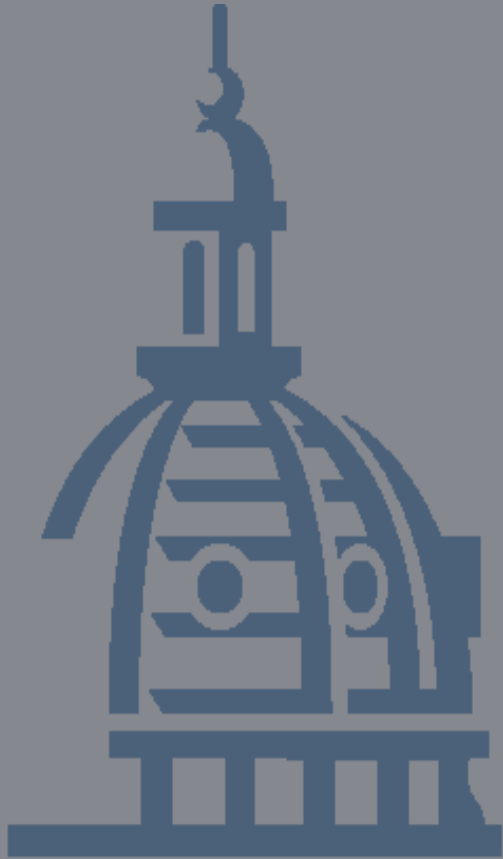




Dollars and Doughnuts — State School Aid

Legislative Services Agency | January 2024

LSA Fiscal Services Division's Role in School Aid

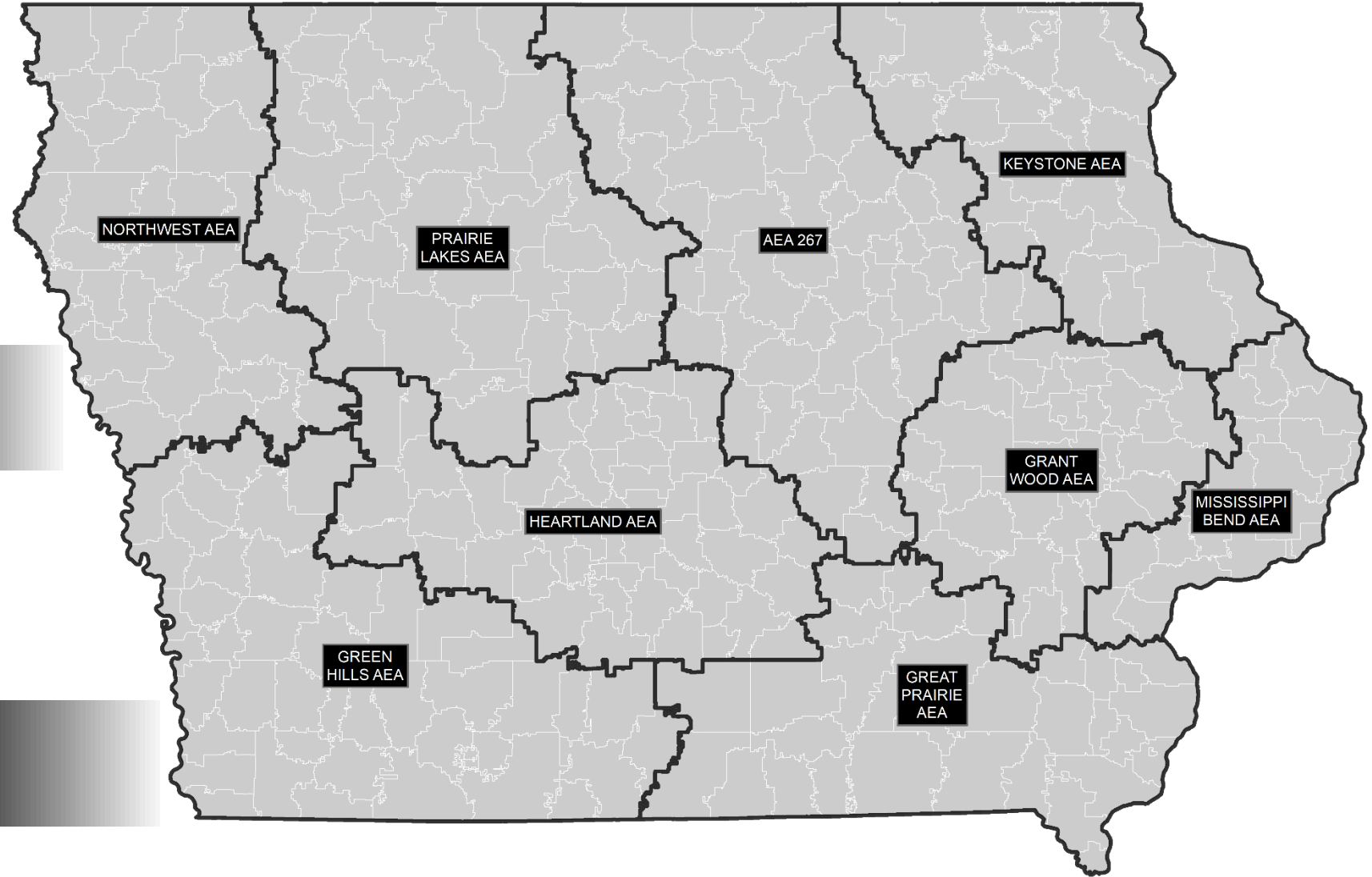


- Model the school aid and levy formula, including State aid and property tax implications.
- Provide nonpartisan fiscal estimates of proposed legislation, including impact at the school district level.
- Provide historical data at the State and school district level.

**FY 2024
Budget Enrollment:
486,476**

325 School Districts

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



Multiple entities are involved in financing schools in Iowa.

Department of Education

- Provides oversight of school district finances.
- Makes certain payments such as **State aid** to school districts.
- Conducts fiscal reviews.

Department of Management

- Calculates **State aid** and property taxes.
- Certifies property taxes.
- Collects property valuations.

Department of Revenue

- Collects income surtax.
- Collects State sales tax.

Iowa Legislature

- Establishes the means through which public schools are financed.
- Determines how the funding mechanisms may change.
- Determines how much the State provides in funding.

School Budget Review Committee (SBRC)

- Provides for unique and unusual circumstances that cannot be easily or timely handled through legislation.
- Considers requests of modified supplemental amounts (MSAs).

Federal Government

Provides targeted funds to address specific educational needs.

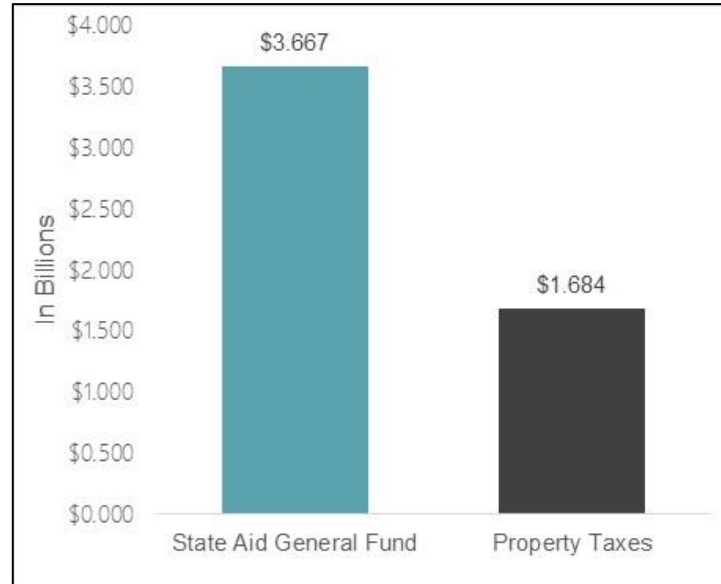


Schools are funded by a combination of:

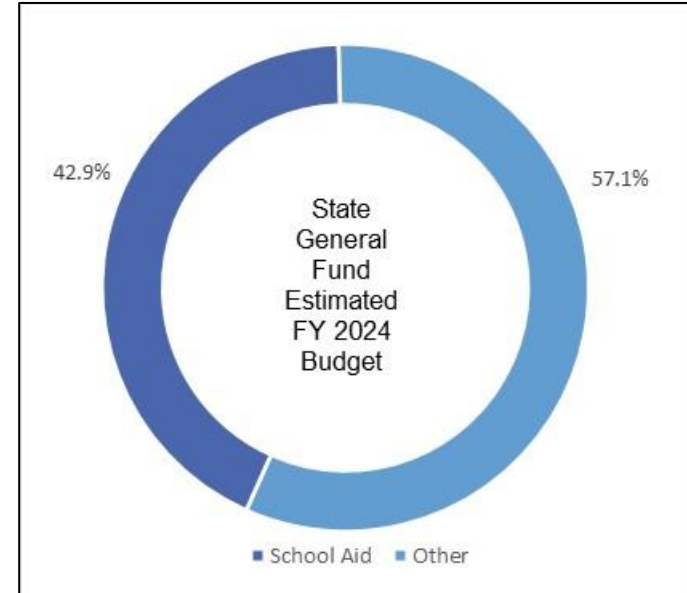
- **State Aid**
- **Property Taxes**
- Income Surtax
- Secure an Advanced Vision for Education (SAVE) (penny sales tax)
- Federal Funds
- Miscellaneous Income



\$3.720 billion for estimated FY 2024 State school aid, including non-General Fund



State school aid is a significant portion of the Estimated FY 2024 State General Fund budget



CHAPTER 257

FINANCING SCHOOL PROGRAMS

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

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 AEAs' 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 was set at 83.5% (has since increased to 87.5% and now 88.4% for FY 2023).
- Instructional Support Program was 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 for:

- 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 an 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.

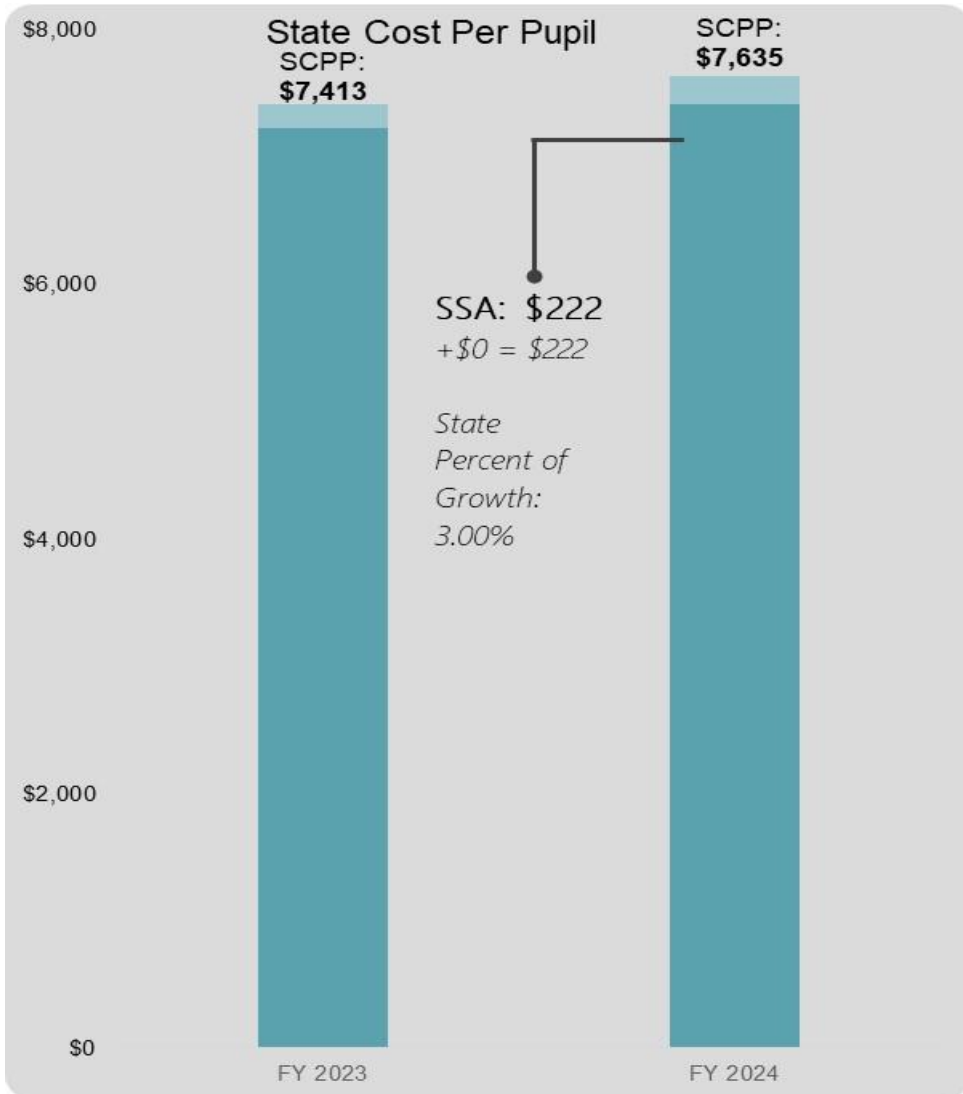


Reorganization Incentives

- 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.

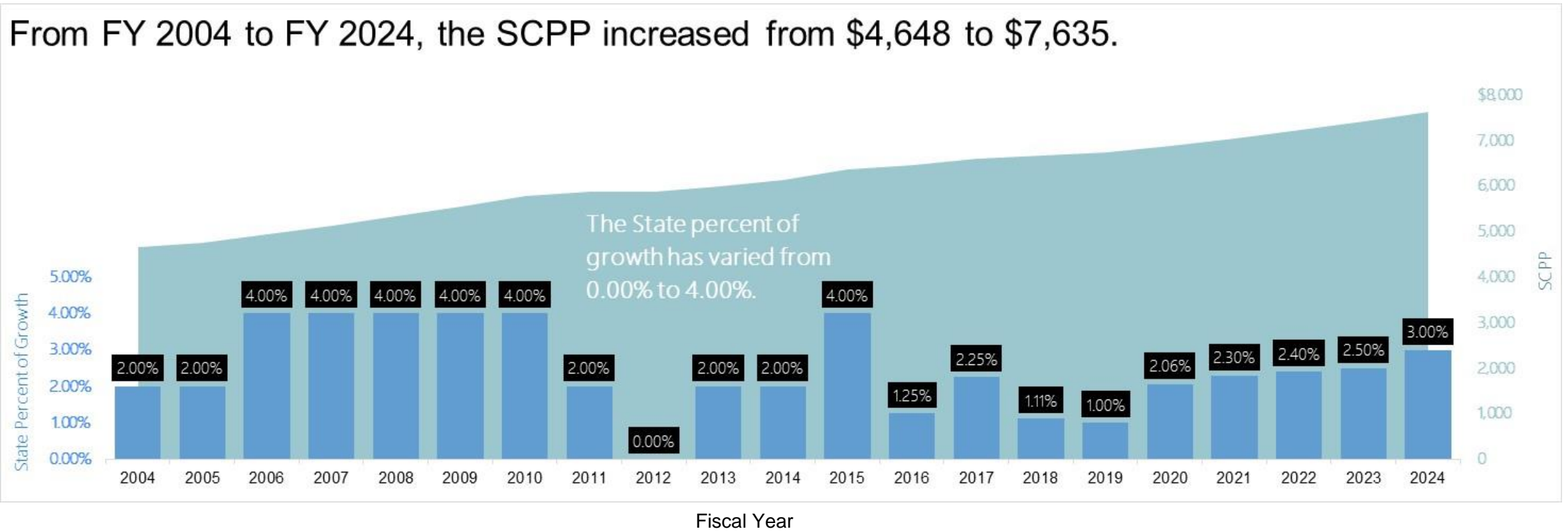
For additional information on supplementary weightings, see the *Issue Review* [School Aid — Supplementary Weightings](#).

