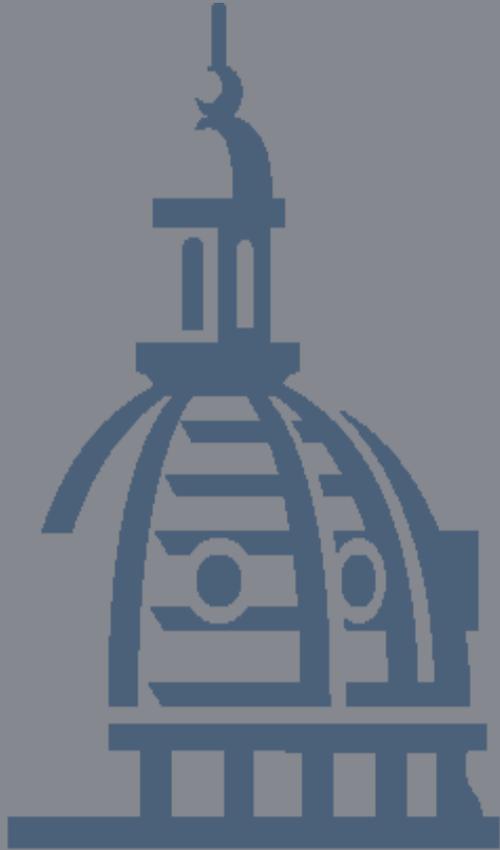


# Dollars and Doughnuts — State School Aid

Legislative Services Agency | January 2021

# LSA Fiscal Services Division's Role in School Aid

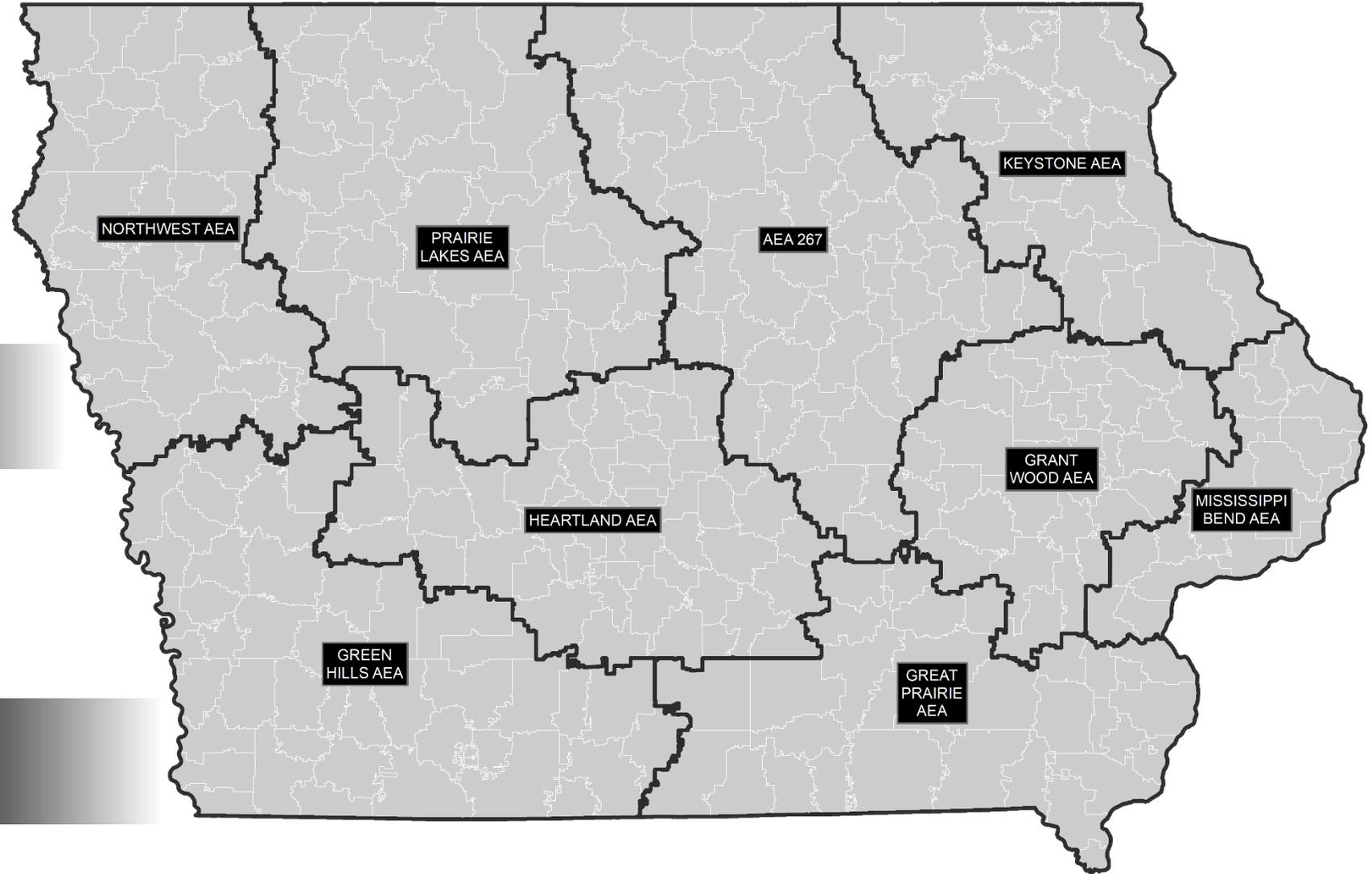


- Model the school aid and levy formula including State aid and property tax implications.
- Provide nonpartisan fiscal estimates of proposed legislation including impact at the school district level.
- Provide historical data at the State and school district level.

FY 2021  
Budget Enrollment:  
490,094

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 Board 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.

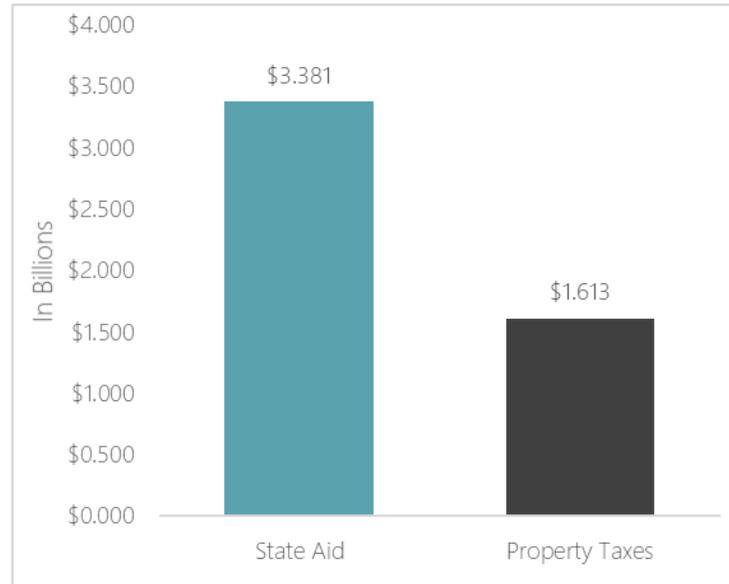


Funded by a combination of:

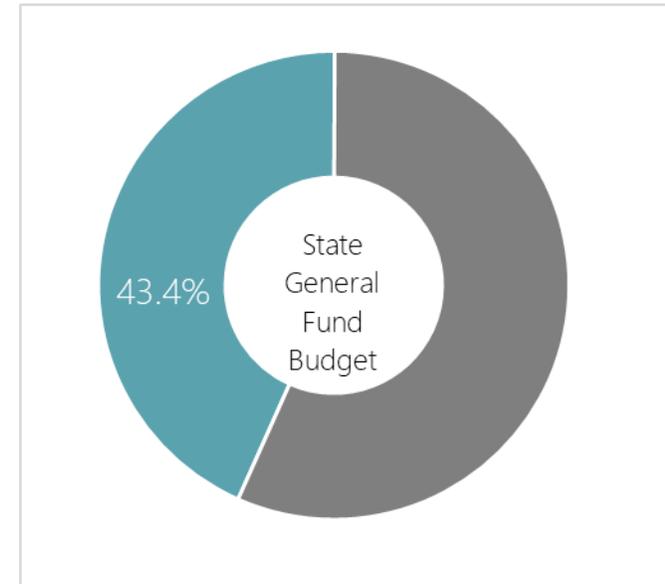
- State Aid
- Property Taxes
- Income Surtax
- SAVE (penny sales tax)
- Federal Funds
- Miscellaneous Income



\$3.381 billion in State school aid



State school aid is a significant portion of State appropriations.



