



School Formula Finance Review Committee — School Finance Formula Overview

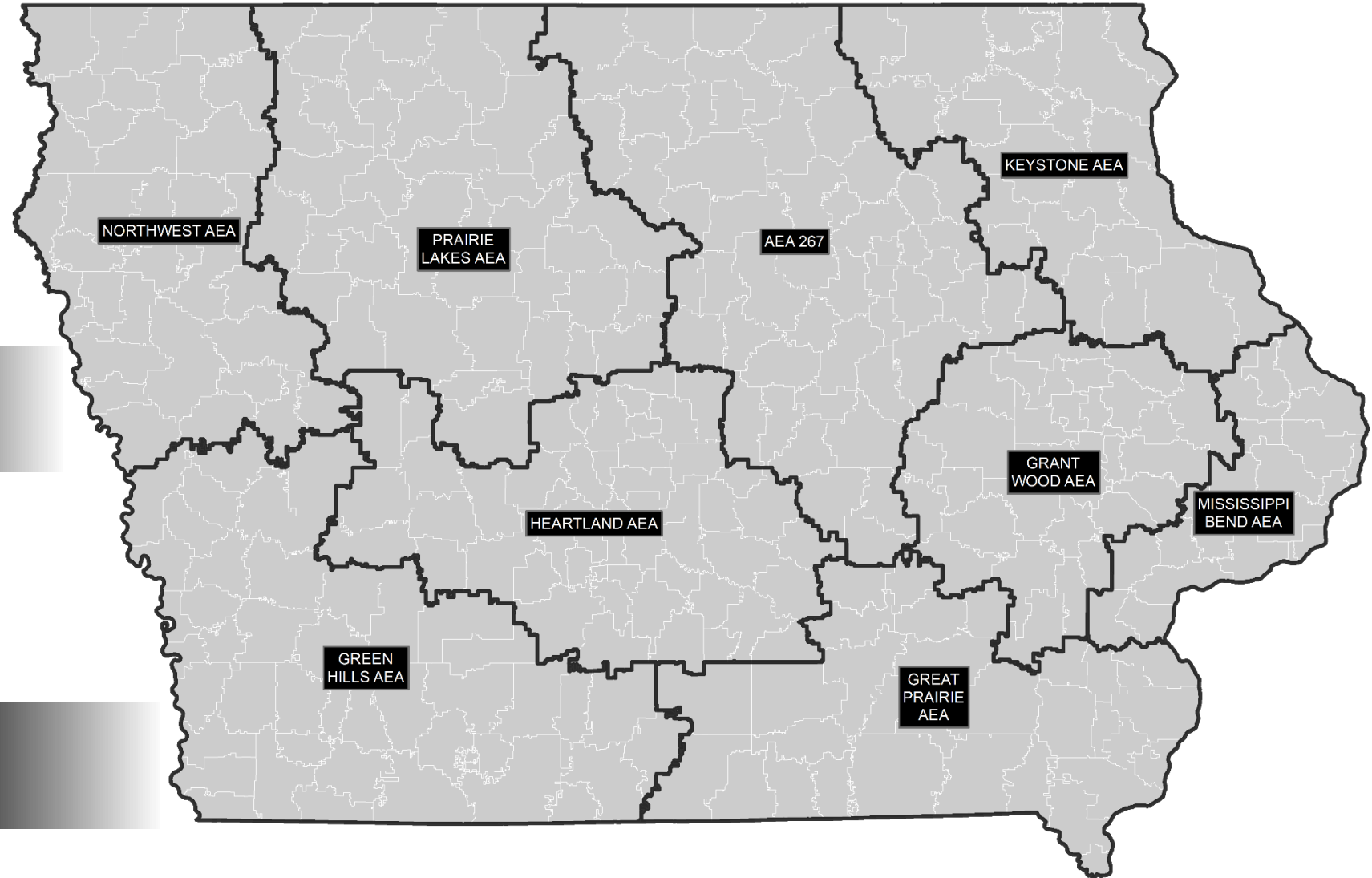
Legislative Services Agency | December 2019

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FY 2020
Budget Enrollment:
487,652

327 school districts

Serviced by 9 Area
Education Agencies
(AEAs)



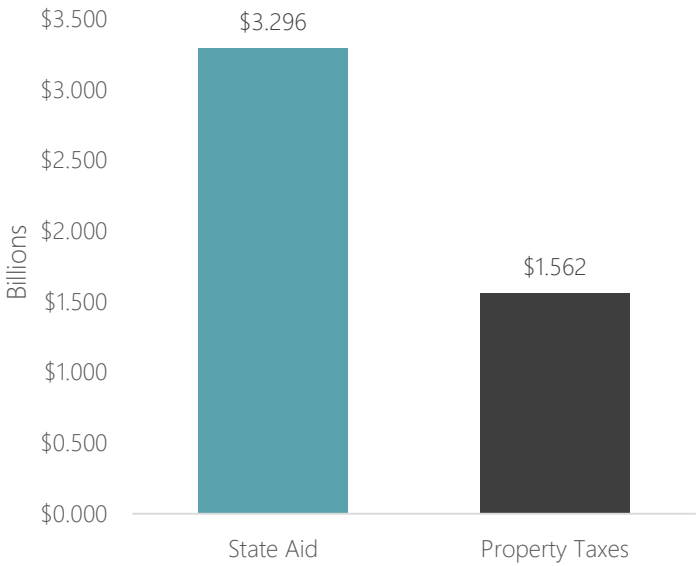


Funded by a combination of:

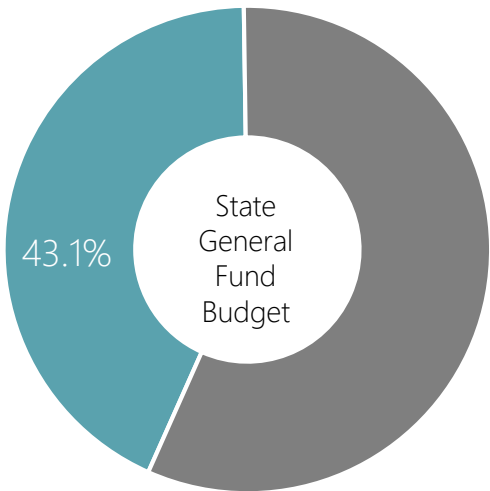
- State Aid
- Property Taxes
- Income Surtax
- SAVE (penny sales tax)
- Federal Funds
- Miscellaneous Income



\$3.296 billion in State School aid



State School Aid is a significant portion of State appropriations.



The school finance formula has not changed fundamentally since the early 1970s.

Prior to the 1970s, school districts were funded primarily through property taxes.