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 2024, the General Assembly maintained the same SCPP per student separate from the SSA.

From FY 2004 to FY 2024, the SCPP increased from \$4,648 to \$7,635.



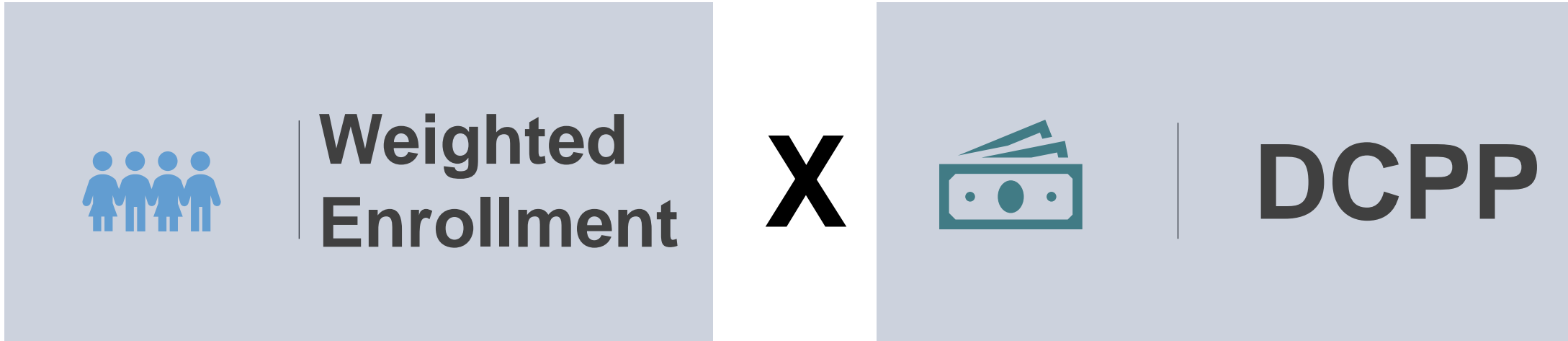
District Cost Per Pupil

- 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.](#)

In FY 2024, of the 325 school districts, 224 (68.9%) school districts have a DCPP that is equal to the SCPP (\$7,635), while the remaining 101 (31.1%) districts have a DCPP that is greater than the SCPP. The following shows the DCPP range by district and the percentage of the total budget enrollment by district:

- SCPP (\$7,635): 224 districts with 73.5% of the total budget enrollment.
- DCPP (\$7,636-\$7,690): 66 districts with 21.6% of the total budget enrollment.
- DCPP (\$7,691-\$7,731): 21 districts with 2.9% of the total budget enrollment.
- DCPP (\$7,732-\$7,774): 10 districts with 1.8% of the total budget enrollment.
- DCPP (\$7,775): 4 districts with 0.2% of the total budget enrollment.

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 Programs.

With the 2023 enactment of [HF 68](#) (Education Savings Accounts Act), public school districts may use all or a portion of remaining funds from the following categorical funding at the end of any fiscal year, beginning with FY 2023, for teacher salary categorical supplement purposes under the salary system established under Iowa Code section [284.3A](#):

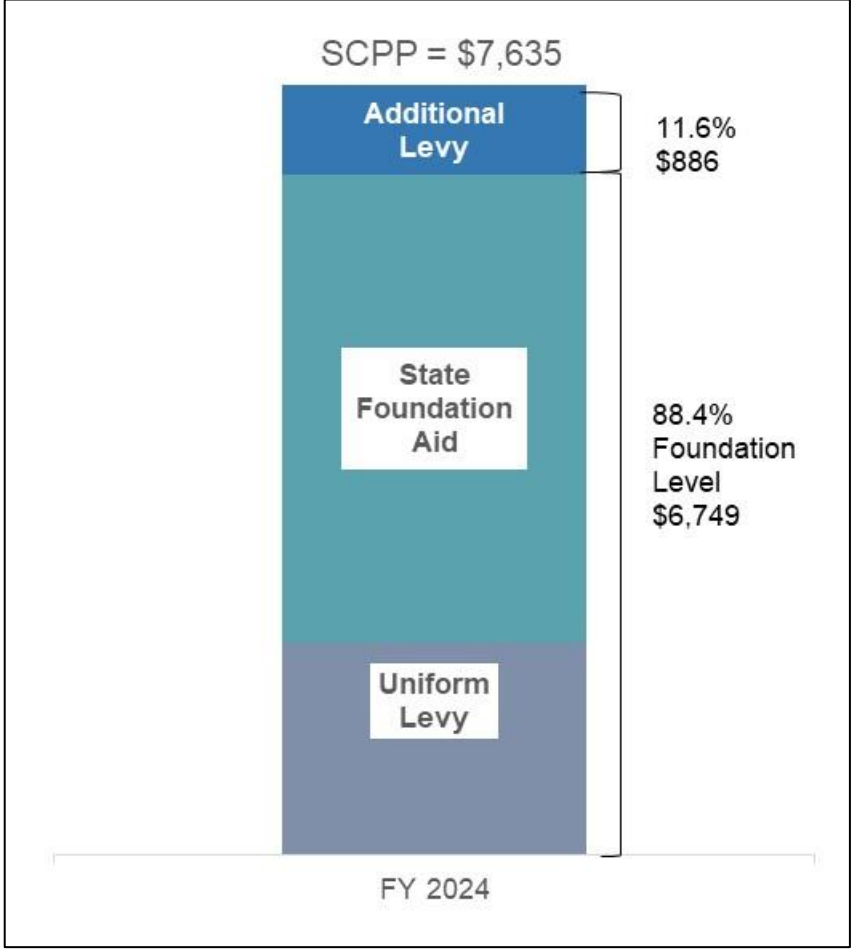
- Professional Development Categorical Supplement
 - Teacher Leadership Categorical Supplement
 - Gifted and Talented Program
- **AEAs** (*State aid and property taxes*)
 - Cannot levy on their own behalf.
 - Enrollment-based funding.
 - Funded by a combination of State aid and property taxes.
 - Iowa 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 \$22.1 million in FY 2024).
 - The LSA has published a [Fiscal Research Brief](#) about the AEA's.
 - **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 MSAs 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.

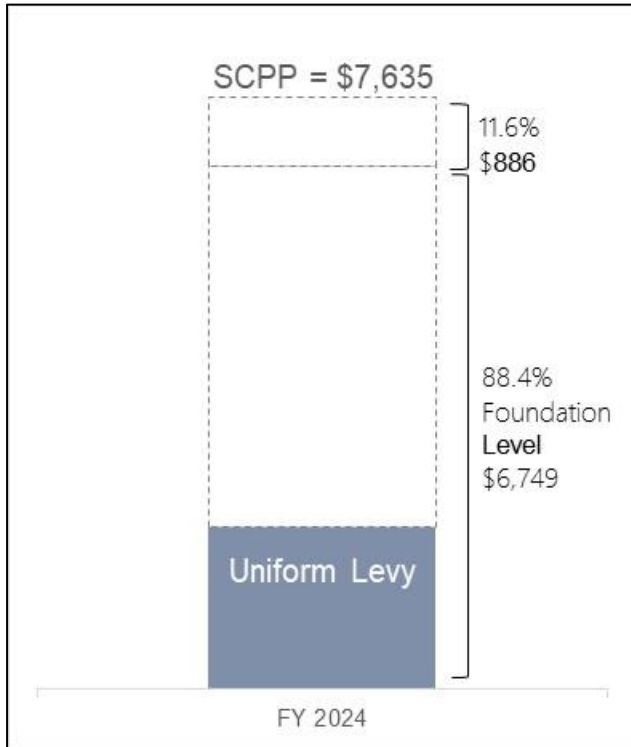
- Spending authority controls the maximum each district can spend out of its **general fund** per fiscal year.
- Spending from a district's general fund is controlled by how much spending authority a district has, not its cash on hand.
- Exceeding the maximum spending authority is a violation of the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

