

Overview of School Finance in Iowa

School Aid Presentation

- Brief History/Principles
- Allowable Growth Rate/State Cost Per Pupil
- Foundation Level
- School Aid Revenue
- School Aid Formula Funding Components
- Discretionary Programs
- Miscellaneous
- Valuations per Pupil and Property Tax Implications
- Addendum

Brief History and Goals of School Finance in Iowa

Brief History of School Finance in Iowa

- In 1950 – 4,652 school districts
- Reorganization Plan adopted in 1950s
 - ◆ 1965 – 1,098 school districts
 - ◆ 1975 – 450 school districts
 - ◆ 1985 – 437 school districts
 - ◆ 1995 – 384 school districts
 - ◆ 2005 – 367 school districts
 - ◆ Currently – 346 school districts

Brief History of School Finance in Iowa

- Until the mid 1960s – school district funding was all property tax
- In 1971, school foundation program adopted (enrollment-based) – substantial increase in State aid to school districts
- In 1989 – enactment of Iowa Code chapter 257 with implementation beginning in FY 1992

Brief History of School Finance in Iowa (continued)

- In 1992, allowable growth adopted
- In 1995, formula modified to set allowable growth two years in advance
- In 1996, increased Regular Program Foundation Level from 83.0% to 87.5% beginning in FY 1997 (increased the portion of State aid paid from the State General Fund and provided property tax relief)
- In 1999, Special Education Foundation Level increased from 79.0% to 87.5% beginning in FY 2000

Brief History of School Finance in Iowa (continued)

- In 2001, eliminated the 100.0% budget guarantee, replaced it with phase-out or alternate budget adjustment to begin in FY 2004, and made the on-time funding provision permanent
- In 2006, created additional property tax adjustment aid to “buy down” additional levy rates for qualifying school districts that have the highest tax rates

Brief History of School Finance in Iowa (continued)

- 2008 Legislative Session:
 - ◆ State sales/use tax for school infrastructure – excess funds after school infrastructure allocations are used for property tax relief through school aid formula
 - ◆ State Categorical Supplements – additional categorical program funding rolled into the school aid formula beginning in FY 2010

Brief History of School Finance in Iowa (continued)

- 2009 Legislative Session:
 - ◆ Across-the-board reduction of 1.5% for FY 2009
 - ◆ Maintained 4.0% allowable growth rate for FY 2010
 - ◆ Established 2.0% allowable growth rate for FY 2011
 - ◆ American Recovery and Reinvestment Act (ARRA)
Education Fiscal Stabilization:
 - \$40.0 million in FY 2009
 - \$202.5 million in FY 2010

Brief History of School Finance in Iowa (continued)

- 2010 Legislative Session:
 - ◆ Prior to Session, across-the-board reduction of 10.0% for FY 2010
 - ◆ Maintained 2.0% allowable growth rates for FY 2011
 - ◆ Used one-time funds in place of General Fund for State aid totaling \$53.0 million
 - ◆ Capped appropriation for State aid – \$156.1 million short of fully funding
 - ◆ Postponed setting FY 2012 allowable growth rates

Brief History of School Finance in Iowa (continued)

- 2011 Legislative Session:
 - ◆ General Assembly did not establish allowable growth rates for FY 2012 (defaulted to 0.0%)
 - ◆ Established 2.0% allowable growth rates for FY 2013
 - ◆ Reduced State aid to area education agencies (AEAs) by \$20.0 million in addition to the \$7.5 million annual statutory reduction for FY 2012
 - ◆ Reduced the preschool formula weighting from 0.6 to 0.5

Brief History of School Finance in Iowa (continued)

- 2012 Legislative Session:
 - ◆ No allowable growth rate established for FY 2014
 - ◆ Reduced State aid to AEAs by \$20.0 million in addition to the \$7.5 million annual statutory reduction for FY 2013 (maintained the reduction made in FY 2012)
 - ◆ Dropout prevention program changes – modified allowable growth restriction and allowable expenditure increases

Brief History of School Finance in Iowa (continued)

2013 Legislative Session:

- FY 2014 allowable growth rate = 2.0%
- One-time State funding in FY 2014 of \$57.1 million
- Reduced State aid to AEAs by \$15.0 million in addition to the \$7.5 million annual statutory reduction for FY 2014
- FY 2015 allowable growth rate = 4.0%
- Education reform enacted
- Property tax reform enacted

Brief History of School Finance in Iowa (continued)

2014 Legislative Session:

- No State percent of growth rate established for FY 2016
- Reduced State aid to AEAs by \$15.0 million in addition to the \$7.5 million annual statutory reduction for FY 2015
- Funding appropriated for the Teacher Leadership Grants for FY 2015
- Extended the Whole Grade Sharing and Reorganization supplementary weighting provisions
- Modified the Shared Operational Functions supplementary weighting

Goals and Principles

- Equity in expenditure
- Property tax relief
- Equalize taxation
- Uniform State aid allocation formula
- Predictable
- Simple
- Pupil Driven

Goals and Principles (continued)

- Provide for local discretion/incentives
- Establish maximum spending control
- One funding formula for school districts and AEAs
- Provide adequate funding
- Promote high achievement
- Modify the impact of community and family background on achievement

School Aid Supplemental State aid and State Cost Per Pupil

State Percent of Growth

- Supplemental State aid (in FY 2015) – increase in the per pupil funding amount
- Recommended by the Governor
- Established by the General Assembly
- Policy decision impacting State school aid appropriation

State Percent of Growth

State Percent of Growth x State Cost Per Pupil =
Supplemental State Aid (Growth Per Pupil)

For example:

2014-2015

4.0% State Percent of Growth X

FY 2014 State Cost Per Pupil (\$6,121)

= \$245 Per Pupil

State Cost Per Pupil (SCPP)

FY 2015:

$$\text{\$6,121} + \text{\$245} = \text{\$6,366}$$

FY 2014 SCPP + Supplemental State Aid

State Cost Per Pupil

FY 2015 SCPP = \$6,366

Used to determine supplemental State aid per pupil
for the next year

- Used to determine minimum district cost per pupil
- Note: same methodology for all 10 cost per pupil amounts in the school aid formula

District Cost Per Pupil – FY 2015

\$6,541 – Highest (7 Districts)

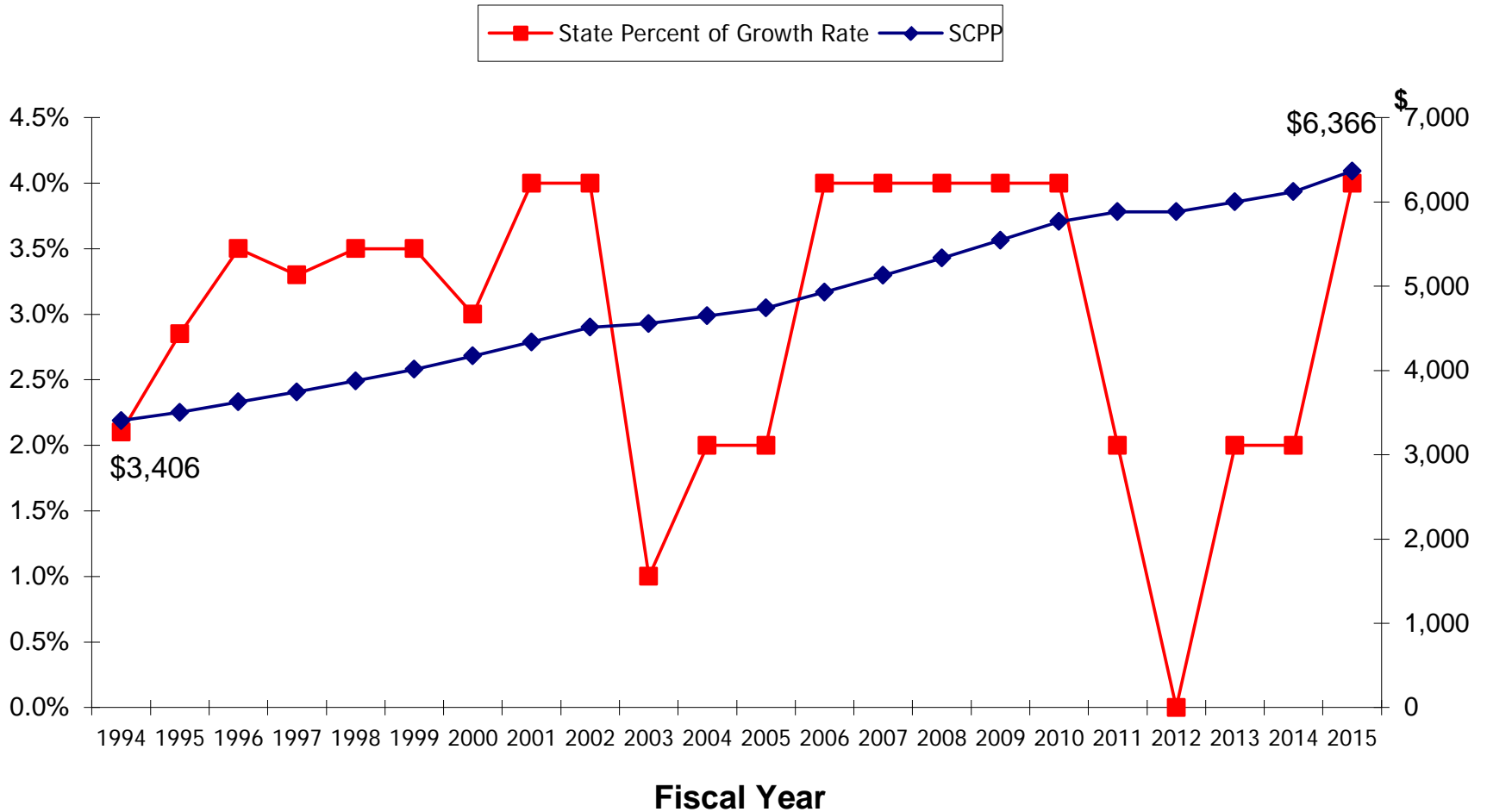
\$6,366 – Lowest (165 Districts)

\$175 – Range (2.7% difference)

- District cost per pupil increases each year by a per pupil amount
- Minimum district cost per pupil = State cost per pupil
- Note that this is not the case for the State categorical supplement per pupil amounts

