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BASIC IOWA EDUCATION FINANCE

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I. Introduction to Iowa Education Finance

This Legislative Guide examines preschool through secondary education finance in Iowa by combining discussions of the various components of the finance formula with a series of examples. The Guide is intended to serve as an introduction to public education finance in Iowa, to set out the fundamental principles involved and to provide a starting point for follow-up research in an area of particular interest or relevance.

The present method of incorporating uniform levy, state foundation base percentage, and additional property tax formula components dates back to the early 1970s, but has been subject to ongoing modification based upon the changing needs and circumstances facing school districts in Iowa. The modifications have involved property tax relief, equalized per-pupil expenditures, additional sources of funding, enrollment fluctuation adjustments, legislative determination of budget growth rather than via formula, modified local authority, and an increased state foundation percentage level. The present version of the formula is subject to a periodic legislative review process based on recommendations contained in a legislative interim study committee status report prepared with the assistance of the Departments of Education, Revenue, and Management.¹ The first report was submitted to the General Assembly in January 2005. Appendix E of the Guide contains a list of the recommendations contained in the reports from 2005, 2010, and 2015. Subsequent reports are to be submitted at least every five years thereafter.

The sources used for the Guide are current as of November 2019. Unless otherwise stated, Iowa Code references in the Guide refer to the 2020 Iowa Code. References to a fiscal year indicate the calendar year in which the fiscal year ends. For example, fiscal year 2020 means the fiscal year beginning July 1, 2019, and ending June 30, 2020.

II. Executive Summary

Prior to a detailed examination of several of the components of Iowa school finance, an overview of the basic concepts involved in the operation of the formula will be provided.

Iowa's system of public education is largely financed through a combination of state and local sources. The local school district contributes the bulk of its portion of school financing in the form of property taxes. A foundation property tax,² commonly referred to as the "uniform levy," is the initial amount of local school district funding. Above this amount, the state contributes foundation aid up to the foundation base per pupil percentage. Funding beyond the amount produced by the uniform levy and state foundation aid that is necessary to cover the school district's costs for a given year takes the form of an additional levy of property tax.³

It is the relationship between the uniform levy and the foundation base per pupil percentage which attempts to equalize the amount of money available between higher taxable property value school districts and lower taxable property value school districts. The higher the amount generated by the uniform levy in a school district, the lower the amount of state foundation aid and vice versa, resulting in a school district with a lower taxable property value receiving a comparatively larger amount of state foundation aid.

¹ Iowa Code §257.1(4).

² Iowa Code §257.3.

³ Iowa Code §257.4.

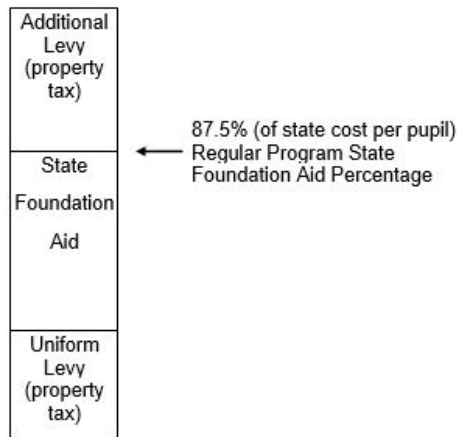


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Applying the foundation base per pupil percentage, uniform levy, and additional levy to a particular school district requires a district cost per pupil calculation. District cost per pupil is based, in part, on the historical spending per pupil in a school district plus a per-pupil growth amount. This growth figure is called supplemental state aid, and is to be annually determined by the General Assembly.⁴ Until the enactment of 2013 Iowa Acts, chapter 121, “supplemental state aid” was referred to in Iowa Code as “allowable growth.” The district cost per pupil, plus regular program supplemental state aid, is multiplied by a district’s enrollment to arrive at the district cost. Enrollment for this purpose is adjusted, or weighted, to accomplish various objectives or provide funding for certain programs, such that the weighted enrollment number arrived at is generally a different number than the actual headcount of students enrolled in the district. The uniform levy, state foundation aid, and additional levy in each district combine to fund the district cost per pupil amount. Figure 1 illustrates these three components, which are determined in the order below beginning at the base of Figure 1 and moving upward.

Additionally, several categorical funding programs are funded on a per-pupil basis, and the per-pupil cost for these programs is increased by a categorical state percent of growth rate as set by the General Assembly.⁵

**Figure 1
Primary Funding Components**



The school finance formula not only determines the state foundation aid a district receives, but also serves as a budget limitation device. A school district’s minimum district cost per pupil will, by law, not be lower than the state cost per pupil amount for the same budget year, and the district’s maximum district cost per pupil cannot exceed 105 percent of the state cost per pupil.

Beyond the general scheme set out above, a number of provisions for additional moneys exist to take into account the particular problems, challenges, or special needs of a school district. Examples include School Budget Review Committee (SBRC) assistance, additional property tax levies for specified purposes, minimum budget guarantees, school

⁴ Iowa Code §257.8(1), (2).

⁵ Iowa Code §257.8(2).



district income surtaxes, school fees, and state sales and use tax from the Secure an Advanced Vision for Education (SAVE) Fund.⁶

The remainder of this Guide is divided into three parts: the components of combined district cost, the three primary sources of revenue generation, and appendices listing additional sources of revenue.

III. Determining the Financial Needs of a School District

The first step in an analysis of education finance in Iowa involves an examination of the factors comprising a school district's budget needs and spending authority in a given budget year. These include enrollment and state and district cost per pupil calculations.

A. Enrollment

The education finance formula in Iowa is pupil-driven, meaning that the number of pupils enrolled in a district forms the basis for calculating a total district cost. While the number of pupils enrolled may seem obvious, a distinction is drawn between the actual number of pupils enrolled in a district—the headcount—and a weighted headcount adjusted by law to reflect the increased costs associated with providing services to special education students or to facilitate the funding of specific programs and services. In addition, the headcount used in the formula is generally from the previous school year.

1. Enrollment Calculation

The starting point in determining enrollment is calculating the actual number of pupils enrolled in a school district on October 1 annually, or the first Monday in October if October 1 falls on a Saturday or Sunday in a given year.⁷ The enrollment count in a particular year impacts the next school year's district cost calculations. Accordingly, the actual enrollment used in calculating a school district's budget is the enrollment count taken during the preceding October. Pupils moving out of a district prior to that date, or those entering after that date, will generally not qualify as enrolled for budget calculation purposes for the next following school year.

School districts operate on a fiscal year basis which coincides with the budget year—from July 1 through June 30 annually.⁸ A particular year, e.g., July 1, 2015, to June 30, 2016, can be referred to synonymously as the fiscal year, school year, or budget year. A school district's budget for a school year is calculated and certified prior to the beginning of that school year and it is based largely on the budget and enrollment of the prior year. Therefore, the year in which the calculations are completed and the budget is certified is called the base year.⁹ The budget year is the school year beginning during the calendar year in which a budget is certified.¹⁰ In addition to the headcount taken in October of each school year, each school district also determines and reports by November 15 of each year the district's additional enrollment because of special education.¹¹ Figure 2 contains a timeline of enrollment and budget calculation dates.

⁶ Iowa Code ch. 423F.

⁷ Iowa Code §257.6(1).

⁸ Iowa Code §24.2(3).

⁹ Iowa Code §§257.2(1), 257.6(2).

¹⁰ Iowa Code §257.2(3).

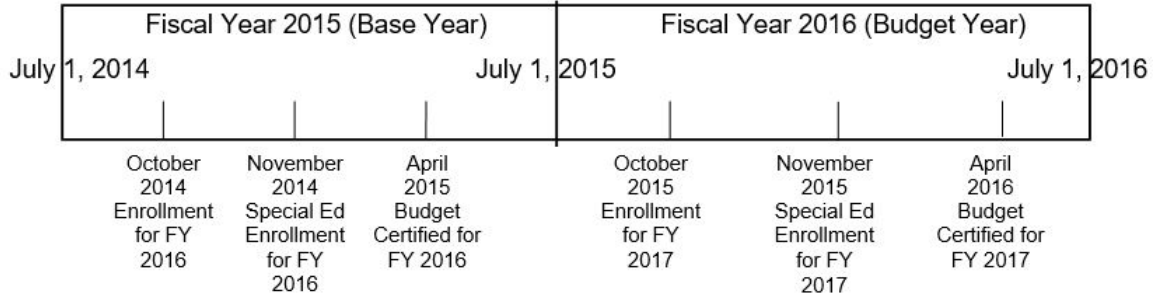
¹¹ Iowa Code §257.6(3).



