



# FINAL REPORT

## School Finance Formula Review Committee

Monday, December 16, 2024

---

### MEMBERS

Senator Ken Rozenboom, Co-chairperson  
Senator Tim Kraayenbrink  
Senator Herman C. Quirmbach  
Senator Jeff Taylor  
Senator Cindy Winckler

Representative Carter F. Nordman, Co-chairperson  
Representative Austin Harris  
Representative Heather Matson  
Representative Skyler Wheeler  
Representative Elizabeth Wilson

LSA CONTACTS: Organizational staffing provided by: Stuart Stromberg, Senior Counsel, 515.281.3430; Minutes prepared by: Charlotte Miller, Legal Counsel II, 515.725.4117

---

### CONTENTS

- I. Authorization and Appointment
- II. Committee Proceedings
- III. School Finance Formula Overview
- IV. Preschool Funding and District Cost Per Pupil Disparities
- V. State Government Aid and Concurrent Enrollment
- VI. Concurrent Enrollment
- VII. Open Enrollment
- VIII. Categorical Funding
- IX. Students First Education Savings Account Program
- X. Committee Discussion and Proposed Committee Recommendations
- XI. Materials Filed with the Legislative Services Agency



## School Finance Formula Review Committee

---

### **I. Authorization and Appointment**

Pursuant to Iowa Code section 257.1, the School Finance Formula Review Committee is directed to meet every five years for the purposes of reviewing the state school finance formula. The committee was authorized to conduct one meeting during the 2024 Legislative Interim. The meeting was held on December 16, 2024, in Room 304 of the State Capitol, Des Moines.

### **II. Committee Proceedings**

Members of the committee unanimously elected temporary Co-chairpersons Rozenboom and Nordman as permanent Co-chairpersons and adopted procedural rules that are available on the committee's website.

### **III. School Finance Formula Overview**

Mr. John Parker, Department of Management (DOM), and Mr. Ron Robinson, Senior Fiscal Legislative Analyst, Fiscal Services Division, Legislative Services Agency (LSA), provided a presentation regarding the different agencies' roles in the school aid model, school funding for fiscal year 2024-2025, and the goals of the school aid formula. One of the agencies involved in the school aid model is the LSA. The LSA models the school aid and levy formula, including State aid and property tax implications; provides nonpartisan fiscal estimates of proposed legislation; and provides historical data at the State and school district level. Along with the LSA, multiple entities including the Department of Education (DE), DOM, Department of Revenue, the Iowa Legislature, School Budget Review Committee (SBRC), and the federal government, are involved in the financing of schools in the State. Mr. Parker and Mr. Robinson identified the various sources of school funding, including state aid, property taxes, income surtaxes, sales tax revenue from the Secure an Advanced Vision for Education (SAVE) fund, federal funding, and miscellaneous other sources.

## School Finance Formula Review Committee

---



Mr. Parker and Mr. Robinson identified that the goals of the school aid formula are to equalize education opportunity, provide good education for all Iowa children, provide property tax relief, decrease the percentage of school costs paid from property taxes and provide reasonable control of school cost. Iowa Code chapter 257 provides the methods to accomplish those goals.

Mr. Parker and Mr. Robinson spoke on how school funding has not been fundamentally changed since the early 1970s and was last substantially updated in the early 1990s. School aid calculations are performed by adding budget enrollment to additional weightings to reach a district's weighted enrollment. Weighted enrollment includes special education and has three levels.

Mr. Parker and Mr. Robinson explained that the maximum amount that a district can spend is controlled by its spending authority, not its cash on hand. Total spending authority for a district may include: state aid and property taxes; other modified supplemental amounts (MSA) including special education, ELL, and one-time funding; state grants; federal grants and the previous year's unspent authority carryforward; and other miscellaneous income. Mr. Parker and Mr. Robinson stated that a district exceeding their maximum spending authority is a violation of law. The SBRC monitors school district budgets and makes recommendations. This helps accomplish the goals of the school aid formula and provide funding equity across the State. Ninety-five percent of a district's spending authority comes from the school aid formula. Mr. Parker and Mr. Robinson presented data indicating that most districts have a special education spending deficit. Funding for school districts through the school budget aid levy is primarily enrollment-driven.

Mr. Parker and Mr. Robinson indicated that the uniform property tax levy is the first source of funding for all school districts. They provided that the uniform property tax levy is a uniform tax rate that is statewide across all taxable property and, while the tax rate is uniform, the amount generated per pupil will vary by the taxable valuation per pupil in the district, meaning a property-rich district will generate more dollars



## School Finance Formula Review Committee

---

through the uniform levy than a property-poor district. After uniform property tax levy funding, State foundation aid backfills district funding to 88.4 percent of the SCPP.

