



The “PACK” Newsletter April 2012

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Understanding School Funding

It is that time of year when school districts prepare for next year’s budget. I hope the following article helps all of our taxpayers understand the process of how we spend our funds.

Every year public schools in Iowa spend billions of dollars to educate children, sparking taxpayers to often ask school board members, administrators and lawmakers: “Where does that money go?” That’s why part of the IKM-Manning Community School District’s mission is to help taxpayers understand how districts are spending that money, in an attempt to dispel the mysteries surrounding school funding. Knowing how the state school funding formula works is important in helping understand the pressures we face as school superintendents and board members.

While the area of school finance is complex, some basic principles make it understandable to the average citizen, including:

1. The number of children enrolled in each district determines a district’s budget/revenues.

2. The General Assembly through the finance formula “equalizes” funding statewide so the “cost per student” is roughly the same in every district and every student has access to quality education.
3. The Governor recommends the annual change in per pupil allowable growth. The General Assembly is responsible for passing legislation to establish the annual increase in the “cost per student/allowable growth”.
4. Property taxes matter. They determine how much money each district receives in state aid.
5. Funds are restricted. We can only use funds on what the legislature tells us we can.
6. Schools are *budget* limited. Most other public entities are property tax *rate* limited. This difference is monumental.
7. Iowa law guarantees that every child in the state receives an “equal” amount of money to fund his/her education. A district’s budget is basically derived from the number of children enrolled in the district multiplied by the district’s cost per child. However, economic

factors change from year-to-year, and it is up to state lawmakers to decide just how much to increase the cost per child to reflect the change. This increase is called “allowable growth.”

8. Under the basic finance formula, each district’s spending is based upon a district cost per pupil. The total amount the district is allowed to spend is that per pupil amount times the number of students enrolled. A district can spend less than the maximum, but cannot spend more.
9. An allowable growth rate is recommended by the Governor and established by the Legislature. The rate is multiplied by the state cost per pupil to calculate an allowable growth rate per pupil. All districts receive the same amount per pupil. Allowable growth per pupil is intended to further provide equity in school districts throughout the state because the legislature set a principle that each child is worth the same amount, no matter where he/she lives.

Local property taxes account for one-third of the total funds going into districts’ programs and represent about 43% of the overall state property tax funds levied. As discussed in prior articles, the state school funding formula largely determines school property tax rates and, the amount each district receives in state aid.

People often ask, “Why don’t we just remove property taxes from the formula

entirely?” There are several reasons why this isn’t a wise move.

- It would take away roughly \$1.25 billion dollars statewide, leaving lawmakers to decide whether to raise the sales tax or income taxes to make up that difference.
- Property taxes also add stability to the funding of school districts. For example, if we operated solely under the sales tax, the amount available for school funding would surely fluctuate depending on consumer spending.
- Just as many people found out during the 1990’s, too much reliance on a single funding source invites large swings in funding, which isn’t good for an entity unable to adjust to midyear revenue changes. Diversification is a prudent investing strategy that applies to schools as well.

Considering the aforementioned reasons and the present revenue and political climate, removing property taxes from the school finance formula seems unlikely.

No public official, whether our local school board or city and county officials, takes the impact of raising property taxes lightly. In most cases, public officials exhaust all other options before asking property taxpayers for more funds. However, when the General Assembly cuts short state aid and we experience

additional, unforeseen expenses such as increased fuel and energy prices, we really have no other alternative except to raise local property taxes or reduce expenditures. Seventy-five to 85 percent of the local budgets are comprised of salary and benefit costs, which doesn't leave much discretionary spending to cut. No one likes property taxes, but they are an essential part of efficient funding of our schools. In comparing IKM-Manning to the other 351 school districts, with 1 the highest tax rate and 351 the lowest tax rate, IKM-Manning ranks 279th in total property tax rate (all funds) at \$12.9411. These are all figures from the 2011-2012 school year. The new figures will be approved after the April 11th board meeting.

