



Overview of School Finance in Iowa

School Aid Presentation

- Brief History/Principles
- Allowable Growth Rate/State Cost PP
- Foundation Level
- School Aid Revenue
- School Aid Formula Funding Components
- Discretionary Programs
- Misc.

Brief History and Goals of School Finance in Iowa

Brief History of School Finance in Iowa

- In 1950 - 4,652 school Districts
- Reorganization Plan adopted in 1950's
 - ◆ 1965 – 1,098 school districts
 - ◆ 1975 – 450 school districts
 - ◆ 1985 – 437 school districts
 - ◆ 1995 – 384 school districts
 - ◆ 2005 – 367 school districts
 - ◆ Currently - 362 school districts

Brief History of School Finance in Iowa

- Until the mid 1960's – school district funding was all property tax.
- In 1971, a school foundation program adopted (enrollment based) – substantial increase in State aid to school districts.
- In 1989 – enactment of Chapter 257, Code of Iowa. Implementation beginning in FY 1992.

Brief History of School Finance in Iowa (Cont)

- In 1992, allowable growth adopted.
- In 1995, modified so that the allowable growth set 2 years in advance.
- In 1996, increased Regular Program Foundation Level from 83.0% to 87.5% beginning in FY 1997 (increased the proportion of State aid and provided property tax relief).
- In 1999, Special Education Foundation Level increased from 79.0% to 87.5% beginning in FY 2000.

Brief History of School Finance in Iowa (Cont)

- In 2001, eliminated the 100.0% budget guarantee and replaced it with phase-out or alternate budget adjustment to begin in FY 2004. Made permanent on-time funding provision.
- In 2006, created additional property tax adjustment aid to “buy down” additional levy rates for qualifying school districts that have the highest tax rates.

Brief History of School Finance in Iowa (Cont)

- 2008 Legislative Session:
 - ◆ State Sales/Use Tax for school infrastructure – excess funds after school infrastructure allocations will be used for property tax relief through school aid formula.
- State Categoricals – Additional categorical program funding rolled-into the school aid formula beginning in FY 2010.

Goals and Principles

- Equity in Expenditure
- Property Tax Relief
- Equalize Taxation
- Uniform State Aid Allocation Formula
- Predictable
- Simple
- Pupil Driven

Goals and Principles (Cont)

- Provide for Local Discretion/Incentives
- Establish Maximum Spending Control
- One Funding Formula AEA + K-12
- Provides Adequate Funding
- Promotes High Achievement
- Modifies the Impact of Community and Family Background on Achievement

School Aid Allowable Growth and State Cost Per Pupil

Allowable Growth Rate

- Recommended by the Governor
- Established by the Legislature

Allowable Growth Amount

Allowable Growth Rate x State Cost Per Pupil =
Growth Per Pupil

For example:

2008-2009

4% Allowable Growth Rate X
FY 2008 State Cost Per Pupil (\$5,333)
= \$213 Per Pupil

State Cost Per Pupil (SCPP)

FY 2009:

$$\text{\$5,333} + \text{\$213} = \text{\$5,546}$$

FY 2008 SCPP + Allowable Growth

State Cost Per Pupil

FY 2009 SCPP = \$5,546

- Used to Determine Allowable Growth Per Pupil for the Next Year
- Used to Determine Minimum District Cost

District Cost Per Pupil – FY 2009

\$5,721 – Highest (8 Districts)

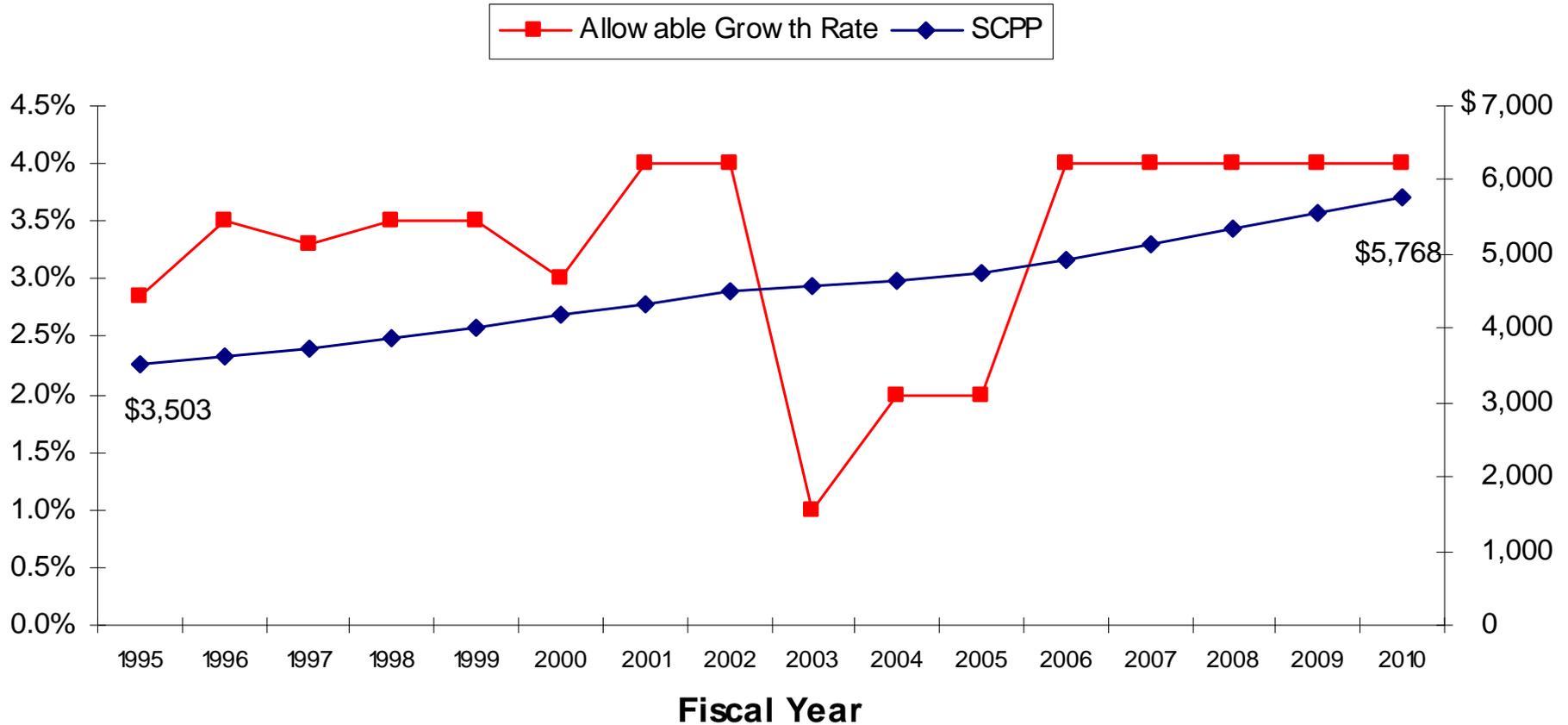
\$5,546 – Lowest (176 Districts)

\$175 – Range

- District Cost Per Pupil Increases Each Year by a Per Pupil Amount (Per Pupil Allowable Growth)
- Minimum District Cost Per Pupil = State Cost Per Pupil

