

# Idaho Center for Fiscal Policy Report

## Investing in Public Education



### Evaluating the Trajectory of Reinvestment in Idaho's Education System

This report evaluates the extent to which the three funding sources for our public school system - state, federal and local - are able to provide the resources needed to achieve Idaho's education policy goals over time. Our examination reveals three key findings in Idaho education funding:

1. When adjusted for inflation and student growth, general fund support for public schools today is lower compared with 2008, despite efforts to rebuild funding in recent years (Figure 1).
2. There is increased reliance on supplemental property tax levies<sup>1</sup> at the school district level, resulting in increasingly divergent funding levels per pupil across the state (Figures 3, 4, and 5).
3. Despite recent gains, the state is only about halfway towards fully funding the policy improvements identified by a wide array of education stakeholders (Table 2).

### Introduction

In recent years, Idaho has established ambitious goals for our system of public education – goals designed to allow all students to achieve their full potential and to promote economic growth and prosperity for all of our state's communities well into the future.

At first glance, Idahoans seem to be investing less in educating Idaho students. Yet pressure has increased to make up the shortfall at the local level through property taxes. **Section 1** of this report addresses the decline in state funding over time and **Section 2** examines how local tax levies are being used to compensate for this shortfall. The unintended consequences of these trends put some students at a disadvantage when it comes to academic achievement.

Policymakers have taken steps in recent years to reverse disinvestment in education as Idaho has slowly recovered from the recession. Additionally, the state has set bold, specific goals to improve student achievement. In **Section 3** we evaluate the progress made towards recommendations issued in 2013 by Governor Otter's Task Force for Improving Education and discuss further steps needed to put Idaho's education system on track to meet our goals.

A new federal administration in 2017 means federal funds that support traditional public and charter schools could change significantly, with implications for how much state investment will be needed to achieve our goals (page 3).

### Idaho General Fund Investments: A Dramatic Downturn and Recent Progress

In the past decade, state investment in public education dropped dramatically, stagnated, and then picked up again as stakeholders came together around shared policy priorities. Disinvestment was a reaction to weak economic performance during the economic downturn that began in 2009. But decisions about taxes and the state budget have also decreased or reallocated the dollars available to rebuild investment for education and other public services.

The 2006 property tax swap replaced approximately \$260 million in property taxes for schools with revenue from a 1% increase in the sales tax, which that year brought in \$210 million. One analysis estimates the value of the eliminated property taxes in 2015-16 at \$303.1 million.<sup>2</sup> A 2012 reduction in the state's top income tax rate from 7.8% to 7.4% reduced revenue by \$35.7 million dollars (not adjusted for inflation).

In 2013 a new personal property tax exemption meant that General Fund dollars would be redirected to shore up local taxing districts' revenue losses. After several years of policy choices in which lawmakers redirected resources, the economic recession hit the state in 2009, resulting in scarce years for all public services.

A disciplined legislative approach to funding Governor Otter's Education Task Force recommendations has resulted in larger commitments to education in the past two years and continues to offer opportunities to strengthen education funding further.

The 2017 General Fund budget continued the trend of reinvestment in education (refer to Table 1).

Governor Otter recommended \$10.7 for a new literacy initiative, which was ultimately created with a \$9.1 million investment in addition to the \$2.1 being spent annually on literacy.

This budget also made good on the Task Force recommendation to fund the second year of the teacher career ladder and to restore operational<sup>3</sup> funding to pre-recession levels in nominal terms (i.e. not adjusted for inflation).