# CHAPTER 257

## FINANCING SCHOOL PROGRAMS

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

- 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 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%).
- 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.

# Other Supplementary Weightings



## English language Learners (ELL)

- Additional weighting of 0.22.
- Students identified as being limited English proficient may be eligible for up to five years of weighting.
- Weightings were last adjusted in FY 2004.
- 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.

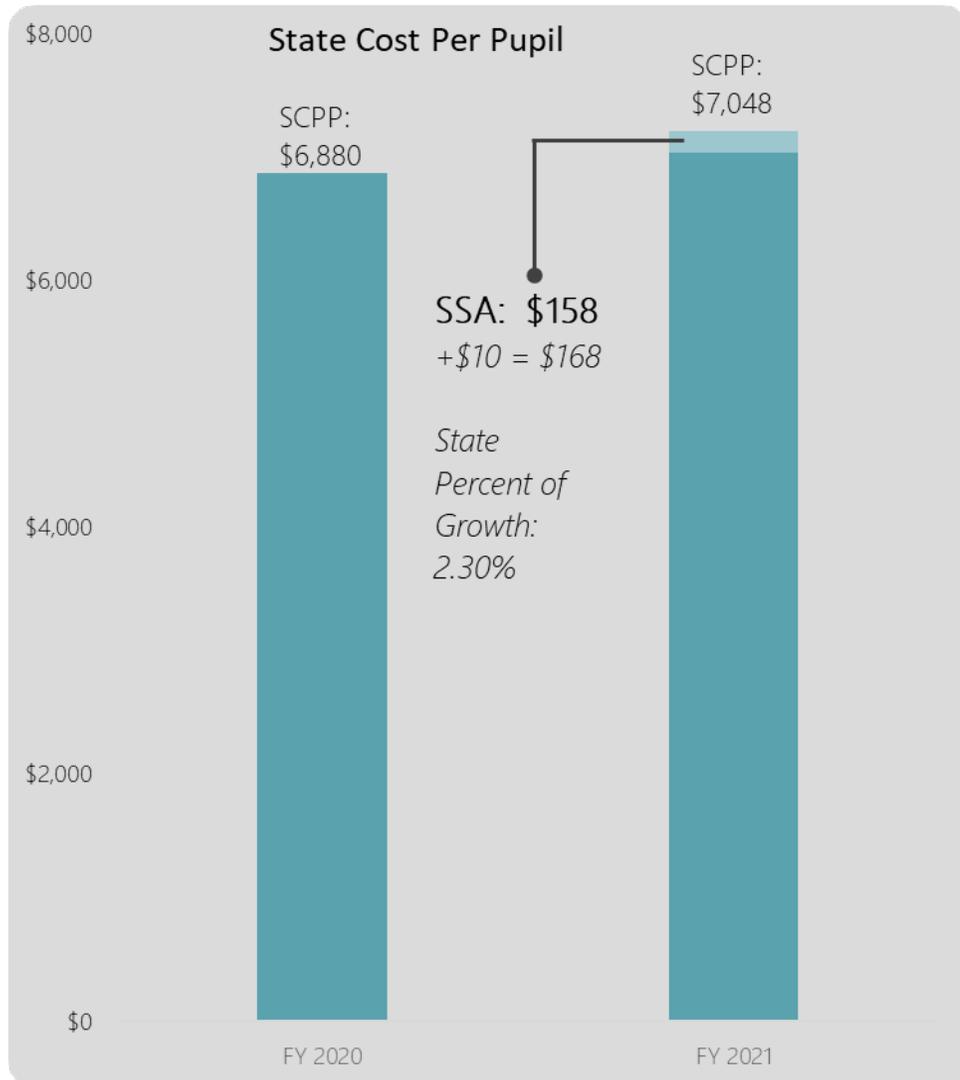


## Reorganization Incentives

- 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.

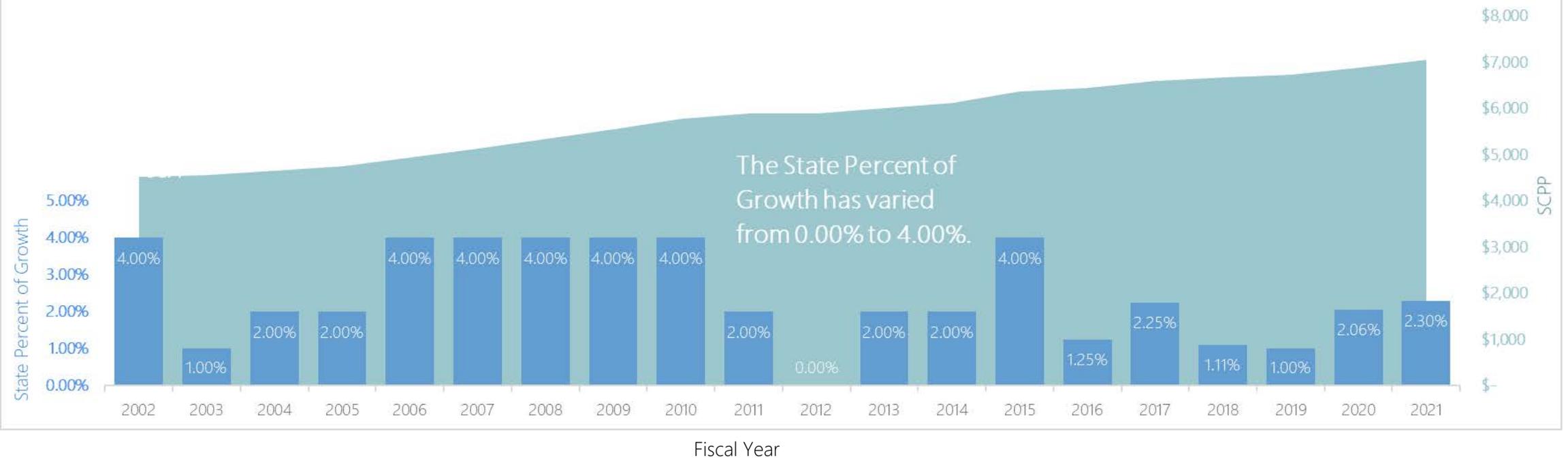
For additional information on supplementary weightings, see the *Issue Review* [School Aid — Supplementary Weightings](#).