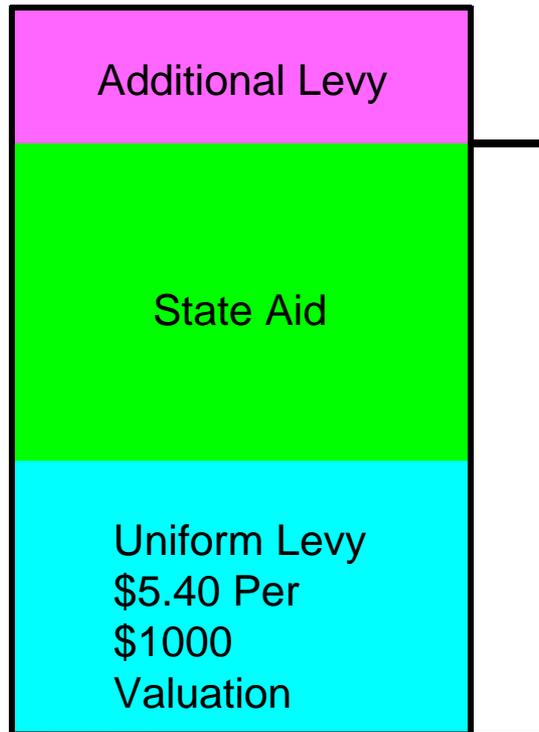
Allowable Growth - History

Allowable Growth Rate and State Cost Per Pupil Amounts
FY 1995 to FY 2010



School Aid Formula Foundation Levels

Foundation Formula

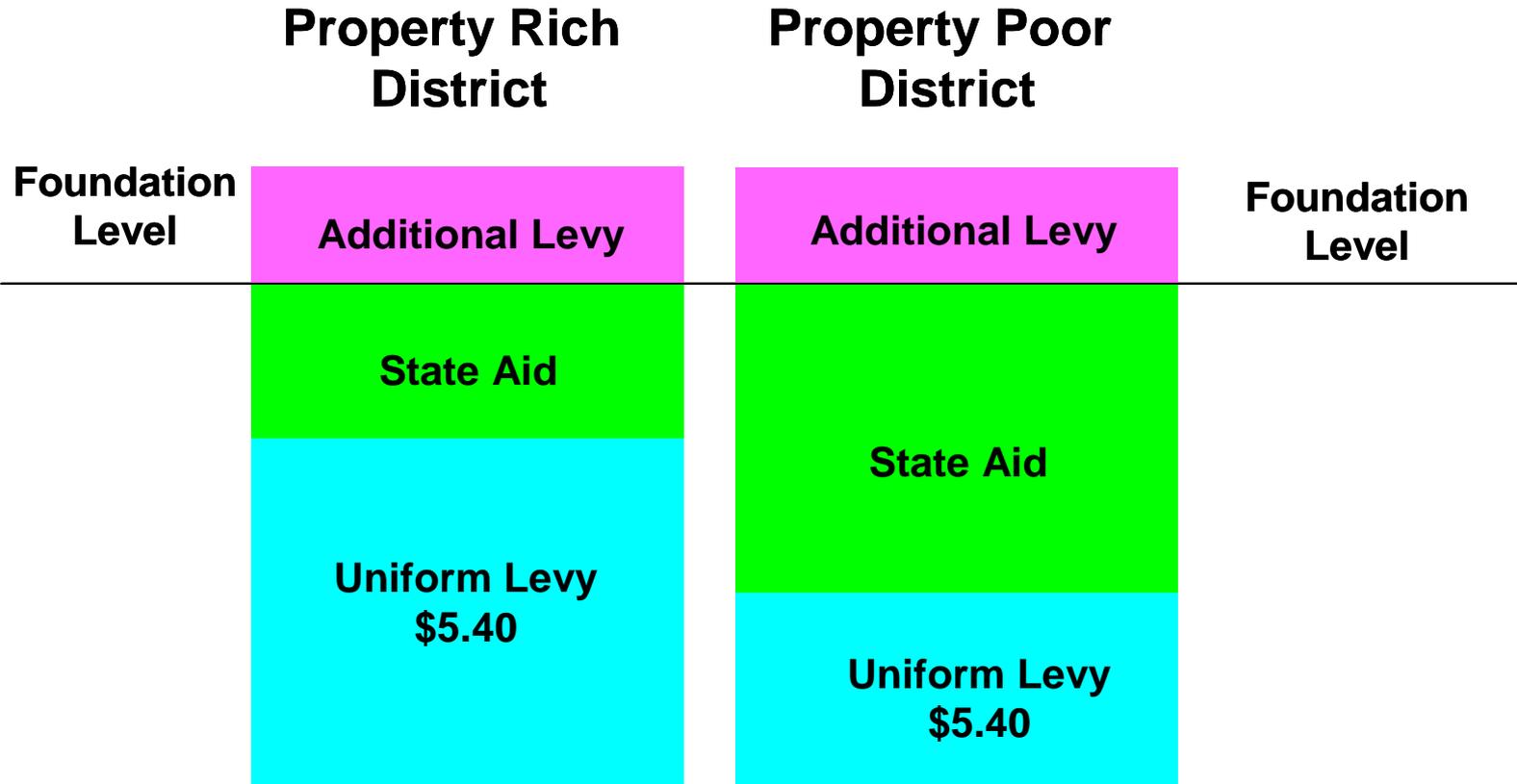


Foundation Level

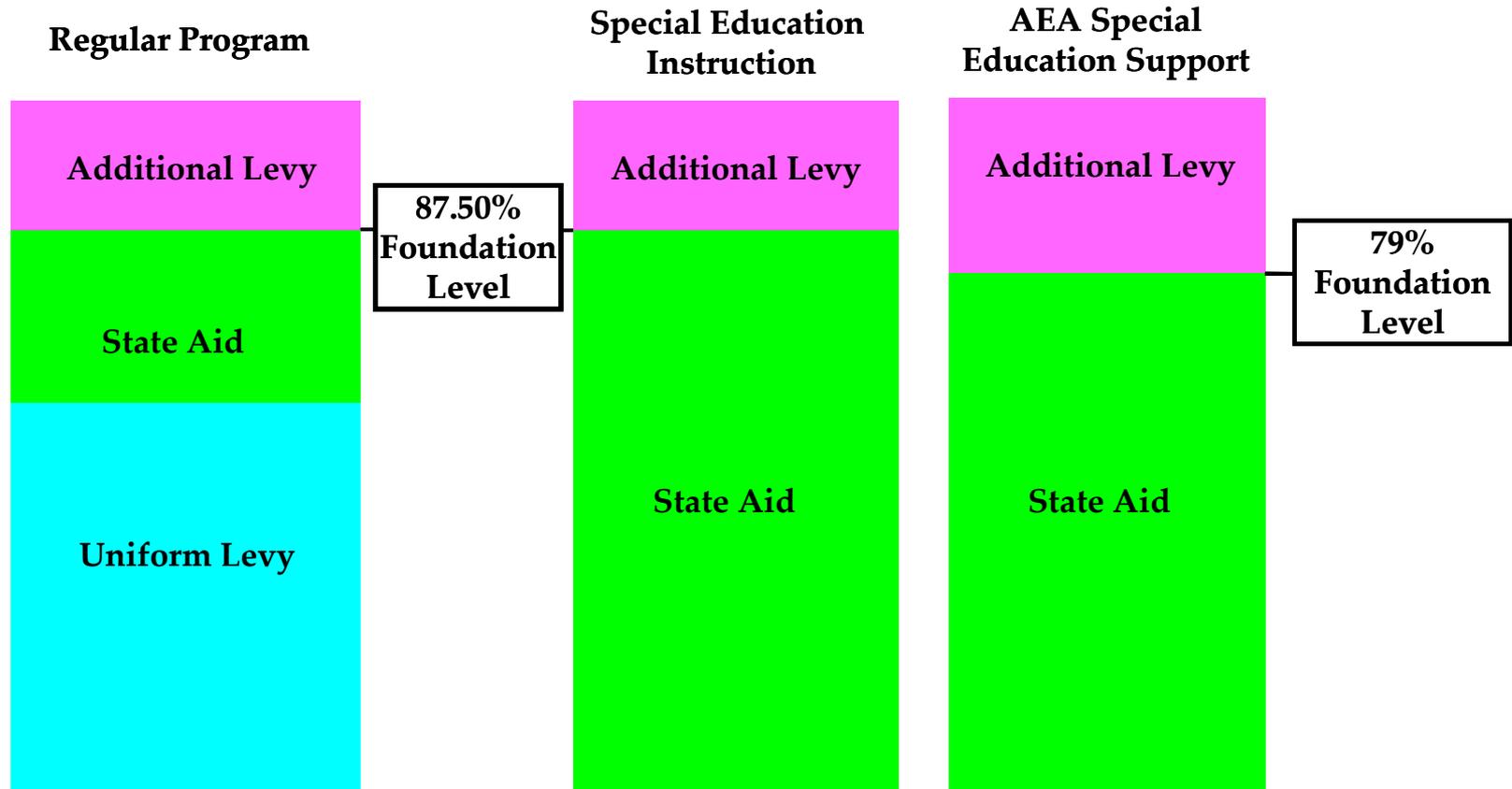
FY 2009:

87.5% of State Cost (\$5,546)
= \$4,853 Per Pupil

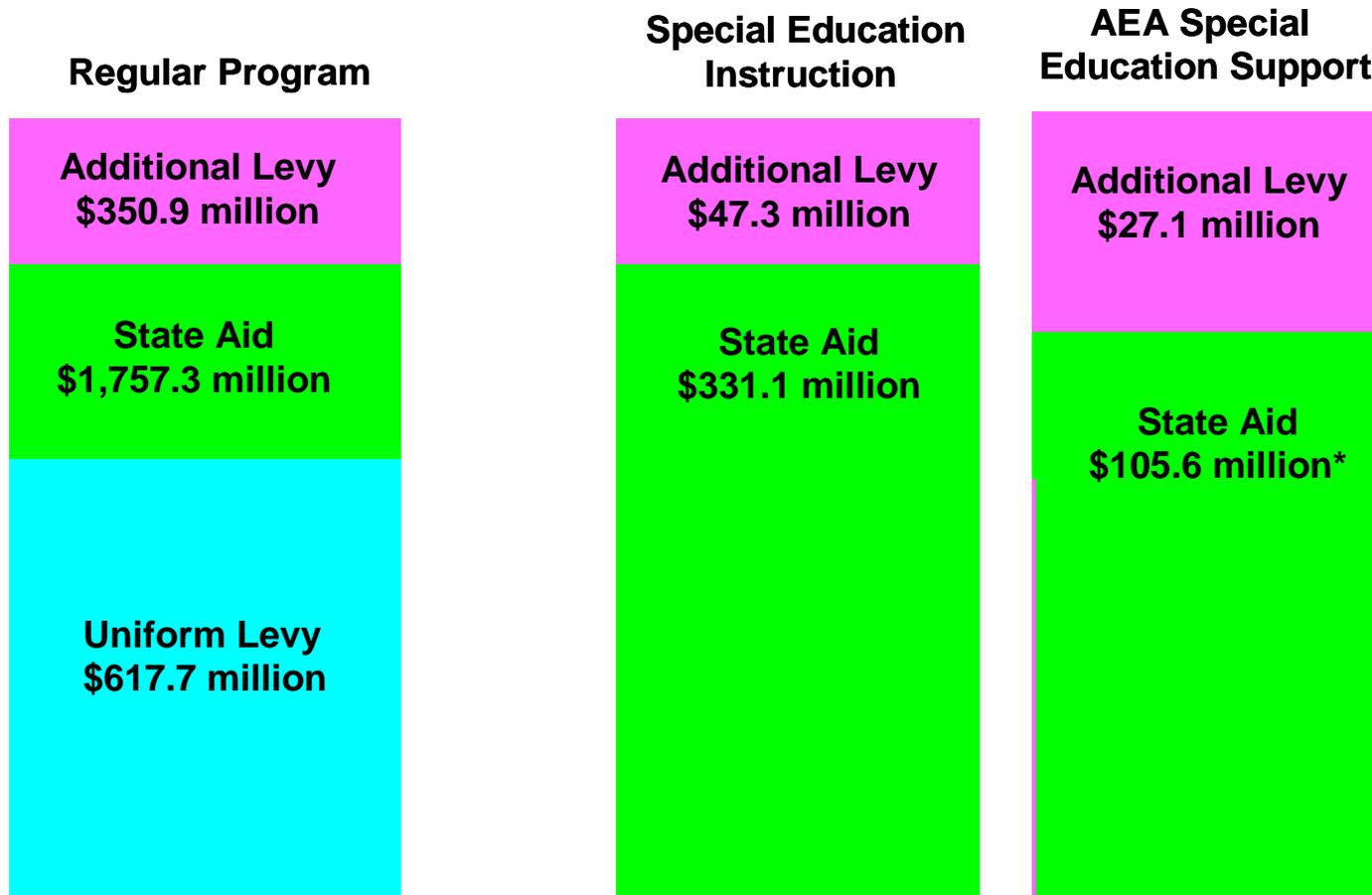
Foundation Formula



Foundation Formula

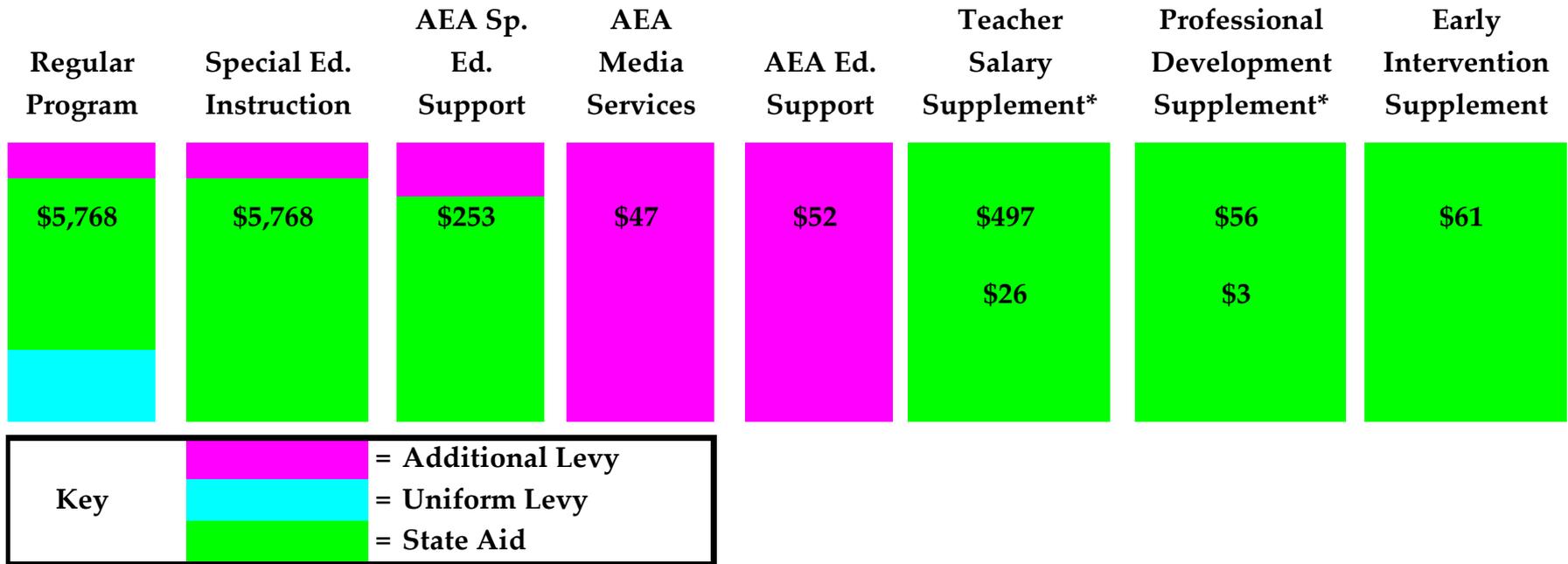


Foundation Formula (FY 2009)



*Does not include the state aid reduction of \$10.0 million

FY 2010 Foundation Per Pupil Amounts



*School district (top figure) and AEA cost per pupil is included.

School District Revenues Sources

School District Revenues

- Where do the revenues come from?
 - ◆ General Fund
 - Formula
 - Required
 - Discretionary
 - Miscellaneous Income
 - State categoricals
 - Federal categoricals
 - ◆ Non General Fund/Other

Revenue - Foundation Formula

Where do the revenues come from?

- Required Local Levy - Uniform Levy
- State Aid
- Additional Levy
- Property Tax Equity Relief (PTER) Fund (New in FY 2011)

Revenue - Foundation Formula (Cont)

FY 2009

- Uniform Levy = \$617.7 million
- State Aid = \$2,224.4 million
- Additional Levy (Second Effort) = \$561.0 million

