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# BUDGET UNIT BRIEF – FY 2026

Fiscal Services Division

July 1, 2025



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## State Foundation School Aid

### Program Overview

Iowa Code chapter [257](#) provides the requirements and provisions of the current school aid formula for Iowa. Approved during the 1989 Legislative Session (1989 Iowa Acts, chapter [135](#)) and implemented in FY 1991, the current school aid formula provides funding to local school districts and Area Education Agencies (AEAs). Funding is generated for a variety of specific school district and AEA programs through the school aid formula. The funding stream for each program is indicated in the tables below:

School District Funding — School Aid Formula

	State Aid	Property Taxes
District Regular Program	✓	✓
Regular Program Budget Guarantee		✓
Special Education Program	✓	✓
District Sharing	✓	✓
Limited English Proficiency (LEP) Program	✓	✓
At-Risk Programs	✓	✓
Dropout Prevention and Support	✓	✓
Teacher Salary Supplement	✓	
Professional Development Supplement	✓	
Early Intervention Supplement	✓	
Teacher Leadership Supplement	✓	
Statewide Preschool	✓	

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### More Information

Historical School Aid Data: [www.legis.iowa.gov/publications/fiscal/k12/other](http://www.legis.iowa.gov/publications/fiscal/k12/other)

LSA Legal Division, Education Finance Legislative Guide:

[www.legis.iowa.gov/docs/publications/LG/13834.pdf](http://www.legis.iowa.gov/docs/publications/LG/13834.pdf)

LSA Legal Division, Supplemental State Aid Programs Legal Background Briefing:

[www.legis.iowa.gov/docs/publications/BF/13835.pdf](http://www.legis.iowa.gov/docs/publications/BF/13835.pdf)

Iowa Department of Management, School Aid Information: [dom.iowa.gov/schools](http://dom.iowa.gov/schools)

Iowa Department of Education, School Finance Resources:

[www.educateiowa.gov/pk-12/school-business-finance/financial-management/school-finance-resources](http://www.educateiowa.gov/pk-12/school-business-finance/financial-management/school-finance-resources)

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 AEA Funding — School Aid Formula
 

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	State Aid	Property Taxes
Special Education Support	✓	✓
Media Services		✓
Education Services		✓
Sharing Incentives	✓	✓
Teacher Salary Supplement	✓	

In addition to funding designated for specific programs, the school aid formula provides targeted property tax relief to school districts. There are three specific provisions built into the school aid formula that provide property tax relief, including:

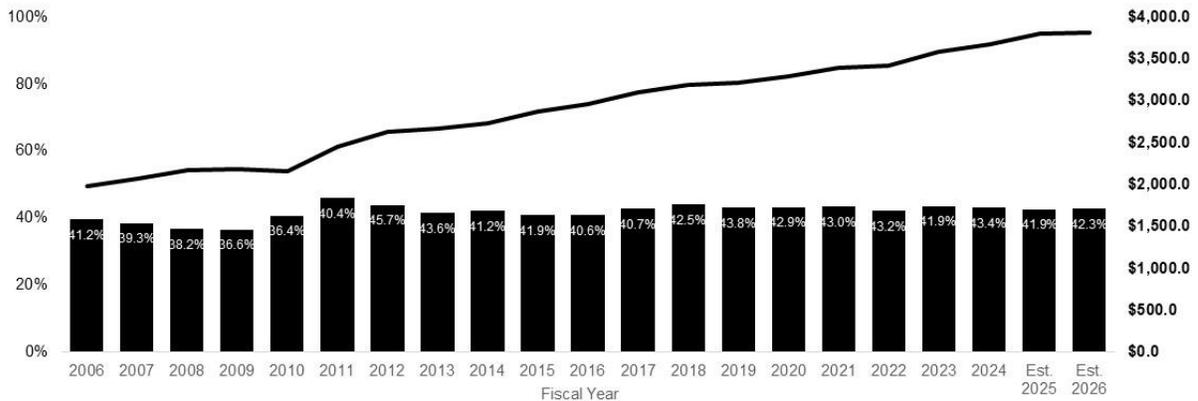
- **Property Tax Adjustment Aid (1992 provision):** This provision was implemented with the revised school aid formula. It has a gradual phase-out with an undetermined completion date.
- **Property Tax Adjustment Aid:** The adjusted additional levy was implemented in FY 2007 and provides targeted tax relief for districts with the highest adjusted additional levy rate. Funding for this provision includes a General Fund appropriation of \$24.0 million through the school aid formula and a percentage of Secure an Advanced Vision for Education (SAVE) funds. Additionally, if funding is sufficient, all districts may receive tax relief through a temporary increase in the foundation level.
- **Property Tax Replacement Payment (PTRP):** 2013 Iowa Acts, chapter [121](#) (Education Reform Act), included the creation of the PTRP provision to replace local property tax amounts with State aid. The provision froze the additional levy portion of the State cost per pupil (SCPP) at \$750. Based on the State percent of growth impact during the intervening fiscal years, this provision created \$15 per pupil in property tax relief in FY 2014 and up to \$153 per pupil in FY 2022. The continual growth is a result of the requirement that the per pupil property tax relief of previous fiscal years be carried forward into future fiscal years. 2022 Iowa Acts, chapter [1001](#) (Supplemental State Aid — FY 2023), froze the additional levy portion of the SCPP at \$685 due to the foundation level increasing to 88.40 percent from 87.50 percent. The additional levy fixed portion of the SCPP will be \$685 in FY 2025 and the PTRP portion will be \$223.