Mr. Parker and Mr. Robinson discussed how the transportation equity fund was created in 2018 to provide additional funding to school districts for public school transportation costs that exceed the statewide adjusted average cost per student. In fiscal year 2024-2025, 204 districts of the 325 districts are receiving this aid. Mr. Parker and Mr. Robinson discussed property tax relief aid. Property tax rate reductions are expressed in dollars per \$1,000 of taxable valuation. Total tax relief aid includes provisions from the 1992 property tax adjustment aid, adjusted additional property tax levy aid, and the property tax replacement payment. The total property tax relief aid for fiscal year 2024-2025 was \$186.2 million and the fiscal year 2024-2025 Statewide Average Rate reduction per \$1,000 of valuation was \$0.74. Mr. Parker and Mr. Robinson also discussed the standing unlimited appropriation for education savings accounts.

In response to questions from committee members, Mr. Parker and Mr. Robinson provided that the rollback of commercial and industrial property tax does decrease the value that is taxable in districts.

### **IV. Preschool Funding and District Cost Per Pupil Disparities**

Ms. Emily Piper and Mr. Michael Guanci, Iowa Association of School Boards (IASB), presented regarding proposed changes to the Statewide Voluntary Preschool Program (SVPP), district cost per pupil (DCPP) variances, and Dropout Prevention Program (DPP) funding. They provided an overview of proposed changes to the SVPP, which would have school districts enter into an agreement with the community-based providers that meet the same standards as required of public school districts that request such an agreement. However, districts are allowed to reject a request for an agreement for good cause as determined by the rules adopted by the state board of education. Ms. Piper and Mr. Guanci presented data showing that giving districts and nonpublic schools the option to expand



preschool hours of instruction in the SVPP would lead to a fiscal impact of \$7.6 million both the first and second years of implementation, based on data that 78.0 percent of eligible four-year-old students would take advantage of the expansion in all districts and nonpublic schools. The fiscal impact was made on the presumptions that all eligible districts and nonpublic schools provide the increased hours of instruction and all eligible students participate.

Ms. Piper and Mr. Guanci indicated that 68.5 percent of districts have a DCPP equal to the SCPP but that there is a \$140 gap between the SCPP and the highest DCPP. The variances in DCPP are due to the origination of the school aid formula in the 1970s.

Ms. Piper and Mr. Guanci discussed data regarding the impacts of moving to a fee-for-service model for both districts and nonpublic schools. Ms. Piper and Mr. Guanci provided that as the fee-for-service costs become consistent statewide, fiscal year 2024-2025 for area education agencies (AEAs) cost per pupil amount for AEAs by district still varies. Ms. Piper and Mr. Guanci also presented data on the variances in DCPP funding across districts.

Ms. Piper and Mr. Guanci provided recommendations to the legislature that they believe will assist in equalizing the DCPP variances. These recommendations included support for additional preschool weightings; continuing to equitably fund public education on per-pupil bases by equalizing districts' cost per pupil amounts for categorical and AEAs; increasing the SCPP for the teacher salary supplement (TSS) to better fund annual salary benefit changes; and increasing the dropout prevention cap for each district to below 5.0 percent.

In response to questions from the committee members, Ms. Piper and Mr. Guanci discussed closing the gap between districts to achieve equitable education funding. They also discussed dropout rates and prevention.



### **V. State Government Aid and Concurrent Enrollment**

Ms. Emily Shields and Ms. Katrina Holck, Community Colleges for Iowa (CCI), provided an overview of community college funding. Ms. Shields and Ms. Holck stated that tuition and fees account for the largest source of funding for community colleges followed by state funding, federal funding, local property taxes, and other sources. Ms. Shields and Ms. Holck provided that the gap between funding received from tuition and fees and state funding is narrowing. State sources of funding include state general aid and the Skilled Workforce and Job Creation fund. Ms. Shields and Ms. Holck stated that the state general aid formula no longer being directly in the Iowa Code has created useful flexibility in the formula.