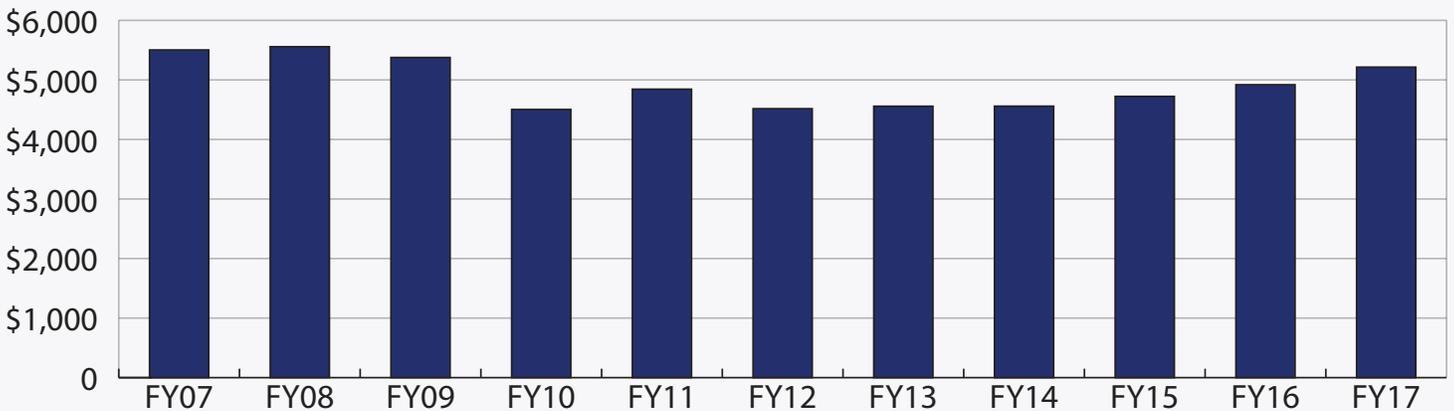
Despite steadily increasing General Fund revenue since 2013 and targeted investments, funding for public schools has not returned to pre-recession levels. Inflation-adjusted funding for the public schools budget in fiscal year 2017 was \$343 per student below 2008 levels (Figure 1).

**Table 1. Task Force Investments Made in 2017**  
New Dollars Appropriated by Task Force Recommendation\*

Recommendation	FY2017
Career Ladder	\$41,500,000
Restore Operational Funding	\$27,309,300
Educator and Student Technology Devices	\$18,000,000
Job-Embedded Professional Learning	\$16,400,000
Literacy Proficiency	\$9,100,000
Advanced Opportunities	\$6,000,000
Bandwidth/Wireless Infrastructure**	\$4,800,000
Statewide Electronic Collaboration	\$3,000,000
Mastery Based System	\$1,400,000
Training Admins, Superintendents, School Boards	\$652,000
<b>Total</b>	<b>\$128,161,300</b>

\*Table does not include recommendations that did not receive new dollars in FY2017. These figures represent the difference between FY2017 and FY2016 appropriations for each item.  
\*\*Includes \$2.7 million ongoing for broadband and \$2.1 one-time appropriation for wireless connectivity.

