



# Dollars and Doughnuts — State School Aid

Legislative Services Agency | January 2022

# LSA Fiscal Services Division's Role in School Aid

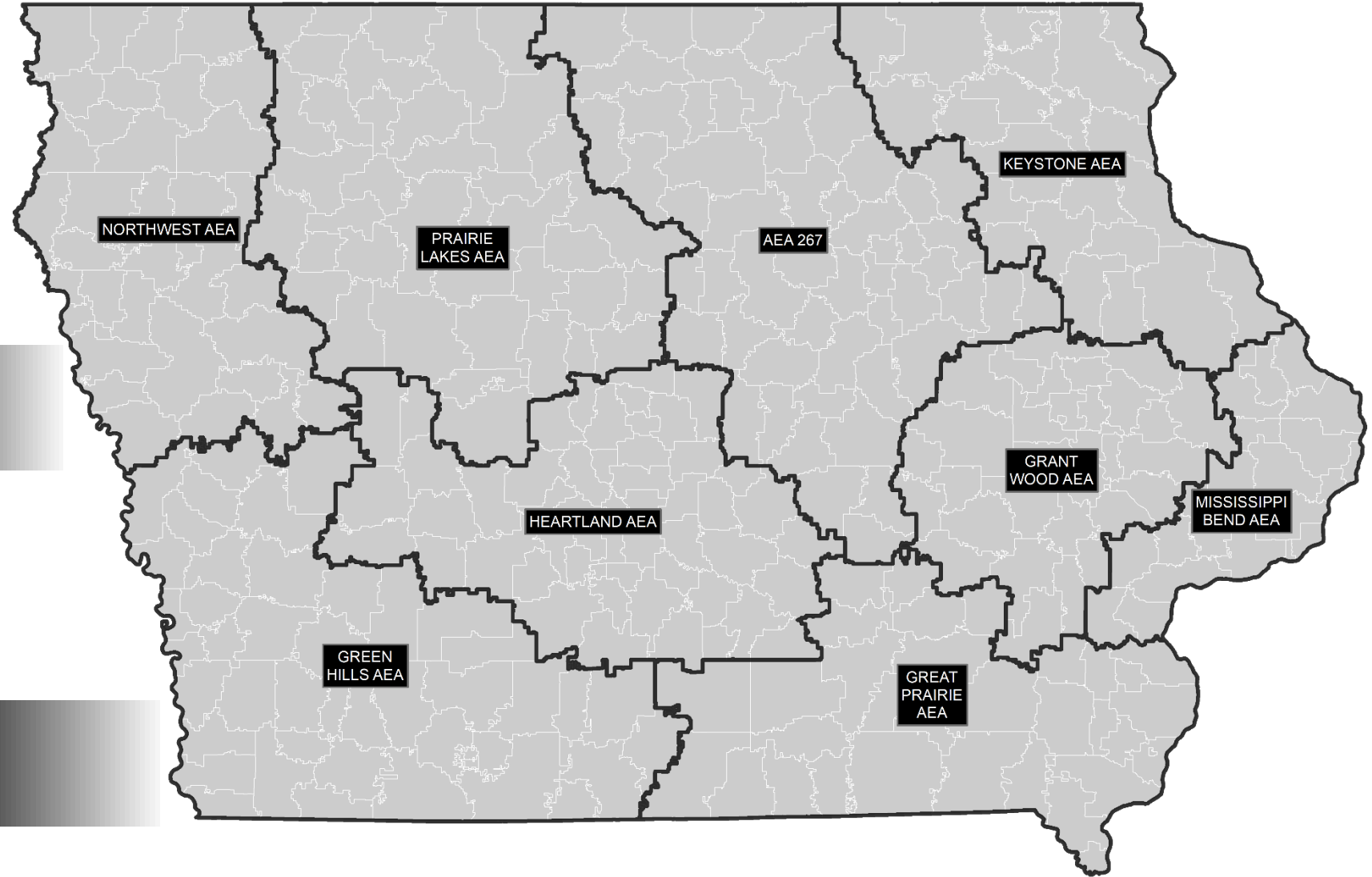


- Model the school aid and levy formula including State aid and property tax implications.
- Provide nonpartisan fiscal estimates of proposed legislation including impact at the school district level.
- Provide historical data at the State and school district level.

**FY 2022  
Budget Enrollment:  
485,630**

**327 school districts**

**Serviced by 9 Area  
Education Agencies  
(AEAs)**



# Multiple entities are involved in financing schools in Iowa.

## Department of Education

- Providing oversight of school district finances.
- Making certain payments such as **State aid** to school districts.
- Conducting fiscal reviews.

## Department of Management

- Calculating **State aid** and property taxes.
- Certifying property taxes.
- Collecting property valuations.

## Department of Revenue

- Collection of income surtax.
- Collection of State sales tax.

## Iowa Legislature

- **Establishing the means through which public schools are financed.**
- **Determining how the funding mechanisms may change.**
- **Determining how much the State provides in funding.**

## School Budget Review Committee (SBRC)

- Providing for unique and unusual circumstances which cannot be easily or timely handled through legislation.
- Considering requests of modified supplemental amounts (MSAs).

## Federal Government

- Providing targeted funds to address specific educational needs.

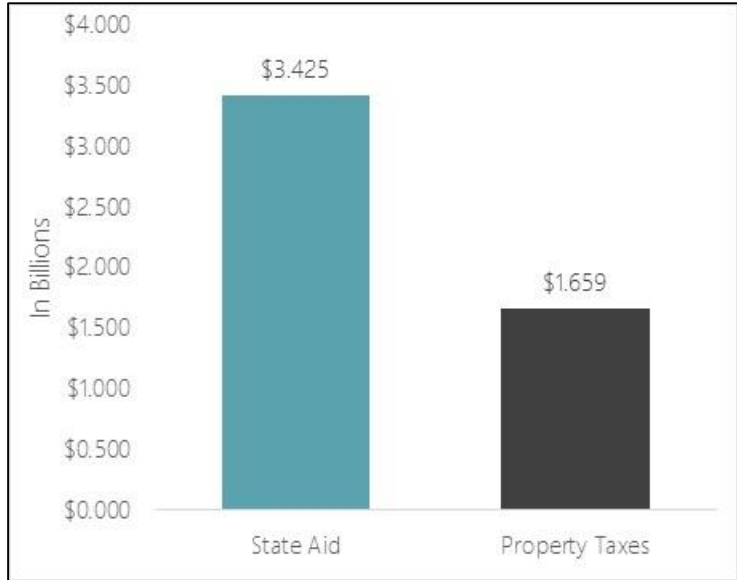


Funded by a combination of:

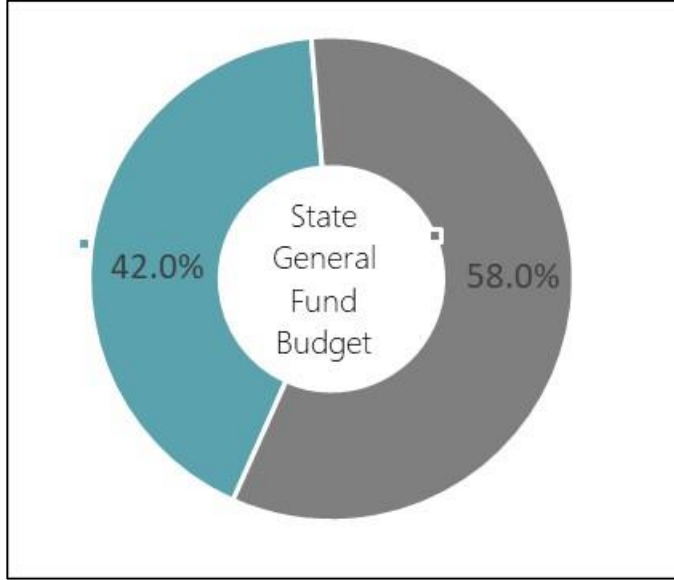
- **State Aid**
- **Property Taxes**
- Income Surtax
- Secure an Advanced Vision for Education (SAVE) (penny sales tax)
- Federal Funds
- Miscellaneous Income



\$3.425 billion for estimated FY 2022 State school aid



State school aid is a significant portion of State General Fund appropriations.



CHAPTER 257

FINANCING SCHOOL PROGRAMS

§ 256B.2, 256B.9, 256C.4, 256C.5, 256F.4, 260C.18B, 273.3, 273.9, 273.23, 274.3, 282.3, 284.11, 284.13, 284.15, 298.1, 301.1, 331.512, 463B.2, 465A.4

State school foundation program — state aid program.	257.27	Continuation of instructional program.
Definition.	257.28	Local millage levy.
Foundation property tax.	257.29	Educational improvement program.
Additional property tax.	257.30	Continuation of supplemental aid.
Continuation of supplemental aid.	257.30	School budget review committee.
Enrollment.	257.31	Composition of the committee.
Authority.	257.32	Area education budget review committee.
State percent of growth — supplemental state aid.	257.33	Prior enrichment approval.
State cost.	257.34	Cash reserve information.
District cost per pupil — district cost.	257.35	Area education agency payment.
Supplementary weighting plan.	257.36	Special education support services balances.
Supplementary weighting and school reorganization.	257.37	Funding media and educational services.
Adjustment in state foundation aid.	257.37A	Area education agency supplemental funding.
On-time funding budget adjustment.	257.38	Funding for at-risk, alternative school, and returning and dropout prevention programs — plan.
Budget adjustment.	257.39	Definitions — returning and potential dropouts.
Property tax adjustment.	257.39	Approval of requests for supplemental amounts for adopted program plan.
Appropriations.	257.40	Funding for programs for returning dropouts and dropout prevention.
Property tax equity and relief fund.	257.41	Gifted and talented children.
School district property tax replacement payments.	257.42	Program plans.
Transportation equity program — fund.	257.43	Gifted and talented children defined.
Aid reduction for early school starts.	257.44	Submission of program plan.
Instructional support program.	257.45	Funding.
Instructional support funding.	257.46	Cooperation by area educational agencies.
Instructional support state aid appropriation.	257.47	Advisory council.
Computation of instructional support amount.	257.48	
Statutes applicable.		
Form and time of return.		