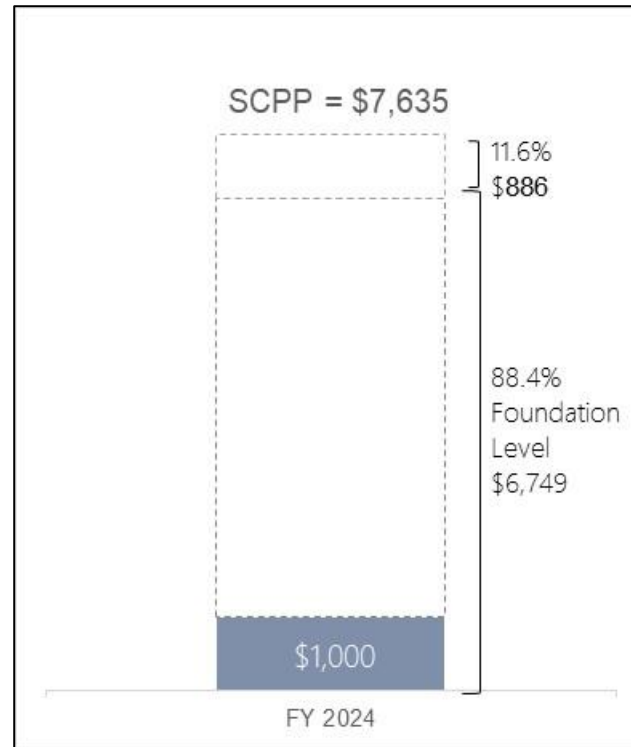


The uniform property tax levy is the first funding source for a school district.

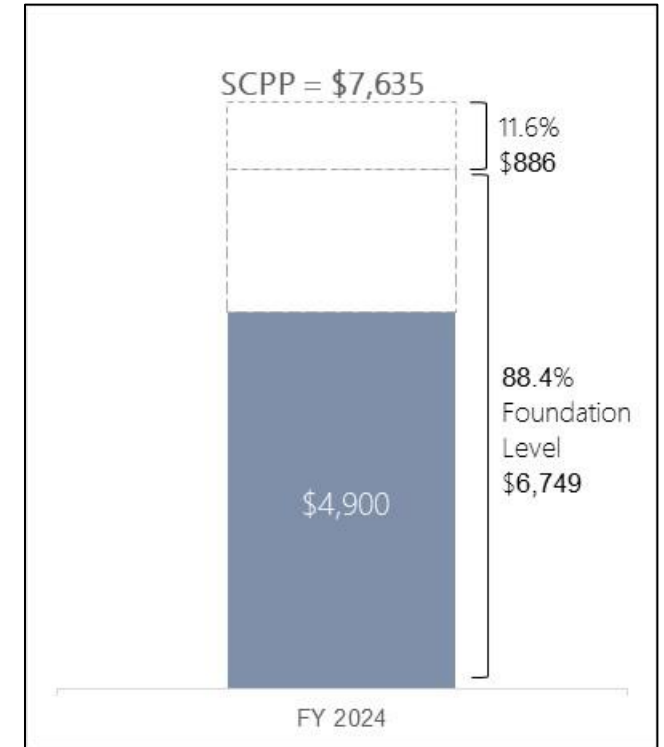
\$5.40 per \$1,000 taxable valuation



Property-Poor District



Property-Rich District



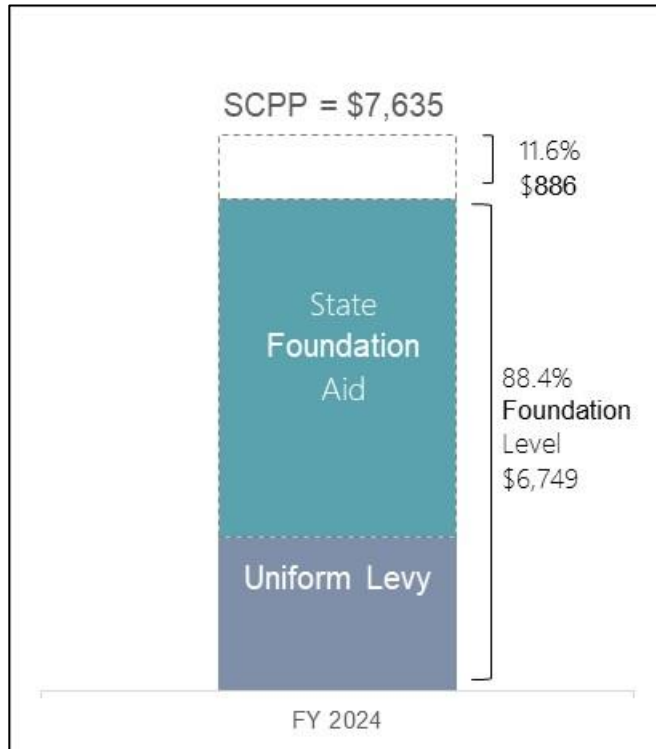
The uniform tax rate is statewide across all taxable property.

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

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

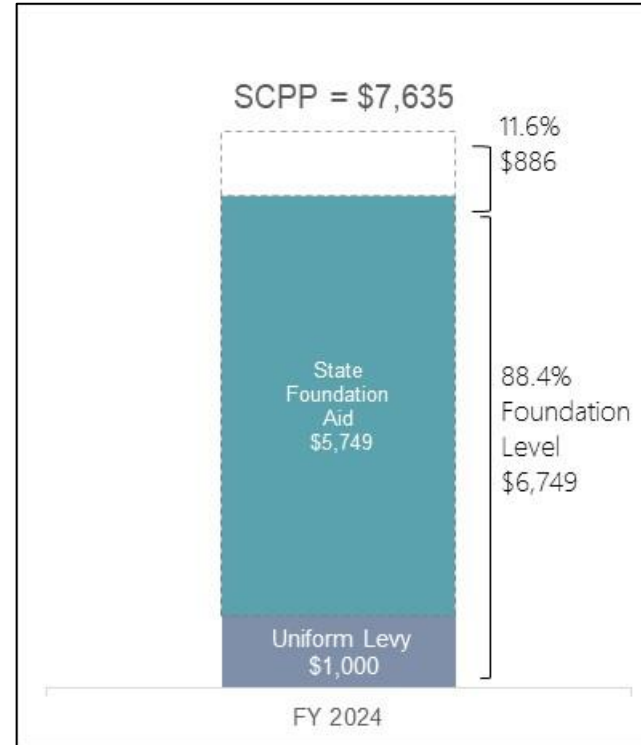
After the uniform levy, State foundation aid dollars backfill up to the foundation level (88.4%).

State Foundation Aid



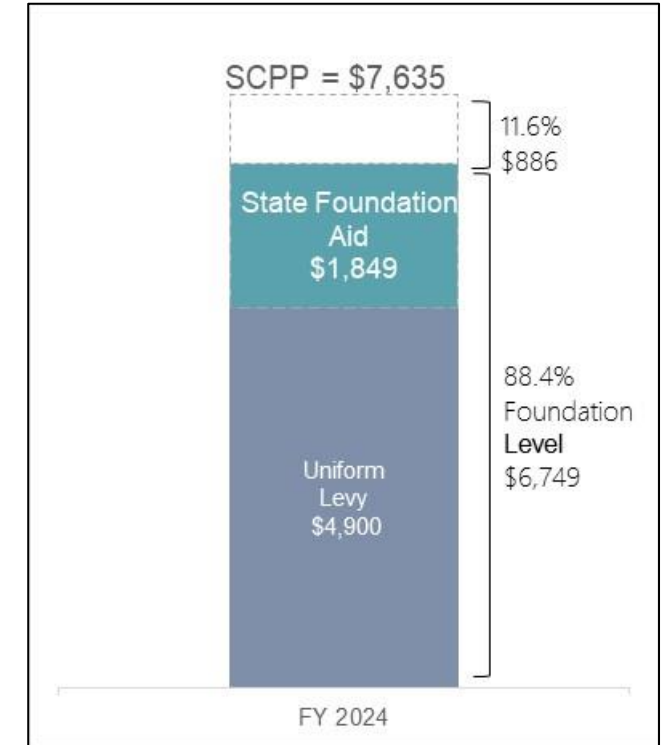
State foundation aid is not uniform across all districts.