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Figure 2

Enrollment and Budget Calculation Timeline



The use of enrollment figures from the preceding school year for the current school year’s budget may present a problem for school districts experiencing enrollment increases because the district has an immediate funding need to cover the education costs of the additional pupils.

Iowa’s current mechanism for providing on-time funding based on enrollment increases began with the school budget year beginning July 1, 2000. A school district with an actual enrollment for the budget year greater than its budget enrollment for the budget year was eligible to receive an on-time funding budget adjustment in the form of a modified allowable growth (now referred to as a modified supplemental amount) equal to 50 percent of the difference between the actual and budget enrollment amounts, multiplied by district cost per pupil.¹² For the school budget year beginning July 1, 2001, and succeeding budget years, the budget adjustment was increased to 100 percent of the difference between the actual and budget enrollment amounts, multiplied by district cost per pupil.¹³ In order to receive the on-time funding budget adjustment, a school district board of directors must adopt a resolution and notify SBRC annually but not before November 1.¹⁴ The on-time funding increases the school district’s budget and spending authority for that school year. However, the state does not provide an appropriation or other direct funding for the increase in spending authority. Instead, the school district must fund the additional spending through cash reserves or property taxes.¹⁵

With an understanding of the timing of the enrollment count, the next step is to determine the classifications of pupils who may be considered enrolled for purposes of the enrollment count under Iowa Code section 257.6. Most common is a resident pupil who is enrolled in public schools within the district in grades kindergarten through 12. Other classifications involve prekindergarten pupils enrolled in special education programs, situations where a student may be attending a community college while of high school age, attending classes on a shared or part-time basis, or finishing the last two years of high school in the district after having relocated the student’s residence elsewhere, resident pupils receiving competent private instruction from a licensed practitioner provided through a public school district,

¹² 2000 Iowa Acts, ch. 1055, §§1, 3 (striking and replacing Iowa Code §257.13).

¹³ Iowa Code §257.13(1).

¹⁴ Iowa Code §257.13(2).

¹⁵ Iowa Code §§257.4, 257.7, 257.10.



resident pupils receiving competent private instruction under dual enrollment, students attending an accredited nonpublic school or receiving competent private instruction and who are participating in a program under the senior year plus program, and certain pupils of military families who are enrolled in public schools within the district. Each of these other classifications may involve weighting the student to count less than one depending on the classification involved.¹⁶

2. Weighted Enrollment

In certain circumstances, a student may be counted at a value greater than one student if enrolled in a specified program. There are two primary forms of weighted enrollment: special education weighting and supplementary weighting.

a. Special Education Weighting.

Special education students are weighted at a value greater than one to reflect the increased expense involved in providing a special education curriculum.¹⁷ A special education enrollment headcount takes place by November 1 annually.¹⁸ Iowa Code section 256B.9 contains three categories of special education students. The three categories are based upon the severity of the pupils' disabilities and the educational programs required. Weightings for each category are established by SBRC and are based upon the recommendation of the director of the Department of Education.¹⁹ The weightings may be increased or decreased by SBRC by no more than two-tenths of the weighting assigned to pupils in a regular curriculum.²⁰ The total special education weightings in effect for the budget year 2019-2020 are 1.72, 2.21, and 3.74, which includes one point per student plus the special education weightings of 0.72, 1.21, and 2.74.

Example: District A's special education actual enrollment for the budget year taken on November 1 of the base year was 750. Of this number, 400 fell into the 1.72 weighting category, 200 in the 2.21 category, and 150 in the 3.74 category. The weighted enrollment for the 750 special education students totals 1,691. This is an effective increase of 941 pupils.

b. Supplementary Weighting.

A second type of weighted enrollment provides additional weighting for students enrolled in specified programs, for school districts sharing resources and personnel, for students enrolled in a limited English proficiency student program,²¹ and for other specified purposes. Iowa Code section 257.11 authorizes supplementary weighting for pupils attending classes in another school district, which jointly employ and share the services of a teacher or which use the services of a teacher from another school district, or pupils attending college-level classes at a community college.

¹⁶ Iowa Code §257.6(1)(a).

¹⁷ Iowa Code §256B.9(1).

¹⁸ Iowa Code §257.6(3).

¹⁹ Iowa Code §256B.9(4).

²⁰ Iowa Code §256B.9(4).

²¹ Iowa Code §280.4.



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Students qualifying as limited English proficient may receive supplementary weighting for up to five years.²² The five years of eligibility for the supplementary weighting need not be consecutive and a student's eligibility for the additional weighting is transferable to another district of residence. The objective behind granting supplementary weighting differs from that of special education. The goal of supplementary weighting is to cover increased costs and encourage school districts to offer or share programs and extend services deemed necessary or desirable which might otherwise not be provided.

Some additional examples of supplementary weighting are:

- **At-Risk Programs and Alternative Schools.** School districts also receive specified levels of supplementary weighting for at-risk programs and for alternative schools. The amount of supplementary weighting to be received for at-risk programs and alternative schools is determined partially upon the percentage of pupils enrolled in grades one through six eligible for free and reduced price meals in a school district, and partially upon the budget enrollment of the school district. Amounts received as supplementary weighting for at-risk pupils are to be used by a school district to develop or maintain at-risk pupils programs, which may include alternative school programs, and returning dropout and dropout prevention programs.²³
- **Whole Grade Sharing.** School districts that execute a whole grade sharing agreement and adopt a resolution to study the effect of undergoing a reorganization or dissolution to take effect on or before July 1, 2024, receive a weighting of one-tenth of a percentage of a student's day during which the student attends classes in another district, is taught by a teacher jointly employed, or attends classes taught by a teacher employed by another district. The supplementary weighting is available for a total of three years.²⁴
- **Reorganized School Districts.** Supplementary weighting funding is available for three years for a reorganized school district in an amount equal to the funding that was received in the year preceding the reorganization. For the purposes of receiving this supplementary weighting, a reorganized school district, is a district where the dissolution or reorganization takes effect during the period of July 1, 2007, through July 1, 2024.²⁵
- **Shared Functions.** Under Iowa Code section 257.11(5), a district that shares with a political subdivision one or more operational functions of a curriculum director, master social worker, independent social worker, or school counselor, or one or more operational functions in the areas of superintendent management, business management, human resources, transportation, or operation and maintenance for at least 20 percent of

²² Iowa Code §280.4(3).

²³ Iowa Code §257.11(4)(a).

²⁴ Iowa Code §257.11(2)(c).

²⁵ Iowa Code §257.11A(1), (2).



the school year shall be assigned a supplementary weighting for each shared operational function. A school district that shares an operational function in the area of superintendent management shall be assigned a supplementary weighting of eight pupils for the function. A school district that shares an operational function in the area of business management, human resources, transportation, or operation and maintenance shall be assigned a supplementary weighting of five pupils for the function. A school district that shares the operational functions of a curriculum director, master social worker, independent social worker, or a school counselor shall be assigned a supplementary weighting of three pupils for the function. The additional weighting is assigned for each discrete operational function shared. Supplementary weighting for shared operational functions is available to a school district for the period commencing with the budget year beginning July 1, 2014, through the budget year beginning July 1, 2024. The maximum amount of additional weighting for which a school district shall be eligible in a budget year is 21 additional pupils. Supplementary weighting is also available to an AEA for the sharing of such operational functions during the same period of budget years. The minimum amount of additional funding for which an AEA is eligible in a budget year is \$30,000, and the maximum amount of additional funding for which an AEA shall be eligible is \$200,000.

B. State Cost Per Pupil and Regular Supplemental State Aid

Once a weighted enrollment figure is calculated, the next step is the calculation of state cost per pupil and district cost per pupil. They are conceptually similar and involve the same basic calculations but contribute differently to the operation of the formula. The state cost per pupil calculation is not directly used in the calculation of a district's per-pupil cost, but rather indirectly contributes to funding by establishing values for the annual regular program supplemental state aid and state foundation aid figures.