**Figure 1. Per Student General Fund School Funding (Inflation-Adjusted, Constant 2015 Dollars)**

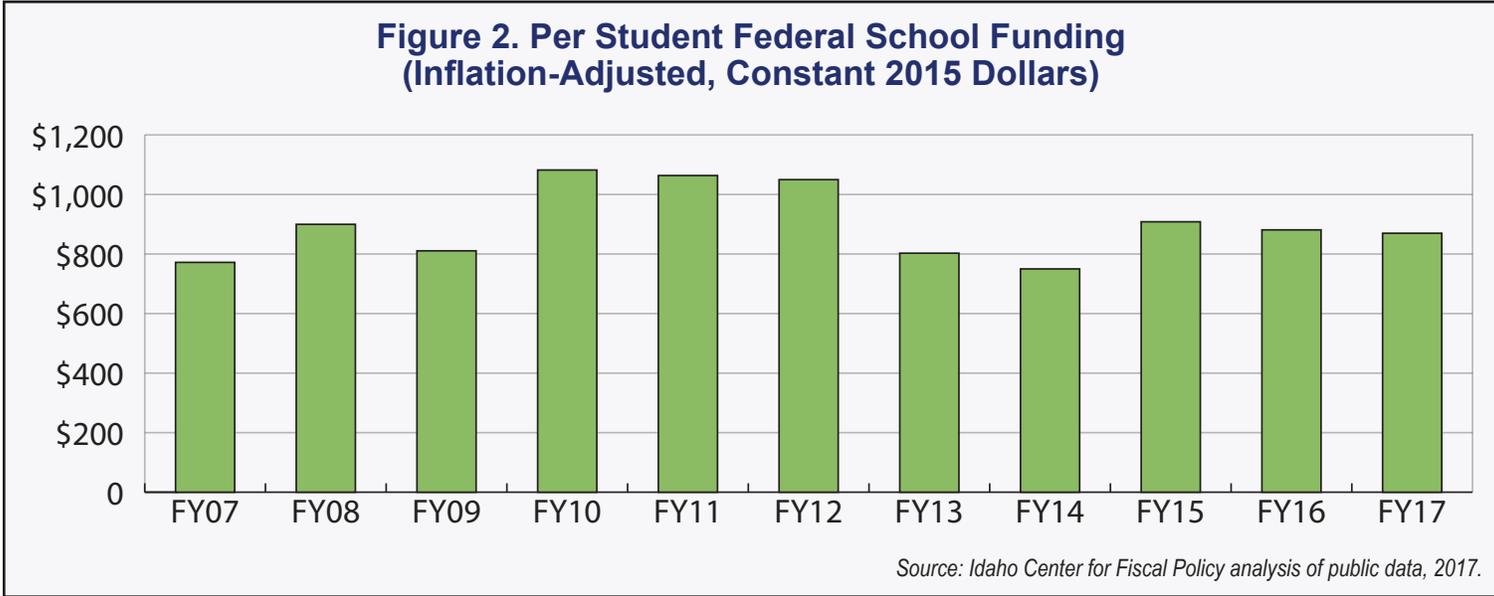


Source: Idaho Center for Fiscal Policy analysis of public data, 2017.

And, as state funding has decreased, federal education funding has been variable (Figure 2). Federal funds are designed primarily to support school nutrition programs (39% of all federal funds for Idaho schools in 2016), students with disabilities (24% of funds), and to enhance services for low-income students via Title I programs (25% of funds).

Title I programs provide additional staff to work with low-income students or to facilitate school-wide programs in reading or math where there are many low-income students. The remaining 12% of federal funds go to other programs, such as rural education services, school health services, and services for students who are homeless.

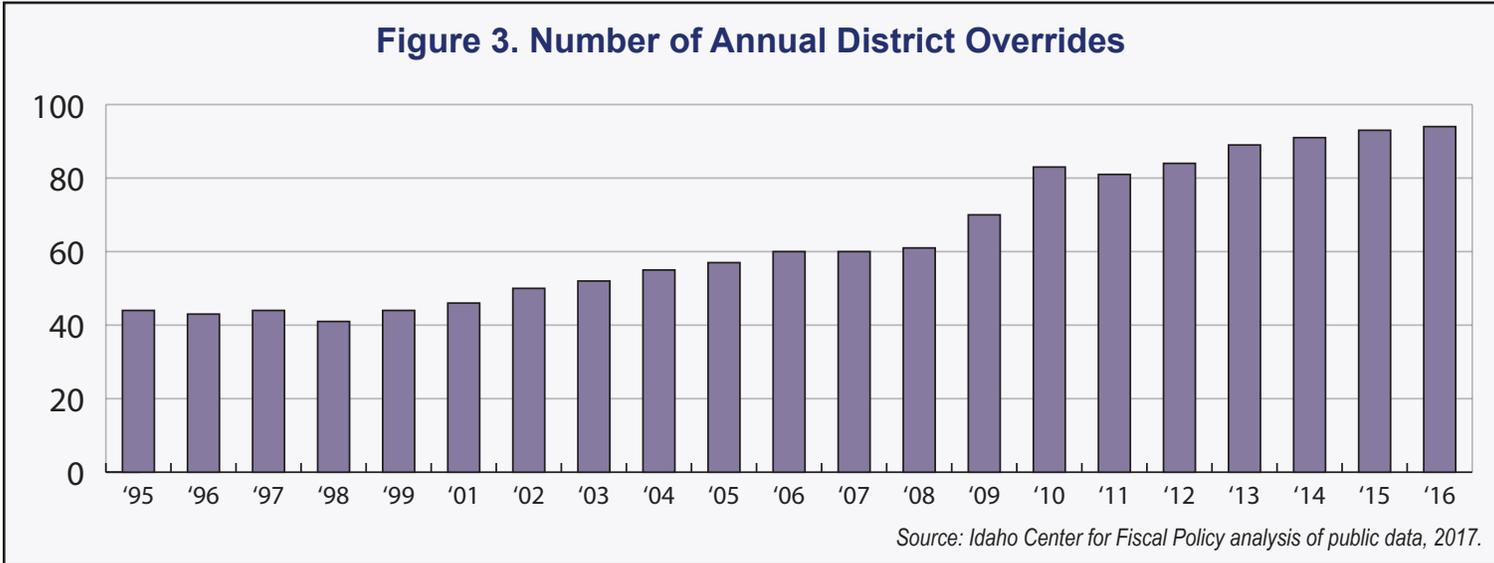
While federal funds increased per student during the recession, they have since been cut back to pre-recession levels, when accounting for inflation. In a new landscape, federal funds could diminish along the lines of the FY2016 House Republican budget; this plan's impact would result in a \$1.2 billion reduction in Title I funding, equivalent to serving 1.9 million fewer low-income students across the country.