# Iowa Code chapter 257 establishes a minimum State cost per pupil.



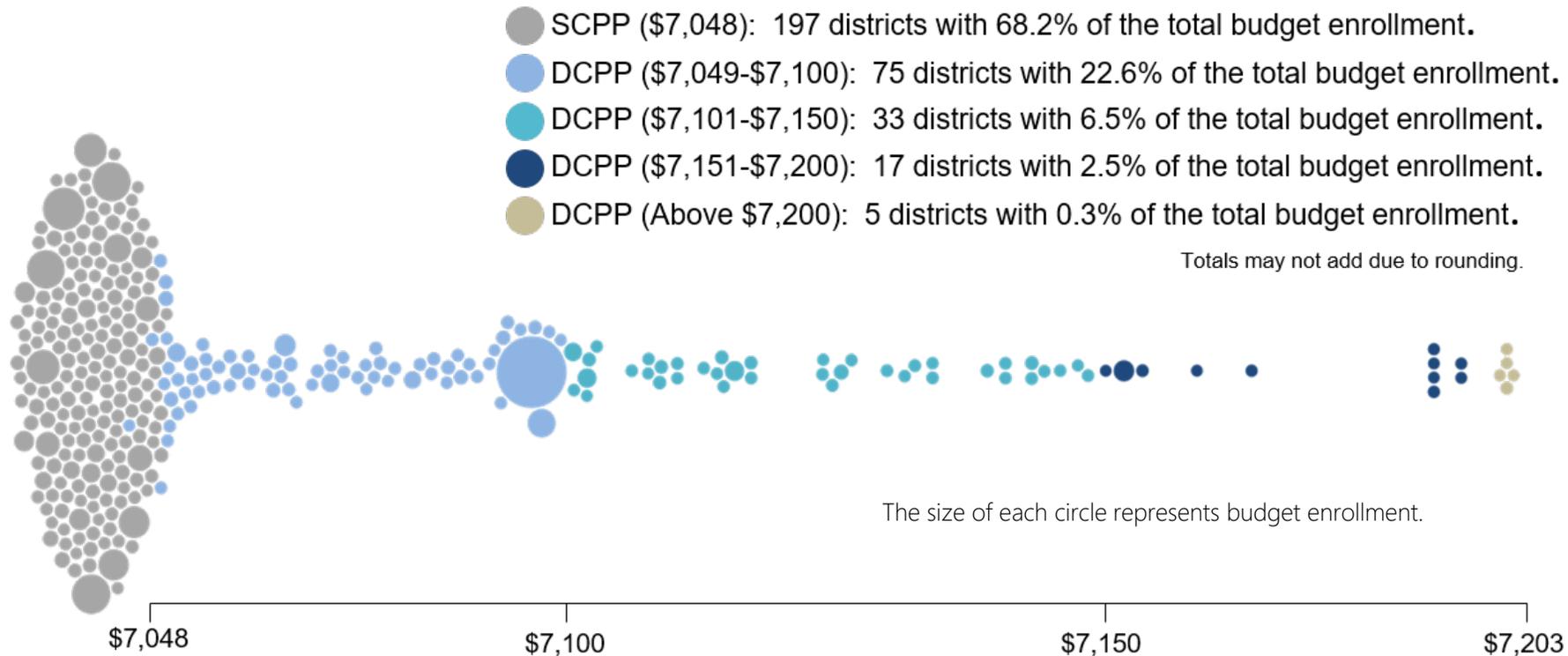
- The minimum spending limit per pupil for each school district is called the State Cost per Pupil (SCPP).
- The SCPP works to calculate State foundation aid.
- The Governor recommends and the Iowa Legislature may establish a new SCPP for the next fiscal year.
- The amount of growth is called the State Supplemental Aid (SSA).
- The rate of growth is called the State percent of growth.
- In FY 2021, the General Assembly raised the SCPP by an *additional \$10 per student separate from the SSA*.

From FY 2002 to FY 2020, the SCPP increased from \$4,512 to \$7,048.

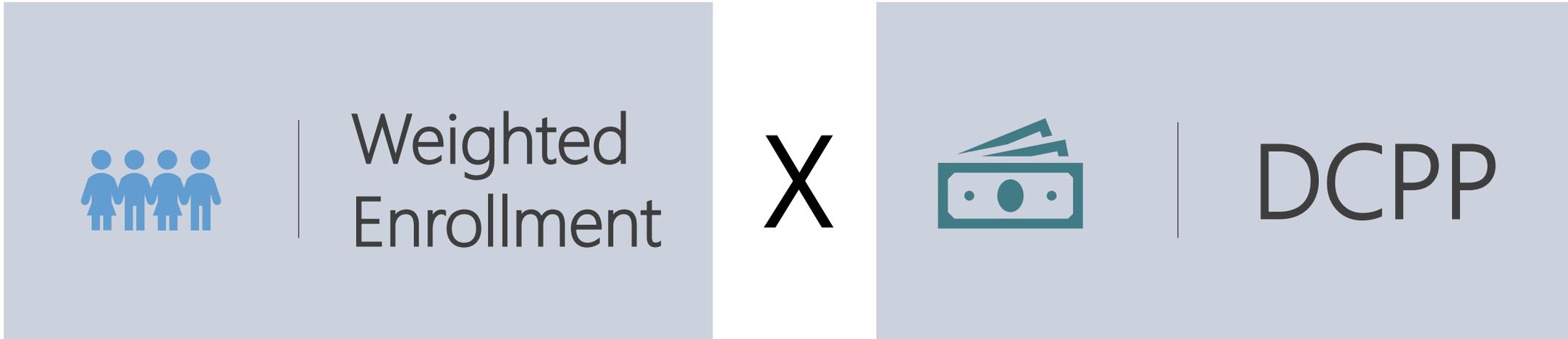


# District cost per pupil

- 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:



**= Regular Program District Cost**

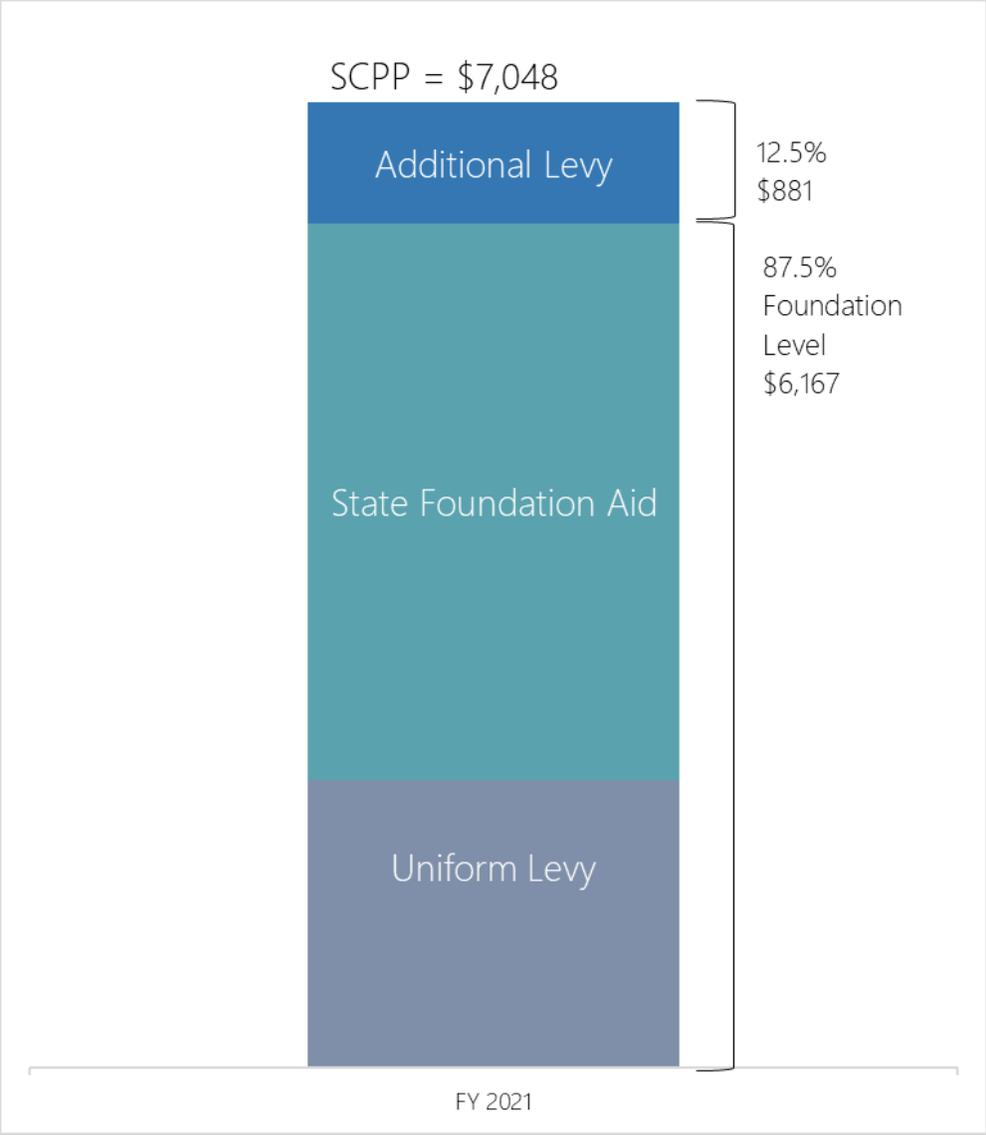
# There is additional district funding for:

- **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 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 2021).
- **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, but does not include preschool.