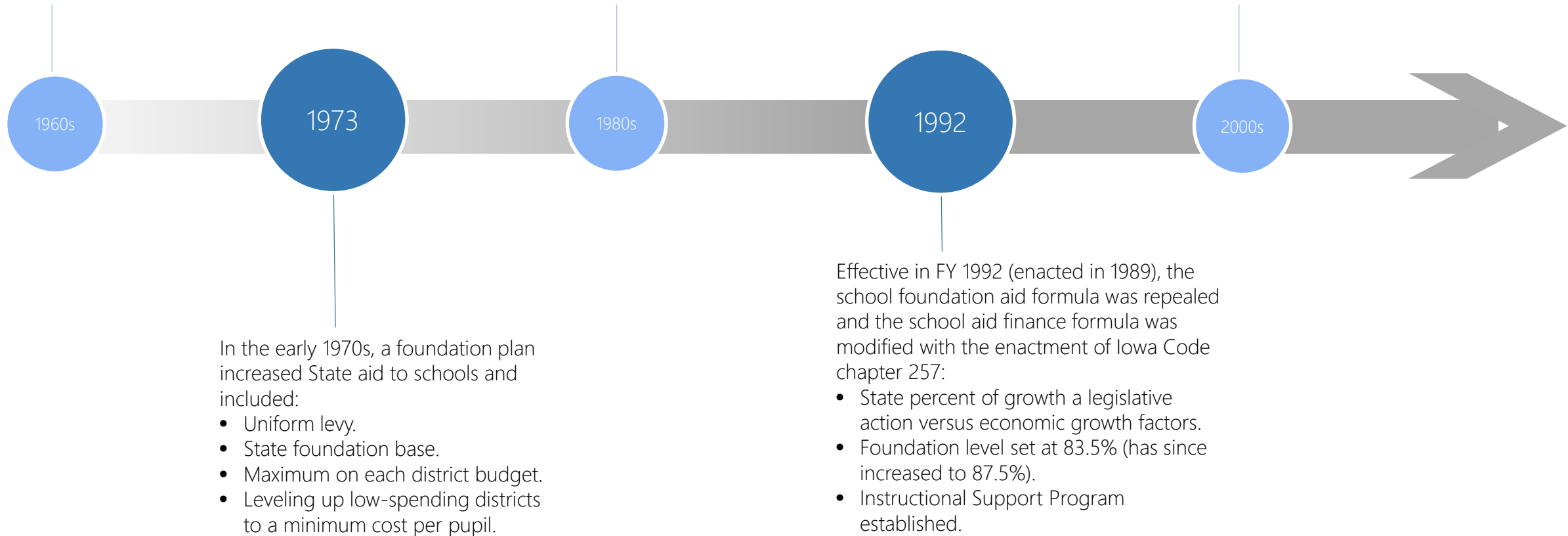
During the 1960s, some legislation equalized the method of property taxation for school purposes.

Fine tuning of school finance included:

- Revisions in how the allowable growth was calculated.
- Budget guarantees for districts.
- Change in AEA special education funding from budget-based to per pupil.

Fine tuning of school finance included:

- Statutory and legislative reductions to the AEAs.
- Sales tax for school infrastructure. changed from local to State.
- Categorical aid converted to per pupil funding.
- Additional property tax relief provided.



CHAPTER 257

FINANCING SCHOOL PROGRAMS

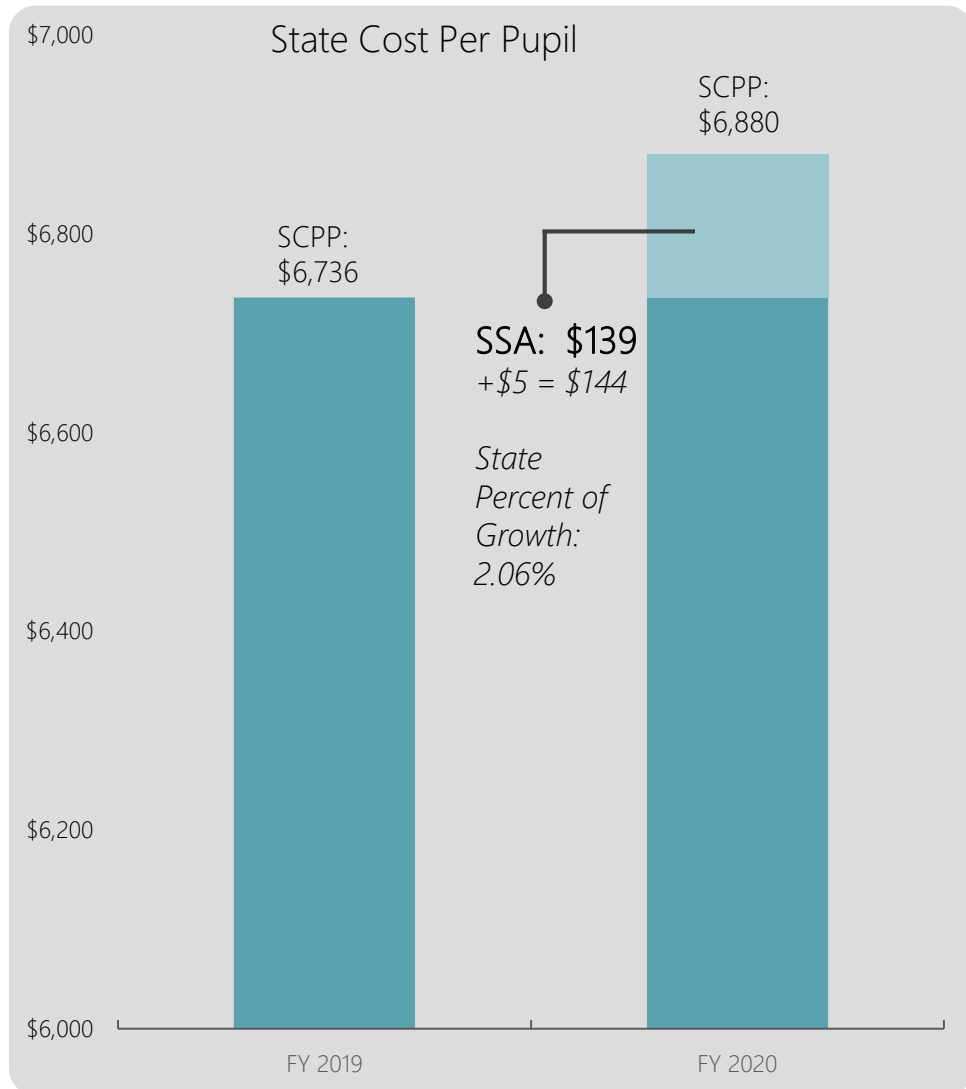
in §256B.2, 256B.9, 256C.4, 256C.5, 256F.4, 260C.18B, 273.3, 273.9, 273.23, 274.3, 282.3, 284.11, 284.13, 284.15, 298.1, 301.1, 331.512, 463B.2, 465A.4

State school foundation program	257.27	Continuation of instructional support program.
— state aid	257.28	Attachment levy.
Definitions.	257.29	Educational improvement program.
Foundation property tax.	257.29	Program.
Additional aid.	257.30	School budget review committee.
Continuation of supplemental aid.	257.30	Duties of the committee.
Enrollment.	257.31	Area education budget review.
Authorized expenditures.	257.32	Prior enrichment approval.
State percent of growth — supplemental state aid.	257.33	Cash reserve information.
State cost per pupil.	257.34	Area education agency plan.
District cost per pupil — district cost.	257.35	Special education support services balances.
Supplementary weighting plan.	257.36	Funding media and educational services.
Supplementary weighting and school reorganization.	257.37	Area education agency supplemental funding.
Adjustment in state foundation aid.	257.37A	Funding for at-risk, alternative school, and returning and dropout prevention programs — plan.
On-time funding budget adjustment.	257.38	Definitions — returning and potential dropouts.
Budget adjustment.	257.39	Approval of requests for supplemental amounts for adopted program plans.
Property tax adjustment.	257.39	Funding for programs for returning dropouts and dropout prevention.
Appropriations.	257.40	Gifted and talented children.
Property tax equity and relief fund.	257.41	Program plans.
School district property tax replacement payments.	257.42	Gifted and talented children defined.
Transportation equity program — fund.	257.43	Submission of program plans.
Aid reduction for early school starts.	257.44	Funding.
Instructional support program.	257.45	Cooperation by area educational agencies.
Instructional support funding.	257.46	Advisory council.
Instructional support state aid appropriation.	257.47	
Computation of instructional support amount.	257.48	
Statutes applicable.		
Form and time of return.		