The state cost per pupil calculation is straightforward, consisting of the previous (base) year's state cost per pupil dollar figure increased by the regular supplemental state aid dollar figure for the budget year.²⁶ Regular program supplemental state aid refers to an amount by which state cost per pupil and district cost per pupil will increase from one budget year to the next as the result of the state percent of growth.²⁷ The state percent of growth figure is generally set annually by the General Assembly.²⁸ This determination for a budget year is required to be established by statute within 30 days following the transmission of the Governor's budget required by February 1 during the regular legislative session beginning in the base year.²⁹ The state percent of growth is applied to the previous year's state cost per pupil to arrive at the supplemental state aid per pupil dollar amount. Adding the supplemental state aid per pupil dollar amount to the previous state cost per

²⁶ Iowa Code §257.9(2).

²⁷ Iowa Code §257.2(12).

²⁸ The General Assembly has in certain years delayed the establishment of the state percent of growth or notwithstanding the statutory requirements for enactment. See, e.g., 2010 Iowa Acts, ch. 1002 (delaying the establishment of the state percent of growth); 2010 Iowa Acts, ch. 1003 (delaying the establishment of the categorical state percent of growth); 2013 Iowa Acts, ch. 121, §4, 7 (establishing state percents of growth and notwithstanding enactment requirements).

²⁹ Iowa Code §257.8(1).



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pupil amount results in a new state cost per pupil amount. This calculation is illustrated in Figure 3.

Figure 3
State Cost Per Pupil and Regular Supplemental State Aid Determinations

Previous Year's State Cost Per Pupil	X	State Percent of Growth Rate	=	Regular Supplemental State Aid Per Pupil
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Previous Year's State Cost Per Pupil	+	Regular Supplemental State Aid Per Pupil	=	Newly Deter- mined State Cost Per Pupil
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Example: The state cost per pupil for the budget year 2019-2020 was \$6,680. If the state percent of growth set by the General Assembly for the budget year 2020-2021 is 2 percent, then the regular program supplemental state aid per pupil for the budget year 2020-2021 equals \$134, which is obtained by taking 2 percent of \$6,680. When the regular program supplemental state aid of \$134 is added to the previous year's state cost per pupil, \$6,680, the resulting state cost per pupil for the budget year 2020-2021 is \$6,814.

Beginning with the budget year beginning July 1, 2018, the regular program state cost per pupil was, in addition to the supplemental state aid for the budget year, increased by additional amounts established by law.³⁰ For both the budget year beginning July 1, 2018, and for the budget year beginning July 1, 2019, \$5 was added to the regular program state cost per pupil. This legislative change was intended to assist in closing the disparity in district cost per pupil amounts among individual school districts, which will be discussed later in the Guide.

C. District Cost Per Pupil

As previously stated, state cost per pupil and district cost per pupil contribute differently to the operation of the formula. The state cost per pupil is used to calculate regular program supplemental state aid per pupil and is the figure to which the state foundation percentage is applied in the calculation of state foundation aid (discussed in a subsequent section). District cost per pupil, on the other hand, reflects the cost per pupil of the individual school district and is the figure used by the school district to determine the amount it is authorized to spend.

District cost per pupil for each school district is calculated in essentially the same manner as state cost per pupil.³¹ The regular program supplemental state aid per pupil amount determined using the state cost per pupil calculation is added to a district's previous year's district cost per pupil, as illustrated in Figure 4.

³⁰ Iowa Code §257.9(2).

³¹ Iowa Code §257.10(2).

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Figure 4
District Cost Per Pupil Determination

Previous Year's District Cost Per Pupil	+	Regular Program Supplemental State Aid Per Pupil Amount for the Budget Year (Determined Under the State Cost Per Pupil Calculation)	=	Newly Determined District Cost Per Pupil
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Example: District A's district cost per pupil for the budget year 2019-2020 was \$6,700. The budget year 2020-2021 district cost per pupil equals \$6,834, calculated by adding the regular program supplemental state aid per pupil amount of \$134 for the budget year 2020-2021 to the previous year's district cost per pupil.

The district cost per pupil is also subject to a statutory minimum amount equal to the state cost per pupil for the same budget year. Accordingly, when the state adds additional amounts to the state cost per pupil like it did for the budget years beginning July 1, 2018, and July 1, 2019, that increase also resulted in increases to the district cost per pupil amounts for each district that was below the newly established state cost per pupil following the \$5 increases.³² Prior to this legislative effort, there was up to a \$175 disparity among the school districts with the highest and lowest district cost per pupil.

To recap, the regular program district cost for a school district is equal to the regular program district cost per pupil multiplied by the enrollment in the district, and represents its basic funding authorization. Whereas state cost per pupil applies on a statewide basis, district cost per pupil will vary from one school district to another.

D. Categorical Supplemental State Aid

School district funding is also determined and calculated through a series of categorical funding supplements, including the teacher salary supplement, the professional development supplement, the early intervention supplement, and the teacher leadership supplement. There are additional categorical funding supplements for area education agency (AEA) purposes, such as the AEA teacher salary supplement and the AEA professional development supplement. Several of the categorical programs were previously funded through separate line-item appropriations on an annual basis.³³ Beginning in fiscal year 2009-2010, the funding method was changed to instead use per-pupil supplements that can receive percentage increases, similar to the regular program supplemental state aid changes. The categorical state percent of growth is established annually by statute similarly to how the regular program state percent of growth is established; however, the rate can be different for each supplement.³⁴

The categorical supplemental state aid amount is applied in a manner similar to that for regular program supplemental state aid. A state cost per pupil has been identified for each of the categorical supplements and a categorical supplemental state aid amount is determined by applying the percentage rate set by law. The supplemental state aid amount for each supplement is added to the categorical district cost per pupil for the supplement to determine a new categorical district cost per pupil amount. Each district has its own categorical district cost per pupil for each supplement.

³² Iowa Code §257.10(2)(c).

³³ A categorical funding program, known as the teacher leadership supplement, was enacted in 2013 for the budget year 2014-2015.

³⁴ Iowa Code §257.8(2).



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E. Minimum and Maximum Limitations and Budget Guarantee

Minimum and maximum amount limitations apply to the district cost per pupil. As previously mentioned, school district's minimum district cost per pupil for a budget year is the state cost per pupil for that budget year. At the other end of the spectrum, a school district with a district cost per pupil exceeding 105 percent of the state cost per pupil for a budget year in which the state percent of growth is set at more than 2 percent is generally subject to a reduction to 105 percent of the state cost per pupil.³⁵ However, if the difference between the regular program district cost per pupil for the budget year and the regular program state cost per pupil for the budget year is greater than an amount equal to 2 percent of the regular program state cost per pupil for the base year, the regular program district cost per pupil for the budget year shall be reduced by the amount equal to 2 percent multiplied by the regular program state cost per pupil for the base year.

In instances where a school district has experienced a decline in enrollment, a school district's budget may be increased or adjusted in the next fiscal year to a guaranteed level of the district's current district cost authorization. Under current law, a district is eligible for a budget adjustment in an amount equal to the difference between the regular program district cost for the budget year and 101 percent of the regular program district cost for the base year.³⁶

F. Combined District Cost

The combined district cost represents the total funding authorization a school district is allowed to receive under the foundation formula. Combined district cost is defined in Iowa Code section 257.10, to be the sum of all of the following:

- The regular program district cost per pupil multiplied by the weighted enrollment.
- The special education support services district cost.
- The total teacher salary supplement district cost.
- The total early intervention supplement district cost.
- The total professional development supplement district cost.
- The total teacher leadership supplement district cost.
- The sum of the additional district cost allocated to the district to fund media services and educational services provided through the AEA, the AEA total teacher salary supplement district cost, and the AEA total professional development supplement district cost.

The three primary components of the combined district cost are the following:

1. Regular Program Budget

The regular program budget for a school district is determined by multiplying the regular program district cost per pupil by the district's weighted enrollment (including supplementary and special education weightings), and by applying the budget guarantee provision, if applicable.

³⁵ Iowa Code §257.10(2)(b).

³⁶ Iowa Code §257.14.



2. Area Education Agency Costs

Area education agencies are located throughout the state and are organized to provide support in the areas of special education, media, and general education-related services. Funding for these services is included in the formula on a per-pupil basis.³⁷ One aspect of AEA services—special education support services—entails a separate set of state cost per pupil, district cost per pupil, and supplemental state aid calculations. While the AEA costs are included in the state foundation formula, the special education support services funding differs somewhat from the so-called “regular” program cost. This topic is addressed in Part IV of the Guide.