**School aid formula goals are defined in Iowa Code section 257.31.**

# School Aid Formula Goals:

- Equalize educational opportunity.
- Provide good education for all Iowa children.
- Provide property tax relief.
- Decrease percentage of school costs paid from property taxes.
- Provide reasonable control of school costs.

# The school finance formula has not changed fundamentally since the early 1970s.

Prior to the 1970s, school districts were funded primarily through property taxes.

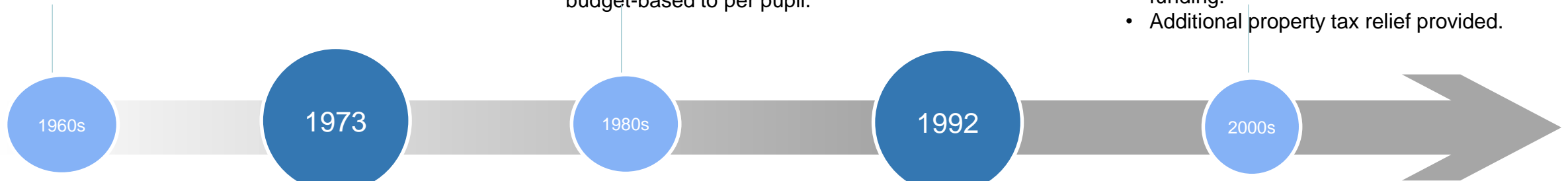
During the 1960s, some legislation equalized the method of property taxation for school purposes.

Fine tuning of school finance included:

- Revisions in how the allowable growth was calculated.
- Budget guarantees for districts.
- Change in Area Education Agencies (AEA) special education funding from budget-based to per pupil.

Fine tuning of school finance included:

- Statutory and legislative reductions to the AEAs.
- Sales tax for school infrastructure changed from local to State.
- Categorical aid converted to per pupil funding.
- Additional property tax relief provided.



In the early 1970s, a foundation plan increased State aid to schools and included:

- Uniform levy
- State foundation base
- Maximum on each district budget
- Leveling up low-spending districts to a minimum cost per pupil

Effective in FY 1992 (enacted in 1989), the school foundation aid formula was repealed and the school aid finance formula was modified with the enactment of Iowa Code chapter [257](#):

- State percent of growth became a legislative action versus economic growth factors.
- Foundation level set at 83.5% (has since increased to 87.5% and now 88.4% for FY 2023).
- Instructional Support Program established.

# School aid calculations start with enrollment.



Budget Enrollment


Based on an October 1 budget enrollment count. Each pupil is counted at 1.0. Home school assistance and dual enrolled students are counted fractionally.



Additional Weightings

Districts may generate additional weightings per pupil:

- Special education
- Other supplementary weightings



Weighted Enrollment

A district's certified budget enrollment plus additional pupil weightings equals a district's weighted enrollment. This is used to calculate different components of funding and property tax relief.

# Weighted enrollment includes:



Special Education

- In addition to budget enrollment weighting:
  - Level 1: 0.72
  - Level 2: 1.21
  - Level 3: 2.74
- Every two years, the SBRC may adjust each level of weighting by up to 0.2.
- Weightings were last adjusted in FY 2003.
- School districts may request a MSA from the SBRC to cover any deficits. State funding is not provided for the costs authorized by an MSA.



# Other Supplementary Weightings



## English Language Learners (ELL)

- Additional weightings of 0.21 for an intermediate student and 0.26 for intensive students.
- Students identified as being limited English proficient may be eligible for up to five years of weighting.
- Weightings were last adjusted with the 2021 enactment of [HF 605](#) (English Learners Funding Act).
- School districts may request an MSA from the SBRC for excess costs, or to continue funding a program for pupils after the expiration of the five-year period.



## Sharing

- Supplemental weighting is provided for several types of sharing:
  - Concurrent enrollment.
    - 0.5 Arts and Science weighting.
    - 0.7 Career and Technical weighting multiplied by classroom time.
  - Operational function sharing.
    - Up to a total of 21.0 weightings.
  - Staff and student sharing.
  - Regional academies.
  - Iowa Communications Network (ICN).
- Concurrent enrollment and operational function sharing make up about 94.0% of the total Sharing weightings.



## At-Risk Formula

- Provides additional funding for school districts serving at-risk pupils and alternative school pupils.
- Formula-driven based on:
  - Percentage of pupils by district enrolled in grades 1-6 who are eligible for free and reduced-price meals.
  - Budget enrollment of the school district.
- Last adjusted by the Department of Management in FY 2003 per Iowa Code after implementation.

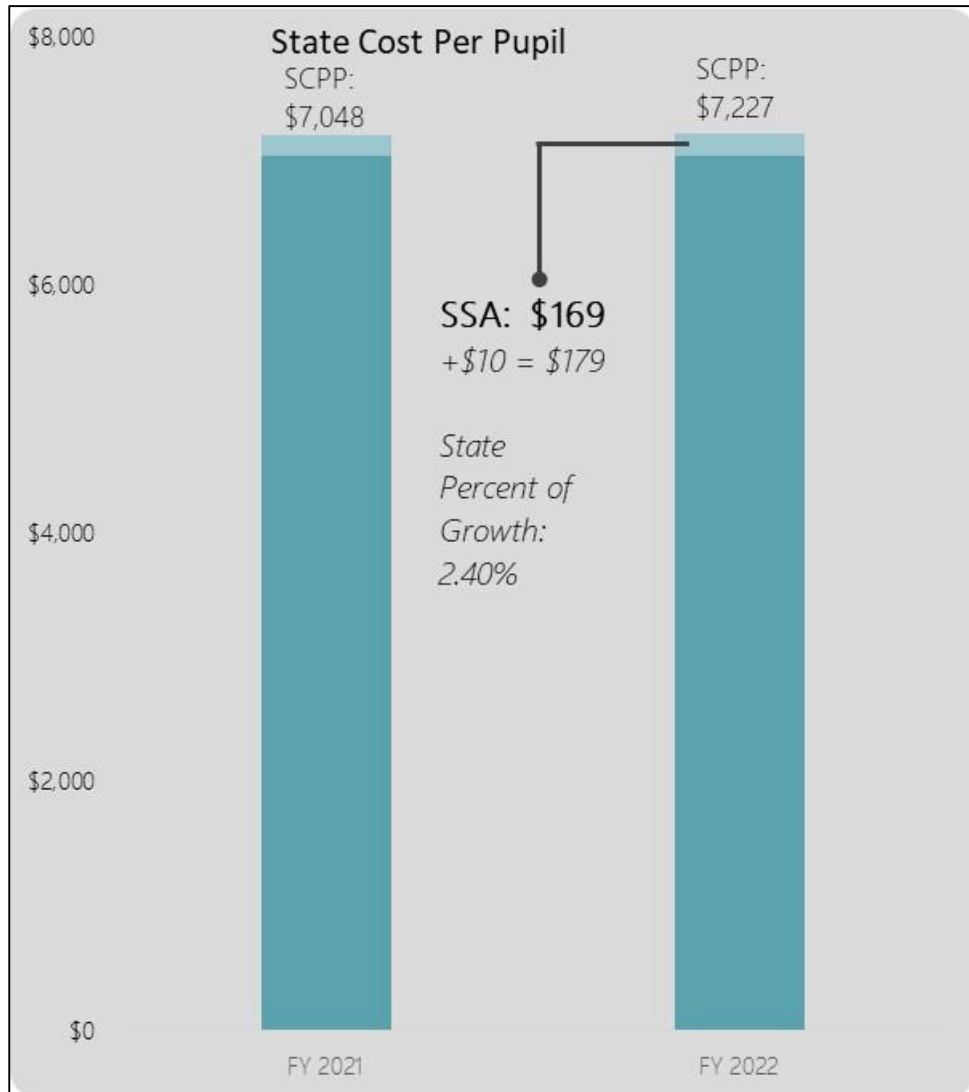


## Reorganization Incentives

- School districts that have a whole-grade sharing agreement and meet specific requirements may receive supplementary weighting equal to the whole-grade sharing supplementary weighting amount received in the year prior to the reorganization.
- Districts can receive reorganization incentive supplementary weighting for up to three years.
- Total supplementary weightings can be varied by year depending on the number and size of districts reorganizing.

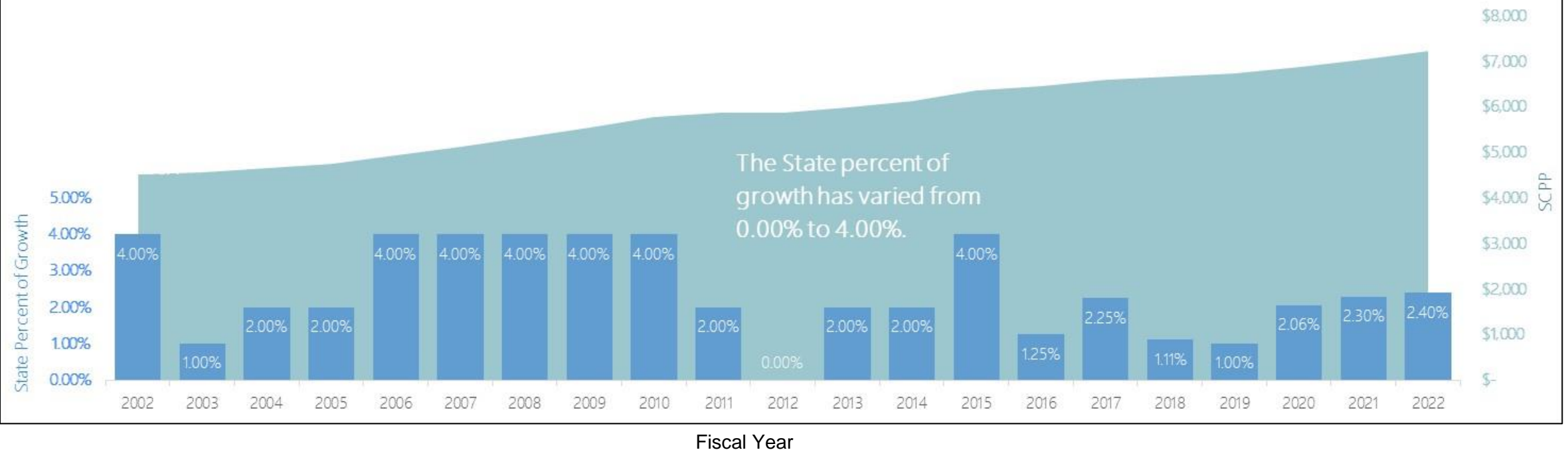
For additional information on supplementary weightings, see the *Issue Review* [School Aid — Supplementary Weightings](#).