Once all of the districts in Iowa establish their budgets based on the combination of state aid and local property taxes they receive, there are still many restrictions on where and how that funding can be spent.

One of the most difficult and confusing elements of school funding is how Iowa law restricts the ways K-12 public schools can use various funding sources. Simply put, if we have a shortage in one area of the budget we cannot use other funds available to the district to offset such a shortage unless specifically allowed by law.

According to the Iowa School Foundation Formula, the largest funding source for schools comes from state and local property taxes. Revenues received under the formula are part of a school district's General Fund, which covers most of our expenditures for faculty and staff salaries. We also have dedicated funding streams for facilities, such as the

Physical Plant and Equipment Levy (PPEL), which can only be spent on buildings, grounds and certain equipment such as computers. People often refer to the General Fund side of the budget as the "breathing" part of the budget, while the other side is referred to as the "bricks and mortar" side.

Depending on each district's economic and demographic situation, some face pressures from the staff side of the budget while others have more pressure on facilities. However, due to restrictions on revenue uses, excess money from the general fund cannot be used to solve shortages on the facilities side and vice versa. As a result, you sometimes end up with districts that have adequate funds but need to lay off staff.

Instructional expenditures (general fund) are equalized, but the funds we levy locally are not. The physical plant and equipment levy and debt service are very valuation dependent and the revenue received varies considerably among districts. However the statewide school infrastructures sales and service tax (better known as the state penny sales tax), provides "equal" funding for school infrastructure needs and/or district property tax relief. The tax capacity of the district and the one penny revenue largely limits the amount of funds for building expenditures.

When it comes to school spending, districts must look at all potential expenditures and determine not only if they have the money, but whether state law allows a particular fund to cover the expense. This standard, often referred to as "Dillon's Rule," says school districts are only allowed to do what is

specifically outlined by state law. This differs from cities and counties, which operate under “Home Rule,” which allows them to do anything not specifically prohibited by state law. Schools have less latitude than cities and counties in complying with the Code of Iowa, and in turn, how they spend their money.

K-12 public schools, cities and counties represent more than 85 percent of the total property taxes in the state of Iowa. The basic equation for property taxes in Iowa is really pretty simple; it is a tax rate multiplied by taxable value equals taxes levied. However, the way these governmental entities can spend those tax dollars differs: cities and counties are “rate” limited whereas schools are “budget” limited.

Rate limits carry different results from budget limitations, giving cities and counties more flexibility with which to operate their budgets. For example, if a city has a tax rate of \$8.10 per thousand and the property valuation in the city doubles, if they leave the tax rate unchanged, they’ll have twice as many property tax dollars. Likewise, if the same city loses half of its property valuation, it will lose half of its revenue.

Schools are different. The legislature effectively sets a school district’s budget by setting a maximum spending per child. In a school district, if the property tax valuation doubles, the tax rate falls,

but the amount of money the district has to spend is exactly the same. Likewise, if the property valuation falls by half, the total budget of the district remains the same, but the property tax rate will increase. In schools, the vast majority of the tax rate is driven by this formula; local school boards have limited ability to influence the General Fund tax rate.

So, how much impact can a local school board have on the district’s tax rate? The answer to this question isn’t definite; it depends. Of our total tax rate of \$12.9411 per thousand, \$4.400 per thousand is due solely to the operation of the School Foundation Formula, while board and voter approved levies amounting to \$8.5411 supplement our instruction and provide our facility budget. While some may wish to call these “optional” levies, in reality most school districts around the state utilize some or all of these levies.

Due to the low levels of spending increases in the last six years allowed by the state, there has been an increasing trend to utilize more of these “optional” levies to replace funding not provided by the state. We are committed to providing the best value for taxpayers in our district, but we are also committed to providing the best possible education in the IKM-Manning Community School District. This is what your school board members and administrators struggle with every day.

