

School Aid: District Cost Per Pupil Differences Between School Districts

The regular school aid State cost per pupil (SCPP) is used as the basis for school aid funding. The State cost per pupil is used when calculating “allowable growth” by determining per pupil costs after applying the allowable growth rate. Additionally, the SCPP serves as a basis for determining the State aid portion and property tax portion of school district funding based on the school aid foundation level, and sets a floor for the district cost per pupil (DCPP). In FY 2013, of the 348 school districts, 170 (48.9%) school districts had a district cost per pupil that was equal to the State cost per pupil (\$6,001) while the remaining 178 (51.1%) districts had a district cost per pupil that was greater than the State cost per pupil.

Table 1 provides an analysis of the differences in the regular school aid district cost per pupil in FY 2013 within the State. Seven districts are at the maximum DCPP amount of \$6,176, that is \$175 (2.9%) greater than the SCPP and minimum DCPP level of \$6,001. Statute requires that the difference between the highest DCPP amount and the SCPP amount not exceed 5.0% and the current percentage difference is 2.9%. Sans any law change, the range will always remain at \$175 while the percentage difference of the range will decrease over time as the State cost per pupil increases. The median DCPP value was \$6,004 while the average stands at \$6,034 reflecting the fact that more districts are closer to the minimum amount than the maximum DCPP amount.

Table 1 – FY 2013 District Cost Per Pupil Statistics

<u>Maximum</u>	<u>3rd Quartile</u>	<u>Median</u>	<u>1st Quartile</u>	<u>Minimum</u>	<u>Range</u>	<u>% Difference of Range</u>	<u>Average</u>
\$ 6,176	\$ 6,054	\$ 6,004	\$ 6,001	\$ 6,001	\$ 175	2.9%	\$ 6,034

Example: Funding of the District Cost Per Pupil

Funding of the district cost per pupil amounts consists of:

- The uniform levy: This levy is applied statewide at a rate of \$5.40/\$1,000 of taxable property valuation.
- State aid: State aid and the uniform levy fund the first 87.5% of the State cost per pupil amount. The amount of State aid a school district receives on a per pupil basis is impacted by the taxable property valuation within the school district. On a per pupil basis, districts with higher taxable valuation per pupil will generate more uniform levy and less State aid than districts with lower taxable valuation per pupil.
- The additional levy: This levy is the portion that funds the remainder of the district cost per pupil that is in excess of the 87.5% foundation level amount. This includes the 12.5% amount to fund up to the State cost per pupil amount, and the amount that the district cost per pupil is in excess of the state cost per pupil.

Chart 1 provides an example of the difference in funding level of the district cost per pupil for three school districts. The State cost per pupil amount is \$6,001 and is reflected by the top solid black line. The per pupil amount at the 87.5% foundation level is \$5,251 and is funded by the uniform levy and State aid for each of the school districts in the example. Additionally, each school district has an additional levy of \$750 per pupil to fund the per pupil amount up to the State cost per pupil level of \$6,001. However, the amount of levy required to fund the remaining district cost per pupil differs between the three districts.

- District A: The DCPP is equal to the SCPP amount (\$6,001) and District A has no additional levy for that portion. The total additional levy per pupil is \$750.
- District B: The DCPP (\$6,090) is \$89 higher than the SCPP. The total additional levy per pupil is \$839 (\$750 plus \$89).
- District C: The DCPP (\$6,176) is \$175 higher than the SCPP. The total additional levy per pupil is \$925 (\$750 plus \$175).