Property-Poor District



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

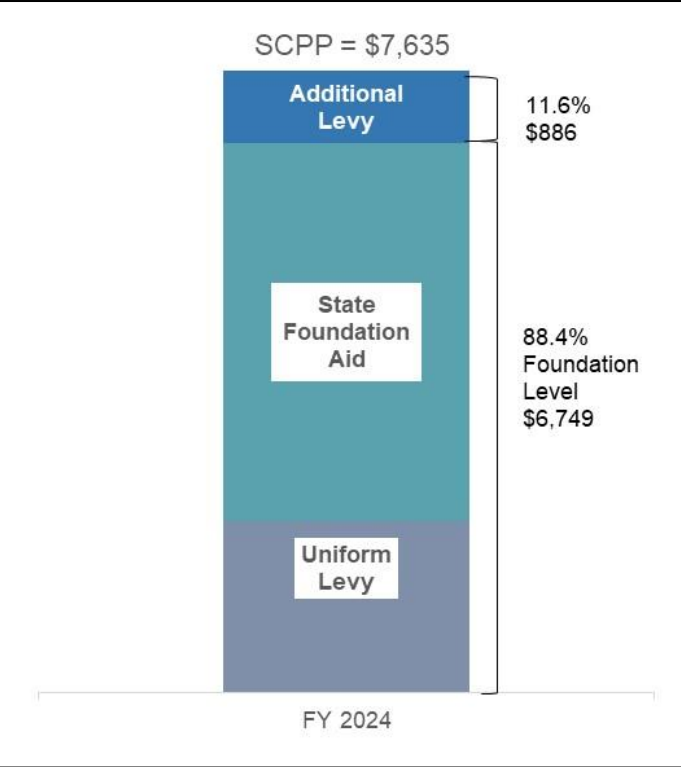
Property-Rich District



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

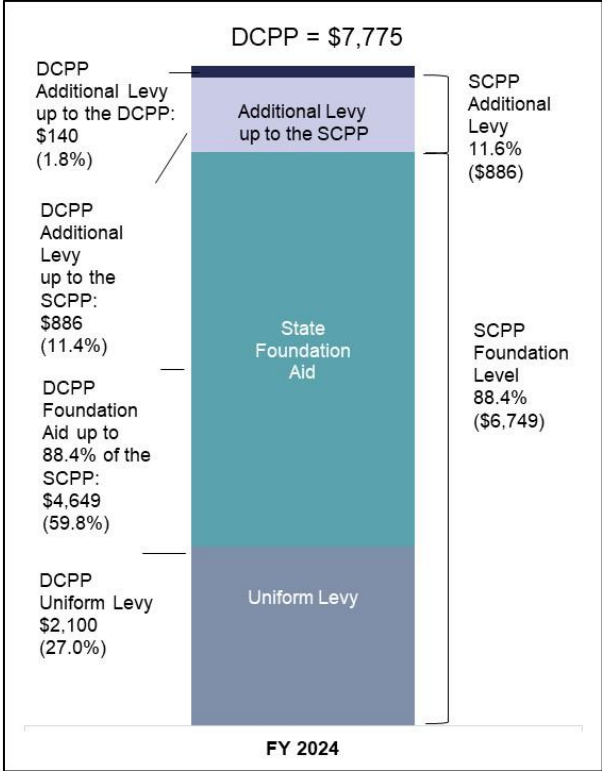
The additional levy funds the remainder of the authorized spending limit.

Additional Levy



The additional levy rate is not uniform. 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.

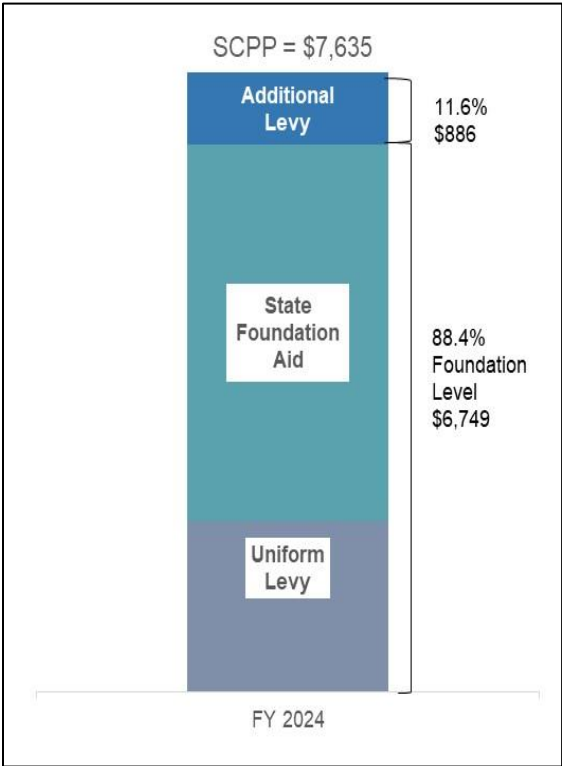
DCPP



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

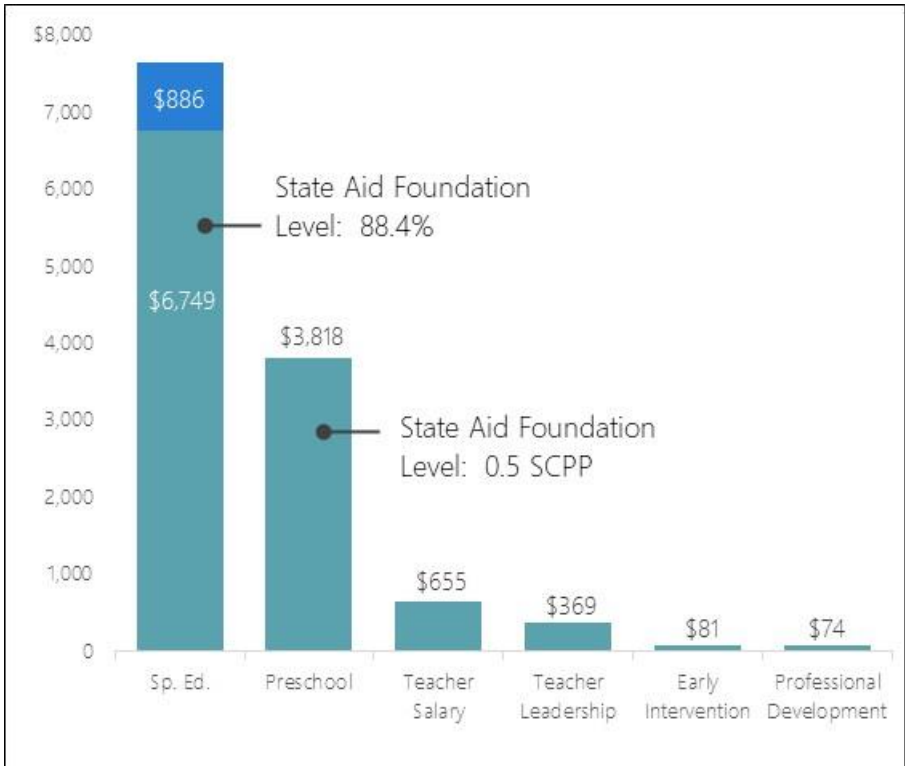
Other program costs are funded at different per pupil levels from the same sources.