School aid formula goals are defined in Iowa Code section 257.31

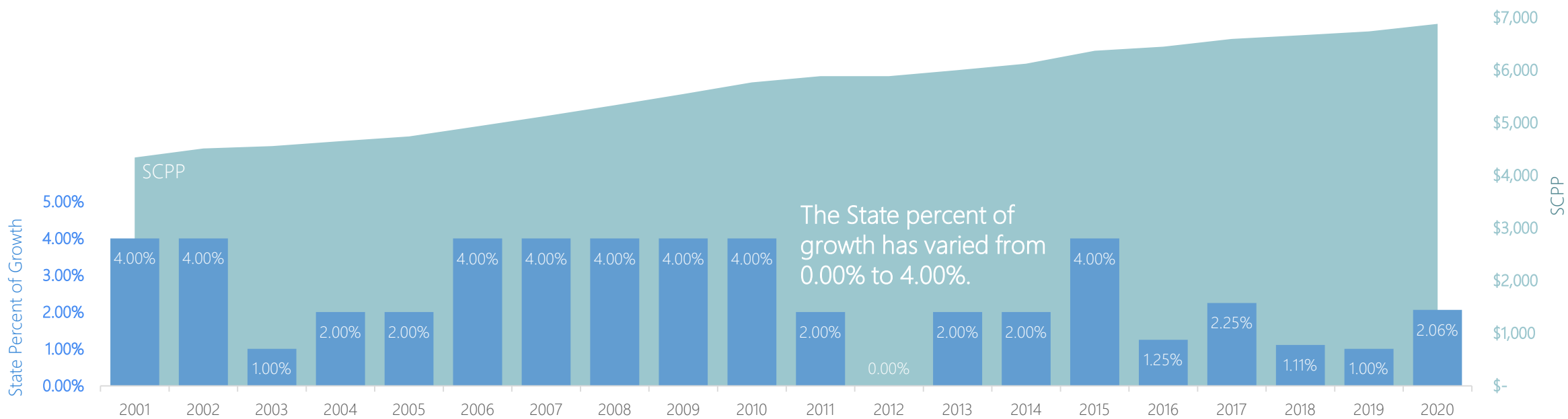
- Equalize educational opportunity.
- Provide good education for all Iowa children.
- Provide property tax relief.
- Decrease percentage of school costs paid from property taxes.
- Provide reasonable control of school costs.

Iowa Code ch. 257 also defines how the goals are to be accomplished.



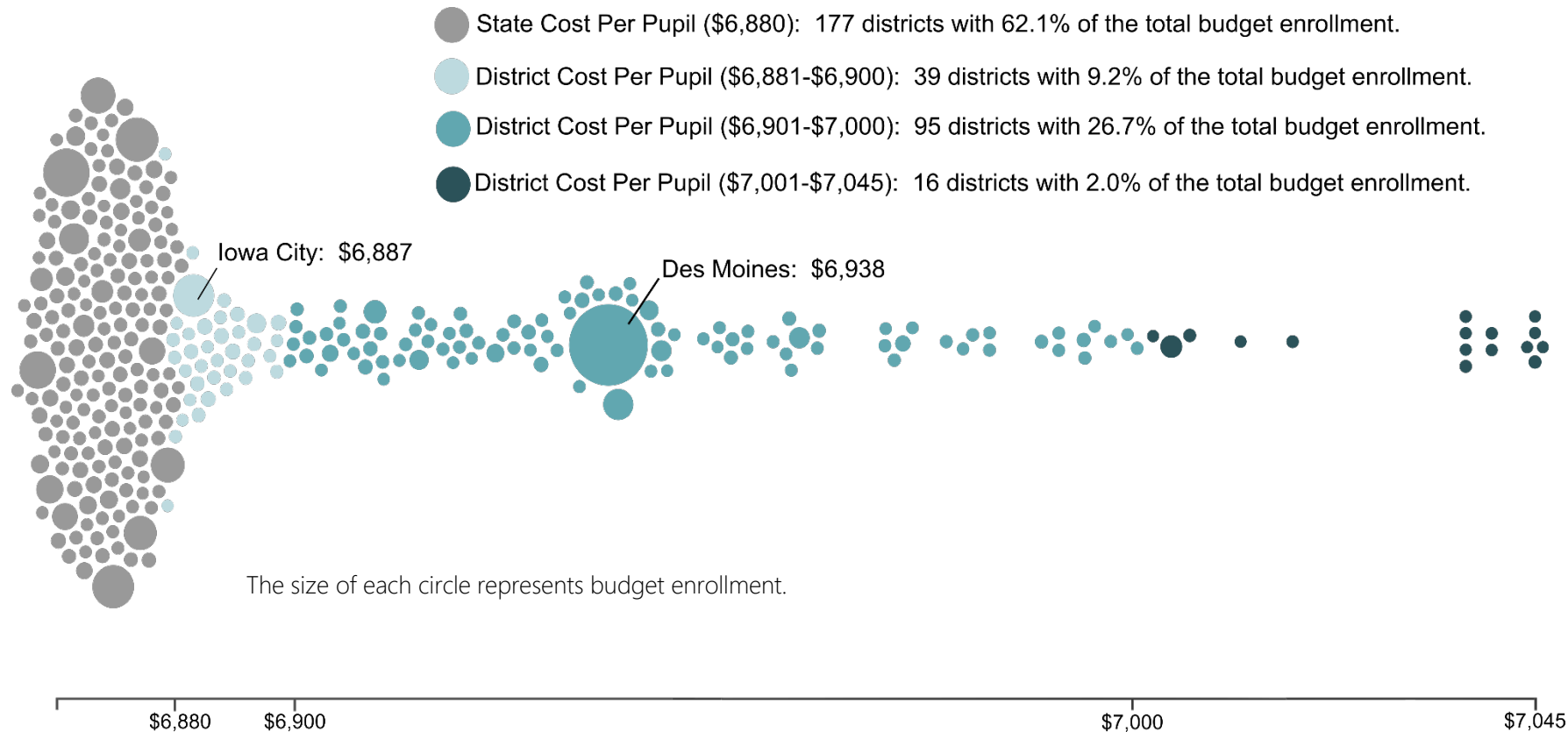
- The minimum spending limit per pupil for each school district is called the State Cost per Pupil (SCPP).
- The Governor recommends and the Iowa Legislature may establish a new SCPP for the next fiscal year.
- The amount of growth is called the State Supplemental Aid (SSA).
- The rate of growth is called the State percent of growth.
- For FY 2020, the General Assembly raised the SCPP by an *additional \$5 per student separate from the SSA*.

From FY 2001 to FY 2020, the SCPP increased from \$4,338 to \$6,880.

