Overview of School Finance in Iowa
School Aid Presentation

- Brief History/Principles
- Allowable Growth Rate/State Cost Per Pupil
- Foundation Level
- School Aid Revenue
- School Aid Formula Funding Components
- Discretionary Programs
- Miscellaneous
- Valuations per Pupil and Property Tax Implications
- Addendum
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 1950s
  - 1965 – 1,098 school districts
  - 1975 – 450 school districts
  - 1985 – 437 school districts
  - 1995 – 384 school districts
  - 2005 – 367 school districts
  - Currently – 346 school districts
Brief History of School Finance in Iowa

- Until the mid 1960s – school district funding was all property tax
- In 1971, school foundation program adopted (enrollment-based) – substantial increase in State aid to school districts
- In 1989 – enactment of Iowa Code chapter 257 with implementation beginning in FY 1992
Brief History of School Finance in Iowa (continued)

- In 1992, allowable growth adopted
- In 1995, formula modified to set allowable growth two years in advance
- In 1996, increased Regular Program Foundation Level from 83.0% to 87.5% beginning in FY 1997 (increased the portion of State aid paid from the State General Fund 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 (continued)

- In 2001, eliminated the 100.0% budget guarantee, replaced it with phase-out or alternate budget adjustment to begin in FY 2004, and made the on-time funding provision permanent

- 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 (continued)

- 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 Categorical Supplements – Additional categorical program funding rolled into the school aid formula beginning in FY 2010
Brief History of School Finance in Iowa (continued)

- **2009 Legislative Session:**
  - Across-the-board reduction of 1.5% for FY 2009
  - Maintained 4.0% allowable growth rate for FY 2010
  - Established 2.0% allowable growth rate for FY 2011
  - **American Recovery and Reinvestment Act (ARRA) Education Fiscal Stabilization:**
    - $40.0 million in FY 2009
    - $202.5 million in FY 2010
Brief History of School Finance in Iowa (continued)

- 2010 Legislative Session:
  - Prior to Session, across-the-board reduction of 10.0% for FY 2010
  - Maintained 2.0% allowable growth rates for FY 2011
  - Used one-time funds in place of General Fund for State aid totaling $53.0 million
  - Capped appropriation for State aid – $156.1 million short of fully funding
  - Postponed setting FY 2012 allowable growth rates
Brief History of School Finance in Iowa (continued)

- 2011 Legislative Session:
  - Legislature did not establish allowable growth rates for FY 2012 (defaulted to 0.0%)
  - Established 2.0% allowable growth rates for FY 2013
  - Added an additional State aid reduction to area education agencies (AEA) reduction of $20.0 million for FY 2012
  - Reduced the preschool formula weighting from 0.6 to 0.5
Brief History of School Finance in Iowa (continued)

- 2012 Legislative Session:
  - No allowable growth rate established for FY 2014
  - Reduced State aid to AEAs by $20.0 million in addition to the $7.5 million annual statutory reduction (maintained the reduction made in FY 2011)
  - Dropout prevention program changes – modified allowable growth restriction and allowable expenditure increases
Brief History of School Finance in Iowa (continued)

2013 Legislative Session:
- FY 2014 allowable growth rate = 2.0%
- One-time State funding in FY 2014 of $57.1 million
- Reduced State aid to AEAs by $15.0 million in addition to the $7.5 million annual statutory reduction for FY 2014
- FY 2015 allowable growth rate = 4.0%
- Education reform enacted
- Property tax reform enacted
Goals and Principles

- Equity in expenditure
- Property tax relief
- Equalize taxation
- Uniform State aid allocation formula
- Predictable
- Simple
- Pupil Driven
Goals and Principles (continued)

- Provide for local discretion/incentives
- Establish maximum spending control
- One funding formula school districts and AEAs
- Provide adequate funding
- Promote high achievement
- Modify the impact of community and family background on achievement
School Aid Allowable Growth and State Cost Per Pupil
Allowable Growth Rate

- Supplemental State aid (in FY 2015)
- Recommended by the Governor
- Established by the General Assembly
- Policy decision impacting State school aid appropriation
Allowable Growth Amount

Allowable Growth Rate \times \text{State Cost Per Pupil} = \text{Growth Per Pupil}

For example:

2013-2014

2.0\% \text{Allowable Growth Rate} \times 
\text{FY 2013 State Cost Per Pupil ($6,001)}