State Aid

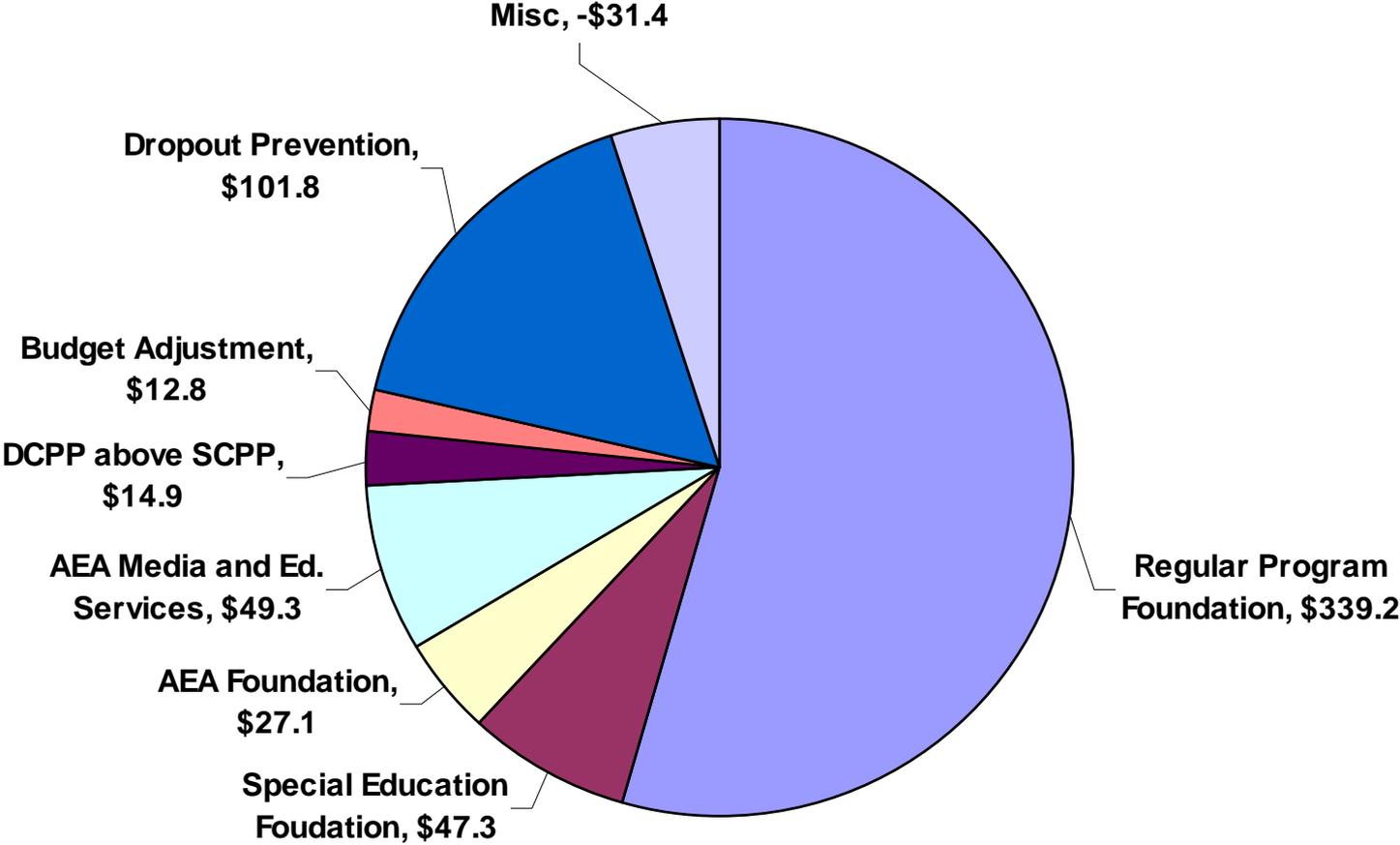
- Increase Funding for Districts
- “Fair” Method to Distribute State Aid
- Provide Property Tax Relief
- Equalize Effort

Additional Levy

FY 2009 Additional Levy Total = \$561.0 million

- Components of Additional Levy
 - ◆ 12.5% of the Regular Program Foundation Level (\$339.2 million)
 - ◆ 12.5% of the Special Education Foundation Level (\$47.3 million)
 - ◆ 21.0% of the AEA Foundation Level (\$27.1 million)
 - ◆ AEA Media and Education Services (\$49.3 million)
 - ◆ DCPP above SCPP (\$14.9 million)
 - ◆ District And AEA Budget Adjustment (\$12.8 million)
 - ◆ Dropout Prevention Program (\$101.8 million)
 - ◆ Miscellaneous (\$ - 31.4 million)

FY 2009 Additional Levy Components (Dollars in Millions)



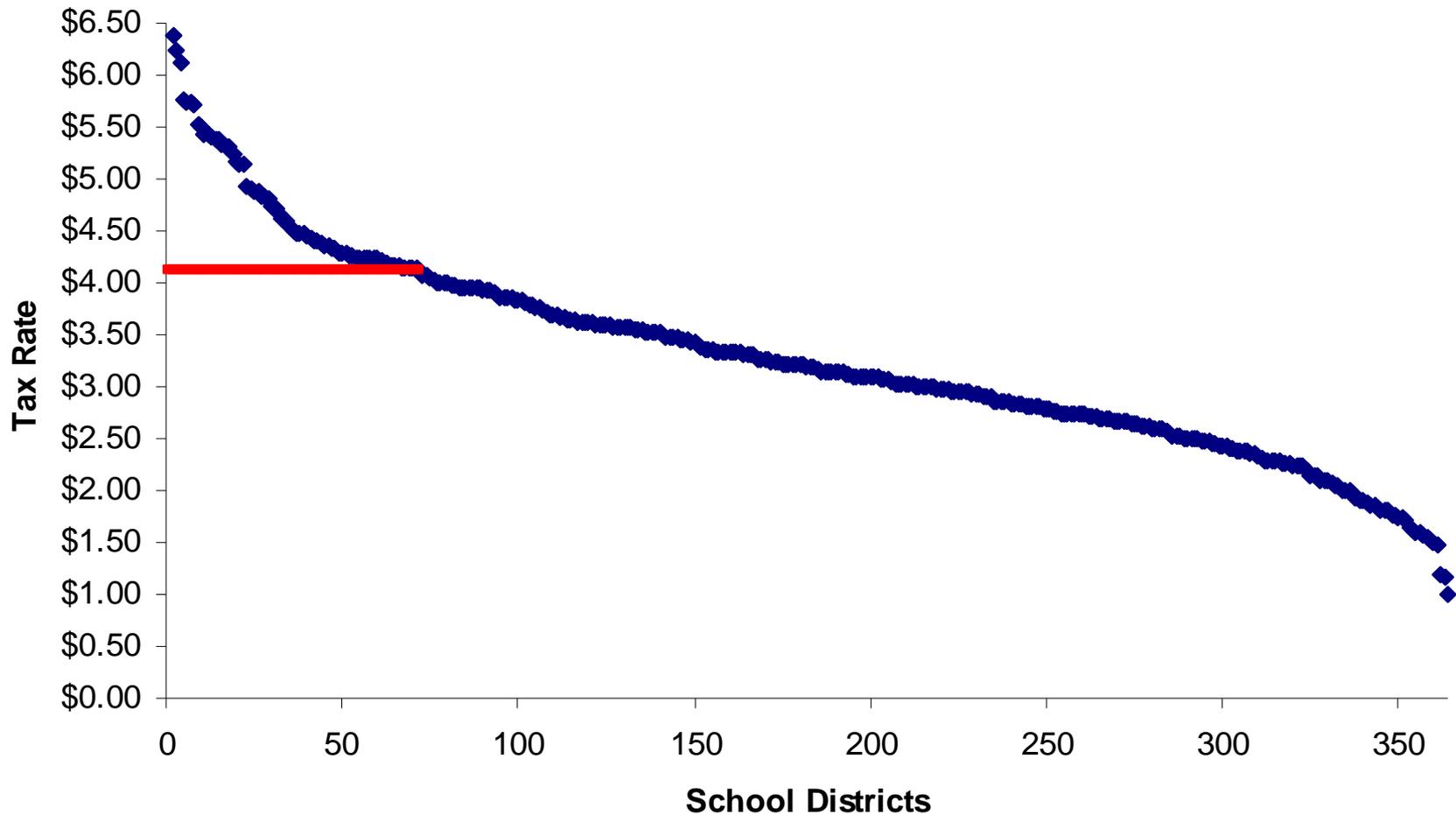
Additional Levy – Property Tax Adjustment Aid

- FY 2009 - \$18.0 million appropriated to buy down rates
- FY 2010 - \$24.0 million appropriated
- FY 2011 and beyond - \$24.0 million plus PTER funds

Property Tax Adjustment Aid

Appropriation of FY 2009 \$18.0 million for FY 2009 “buys” 65 districts down to a rate of \$4.14/\$1,000 of valuation.