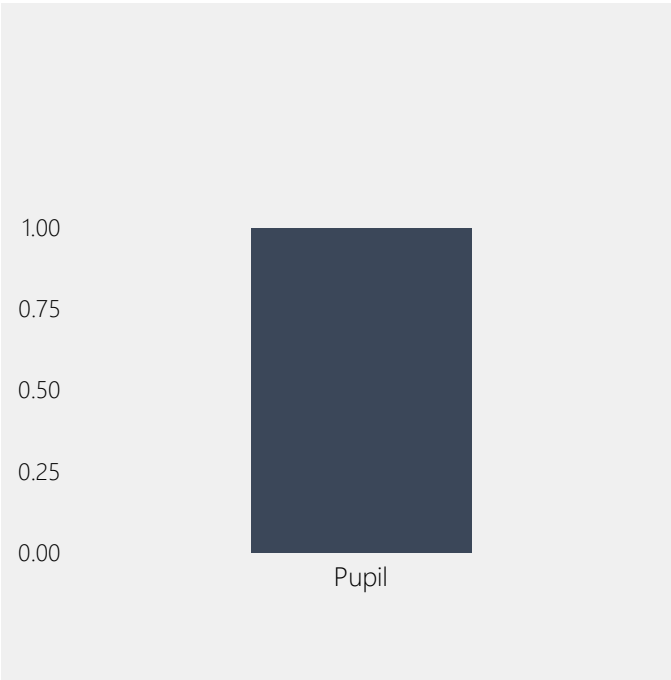


The formula calculates the SCPP because...

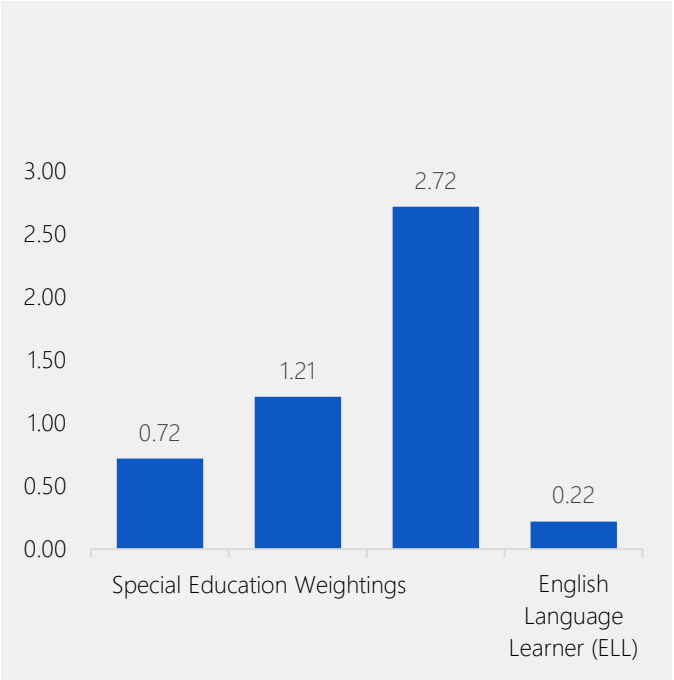
- A school district's funding is primarily calculated by pupil count and the district's cost per pupil (DCPP) which increases each year by the SSA per pupil amount.
- Fewer than half the school districts in Iowa have a DCPP higher than the SCPP.
- The difference is a relic of the origination of the school aid formula from the 1970s.



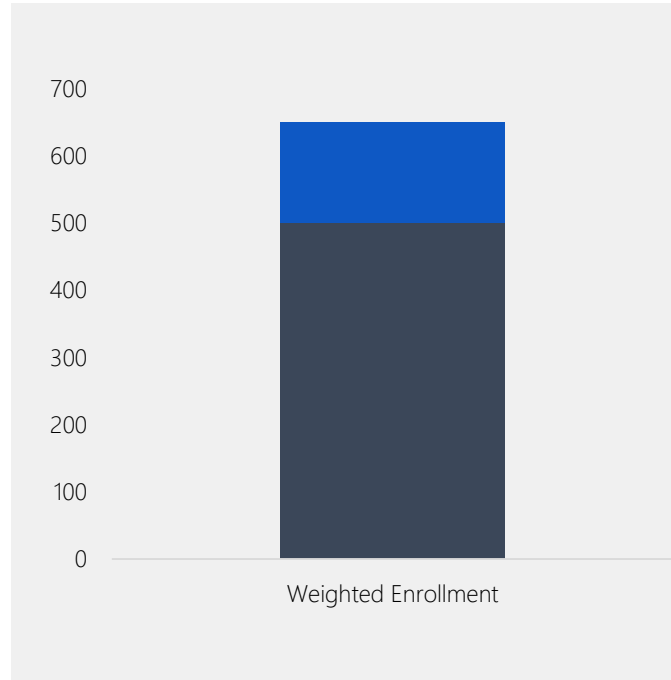
Additional factors may add to a district's pupil count (weighted enrollment)



Each certified enrolled pupil is worth 1.00.



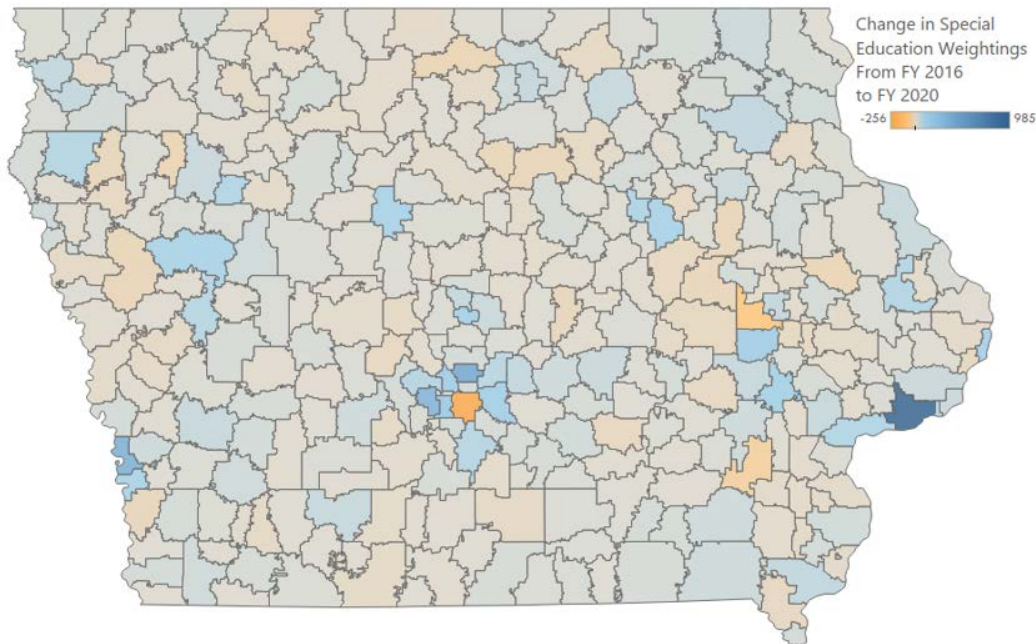
Besides special education and ELL, there are additional weightings for sharing, at-risk enrollment, and reorganization incentives.



A district's base enrollment plus additional pupil weightings equals a district's weighted enrollment.