Ms. Shields and Ms. Holck provided statistics regarding the current operation of community colleges. Ms. Shields and Ms. Holck provided that there are two types of students enrolled in community colleges: (1) credit students which are students in a degree-seeking program or students looking to transfer to a four-year institution and (2) noncredit students which are students in a certificate program or customized training. They stated that community colleges have seen a 3.0 percent increase in enrollment, significant increases in part-time students and concurrent enrollment, and percentage increases in noncredit students and students remaining in Iowa after graduation. They stated that community colleges have emphasized improving the treatment of noncredit students, which is an expensive area of growth. Noncredit student enrollment is higher than credit student enrollment and is the most expensive but most needed in their opinion. Ms. Shields and Ms. Holck also stated that funding from the Workforce Technology and Economic Development Fund (WTED), which was created in 2003, has not increased since 2013 when it became fully funded and that 90.0 percent of the funding goes to targeted fields, such as renewable energy, nursing, biotechnology, and information technology. WTED supplements scholarships for noncredit students.



Ms. Shields and Ms. Holck presented data on concurrent enrollment in community colleges, which accounts for 45.0 percent of enrolled students at community colleges. Rates paid by districts to community colleges for concurrent enrollment are negotiated by each district and vary based on the location where the service is provided. The different modes of education result in different prices. Ms. Shields and Ms. Holck recommended adjusting weighting higher for career and technical education, addressing the disincentive for providing concurrent enrollment programs at career academies, and increasing funding for summer programs.

In response to questions from committee members, Ms. Shields and Ms. Holck answered questions regarding how high school students were taken into consideration regarding tuition or state funding. Ms. Shields and Ms. Holck also spoke about the need to cover transportation for high school students attending off-campus courses during the school day and indicated that funding was already stretched and are unsure how that lack of funding should be addressed.

### **VI. Concurrent Enrollment**

Ms. Amy Gieseke, DE, presented information regarding concurrent enrollment, which is the delivery of college-level courses delivered through a contractual agreement between districts and community colleges. Concurrent enrollment is the only senior year plus program eligible for supplementary weighted funding. Students in concurrent enrollment courses receive credit at both the high school and college level. Ms. Gieseke provided that concurrent enrollment courses must supplement, not supplant, district offerings. If a district chooses to utilize a concurrent enrollment course to meet Chapter 12 accreditation core course requirements, the district is not eligible for supplementary weighted funding. Concurrent enrollment courses need to lead to a two-year degree or diploma. Districts cannot charge students for concurrent enrollment courses.



## School Finance Formula Review Committee

---

Ms. Gieseke stated that concurrent enrollment courses receive additional weighting to encourage districts to participate in concurrent enrollment programs and that weighting depends on the type of course and the location where the course is provided. This difference in weighting is due to the generally higher cost of a career and technical education course. Ms. Gieseke discussed the supplementary weighted funding formula, which is based upon actual enrollment. Ms. Gieseke indicated that funding is calculated differently for summer courses because summer courses do not generate supplementary weighted funding.

In response to questions presented from committee members, Ms. Gieseke also spoke about funding for private students enrolled in concurrent classes.

### **VII. Open Enrollment**

Ms. Sarah Nickel, DE, presented regarding open enrollment, a school choice program allowing students to enroll in a school outside of the student's district at no cost. Ms. Nickel provided that open enrollment has been around since the 1989-1990 school year and provides a cost-free application for parents or guardians who wish to enroll a student in a public school outside the student's school district. As of the 2022-2023 school year, 7.3 percent of students were participating in open enrollment. For purposes of funding, a student is always counted in the student's district of residence and the receiving district bills the resident district for certain services. However, the receiving district is prohibited from billing for certain other services. The ability to request a MSA from the SBRC does not include students who are open enrolled in an online school.

In response to questions from the committee members, Ms. Nickel answered that the data regarding the funds being balanced for students open enrolled into the district and what was rolled out of the district can be found on the department's certified enrollment webpage.



---

### **VIII. Categorical Funding**

Dr. Cassandra Cline, DE, presented regarding the categorical components of the state aid formula. The appropriate use of each type of categorical funding is statutorily restricted. The allocation of categorical funding varies per funding category for students utilizing open enrollment. Categorical funding may be prorated if the student attends less than the full year.

In addition to the categorical funds that are part of the state aid formula, Dr. Cline listed select other categorical funds that are restricted for specific uses, including the SVPP, Home School Assistance Program (HSAP), and the Gifted and Talented program. Dr. Cline stated that prior year balances in certain categorical funds may, pursuant to a school board resolution, be transferred to the flexibility account to use for any purpose allowed for the district's general fund.

In response to questions presented by the committee members, Dr. Cline provided that any additional funds can be added to expand the hours in a SVPP program.