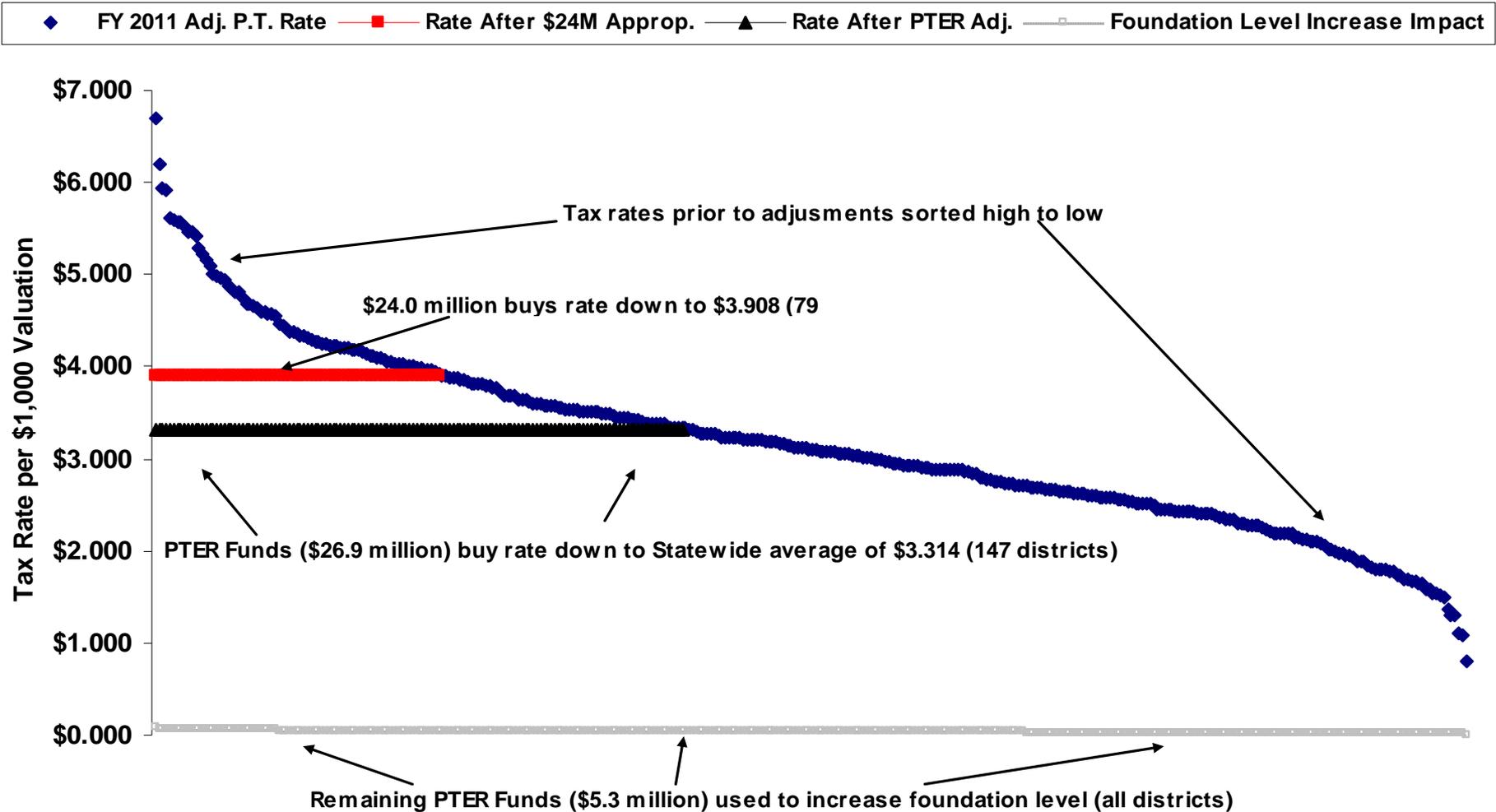
FY 2009 Property Tax Adjustment Aid



Sidebar – PTER Fund

- Starting in FY 2009: Statewide 1% sales/use tax used to fund SILO with remaining going to PTER.
- Funds generated in FY 2009 for PTER will be used for FY 2011 school aid property tax relief for property tax adjustment aid.
- Any remaining PTER funds will be used to increase the foundation level.

Estimated FY 2011 Property Tax Adjustments



School Aid Foundation Formula Funding Components

Combined District Cost

Regular Program Cost

- + Budget Guarantee (Budget Adjustment)
 - + Weighted Enrollment Funding
 - + Dropout Prevention Program Funding
 - + AEA Program Funding
 - + State Categoricals (New in FY 2010)
 - + SBRC Funding
-

Combined District Cost

Basic Funding - Enrollment

Pupil Count

- Pupils are counted for funding purposes by where they reside – not where they attend
 - ◆ Resident pupils counted as 1.0
 - ◆ Shared-time (Nonpublic counted on a FTE basis)
 - ◆ Count taken as of October 1
 - ◆ October 2007 used to determine 2008-09 funding

Basic Funding – Enrollment (Cont)

Pupil Count

- Basic enrollment
 - ◆ Resident (449,398)
 - Includes Dual Enrolled
 - Home School Assistance Program Students (weight reduction from 0.6 to 0.3)
 - ◆ Open Enroll Out (24,882)
 - ◆ Tuition Out (5,825)
 - ◆ Shared-time (305)

Regular Program District Cost

District Cost Per Pupil
X Pupil Count – Basic Enrollment
Regular Program District Cost
(Basic “pool” of money for the district)

Weighted Enrollment Funding

Pupil Driven System

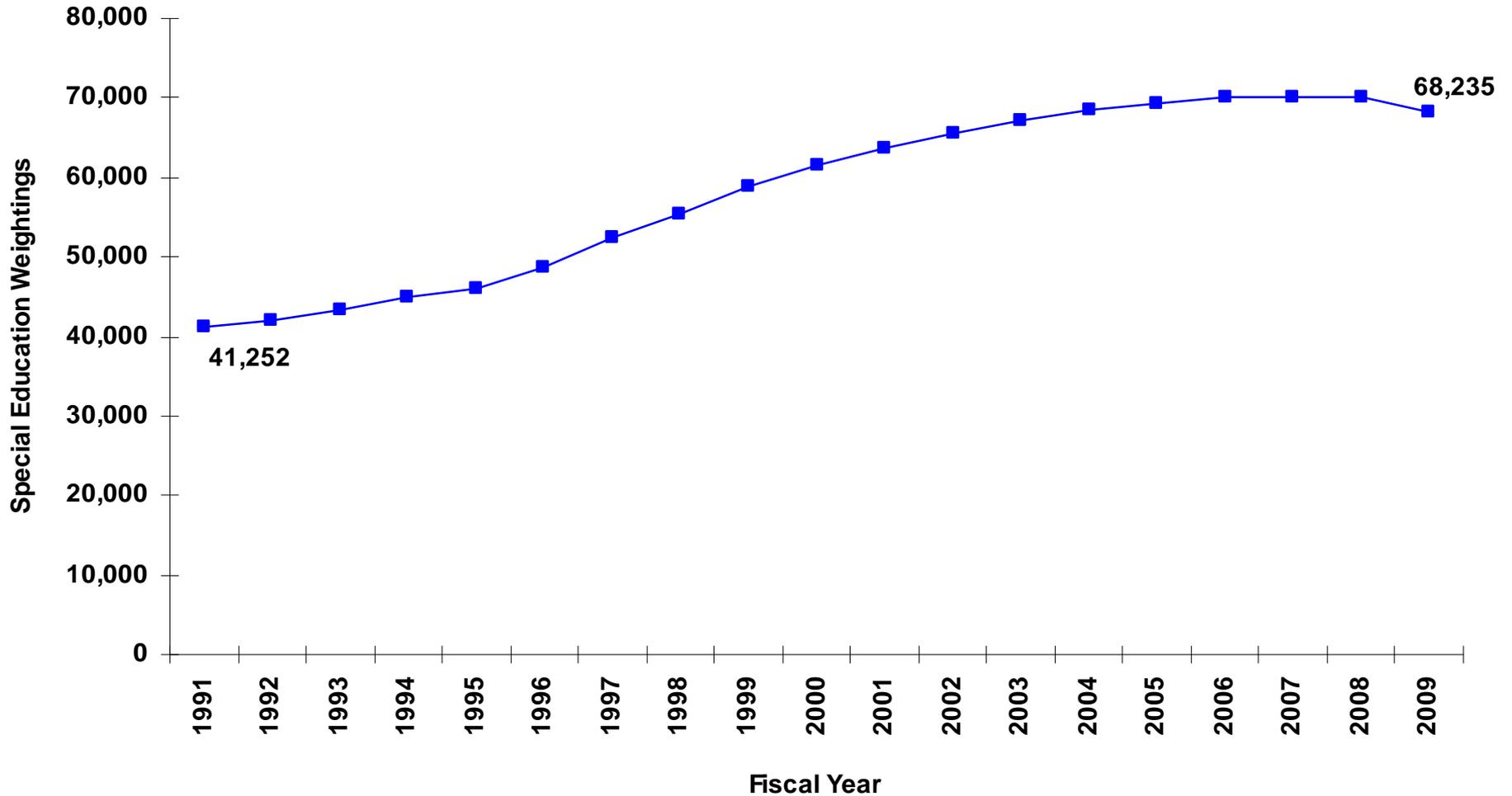
- Weightings “Add” Pupils
- Weightings x District Cost Per Pupil Adds Funding

