSA and/or enrollment losses.

How vouchers force local school cuts

When districts lose students, they have fewer resources to serve the students who remain. Depending on the amount of the cuts, this can force reductions of staff or course offerings. That tipping point will vary by district. Consider the \$7,600 per-pupil cost. A district that loses five students loses \$38,000, or about the cost of one young teacher's salary.² But their total revenue loss actually is higher, roughly \$10,500 per student, because other funding — such as dropout prevention, instructional support and sales-tax revenue for facilities and equipment — also is tied to the per-pupil equation.³

The ruse of 'new money' for some districts

Supporters are trying to distract Iowans from vouchers' harm with a promise of \$1,205 of "new money" to public school districts for each resident child who attends private schools. That trade — costly vouchers for a small infusion of money — is a bad one. As noted above, a district that loses a student to a private school loses a total of \$10,500 in per-pupil funding and would get back only

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\$1,205 in return — a net loss of over \$9,000. And for districts that have no residents in a private school — many in the 41 mostly rural counties where there is no private school to attend — there is no new money at all, creating a new inequity.

Vouchers are part of a larger threat

Clearly, a public-school student loses in this voucher scheme if a nearby private religious school recruits away their classmates at taxpayers' expense. **But ultimately all public school students lose** due to the additional stress the \$340 million voucher program will place on the state's General Fund, which funds public education, as well as health care, public safety, environmental protection and outdoor recreation. Public dollars that go toward private-school vouchers are dollars not available for public priorities, including public schools.

Keep in mind that the General Fund is already scheduled to shrink by about 20 percent because of the 2022 tax-cut bill, which will cost \$1.8 billion in FY 2027 and \$1.9 billion in FY 2028. Competition for the funds that remain in the budget will be intense.

Adding insult to injury, the 2022 tax cuts overwhelmingly benefit the wealthiest Iowans — and now the voucher plan will be available to families no matter their income and no matter whether their kids were already in private schools.

Vouchers represent a significant tuition subsidy to people who already can afford it — at the expense of public schools charged with educating every Iowa student, no matter their race, religion, income, disability status, sexual orientation or gender identity. How will our public schools — essential to the well-being and productivity of our future workers and community leaders — rebound from this reckless choice?

¹ The voucher bill does not change the current funding formula. But separate legislation proposed to reduce property taxes (HF 1) would affect the formula by shifting a greater share of per-pupil funding to state aid, which will be threatened in the coming years as new tax cuts are implemented.

² National Education Association, "Teacher Salary Benchmarks," April 2022. <https://www.nea.org/resource-library/teacher-salary-benchmarks>

³ Iowa School Finance Information Systems