IKM School District Student Achievement

Measures of Achievement

The IKM Community School District uses a variety of ways to measure student achievement. Our goal is to create a picture of the knowledge and skill of each student that is as accurate as possible. To do this we use district-wide assessments (ITBS/ITED, NWEA Measures of Academic Progress, DIBELS), classroom projects, quizzes, discussions, homework, reports, and tests. This type of student achievement information helps us understand individual student progress toward district standards and benchmarks. Data from District-Wide Assessments as well as State and Local Indicators of Achievement are part of the District's Annual Progress Report (APR). Portions of the APR will appear in newsletters throughout the 2011-2012 school year. Complete copies of the APR are available in the Superintendent's office.

Multiple Assessment Data

DIBELS -- Oral Reading Fluency									
	2008-2009			2009-2010			2010-2011		
	% Intensive	% Strategic	% Core	% Intensive	% Strategic	% Core	% Intensive	% Strategic	% Core
Grade 1	0%	10%	90%	6%	17%	78%	11%	4%	85%
Grade 2	NA	NA	NA	0%	9%	91%	0%	6%	94%
Grade 3	NA	NA	NA	8%	40%	52%	0%	24%	76%
Grade 4	NA	NA	NA	23%	23%	54%	0%	9%	91%

NWEA Measures of Academic Performance -- Math						
	Spring 2010			Spring 2011		
	Percent Less Than Proficient	Percent Proficient	Percent Advanced	Percent Less Than Proficient	Percent Proficient	Percent Advanced
Grade 7	23%	77%	0%	21.6%	78.4%	0%
Grade 8	26%	70%	4%	19%	79.4%	1.6%

NWEA Measures of Academic Performance -- General Science						
	Spring 2010			Spring 2011		
	Percent Less Than Proficient	Percent Proficient	Percent Advanced	Percent Less Than Proficient	Percent Proficient	Percent Advanced
Grade 8	22%	67%	11%	12.7%	76.2%	11.1%

IKM Elementary Progress with Early Intervention Goals

Comprehensive Literacy Goal:

- √ Fully engage Preschool through Fourth Grade students in reading and writing using intentional teaching and progress monitoring.

Professional Development:

- √ Throughout the school year teachers receive professional development on literacy strategies and student-driven management structures to fully engage students in a comprehensive literacy program. The preschool teacher attends the Early Childhood Institute that provides support for the implementation of Creative Curriculum.

Evaluation Criteria:

- √ Teacher and Student surveys
- √ Increased level of achievement of district assessments and formal/informal classroom assessments
- √ Observed changes in instructional and curriculum practices, organizational groupings, etc. implemented as a result of professional development activities

Reading and Math Goal Progress:

The percent of students proficient in Reading Comprehension on the ITBS in 2nd grade shows a slight decrease from 2009-10 (95.5%) to 2010-11 (88.9%). The percent proficient in 3rd grade increased from 83.3% to 85.7% and in 4th grade it increased from 76% to 95.5%. The data indicates the most recent cohort group also increased in the percent proficient from 3rd grade (83.3%) to 4th grade (95.5%). On DIBELS the percent at Core shows an increase in all grade levels & in the following cohorts: 1st grade (78%) to 2nd grade (94%) & 3rd grade (52%) to 4th grade (91%).

The percent of students proficient in Math according to ITBS Math Total decreased in 2nd grade from 2009-10(86.4%) to 2010-11 (66.7%) and in 3rd grade, from 91.7% to 81%. During this time, 4th grade increased from 80% to 90.9%. The IKM Community School continues to focus on low performing students, with a focus based on the subgroups of gender and economic level, in the implementation of action plans related to state & federal early intervention goals.

Manning School District Student Achievement

Measures of Achievement

The Manning Community School District uses a variety of ways to measure student achievement. Our goal is to create a picture of the knowledge and skill of each student that is as accurate as possible. To do this we use district-wide assessments (ITBS/ITED, NWEA Measures of Academic Progress, DIBELS), classroom projects, quizzes, discussions, homework, reports, and tests. This type of student achievement information helps us understand individual student progress toward district standards and benchmarks. Data from District-Wide Assessments as well as State and Local Indicators of Achievement are part of the District's Annual Progress Report (APR). Portions of the APR will appear in newsletters throughout the 2011-2012 school year. Complete copies of the APR are available in the Superintendent's office.