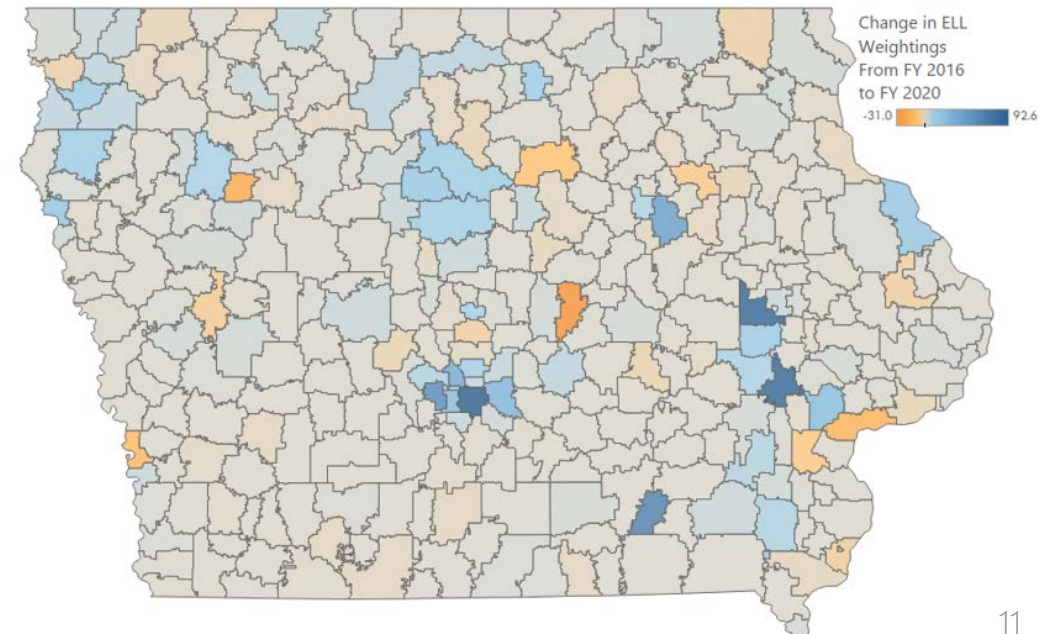
Special Education Weightings

- Since FY 2016, statewide combined special education weightings have increased by 5,084 (8.3%):
 - Level 1: 1,239 (5.1%).
 - Level 2: 261 (1.5%).
 - Level 3: 3,584 (18.0%).
- Every two years, the School Budget Review Committee (SBRC) may adjust each level of weighting by up to 0.2.
- Weightings were last adjusted in FY 2003.
- School districts may request a modified supplemental amount (MSA) from the SBRC to cover any deficits.



ELL Weightings

- Since FY 2016, statewide ELL weightings have increased by 678 (16.6%).
- Students identified as being limited English proficient may be eligible for up to five years of weighting.
- Weightings were last adjusted in FY 2004.
- School districts may request an MSA from the SBRC for excess costs, or to continue funding a program for pupils after the expiration of the five-year period.



Other Supplementary Weightings

Sharing

- Supplemental weighting is provided for several types of sharing:
 - Concurrent enrollment.
 - 0.5 Arts and Science weighting.
 - 0.7 Career and Technical weighting.
 - Operational function sharing.
 - Up to a total of 21.0 weightings.
 - Staff and student sharing.
 - Regional academies.
 - ICN.
- Concurrent enrollment and operational function sharing make up 94.0% of the total sharing weightings.
- Since FY 2016:
 - Concurrent enrollment weightings have increased 509 (17.0%).
 - Operational function sharing weightings have increased 1,320 (56.4%).

At-Risk Formula

- Provides additional funding for school districts serving at-risk pupils and alternative school pupils.
- Formula-driven based on:
 - Percentage of pupils by district enrolled in grades 1-6 who are eligible for free and reduced price meals.
 - Budget enrollment of the school district.
- Last adjusted by the Department of Management in FY 2003 per Iowa Code after implementation.

Reorganization Incentives

- School districts that have a whole-grade sharing agreement and meet specific requirements may receive supplementary weighting equal to the whole-grade supplementary weighting amount received in the year prior to the reorganization.
- Districts can receive reorganization incentive supplementary weighting for up to three years.
- Total supplementary weightings can be varied by year depending on the number and size of districts reorganizing.
- The weightings have ranged from 414 in FY 2016 to 216 in FY 2020.

Basic school district funding calculated as follows:

$$\left(\begin{array}{c|c} \img alt="Icon of a stack of money" data-bbox="113 348 194 458"/> & \text{DCPP} \end{array} \right) \times \left(\begin{array}{c|c} \img alt="Icon of four people standing in a row" data-bbox="582 375 659 458"/> & \text{Weighted Enrollment} \end{array} \right)$$

= Regular Program District Cost

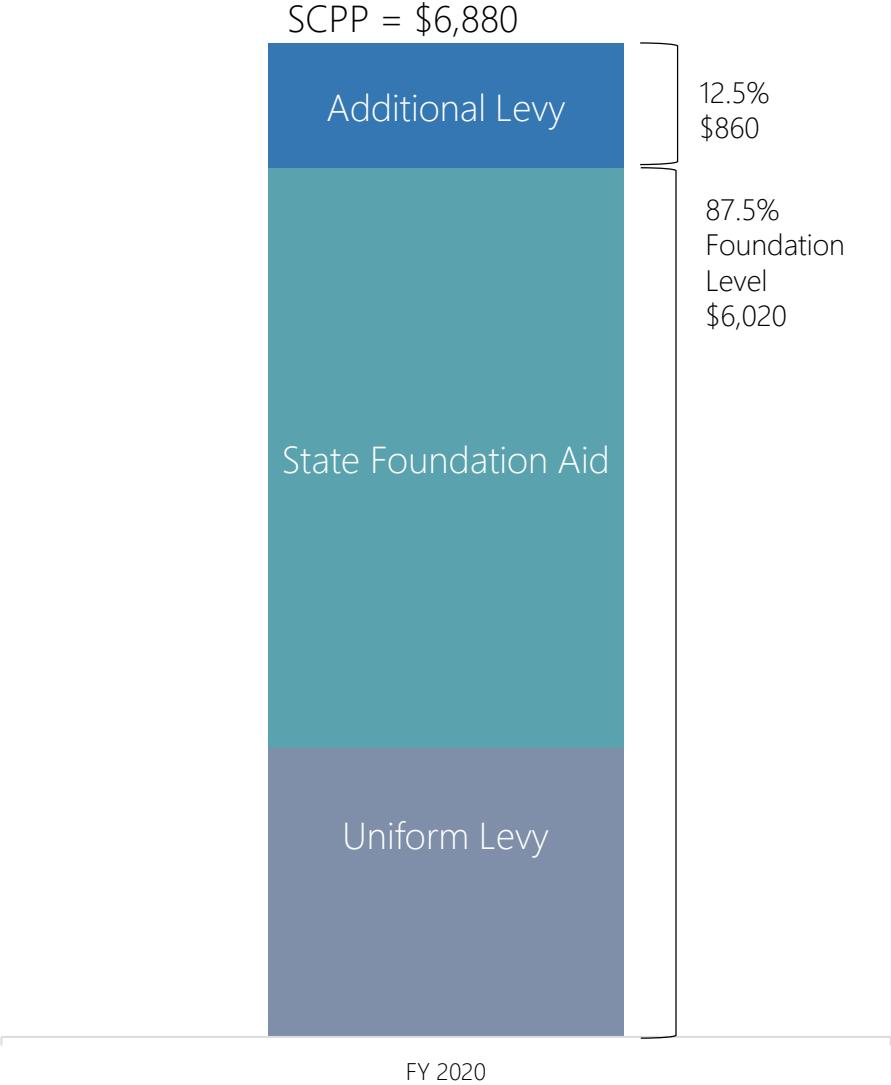
There is additional district funding for:

- **Categoricals** (*State aid*)
 - **Teacher Salary Supplement** — Provides funding for teacher salaries.
 - **Professional Development** — Targeted support for professional development.
 - **Early Intervention** — Targeted support for grades K-3. Since FY 2019, can be used for any district general fund purpose.
 - **Teacher Leadership** — Funding for Teacher Leadership and Teacher Quality Program.
- **AEAs** (*State aid and property taxes*)
 - Cannot levy on their own behalf.
 - Enrollment-based funding.
 - Funded by a combination of State aid and property taxes.
 - Iowa Code reduces AEA funding by \$7.5 million each year.
 - Legislative action has further reduced AEA funding for the last several years (an additional \$15.0 million in FY 2020).
- **Four-Year-Old Voluntary Statewide Preschool** (*State aid*)
 - Not counted in certified enrollment.
 - Not part of a district's combined district cost.
 - Each pupil is worth 0.5 of the SCPP.
- The Combined District cost includes Regular Program District Cost, categoricals, AEA funding, SBRC-approved MSA for dropout prevention, and any audit adjustments, but does not include preschool.