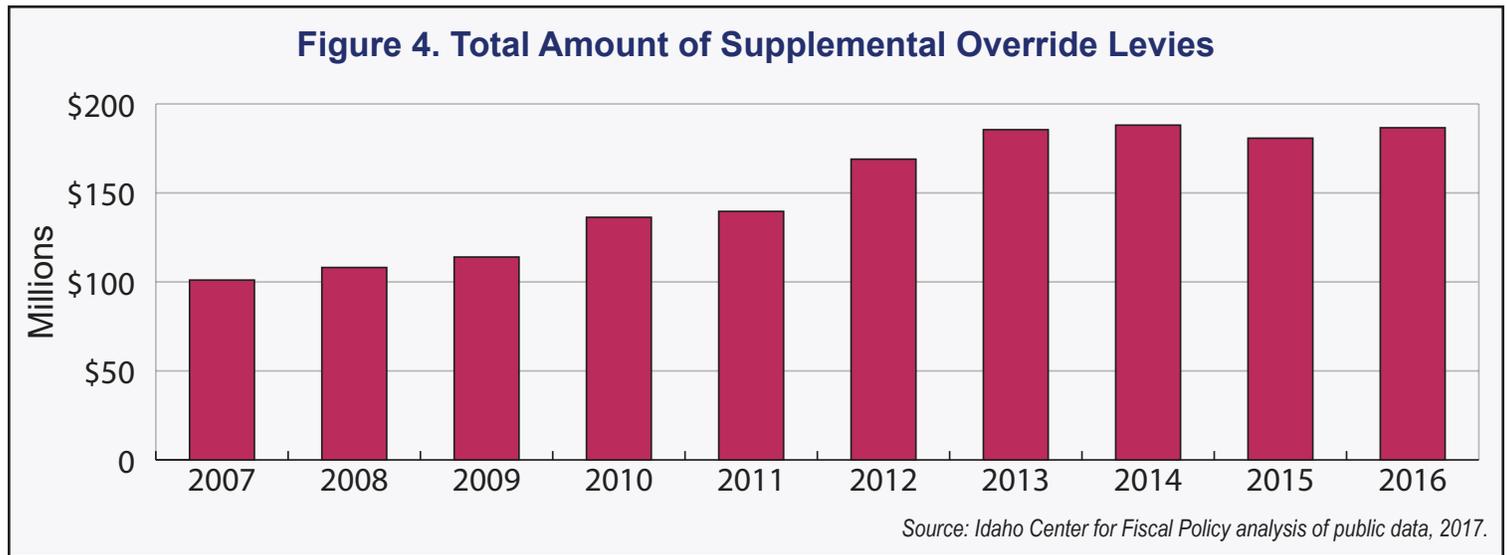
### Shifting the Load to Local Property Taxes

The cost of educating Idaho's students has slowly been shifting from the state to local communities, resulting in unequal funding levels across the state. This troubling trend puts certain students at a disadvantage to others.