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

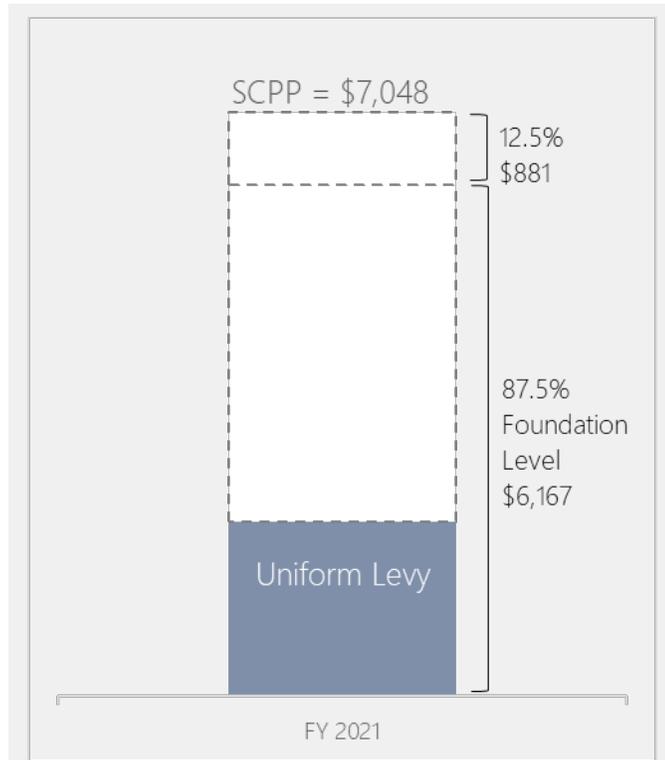
- Spending authority controls the maximum each district can spend out of its **general fund** per fiscal year.
- Spending from a district's general fund is controlled by how much spending authority a district has, not its cash on hand.
- Exceeding the maximum spending authority is a violation of the law. The 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



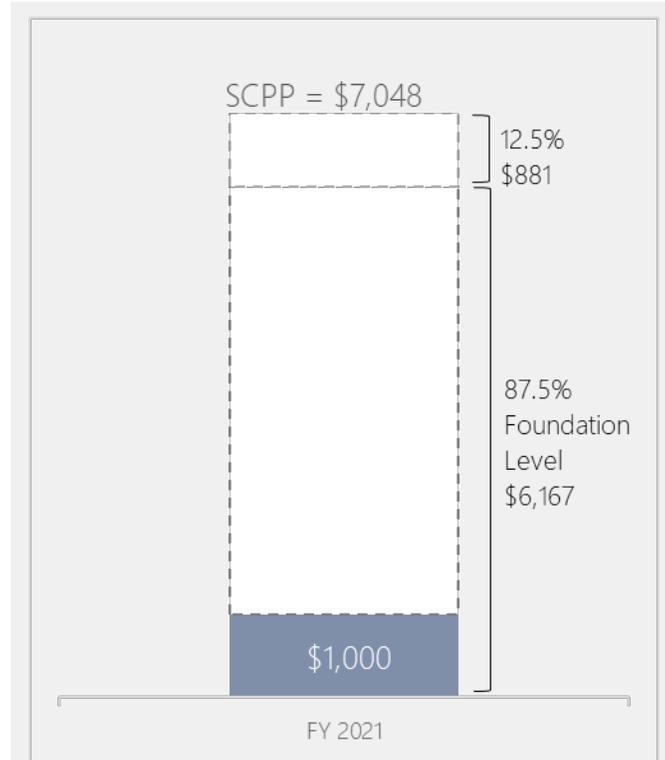
# The uniform property tax levy is the first funding source for a school district.

\$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.

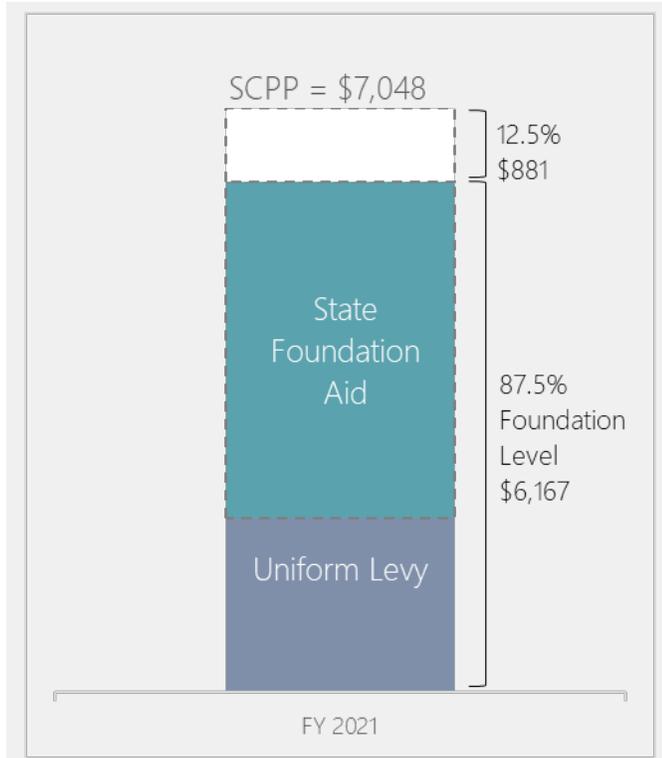
Property-Rich District



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

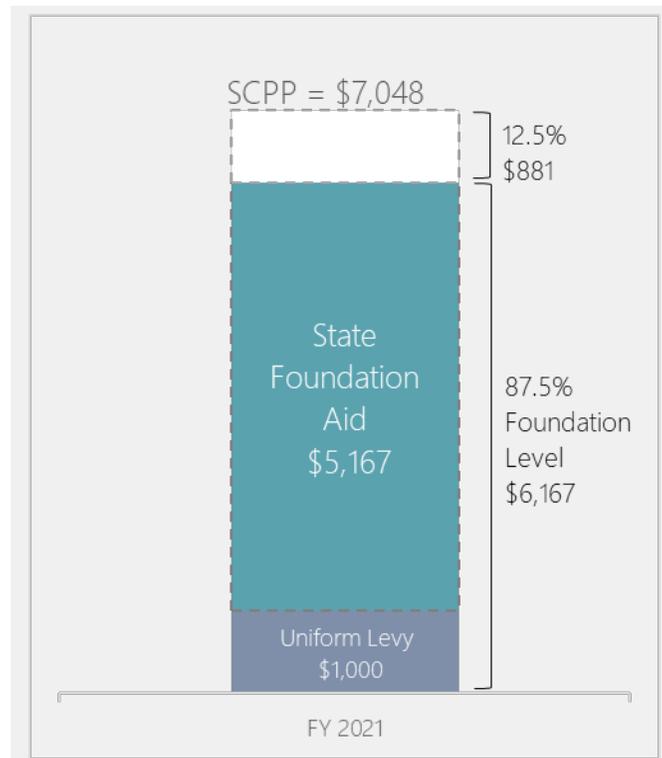
After the uniform levy, State foundation aid dollars backfill up to the foundation level (87.5%).