3. Modified Supplemental State Aid

The SBRC is authorized by statute to grant, upon request by a district citing unusual circumstances, either permanent or one-time amounts of funding, which is also called a modified supplemental amount or supplemental aid, to provide spending authority in addition to or in excess of amounts received under the formula.³⁸ Appendix B contains additional information regarding the existence and authority of SBRC.

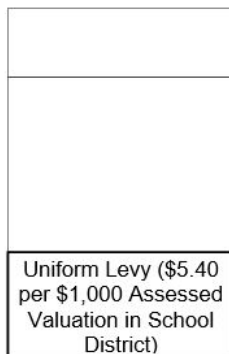
IV. Sources of Funding and State Financial Assistance

The state foundation formula calculates both spending authority and how that spending authority is funded. This involves consideration of three primary funding components: the uniform levy, state foundation aid, and the additional levy.

A. Uniform Levy

The first funding component, the foundation property tax levy, commonly referred to as the uniform levy, could be regarded as the bottom block in a building block schematic of formula funding sources (see Figure 5). The uniform levy is generally assessed on all taxable real property located in each school district within the state at a uniform rate of \$5.40 per \$1,000 of assessed valuation.³⁹ Tax-exempt property in the state is not subject to the levy and, as discussed later, the rate of the levy may be less for school districts undergoing a reorganization.

Figure 5
Building Blocks for Funding a School District’s Spending Authority



³⁷ Iowa Code §§257.10, 257.35.

³⁸ Iowa Code §257.31.

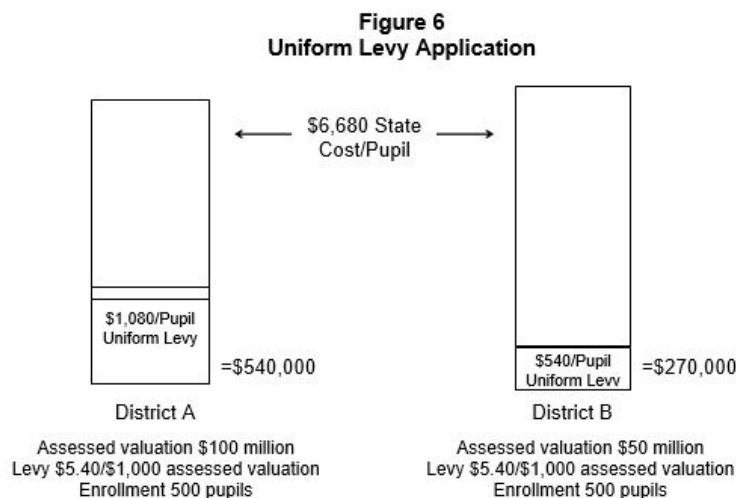
³⁹ Iowa Code §257.3.



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The resulting amount of property tax revenue from the uniform levy may vary significantly depending upon the assessed valuation of taxable property in a particular school district. Higher assessed value property will result in a higher amount of property tax collected, even though the rate of tax, \$5.40 per \$1,000, remains constant. The number of pupils enrolled in a district is key in determining the impact of the amount raised. A high assessed value district with relatively high enrollment will experience a dilution of revenue per child in comparison to a district raising the same amount with relatively fewer pupils enrolled.

Example: District A has a total assessed value of property of \$100 million and an enrollment of 500 pupils. District B has a total assessed value of property of \$50 million and an enrollment of 500 pupils. The uniform levy rate of \$5.40 per \$1,000 is applied to each, generating \$540,000 in District A and \$270,000 in District B. Although the rate of tax was the same, the total amount raised, and thus the amount raised per pupil, differs substantially. See Figure 6.



In certain instances school districts may be eligible for a reduced uniform levy tax rate. A lower uniform levy option is authorized in the event that a school district with fewer than 600 pupils in the year preceding a reorganization or dissolution entered into a reorganization agreement or dissolution agreement which would take effect during the period of July 1, 2007, through July 1, 2024.⁴⁰ The uniform levy is gradually increased in succeeding years from an initially reduced rate of \$4.40 the first year, to \$4.90 the second year, to \$5.15 the third year, and finally back up to the flat rate of \$5.40 for the fourth year and each year thereafter. The reduced uniform tax levy rate is also available for a school district with a certified enrollment of 600 pupils or greater that has entered into a reorganization agreement or dissolution agreement with one or more school districts with a certified enrollment of fewer than 600 pupils, but the amount of foundation property tax reduction cannot exceed the highest reduction amount received by any school district with a certified enrollment of fewer than 600 pupils. This reduced uniform levy rate, combined

⁴⁰ Iowa Code §257.3(2).



with the supplementary weighting available for school districts undergoing a reorganization agreement or dissolution agreement, as previously discussed, serves as an incentive for smaller-sized school districts to consolidate.

B. Foundation Level

State foundation aid represents the second funding component, and middle block, in the funding source schematic. Through this commitment of state funds derived from the General Fund of the State and from sources other than school district property taxes, the formula seeks to address the funding inequities that may exhibit in a property tax-reliant system.

In order to understand how state foundation aid operates to equalize per-pupil expenditures, it is necessary to revisit the concept of state cost per pupil. As previously discussed, the state cost per pupil calculation consists of the previous year's state cost per pupil increased by the regular program supplemental state aid amount. This new state cost per pupil is the figure to which the state foundation percentage is applied when calculating state foundation aid.

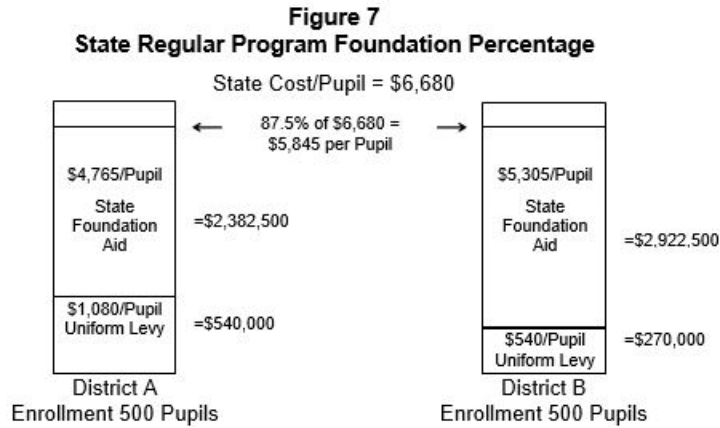
According to the formula, funding per pupil is equalized at 87.5 percent of the state cost per pupil. This means that the state will provide state foundation aid equal to 87.5 percent of the state cost per pupil, less the per pupil amount a school district raises from the uniform property tax levy.⁴¹ The larger the amount of funding that a higher property tax valuation district can generate in the form of property tax dollars through the uniform levy, the lower the amount of state foundation aid necessary to reach the 87.5 percent level. Correspondingly, a lower property tax valuation district contributing proportionately fewer funding dollars raised from imposition of the same uniform levy will require a larger amount of state foundation aid to reach the 87.5 percent level. This is the reason the state foundation formula can be viewed as partially equalizing per-pupil expenditures between school districts — the same level of funding is ultimately achieved, but the source of funding differs depending upon the assessed property tax valuations of a particular school district.

Example: Continuing the previous example with a state cost per pupil of \$6,680 and enrollments of 500 students in each district, application of the uniform levy raised \$540,000 in District A and \$270,000 in District B. The formula provides for funding of up to 87.5 percent of the state cost per pupil, which translates into a maximum state foundation aid payment of \$2,922,500 for the 500 students (if no school property taxes were generated). District A will receive \$2,382,500 in state financial assistance (the maximum state foundation aid amount arrived at using the state cost figure, \$2,922,500, minus the uniform levy amount, \$540,000), and District B will receive \$2,625,500 (the maximum state aid amount, \$2,922,500, minus the uniform levy amount, \$270,000). District B receives more state aid because it generated less revenue through the uniform levy. This result is illustrated in Figure 7.

⁴¹ Iowa Code §257.1(2).



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Prior to the 1999 Legislative Session an important distinction was drawn between so-called “regular program” foundation aid, as outlined above, and special education foundation aid. For special education purposes, the state foundation aid percentage equaled 79 percent, instead of the regular program level of 87.5 percent. The same state cost per pupil was used for each, but the lower percentage of 79 percent was applied against the additional weighted enrollment due to special education. For the school budget year beginning July 1, 1999, and succeeding budget years, the regular foundation aid per pupil, for the portion of weighted enrollment that is additional enrollment because of special education has been increased to the 87.5 percent level.⁴² The 79 percent foundation aid percentage remains applicable to special education support services costs administered through an AEA.⁴³ These costs were mentioned in the Guide section on combined district cost and involve a separate state and district cost calculation to which the percentage is applied.