= $120 \text{Per Pupil}
State Cost Per Pupil (SCPP)

FY 2014:

$6,001 + $120 = $6,121

FY 2013 SCPP + Allowable Growth
State Cost Per Pupil

FY 2014 SCPP = $6,121

- Used to determine allowable growth per pupil for the next year
- Used to determine minimum district cost per pupil
- Note: same methodology for all 10 cost per pupil amounts in the school aid formula
District Cost Per Pupil – FY 2013

$6,296 – Highest (7 Districts)
$6,121 – Lowest (168 Districts)
$175 – Range (2.8% difference)

- 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
- Note that this is not the case for the State categorical supplement per pupil amounts
Allowable Growth - History

Allowable Growth Rate and State Cost Per Pupil Amounts
FY 1994 to FY 2015

Fiscal Year

$3,406

$6,121

$6,366

0.0%
0.5%
1.0%
1.5%
2.0%
2.5%
3.0%
3.5%
4.0%
4.5%


SCPP
Allowable Growth Rate
School Aid Formula
Foundation Levels
Foundation Formula

Foundation Level

FY 2013:
87.5% of SCPP ($6,121)
= $5,356 Per Pupil
Foundation Formula

Property Rich District

Foundation Level

Additional Levy

State Aid

Uniform Levy $5.40

Property Poor District

Foundation Level

Additional Levy

State Aid

Uniform Levy $5.40

More on this later in the presentation.
FY 2014 State Cost Per Pupil Amounts

<table>
<thead>
<tr>
<th>Program</th>
<th>Regular Program</th>
<th>Special Ed. Instruction</th>
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<tbody>
<tr>
<td>Teacher Salary</td>
<td>$6,121</td>
<td>$6,121</td>
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<tr>
<td>Supplement</td>
<td>$507</td>
<td>$507</td>
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<tr>
<td>Teacher Salary</td>
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<td>Support</td>
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<tr>
<td>AEA Sp. Ed.</td>
<td>$269</td>
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<td>AEA Media Services</td>
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<td>AEA Ed. Support</td>
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<td>Teacher Salary</td>
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<td></td>
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<tr>
<td>Supplement</td>
<td>$3</td>
<td></td>
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<td>Prof. Dev.</td>
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<td></td>
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<tr>
<td>Supplement</td>
<td>$57</td>
<td>$57</td>
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<tr>
<td>Early Intervention</td>
<td>$63</td>
<td></td>
</tr>
<tr>
<td>Support</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key:
- = Additional Levy
- = Uniform Levy
- = State Aid
Property Tax Replacement Payment

- New beginning in FY 2014
- Property tax relief for increase in cost per pupil due to allowable growth rate
- Current law based on FY 2014 and FY 2015
- Indirect impact on foundation level for future fiscal years
- Reduces additional levy portion for all districts
- Per pupil amount = $15 in FY 2014 and $46 in FY 2015 and beyond

LSA: August 2013
School District Revenue Sources
School District Revenues

Where do the revenues come from?

- **General Fund**
  - **Formula**
    - Required
    - Discretionary
  - Miscellaneous Income
    - 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
Revenue - Foundation Formula (continued)

FY 2014

- Uniform Levy = $759.4 million
- Additional Levy (second effort) = $578.6 million
- State Aid = $2,725.6 million (includes $8.7 million from Property Tax Equity Relief (PTER) Fund)
State Aid

- Increase funding for districts
- “Fair” method to distribute State aid
- Provide property tax relief
- Equalize effort
Additional Levy

FY 2014 Additional Levy Total = $578.6 million

Components of Additional Levy:

- 12.5% of the Regular Program Foundation Level ($372.6 million)
- 12.5% of the Special Education Foundation Level ($48.5 million)
- 21.0% of the AEA Foundation Level ($29.5 million)
- AEA Media and Education Services ($53.7 million)
- DCPP above SCPP ($14.3 million)
- District and AEA Budget Adjustment ($13.4 million)
- Dropout Prevention Program ($97.2 million)
- Property Tax Adjustment Aid ($ -32.7 million)
- NEW: Property Tax Replacement Payment ($ -8.3 million)
- Property Tax Adjustment Aid – 1990 provision ($ -9.3 million)
- Miscellaneous ($ -0.3 million)