Regular Program Funding by Source



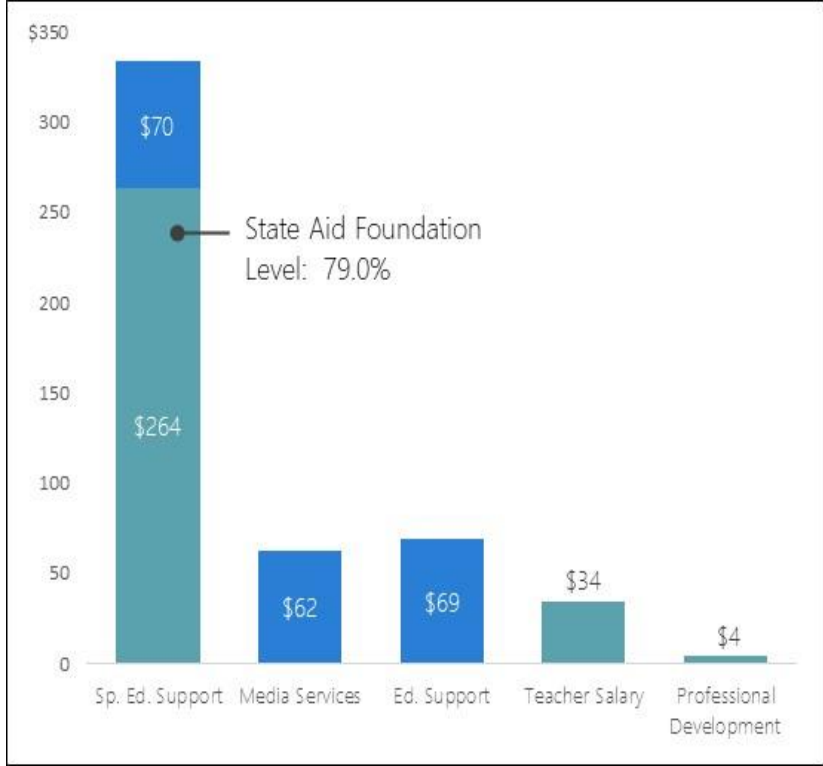
The three components apply to the regular program costs for a district.

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



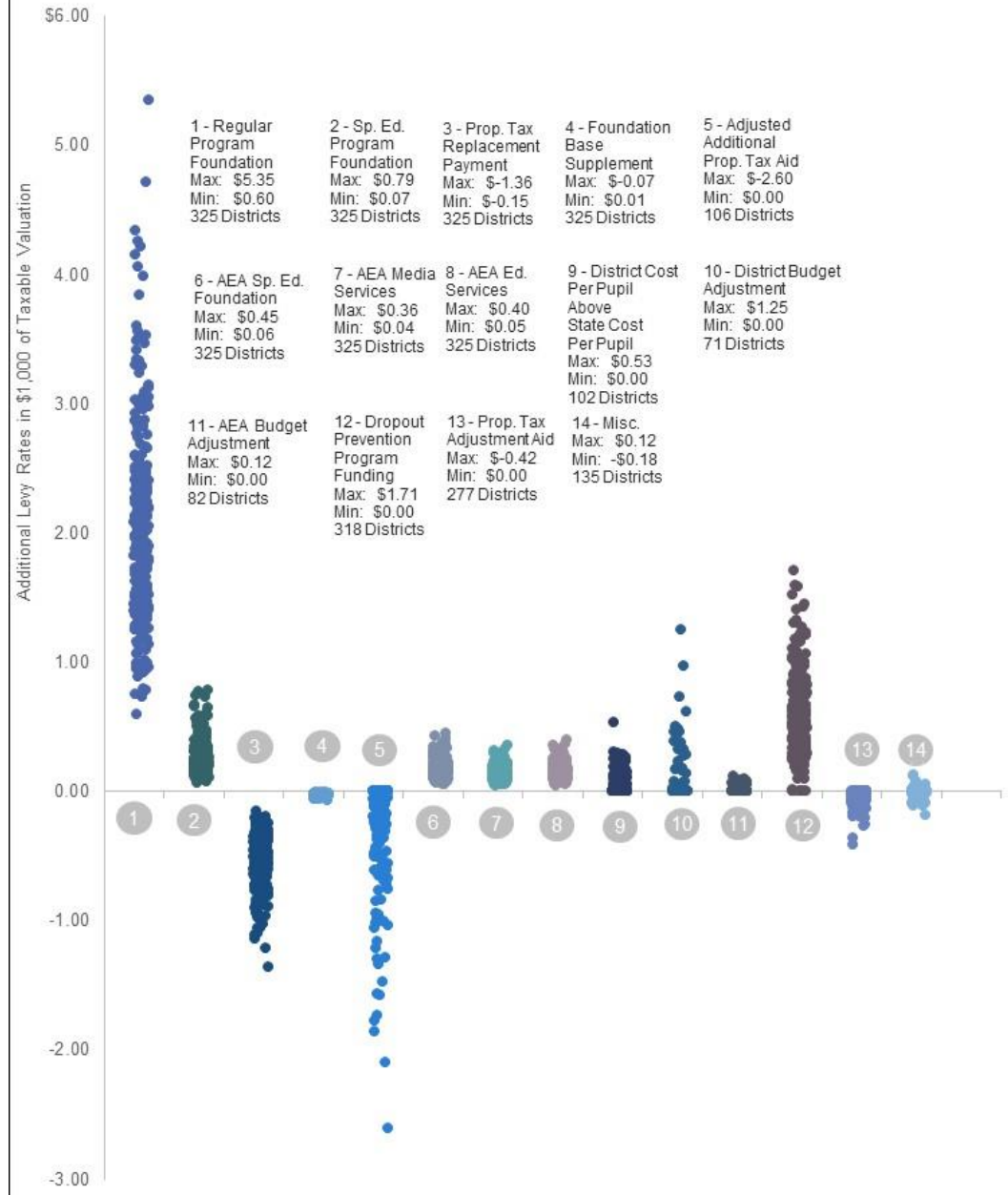
AEA services are funded by a combination of State aid and the additional levy.

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 2024
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**