# Iowa Code chapter [257](#) establishes a minimum State cost per pupil.



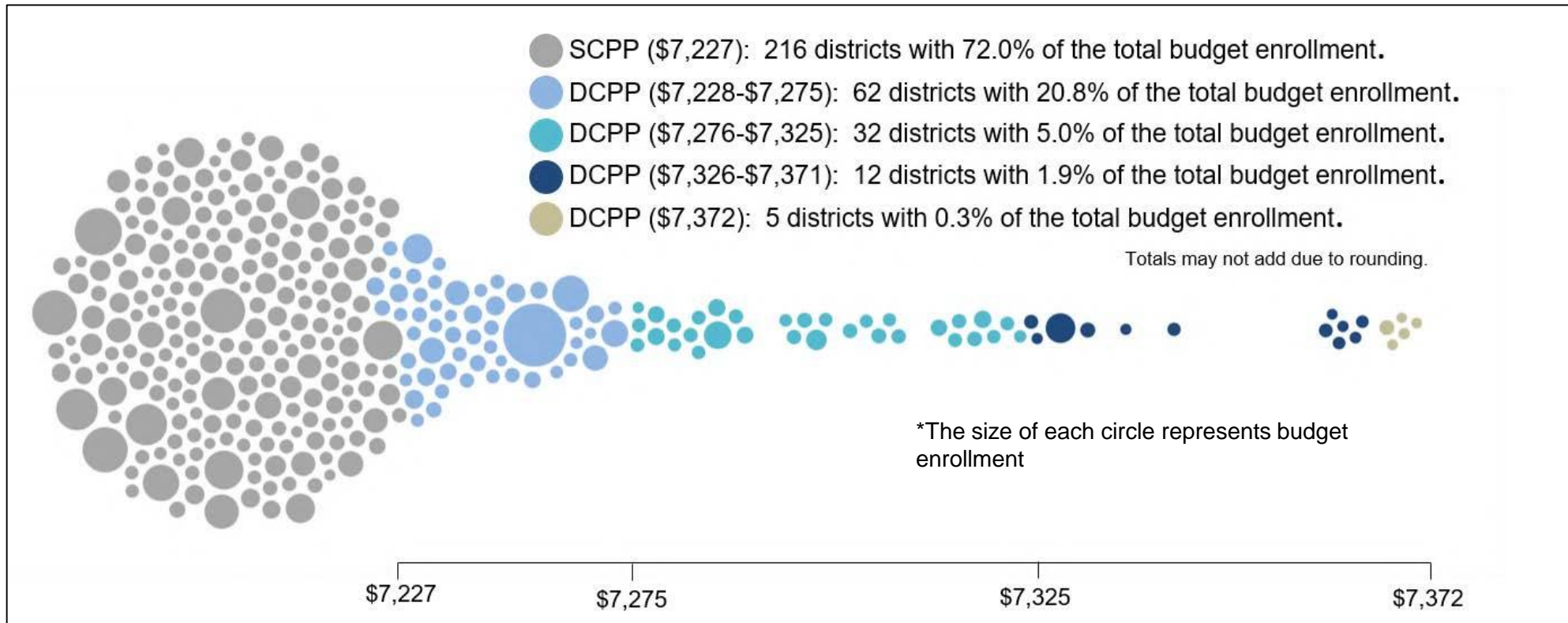
- The minimum spending limit per pupil for each school district is called the State cost per pupil (SCPP).
- The SCPP works to calculate State foundation aid.
- The Governor recommends and the Iowa Legislature may establish a new SCPP for the next fiscal year.
- The amount of growth is called the Supplemental State Aid (SSA).
- The rate of growth is called the State percent of growth.
- In FY 2022, the General Assembly raised the SCPP by an additional \$10 per student separate from the SSA.

From FY 2002 to FY 2022, the SCPP increased from \$4,512 to \$7,227.




# District cost per pupil

- A school district's funding is primarily calculated by pupil count and the district's cost per pupil (DCPP), which increases each year by the SSA per pupil amount.
- Fewer than half the school districts in Iowa have a DCPP higher than the SCPP.
- The difference dates back to the origination of the school aid formula from the 1970s.
- For more information see the **Fiscal Topic:** [School Aid — District Cost Per Pupil Between School Districts.](#)




Basic school district funding is calculated as follows:



**Weighted Enrollment**

**X**



**DCPP**

**= Regular Program District Cost**

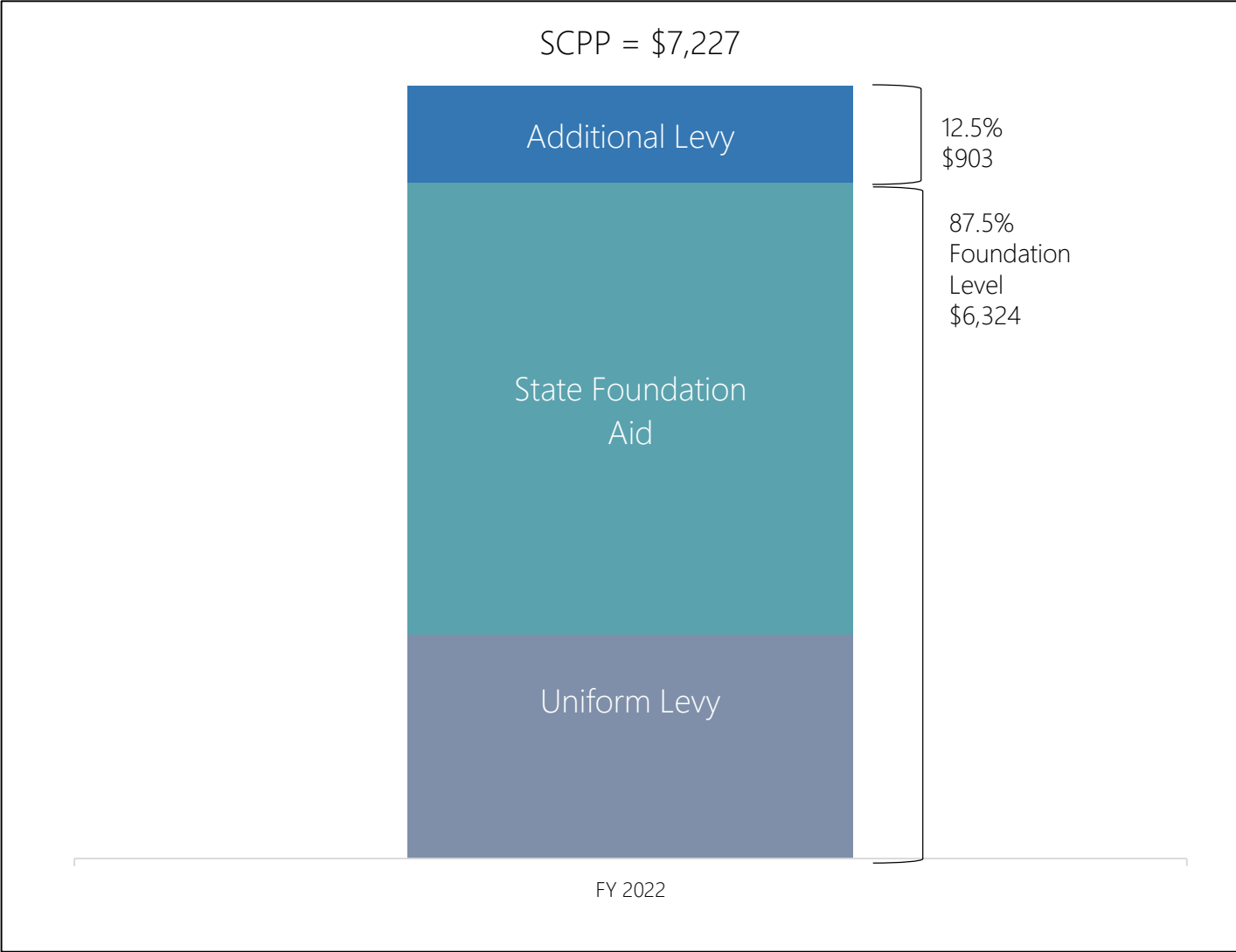
# There is additional district funding for:

- **Categoricals** (*State aid*)
  - **Teacher Salary Supplement** — Provides funding for teacher salaries.
  - **Professional Development** — Targeted support for professional development.
  - **Early Intervention** — Targeted support for grades K-3. Since FY 2019, can be used for any district general fund purpose.
  - **Teacher Leadership** — Funding for Teacher Leadership and Teacher Quality Program.
- **AEAs** (*State aid and property taxes*)
  - Cannot levy on their own behalf.
  - Enrollment-based funding.
  - Funded by a combination of State aid and property taxes.
  - Iowa Code section [257.35\(2\)](#) reduces AEA funding by \$7.5 million each year.
  - Legislative action has further reduced AEA funding for the last several years (an additional \$15.0 million in FY 2022).
- **Four-Year-Old Voluntary Statewide Preschool** (*State aid*)
  - Not counted in certified enrollment.
  - Not part of a district's combined district cost.
  - Each pupil is worth 0.5 of the SCPP.
- The Combined District Cost includes Regular Program District Cost, categoricals, AEA funding, SBRC-approved MSA for dropout prevention, and any audit adjustments, however, it does not include preschool.

The Combined District Cost makes up part of a school district's total spending authority.