Note that with respect to AEA funding, media and education support services are funded entirely through property taxes and do not receive any state foundation aid, whereas special education support services costs are funded at the 79 percent level with state foundation aid moneys.⁴⁴ Further, special education support services funding is calculated without application of the uniform levy, which is different from calculation of the regular program district funding. See Figure 8. For more detailed information about AEA funding, consult the Legislative Guide on Area Education Agencies. The publication may be accessed via the Internet from the Iowa General Assembly Internet site at www.legis.iowa.gov/publications/legalPubs/legisGuides.

⁴² Iowa Code §257.1(2); see also 1999 Iowa Acts, ch. 178, §§1, 10.

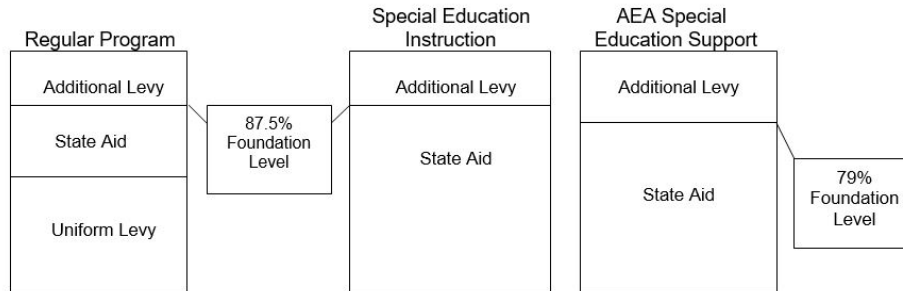
⁴³ Iowa Code §257.1(2); see also 1999 Iowa Acts, ch. 178, §§1, 10.

⁴⁴ Iowa Code §§257.1, 257.4.



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Figure 8
Foundation Formula — Special Education Provisions



Beginning in fiscal year 2020-2021, a portion of the sales and use tax revenue deposited into the Secure an Advanced Vision for Education (SAVE) Fund is designated for deposit in the Foundation Base Supplement Fund to be distributed on a per pupil basis calculated using each school district’s weight enrollment.⁴⁵ The payments made from the Foundation Base Supplement Fund do not increase a school district’s spending authority, but instead have an effect similar to increasing the state foundation base percentage (87.5 percent) and consequently result in a reduction of the amount that would otherwise be funded by the school district’s additional levy.

For illustration purposes, the regular program state cost per pupil is used in the Guide to demonstrate the sources of funding. State foundation aid, however, is calculated and funds an amount per pupil “equal to the difference between the amount per pupil of foundation property tax in the district, and the combined foundation base per pupil or the combined district cost per pupil, whichever is less.”⁴⁶ The “combined foundation base” is the sum of the regular program foundation base, the special education support services foundation base, the total teacher salary supplement district cost, the total professional development supplement district cost, the total early intervention supplement district cost, the total teacher leadership supplement district cost, the total AEA teacher salary supplement district cost, and the total AEA professional development supplement district cost. However, if the amount of foundation aid received by a school district is less than \$300 per pupil, the district is entitled to receive \$300 per pupil unless the receipt of the \$300 per pupil plus the per-pupil amount raised by the foundation property tax exceeds the combined district cost per pupil of the district for the budget year. In that case, the district is entitled to receive an amount per pupil equal to the difference between the per-pupil amount raised by the foundation property tax for the budget year and the combined district cost per pupil for the budget year.

C. Additional Levy

The third funding component, and upper block, is the additional school district property tax levy. The additional levy is the primary form of spending authorization above and beyond funds received from the uniform levy and state foundation aid necessary to fully fund a school district’s combined district cost.⁴⁷ As opposed to the uniform levy rate of

⁴⁵ Iowa Code §257.16D

⁴⁶ Iowa Code §257.1(2)

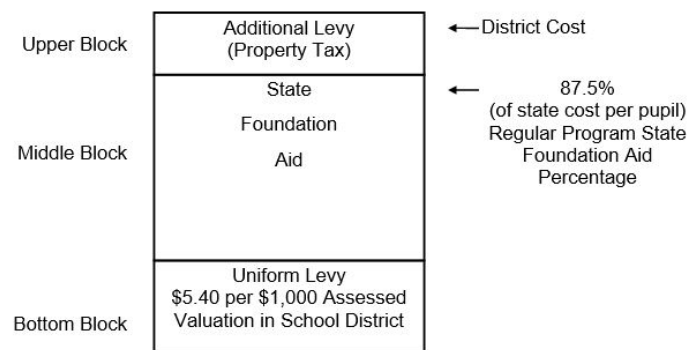
⁴⁷ Iowa Code §257.4. For demonstration purposes, only the computation of the additional levy as it relates to the regular program district costs is considered.



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\$5.40 per \$1,000 of assessed valuation, the additional levy rate will vary depending upon the amount needed to be raised by a particular district to fully fund combined district cost. The impact of the additional levy will generally be more keenly felt in a district with lower assessed property valuations, i.e., a proportionately higher property tax rate will be necessary given the valuation levels involved. Conversely, a district with higher assessed property valuations will require a relatively low additional property tax rate to fully fund district cost. Figure 9 illustrates the additional levy as the upper block for funding a school district's spending authority.

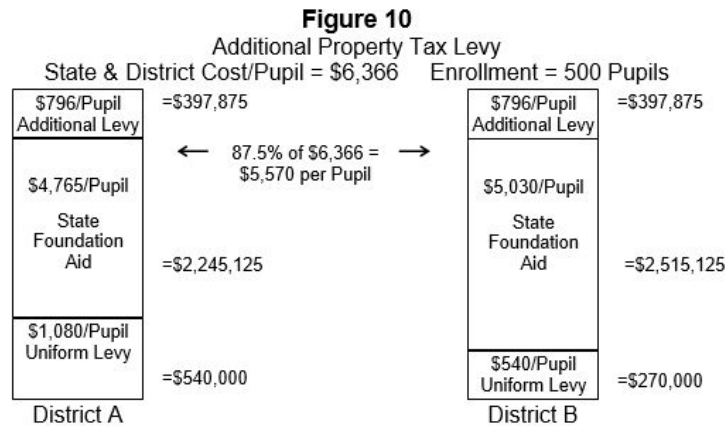
Figure 9
Building Blocks for Funding a School District's Spending Authority



Example: In the previous two examples, the uniform levy raises \$540,000 in District A and \$270,000 in District B. The state foundation aid amounts total \$2,245,125 and \$2,515,125, respectively, for the two districts. Enrollment in each district was assumed, for hypothetical purposes, to equal 500 students. Assuming a district cost for each equal to the state cost per pupil for the budget year of \$6,680 multiplied by 500, or \$3,340,000, what are the additional levy amounts? The additional levy would be the amount of property tax which would raise enough revenue to equal the difference between the district cost amount and the amount of revenue raised by the uniform levy and received by the district in state foundation aid. In each case, this would total \$417,500. This result is illustrated in Figure 10. While, based on our assumptions, the additional property tax amounts are equal, District B, with a lower assessed property value, would require a higher rate of tax to raise the necessary funds.



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In an effort to address potential inequities in additional property taxation rates experienced by districts with relatively low assessed property tax valuations, legislation enacted during the 2006 Legislative Session provides for the payment of property tax levy adjustment aid to school districts in an amount corresponding to the difference between an adjusted additional property tax rate for the district and a statewide maximum rate, as determined annually by the Department of Management.⁴⁸ The statewide maximum rate is calculated taking into account amounts appropriated from the property tax equity relief fund, which consists primarily of specified state sales tax revenue and a statutory appropriation of \$24 million annually.⁴⁹

In 2013, school district property tax replacement payments were established in Iowa Code section 257.16B, funded by an appropriation from the General Fund of the State. School district property tax replacement payments assume payment of that portion of the increase in the regular program state cost per pupil resulting from the state percent of growth legislation since 2013 that would otherwise be funded through property taxes levied as part of the school district's additional levy. In effect, the payments replace a portion of the regular program \$835 per pupil additional levy amount in the Figure 10 example. Under the current statutory framework for the replacement payments, the General Assembly must enact legislation each year in order to assume payment for the additional levy amount.