Weighted Enrollment Funding

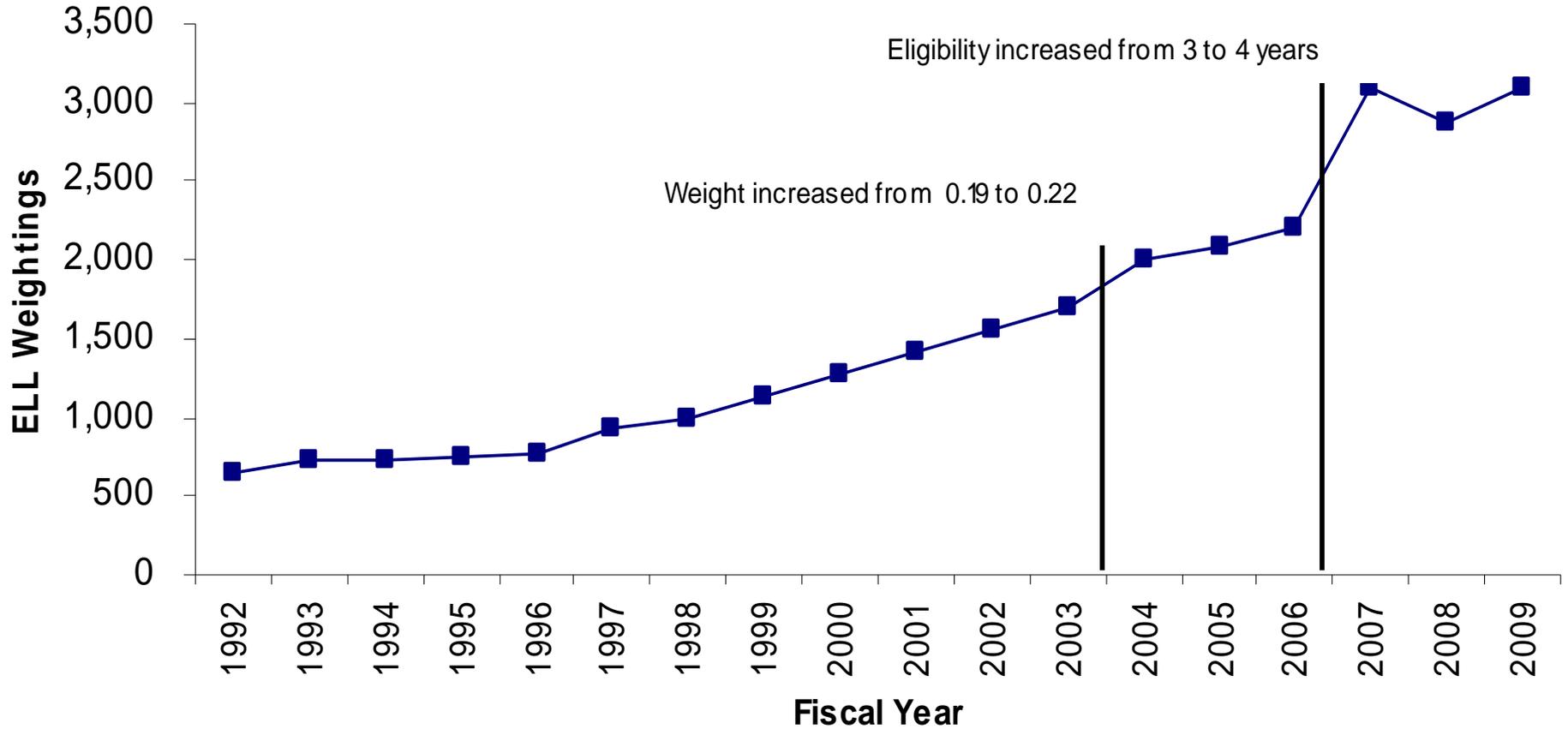
Legislative Services Agency: FY 2009 School Aid Weightings

Weighting Category	FY 2009 School Finance Amounts (Dollars in Millions)					# of Districts
	Weight	State Aid	Property Tax	Total		
Special Ed. 1	28,230.48	\$ 137.0	\$ 20.3	\$ 157.3	362	
Special Ed. 2	16,047.25	77.90	11.6	89.4	361	
Special Ed. 3	23,957.19	116.30	17.2	133.5	357	
Total Special Ed	68,234.92	331.10	49.0	380.2	362	
Shared Students	196.81	1.0	0.1	1.1	64	
Shared Teachers	294.99	1.4	0.2	1.6	72	
Community College Courses	2,270.00	11.0	1.6	12.7	291	
Whole Grade Sharing	234.00	1.1	0.2	1.3	30	
Regional Academy	45.00	0.2	0.0	0.3	4	
ICN	6.07	0.0	0.0	0.0	37	
Operational Functions	540.49	2.6	0.4	3.0	43	
Supplementary Shared Wght. Total	3,587.36	17.4	2.6	20.0	332	
At_Risk	2,156.05	10.5	1.5	12.0	362	
ESL	3,088.36	15.0	2.2	17.2	202	
Reorganization	71.80	0.3	0.1	0.4	8	
Total Supplementary Weight	8,903.57	43.2	6.4	49.6	362	
AEA Sharing	912.86	0.2	0.0	0.2	2*	
Total Weighting	78,051.35	\$ 374.5	\$ 55.5	\$ 430.0	362	

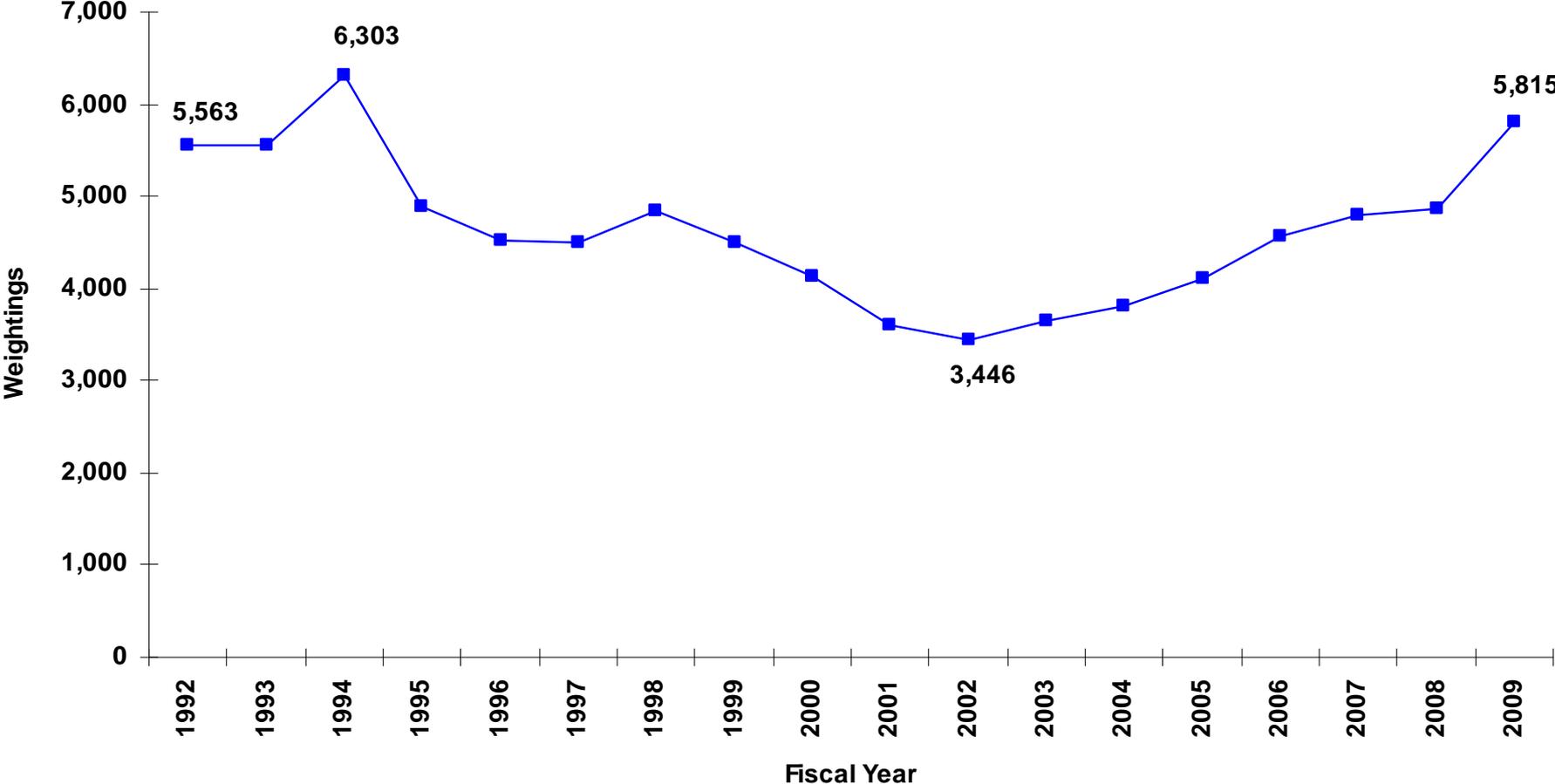
Special Education Weightings FY 1991 Through FY 2009