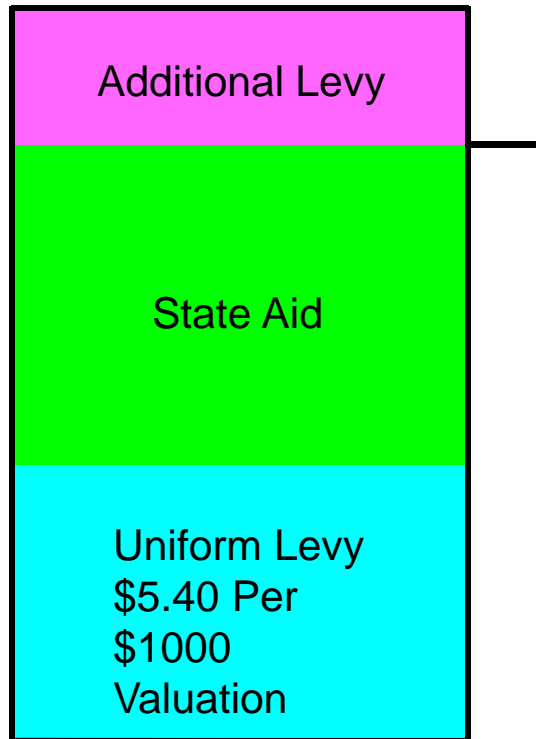
State Percent of Growth - History

**State Percent of Growth Rates and State Cost Per Pupil Amounts
FY 1994 to FY 2015**



School Aid Formula Foundation Levels

Foundation Formula

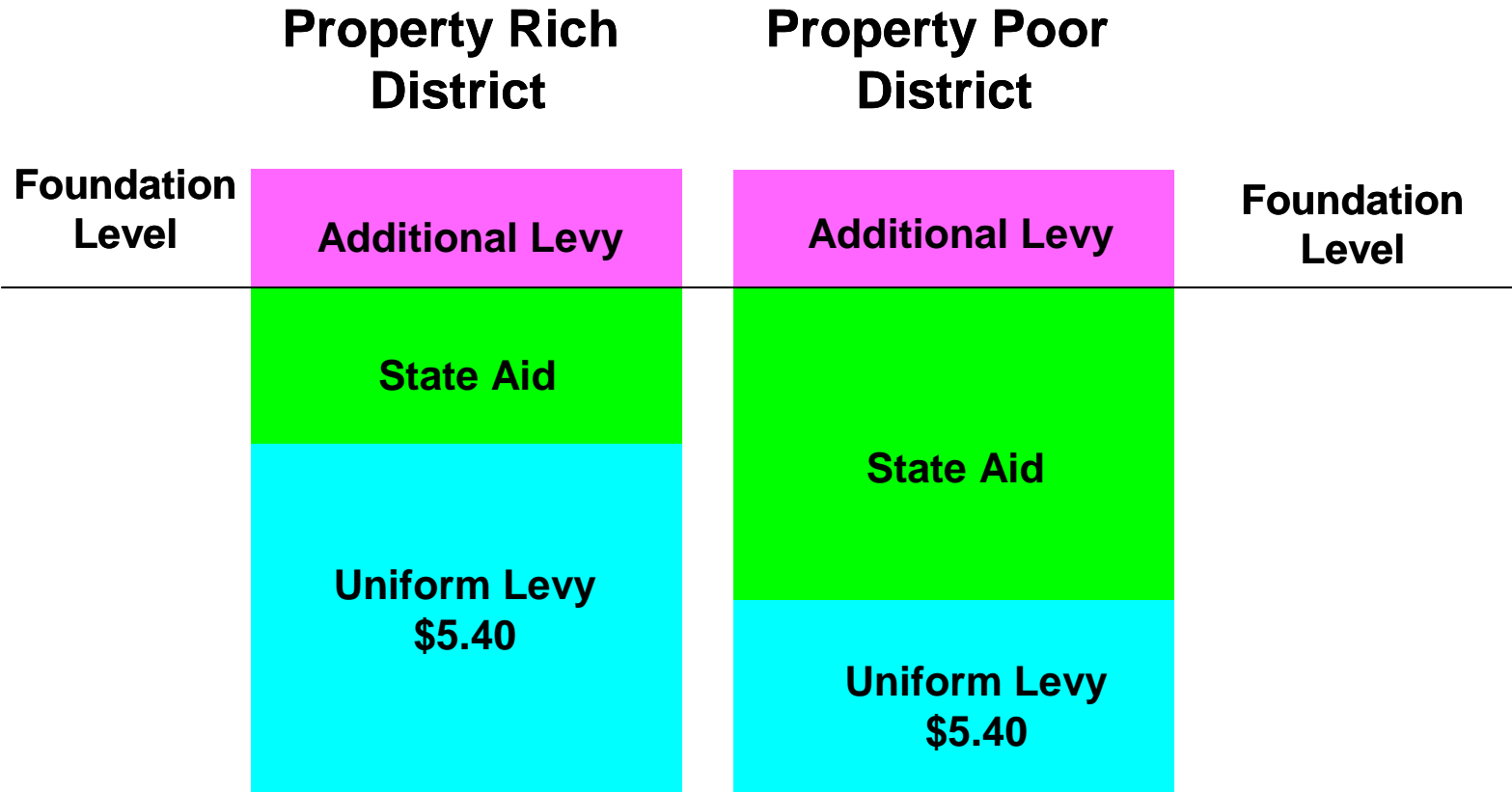


Foundation Level

FY 2015:

87.5% of SCPP (\$6,366)
= \$5,570 Per Pupil

Foundation Formula



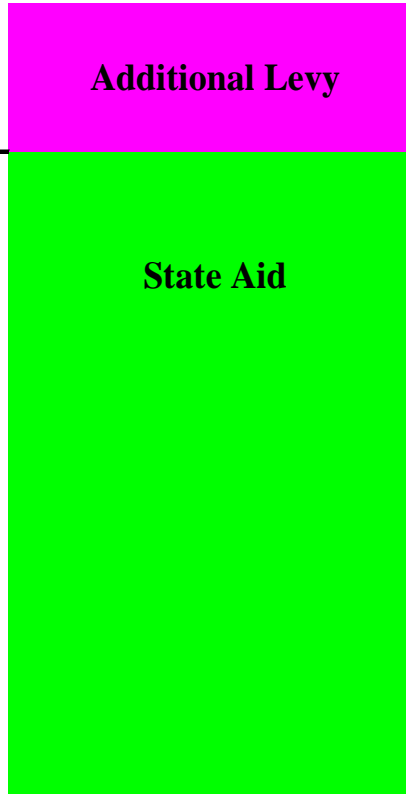
Foundation Formula

Regular Program

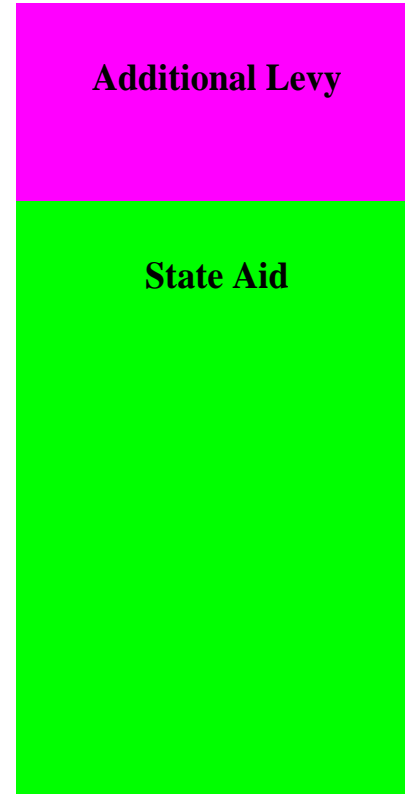


87.5%
Foundation
Level

Special Education Instruction

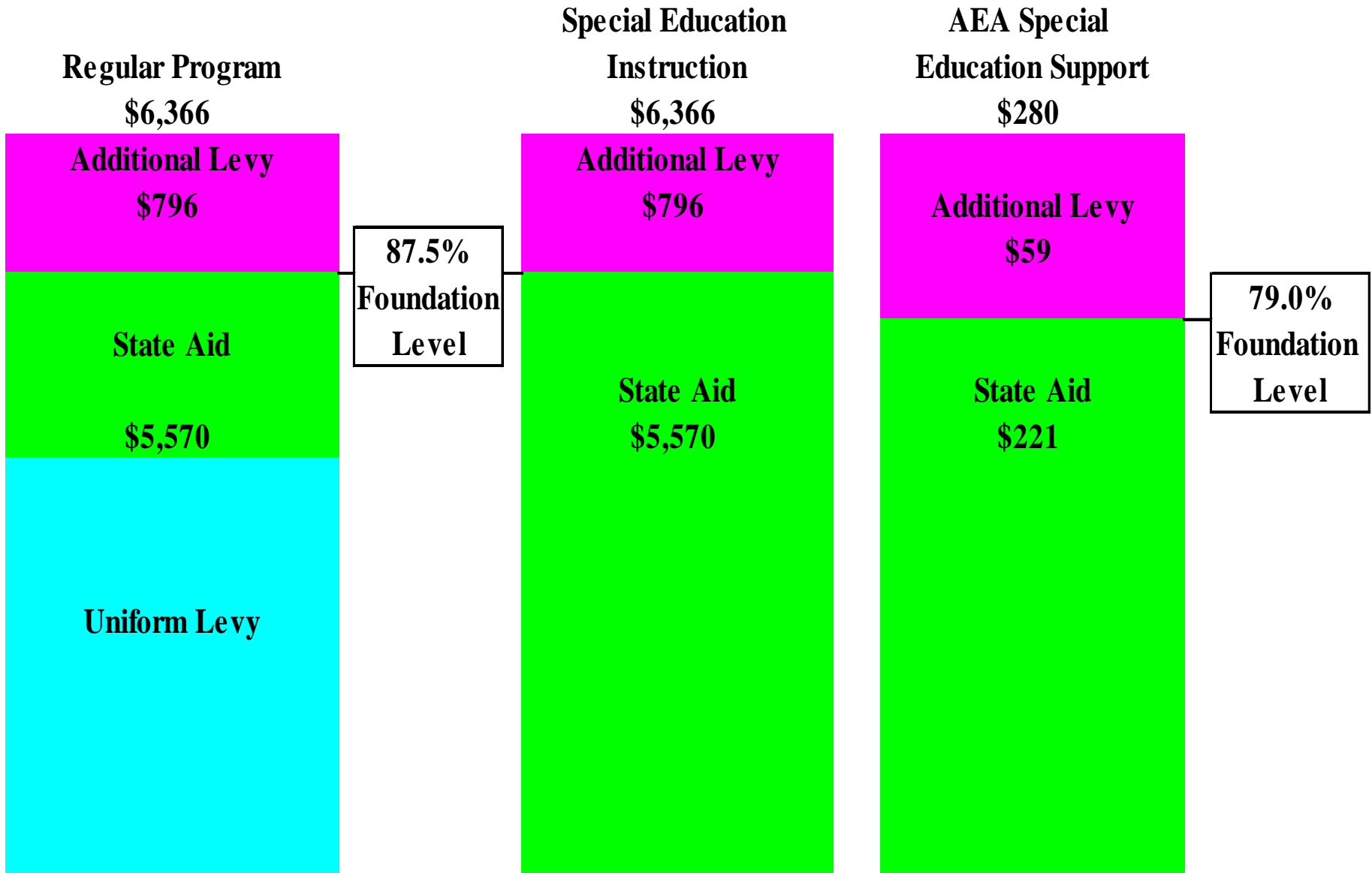


AEA Special Education Support



79.0%
Foundation
Level

FY 2015 School Aid Foundation Levels

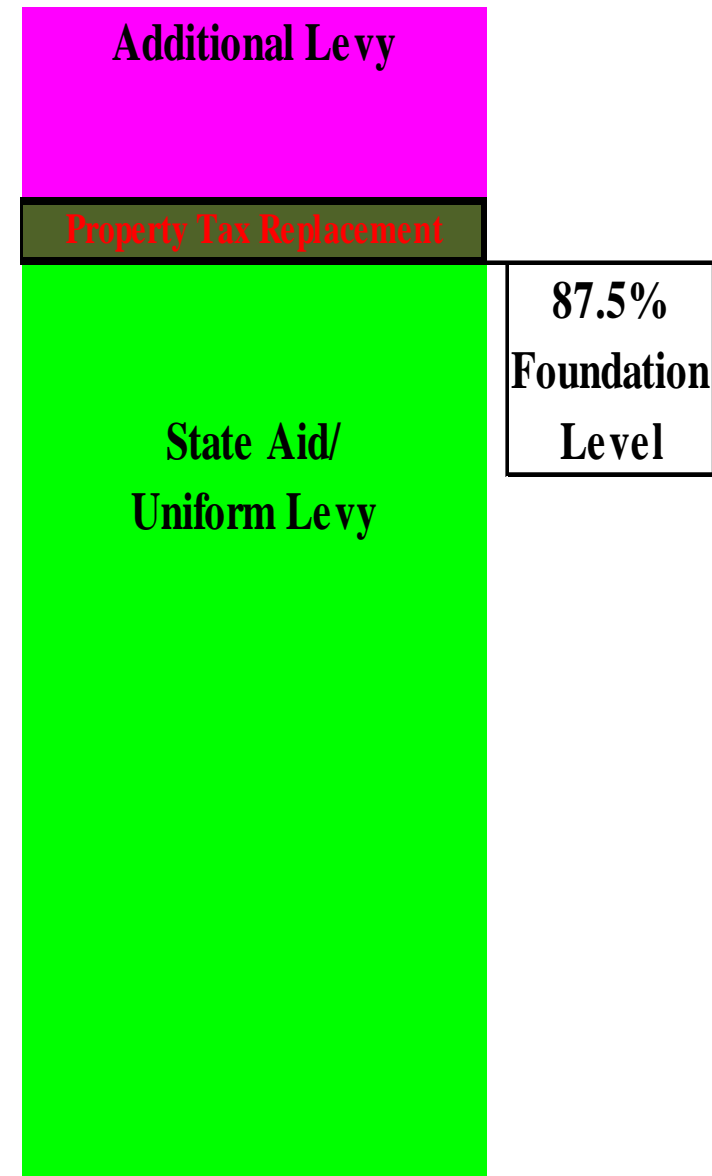


FY 2015 State Cost Per Pupil Amounts



Property Tax Replacement Payment

- New beginning in FY 2014
- Property tax relief for increase in cost per pupil due to allowable growth rate
- Current law based on FY 2014 and FY 2015
- Indirect impact on foundation level for future fiscal years
- Reduces additional levy portion for all districts
- Per pupil amount = \$46 in FY 2015 and beyond



School District Revenue Sources

School District Revenues

- Where do the revenues come from?
 - ◆ General Fund
 - Formula
 - Required
 - Discretionary
 - Miscellaneous Income
 - Federal categoricals
 - ◆ Non General Fund/Other

Revenue - Foundation Formula

Where do the revenues come from?