Total may not add due to rounding.
<table>
<thead>
<tr>
<th>Additional Levy Component</th>
<th>Property Tax Rate Statistics by Additional Levy Component</th>
<th># of Districts Impacted</th>
<th>% of Districts Impacted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Median</td>
<td>Max*</td>
</tr>
<tr>
<td>Regular Foundation - 12.5%</td>
<td>$372.6</td>
<td>$2.6453</td>
<td>$2.4213</td>
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<tr>
<td>Spec. Ed. Foundation - 12.5%</td>
<td>48.5</td>
<td>0.3440</td>
<td>0.2811</td>
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<tr>
<td>Prop. Tax Adj. Aid</td>
<td>-32.7</td>
<td>-0.2318</td>
<td>0.0000</td>
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<tr>
<td>Prop. Tax Replacement Payment</td>
<td>-8.3</td>
<td>-0.0586</td>
<td>-0.0530</td>
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<tr>
<td>AEA Foundation - 21.0%</td>
<td>29.5</td>
<td>0.2093</td>
<td>0.1917</td>
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<tr>
<td>AEA Media Services</td>
<td>25.5</td>
<td>0.1814</td>
<td>0.1629</td>
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<tr>
<td>AEA Ed. Services</td>
<td>28.2</td>
<td>0.2005</td>
<td>0.1803</td>
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<tr>
<td>Dist. Cost Per Pupil &gt; State Cost Per Pupil **</td>
<td>14.3</td>
<td>0.1017</td>
<td>0.0386</td>
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<tr>
<td>Budget Guarantee/Adjustment</td>
<td>11.2</td>
<td>0.0793</td>
<td>0.0000</td>
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<tr>
<td>AEA Ed. Support Budget Guarantee</td>
<td>2.2</td>
<td>0.0157</td>
<td>0.0093</td>
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<tr>
<td>Dropout Prevention Program</td>
<td>97.2</td>
<td>0.6901</td>
<td>0.4965</td>
</tr>
<tr>
<td>Property Tax Adj. Aid (1992)</td>
<td>-9.6</td>
<td>-0.0680</td>
<td>-0.0585</td>
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<tr>
<td>Misc.</td>
<td>-0.3</td>
<td>-0.0018</td>
<td>-0.0007</td>
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<tr>
<td>Additional Levy - State Level</td>
<td>$578.6</td>
<td>$4.1070</td>
<td>$3.8758</td>
</tr>
</tbody>
</table>

Notes:
*Reductions in tax rates are displayed as negative values and displayed in the maximum column as negative values.

**There were 178 school districts with a district cost per pupil (DCPP) that exceeded the State cost per pupil for a total of $12.9 million.

**There were 228 school districts with an AEA cost per pupil that exceeded the State AEA cost per pupil for a total of $1.4 million.
Additional Levy – Property Tax Adjustment Aid

- Provides targeted property tax relief to districts with the highest adjusted additional levy rates
- Funds include a General Fund appropriation included in the school aid formula and excess sales/use tax for school infrastructure deposited in the Property Tax Equity and Relief (PTER) Fund
- If funding is sufficient, the foundation level percentage will be increased (an additional $21.3 million required in FY 2014)
FY 2014 PTER/Property Tax. Adj. Aid

- FY 2014 Adjusted Additional Tax Levy Rate from high to low
- $24.0 million appropriation buys rates down to $3.58
- PTER Funds of $8.7 million buys rates down lower to $3.3416
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 Categorical Supplements

Combined District Cost
## FY 2014 School Aid Formula Funding by Program Area (Dollars in Millions)