English Language Learner (ELL) Weightings FY 1992 Through FY 2009



Supplementary Weightings Sharing, At-Risk, and Reorganization FY 1992 Through FY 2009



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Budget Adjustment

(Previously Called Budget Guarantee)

Regular Program Budget = Pupils x District Cost

Provides an adjustment in the Regular Program Budget for districts with no or low growth in enrollments

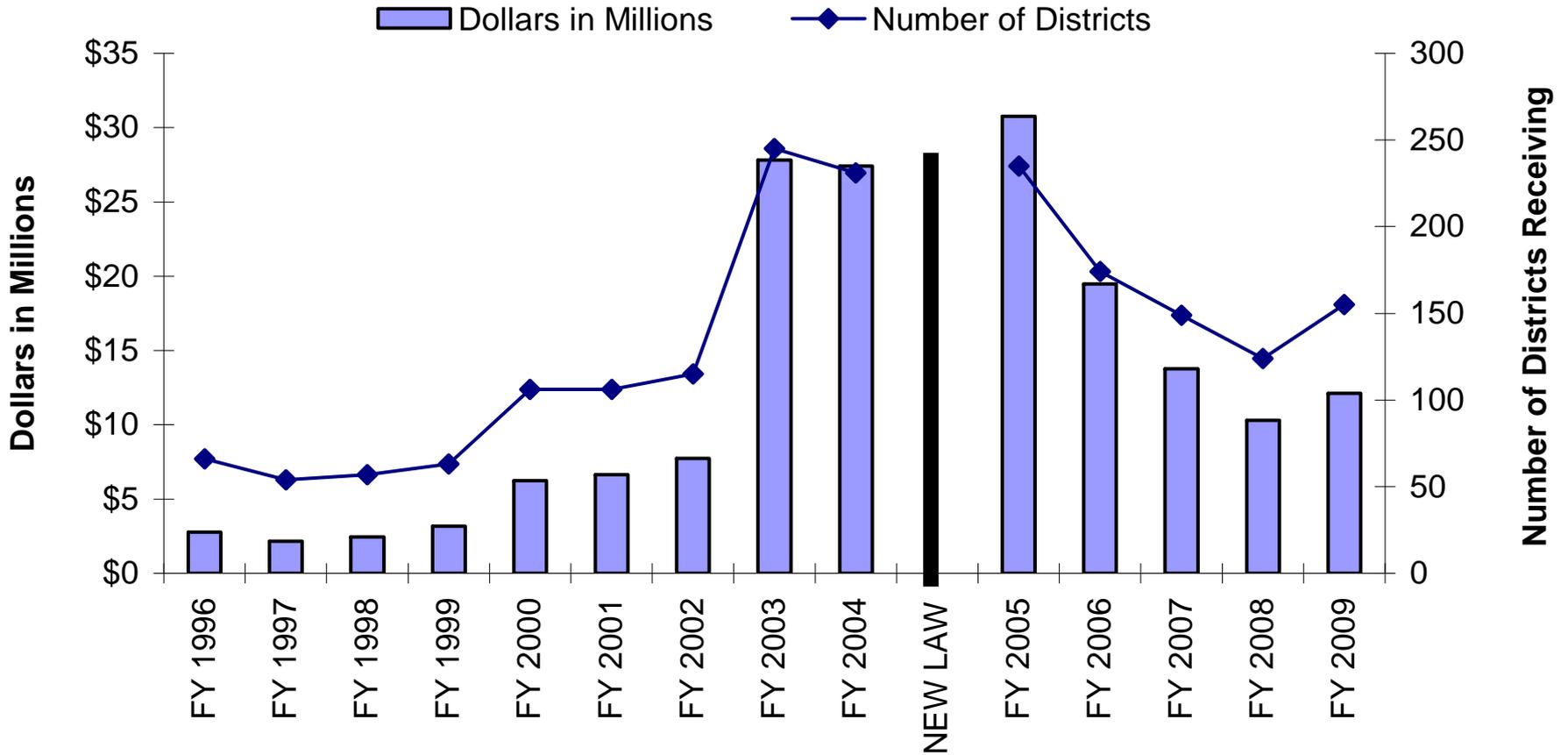
- Phase-out began in FY 2005
- Scale Down Version
- 101% Adjustment

Budget Adjustment FY 2009

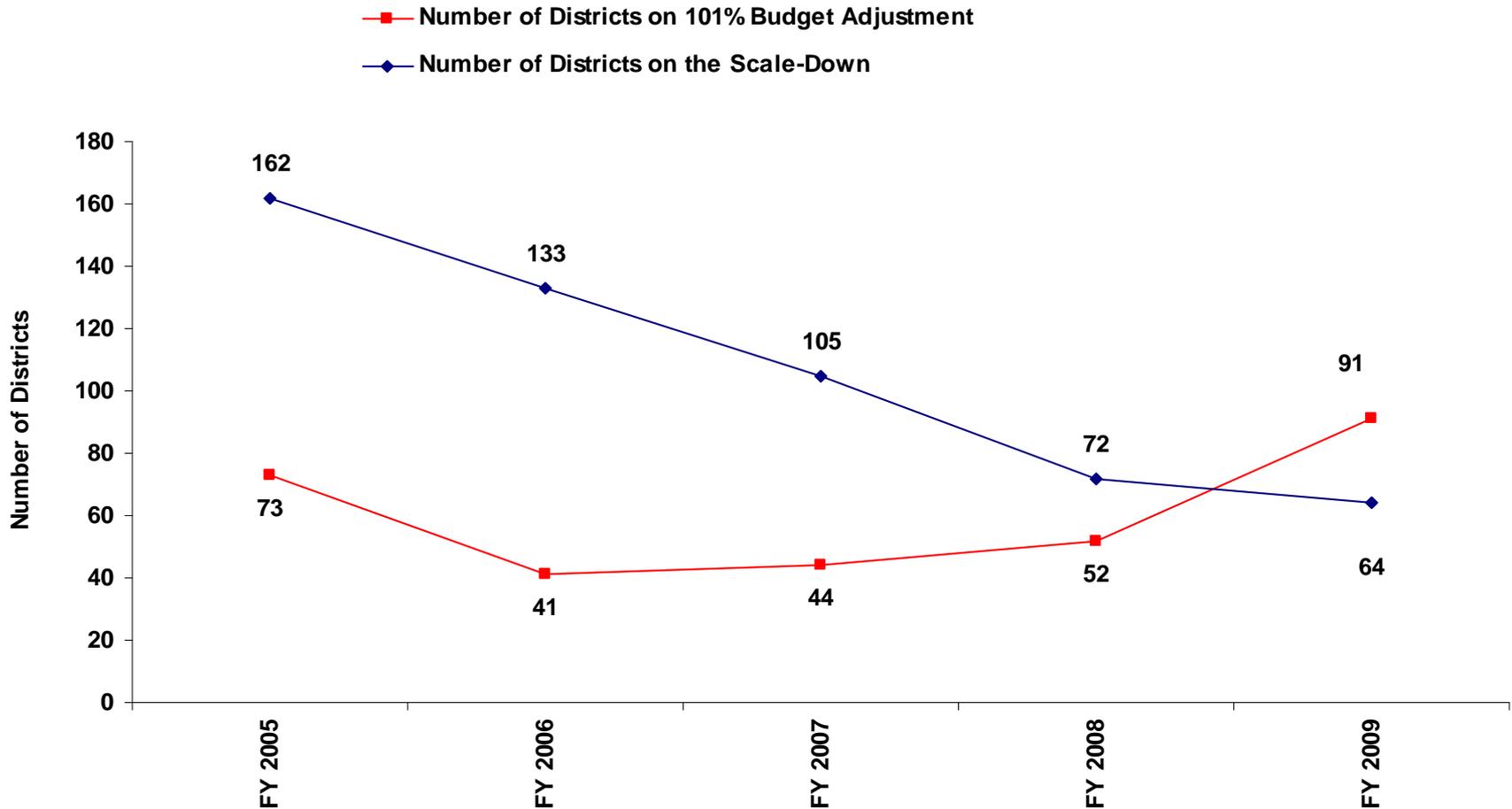
- Total B.A. \$12.1 Million (155 districts)
- Scale Down (50% Based on FY 2004)
\$4.8 million (64 districts)
- 101% Adjustment (101% Based on Previous Year)
\$7.3 million (91 districts)