- Required Local Levy – Uniform Levy
- State Aid
- Additional Levy
- Property Tax Equity Relief (PTER) Fund

Revenue - Foundation Formula (continued)

FY 2014

- Uniform Levy = \$759.4 million
- Additional Levy (second effort) = \$578.6 million
- State Aid = \$2,725.6 million (includes \$8.7 million from Property Tax Equity Relief (PTER) Fund)

State Aid

- Increase funding for districts
- “Fair” method to distribute State aid
- Provide property tax relief
- Equalize effort

Additional Levy

FY 2015 Additional Levy Total = \$582.5 million (but \$575.1 million after Commercial/Industrial property tax replacement adjustment)

Components of Additional Levy:

- 12.5% of the Regular Program Foundation Level (\$390.6 million)
- 12.5% of the Special Education Foundation Level (\$49.7 million)
- 21.0% of the AEA Foundation Level (\$30.6 million)
- AEA Media and Education Services (\$56.2 million)
- DCPD above SCPP (\$14.3 million)
- District and AEA Budget Adjustment (\$4.7 million)
- Dropout Prevention Program (\$103.5 million)
- Property Tax Adjustment Aid (\$ -32.7 million)
- Property Tax Replacement Payment (\$ -25.4 million)
- Property Tax Adjustment Aid – 1990 provision (\$ -9.3 million)
- Miscellaneous (\$ -0.1 million)

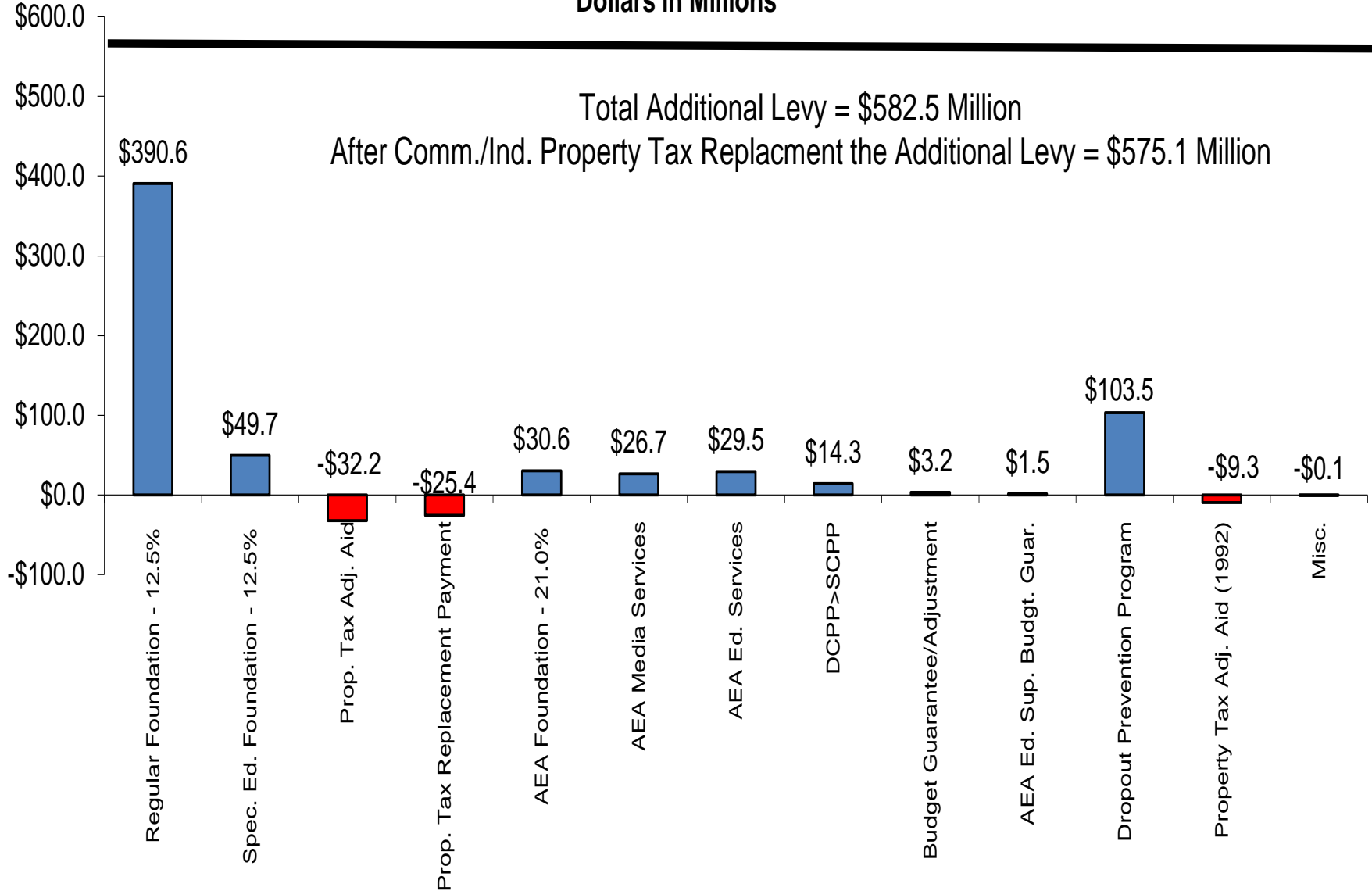
Total may not add due to rounding.

School Aid Formula FY 2015 Additional Levy Components

Dollars in Millions

Total Additional Levy = \$582.5 Million

After Comm./Ind. Property Tax Replacment the Additional Levy = \$575.1 Million



Total may not sum due to rounding.

FY 2015 School Aid Formula Additional Levy Component Statistics

Additional Levy Component	Additional Levy Portion Amount (in Millions)	Property Tax Rate Statistics by Additional Levy Component					# of Districts Impacted	% of Districts Impacted
		Average	Median	Max*	Min	Range		
Regular Foundation - 12.5%	\$ 390.6	\$ 2.7163	\$ 2.4536	\$ 5.2782	\$ 0.6805	\$ 4.5977	338	100.0%
Spec. Ed. Foundation - 12.5%	49.7	0.3455	0.2699	0.8044	0.0605	0.7439	338	100.0%
Prop. Tax Adj. Aid	-32.2	-0.2242	0.0000	-2.3412	0.0000	-2.3412	68	20.1%
Prop. Tax Replacement Payment	-25.4	-0.1769	-0.1575	-0.3515	-0.0443	-0.3072	338	100.0%
AEA Foundation - 21.0%	30.6	0.2125	0.1952	0.4366	0.0541	0.3826	338	100.0%
AEA Media Services	26.7	0.1856	0.1620	0.3644	0.0444	0.3201	338	100.0%
AEA Ed. Services	29.5	0.2051	0.1785	0.4093	0.0496	0.3597	338	100.0%
Dist. Cost Per Pupil > State Cost Per Pupil **	14.3	0.0992	0.0352	0.6988	-0.0008	0.6995	262	77.5%
Budget Guarantee/Adjustment	3.2	0.0221	0.0000	1.4576	0.0000	1.4576	66	19.5%
AEA Ed. Support Budget Guarantee	1.5	0.0107	0.0000	0.2295	0.0000	0.2295	152	45.0%
Dropout Prevention Program	103.5	0.7196	0.4913	1.8605	0.0000	1.8605	304	89.9%
Property Tax Adj. Aid (1992)	-9.3	-0.0649	-0.0583	-0.9064	0.0000	-0.9064	288	85.2%
Misc.	-0.1	-0.0006	-0.0016	0.1047	-0.1860	0.2907	338	100.0%
Additional Levy - State Level	\$ 582.4	\$ 4.0497	\$ 3.6612	\$ 6.3569	\$ 0.8744	\$ 5.4825	338	100.0%

Notes:

*Reductions in tax rates are displayed as negative values and displayed in the maximum column as negative values.

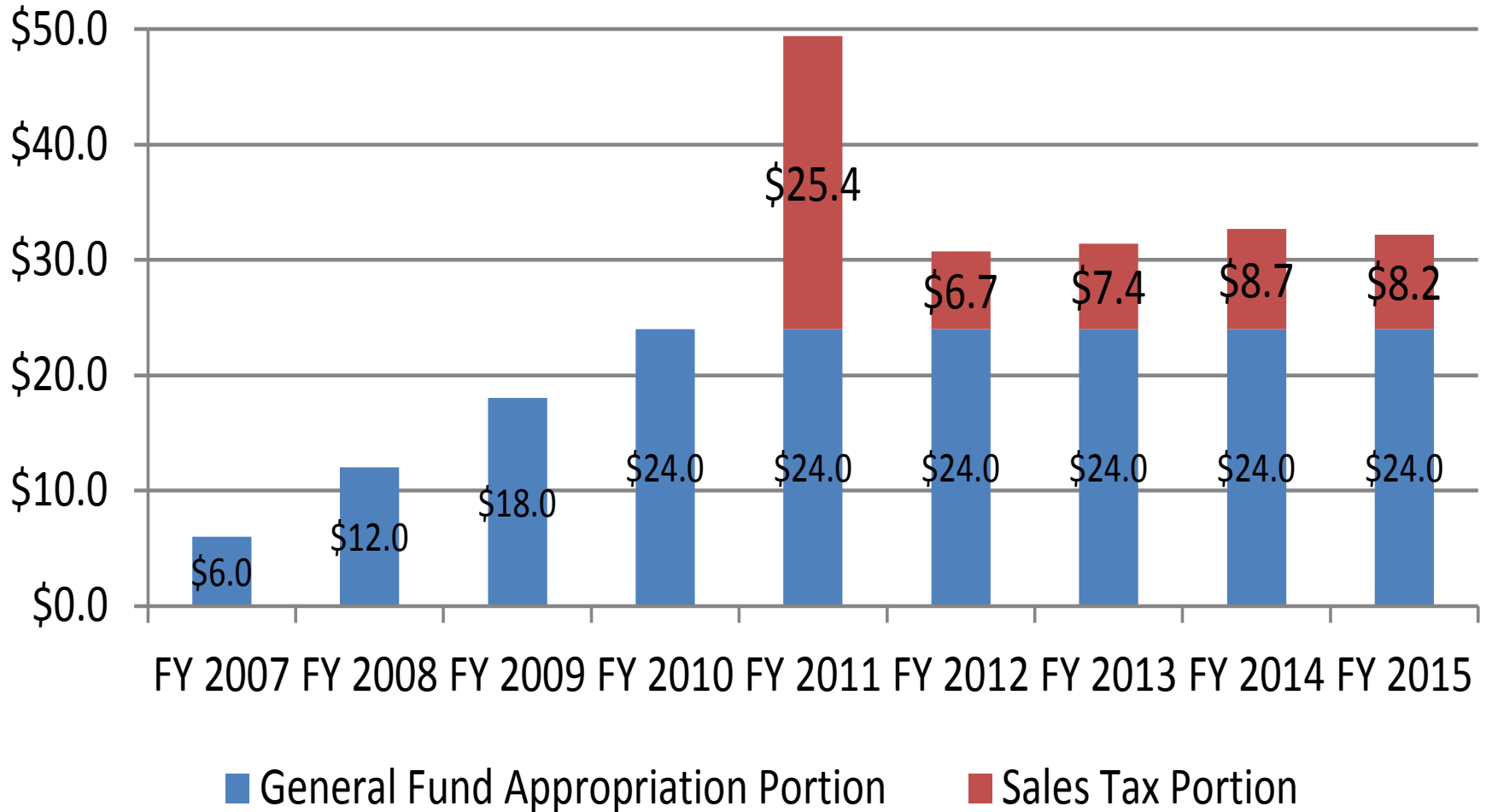
**There were 173 school districts with a district cost per pupil (DCPP) that exceeded the State cost per pupil for a total of \$12.9 million.