<table>
<thead>
<tr>
<th>Program Area</th>
<th>State</th>
<th>State Aid % of Total</th>
<th>Local Taxes</th>
<th>Local Taxes % of Total</th>
<th>Total</th>
<th>Program Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Program</td>
<td>$1,791.5</td>
<td>44.8%</td>
<td>$1,134.7</td>
<td>28.4%</td>
<td>$2,926.1</td>
<td>73.2%</td>
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<tr>
<td>Budget Guarantee</td>
<td>0.0</td>
<td>0.0%</td>
<td>11.2</td>
<td>0.3%</td>
<td>11.2</td>
<td>0.3%</td>
</tr>
<tr>
<td>Teacher Salary Supplement (LEA)</td>
<td>252.1</td>
<td>6.3%</td>
<td>0.0</td>
<td>0.0%</td>
<td>252.1</td>
<td>6.3%</td>
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<tr>
<td>Professional Development Supplement (LEA)</td>
<td>28.6</td>
<td>0.7%</td>
<td>0.0</td>
<td>0.0%</td>
<td>28.6</td>
<td>0.7%</td>
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<tr>
<td>Early Intervention Supplement (LEA)</td>
<td>31.1</td>
<td>0.8%</td>
<td>0.0</td>
<td>0.0%</td>
<td>31.1</td>
<td>0.8%</td>
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<tr>
<td>Supplementary Weighting</td>
<td>58.2</td>
<td>1.5%</td>
<td>8.6</td>
<td>0.2%</td>
<td>66.8</td>
<td>1.7%</td>
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<tr>
<td>Special Education Weighting</td>
<td>339.3</td>
<td>8.5%</td>
<td>50.0</td>
<td>1.3%</td>
<td>389.3</td>
<td>9.7%</td>
</tr>
<tr>
<td>Dropout Prevention Program</td>
<td>0.0</td>
<td>0.0%</td>
<td>97.2</td>
<td>2.4%</td>
<td>97.2</td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>AEA Sharing Supplementary Weighting</strong></td>
<td>0.1</td>
<td>0.0%</td>
<td>0.0</td>
<td>0.0%</td>
<td>0.2</td>
<td>0.0%</td>
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<tr>
<td><strong>AEA Media Services</strong></td>
<td>0.0</td>
<td>0.0%</td>
<td>25.5</td>
<td>0.6%</td>
<td>25.5</td>
<td>0.6%</td>
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<tr>
<td><strong>AEA Education Services</strong></td>
<td>0.0</td>
<td>0.0%</td>
<td>28.2</td>
<td>0.7%</td>
<td>28.2</td>
<td>0.7%</td>
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<tr>
<td><strong>AEA Special Education Support Services</strong></td>
<td>114.4</td>
<td>2.9%</td>
<td>30.9</td>
<td>0.8%</td>
<td>145.3</td>
<td>3.6%</td>
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<td><strong>AEA Spec. Ed. Support Services Adjustment</strong></td>
<td>0.0</td>
<td>0.0%</td>
<td>2.2</td>
<td>0.1%</td>
<td>2.2</td>
<td>0.1%</td>
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<tr>
<td><strong>AEA Pro-rata State Aid Reduction</strong></td>
<td>-22.5</td>
<td>-0.6%</td>
<td>0.0</td>
<td>0.0%</td>
<td>-22.5</td>
<td>-0.6%</td>
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<tr>
<td><strong>AEA Teacher Salary Supplement</strong></td>
<td>14.2</td>
<td>0.4%</td>
<td>0.0</td>
<td>0.0%</td>
<td>14.2</td>
<td>0.4%</td>
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<tr>
<td><strong>AEA Professional Development Supplement</strong></td>
<td>1.7</td>
<td>0.0%</td>
<td>0.0</td>
<td>0.0%</td>
<td>1.7</td>
<td>0.0%</td>
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<tr>
<td>Adjusted Additional Property Tax Levy State Aid</td>
<td>32.7</td>
<td>0.8%</td>
<td>-32.7</td>
<td>-0.8%</td>
<td>0.0</td>
<td>0.0%</td>
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<tr>
<td>Property Tax Replacement Payment</td>
<td>8.3</td>
<td>0.2%</td>
<td>-8.3</td>
<td>-0.2%</td>
<td>0.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other Property Tax Adjustments</td>
<td>10.0</td>
<td>0.3%</td>
<td>-10.1</td>
<td>-0.3%</td>
<td>0.0</td>
<td>0.0%</td>
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<tr>
<td>Other Misc. Adjustments</td>
<td>0.0</td>
<td>0.0%</td>
<td>0.3</td>
<td>0.0%</td>
<td>0.3</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>School Aid Formula Totals</strong></td>
<td><strong>$2,659.5</strong></td>
<td><strong>66.5%</strong></td>
<td><strong>$1,337.9</strong></td>
<td><strong>33.5%</strong></td>
<td><strong>$3,997.5</strong></td>
<td><strong>100.0%</strong></td>
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</tbody>
</table>

### Other Programs Impacted by Allowable Growth Rate

- **Instructional Support**: $0.0, $200.0, $200.0
- **Preschool State Aid**: 66.1, 0.0, 66.1
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 2012 count used to determine 2013-14 funding (FY 2014)
Basic Funding – Enrollment (continued)

Pupil Count – October 2012 (FY 2014 Funding)