D. Additional Aspects of Spending Authority

The above discussion has focused on the regular program district cost component of the combined district cost, which is the amount of a school district's spending authorization funded through the foundation formula by imposition of the uniform and additional school district property tax levies and receipt of state foundation aid. There are, however, two additional elements of spending authority.

Expenditures from the flexibility account must be approved by resolution of the school board following a public hearing and must be included in the school district's certified budget.

⁴⁸ Iowa Code §257.15(2)-(4).

⁴⁹ Iowa Code §§257.4(1)(b), 257.15(4)(a), 257.16(1), 257.16A.



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1. Miscellaneous Income

Miscellaneous income is a catch-all category in the sense that it includes any income received by a school district other than through the uniform levy, state foundation aid, the additional levy, property tax replacement payments, and foundation base supplement payments.⁵⁰ In other words, it is income received that is not included in the combined district cost authorization for raising local property taxes and receiving state foundation aid. Examples include investment interest, student services fees, federal school aid, transportation equity aid payments, transportation base funding payments, and moneys received through the instructional support program.

2. Unspent Balance

An unspent balance consists of spending authority carried over from a prior year or funds received which were unspent in a prior year.⁵¹ An unspent balance thus equals the difference between a school district's total spending authority and amounts actually expended in a school year.

3. Flexibility Account

Legislation enacted in 2017 provided school districts the authority to establish a flexibility account within the school district's general fund if the school has authorized the transfer of all or a portion of the unexpended and unobligated funds from any of the specified sources following a determination that the statutory requirements for such funds are met.⁵² Those sources include the school district's preschool program under Iowa Code chapter 256C, certain professional development funds, and the home school assistance program. Additionally, a school district may transfer to the flexibility account all or a portion of any unexpended and unobligated moneys in any other school district fund or school district general fund account if the program, purpose, or requirements for the expenditure of such moneys have been repealed or are no longer in effect.

Moneys deposited in a flexibility account may be used by the school district during a budget year beginning in or after the calendar year in which the moneys were transferred to the flexibility account for any of the following:

1. Start-up costs for the school district's preschool program.
2. Professional development requirements under Iowa Code chapter 284.
3. The home school assistance program.
4. At-risk pupils programs, alternative programs and alternative school programs, and returning dropout and dropout prevention programs.
5. Gifted and talented children programs.
6. For deposit in the unpaid student meals account to be used for purposes of paying student meal debt accrued by individual students.
7. Any school district general fund purpose.

⁵⁰ Iowa Code §257.2(8).

⁵¹ Unspent balances are included within a district's spending authority. Iowa Code §257.7(1).

⁵² Iowa Code §298A.2(2).



Appendix A — Additional Sources of School District Revenue

While the state foundation aid program is the primary revenue source for school districts, other sources of revenue also exist. Other property tax levies, income surtaxes,⁵³ combination levies, and a state sales and use tax are authorized by statute. In general, the authorizations are specific as to purpose and scope, and some require voter, in addition to school board, approval. A detailed discussion of these revenue sources is beyond the scope of the Guide. However, the following is a brief description of several revenue sources:

I. Statewide Preschool Program

During the 2007 Legislative Session, a statewide voluntary preschool program for four-year-old children was created to be implemented through the school districts.⁵⁴ The program is administered at the state level by the State Board of Education and the Department of Education.

Funding for the program is provided by the state based upon a preschool foundation aid formula that uses elements of the school foundation aid formula and is paid as part of state aid.

Except for the initial year that a school district participates in the program, the state funding each year is based on the previous school year's enrollment of children by October 1. The state funding for the initial year is 60 percent of that enrollment multiplied by the state cost per pupil. For budget years following the initial year, a participating district's preschool foundation aid is the product of the regular program state cost per pupil for the budget year multiplied by the school district's preschool budget enrollment. A district's preschool budget enrollment is equal to 50 percent of the actual enrollment of eligible students in the preschool programming provided by a school district approved to participate in the preschool program on October 1 of the base year.

II. Instructional Support Program

The instructional support program allows school districts to increase their budgets by up to 10 percent of the regular program district cost, funded either exclusively through property taxes or in combination with an income surtax.⁵⁵ The method of funding is determined by the school board, and the funds generated may be used for any school district general fund purpose. A majority of school districts have some form of instructional support program. An institutional support program may be established by the school board for a five-year duration without voter approval (although subject to reverse referendum), or for a maximum of 10 years with voter approval. Limited state aid matching a portion of the amount raised locally is provided but is frozen, or capped, at the level appropriated for the budget year which commenced on July 1, 1992.⁵⁶ In certain years, the appropriation has been eliminated by the General Assembly.⁵⁷

⁵³ The cumulative total of percents of income surtax collected for school district purposes and for an emergency medical services district located within the school district shall not exceed 20 percent. Iowa Code §298.14.

⁵⁴ See Iowa Code ch. 256C.

⁵⁵ Iowa Code §257.19.

⁵⁶ Iowa Code §257.20(2).

⁵⁷ E.g., 2018 Iowa Acts, ch. 1172, §2.



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III. Educational Improvement Program

The educational improvement property tax levy may be used in a district that has approved participation in the instructional support program if the district has a regular program district cost per pupil exceeding 110 percent of the regular program state cost per pupil. Income surtaxes are authorized to fund the educational improvement program in combination with the property tax levy. This program will remain in place until the board acts to remove it or a referendum is held to remove it. A majority vote of the electorate is required to approve participation in the program. No school districts can currently add this program as of budget year 2008 due to the requirement that the district cost per pupil be 10 percent higher than the state cost per pupil—a situation not occurring for school districts.⁵⁸

IV. At-Risk and Dropout Programs

The spending authorization for programs for at-risk students, for alternative programs and schools, or for returning dropouts and dropout prevention programs is funded on the basis of one-fourth or more from the district cost of the school district and up to three-fourths through establishment of a modified supplemental amount by the SBRC.⁵⁹

V. Management Levy

The management levy is a levy deposited in the district management levy fund to pay costs incurred for unemployment, early retirement, liability, health and medical insurance coverage, self-insurance, and tort judgments against the district.⁶⁰ In 2015, the costs of mediation and arbitration were added to the list of permissible expenditures for the management levy. The board of directors of a school district may certify this levy, which does not require approval of the electorate.

VI. Physical Plant and Equipment Levy

The physical plant and equipment property tax levy has a maximum limit of \$1.67 per \$1,000 of assessed valuation. This amount is allocated on a 33 cents per \$1,000 of assessed valuation basis with board approval, and with voter approval required for the remaining portion.⁶¹

Revenue from the physical plant and equipment levy shall be expended only for the purchase and improvement of grounds; the construction, repair, remodel, reconstruction, improvement, or expansion of schoolhouses or buildings and opening roads to schoolhouses or buildings; the purchase, lease, or lease-purchase of equipment or technology exceeding \$500 in value per purchase, lease, or lease-purchase transaction; the payment of debts contracted for the erection or construction of schoolhouses or buildings, not including interest on bonds; procuring or acquisition of library facilities; expenditures for energy conservation, the rental of facilities while jointly exercising governmental powers under Iowa Code chapter 28E; the purchase or repair of certain transportation equipment; the purchase of buildings or lease-purchase option agreements for school buildings; equipment purchases for recreational purposes; certain tax increment financing payments under Iowa's urban renewal law; and specified demolition,

⁵⁸ Iowa Code §257.29; see also Iowa Code §257.10(2).

⁵⁹ Iowa Code §257.41.

⁶⁰ Iowa Code §298.4.

⁶¹ Iowa Code §298.2.



cleanup, and other costs necessitated by a disaster. Revenue from the regular and voter-approved physical plant and equipment levies may not be expended by the school district for district employee salaries or travel expenses, supplies, printing costs or media services, or for any other purposes not expressly authorized in Iowa Code section 298.3.