**There were 174 school districts with an AEA cost per pupil that exceeded the State AEA cost per pupil for a total of \$1.4 million.

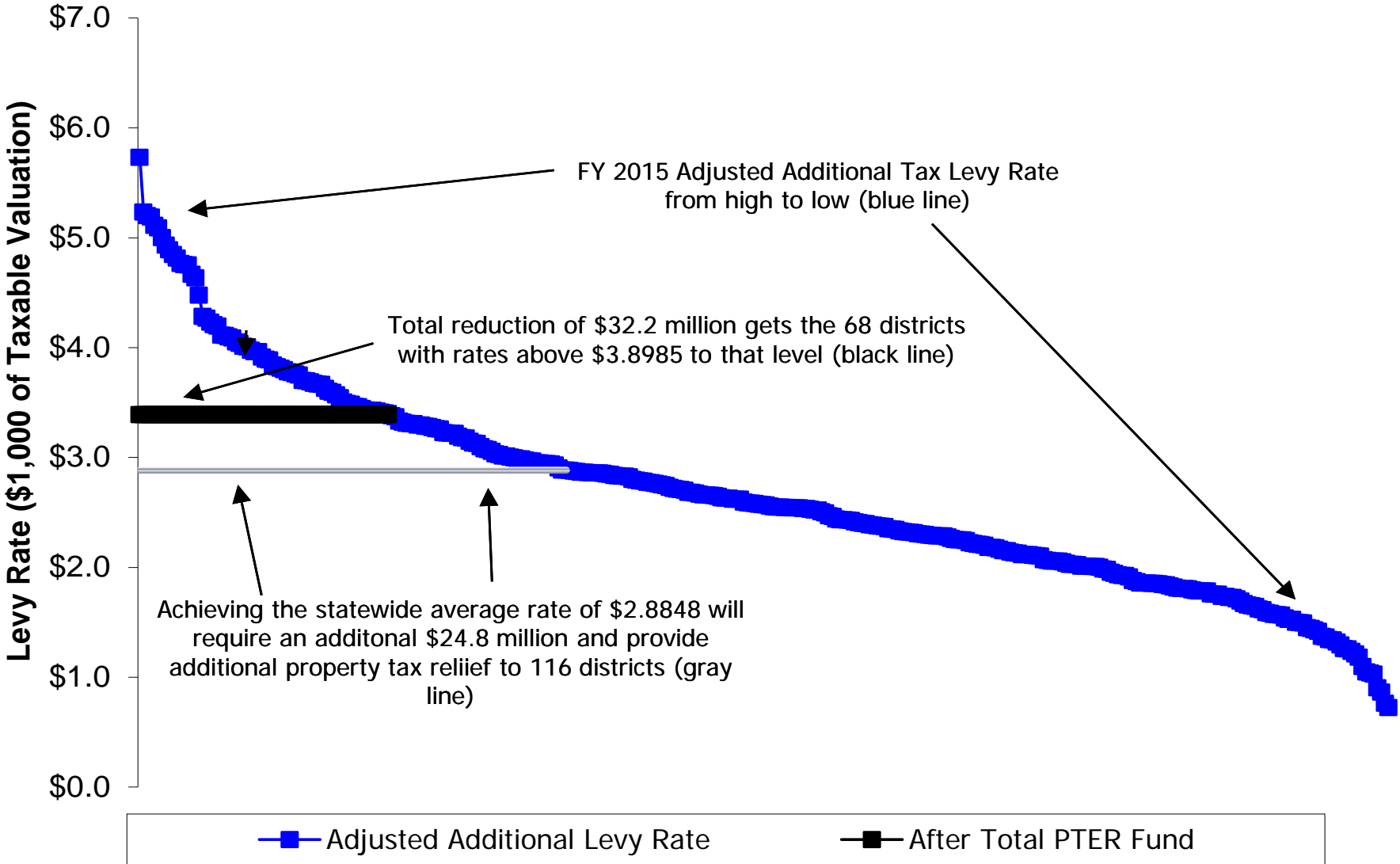
Additional Levy – Property Tax Adjustment Aid

- Provides targeted property tax relief to districts with the highest adjusted additional levy rates
- Funds include a General Fund appropriation included in the school aid formula and excess sales/use tax for school infrastructure deposited in the Property Tax Equity and Relief (PTER) Fund
- If funding is sufficient, the foundation level percentage will be increased (an additional \$24.8 million required in FY 2018)

Property Tax Adjustment Aid Funding (in Millions)



FY 2015 PTER/Property Tax. Adj. Aid



School Aid Foundation Formula Funding Components

Combined District Cost

Regular Program Cost

- + Budget Guarantee (Budget Adjustment)
- + Weighted Enrollment Funding
- + Dropout Prevention Program Funding
- + AEA Program Funding
- + State Categorical Supplements

Combined District Cost

FY 2015 School Aid Formula Funding by Program Area (Dollars in Millions)

Program Area	State	State Aid % of Total	Local Taxes	Local Taxes % of Total	Total	Program Percentage of Total
Regular Program	\$ 1,893.3	45.4%	\$ 1,166.5	28.0%	\$ 3,059.8	73.4%
Budget Guarantee	0.0	0.0%	3.2	0.1%	3.2	0.1%
Teacher Salary Supplement (LEA)	263.0	6.3%	0.0	0.0%	263.0	6.3%
Professional Development Supplement (LEA)	29.8	0.7%	0.0	0.0%	29.8	0.7%
Early Intervention Supplement (LEA)	32.4	0.8%	0.0	0.0%	32.4	0.8%
Supplementary Weighting	65.9	1.6%	9.8	0.2%	75.6	1.8%
Special Education Weighting	347.7	8.3%	51.2	1.2%	398.9	9.6%
Dropout Prevention Program	0.0	0.0%	103.5	2.5%	103.5	2.5%
<i>AEA Sharing Supplementary Weighting</i>	<i>0.0</i>	<i>0.0%</i>	<i>0.0</i>	<i>0.0%</i>	<i>0.1</i>	<i>0.0%</i>
<i>AEA Media Services</i>	<i>0.0</i>	<i>0.0%</i>	<i>26.7</i>	<i>0.6%</i>	<i>26.7</i>	<i>0.6%</i>
<i>AEA Education Services</i>	<i>0.0</i>	<i>0.0%</i>	<i>29.5</i>	<i>0.7%</i>	<i>29.5</i>	<i>0.7%</i>
<i>AEA Special Education Support Services</i>	<i>119.6</i>	<i>2.9%</i>	<i>31.9</i>	<i>0.8%</i>	<i>151.5</i>	<i>3.6%</i>
<i>AEA Spec. Ed. Support Services Adjustment</i>	<i>0.0</i>	<i>0.0%</i>	<i>1.5</i>	<i>0.0%</i>	<i>1.5</i>	<i>0.0%</i>
<i>AEA Pro-rata State Aid Reduction</i>	<i>-22.5</i>	<i>-0.5%</i>	<i>0.0</i>	<i>0.0%</i>	<i>-22.5</i>	<i>-0.5%</i>
<i>AEA Teacher Salary Supplement</i>	<i>14.8</i>	<i>0.4%</i>	<i>0.0</i>	<i>0.0%</i>	<i>14.8</i>	<i>0.4%</i>
<i>AEA Professional Development Supplement</i>	<i>1.7</i>	<i>0.0%</i>	<i>0.0</i>	<i>0.0%</i>	<i>1.7</i>	<i>0.0%</i>
Adjusted Additional Property Tax Levy State Aid	32.2	0.8%	-32.2	-0.8%	0.0	0.0%
Property Tax Replacment Payment	25.4	0.6%	-25.4	-0.6%	0.0	0.0%
Other Property Tax Adjustments	0.2	0.0%	-16.9	-0.4%	0.0	0.0%
Other Misc. Adjustments	0.1	0.0%	0.4	0.0%	0.5	0.0%
State Aid Shortfall (LEA)	0.0	0.0%	0.0	0.0%	0.0	0.0%
School Aid Formula Totals*	<u>\$ 2,803.8</u>	<u>67.2%</u>	<u>\$ 1,349.5</u>	<u>32.4%</u>	<u>\$ 4,169.6</u>	<u>100.0%</u>
Other Programs Impacted by Allowable Growth Rate						
Instructional Support	\$ 0.0		\$ 211.5		\$ 211.5	
Preschool State Aid	70.0		0.0		70.0	

Serving the Iowa Legislature

*The property tax amount for the school aid formula has been adjusted for commercial/industrial replacement dollars.

Basic Funding – Enrollment

Pupil Count

- Pupils are counted for funding purposes by where they reside – not where they attend
 - ◆ Resident pupils counted as 1.0
 - ◆ Shared-time (nonpublic counted on a FTE basis)
 - ◆ Count taken as of October 1
 - ◆ October 2013 count used to determine 2014-15 funding (FY 2015)

Basic Funding – Enrollment (continued)

Pupil Count – October 2013 (FY 2015 Funding)

- Basic enrollment (478,921)
 - ◆ Resident (443,927)
 - Includes Dual Enrolled
 - Home School Assistance Program (HSAP) Students
 - ◆ Open Enroll Out (28,632)
 - ◆ Tuition Out (5,881)
 - ◆ Shared-time (209)
 - ◆ Competent Private Instruction (CPI) Students (272)

Regular Program District Cost

District Cost Per Pupil

X (Pupil Count – Basic Enrollment)

Regular Program District Cost

(Basic “pool” of money for the district)

Regular Program Funding accounted for 73.4% of the
Combined District Cost in FY 2015

Weighted Enrollment Funding

Pupil Driven System

- Weightings “add” Pupils
- Weightings x District Cost Per Pupil adds funding
- Accounted for approximately 11.4% of the Combined District Cost in FY 2014
- Special Education Weightings = 9.6%
- Other Weightings = 1.8%