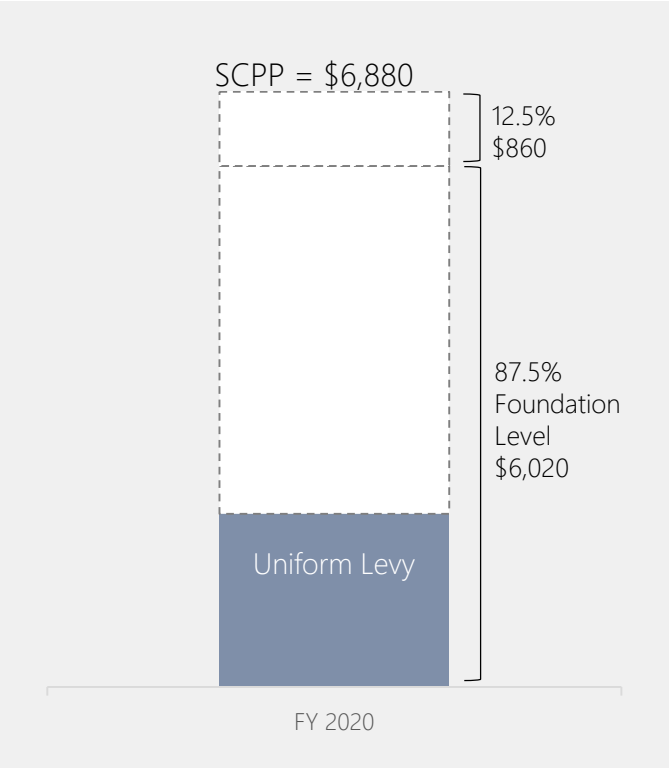
The Combined District Cost makes up part of a school district's total spending authority.

- Spending authority controls the maximum each district can spend out of its **general fund** per fiscal year.
- Spending from a district's general fund is controlled by how much spending authority a district has, not its cash on hand.
- Exceeding the maximum spending authority is a violation of the law.
- This helps provide funding equity across the State.
- Total spending authority may include:
 - State aid and property taxes.
 - Other MSAs (special education, ELL, on-time funding).
 - State grants (including Transportation Equity Funding).
 - Federal grants and the previous year's unspent authority carryforward.
 - Other miscellaneous income.

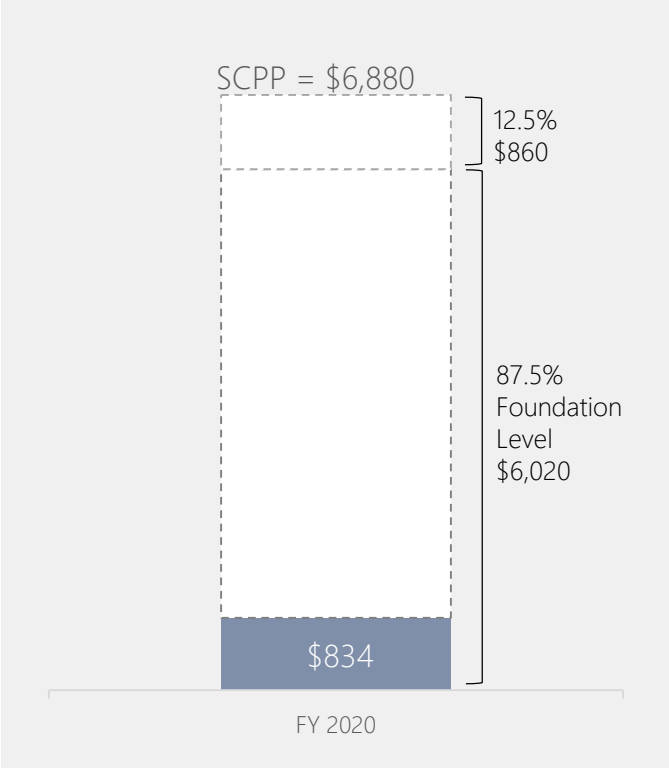
Components of School Budget Aid and Levy funding for a district's Regular Program costs



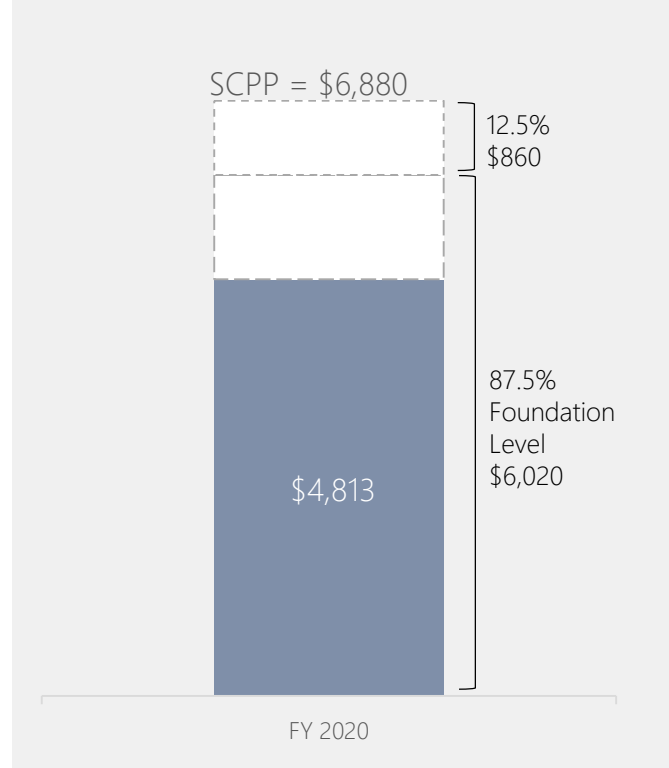
The uniform property tax levy is the first funding source for a school district.



The uniform tax rate is statewide across all taxable property.