- Spending authority controls the maximum each district can spend out of its **general fund** per fiscal year.
- Spending from a district's general fund is controlled by how much spending authority a district has, not its cash on hand.
- Exceeding the maximum spending authority is a violation of the law. The School Budget Review Committee (SBRC) monitors school district budgets and makes recommendations.
- This helps provide funding equity across the State.
- Total spending authority may include:
  - State aid and property taxes.
  - Other MSAs (special education, ELL, on-time funding).
  - State grants (including Transportation Equity Funding).
  - Federal grants and the previous year's unspent authority carryforward.
  - Other miscellaneous income.

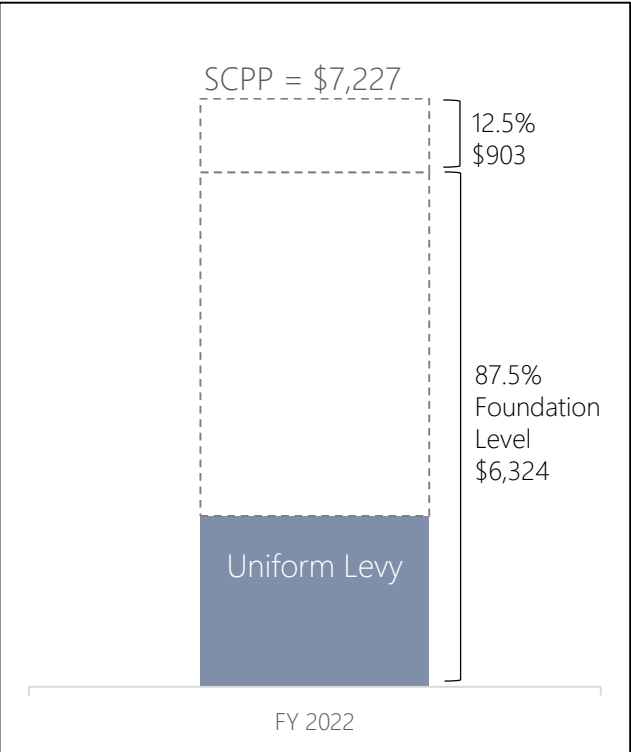
# Components of School Budget Aid and Levy funding for a district's Regular Program costs





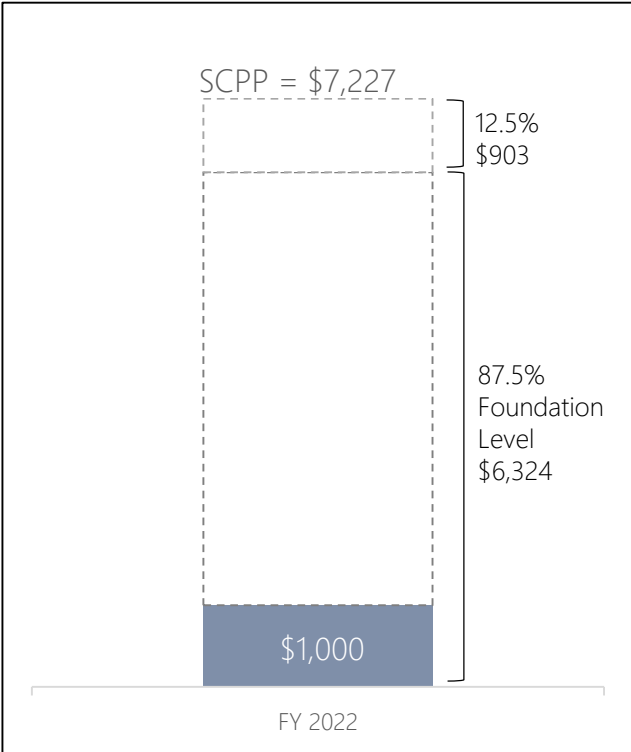
# The uniform property tax levy is the first funding source for a school district.

\$5.40 per \$1,000 taxable valuation



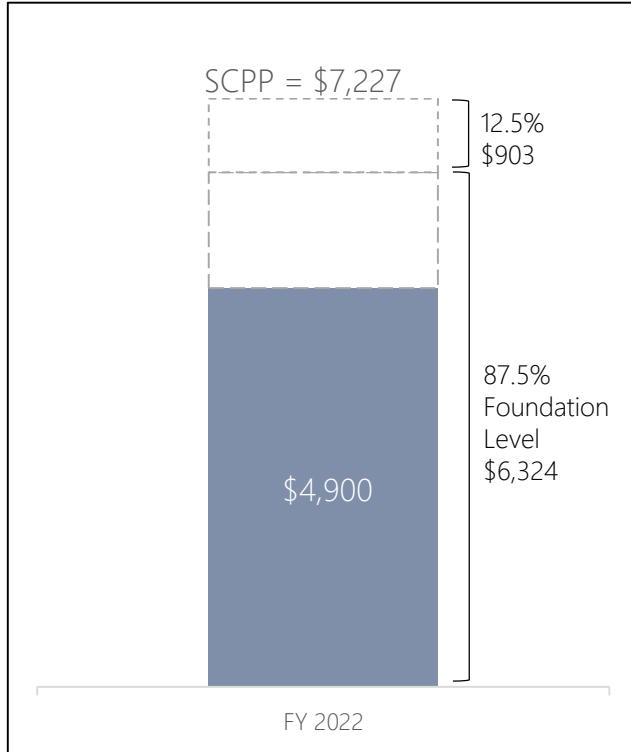
The uniform tax rate is statewide across all taxable property.

Property-Poor District



While the tax rate is uniform, the amount generated per pupil will vary by the taxable valuation per pupil in the district.

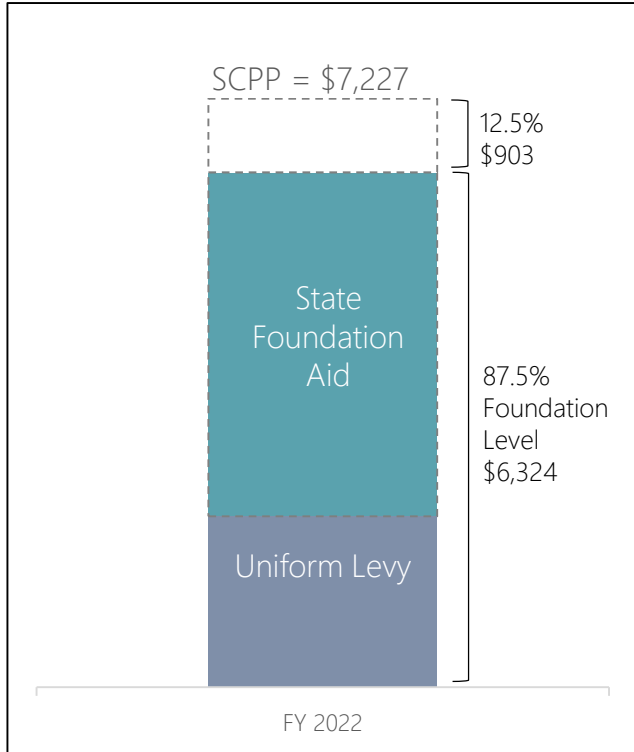
Property-Rich District



A property-rich district will generate more dollars through the uniform levy than a property-poor district.

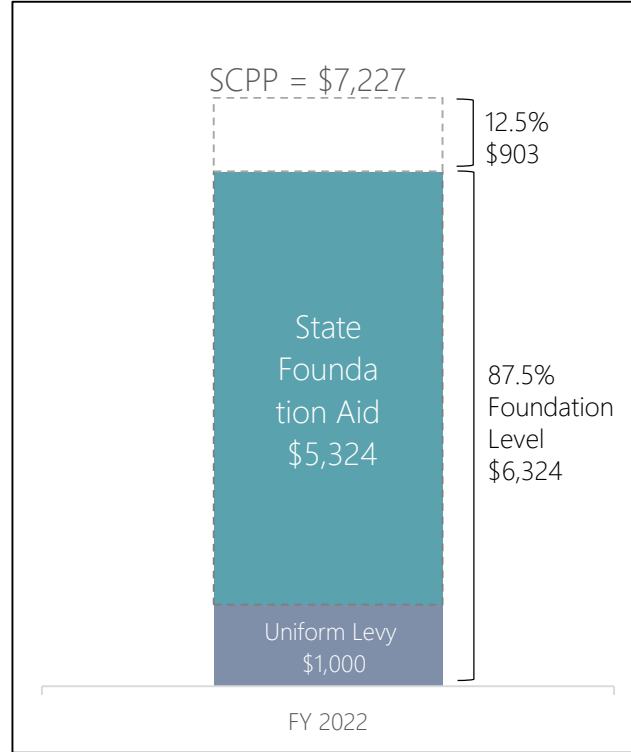
After the uniform levy, State foundation aid dollars backfill up to the foundation level (87.5%).

### State Foundation Aid



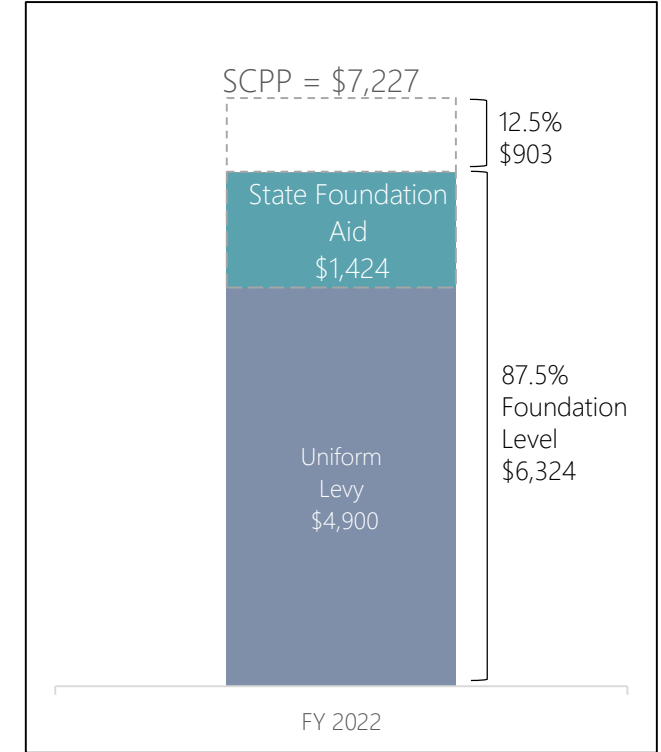
State foundation aid is not uniform across all districts.