- Basic enrollment (476,245)
  - Resident (442,451)
    - Includes Dual Enrolled
    - Home School Assistance Program (HSAP) Students
  - Open Enroll Out (27,651)
  - Tuition Out (5,636)
  - Shared-time (203)
  - Competent Private Instruction (CPI) Students (304)
Regular Program District Cost

District Cost Per Pupil

\[ \text{District Cost Per Pupil} = X \times (\text{Pupil Count} - \text{Basic Enrollment}) \]

Regular Program District Cost

(Basic “pool” of money for the district)

Regular Program Funding accounted for 73.2% of the Combined District Cost in FY 2014
Weighted Enrollment Funding

Pupil Driven System

- Weightings “Add” Pupils
- Weightings x District Cost Per Pupil Adds Funding
- Accounted for approximately 11.4% of the Combined District Cost in FY 2014
- Special Education Weightings = 9.7%
- Other Weightings = 1.7%
Weighted Enrollment Funding

<table>
<thead>
<tr>
<th>Weighting Category</th>
<th>Weight</th>
<th>State Aid**</th>
<th>Property Tax</th>
<th>Total</th>
<th># of Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Ed. 1</td>
<td>24,739.20</td>
<td>$ 132,874,243</td>
<td>$ 19,168,112</td>
<td>$ 152,042,355</td>
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<td>Special Ed. 2</td>
<td>18,101.65</td>
<td>$ 97,223,962</td>
<td>$ 14,005,493</td>
<td>$ 111,229,455</td>
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<td>Special Ed. 3</td>
<td>20,510.27</td>
<td>$110,160,660</td>
<td>$ 15,906,362</td>
<td>$126,067,022</td>
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<tr>
<td><strong>Total Special Ed.</strong></td>
<td>63,351.12</td>
<td>340,258,865</td>
<td>49,079,967</td>
<td>389,338,832</td>
<td>346</td>
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</tbody>
</table>

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Shared Students</td>
<td>48.00</td>
<td>257,803</td>
<td>38,469</td>
<td>296,272</td>
<td>69</td>
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<tr>
<td>Shared Teachers</td>
<td>308.07</td>
<td>1,654,617</td>
<td>242,725</td>
<td>1,897,342</td>
<td>69</td>
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<tr>
<td>Community College (CC) Courses*</td>
<td>2,875.32</td>
<td>$15,443,328</td>
<td>$2,224,068</td>
<td>$17,667,396</td>
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<tr>
<td>CC Arts and Sciences</td>
<td>1,197.91</td>
<td>6,433,996</td>
<td>928,788</td>
<td>7,362,785</td>
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<tr>
<td>CC Career and Tech</td>
<td>1,677.24</td>
<td>9,008,435</td>
<td>1,295,151</td>
<td>10,303,585</td>
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<td>Whole Grade Sharing</td>
<td>289.30</td>
<td>1,553,830</td>
<td>224,363</td>
<td>1,778,194</td>
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<td>Regional Academy</td>
<td>14.00</td>
<td>75,194</td>
<td>11,452</td>
<td>86,646</td>
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<td>ICN</td>
<td>2.81</td>
<td>15,076</td>
<td>2,190</td>
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<td>Operational Functions</td>
<td>1,421.83</td>
<td>7,636,649</td>
<td>1,113,923</td>
<td>8,750,572</td>
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<td><strong>Supplementary Shared Wght. Total</strong></td>
<td>4,959.57</td>
<td>26,637,850</td>
<td>3,857,393</td>
<td>30,495,243</td>
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</tbody>
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<tbody>
<tr>
<td>At-Risk</td>
<td>2,340.680</td>
<td>12,571,814</td>
<td>1,812,799</td>
<td>14,384,613</td>
<td>346</td>
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<td>ESL</td>
<td>3,391.96</td>
<td>18,218,217</td>
<td>2,638,441</td>
<td>20,856,658</td>
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<td>Reorganization</td>
<td>177.70</td>
<td>954,427</td>
<td>142,749</td>
<td>1,097,176</td>
<td>11</td>
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<td><strong>Total Supplementary Weight</strong></td>
<td>10,869.91</td>
<td>58,382,308</td>
<td>8,451,382</td>
<td>66,833,691</td>
<td>346</td>
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<tbody>
<tr>
<td>AEA Sharing</td>
<td>539.84</td>
<td>$ 114,446</td>
<td>$ 36,212</td>
<td>$ 150,659</td>
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<td><strong>Total Weighting</strong></td>
<td>74,760.87</td>
<td>$ 398,755,619</td>
<td>$ 57,567,562</td>
<td>$ 456,323,181</td>
<td>346</td>
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</table>

*Total of arts and sciences and career and tech community college courses.