Budget Guarantee FY 1996 - FY 2004

Budget Adjustment FY 2005 - FY 2009



Budget Adjustment Type FY 2005 - FY 2009



Dropout Prevention Program Funding

FY 2009 Dropout Prevention Program:

- Provides Modified Allowable Growth for Dropout Prevention Programs
- Basically limited to 5.0% of the Regular Program
- Total of \$101.8 million
- 320 Districts

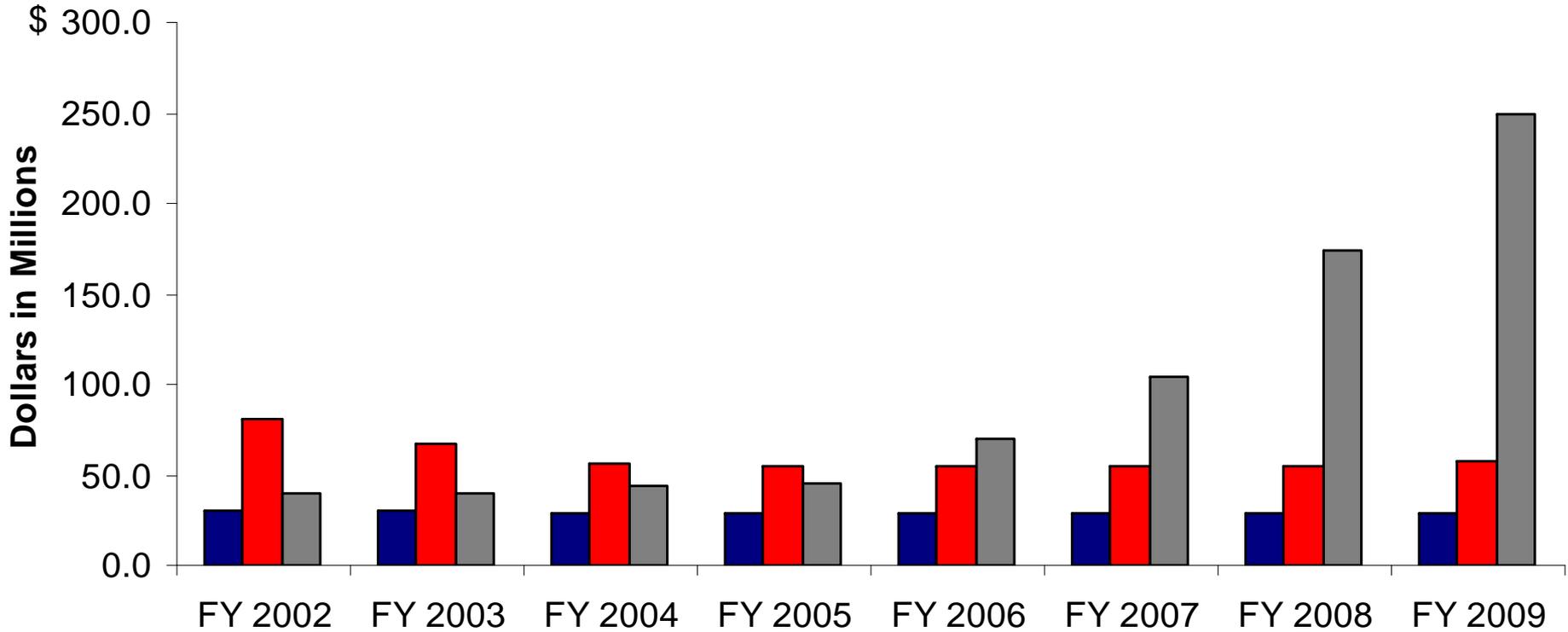
State Categorical Roll-in (FY 2010)

Beginning in FY 2010 the following categorical items will be funded on a per pupil basis with an allowable growth rate established annually beginning in FY 2011:

- Educational Excellence and SATQ Teacher Comp = Teacher Salary Supplement (\$250.9 million)
- SATQ Professional Development = Professional Development Supplement (\$28.5 million)
- Early Intervention/Class Size Reduction Supplement (\$29.3 million)

State Categorical Appropriation Amounts FY 2002 to FY 2009

■ Class Size Reduction
 ■ Educational Excellence
 ■ Student Achievement Teacher Quality



School Budget Review Committee Funding

Five Member Committee

- Authority to Grant Budget Increases
- Modified Allowable Growth (Property Taxes)
- Unique and Unusual Circumstances “Manage” Formula
- Special Education Weights
- Cash Reserve
- Negative Unspent Balances
- Grants Budget Authority

AEA Program Funding

Combined District Cost

- AEA Funding
 - ◆ Pupil Driven
 - ◆ Flows Through Local District
 - ◆ Special Education Support Services
 - ◆ Media Services
 - ◆ Educational Services
 - ◆ AEA Sharing (New in FY 2009)
 - ◆ State Categoricals (New in FY 2010)

Area Education Agency Programs

FY 2009:

- Special Education Support Services
\$123.9 million (After State Aid Reduction) - State Aid and Property Tax
\$10.0 million State Aid Reduction
- Educational Services
\$25.9 million - Property Tax
- Media Services
\$23.4 million - Property Tax
- AEA Sharing
\$220,000 (State aid and Property Tax)

Discretionary School District Programs

Discretionary- General Fund

- Instructional Support Program
 - ◆ Up to 10.0% of the Regular Program Budget
 - ◆ Board Approved for Five Years
 - ◆ Voter Approved for Ten Years

FY 2009:

- ◆ 339 Districts \$181.3 million
- ◆ State Aid - (\$14.4 million [Frozen])
- ◆ Property Tax - (\$90.7 million)
- ◆ Income Surtax - (\$76.2 million)
- ◆ \$46.2 million Additional State Aid to “Fully” Fund

Discretionary - Non General Fund

- Management Levy
- Physical Plant and Equipment Levy (PPEL)
- Public Education and Recreational Levy (PERL) – also referred to as Playground and Equipment Levy
- Debt Levy
- State Sales/Use Tax for School Infrastructure

Management Levy

Optional Levy authorized by the School Board
FY 2009:

- 357 Districts
- Liability Insurance Premium Costs
- Tort Judgments
- Self Insurance - Health
- Loss of Property
- Early Retirement
- \$105.6 million

Physical Plant and Equipment Levy

FY 2009:

- Board Approved - Levy Rate of \$0.33
 - ◆ 336 Districts
 - ◆ \$37.8 million (Property Tax)
- Voter Approved - Levy Rate of \$1.34
 - ◆ 248 Districts (\$88.1 million)
 - ◆ \$77.9 million Property Tax
 - ◆ 10.2 million Income Surtax (88 Districts)

Public Education and Recreational Levy (PERL)

Also known as the Playground Levy.

FY 2009:

- Voter Approved
- Levy Up to \$0.135
- Remains in Place Until Rescinded by the Voters
- 18 Districts
- \$2.0 million

Bonds/Debt Services

FY 2009:

- \$109.9 million
- 207 School Districts
- Property Taxes

Cash Reserve

- Property Taxes Levied for:
 - ◆ Cash Flow
 - ◆ State Aid, Property Tax Shortfall
 - ◆ Provides “cash” behind spending authority
- \$153.6 million
- 320 Districts

Sales/Use Tax for School Infrastructure

- Statewide Sales/Use Tax for School Infrastructure enacted in 2008.
- Funding is based on a per pupil distribution and is linked to the School Infrastructure Local Option (SILO) sales tax distribution formula.
- By FY 2014, all districts will receive the same per pupil amount.
- Any excess will be used for Property tax relief through the school aid formula.

Other Information



LSA: January 2009

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Income Surtax

- Income Surtax is a funding source used to replace property tax
- Instructional Support, Voter Approved PPEL, and Educational Improvement Programs
- 297 School Districts Imposed for FY 2009
- \$86.6 Million

State Public School Funding

State General Fund Appropriations for Public Schools:

- FY 2007 – \$2.302 billion (42.7% of State General Fund expenditures)
- Estimated FY 2008 - \$2.487 billion (42.4%)
- Estimated FY 2009 - \$2.643 billion (43.1%)

Federal Categorical - Examples

FY 2008:

- Title I - \$63.3 million
- Title II - \$20.6 million
- IDEA - \$26.4 million

School Finance - LSA Role

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

Recent Issues

Recent Issues Subject of Legislation:

- Equalization of Per Pupil Spending
- Enrollment Changes (Declines/Increases)
- Transportation Costs
- Property Tax Relief/Property Tax Equalization
- Technology
- School Infrastructure
- Teacher Compensation
- Curriculum
- School District Fees

Questions?

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LSA K-12 Website:

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