### Property-Poor District



The amount of State foundation aid a district receives will depend on the amount the uniform levy collected.

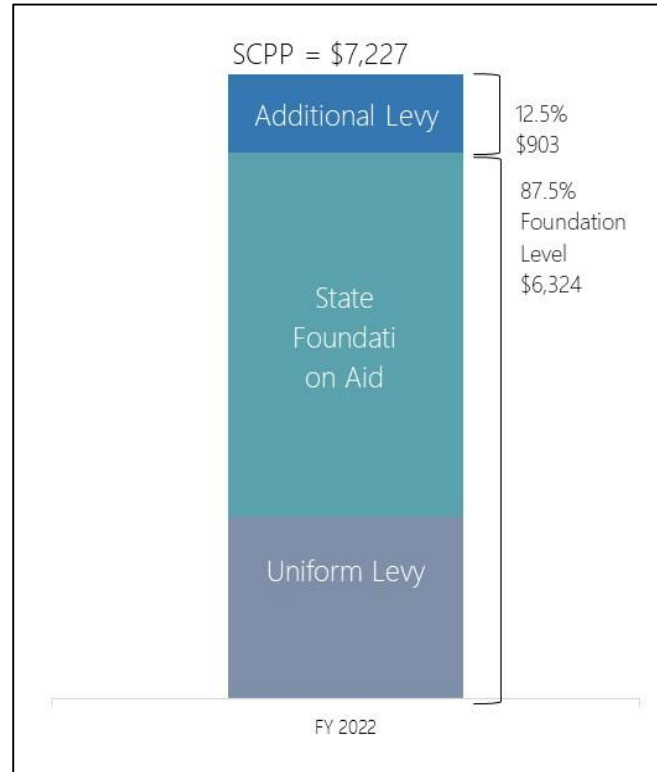
### Property-Rich District



A property-rich district will require less State foundation aid than a property-poor district.

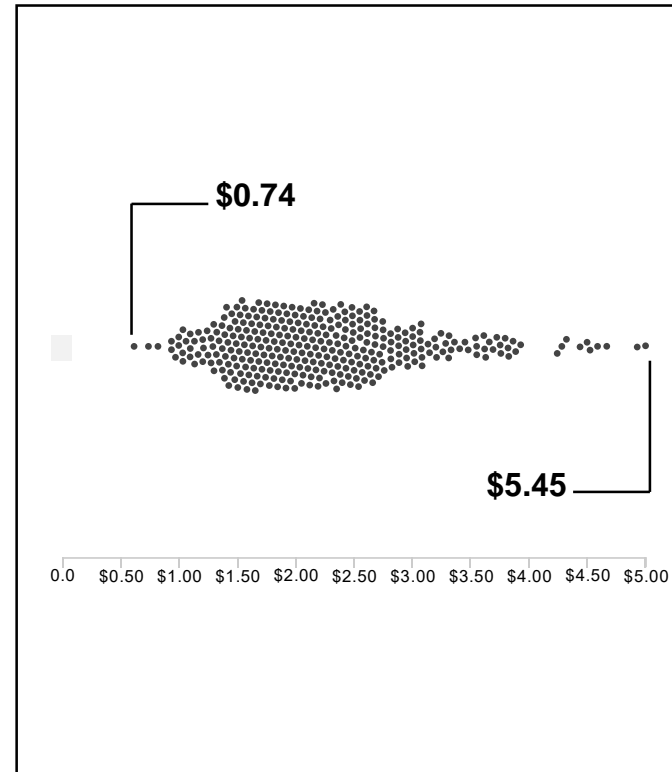
# The additional levy funds the remainder of the authorized spending limit.

## Additional Levy



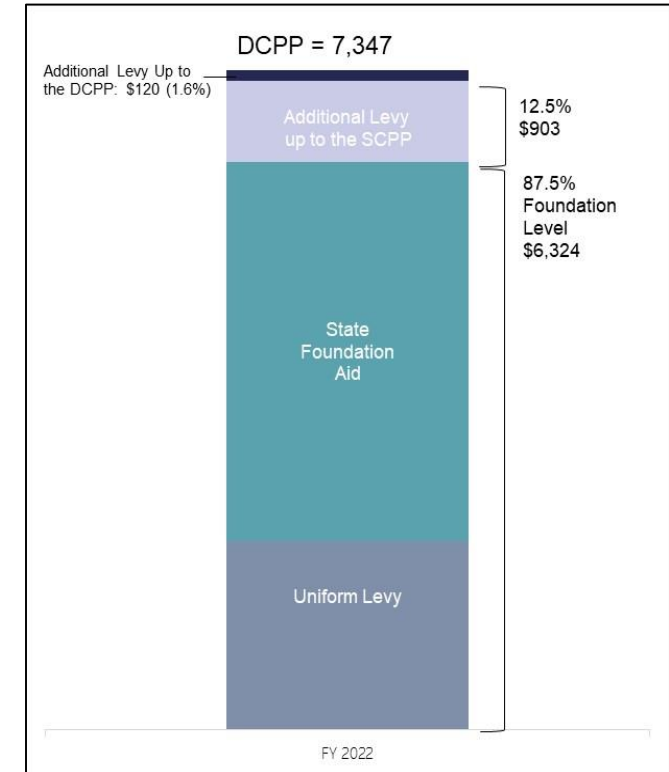
The additional levy rate is not uniform.

## FY 2022 Unadjusted Additional Levy Rates



The rate of the additional levy may vary from district to district, depending on the value of the taxable valuation per pupil in the district and other factors.

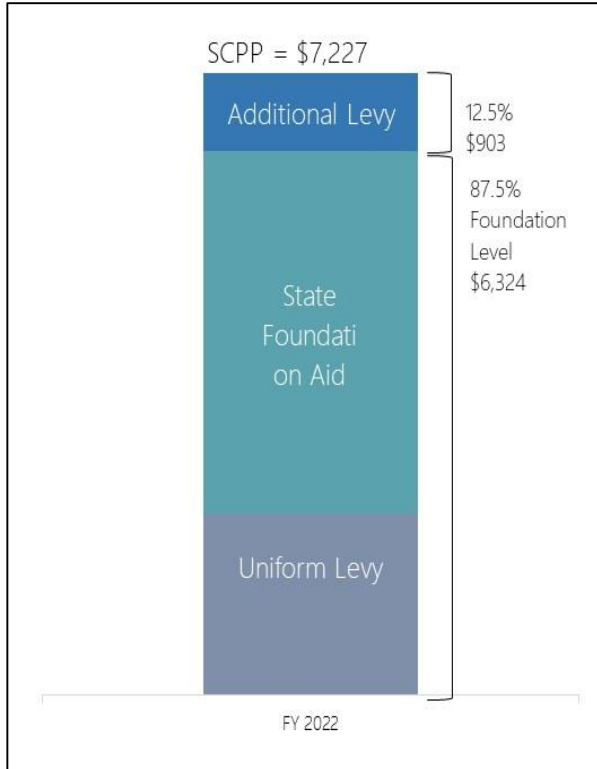
## DCPP



If the district's DCPP is higher than the SCPP, the district will levy for the additional authorized spending authority.

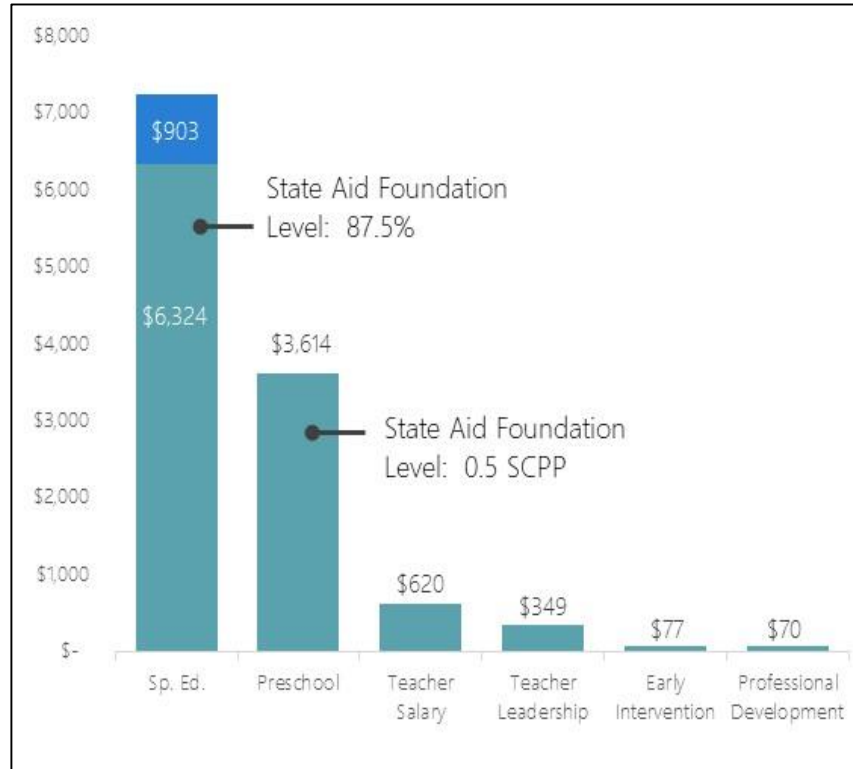
Other program costs are funded at different per pupil levels from the same sources.