### Funding

The Iowa Code provides a standing unlimited State aid appropriation to the Department of Education that distributes funds to school districts and AEAs based on allocations calculated by the Department of Management (DOM). The DOM bases these calculations on foundation levels that are determined by the mix of local property tax and State foundation aid on an annual basis. Total funding is generally based on per pupil costs multiplied by enrollments and weighted enrollments for specific programs. State aid and property tax amounts by school district are based on program funding amounts, foundation levels, and each school district's taxable property valuation. Additionally, the DOM determines specific property tax relief amounts by school district. Once the calculations are finalized by the DOM, the General Fund appropriation amount required for State school aid is determined. School districts receive State aid payments over a 10-month period beginning in September of the school year.

The following graph illustrates the total General Fund appropriation for State school aid and the overall percentage of the State school aid appropriation compared to total General Fund appropriations for the period of FY 2005 through estimated FY 2025. Overall, the percentage has increased from 41.20 percent in FY 2005 to 42.60 percent in estimated FY 2025. The increased funding levels in those fiscal years can be attributed to the addition of the Statewide Voluntary Preschool Program (initially funded through the school aid formula in FY 2009), the State categorical supplements (initially funded through the school aid formula in FY 2010), and the implementation of [HF 2316](#) (Supplemental State Aid Act — FY 2023), which raised the Foundation Level to 88.40 percent up from 87.50 percent.

General Fund Appropriations for State School Aid\* in Millions and as a Percent of the Total General Fund Appropriations — FY 2006 – Est. FY 2026



\*Percentage includes Instructional Support (FY 2002-FY 2009) but does not include Nonpublic Transportation Reimbursement or other programs and supplemental appropriations.

The 2024 enactment of [HF 2612](#) (Area Education Agencies Act) eliminated the AEA professional development supplement from the State funding formula calculation and changed the distribution of funding between the school districts and AEAs.

**Policy Decisions That Impact State Foundation School Aid Funding**

In general, the General Assembly does not directly appropriate funding for State school aid; the appropriation amount is determined by the formula as noted in the above section. However, there are policy decisions made by the General Assembly that impact the overall level of funding (comprised of both State aid and property tax amounts).

Establishing the State percent of growth increases the cost per pupil amounts used to generate funding through the school aid formula and has a significant impact on the overall funding level. The Iowa Code requires the Legislature to set this increase within 30 days of the Governor’s budget recommendations. Other policy decisions that may change overall funding levels include changing supplementary or special education weightings or adding or eliminating programs.

Additionally, changing the foundation level or providing any other type of property tax relief or replacement changes the State aid and property tax mix, but does not change overall funding levels.

**Related Statutes and Administrative Rules**

- Iowa Code chapter [256C](#)
- Iowa Code chapter [257](#)

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