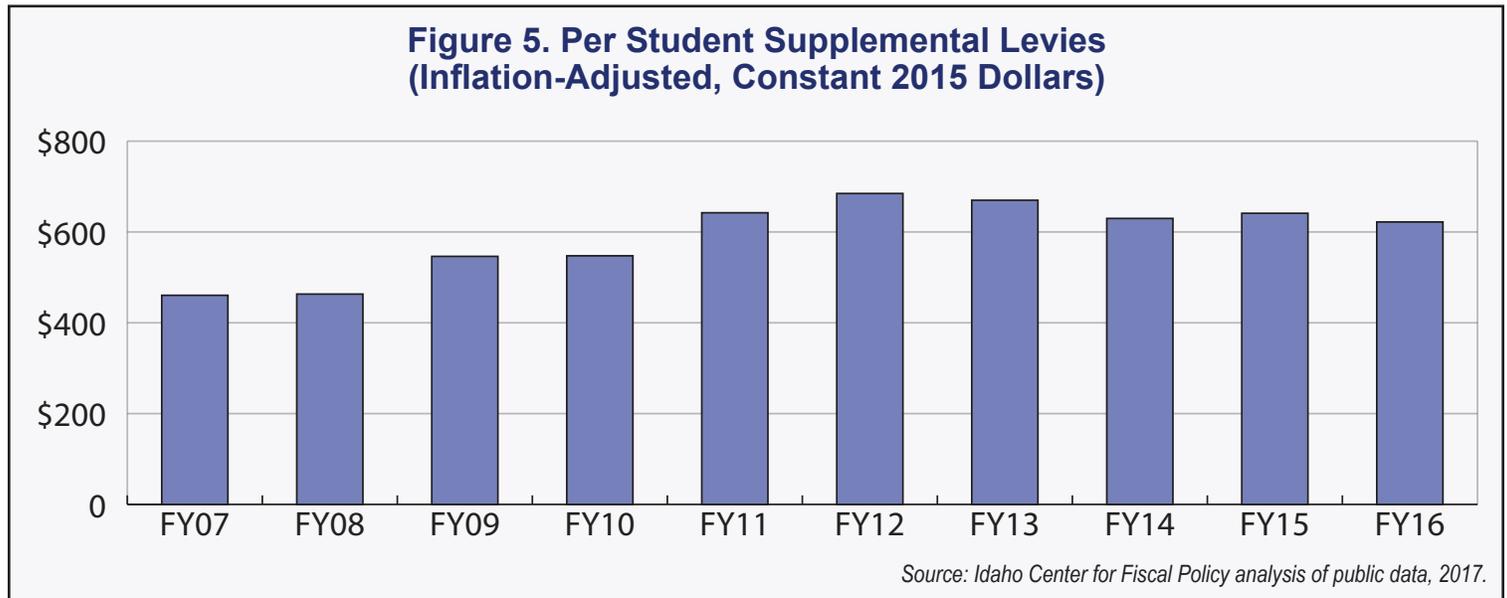
Over the past ten years, the use of supplemental school levies – short-term local property tax increases to fund schools - has grown from 52% of Idaho's school districts to 82% (or 60 districts in 2006 to 94 districts in 2016). The trend is more dramatic if we look further back in time. In 1998, just 36% (41 districts) had supplemental levies. Since fiscal year 2010 the total number of levies has remained elevated (Figure 3).



The amount of public school funding coming from local property tax levies nearly doubled from 2007 to 2013. From 2013 to the present the number of levies has remained fairly consistent around its peak. Yet the amount has not declined (Figure 4), suggesting the tax shift may be here to stay.



For every Idaho student in 2007, supplemental levies contributed on average \$460 to each student's education (Figure 5). By 2012 this amount was nearly \$700 before coming down to \$640 in 2016, suggesting a leveling off.<sup>4</sup>