**Regular Program Funding by Source**



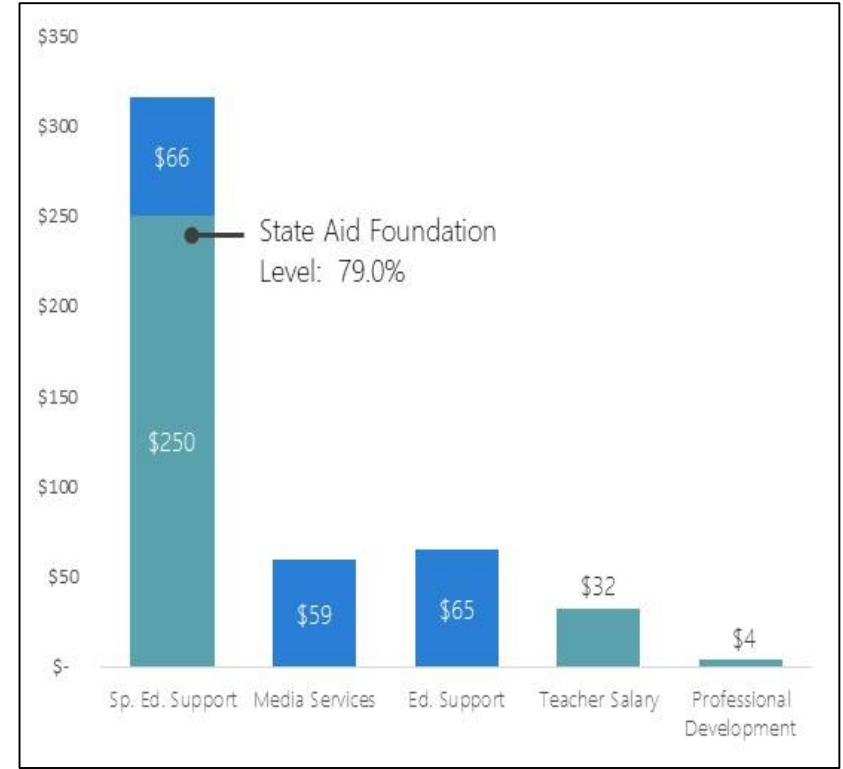
The three components apply to the regular program costs for a district.

**Special Education, Preschool, and Categorical Funding by Source**



Special education is funded by a mix of State aid and additional levy, while preschool and categoricals are funded solely by State aid.

**AEA Funding by Source**



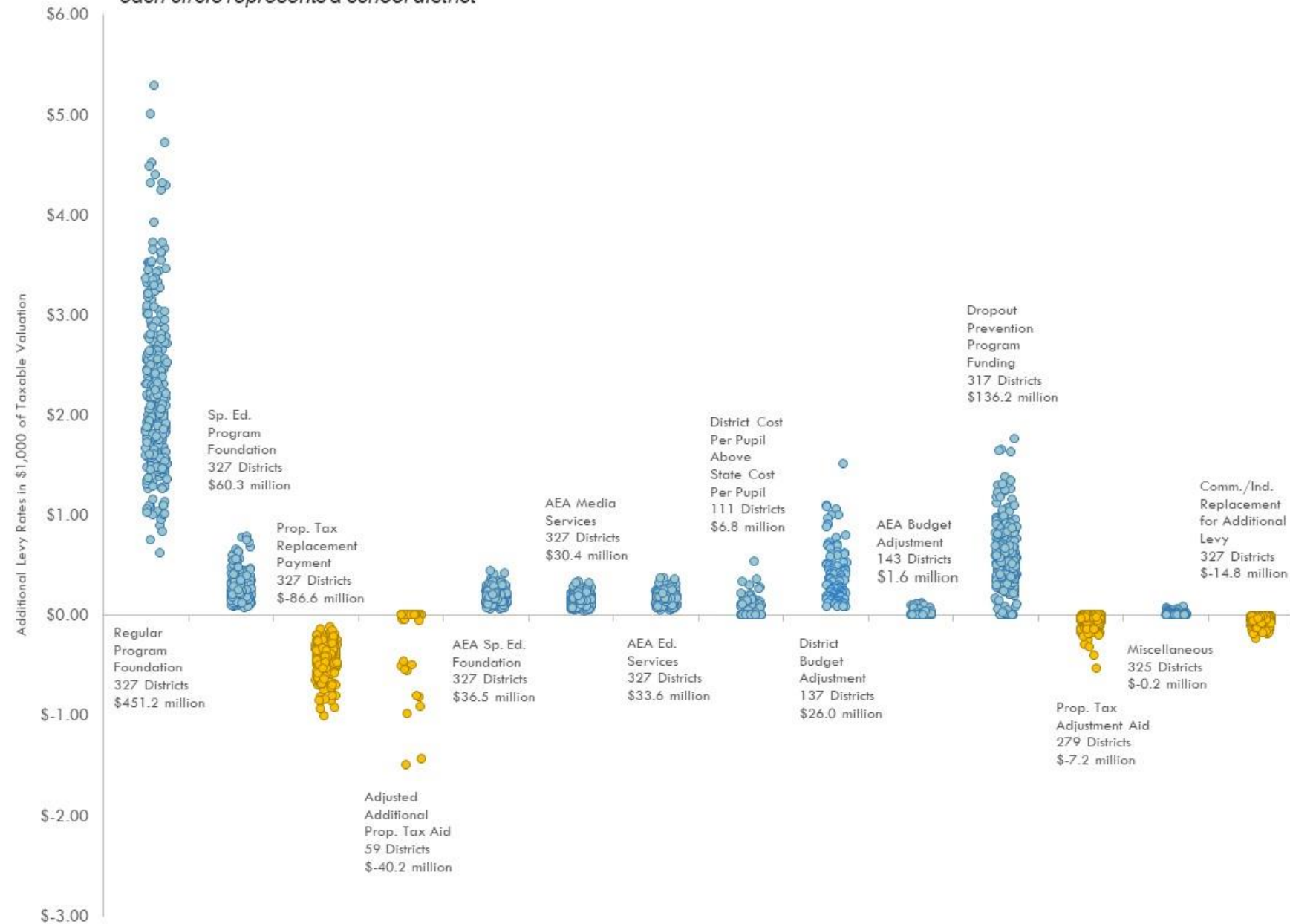
AEA services are funded by a combination of State aid and the additional levy.

# Components of the Additional Levy

Major factors that influence additional levy property tax rates include:

- Taxable valuations and the number of students within a school district.
- The amount needed for discretionary programs funded by the additional levy.
- For more information see the [\*Fiscal Topic School Aid — Additional Levy Components.\*](#)

Range of Property Tax by Additional Levy Components – FY 2022  
each circle represents a school district



# Discretionary Levies

A district's total tax levy rate may include other levies.

- Iowa Code specifies how the funds from discretionary levies can be spent.
- Levies do not increase a district's spending authority (*except Instructional Support Program*).

- **Cash Reserve Levy**

- Assists with a district's cash flow.
- MSAs.
- 20.0% of expenditures of two years prior to the budget year minus assigned and unassigned balances.

- **Management Fund Levy**

- Unemployment benefits.
- Liability insurance.
- Judgements or settlements.
- Self-insurance program.
- Early retirement benefits.
- Mediation or arbitration.

- **Public Education and Recreation Levy (PERL)**

- Recreation places.
- Playgrounds.

- **Voter and Board Approved Physical Plant and Equipment Levy (PPEL)**

- Construction.
- Transportation equipment.
- Technology.

- **Debt Service Levy**

- Voters may approve bond debt (60.0% plus one vote).
- Up to \$4.05/\$1,000 of assessed taxable property with voter approval.
- 20 years.

- **Educational Improvement Program**

- **Amana Library Levy**

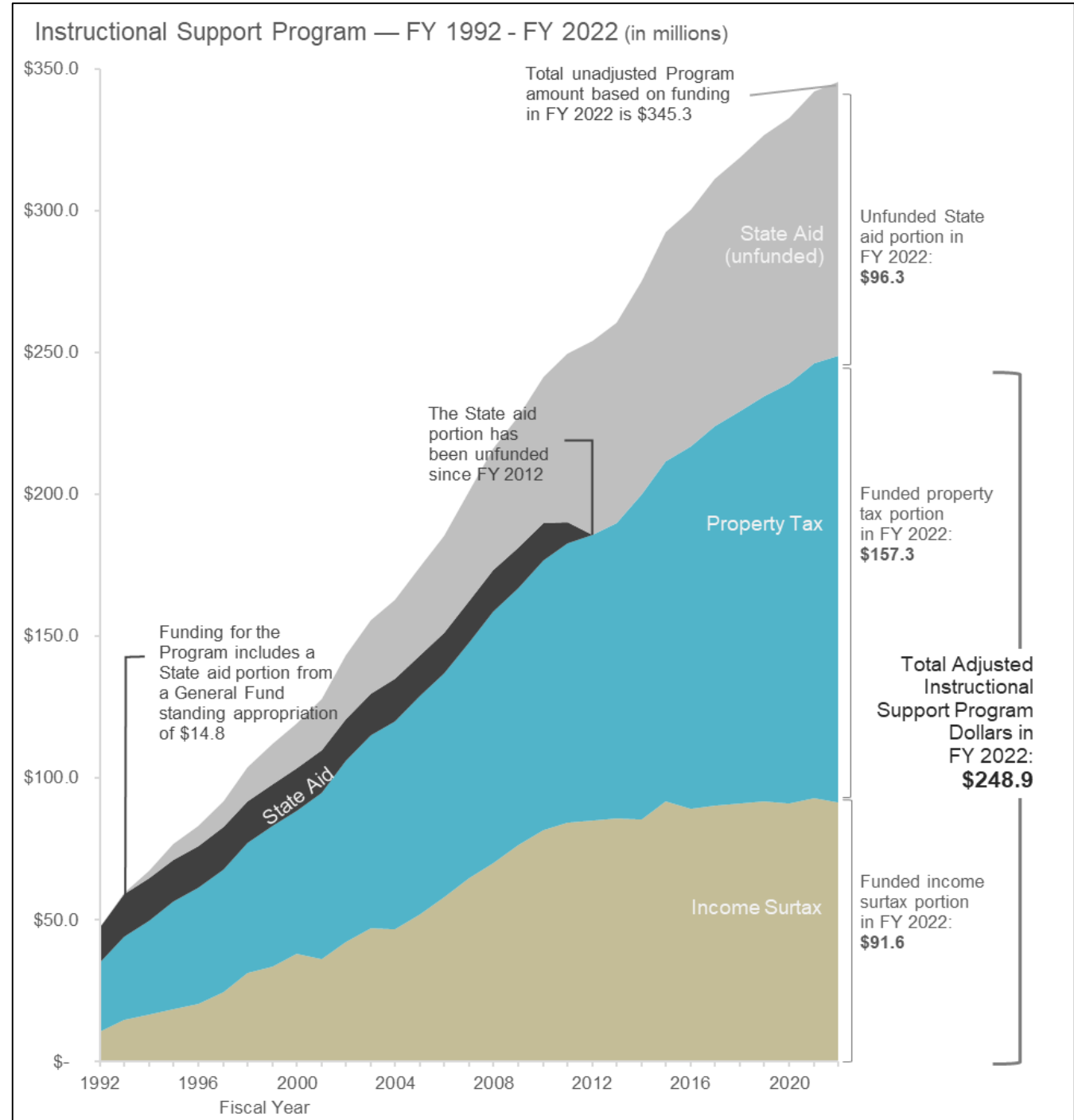
- **Reorganization Equalization Levy**

- **Disaster Recovery Emergency Levy**

# Instructional Support Program

District may increase its budget by 10.0% of its Regular Program Cost for any general fund purpose.