### 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



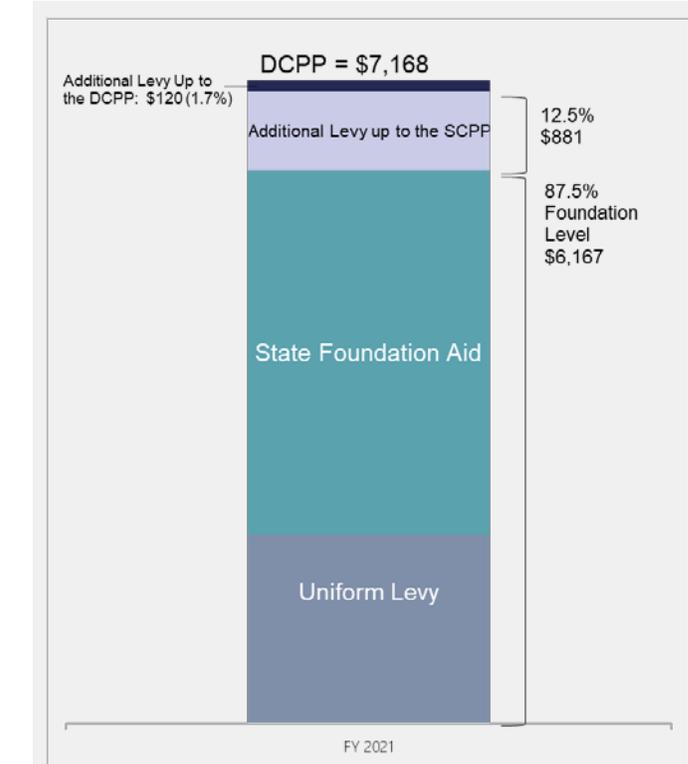
The additional levy rate is not uniform.

## FY 2021 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.

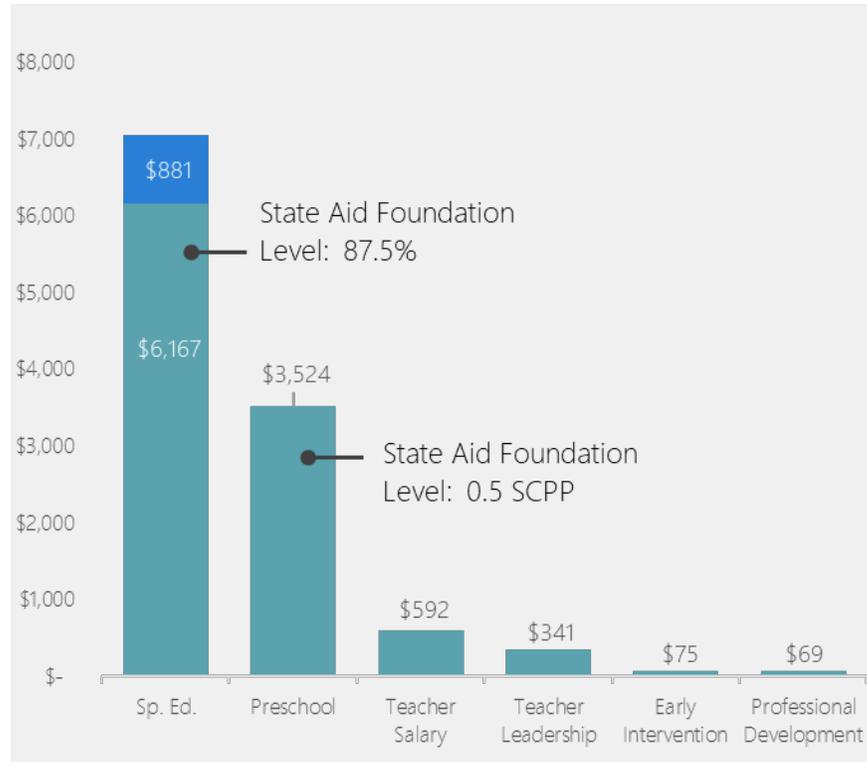
# Other program costs are funded at different per pupil levels from the same sources.

## Regular Program Funding by Source



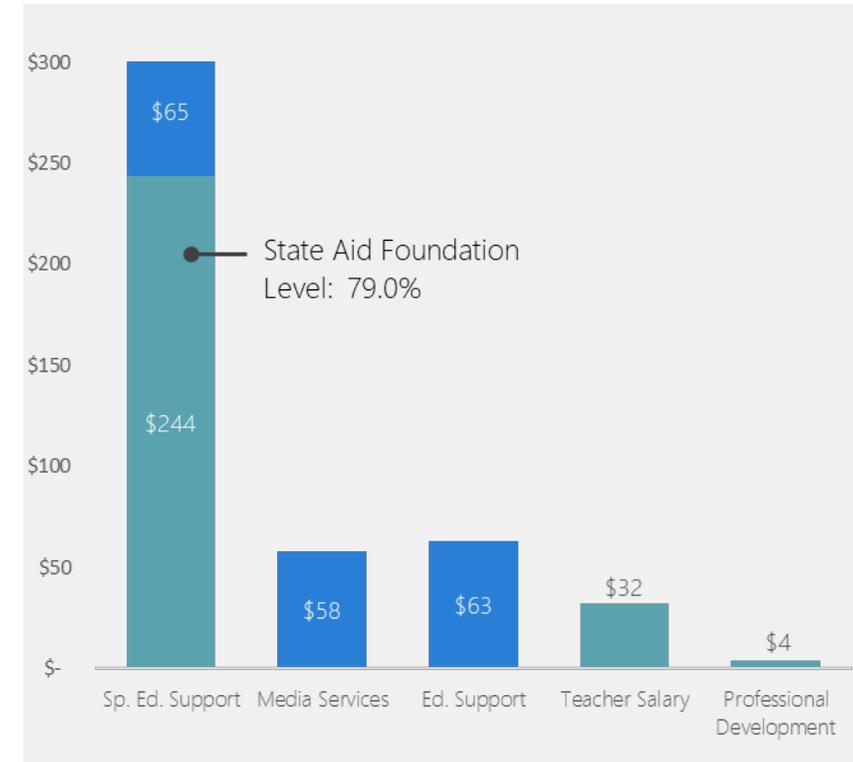
The three components apply to the regular program costs for a district.

## 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



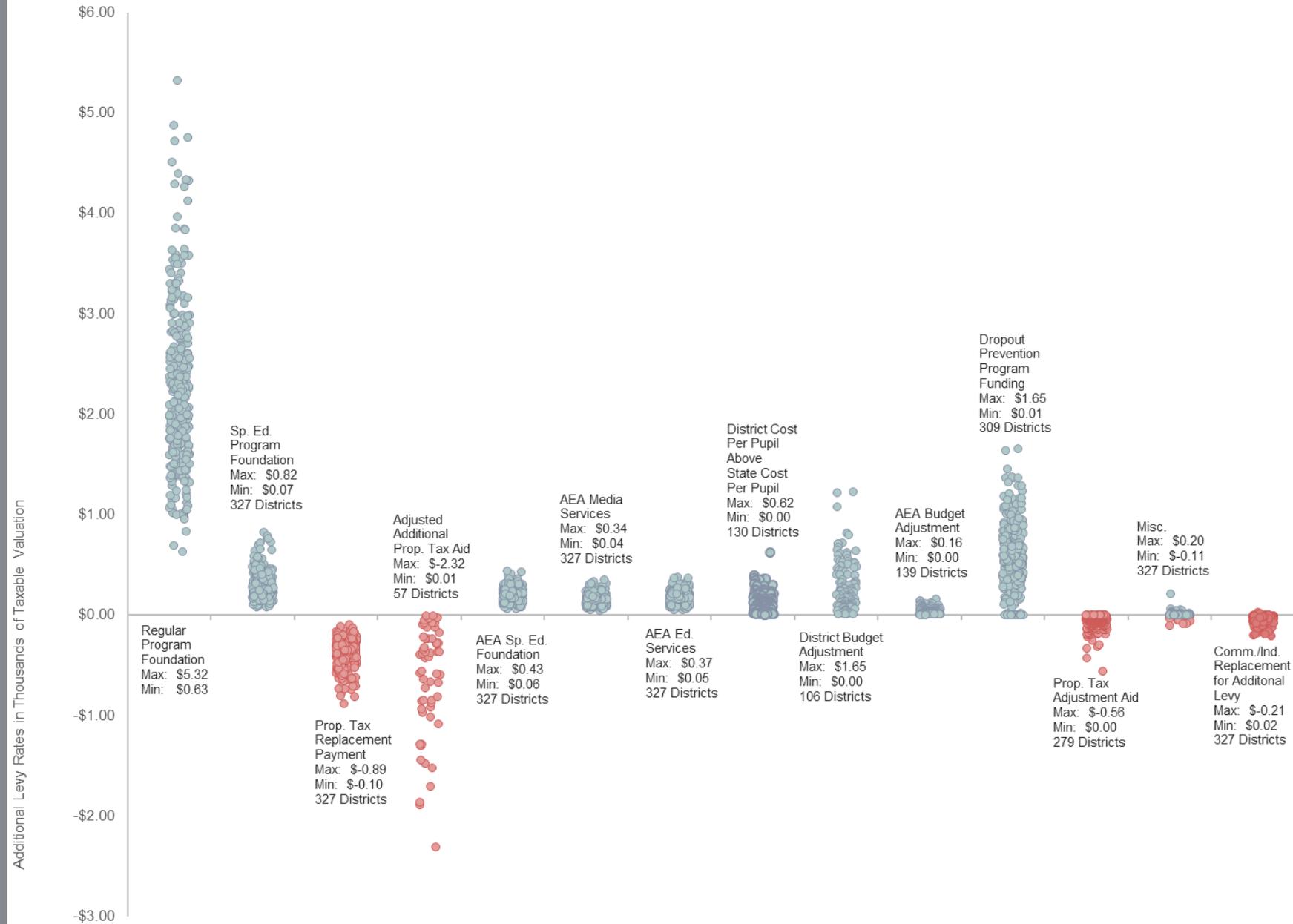
AEA services are funded by a combination of State aid and the additional levy.

