

School Finance Formula - State Categorical Roll-In

Enactment of HF 2679 (FY 2009 Education Appropriations Act) requires the following State categorical funding programs to be funded on a per pupil basis through the school aid formula beginning in FY 2010:

- Teacher Salary Supplement – includes the Student Achievement/Teacher Quality (SATQ) Teacher Compensation and Educational Excellence Phase II programs.
- Professional Development Supplement – includes the SATQ Professional Development program.
- Early Intervention Supplement – includes the Early Intervention/Class Size Reduction (EICSR) program.

The legislation also requires that the per pupil cost for each supplement be increased by an allowable growth rate annually beginning in FY 2011 (the General Assembly will be required to set these allowable growth rates during the 2009 Legislative Session). Also included was a budget guarantee provision that provides school districts and area education agencies (AEAs) with a minimum of the previous year's unadjusted supplement total for each of the supplement categories. Each supplement category and any corresponding budget guarantee amount will be funded entirely through State aid and is part of the school district's budget authority.

Statutory requirements of the categorical funding were maintained and funding generated through the formula must be used for the specified purposes. Other SATQ programs (i.e.: National Board Certification, Mentoring and Induction, etc.) are not included in

the per pupil funding. Educational Excellence Phase I will continue to receive a standing appropriation but will not be included in the school finance formula.

Brief Program Histories

Educational Excellence: The Educational Excellence Program was initiated in FY 1988 and included funding for Phase I (designated for the recruitment of quality teachers) Phase II (designated for the retention of quality teachers), and Phase III (designated for utilization of performance pay). Phase III was eliminated in 2003. Since FY 2004, the Educational Excellence Program has received approximately \$55.5 million annually with Phase II receiving about \$41.0 million of that amount. Allocations of Phase II funds were made to school districts and AEAs.

Early Intervention/Class Size Reduction: Also referred to as the Early Intervention Block Grant, this Program was established to provide resources to reduce class sizes in kindergarten through grade three. The original legislation established a sunset after FY 2003. However, the Program and funding was extended through FY 2012. Historic funding for the Program is as follows:

- \$10.0 million in FY 2000
- \$20.0 million in FY 2001
- \$30.0 million annually in FY 2002 and FY 2003
- \$29.3 million annually in FY 2004 through FY 2009

Allocations to school districts were based on grades K-3 enrollments and students in grades 1-3 free or reduced price lunch eligibility.

Student Achievement/Teacher Quality (SATQ): This Program was initiated in FY 2002 to promote high student achievement in part by increasing teacher salaries and providing professional development to support best teaching practices. School districts and AEAs received allocations for the teacher compensation portion and the professional development portion of the SATQ Program. Historical funding for the Programs includes:

- FY 2002 - \$31.2 million for teacher compensation and \$3.0 million for professional development.
- FY 2003 - \$32.3 million for teacher compensation and \$1.8 million for professional development.
- FY 2004 - \$37.5 million for teacher compensation and \$4.2 million for professional development.
- FY 2005 - \$40.4 million for teacher compensation and \$0.2 for professional development.
- FY 2006 - \$46.3 million for teacher compensation, \$10.0 million for professional development, and \$6.6 million for either teacher compensation or professional development.

(over)

More Information

Related website:

http://staffweb.legis.state.ia.us/lfb/docs/k-12_ed/FY11_RollInEstimate_082808.xls

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- FY 2007 - \$75.8 million for teacher compensation, \$10.0 million for professional development, and \$6.6 million for either teacher compensation or professional development.
- FY 2008 - \$141.3 million for teacher compensation and \$20.0 million for professional development.
- FY 2009 - \$210.0 million for teacher compensation and \$28.5 million for professional development.

FY 2010 Funding

The per pupil funding for the State categorical supplements will begin in FY 2010. For each supplement, the Department of Management will use amount allocated to school districts in FY 2009 and the FY 2010 budget enrollments (certified enrollments on October 2009) to determine the per pupil amounts. Unless there are additional funds appropriated for the

specific categorical areas, each school district will receive the same amount of funding in FY 2010 that was received in FY 2009 for those specific State categorical programs.

FY 2011 Funding

The General Assembly will be required to set a State Categorical Supplement allowable growth rate for each of the following (although one rate can be applied to all):

- Teacher Salary Supplement
- Professional Development Supplement
- Early Intervention Supplement

The growth rate will be applied to determine a per pupil growth increase of the FY 2010 per pupil amount for each category. The FY 2011 budget enrollments will be used to calculate each school district's supplement amounts for each category.

Estimates for FY 2010 and FY 2011

The following table compares estimates of the State Categorical Supplements for FY 2010 at allowable growth rates of 0.0% and 4.0% for FY 2011.

Assuming an allowable growth rate of 0.0% for each supplement, the total cost of the State Categorical

Supplements is estimated at \$311.2 million, an increase of \$2.2 million (0.7%) compared to estimated FY 2010.

Assuming an allowable growth rate of 4.0% for each of the supplements, the total cost would be \$321.0 million, an increase of \$12.0 million (3.9%) compared to estimated FY 2010.

Additional information including estimated impacts for individual school districts and AEAs is available from LSA.

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Estimated State Categorical Supplements FY 2010 and FY 2011

	Estimated FY 2010	Estimated FY 2011: 0.0% Allowable Growth	Estimated FY 2011: 4.0% Allowable Growth
Unadjusted Teacher Salary Supplement	\$ 251,251,624	\$ 250,897,548	\$ 260,937,969
Budget Guarantee	N.A.	2,137,165	90,095
Total Teacher Salary Supplement	\$ 251,251,624	\$ 253,034,713	\$ 261,028,064
Unadjusted Professional Development Supplement	\$ 28,498,400	\$ 28,458,492	\$ 29,597,814
Budget Guarantee	N.A.	239,419	9,332
Total Professional Development Supplement	\$ 28,498,400	\$ 28,697,911	\$ 29,607,146
Unadjusted Early Intervention Supplement	\$ 29,249,722	\$ 29,212,245	\$ 30,381,232
Budget Guarantee	N.A.	241,589	3,910
Total Early Intervention Supplement	\$ 29,249,722	\$ 29,453,834	\$ 30,385,142
Total of All Supplements	\$ 308,999,746	\$ 311,186,458	\$ 321,020,352
Change Compared to FY 2010		\$ 2,186,712	\$ 12,020,606
Percentage Change Compared to FY 2010		0.71%	3.89%