Weighted Enrollment Funding

Legislative Services Agency: FY 2015 School Aid Weightings

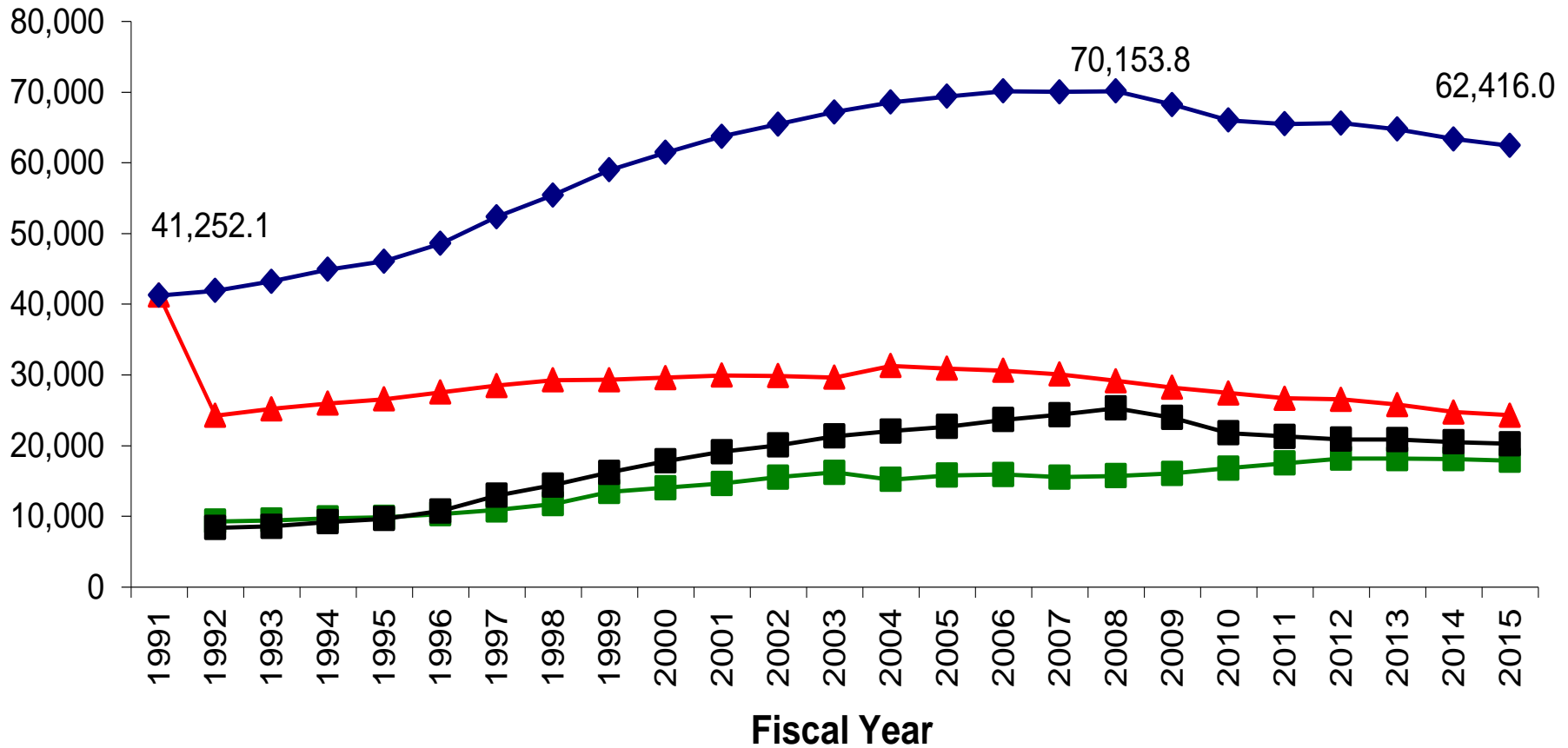
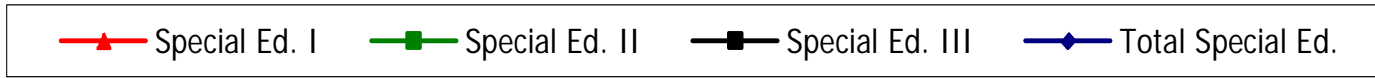
Weighting Category	Estimated FY 2015 School Finance Amounts				# of Districts
	Weight	State Aid**	Property Tax	Total	
Special Ed. 1	24,278.40	\$ 136,347,494	\$ 18,817,696	\$ 155,165,190	338
Special Ed. 2	17,875.28	100,387,572	13,825,440	114,213,012	338
Special Ed. 3	20,262.30	113,793,077	15,713,123	129,506,200	333
Total Special Ed.	62,415.98	350,528,143	48,356,259	398,884,402	338
Shared Students	44.43	249,491	35,864	285,355	56
Shared Teachers	266.07	1,494,272	210,156	1,704,427	69
Community College (CC) Courses*	2,872.15	16,129,989	2,219,770	18,349,759	337
<i>CC Arts and Sciences</i>	<i>1,280.58</i>	<i>7,191,760</i>	<i>991,894</i>	<i>8,183,654</i>	<i>333</i>
<i>CC Career and Tech</i>	<i>1,591.56</i>	<i>8,938,229</i>	<i>1,227,876</i>	<i>10,166,105</i>	<i>330</i>
Whole Grade Sharing	324.10	1,820,146	256,102	2,076,248	5
Regional Academy	18.85	105,867	15,420	121,287	1
ICN	2.19	12,271	1,716	13,987	77
Operational Functions	1,721.00	9,665,136	1,363,732	11,028,868	161
Supplementary Shared Wght. Total	5,249.03	29,478,552	4,102,954	33,581,506	338
At-Risk	2,363.390	13,272,787	1,829,647	15,102,434	338
ESL	3,961.76	22,249,244	3,079,774	25,329,018	213
Reorganization	248.80	1,397,261	196,373	1,593,634	11
Total Supplementary Weight	11,822.98	66,397,844	9,208,747	75,606,592	338
AEA Sharing	211.71	\$ 46,788	\$ 13,210	\$ 59,998	2
Total Weighting	74,450.67	\$ 416,972,775	\$ 57,578,216	\$ 474,550,992	338

*Total of arts and sciences and career and tech community college courses.

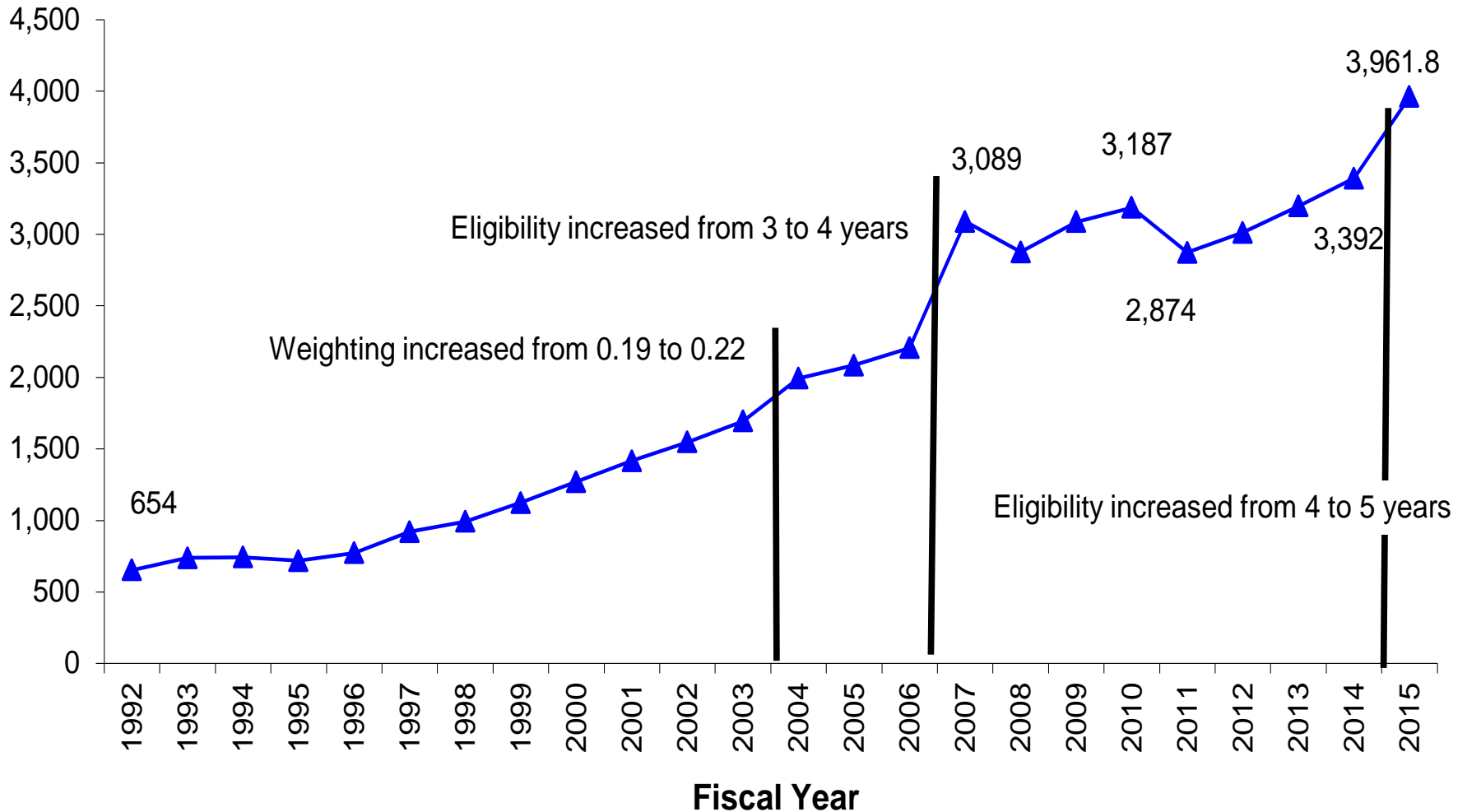
**Includes State aid for property tax replacement payments



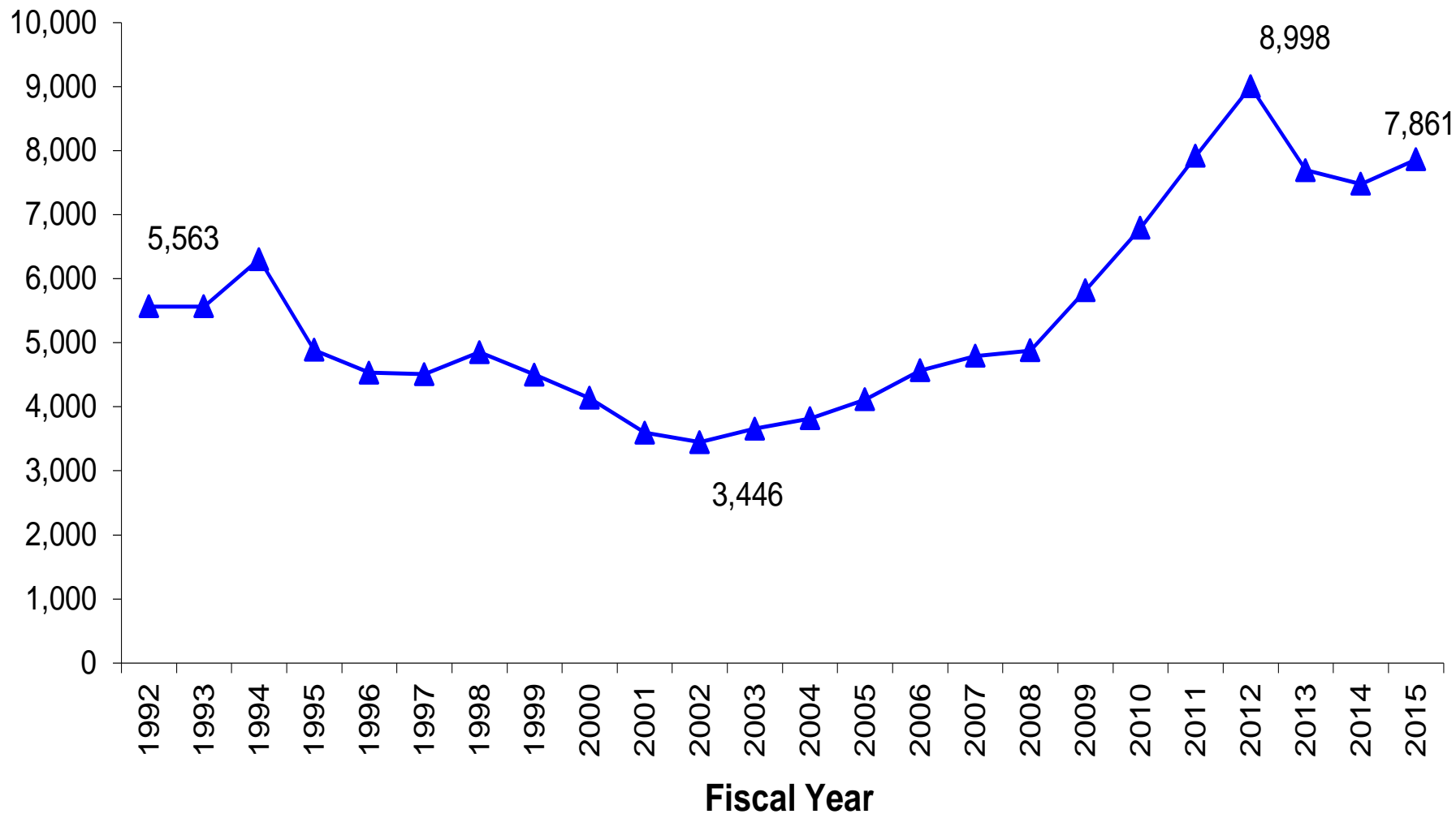
Special Education Weightings FY 1991 Through FY 2015