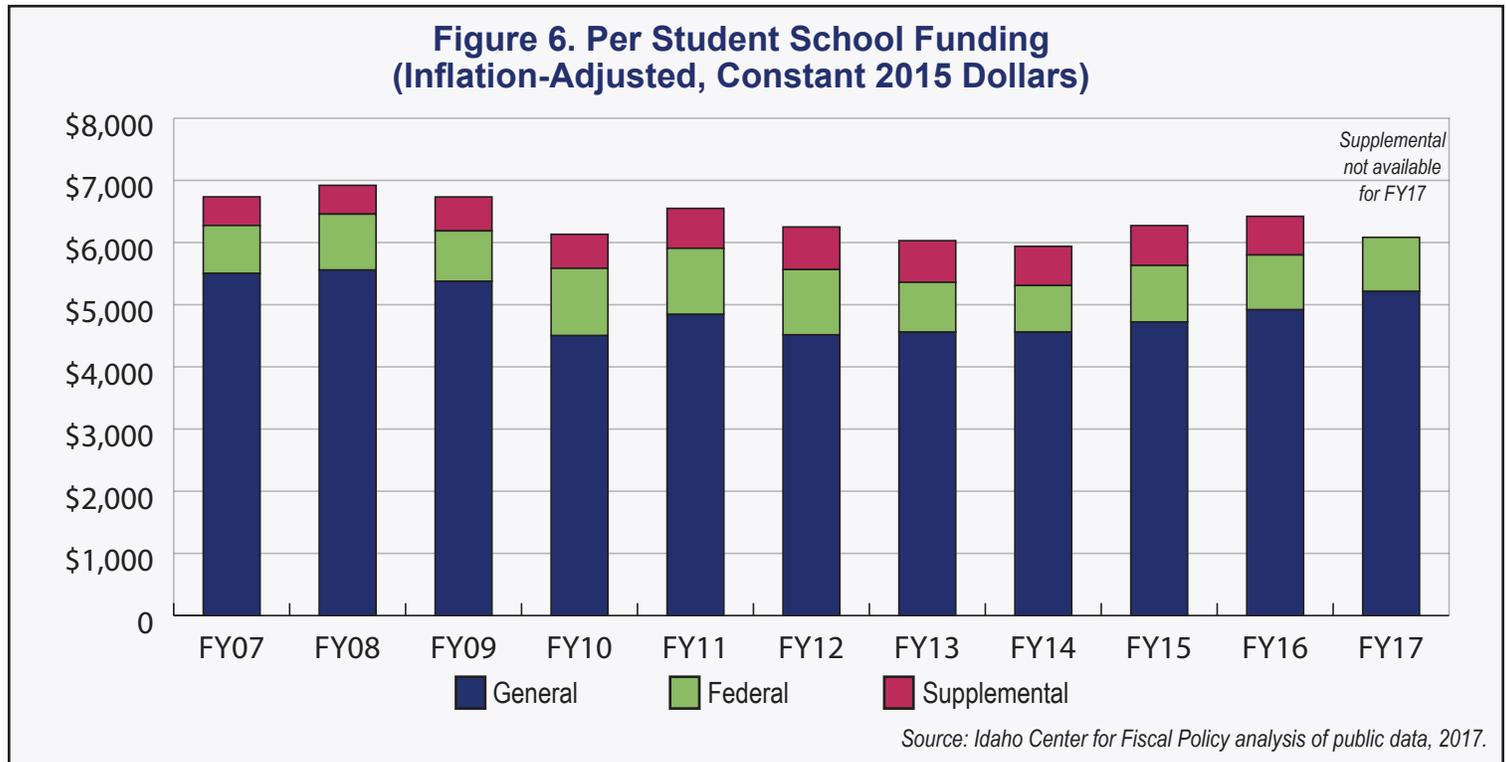


While statewide averages show overall trends, it is important to consider the differential effects of recent policy choices on Idaho communities. In particular, the 2006 funding shift did away with the equalization provision that helped even out the differences in property values across school districts. Without it, funding inequities between districts are left to grow.

Of the 94 school districts that have a supplemental levy, 40 raise \$1,000 or more per student, 23 raise between \$500 and \$1,000, and the remaining 31 districts raise less than \$500 per student. The inequity lies in property values, which vary between communities. In less-wealthy communities, property values in the area will not necessarily support a significant amount of funding to supplement the state's contribution per student. Rather than defining the resources that would help students achieve, some communities must make do with what they are able to raise.

Without the same purchasing power for quality instruction and opportunities provided in school settings, some students are at a disadvantage. In Idaho Falls, for example, smaller districts are losing teachers not only to states with better teacher pay and benefits, but to neighboring larger districts with more resources to spend on teachers.

Figure 6, below, compares all funding sources per-student.



## Measuring Against Our Own Goals - Our Students' Future, Our Economy's Future

Governor Otter convened a Task Force to examine Idaho's public education needs, which produced a set of 20 policy recommendations in 2013 to guide public education for the next several years, many with funding commitments. While investments were strong in the three budget years since recommendations were crafted, the most costly components of the task force recommendations - and some others - have yet to be fully funded.

The table on the following page (Table 2) represents the cumulative dollars in budget years 2015, 2016, and 2017 by Task Force item, of appropriations that can be tied to the Task Force (some appropriations in these areas were made during this time but are not attributable). The table summarizes all twenty recommendations, the financial progress to date on each, an estimate of the funding required to achieve each goal, and the additional funding required.