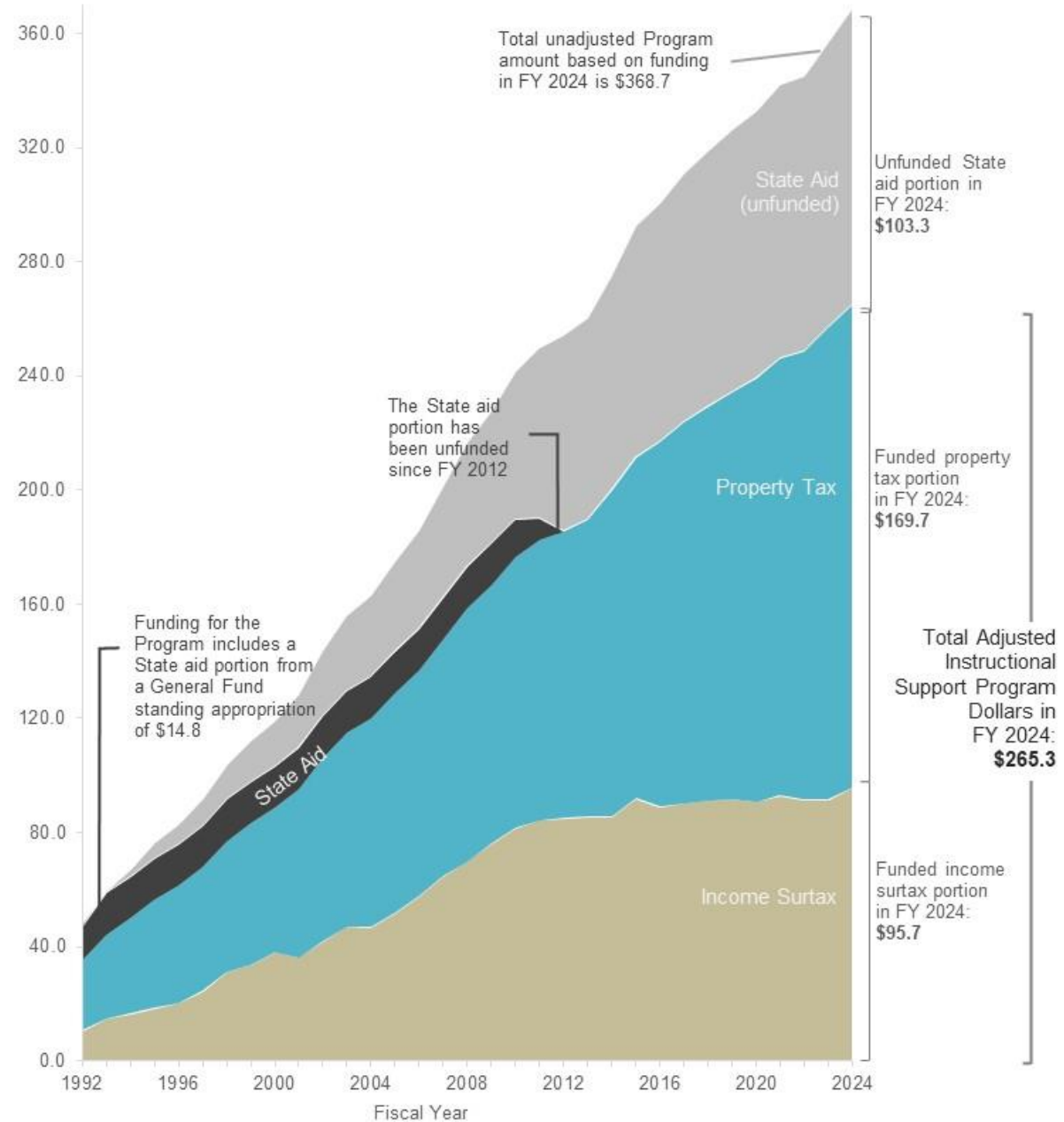
- **Disaster Recovery Emergency Levy**

Instructional Support Program

A district may increase its budget by 10.0% of its regular program cost for any general fund purpose.

- Funded from property taxes or a 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 2024 (in Millions)



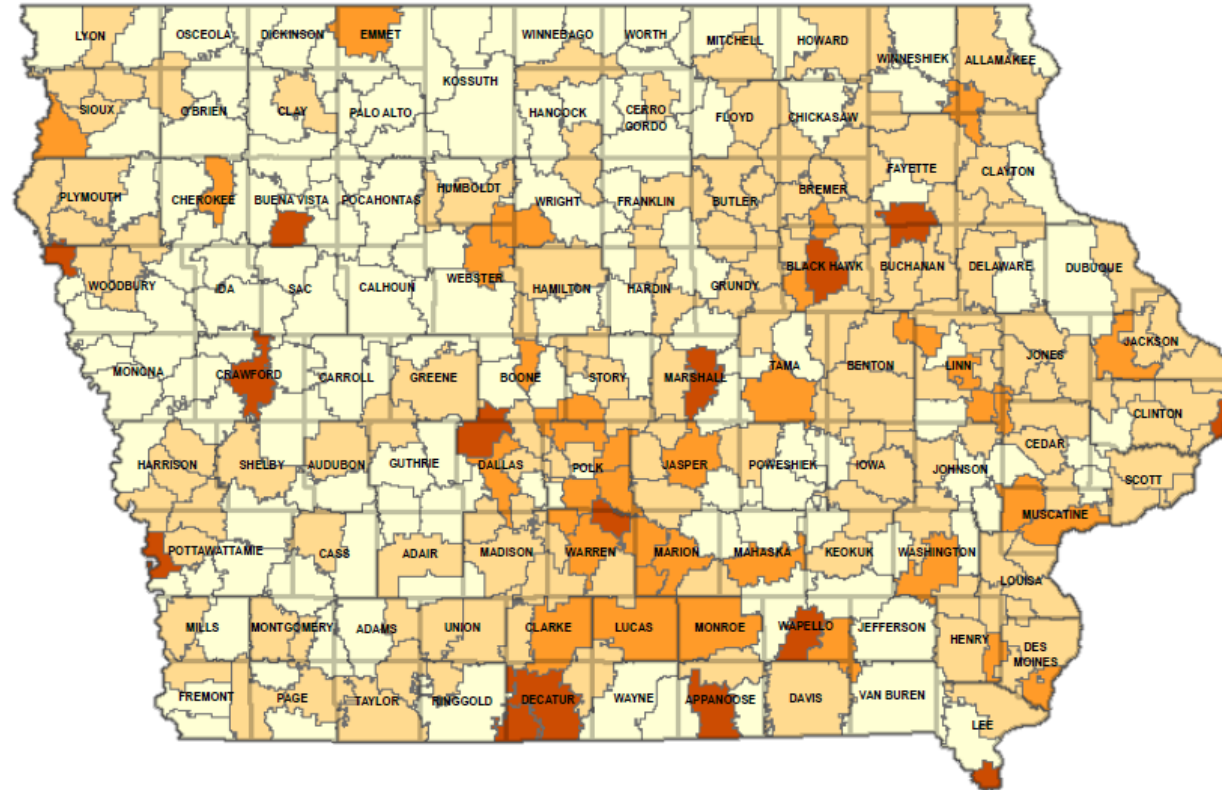
Property Tax Relief

- 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 2024



Note: Property tax rate reduction amounts are expressed in dollars per \$1,000 of taxable valuations. Total property tax relief aid includes provisions from the 1992 property tax adjustment aid, adjusted additional property tax levy aid, and the property tax replacement payment (PTRP).

