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# BUDGET UNIT BRIEF – FY 2018

Fiscal Services Division

December 15, 2017



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Des Moines, Iowa 50319

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## State Foundation School Aid

### Program Overview

Iowa Code chapter 257 provides the requirements and provisions of the current school aid formula for Iowa. Approved during the 1989 Legislative Session (1989 Acts, chapter 135) and implemented in FY 1991, the current school aid formula provides funding to local school districts and area education agencies (AEAs). Funding is generated for a variety of specific school district and AEA programs through the school aid formula. The funding stream for each program is indicated in the tables below.

School District Funding - School Aid Formula		
	Property Taxes	State Aid
District Regular Program	x	x
Regular Program Budget Guarantee	x	
Special Education Program	x	x
District Sharing	x	x
Limited English Proficient (LEP) Program	x	x
At-Risk Programs	x	x
Dropout prevention and support	x	x
Teacher salary supplement		x
Professional development supplement		x
Early Intervention supplement		x
Teacher Leadership supplement		x
Statewide preschool		x

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### More Information

LSA Fiscal Division School Aid Presentation: [www.legis.iowa.gov/docs/publications/FLL/851037.pdf](http://www.legis.iowa.gov/docs/publications/FLL/851037.pdf)

LSA Historical School Aid Data: [www.legis.iowa.gov/publications/fiscal/k12/other](http://www.legis.iowa.gov/publications/fiscal/k12/other)

LSA Legal Division Education Finance Legislative Guide:

[www.legis.iowa.gov/docs/publications/LG/13834.pdf](http://www.legis.iowa.gov/docs/publications/LG/13834.pdf)

LSA Legal Division Supplemental State Aid Programs Legislative Guide:

[www.legis.iowa.gov/docs/publications/BF/13835.pdf](http://www.legis.iowa.gov/docs/publications/BF/13835.pdf)

Iowa Department of Management, School Aid Information: [dom.iowa.gov/schools](http://dom.iowa.gov/schools)

Iowa Department of Education, School Finance Resources: [www.educateiowa.gov/pk-12/school-business-finance/financial-management/school-finance-resources](http://www.educateiowa.gov/pk-12/school-business-finance/financial-management/school-finance-resources)

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<b>AEA Funding - School Aid Formula</b>		
	Property Taxes	State Aid
Special education support	x	x
Media services	x	
Education services	x	
Sharing incentives	x	x
Teacher salary supplement		x

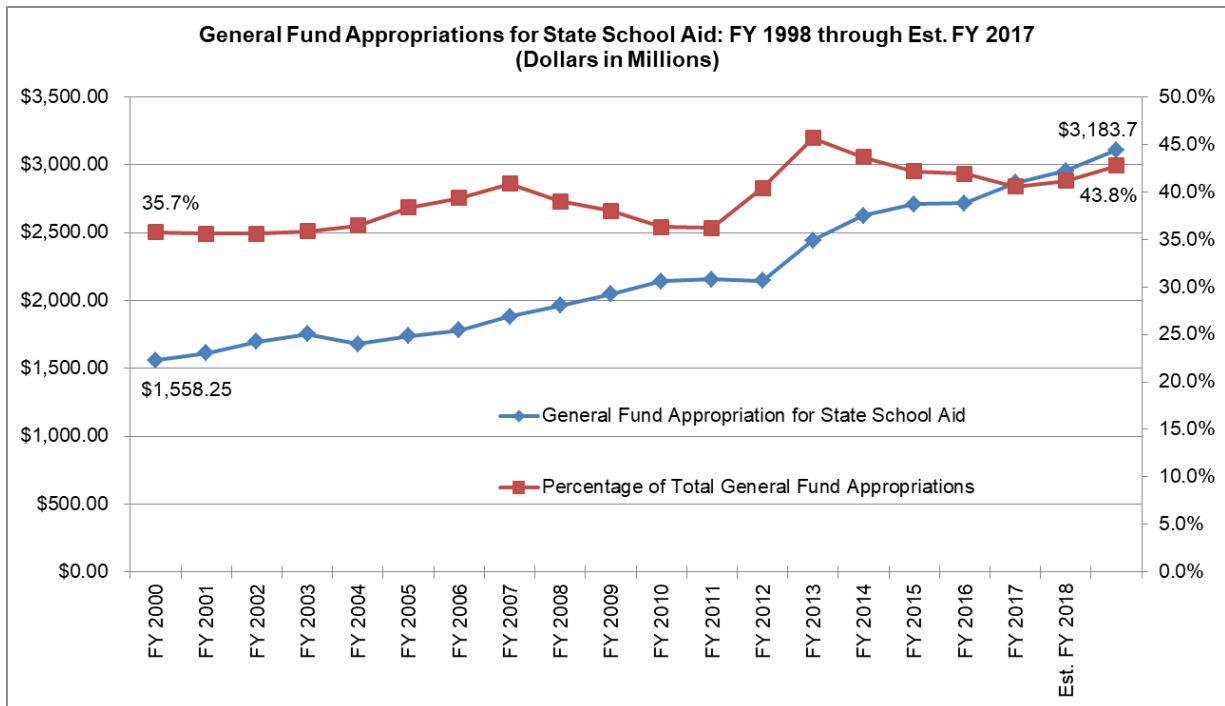
In addition to funding designated for specific programs, the school aid formula provides targeted property tax relief to school districts. There are three specific provisions built into the school aid formula that provide property tax relief, including:

- **Property Tax Adjustment Aid (1992 provision):** Implemented with the revised school aid formula. It has a gradual phase-out with an undetermined completion date.
- **Property Tax Adjustment Aid:** The Adjusted Additional Levy was implemented in FY 2007, and provides targeted tax relief for districts with the highest adjusted additional levy rate. Funding for this provision includes a General Fund appropriation of \$24.0 million through the school aid formula and excess State sales/use tax revenues that remain after the Secure an Advanced Vision for Education (SAVE) funds. Additionally, if funding is sufficient, all districts may receive tax relief through a temporary increase in the foundation level.
- **Property Tax Replacement Payment:** Initially implemented in FY 2014, provides State aid in place of property tax due to the increase in the cost per pupil in FY 2014 and FY 2015. This provision was extended during the most recent legislative session and is in place through FY 2018.

## Funding

Iowa Code provides a standing unlimited State aid appropriation to the Department of Education that distributes funds to school districts and AEAs based on allocations calculated by the Department of Management (DOM). The DOM bases these calculations on foundation levels that are determined by the mix of local property tax and State foundation aid on an annual basis. Total funding is generally based on per pupil costs multiplied by enrollments and weighted enrollments for specific programs. State aid and property tax amounts by school district are based on the program funding amounts, the foundation levels, and each school district's taxable property valuation. Additionally, the DOM determines specific property tax relief amounts by school district. Once the calculations are finalized by the DOM, the General Fund appropriation amount required for State school aid is determined. School districts receive State aid payments over a 10-month period beginning in September of the school year.

The following graph illustrates the total General Fund appropriation amount for State school aid and the overall percentage of the State school aid appropriation compared to total General Fund appropriations for the period of FY 1992 through estimated FY 2018. Overall, the percentage has increased from about 36.0% (in FY 1997) to 43.8% in estimated FY 2018. The addition of the Statewide Voluntary Preschool Program (initially funded through the school aid formula in FY 2009) and the State categorical supplements (initially funded through the school aid formula in FY 2010) can be attributed to the increased funding levels in those fiscal years.



**Policy Decisions that Impact State Foundation School Aid Funding**

In general, the General Assembly does not directly appropriate funding for State school aid; the appropriation amount is determined by the formula as noted in the above paragraph. However, there are policy decisions made by the General Assembly that impact the overall level of funding (comprised of both State aid and property tax amounts). Of note, establishing the State percent of growth increases the cost per pupil amounts used to generate funding through the school aid formula and has a significant impact on the overall funding level. Iowa Code requires the Legislature to set this increase within 30 days of the Governor’s budget recommendations. Other policy decisions that may change overall funding levels include changing supplementary or special education weightings, or adding or eliminating programs. Additionally, changing the foundation level or providing some other type of property tax relief will change the State aid and property tax mix, but does not change overall funding levels.

**Related Statutes and Administrative Rules**

Iowa Code chapters [256C](#) and [257](#)