Limited English Proficient Weightings FY 1992 Through FY 2015



Supplementary Weightings Sharing, At-Risk, and Reorganization FY 1992 Through FY 2015



Budget Adjustment

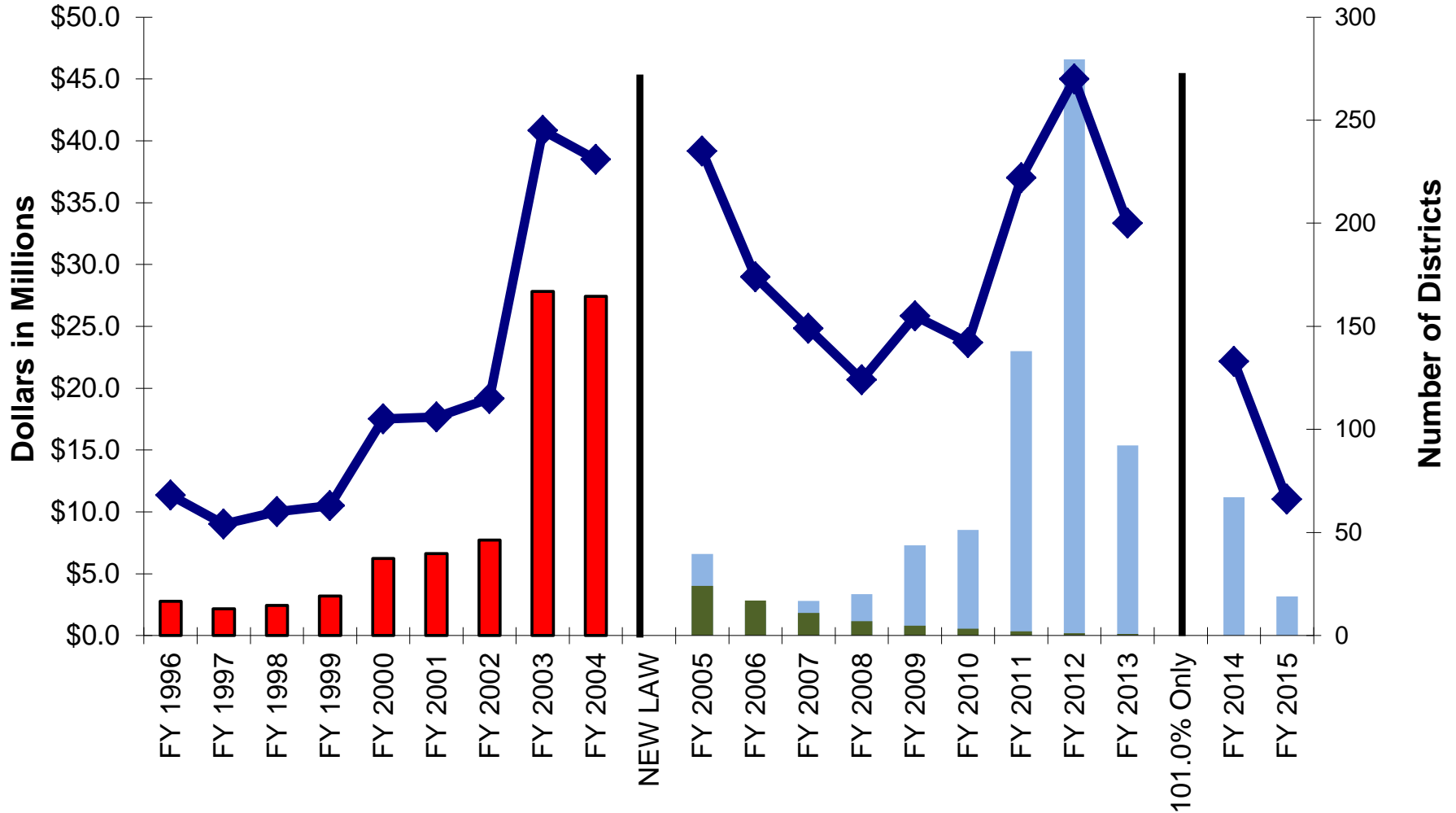
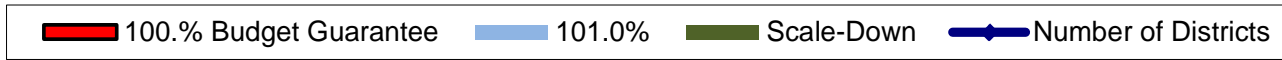
(Previously Called Budget Guarantee)

Regular Program Budget = Pupils x District Cost

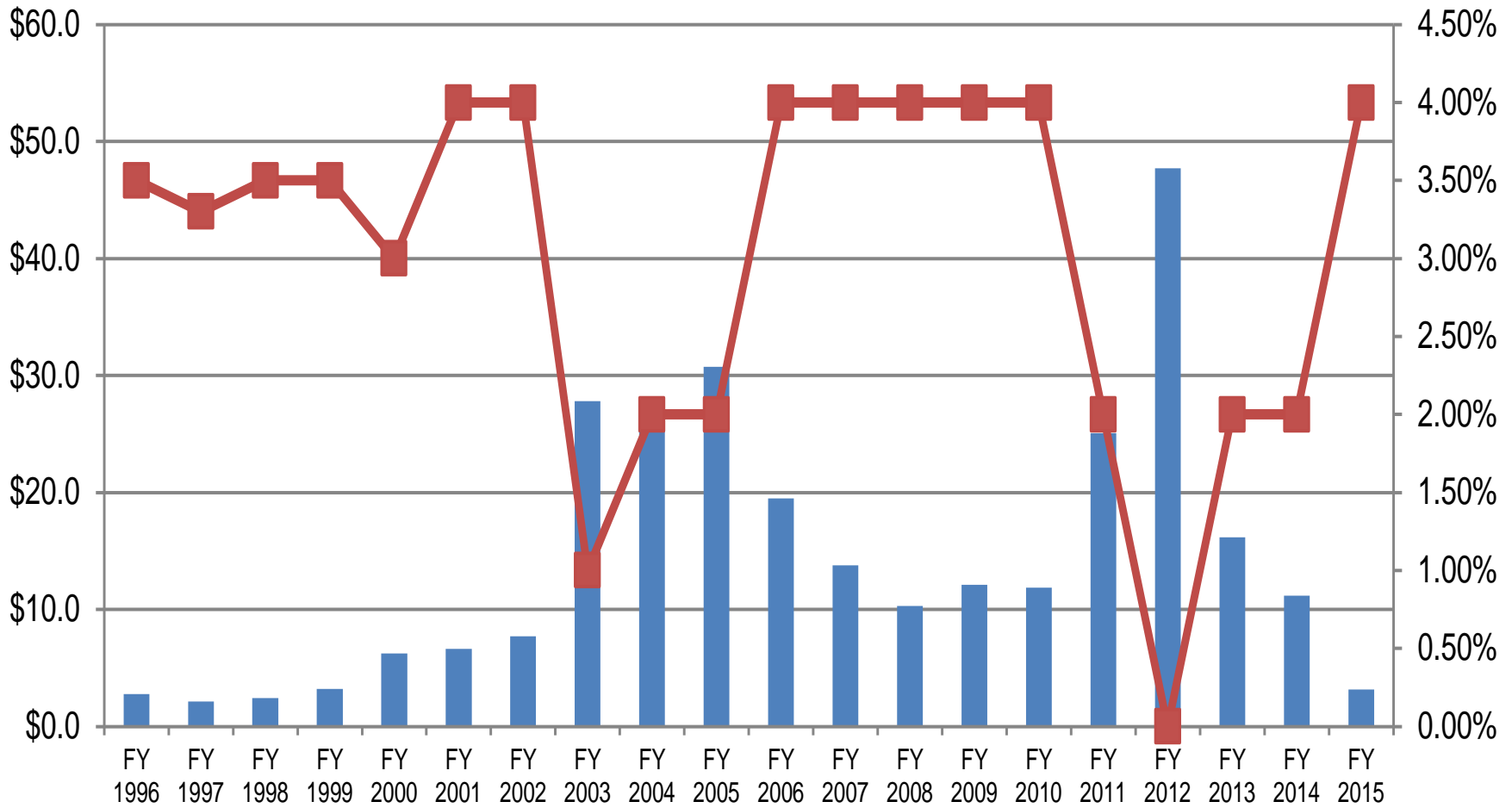
Provides an adjustment in the Regular Program Budget for districts with no or low growth in enrollments

- Phase-out began in FY 2005
- Scale-Down Version: ended in FY 2013
- 101.0% Adjustment: will remain in place after phase-out of scale-down
- A factor of enrollment changes and State percent of growth (formerly referred to as the allowable growth rate)
- Funded through local property tax (part of the additional levy)
- FY 2014 = \$11.1 million (133 districts)

Regular Program Budget Guarantee Amounts FY 1996 - FY 2015



Budget Guarantee/Budget Adjustment vs. State Percent of Growth



■ Budget Guarantee Total - in Millions (left-axis)

■ State Percent of Growth (right axis)

Dropout Prevention Program Funding

FY 2014 Dropout Prevention Program:

- Provides modified supplemental amount for dropout prevention programs
- Basically limited between 2.5% - 5.0% of the District's Regular Program Cost (varies by district)
- Total of \$103.5 million (local property tax – included in the additional levy)
- 304 districts (89.9%)

State Categorical Supplements

Programs and FY 2015 funding amounts include:

- Teacher Salary Supplement (\$277.8 million): formerly the Educational Excellence and Student Achievement/Teacher Quality (SATQ) Teacher Comp
- Professional Development Supplement (\$31.5 million): formerly the SATQ Professional Development
- Early Intervention/Class Size Reduction Supplement (\$31.1 million)
- Total of State Categorical Supplements = \$341.8 million (8.2% of combined district cost)
- *Note: Beginning in FY 2016, the Teacher Leadership Supplement will be added to the State Categorical Supplements*

School Budget Review Committee Funding

Six-Member Committee

- Five voting members and Department of Education Director (nonvoting)
- Authority to grant budget increases
- Modified supplemental amount (property taxes)
- Unique and unusual circumstances
- “Manage” Formula
 - ◆ Special education weights
 - ◆ Cash reserve
 - ◆ Negative unspent balances
 - ◆ Grants budget authority

AEA Program Funding

Combined District Cost

- AEA funding
 - ◆ Pupil driven
 - ◆ Flows through local district
 - ◆ Special education support services
 - ◆ Media services
 - ◆ Educational services
 - ◆ AEA sharing
 - ◆ Categorical supplements (teacher compensation and professional development)

Area Education Agency Programs

Funding “flows through” local districts. Amounts for FY 2015:

- Special Education Support Services:
\$130.6 million (after State aid reduction) – State aid and property tax includes \$7.5 million State aid reduction (permanent) and \$15.0 million additional State aid reduction
- Educational Services: \$29.5 million – property tax
- Media Services: \$26.7 million – property tax
- AEA Sharing: \$0.1 million – State aid and property tax
- Teacher Compensation: \$14.8 million
- Professional Development: \$1.7 million
- Total AEA Funding: \$203.3 million (4.9% of combined district cost)

Discretionary School District Programs

Discretionary – General Fund

Instructional Support Program

- ◆ Up to 10.0% of the regular program budget
- ◆ Board approved for five years
- ◆ Voter approved for 10 years
- ◆ Part of school district's general fund
- ◆ Funded through local tax/State aid* mix

FY 2015:

- ◆ 328 Districts (97.0%) – \$211.5 million
- ◆ State Aid – \$0.0
- ◆ Property Tax – \$119.5 million
- ◆ Income Surtax – \$92.0 million (277 Districts)
- ◆ \$80.8 million additional State aid to “fully” fund State portion

*No State funding was appropriated for FY 2015.