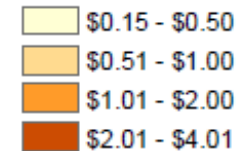
\$0.73

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

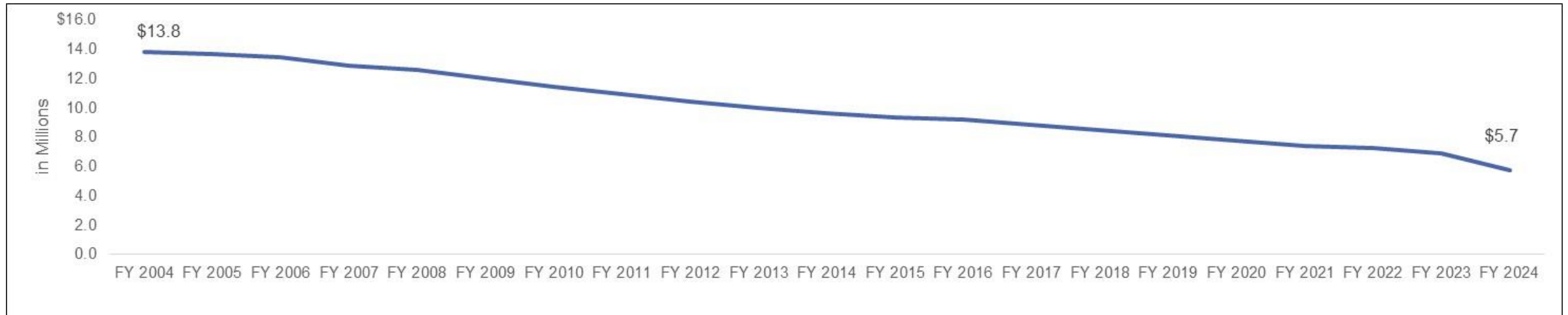
\$170.5M

Total Property Tax Relief Aid FY 2024

Total Rate Reduction Per \$1,000 of Valuation

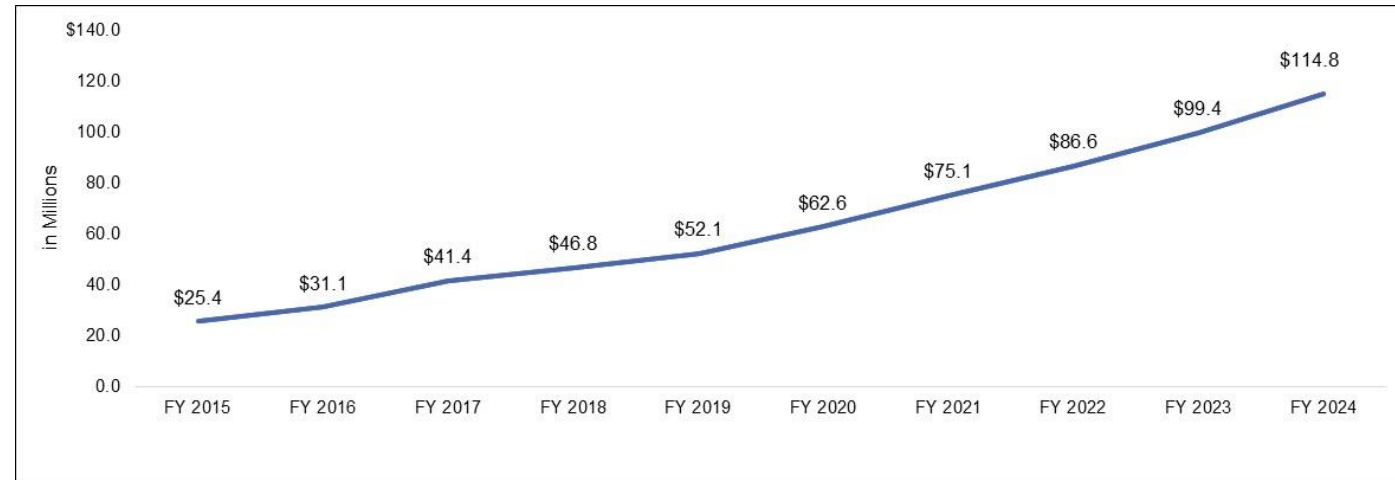
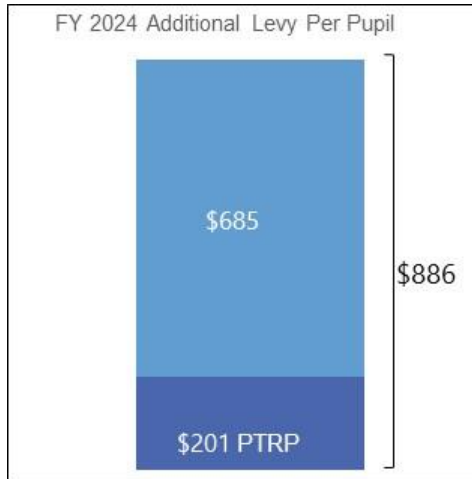


Property Tax Adjustment Aid (1992 Provision)



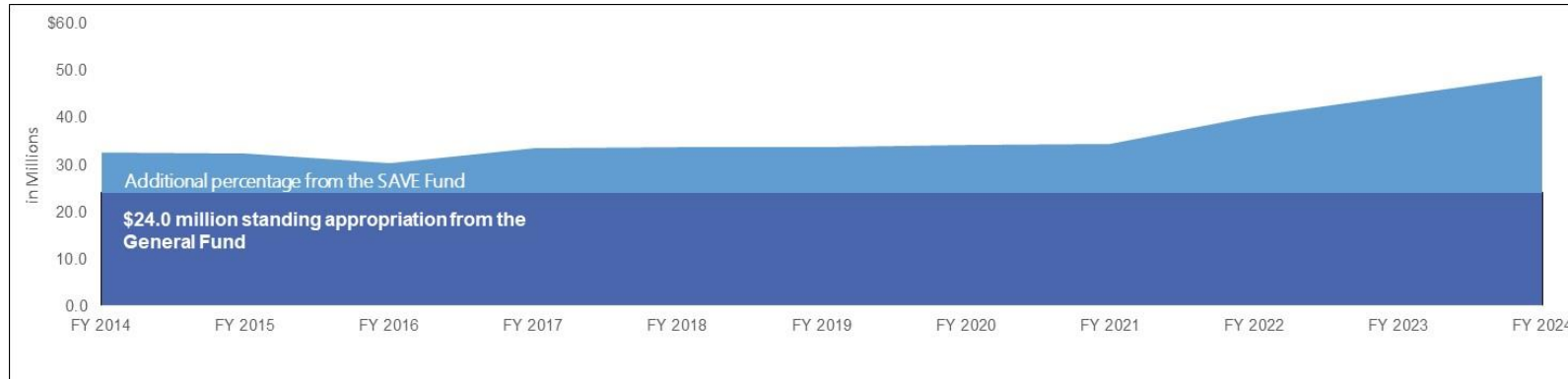
- Implemented in FY 1992.
- Aid is reduced each year as property valuations increase.
- Gradual phaseout.
- 277 districts received this aid in FY 2024.

Property Tax Replacement Payment (PTRP)



- 2013 Iowa Acts, chapter [121](#) (Education Reform Act), first implemented the PTRP.
- The 2023 enactment of [SF 192](#) (FY 2024 Supplemental State Aid Act) established the additional levy (11.6%) portion of the SCPP at \$886 for FY 2024. The fixed additional levy portion is maintained at \$685 and the PTRP portion is increased from \$175 to \$201. The Foundation Level is maintained at 88.40% for FY 2024.
- 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 2024:
\$49.0 million available.
106 districts received aid.

- FY 2024: Funding includes a \$24.0 million General Fund appropriation built into the school aid formula and 5.1% (\$31.1 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. The FY 2021 allocation to the Foundation Base Supplement Fund (FBSF) first impacted State school aid in FY 2023. Due to timing issues, the funding is provided in the fiscal year after the amount is determined. For example, the sales and use tax revenues from FY 2023 are determined in November following the fiscal year, and the calculated amount is distributed in FY 2025.
- 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.
 - FBSF established.
 - First impacted 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.

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 2024, 204 districts are receiving this aid.
- *The Governor is recommending \$31.1 million in a General Fund appropriation to the TEF for FY 2025, a 2.50% growth rate.*
- For more information see the **Fiscal Topic:** [Transportation Equity Program](#).

Appropriations to the Transportation Equity Fund by Fiscal Year (in Millions)



State Foundation School Aid Governor's Recommendations

- **State Foundation School Aid:** *The Governor is recommending an estimated General Fund appropriation of \$3.730 billion for State aid to schools in FY 2025, an increase of \$62.3 million compared to estimated FY 2024.*
- This amount is intended to reflect a supplemental State aid percent of growth rate of 2.50% and includes a \$35.1 million reduction to the AEAs, which is in addition to the statutory reduction of \$7.5 million currently specified in the Iowa Code.
- SCPP is \$7,826 (\$191 increase).
- The amount reflects a transfer from the Economic Emergency Fund (EEF) of \$21.9 million for FY 2025.
- The amount also reflects a reauthorization and adjustment to the PTRP funding, which is estimated to increase from \$201 to \$223 per pupil.

Education Savings Accounts (ESAs) Governor's Recommendations

- **Education Savings Accounts (ESAs):** As enacted during the 2023 Legislative Session, [HF 68](#) (Education Savings Accounts Act) provided a new standing unlimited General Fund appropriation for an ESA Fund under the control of the Department of Education (DE) beginning in FY 2024 and modified school district categorical funding supplements.
- *The Governor is recommending an estimated General Fund appropriation of \$179.2 million for ESAs in FY 2025, an increase of \$51.3 million compared to estimated FY 2024.*
- This amount is intended to reflect a supplemental State aid percent of growth rate of 2.50%.
- The amount also reflects ESA accounts increasing from an estimated 16,757 in FY 2024 to 22,897 in FY 2025, an increase of 6,140 ESAs.

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.



Ron Robinson | Legislative Services Agency
515.281.6256
ron.robinson@legis.iowa.gov