# 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 2021  
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*).

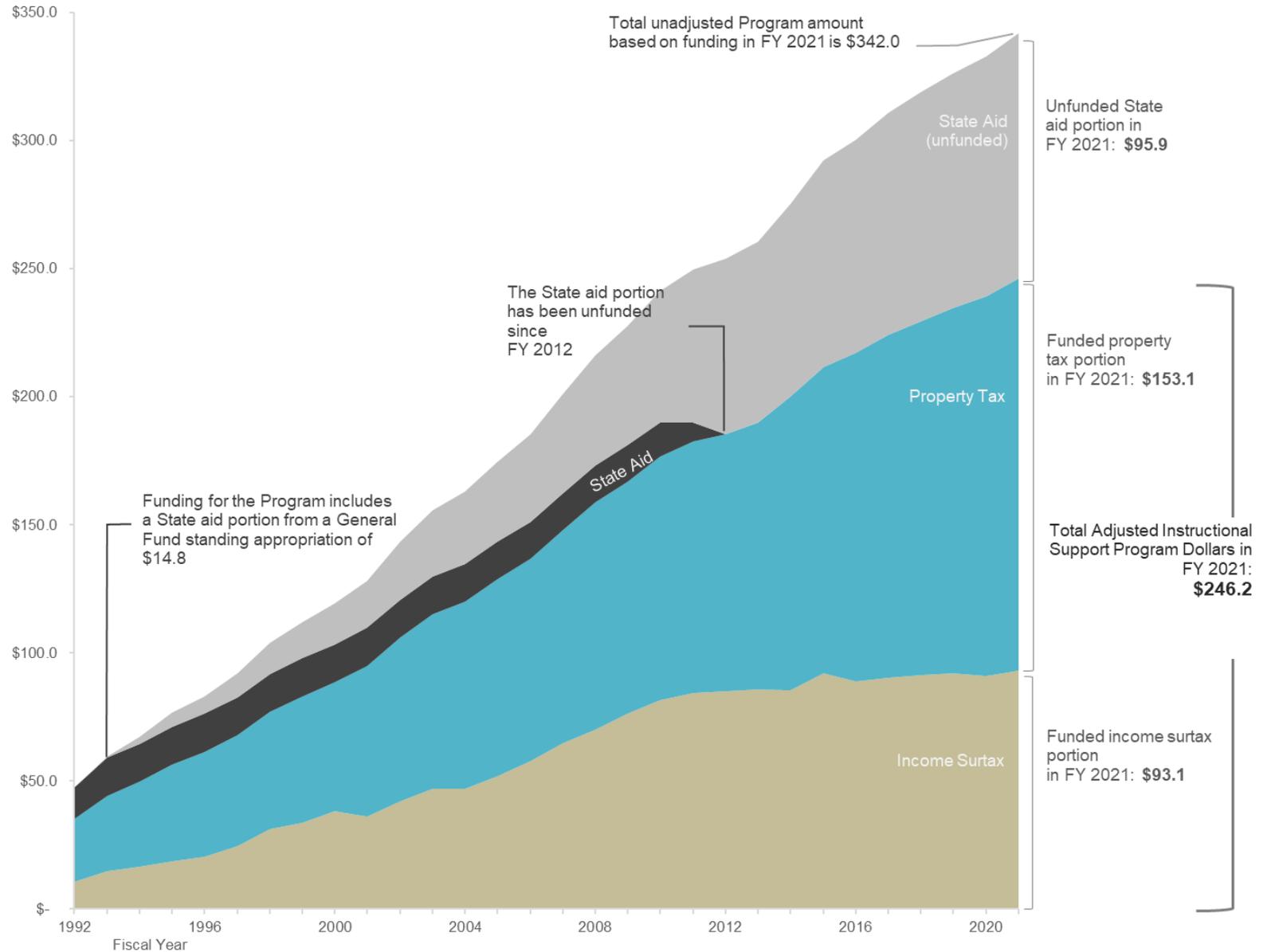
- **Cash Reserve Levy**
  - Assists with a district's cash flow.
  - MSAs.
  - 20.0% of expenditures of two years prior to the budget year minus assigned and unassigned balances.
- **Management Fund Levy**
  - Unemployment benefits.
  - Liability insurance.
  - Judgements or settlements.
  - Self-insurance 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\*](#)

Instructional Support Program — FY 1992 - FY 2021 (in millions)