More Information

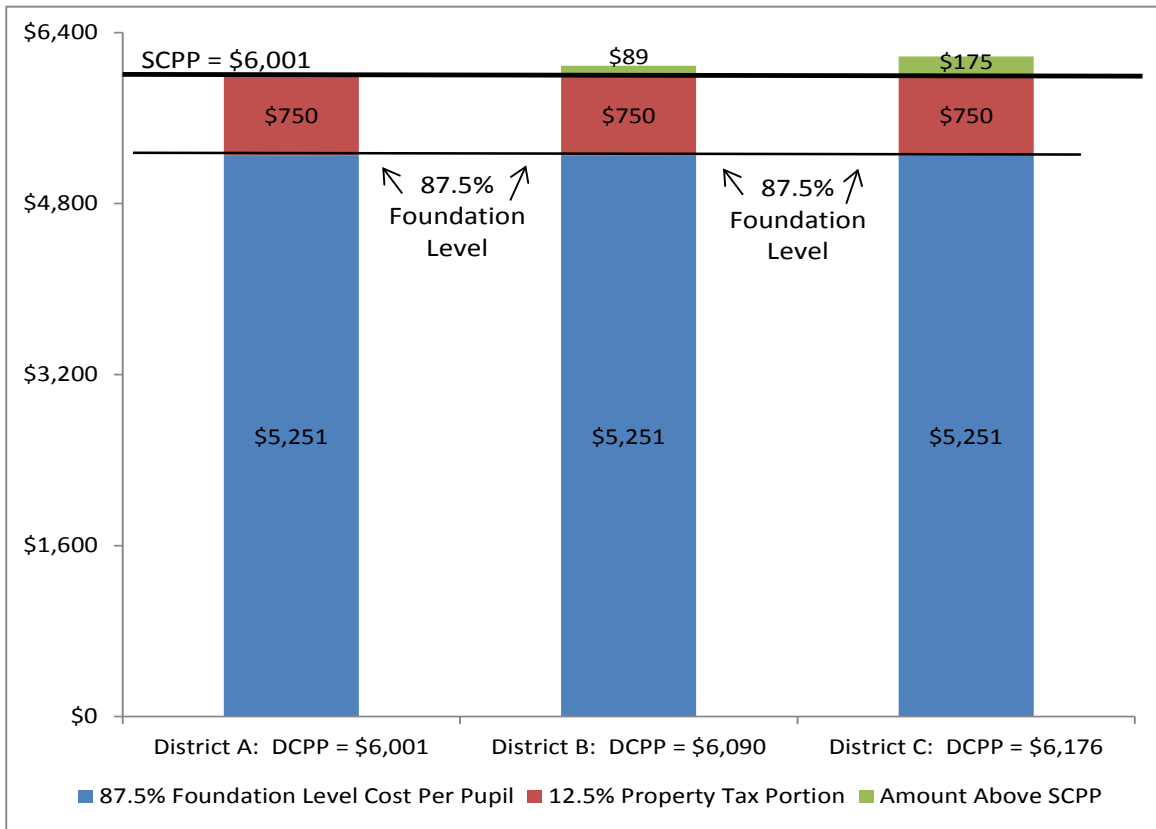
[LSA Information on FY 2013 District Cost Per Pupil Amounts by District](#)

Iowa General Assembly: <https://www.legis.iowa.gov/index.aspx>

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Chart 1 – District Cost Per Pupil Funding Example



Funding Differences Due to Differing District Cost Per Pupil Amounts

Funding for the amount of the DCPP that is above the SCPP amount is from local property tax and included in a school district's additional levy. For the 178 school districts that had a DCPP that was greater than the SCPP, the amount of additional levy for that portion totaled approximately \$12.9 million, an average of approximately \$73,000 per school district.

Fiscal Impact of Potential Equalization Options

Potential costs of equalizing any differences in the district cost per pupil amounts vary greatly depending on the type of proposal. The following provides the estimated fiscal impact of some potential options that would equalize the DCPP amounts.

- Require the DCPP not to exceed the new SCPP amount: The impact of this option would be a reduction in the DCPP amounts for 178 districts. Based on FY 2013 data, these 178 districts would have a reduction in school funding of \$12.9 million with the entire reduction from reduced property tax revenues.
- Increase the SCPP by \$175 and each DCPP to the SCPP level: This option would provide additional funding for each school district that was below the maximum DCPP level. Of those 341 school districts, the funding increase would total \$83.2 million. Of that amount, State aid would increase by \$84.0 million and property taxes would decrease by approximately \$0.9 million statewide.
- Increase the SCPP by \$88 and the minimum DCPP to the new SCPP level: This option would not eliminate the differential in the DCPP but would close the difference to \$87 from high to low (a percentage difference of 1.4%). School districts with an increase in their DCPP (299 districts would be impacted) would have increased funding of totaling \$36.5 million based on FY 2013 data. Due to the increase in the SCPP, State aid would increase by \$42.3 million while the total property tax amount would decrease Statewide by \$5.8 million. Despite the Statewide total decrease in property taxes, 188 districts would have a property tax increase totaling \$3.5 million while 160 districts would have a reduction in property taxes totaling \$9.3 million.

These options provide an example of the costs associated with equalizing the district cost per pupil amounts and do not represent all potential options. For additional information on options and the fiscal impact, please contact the Legislative Services Agency.