**Includes State aid for property tax replacement payments.
Special Education Weightings
FY 1991 Through FY 2014

Fiscal Year

- Special Ed. I
- Special Ed. II
- Special Ed. III
- Total Special Ed.
Limited English Proficient Weightings
FY 1992 Through FY 2014

Eligibility increased from 3 to 4 years
Weighting increased from 0.19 to 0.22
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: ended in FY 2013
- 101.0% Adjustment: will remain in place after phase-out of scale-down
- A factor of enrollment changes and allowable growth rate
- Funded through local property tax (part of the additional levy)
- FY 2014 = $11.1 million (133 districts)
Budget Guarantee FY 1996 - FY 2004
Budget Adjustment FY 2005 - FY 2014

- 100.% Budget Guarantee
- 101.00%
- Scale-Down
- Number of Districts

Dollars in Millions

Number of Districts

FY 1996
FY 1997
FY 1998
FY 1999
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
FY 2013
FY 2014

0
50
100
150
200
250
300

$0.0
$5.0
$10.0
$15.0
$20.0
$25.0
$30.0
$35.0
$40.0
$45.0
$50.0

Budget Guarantee/Budget Adjustment vs. Allowable Growth Rate

- Budget Guarantee Total - in Millions (left-axis)
- Allowable Growth Rate (right axis)
Dropout Prevention Program Funding

FY 2014 Dropout Prevention Program:

- Provides modified allowable growth for dropout prevention programs
- Basically limited to 5.0% of the District’s Regular Program Cost
- Total of $97.2 million (local property tax – included in the additional levy)
- 298 districts (86.1%)
State Categorical Supplements

Programs and FY 2014 funding amounts include:

- Educational Excellence and Student Achievement/Teacher Quality (SATQ) Teacher Comp = Teacher Salary Supplement ($266.3 million)
- SATQ Professional Development = Professional Development Supplement ($30.2 million)
- Early Intervention/Class Size Reduction Supplement ($31.1 million)
- Total of State Categorical Supplements = $327.5 million (8.2% of combined district cost)
School Budget Review Committee Funding

Six-Member Committee

- Five voting members and Department of Education Director (nonvoting)
- 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
  - Categorical supplements (teacher compensation and professional development)
Area Education Agency Programs

Funding “flows through” local districts. Amounts for FY 2014:

- **Special Education Support Services:**
  - $125.0 million (after State aid reduction) – State aid and property tax
  - $7.5 million State aid reduction (permanent)
  - $15.0 million additional State aid reduction

- **Educational Services:** $28.2 million – property tax

- **Media Services:** $25.5 million – property tax

- **AEA Sharing:** $151,000 – State aid and property tax

- **Teacher Compensation:** $14.2 million

- **Professional Development:** $1.7 million

- **Total AEA Funding:** $194.8 million (4.9% of combined district cost)
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 10 years
- Part of school district’s general fund
- Funded through local tax/State aid* mix

FY 2014:
- 335 Districts – $200.0 million
- State Aid – $0.0
- Property Tax – $114.5 million
- Income Surtax – $85.5 million (276 Districts)
- $75.3 million additional State aid to “fully” fund State portion

*No State funding was appropriated for FY 2014.
Cash Reserve

- Provides “cash” behind spending authority
- Property taxes levied for:
  - Cash flow
  - State aid, property tax shortfall
  - Modified allowable growth (MAG)
  - Included in district’s general fund
- FY 2014 = $190.1 million (64.2% of districts)
- FY 2013 = $231.5 million (83.6% of districts)
- FY 2012 = $273.5 million (93.2% of districts)
- FY 2011 = $297.6 million (90.8% of districts)
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 (revenue purpose statement)
Management Levy

Optional Levy authorized by the School Board
FY 2014:

- Use restricted – not rate restricted
  - Liability insurance premium costs
  - Tort judgments
  - Self insurance
  - Loss of property
  - Unemployment benefits
  - Early retirement
- 338 districts (97.7%)
- $150.7 million
Physical Plant and Equipment Levy

FY 2014:

- Board Approved - Levy rate of $0.33 per $1,000 of taxable valuation of property
  - 335 districts (96.8%)
  - $48.2 million (property tax)

- Voter Approved – Maximum levy rate of $1.34 per $1,000 of taxable valuation of property
  - 243 districts (70.2% for $113.6 million total)
  - $103.7 million property tax
  - $10.0 million income surtax (79 districts)
Public Education and Recreational Levy (PERL)

Also known as the Playground Levy.