Multiple Assessment Data

DIBELS -- Oral Reading Fluency									
	2008-2009			2009-2010			2010-2011		
	% Intensive	% Strategic	% Core	% Intensive	% Strategic	% Core	% Intensive	% Strategic	% Core
Grade 1	4%	29%	67%	4%	11%	85%	15%	15%	70%
Grade 2	NA	NA	NA	12%	12%	76%	8%	0%	92%
Grade 3	0%	32%	68%	9%	29%	62%	4%	4%	92%
Grade 4	NA	NA	NA	10%	24%	67%	3%	12%	85%

NWEA Measures of Academic Performance -- Reading						
	Spring 2010			Spring 2011		
	% Less Than Proficient	% Proficient	% Advanced	% Less Than Proficient	% Proficient	% Advanced
Grade 9	27%	65%	8%	23.5%	72.5%	4.0%
Grade 10	NA	NA	NA	22.2%	68.3%	9.5%
Grade 11	NA	NA	NA	33.9%	61.0%	5.1%

NWEA Measures of Academic Performance -- Math						
	Spring 2010			Spring 2011		
	% Less Than Proficient	% Proficient	% Advanced	% Less Than Proficient	% Proficient	% Advanced
Grade 11	15%	73%	12%	30.5%	66.1%	3.4%

NWEA Measures of Academic Performance -- General Science						
	Spring 2010			Spring 2011		
	% Less Than Proficient	% Proficient	% Advanced	% Less Than Proficient	% Proficient	% Advanced
Grade 10	32%	61%	7%	19.0%	73.0%	8.0%

Manning Elementary Progress with Early Intervention Goals

Comprehensive Literacy Goal:

- √ Fully engage Kindergarten through Fourth Grade students in reading and across curriculum using strategies, supplemental resources, and progress monitoring to increase student achievement.

Professional Development:

- √ Throughout the school year teachers receive professional development on literacy strategies and student-driven management structures to fully engage students in a comprehensive literacy program. The preschool teacher attends the Early Childhood Institute that provides support for the implementation of Creative Curriculum and QPPS requirements.

Evaluation Criteria:

- √ Teacher and Student surveys
- √ Increased level of achievement of district assessments and formal/informal classroom assessments
- √ Observed changes in instructional and curriculum practices, organizational groupings, etc. implemented as a result of professional development activities

Reading and Math Goal Progress:

The percent of students proficient in Reading on the ITBS in 2nd grade showed a slight increase from 2009-10 (87.5%) to 2010-11 (88.5%). The percent proficient in 3rd grade increased from 85.3% to 89.6% during that time. The data indicates the most recent cohort group also increased in the percent proficient from 2nd (87.5%) to 3rd grade (89.6%). On DIBELS the percent at Core shows a decrease in 1st grade from 2009-10 (85%) to 2010-11 (70%). All other grades show an increase during that same period of time. 2nd grade increased from 76% to 92%, 3rd grade increased from 62% to 92%, and 4th grade increased from 67% to 85%. This is also an increase for all cohorts.

The percent of students proficient in Math according to ITBS Math Total decreased in 2nd grade from 2009-10 to 2010-11 from 91.7% to 69.2%. In 3rd and 4th grade, the percent of students proficient increased. In 3rd grade the percent increased from 64.8% to 79.2% and in 4th grade from 54.5% to 70.6%. However, during this time, the 2nd to 3rd grade cohort group showed a decrease (91.7% to 79.2%). The Manning Elementary School continues to focus on low performing students, with a focus based on the subgroups of gender and economic level, in the implementation of action plans related to state and federal early intervention goals.