Cash Reserve

- Provides “cash” behind spending authority
- Funded through local property taxes. Can be levied for:
 - ◆ Cash flow
 - ◆ State aid, property tax shortfall
 - ◆ Modified supplemental amount
 - ◆ Included in district’s general fund
- FY 2015 = \$182.7 million (66.0% of districts)
- FY 2014 = \$190.1 million (64.2% of districts)
- FY 2013 = \$231.5 million (83.6% of districts)
- FY 2012 = \$273.5 million (93.2% of districts)
- FY 2011 = \$297.6 million (90.8% of districts)

Discretionary: Non-General Fund

- Management Levy
- Physical Plant and Equipment Levy (PPEL)
- Public Education and Recreational Levy (PERL) – also referred to as Playground and Equipment Levy
- Debt Levy
- State sales/use tax for school infrastructure (revenue purpose statement)

Management Levy

Optional Levy authorized by the School Board
FY 2015:

- Use restricted – not rate restricted
 - ◆ Liability insurance premium costs
 - ◆ Tort judgments
 - ◆ Self insurance
 - ◆ Loss of property
 - ◆ Unemployment benefits
 - ◆ Early retirement
- 328 districts (97.0%)
- \$147.2 million

Physical Plant and Equipment Levy (PPEL)

FY 2015:

- Board Approved - Levy rate of \$0.33 per \$1,000 of taxable valuation of property
 - ◆ 328 districts (97.0%)
 - ◆ \$49.4 million (property tax)
- Voter Approved – Maximum levy rate of \$1.34 per \$1,000 of taxable valuation of property
 - ◆ 244 districts (72.2% for \$119.4 million total)
 - ◆ \$108.5 million property tax
 - ◆ \$10.9 million income surtax (75 districts)

Public Education and Recreational Levy (PERL)

Also known as the Playground Levy.

FY 2015:

- Voter approved
- Levy rate up to \$0.135 per \$1,000 of taxable valuation of property
- Remains in place until rescinded by the voters
- 20 districts
- \$2.4 million

Bonds/Debt Service

- Voter approved – requires 60.0% approval
- Maximum of 20 years
- Cannot exceed \$2.70/\$1,000 taxable valuation, unless voters approved higher rate specified on ballot (but cannot exceed \$4.05/\$1,000 taxable valuation)
- \$162.4 million in FY 2015 (180 districts and six previously dissolved/reorganized district areas)

SAVE Fund

SAVE (Secure an Advanced Vision for Education)

- State sales/use tax for school infrastructure
- Distribution formula formerly based on School Infrastructure Local Option (SILO) sales tax distribution
- By the end of FY 2014, per pupil funding was equalized for all districts
- Revenue purpose statement
- FY 2015 is estimated at \$440.5 million (REC estimate)
- Excess flows to PTER Fund (2.1% beginning in FY 2015)

Per Pupil Valuations/Property Tax Variances

Property Rich vs. Property Poor (Example)

- Comparison of Two Districts
 - ◆ Each with 1,000 students
 - ◆ Each generating \$5.8 million through formula funding
- District A
 - ◆ Property rich
 - ◆ \$750,000 taxable valuation per pupil
- District B
 - ◆ Property poor
 - ◆ \$150,000 taxable valuation per pupil

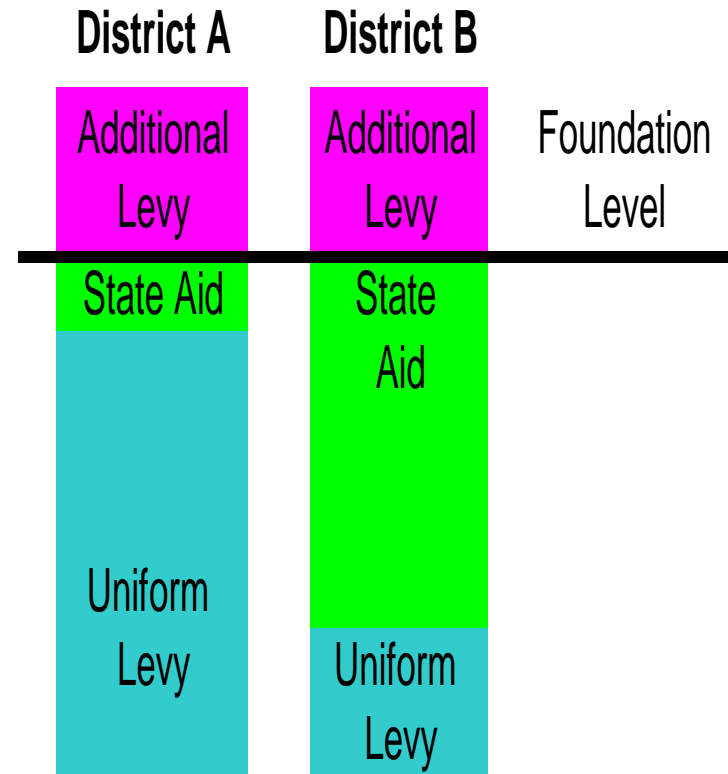
Property Rich Vs. Property Poor Example

- District A

- ◆ Property rich
- ◆ Total funding = \$5.8 million
- ◆ Uniform Levy = \$4.1 million
- ◆ State Aid = \$1.0 million
- ◆ Additional Levy = \$0.7 million

- District B

- ◆ Property poor
- ◆ Total funding = \$5.8 million
- ◆ Uniform Levy = \$0.8 million
- ◆ State Aid = \$4.3 million
- ◆ Additional Levy = \$0.7 million



Property Rich Vs. Property Poor (Additional Levy)

District A

Additional
Levy

District B

Additional
Levy

- Additional Levy totals \$0.7 million for both districts, BUT:
- Additional Levy rates are different
- Additional Levy is not rate restricted – property tax rate is based on amount generated from the school aid formula

District A

- Property rich
- Additional Levy rate = \$0.961

District B

- Property poor
- Additional Levy rate = \$4.807

Difference in Additional Levy rate is \$3.845

Property Rich Vs. Property Poor (More Examples)

Physical Plant and Equipment Levy (PPEL) – \$1.67 max. rate

- District A – \$1.25 million from \$1.67 PPEL rate
- District B – \$250,000 from \$1.67 PPEL rate
- Difference: \$1.0 million for same size districts

Management Levy – No levy rate restriction (use restricted)

- District A and District B each have \$150,000 for the Mgmt. Levy
- District A – Management Levy rate = \$0.200
- District B – Management Levy rate = \$1.000
- Difference: \$0.80 per \$1,000 of taxable valuation

In general – District B either doesn't generate as much funding from capped levy rates or has higher tax rate to generate similar levy amounts.

Per Pupil Valuations - Tax Rates

In general:

- School districts with higher per pupil valuations:
 - ◆ Generate more tax dollars at a fixed property tax rate
 - ◆ Will have a lower property tax rate for levies with no capped rates
 - ◆ Will receive less State aid through the foundation formula
- School districts with lower per pupil valuations:
 - ◆ Generate less tax dollars at a fixed property tax rate
 - ◆ Will have a higher property tax rate for levies with no capped rates
 - ◆ Will receive more State aid through the foundation formula
- This may impact school district decisions for discretionary programs funded locally

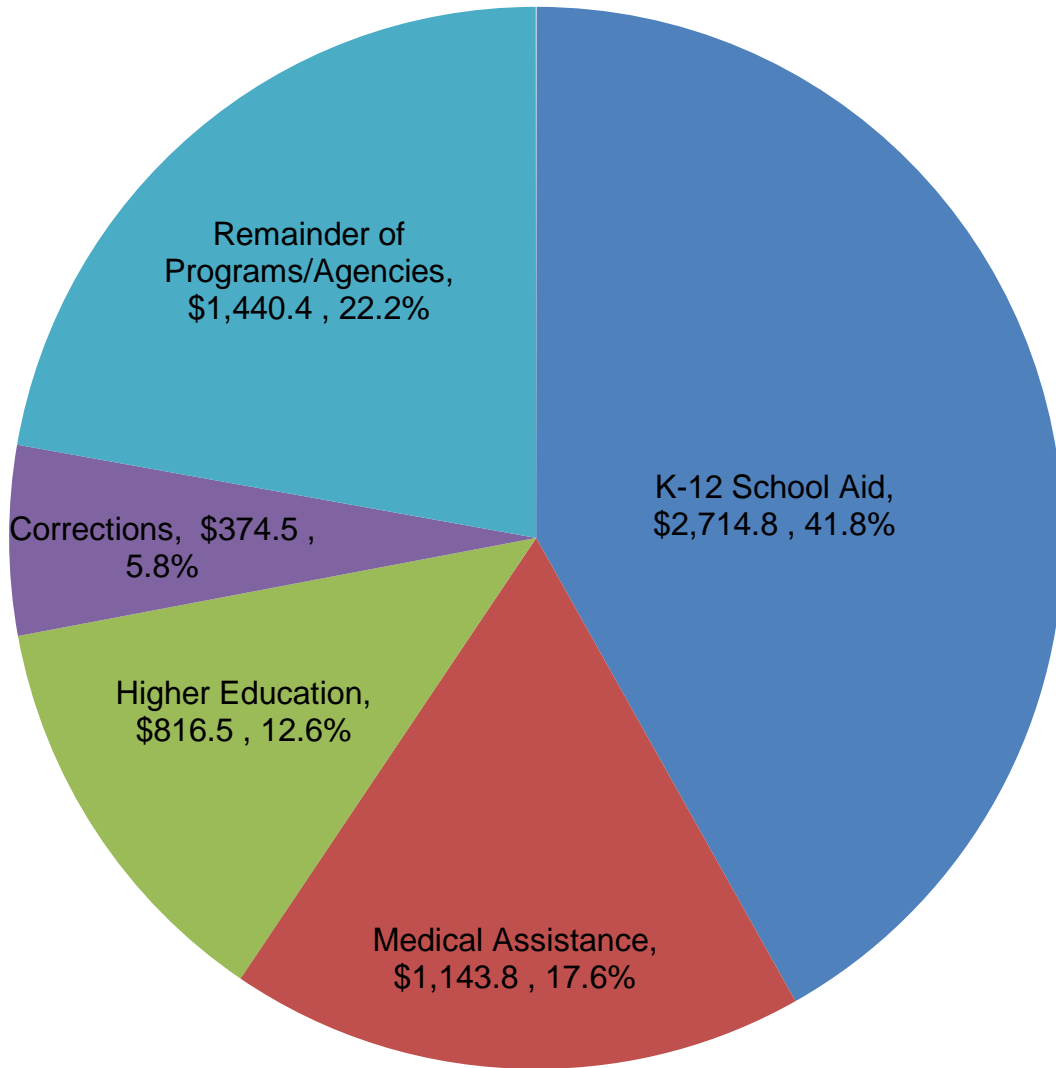
Addendum - Other Information



LSA: Updated September 2014

[Click here to continue](#)