FY 2014:

- Voter approved
- Levy rate up to $0.135 per $1,000 of taxable valuation of property
- Remains in place until rescinded by the voters
- 18 districts
- $2.3 million
Bonds/Debt Service

- Voter approved – requires 60.0% approval
- Maximum of 20 years
- Cannot exceed $2.70/$1,000 taxable valuation, unless voters approved higher rate specified on ballot (but cannot exceed $4.05/$1,000 taxable valuation)
- $148.2 million in FY 2014 (185 districts and four previously dissolved/reorganized districts)
SAVE Fund

SAVE (Secure an Advanced Vision for Education)

- State sales/use tax for school infrastructure
- Distribution formula based on School Infrastructure Local Option (SILO) sales tax distribution
- By the end of FY 2014, per pupil funding will be equal
- Revenue purpose statement
- FY 2014 is estimated at $415.0 million
- Excess flows to PTER Fund (2.1% Beginning in FY 2015)
Per Pupil Valuations/Property Tax Variances
Property Rich vs. Property Poor (Example)

- Comparison of Two Districts
  - Each with 1,000 students
  - Each generating $5.8 million through formula funding

- District A
  - Property rich
  - $750,000 taxable valuation per pupil

- District B
  - Property poor
  - $150,000 taxable valuation per pupil
Property Rich Vs. Property Poor Example

- **District A**
  - Property rich
  - Total funding = $5.8 million
  - Uniform Levy = $4.1 million
  - State Aid = $1.0 million
  - Additional Levy = $0.7 million

- **District B**
  - Property poor
  - Total funding = $5.8 million
  - Uniform Levy = $0.8 million
  - State Aid = $4.3 million
  - Additional Levy = $0.7 million
Property Rich Vs. Property Poor (Additional Levy)

**District A**
- Property rich
- Additional Levy rate = $0.961

**District B**
- Property poor
- Additional Levy rate = $4.807

Difference in Additional Levy rate is $3.845
Property Rich Vs. Property Poor (More Examples)

Physical Plant and Equipment Levy (PPEL) – $1.67 max. rate
- District A – $1.25 million from $1.67 PPEL rate
- District B – $250,000 from $1.67 PPEL rate
- Difference: $1.0 million for same size districts

Management Levy – No levy rate restriction (use restricted)
- District A and District B each have $150,000 for the Mgmt. Levy
- District A – Management Levy rate = $0.200
- District B – Management Levy rate = $1.000
- Difference: $0.80 per $1,000 of taxable valuation

In general – District B either doesn’t generate as much funding from capped levy rates or has higher tax rate to generate similar levy amounts.
In general:

- School districts with higher per pupil valuations:
  - Generate more tax dollars at a fixed property tax rate
  - Will have a lower property tax rate for levies with no capped rates
  - Will receive less State aid through the foundation formula

- School districts with lower per pupil valuations:
  - Generate less tax dollars at a fixed property tax rate
  - Will have a higher property tax rate for levies with no capped rates
  - Will receive more State aid through the foundation formula

- This may impact school district decisions for discretionary programs funded locally
Addendum - Other Information
FY 2009 - FY 2011 Economic Issues

Economic Downturn and School Aid Impacts:

FY 2009:

- Prior to the 2009 Legislative Session, Executive Order #10 – 1.5% across-the-board (ATB) reduction impacted State aid to school districts by $33.4 million
- ARRA funding of $40.0 million for State school aid

FY 2010:

- ARRA funding of $202.5 million for State school aid, $13.1 million for Instructional Support, and $2.0 million for professional development
- State school aid capped in FY 2010 – approximately $31.0 million short
- October 2009: Executive Order #19 – 10.0% ATB reduction ($238.5 million reduction to State school aid)
FY 2009 – FY 2011 Economic Issues (continued)

FY 2011:

- State school aid appropriation capped: $156.1 million short of fully funding
- ARRA funding totaling $47.9 million used in lieu of General Fund for State aid
- Underground Storage Tank (UST) funding totaling $5.1 million used in lieu of General Fund for State aid
- Instructional Support Program appropriation capped at $7.5 million and funded through the School Infrastructure Fund
Education Jobs Fund