- Funded from property taxes or combination of property taxes and income surtax.
- Current law provides State aid for property tax equity; however, this has not been funded since FY 2012.
- For more information, see the *Fiscal Topic School Aid — Instructional Support Program.*



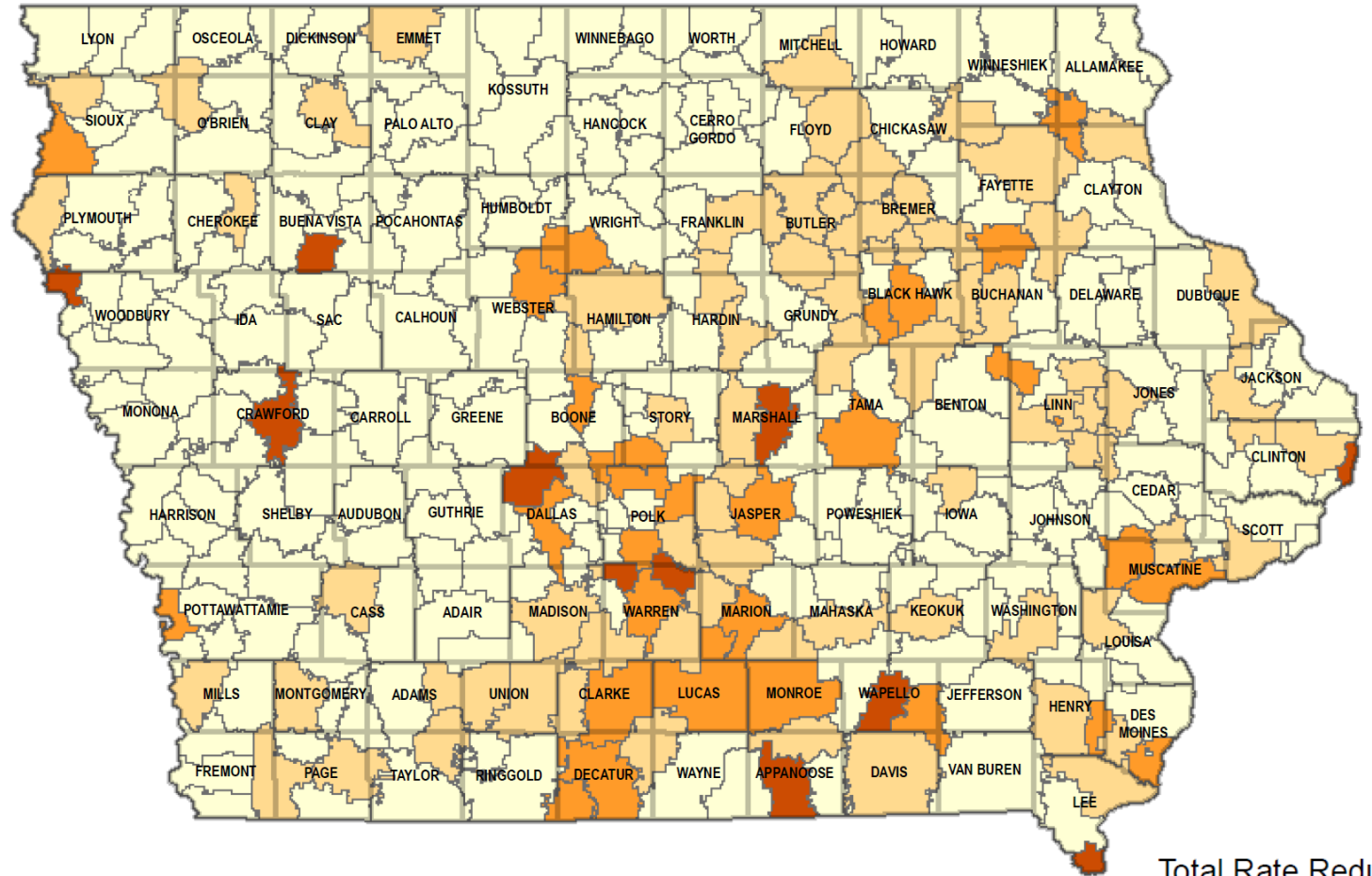
# Property Tax Relief

- Property Tax Adjustment Aid (1992)
- Property Tax Replacement Payment (PTRP)
- Adjusted Additional Property Tax Levy Aid

For more information on each of these components, see the *Factbook* map:

*Total Property Tax Relief Aid Rate Reduction by School District*

## Total Property Tax Relief Aid Rate Reduction by School District — FY 2022



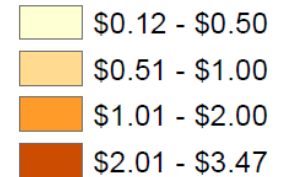
**\$0.61**

Statewide Average Rate  
Reduction Per \$1,000  
of Valuation

**\$134.0M**

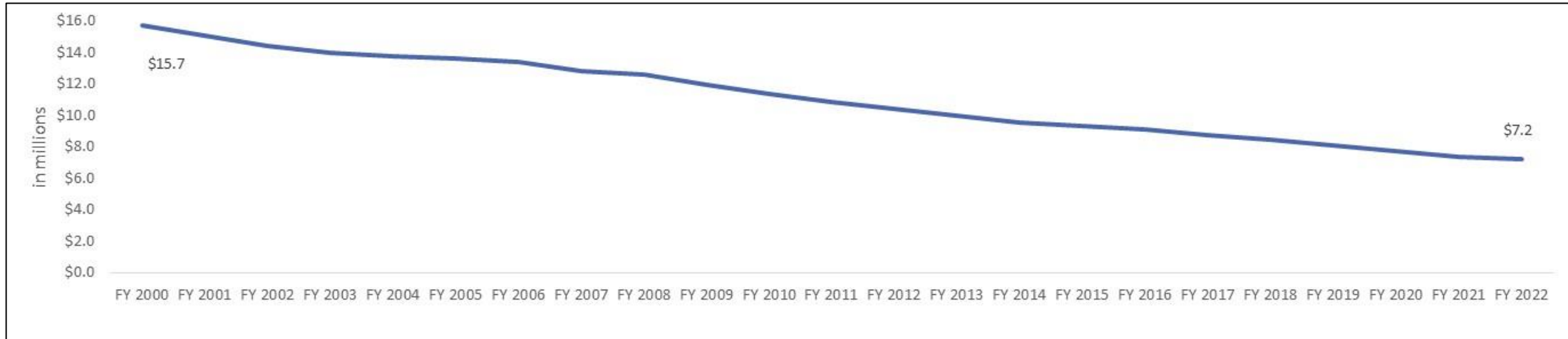
Total Property  
Tax Relief Aid  
FY 2022

Total Rate Reduction  
Per \$1,000 of Valuation



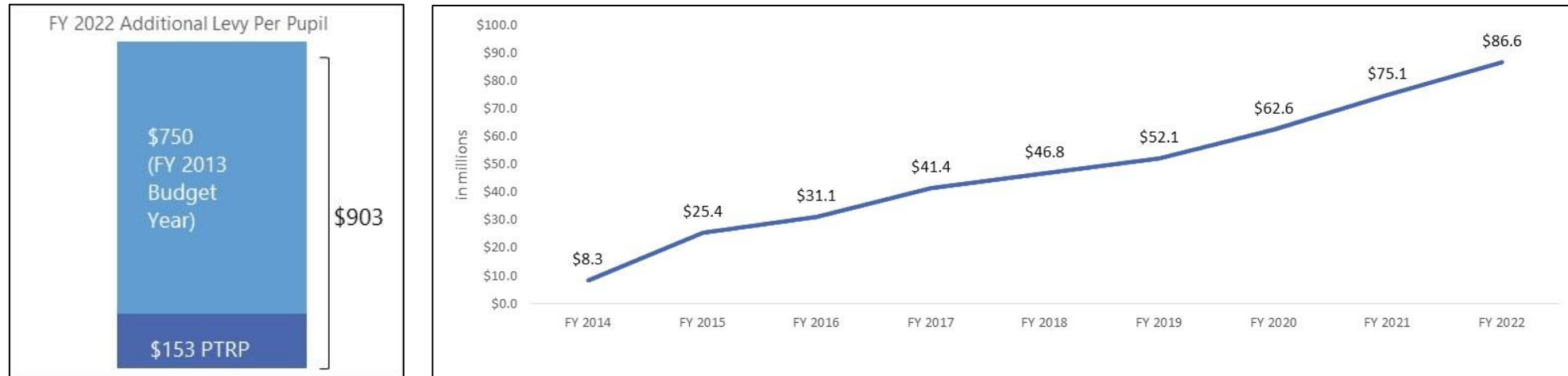


# Property Tax Adjustment Aid (1992 Provision)



- Implemented in FY 1992.
- Aid is reduced each year as property valuations increase.
- Gradual phaseout.
- 279 districts received this aid in FY 2022.

# Property Tax Replacement Payment (PTRP)



- 2013 Iowa Acts, chapter [121](#) (Education Reform), first implemented the Property Tax Replacement Payment (PTRP).
- Reduces the additional levy (12.5%) portion of the State cost per pupil (SCPP) to the FY 2013 additional levy portion (\$750).
- Funds the difference with State aid from the General Fund.
- Reauthorized every year since implementation.