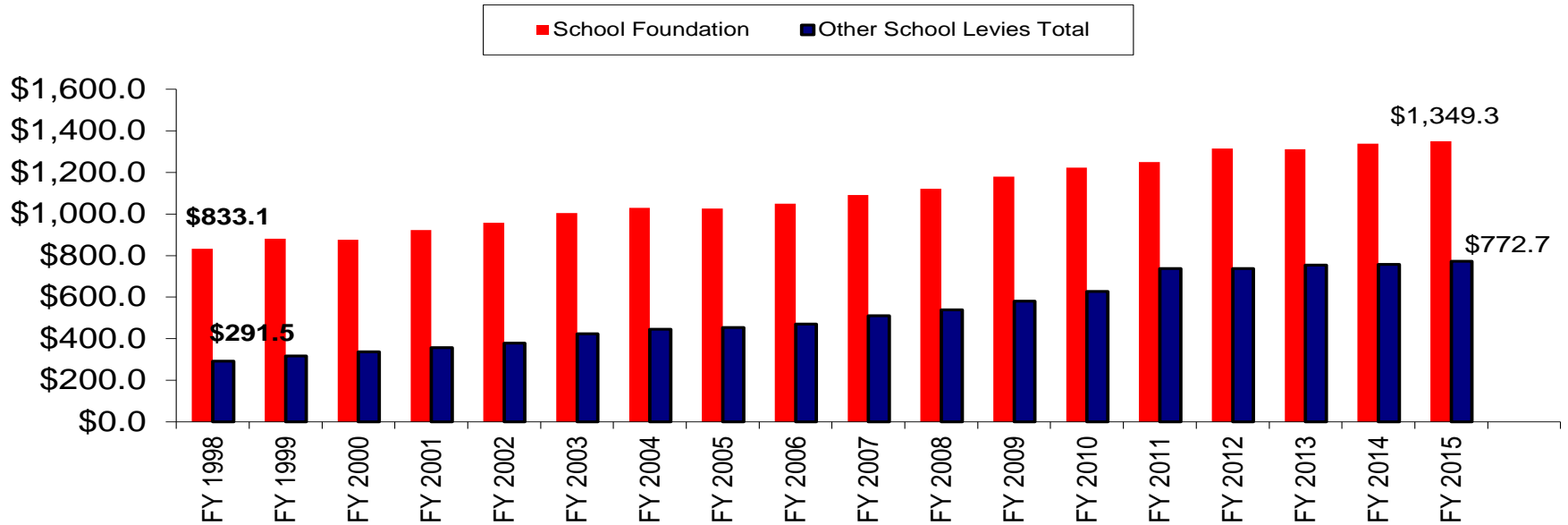
Estimated FY 2014 General Fund Appropriations by Program Area (Dollars in Millions)



Total Appropriations = \$6,490.1

School District Property Taxes

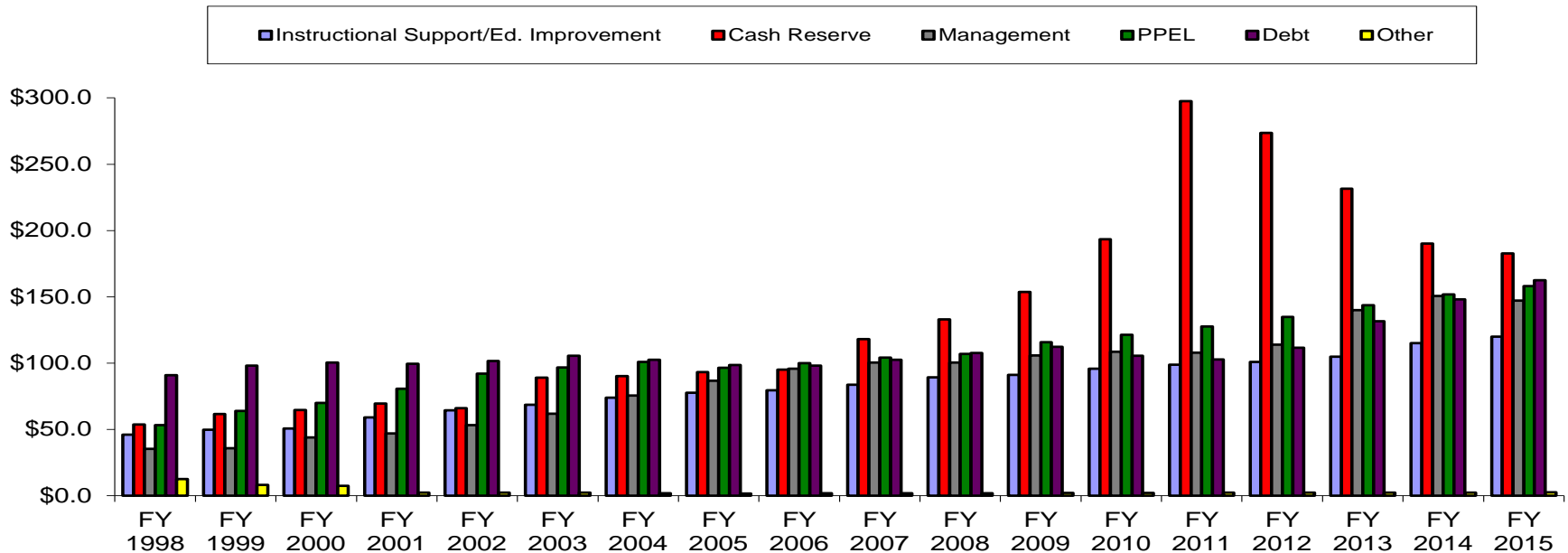
School Levies - FY 1998 to Est. FY 2015
(Dollars in Millions)



FY 1998 to FY 2015: Annual average School Foundation Levy increase of 2.9% while other school levies averaged 5.9%.

School District Property Taxes

Other School District Levy Amounts
(Dollars in Millions)



Average annual growth from FY 1998 to FY 2015: Cash Reserve Levy 7.5%, Management Levy 8.8%, total PPEL 6.6%

School District Discretionary Levies – FY 2015

Code Section	School District- Discretionary Levies	Approval	Number of Districts with Levy	Amount Levied (in Millions)	Income Surtax Amount (in Millions)
298.10	Cash Reserve Levy	Board Approved	220	\$ 182.7	N.A.
257.19	Instructional Support	Board Approved for Up to 5 Years Voter Approved for Up to 10 Years (requires majority approval)	328	\$ 119.5	\$ 92.0
298.2	Regular Physical Plant and Equipment Levy (PPEL)	Board Approved	328	\$ 49.4	N.A.
298.2	Voter Approved PPEL	Voter Approved (Up to 10 Years - requires majority approval)	244	\$ 108.5	\$ 10.9
300.2	Public Education and Recreation Levy (PERL)	Voter Approved (in place until Board rescinds or reverse referendum)	20	\$ 2.4	N.A.
298.4	Management Levy	Board Approved	328	\$ 147.2	N.A.
298.18	Debt Levy	Voter Approved (requires 60.0% approval)	186	\$ 162.4	N.A.
257.29	Educational Improvement Levy	Voter Approved (in place until Board rescinds or reverse referendum)	5	\$ 0.5	\$ 0.2

How ever, no new districts can have this.

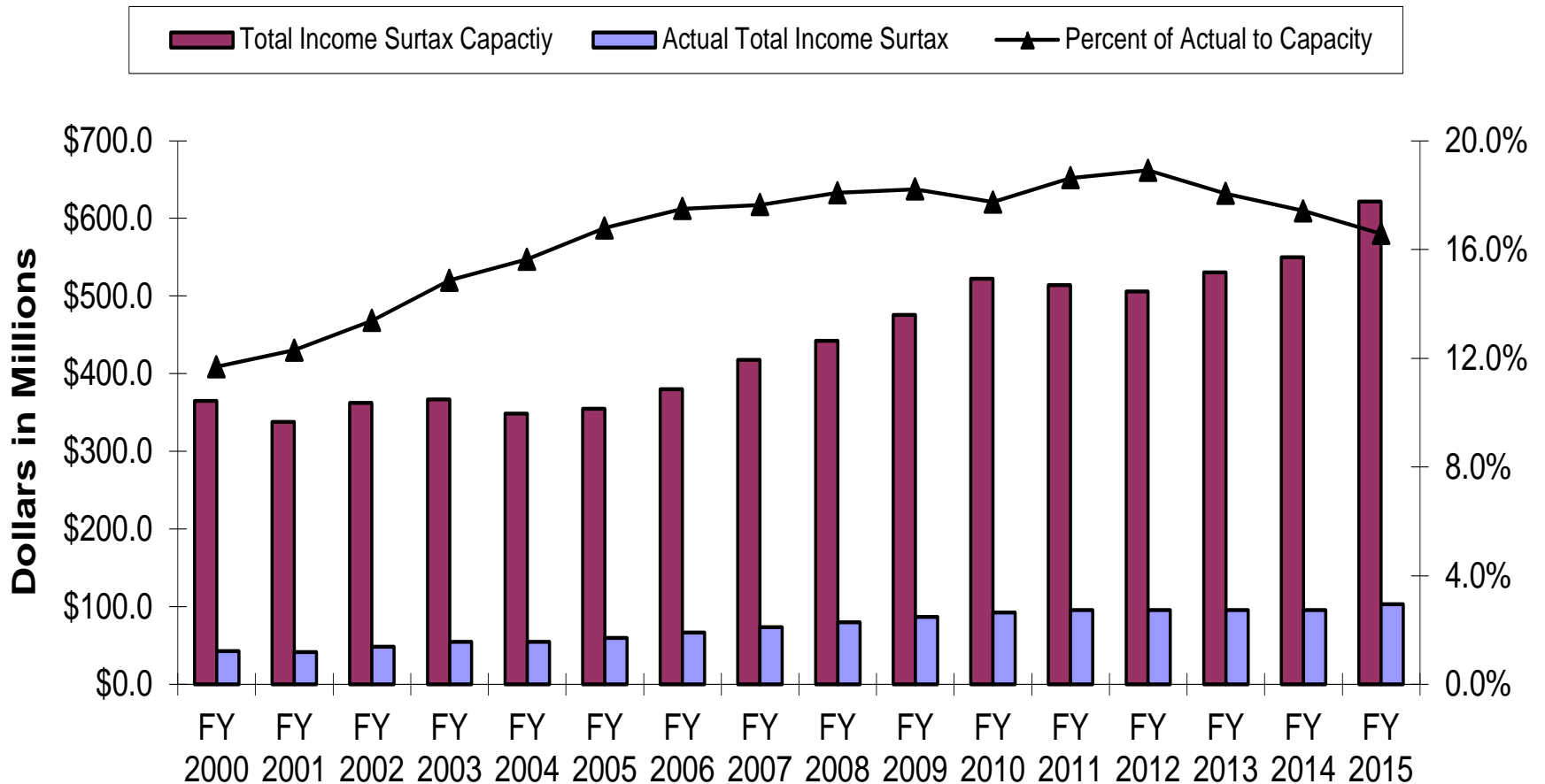
Number of Districts = 338

Income Surtax

- Income Surtax is a funding source used to replace property tax – totaled \$103.1 million in FY 2015
- Instructional Support (\$92.0 million), voter-approved PPEL (\$10.9 million), and Educational Improvement (\$0.2 million) Programs
- 286 (82.7%) school districts imposed for FY 2015
- FY 2015 remaining income surtax capacity = \$518.9 million

Income Surtax

**Income Surtax: Capacity vs. Actual Amount
FY 2000 - FY 2015**



Federal Funding

- Title I, Title II, IDEA, others
- Federal funding – generally a small percentage of district funding. But larger for AEAs.
- FY 2013: school districts approximately 4.7% and AEAs approximately 35.6%

School Finance – LSA Role

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

Recent Issues

Some Recent Issues Subject of Legislation:

- Equalization of per pupil spending
- Enrollment changes (declines/increases)
- Transportation costs
- Property tax relief/property tax equalization
- Education reform
- Online learning initiatives
- School infrastructure
- Teacher compensation
- Curriculum
- School district cash reserves

Questions?

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LSA K-12 Website:

http://staffweb.legis.state.ia.us/lfb/docs/k-12_ed/k-12_ed.htm