FY 2011:
- Federal program to provide additional funding for school level staff
- Iowa’s application for funding submitted in August 2010 (approval pending)
- Specifies funds to be used for school staff expenditures during the 2010-2011 school year
- Iowa’s share = $96.5 million
- Allocated to school districts based on weighted enrollment
- Maintenance of effort provision tied to K-12 and postsecondary education funding levels
Estimated FY 2014 General Fund Appropriations by Program Area
(Dollars in Millions)

- K-12 School Aid, $2,714.8, 41.8%
- Medical Assistance, $1,143.8, 17.6%
- Higher Education, $816.5, 12.6%
- Corrections, $374.5, 5.8%
- Remainder of Programs/Agencies, $1,440.4, 22.2%

Total Appropriations = $6,490.1
FY 1998 to FY 2014: Annual average School Foundation Levy increase of 3.0% while other school levies averaged 6.2%.
School District Property Taxes

Average annual growth from FY 1998 to FY 2014: Cash Reserve Levy 8.2%, Management Levy 9.5%, total PPEL 6.8%
## School District Discretionary Levies – FY 2014

<table>
<thead>
<tr>
<th>Code Section</th>
<th>School District- Discretionary Levies</th>
<th>Approval</th>
<th>Number of Districts with Levy</th>
<th>Amount Levied (in Millions)</th>
<th>Income Surtax Amount (in Millions)</th>
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<tbody>
<tr>
<td>298.10</td>
<td>Cash Reserve Levy</td>
<td>Board Approved</td>
<td>222</td>
<td>$ 190.1</td>
<td>N.A.</td>
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<tr>
<td>298.2</td>
<td>Regular Physical Plant and Equipment Levy (PPEL)</td>
<td>Board Approved</td>
<td>335</td>
<td>$ 48.2</td>
<td>N.A.</td>
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<tr>
<td>298.2</td>
<td>Voter Approved PPEL</td>
<td>Voter Approved (Up to 10 Years - requires majority approval)</td>
<td>243</td>
<td>$ 103.7</td>
<td>$ 10.0</td>
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<tr>
<td>300.2</td>
<td>Public Education and Recreation Levy (PERL)</td>
<td>Voter Approved (in place until Board rescinds or reverse referendum)</td>
<td>18</td>
<td>$ 2.3</td>
<td>N.A.</td>
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<td>298.4</td>
<td>Management Levy</td>
<td>Board Approved</td>
<td>338</td>
<td>$ 150.7</td>
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<td>298.18</td>
<td>Debt Levy</td>
<td>Voter Approved (requires 60.0% approval)</td>
<td>185</td>
<td>$ 148.2</td>
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<td>257.29</td>
<td>Educational Improvement Levy</td>
<td>Voter Approved (in place until Board rescinds or reverse referendum)</td>
<td>5</td>
<td>$ 0.5</td>
<td>$ 0.2</td>
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Note: However, no new districts can have this.

Number of Districts = 346
Income Surtax

- Income Surtax is a funding source used to replace property tax – totaled $95.7 million in FY 2014
- Instructional Support ($85.5 million), voter-approved PPEL ($10.0 million), and Educational Improvement ($0.2 million) Programs
- 286 (82.7%) school districts imposed for FY 2014
- FY 2014 remaining income surtax capacity = $454.2 million
Income Surtax

Income Surtax: Capacity vs. Actual Amount
FY 2000 - FY 2014

- Total Income Surtax Capacity
- Actual Total Income Surtax
- Percent of Actual to Capacity

Dollars in Millions

FY 2000 - FY 2014
Federal Funding

- Title I, Title II, IDEA, others
- Federal Sequestration – reduction of federal funding (estimated $8.1 million reduction for Iowa school districts/AEAs)
- Federal funding percentages: On average, school districts approximately 3.2% and AEAs approximately 41.0%
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

Some Recent Issues Subject of Legislation:

- Equalization of per pupil spending
- Enrollment changes (declines/increases)
- Transportation costs
- Property tax relief/property tax equalization
- Education reform
- Online learning initiatives
- School infrastructure
- Teacher compensation
- Curriculum
- School district cash reserves
Questions?

Shawn Snyder

shawn.snyder@legis.iowa.gov

515-281-7799

LSA K-12 Website:

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