### **IX. Students First Education Savings Account Program**

Dr. Cline provided an update on the education savings accounts (ESAs) program. This program was created in 2023. Funds from an ESA may be used to pay for tuition and fees at Iowa's accredited nonpublic schools and for other statutory allowable educational expenses. In order to utilize an ESA, a student must be an Iowa resident and must attend full-time K-12 programming at an accredited nonpublic school in Iowa. The ESA funds may be used to pay for tuition and fees at Iowa's accredited nonpublic schools or otherwise statutorily allowable education expenses. Dr. Cline stated that each family may submit only one application, although each application may include multiple students, and that eligibility is usually automatically determined by examining tax records. Dr. Cline provided that application eligibility unable to be determined through the automatic process is subjected to additional review and documentation.



## School Finance Formula Review Committee

---

For the first year of the ESA program, ESAs were funded at \$7,635 per participant, the program had an income limit of 300.0 percent of the federal poverty level for students who attended a nonpublic school during the previous year, and 16,757 students participated in the program. Funds remaining after tuition and fees may be used in the closed Marketplace for allowable products and services, including textbooks, software, tutoring services, instruments, and computers. The closed Marketplace provides vendors and products that are ESA-eligible products and services.

For the second year of the ESA program, ESAs are funded at \$7,826 per participant and the program has an income limit of 400.0 percent of the federal poverty level for students who attended a nonpublic school during the previous year. Dr. Cline stated that the funding for the third year of the program will be \$7,826 plus the state supplemental aid increase for fiscal year 2026-2027. Dr. Cline provided that the application will be available April 16.

In response to questions from committee members, Dr. Cline answered questions relating to the number of applicants in the first year and those that were approved but did not use the ESA. Questions relating to the number of payments made toward tuition were asked and that information was not available at the time. Dr. Cline also answered that there are more accredited nonpublic schools than there were previously. A question relating to DE gathering feedback from families about how the application process for the ESA program works and the reasons behind the process were presented to Dr. Cline. Dr. Cline responded by stating that the process to apply has been narrowly tailored to only ask questions to verify the family's eligibility. Beyond that, Dr. Cline was unsure whether DE has the authority to ask for any additional information. Dr. Cline also provided information on how the moneys are moved from the general fund to the entity for the purpose of the ESA. Questions regarding data transfers from a nonpublic school to another or for dropping out were presented and Dr. Cline provided that schools were required to provide that data and in some cases it was the result of families moving to different parts of the state that resulted in the transfer and how the moneys were moved accordingly. Dr. Cline



was also asked how the Marketplace and its products were approved and how the moneys were being spent on these products and services.

### **X. Committee Discussion and Proposed Committee Recommendations**

Senator Herman Quirnbach and Representative Heather Matson provided five recommendations on behalf of the minority members of the committee. The following five recommendations were proposed:

1. Withdrawal of eligibility for ESAs for persons earning above 300.0 percent of the federal poverty level.
2. Expansion of the SVPP.
3. Creation of a working group for special education funding and tiers.
4. Creation of a working group to address the needs of students experiencing poverty and to consider additional metrics for identifying poverty.
5. Creation of a working group to address the mental health needs of students.

The committee discussed the proposed recommendations of the minority members of the committee. The majority members of the committee did not propose recommendations. After a vote, the committee did not adopt any recommendations.

### **XI. Materials Filed with the Legislative Services Agency**

The following materials were distributed at or in connection with the meeting and are filed with the Legislative Services Agency. The materials may be accessed from the “Committee Documents” link on the committee’s Internet site:

[www.legis.iowa.gov/committees/committee?groupID=21383&year=2024](http://www.legis.iowa.gov/committees/committee?groupID=21383&year=2024)

1. Department of Management/LSA — School Finance Formula Overview Maps
2. Department of Education — Categorical Funding Presentation



## School Finance Formula Review Committee

---

3. Community Colleges of Iowa — Community College Funding Review
4. Department of Education — Concurrent Enrollment and Supplementary Weighted Funding
5. IASB — Differentials in the DCP, Categoricals, and AEA Funding by District
6. IASB — FY 2025 Dropout Prevention Program Funding
7. IASB — Iowa Association of School Boards Presentation
8. Department of Education — Open Enrollment Presentation
9. Legislative Services Agency — School Finance Formula Overview
10. Department of Education — Students First Education Savings Account Program Presentation
11. School Budget Review Committee — Letter Regarding Special Education Level Supplementary Weighting
12. Senator Herman Quirnbach — Public Education Funding Presentation