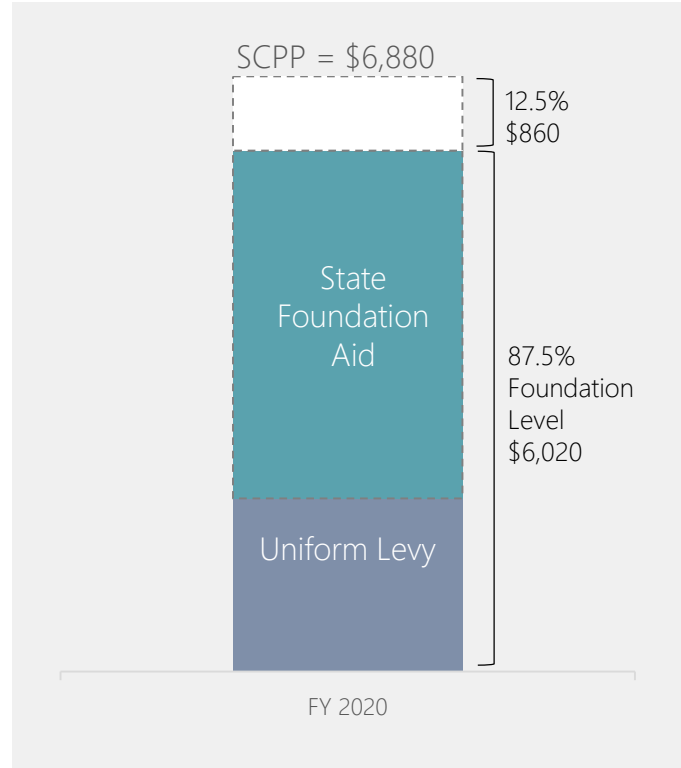
While the tax rate is uniform, the amount generated per pupil will vary by the taxable valuation per pupil in the district.



A property-rich district will generate more dollars through the uniform levy than a property-poor district.

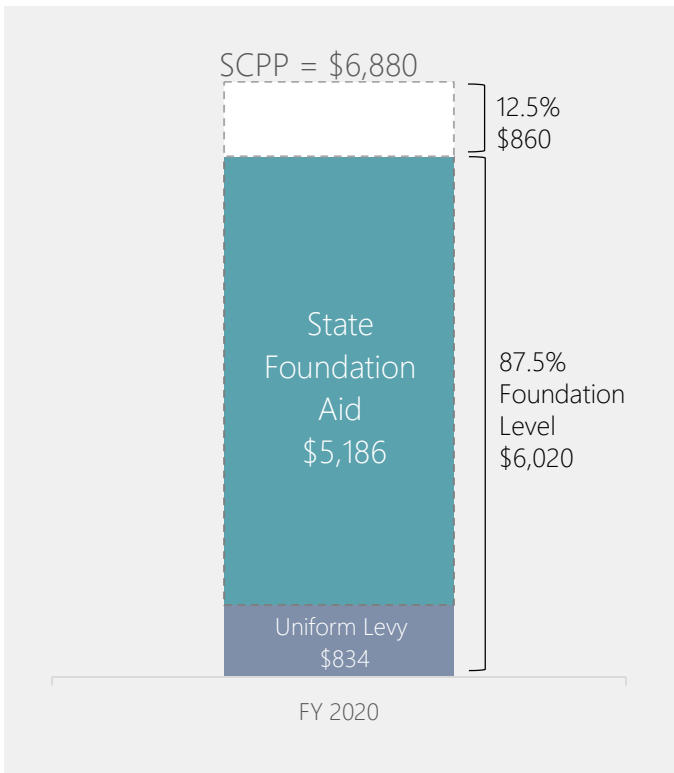
After the uniform levy, State foundation aid dollars backfill up to the foundation level (87.5%).

State Foundation Aid



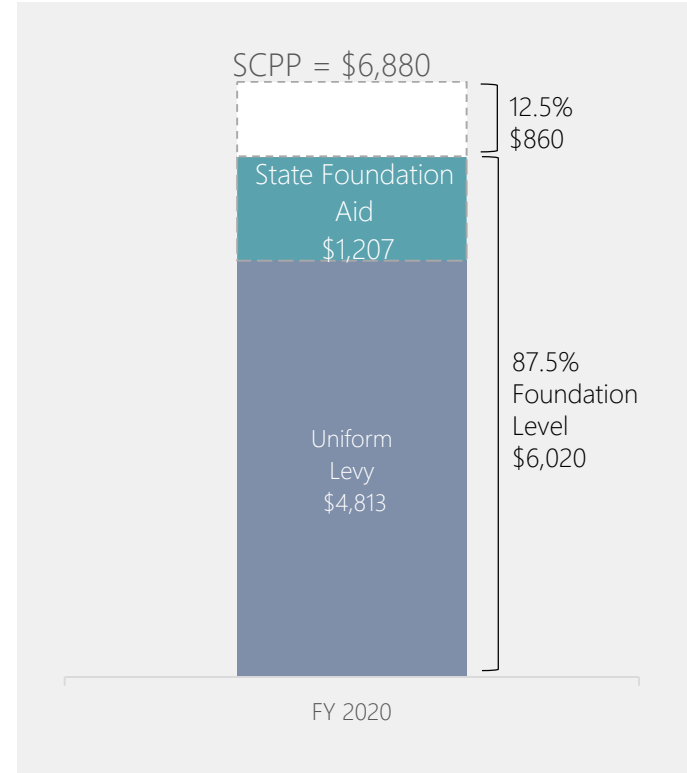
State foundation aid is not uniform across all districts.

Property-Poor District



The amount of State foundation aid a district receives will depend on the amount the uniform levy collected.

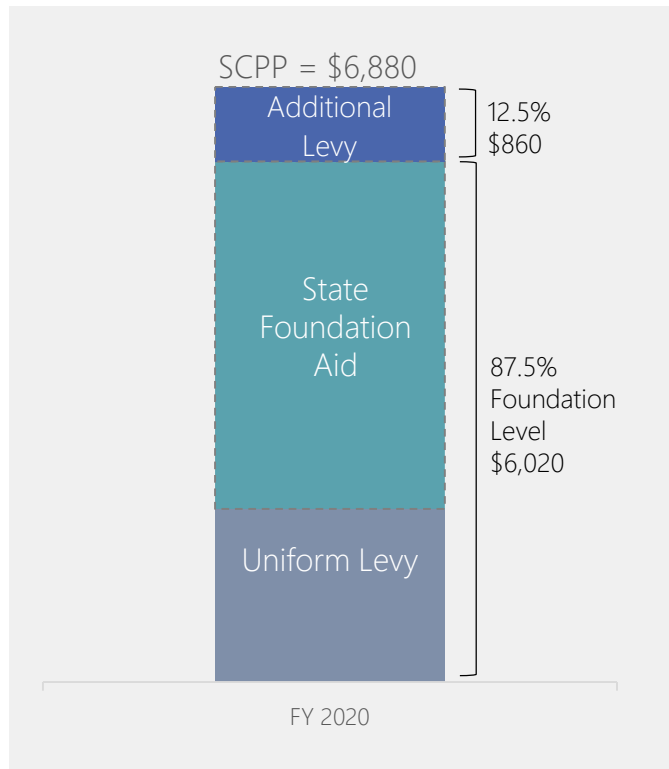
Property-Rich District



A property-rich district will require less State foundation aid than a property-poor district.

The additional levy funds the remainder of the authorized spending limit.