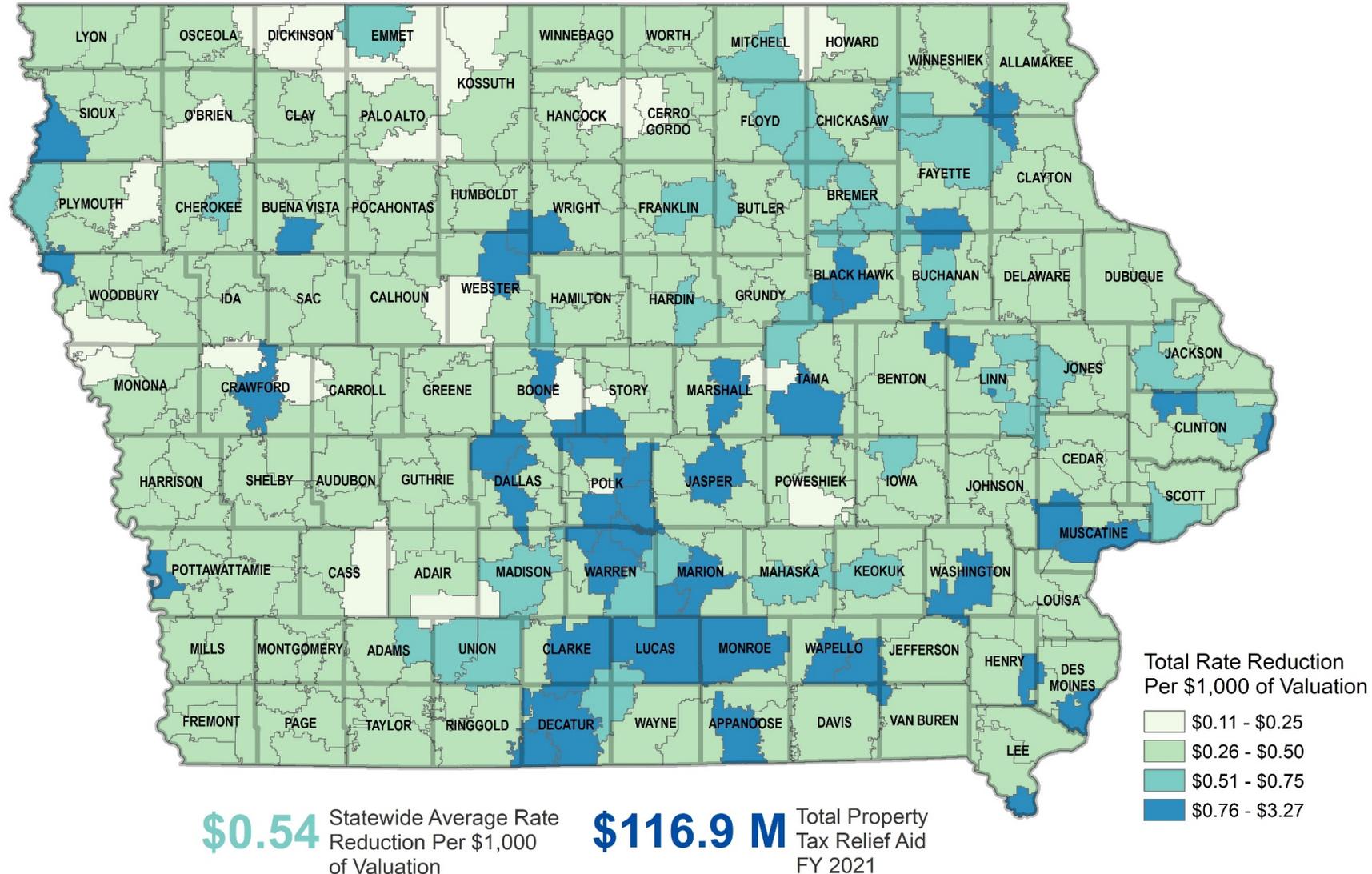
# Property Tax Relief

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

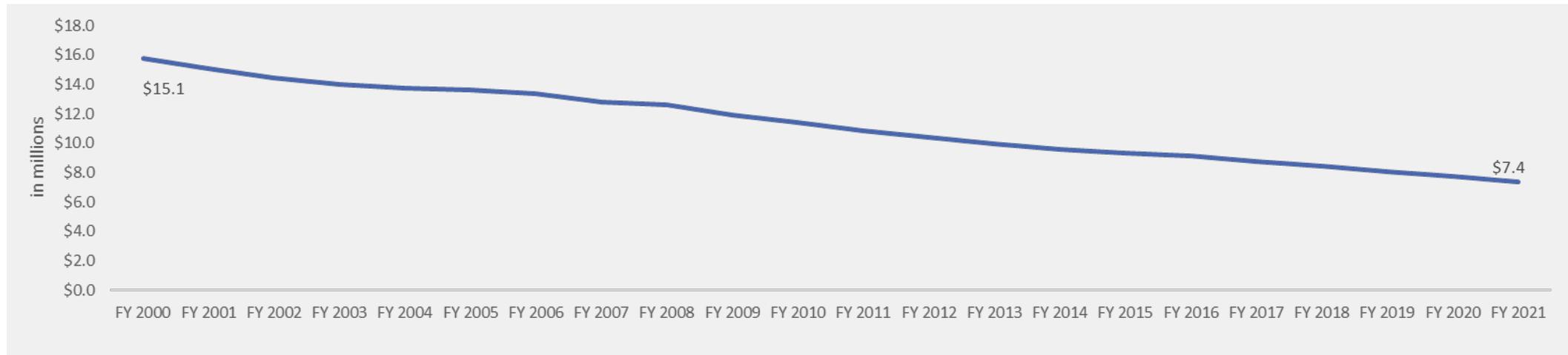
For more information on each of these components, see the *Factbook* map:

[Total Property Tax Relief Aid Rate Reduction by School District](#)

## Total Property Tax Relief Aid Rate Reduction by School District — FY 2021

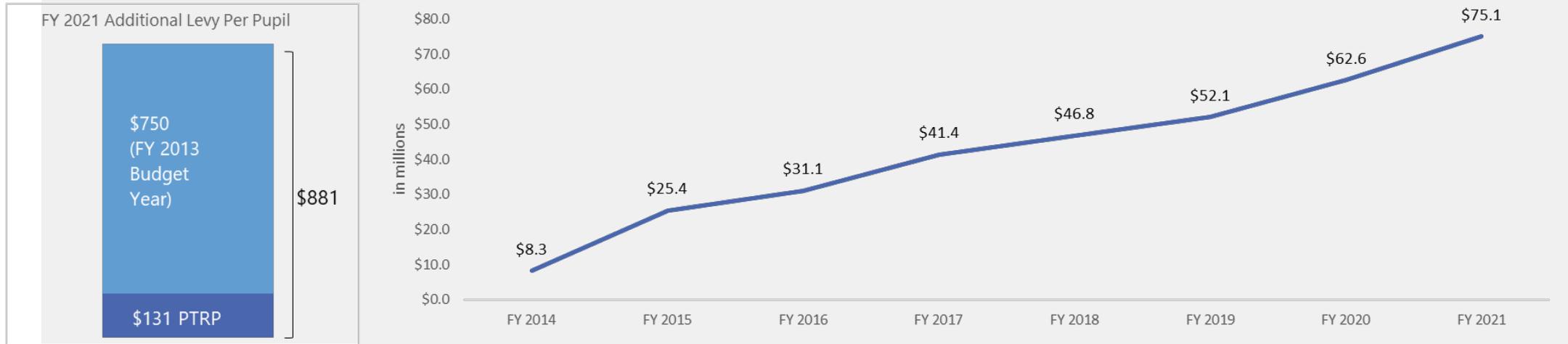


# Property Tax Adjustment Aid (1992 Provision)



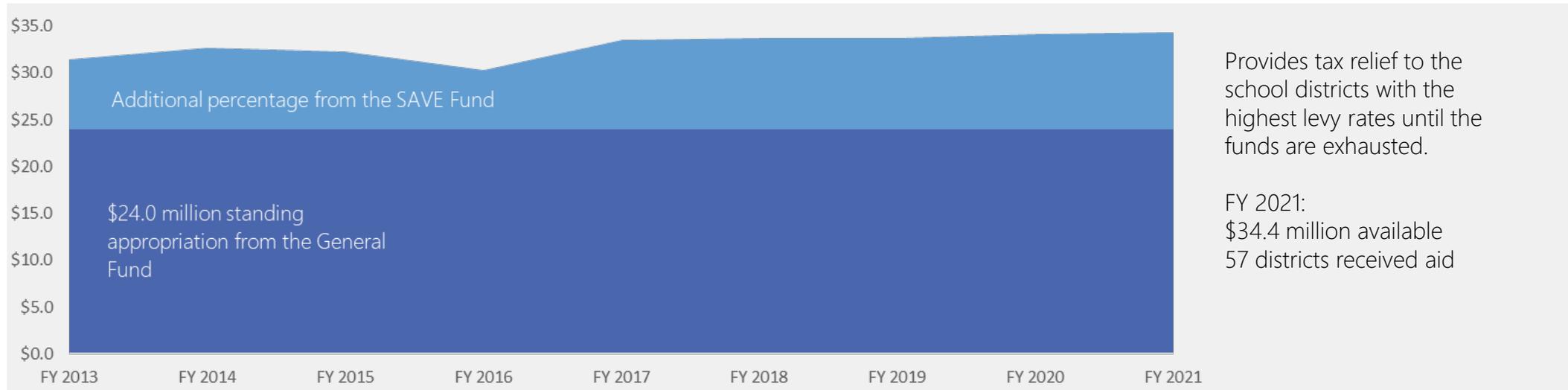
- Implemented in FY 1992.
- Aid is reduced each year as property valuations increase.
- Gradual phaseout.
- 279 districts received this aid in FY 2021.

# 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



- FY 2021: Funding includes a \$24.0 million General Fund appropriation built into the school aid formula and 2.1% (\$10.4 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:
  - FY 2021 SAVE Fund portion increased to 3.1% (school year 2021-2022), and increases by formula when growth conditions are met.
  - Foundation Base Supplement Fund established.
    - First impacts school year 2022-2023.
    - Functions to raise the foundation level by providing property tax to all districts based on weighted enrollment.