VII. Public Education and Recreational (Playground) Levy

The board of directors may authorize, or eligible electors in the district may petition for, a property tax levy of up to 13.5 cents per \$1,000 of assessed valuation to be directed toward the purchase of playgrounds and recreational facilities on public school property within the district and for the costs of community education. Voter approval is required. Once enacted the levy remains in place until rescinded by either the board or the voters.⁶²

VIII. Cash Reserve Levy

School districts may levy property taxes to hold in reserve for cash flow purposes. As opposed to the other levies, this does not have the effect of increasing spending authority.⁶³ The cash reserve can be used if state foundation aid is reduced—such as for across-the-board cuts.⁶⁴ The size of the cash reserve levy is limited, and a school district may be required by the SBRC to further limit the levy if the district's unexpended fund balance is excessive.⁶⁵

IX. Emergency Fund — Levy

A school corporation may levy a tax for an emergency fund at a rate not to exceed 27 cents per \$1,000 of assessed value of taxable property of the school corporation. A school corporation may transfer money from the emergency fund to any other school fund in order to meet deficiencies, but must first receive approval from the state appeal board and, in some circumstances, from the SBRC.⁶⁶

X. Bonds

Bonds for debt service retirement may be issued by a school board with the approval of 60 percent of the electorate.⁶⁷ The 60 percent requirement to approve a bond issue exceeds the simple majority required for voter-approved finance programs such as the instructional support program and the physical plant and equipment levy.

XI. State Sales and Use Tax for School Infrastructure

Legislation enacted in 1998 established an additional source of school district revenue directed specifically toward school infrastructure needs and derived from sales tax rather than property tax or an income surtax. That legislation repealed the local option sales tax for school infrastructure and replaced the funding with a 1.0 percentage point state sales and use tax increase beginning in fiscal year 2009.⁶⁸ For a period of time, school districts received funding for school infrastructure purposes as though the local option sales tax funding were still in place. However, by fiscal year 2015, each school district began receiving the same amount per pupil.

⁶² Iowa Code ch. 300.

⁶³ Iowa Code §298.10.

⁶⁴ Iowa Code §257.34.

⁶⁵ Iowa Code §298.10(2), (3).

⁶⁶ Iowa Code §24.6.

⁶⁷ Iowa Code §298.18.

⁶⁸ Iowa Code chs. 423E and 423F; 2008 Iowa Acts, ch. 1134.



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Prior to the distribution of the per-pupil amounts to the school districts, specified amounts are allocated and transferred for designated purposes. The funds designated for property tax relief are transferred to the Property Tax Equity and Relief (PTER) Fund and used to reduce additional property tax levy rates for the eligible districts.⁶⁹ The PTER funds will first be used to supplement the property tax adjustment aid appropriation of \$24 million in Iowa Code section 257.15. These funds are used to lower the adjusted property tax rate to the statewide average providing property tax relief to all school districts that have an additional levy rate above the statewide average.⁷⁰ If there are PTER funds remaining after this first requirement, the remaining funds will be used to increase the regular program foundation level, providing property tax relief for all school districts.⁷¹ For each fiscal year beginning with the 2019-2020 fiscal year, a portion of the sales and use tax revenue is designated for deposit into the Career Academy Fund, the amounts determined in part due to State General Fund revenue growth, but not to exceed \$5 million annually.⁷² Beginning in fiscal year 2020-2021, a portion of the sales and use tax revenue is designated for deposit in the Foundation Base Supplement Fund to be distributed on a per pupil basis calculated using each school district's weight enrollment. Similar to the school district property tax replacement payments under Iowa Code section 257.16B, revenues distributed from the Foundation Base Supplement Fund replace amounts that would otherwise be funded through a different funding source.⁷³

The statewide school infrastructure funding program was originally set to be repealed on December 31, 2029, but was extended to January 1, 2051.

⁶⁹ Iowa Code §§423F.2(3), 257.16A.

⁷⁰ Iowa Code §257.15(4)(a).

⁷¹ Iowa Code §257.15(4)(b).

⁷² Iowa Code §§257.51, 423F.2(3)(b).

⁷³ Iowa Code §257.16D.



Appendix B — School Budget Review Committee

The SBRC is a six-member committee within the Department of Education and comprised of appointed members knowledgeable in Iowa school finance. One member, the director of the Department of Education, is an ex officio, nonvoting member. The functions of SBRC constitute a budgeting and tax oversight process through which school districts with unique or unusual circumstances can apply for assistance and be subject to fiscal review. The SBRC has a broad grant of authority, pursuant to Iowa Code section 257.31, to review and make recommendations concerning any matter potentially impacting school district accounting and budgeting aspects. The SBRC has general authority to review school districts' budgets and request school officials to appear before the SBRC or provide the SBRC with specific information.⁷⁴ Financial assistance to school districts may occur either in the form of a grant of supplemental aid out of funds appropriated to the Department of Education for use by the SBRC, or through the granting of modified supplemental amounts. Modified supplemental amounts in this context consist of authorizing the levy of additional property taxes, which constitutes an increase in district, rather than state, cost. Specific SBRC assistance to school districts may take several forms. Examples include:

I. Unique or Unusual Situations

School districts may receive SBRC supplemental aid or the granting of a modified supplemental amount if faced with but not limited to the following unique or unusual situations:⁷⁵

- Any unusual increase or decline in enrollment.
- Unusual natural disasters.
- Unusual initial staffing problems.
- The closing of a nonpublic school, wholly or in part, or the opening or closing of a pilot charter school.
- Substantial reduction in miscellaneous income due to circumstances beyond the control of the school district.
- Unusual necessity for additional funds to permit continuance of a course or program which provides substantial benefit to pupils.
- Unusual need for a new course or program which will provide substantial benefit to pupils, if the school district establishes the need and the amount of necessary increased cost.
- Unusual need of additional funds for special education or compensatory education programs.
- Year-round or substantially year-round attendance programs which apply toward graduation requirements, including but not limited to trimester or four-quarter programs. Enrollment in such programs must be adjusted to reflect equivalency to normal school year attendance.

⁷⁴ Iowa Code §257.31(3), (11).

⁷⁵ Iowa Code §257.31(5).



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- Unusual need to continue providing a program or other special assistance to non-English-speaking pupils after the expiration of the five-year period specified in Iowa Code section 280.4.
- Circumstances caused by unusual demographic characteristics.
- Any unique problems of school districts.
- Addition of one or more teacher librarians, one or more guidance counselors, or one or more school nurses.
- Unusual need for additional funds for the costs associated with providing competent private instruction pursuant to Iowa Code chapter 299A.

The SBRC is required to review a school district's unexpended fund balance prior to any decision regarding unusual finance circumstances.⁷⁶

II. Transportation Assistance

The SBRC is authorized to provide assistance to school districts incurring transportation costs substantially exceeding statewide average transportation costs. The SBRC may grant assistance to a school district if the district's average transportation costs per pupil exceed 150 percent of the state average transportation cost per pupil calculation.⁷⁷ State transportation aid is discussed in more detail in Appendix C.

III. Special Education Balances and Weighting

The SBRC determines the positive or negative balance of funds raised for special education instruction programs pursuant to the special education weighting plan established in Iowa Code section 256B.9, and is authorized to reallocate positive balances and provide assistance and authorize an increase in supplemental aid for negative balances.⁷⁸ The SBRC also reviews the recommendations of the Director of the Department of Education relating to the level of the special education weightings.⁷⁹

IV. Unexpended Cash Reserves

The SBRC is authorized to review the extent to which school districts levy for cash reserve under Iowa Code section 298.10, and has the power to reduce cash reserve levies and to authorize a school district to expend a reasonable and specific amount of its unexpended cash reserve for specified purposes.⁸⁰

⁷⁶ Iowa Code §257.31(5).

⁷⁷ Iowa Code §257.31(17).

⁷⁸ Iowa Code §257.31(14).

⁷⁹ Iowa Code §257.31(12).

⁸⁰ Iowa Code §257.31(7), (15).



Appendix C — Transportation Aid

The Transportation Equity Program in Iowa Code section 257.16C provides additional funding for school districts with a transportation cost per pupil that exceeds the statewide adjusted transportation cost per pupil. Each year, available moneys within the Transportation Equity Fund are used to provide transportation equity aid for those school districts with the highest transportation cost per pupil. However, if the balance of the fund exceeds the amount necessary to make all transportation equity aid payments (buying down all school districts to the statewide average transportation cost per pupil), moneys remaining in the fund are required to be used for transportation base funding payments. Transportation base funding payments for each school district in the state are calculated by multiplying the school district's enrollment used to calculate transportation equity aid by the lesser of the statewide average transportation cost per pupil or the school district's transportation cost per pupil for the budget year. Transportation equity aid payments and transportation base funding payments received under this Iowa Code section are miscellaneous income.