While Idaho has cumulatively invested \$228.6 million over the last three years in the recommendations, an estimated \$277.1 million still remains to fully fund the recommendations. This estimate derives just from the five recommendations that actually have a projected cost. The recommendation to restore operational funding (#11) was met in FY2017 in nominal terms. But when adjusted for inflation, there is still \$44 million to meet that recommendation in real terms. In FY2017 the School Funding Formula Committee for the first time crafted an estimate of the cost of shifting to an enrollment model of school funding, at \$57 million.

Another six recommendations have been identified for further investment, but without a projection. For example, #1 (mastery-based education) is in an early stage where demand for the mastery model is not yet known. Encouragingly, several recommendations have been met with already-existing resources or have been combined with other recommendations.

For example, the State Board of Education has used its budget to address #5 (an new accountability structure) and #6 (recommendations for teacher preparation), while #15 (teacher mentoring programs) is being addressed alongside #16 (job-embedded professional learning) which has received new dollars.

Progress towards implementing these recommendations has been made. Yet there is still much to do to ensure our students are prepared to compete and succeed. As Idaho continues to the next phase of implementation, we can steadily make the policy choices we need to ensure we have the resources to prepare students for careers that will benefit our economy and our communities.

**Table 2. Funding Progress on the Task Force on Improving Education**  
**Cumulative Funding by Recommendation, FY 2015-2017, and Additional Funding Required**

	Recommendation	Funding To Date	Projected Cost	Funding Required
1	Mastery Based System	\$1,400,000	Undetermined	Undetermined
2	Idaho Core Standards	Met w/existing dollars		
3	Literacy Proficiency	\$9,100,000	\$21,000,000 <sup>1</sup>	\$11,900,000
4	Advanced Opportunities	\$6,000,000	Undetermined	Undetermined
5	Accountability for Student Outcomes	Met w/existing dollars		
6	Empower Autonomy	Met w/existing dollars		
7	Strategic Planning	Combined with #18		
8	Statewide Electronic Collaboration	\$3,000,000	Undetermined	Undetermined
9	Bandwidth/Wireless Infrastructure	\$15,200,000 <sup>2</sup>	Undetermined	Undetermined
10	Educator and Student Technology Devices	\$18,000,000	\$60,000,000 <sup>3</sup>	\$42,000,000
11	Restore Operational Funding	\$83,895,500	\$83,895,500 <sup>4</sup>	\$0
12	Career Ladder	\$75,000,000	\$228,200,000 <sup>5</sup>	\$153,200,000
13	Enrollment Model of Funding	\$0	\$57,000,000 <sup>6</sup>	\$57,000,000
14	Tiered Licensure	Combined with #12		
15	Mentoring Program	Combined with #16		
16	Job-Embedded Professional Learning	\$16,400,000	\$29,400,000	\$13,000,000 <sup>7</sup>
17	Site-Based Collaboration Teachers/Leaders	Met w/existing dollars		
18	Training Admins, Superintendents, School Boards	\$652,000	Undetermined	Undetermined
19	Enhanced Pre-Service Teaching Opportunities	Met w/existing dollars		
20	Recommendations for Teacher Preparation	Met w/existing dollars		
	<b>Total</b>	<b>\$228,647,500</b>	<b>\$479,495,500</b>	<b>\$277,100,000</b>

<sup>1</sup> The Literacy Subcommittee recommended \$21 million over 5 years beginning with FY17.

<sup>2</sup> Includes \$2.7 million ongoing for broadband and \$2.1 million one-time appropriation for wireless connectivity.

<sup>3</sup> Recommendation was to reach \$60 million in a multi-year phase-in.

<sup>4</sup> Adjusted for inflation, the cost of this recommendation is \$127.9 million and \$44 million in additional dollars would be required.

<sup>5</sup> Estimated need in FY18 is \$57 million and \$96.2 million in remaining years.

<sup>6</sup> Estimated by School Funding Formula Committee.

<sup>7</sup> Goal is to reach three professional development days per year.

## Footnotes

1. Supplemental taxes levied on property in each district for purposes of raising additional funds for that district (Legislative Services Office, 2015).
2. Richert, Kevin, "Tax Shift of 2006 Adds up to Tax Increase." Idaho Ed News. Retrieved from: <https://www.idahoednews.org/news/tax-shift-2006-adds-tax-increase/>
3. Operational funding can be used by districts to cover costs such as teacher pay and benefits, textbooks, and student transportation.
4. All in 2015 inflation adjusted dollars.

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