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# Governor's Recommendations

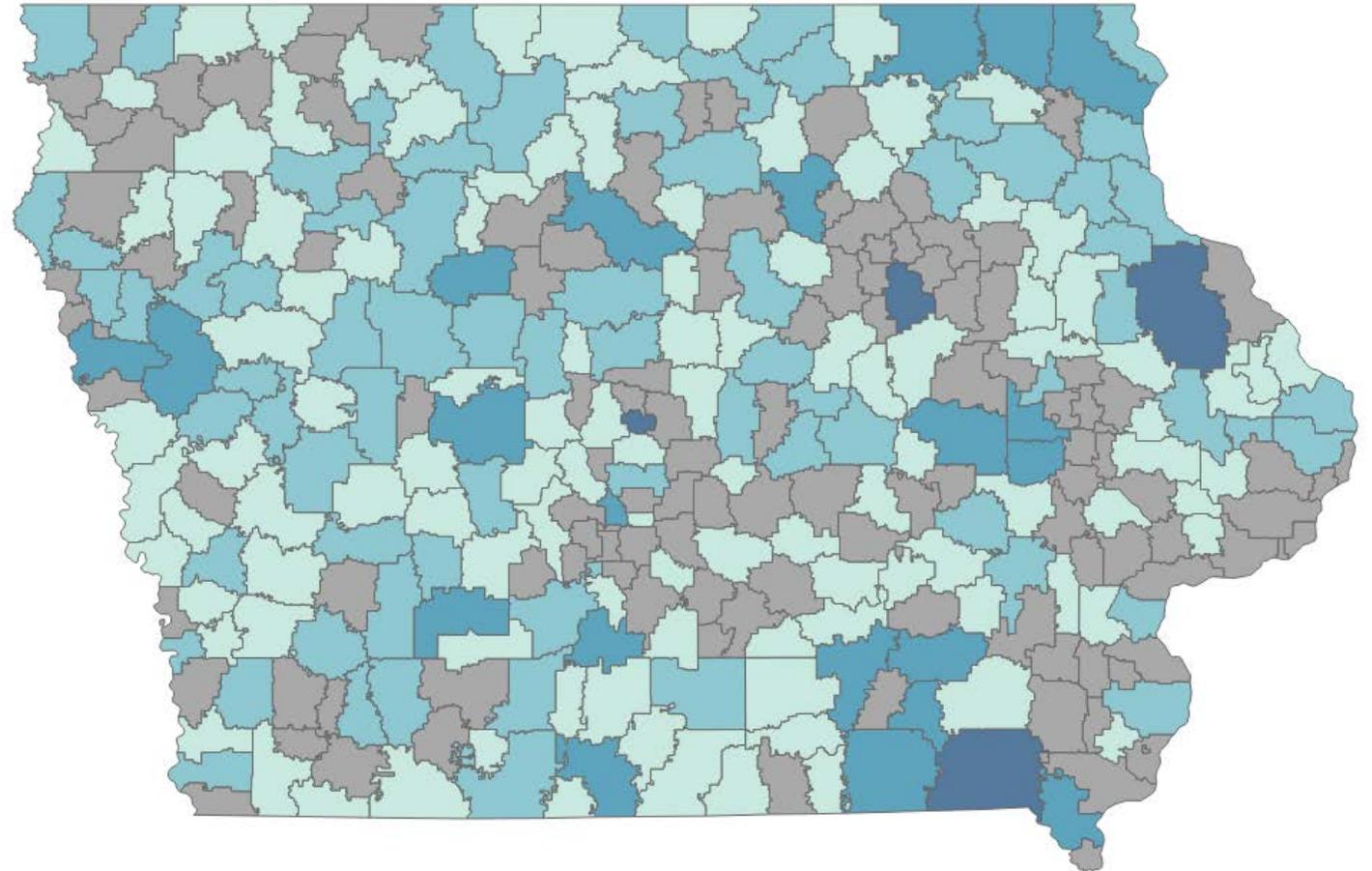
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- FY 2022
  - \$3.401 billion General Fund appropriation for State aid to schools.
  - An increase of \$20.1 million.
  - **2.50% State percent of growth.**
  - **SCPP \$7,224** (\$176 increase).
  - Additional \$15.0 million reduction to the AEA's.
    - Total reduction of \$22.5 million.
  - \$27.4 million appropriation to the Transportation Equity Fund.
- FY 2023
  - \$3.5041 billion General Fund appropriation for State aid to schools.
  - An increase of \$139.6 million.
  - **2.50% State percent of growth.**
  - **SCPP \$7,405** (\$181 increase).
  - Additional \$15.0 million reduction to the AEA's.
    - Total reduction of \$22.5 million.
  - \$28.0 million appropriation to the Transportation Equity Fund.

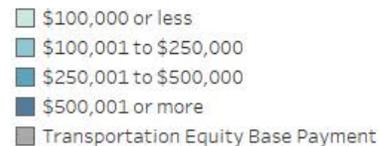
# Transportation Equity Fund (TEF)

- 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 2021, 327 districts are receiving this aid.
- *The Governor is recommending \$27.4 million in a General Fund appropriation to the TEF for FY 2022.*
- For more information see the *Fiscal Topic: [Transportation Equity Program](#)*.

Transportation Equity Payments by School District — FY 2021



© 2021 Mapbox © OpenStreetMap



# 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 DCPP 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 2022 and in FY 2023.

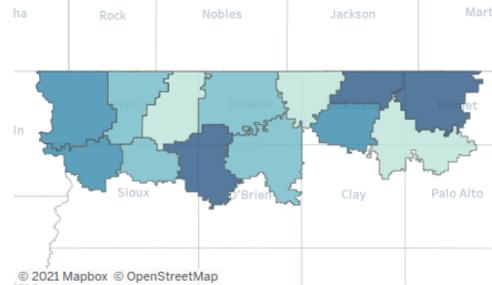
# Other Considerations for this Legislative Session

- Certified enrollment has declined by 5,935 pupils, likely due to the impacts of COVID-19. Eligible preschool enrollment declined by 2,652 pupils (1,326 budget enrollment).
  - This will reduce funding for school districts impacted by an enrollment decline. It is not known when enrollments may return.
  - See the *Map of the Week*. [Change in Certified Enrollment and Statewide Voluntary Preschool Program Budget Enrollment — Oct. 2019-Oct. 2020.](#)
  - Large increases in enrollment may dramatically increase State aid and property taxes.
- COVID-19's impact on school budgets in general.
  - The LSA's COVID-19 analysis and resources page is at: [www.legis.iowa.gov/publications/information/covid19Resources](http://www.legis.iowa.gov/publications/information/covid19Resources)

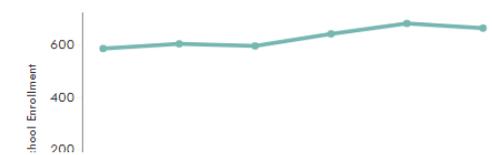
# Interactive School Aid Funding Page By Legislative District

Select a Legislative District: House 1  
 Select a Fiscal Year: 2021

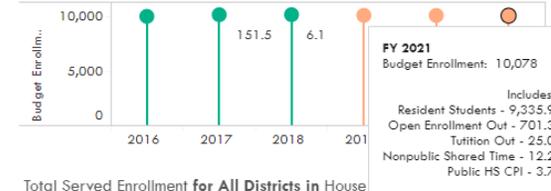
School Districts Within House 1  
 (click on/off school district for district level detail)



Statewide Voluntary Preschool Program Enrollment for All Districts in House 1



Budget Enrollment for All Districts in House 1 (with actual change)  
 green = increase in enrollment orange = decrease in enrollment

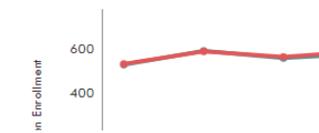


Total Served Enrollment for All Districts in House 1



Open Enrollment In (green)  
 Open Enrollment Out (orange)

Open Enrollment for All Districts in House 1



- Interactively explore a six-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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