For the fiscal year 2019-2020, \$19 million was appropriated to the fund from the General Fund of the State. For each fiscal year beginning with fiscal year 2020-2021, the annual appropriation is equal to the sum of the amount appropriated for the immediately preceding fiscal year plus the product of the amount appropriated for the immediately preceding fiscal year multiplied by the categorical percent of growth for the budget year.



Appendix D — Open Enrollment and Postsecondary Enrollment Options

As discussed previously, the determination of a school district's enrollment is fundamental to the operation of the school finance formula. Two specialized forms of enrollment which frequently generate some confusion concern open enrollment and postsecondary enrollment options.

I. Open Enrollment

Open enrollment refers to a situation in which a pupil residing in one school district receives permission to attend a school located in another school district on a full-time basis. Iowa Code section 282.18(1)(a) sets forth the following rationale for permitting open enrollment:

It is the goal of the general assembly to permit a wide range of educational choices for children enrolled in schools in this state and to maximize ability to use those choices. It is therefore the intent that this section be construed broadly to maximize parental choice and access to educational opportunities which are not available to children because of where they live.

An application for open enrollment must be submitted by a parent or guardian to the school district of residence and the receiving school district by March 1 of the year preceding the school year for which open enrollment is sought, for students entering grades 1 through 12, or by September 1 of the current school year for students entering kindergarten, unless specified procedures for accepting applications after March 1 are met.⁸¹ The board of the receiving district shall enroll the pupil in a school in the receiving district for the following school year unless the receiving district has insufficient classroom space for the pupil. If the request is granted, the board shall transmit a copy of the form to the parent or guardian and the school district of residence within five days after board action, but not later than June 1 of the preceding school year. A denial of a request by the board of a receiving district is not subject to appeal. The board of directors of a school district subject to voluntary diversity or court-ordered desegregation must develop a policy for implementation of open enrollment that contains objective criteria for determining when a request would adversely impact the desegregation order or voluntary diversity plan and include criteria for prioritizing requests that have no adverse impact.⁸²

State funding for open enrollment flows from the sending to the receiving district. A pupil participating in open enrollment is counted for enrollment purposes in the pupil's district of residence (the sending district). The sending district then remits to the receiving district the state cost per pupil, plus specified teacher leadership supplement amounts and additional amounts, such as supplementary weighting for limited English proficient students, for the preceding school year for the pupil participating in open enrollment.⁸³ Payments are made on a quarterly basis. If the pupil requires special education pursuant to Iowa Code chapter 256B, a request for open enrollment will be granted only if the receiving district maintains a special education instructional program which is appropriate

⁸¹ Iowa Code §282.18(2), (4).

⁸² Iowa Code §282.18(3).

⁸³ Iowa Code §282.18(7).



to meet the pupil's educational needs, and the enrollment of the pupil in the receiving district's program will not cause the size of the special education instructional program to exceed maximum special education class size rules. Funding for a pupil requiring special education is remitted by the sending district to the receiving district in an amount corresponding to the actual costs incurred in providing special education instruction for the pupil.⁸⁴

II. Postsecondary Enrollment Options

A second form of enrollment intended to facilitate expanded educational access for high school pupils concerns postsecondary enrollment options. Ninth and tenth grade pupils who have been identified as gifted and talented, and eleventh and twelfth grade pupils whether or not so identified, may apply to an eligible postsecondary institution to enroll for academic or vocational-technical credit in a nonsectarian course offered at that institution. An application for postsecondary enrollment is conditioned on the unavailability of a comparable course in the pupil's school district or accredited nonpublic school.⁸⁵ An "eligible postsecondary institution" refers to an institution of higher learning under the control of the State Board of Regents, a community college established under Iowa Code chapter 260C, or an "accredited private institution" as defined in Iowa Code section 261.9.⁸⁶

In contrast to open enrollment, a pupil receiving credit pursuant to a postsecondary enrollment option remains enrolled in the pupil's school district of residence and participates in coursework outside of the pupil's school district of residence for less than the full school day. High school academic or vocational-technical credit is given upon successful completion of the coursework, in an amount determined by the school district, accredited nonpublic school, or by the State Board of Regents for pupils of the School for the Deaf and the Iowa Braille and Sight Saving School.⁸⁷

Funding for postsecondary enrollment options flows from the sending district to the postsecondary institution in an amount corresponding to the lesser of either the actual and customary costs of tuition, textbooks, materials, and fees directly related to the course taken, or the sum of \$250. Tuition reimbursement must be paid to the postsecondary institution no later than June 30 of each year. A school district receives no additional state funding attributable to pupils participating in postsecondary enrollment. Additionally, if the cost of the coursework exceeds \$250, provision is not made for a supplemental funding source, potentially rendering the pupil responsible for the additional funds incurred. If the pupil participating in postsecondary enrollment was open enrolled, the reimbursement amount is paid by the receiving district.⁸⁸

⁸⁴ Iowa Code §282.18(8).

⁸⁵ Iowa Code §261E.6(3).

⁸⁶ Iowa Code §261E.2(4).

⁸⁷ Iowa Code §261E.6(4).

⁸⁸ Iowa Code §261E.7.



BASIC IOWA EDUCATION FINANCE

Appendix E — School Finance Formula Review Committee

I. 2005 Recommendations

In compliance with Iowa Code section 257.1(4), which requires that a legislative interim study committee status report be prepared at five-year intervals, the School Finance Formula Review Committee conducted three meetings during the latter part of 2004. The committee unanimously approved the following recommendations:⁸⁹

- Increase the foundation level to 100 percent over the next seven years — consider tax increment financing (TIF) reform and adjusting the uniform levy.
- Phase out seldom used levies, or require voter approval of them every 10 years.
- Require the Department of Management to facilitate a dialogue to resolve TIF issues.
- Provide state funding of up to 50 percent of district costs that exceed the statewide transportation average.
- Remove barriers to partnerships between secondary and postsecondary institutions to increase opportunities for students (including barriers for usage of the Iowa Communications Network), and require school districts to publicize the Postsecondary Enrollment Options Act (Iowa Code chapter 261C).⁹⁰
- Increase the state aid amount paid under the instructional support program over multiple years, eventually building the amount into the school aid formula.

II. 2010 Recommendations

Again in compliance with Iowa Code section 257.1(4), the School Finance Formula Review Committee conducted a meeting in 2009. The committee unanimously approved the following recommendations:⁹¹

- Conduct an in-depth study regarding the effectiveness of the school finance formula, including all forms of supplementary weighting.
- Recognize that until the state's economic condition improves, Iowa may not be in a position to make any significant changes or improvements to the education finance formula.
- Exercise caution in formulating recommendations without sufficient information underlying them.
- Evaluate the merit of continuing to provide supplementary weighting for a three-year period during which school districts merely consider the possibility of consolidating or merging.
- Take every opportunity for collaboration and maximizing utilization of existing resources, including consortiums and regional academies.
- Recommend that the next school finance interim committee review various financing options for school transportation needs.

⁸⁹ School Finance Formula Review Committee, Final Report, www.legis.iowa.gov/docs/publications/IP/21672.pdf.

⁹⁰ Iowa Code chapter 261C was repealed by 2008 Iowa Acts, ch. 1181, section 65. See Iowa Code §§261.6, 261E.7. Iowa Code §261.6 was repealed in 2017. 2017 Acts, ch. 172, §43.

⁹¹ School Finance Formula Review Committee, Final Report, www.legis.iowa.gov/docs/publications/IP/12180.pdf.



III. 2015 Recommendations

The School Finance Formula Review Committee again met in 2014. The committee unanimously approved the following recommendations:⁹²

- In order to facilitate additional review by the committee, those individuals and stakeholders who submitted funding options or recommendations to the committee during the committee's meeting related to any of the following were requested to provide the committee with additional information and analysis, including cost estimates, prior to the beginning of the 2015 Legislative Session:
- Funding of school district transportation costs.
- Funding of half-day kindergarten programs.
- Adherence to the statutory requirements for establishing the state percent of growth used for calculating supplemental state aid.
- Increasing school district flexibility for the use of funds received through categorical funding supplements.
- Increasing equity in funding for school districts with low property tax valuations
- Pursuant to the interim committee scheduling guidelines adopted by the Legislative Council, the committee recommended that co-chairpersons submit a request to legislative leadership to hold one additional committee meeting on or before January 23, 2015. An additional meeting was not held.

⁹² School Finance Formula Review Committee, Final Report, www.legis.iowa.gov/docs/publications/IP/615739.pdf.