# Adjusted Additional Property Tax Levy Aid



Provides tax relief to the school districts with the highest levy rates until the funds are exhausted.

FY 2022:  
\$40.2 million available  
70 districts received aid

- FY 2022: Funding includes a \$24.0 million General Fund appropriation built into the school aid formula and 3.1% (\$16.2 million) of the total amount collected from the Secure an Advanced Vision for Education (SAVE) Fund and deposited into the Property Tax Equity and Relief (PTER) Fund.
- If funding is sufficient, the provision provides aid to districts up to the statewide average rate.
- 2019 Iowa Acts, chapter [166](#) (Secure an Advanced Vision for Education, Extension Act), created changes to the PTER funding:
  - The SAVE Fund portion increases by formula when growth conditions are met.
  - Foundation Base Supplement Fund established.
    - First impacts school year 2022-2023.
    - Functions to raise the State cost per pupil foundation level and lower the additional levy property tax to all districts based on weighted enrollment.

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# Governor's Recommendations

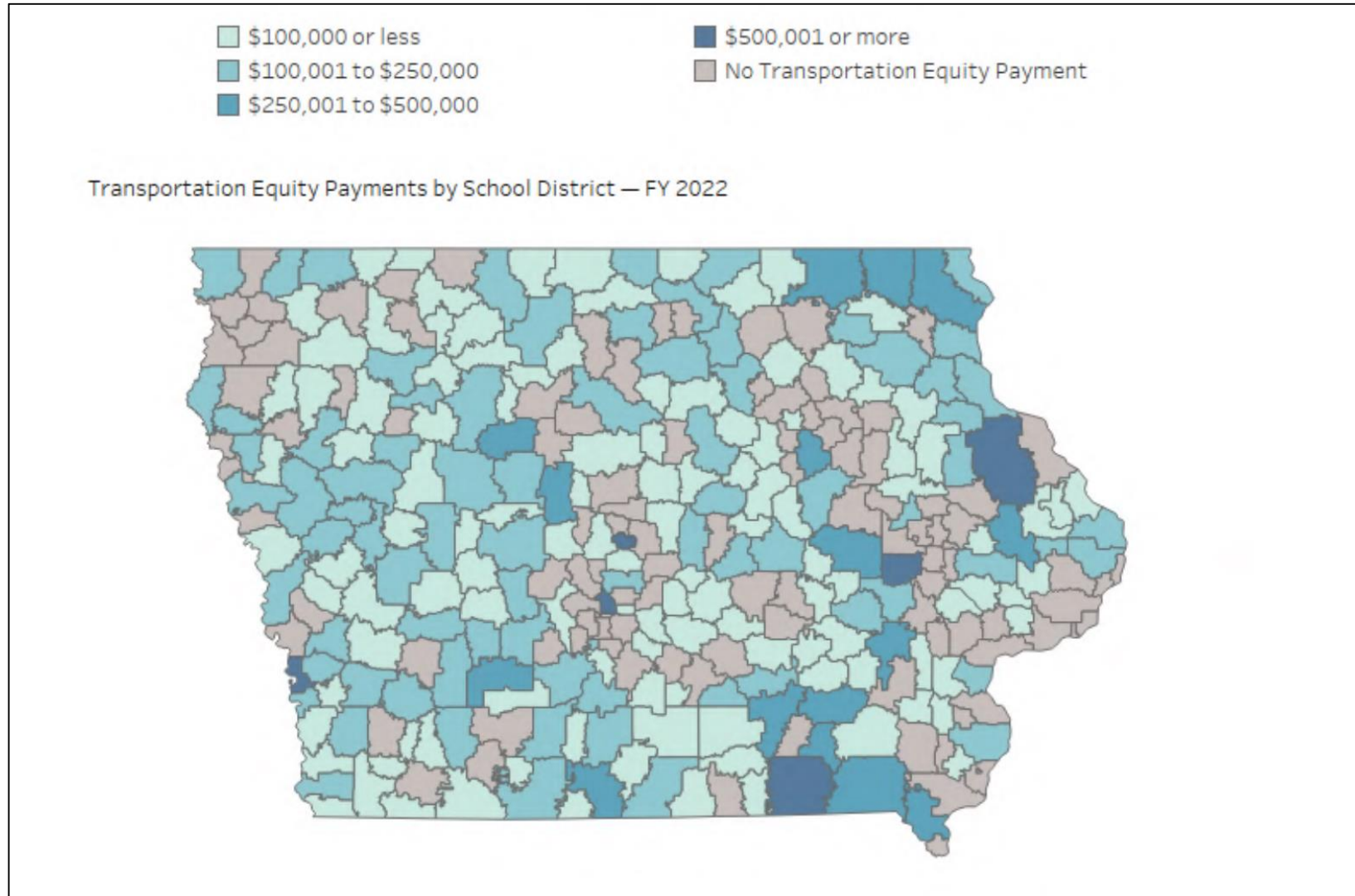
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## FY 2023

- \$3.563 billion General Fund appropriation for State aid to schools.
- An increase of \$154.1 million.
- 2.50% State percent of growth compared to estimated FY 2022.
- SCPP \$7,408 (\$181 increase).
- Reauthorizes the Property Tax Replacement Payment (PTRP).
- Additional \$15.0 million reduction to the AEAs.
  - Total reduction of \$22.5 million.
- \$28.1 million appropriation to the Transportation Equity Fund.

# Transportation Equity Fund (TEF)

- Created in the 2018 Legislative Session to provide additional funding to school districts for public school transportation costs that exceed the statewide adjusted average cost per student.
- If additional funding is available, any districts below the statewide average per pupil cost, receive a base payment.
- In FY 2022, 218 districts are receiving this aid.
- *The Governor is **recommending \$28.1 million in a General Fund appropriation to the TEF for FY 2023.***
- For more information see the ***Fiscal Topic: Transportation Equity Program.***

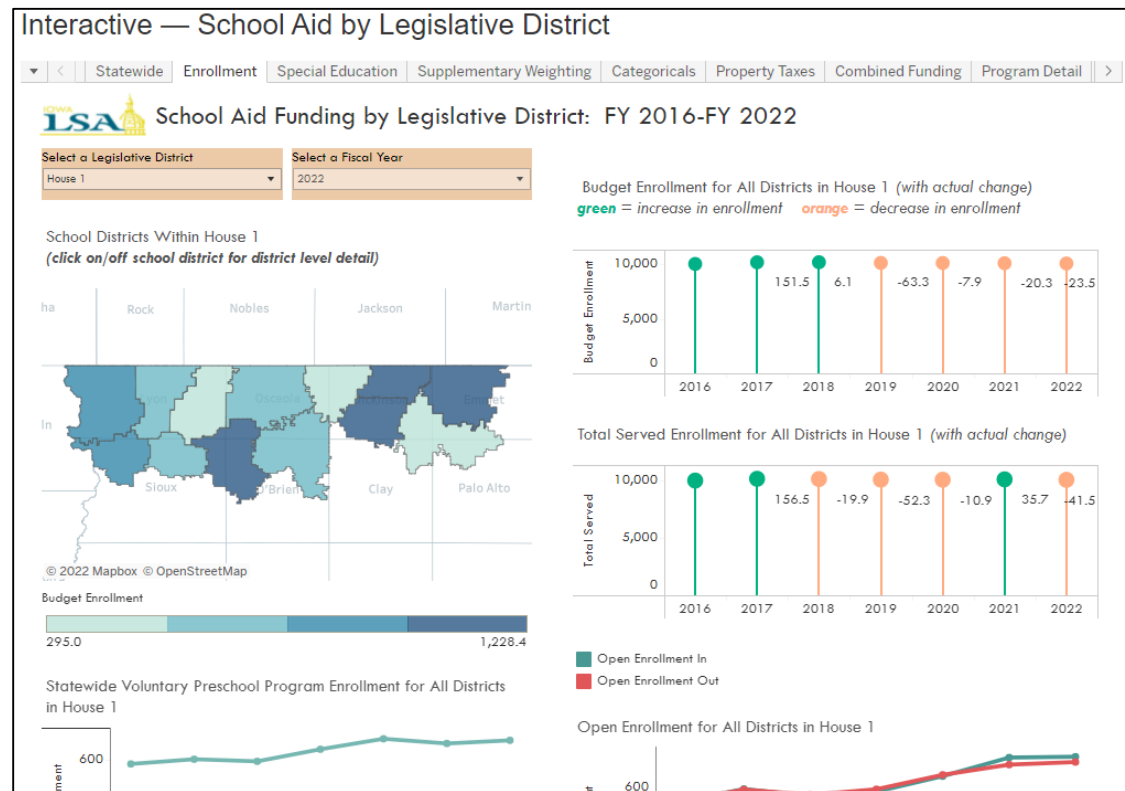


# Summary

- State aid for schools was established in the early 1970s and last substantially updated in the early 1990s.
- Funding for school districts through the School Budget Aid and Levy is primarily enrollment-driven.
- The Governor recommends and the Iowa Legislature may establish a new SCPP for the next fiscal year.
- About 70.0% of a school district's general fund budget is calculated by using the DCPD times the weighted enrollment.
- Three components that fund a district's Combined District Cost:
  - Uniform levy.
  - State aid.
  - Additional levy.
- Three additional elements of State aid through property tax relief:
  - Property Tax Adjustment Aid (1992).
  - Property Tax Replacement Payment (PTRP).
  - Adjusted Additional Property Tax Levy Aid.
- The Governor is recommending: 2.50% State percent of growth in FY 2023.

# Interactive School Aid Funding Page

## By Legislative District



- Interactively explore a seven-year history of school aid funding by legislative district and by individual school district.
- Topics include:
  - Enrollment.
  - Categoricals.
  - Special education.
  - Supplementary weighting.
  - Select property tax details.
  - Select program details.
- Available on the LSA website at:  
[www.legis.iowa.gov/publications/schoolAid](http://www.legis.iowa.gov/publications/schoolAid).



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