Additional Levy



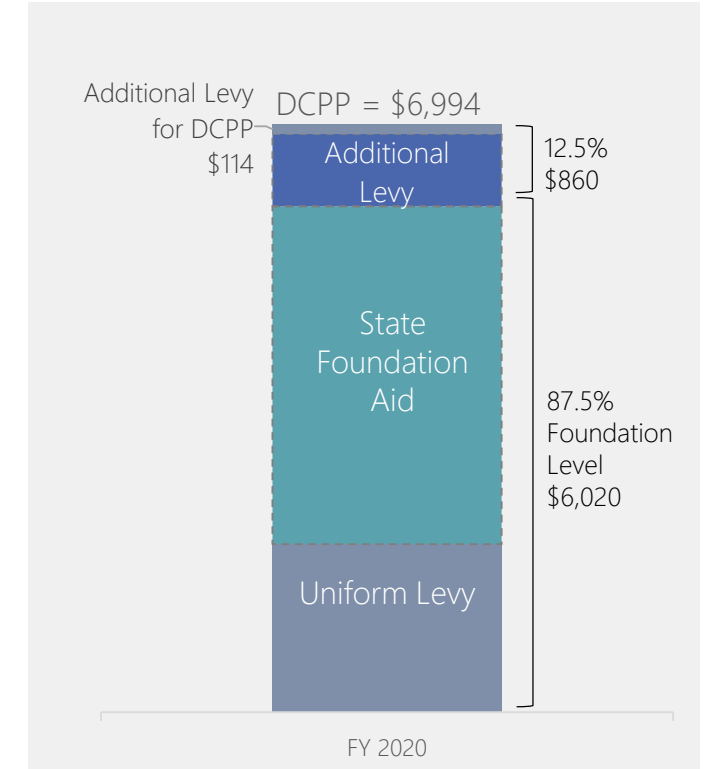
The additional levy rate is not uniform.

FY 2020 Additional Levy Rates



The rate of the additional levy may vary from district to district, depending on the value of the taxable valuation per pupil in the district and other factors.

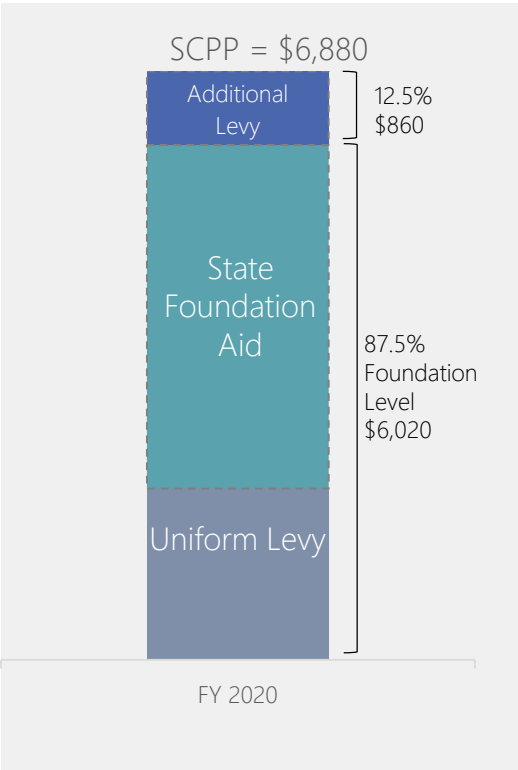
DCPP



If the district's DCPP is higher than the SCPP, the district will levy for the additional authorized spending authority.

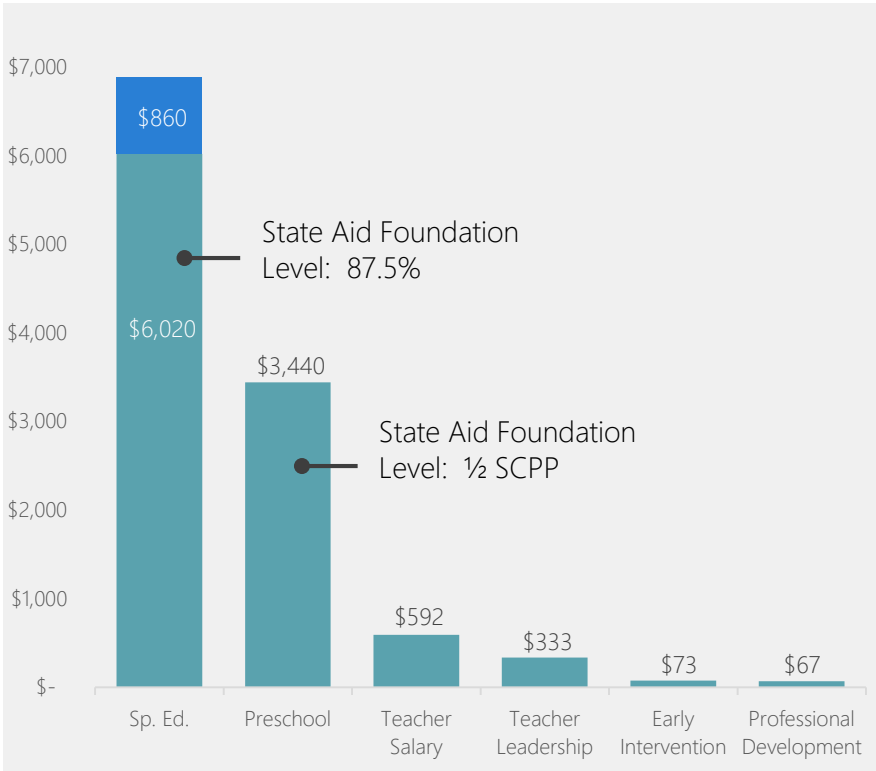
Other program costs are funded at different per pupil levels from the same sources.

Regular Program
Funding by
Source



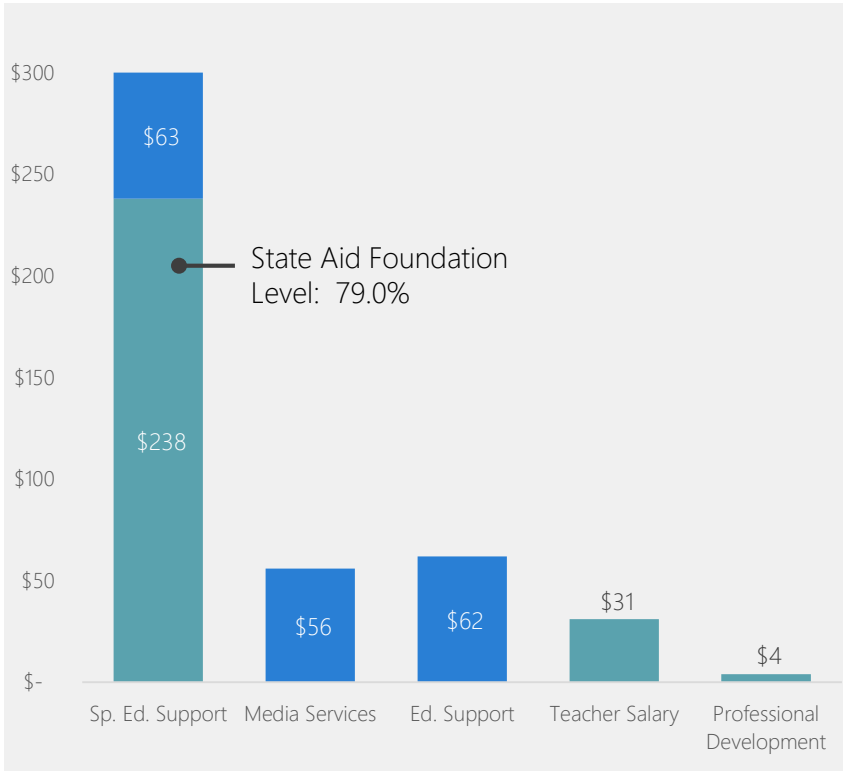
The three components apply to the regular program costs for a district.

Special Education, Preschool, and
Categorical Funding by Source



Special education is funded by a mix of State aid and additional levy, while preschool and categoricals are funded solely by State aid.

AEA Funding
by Source

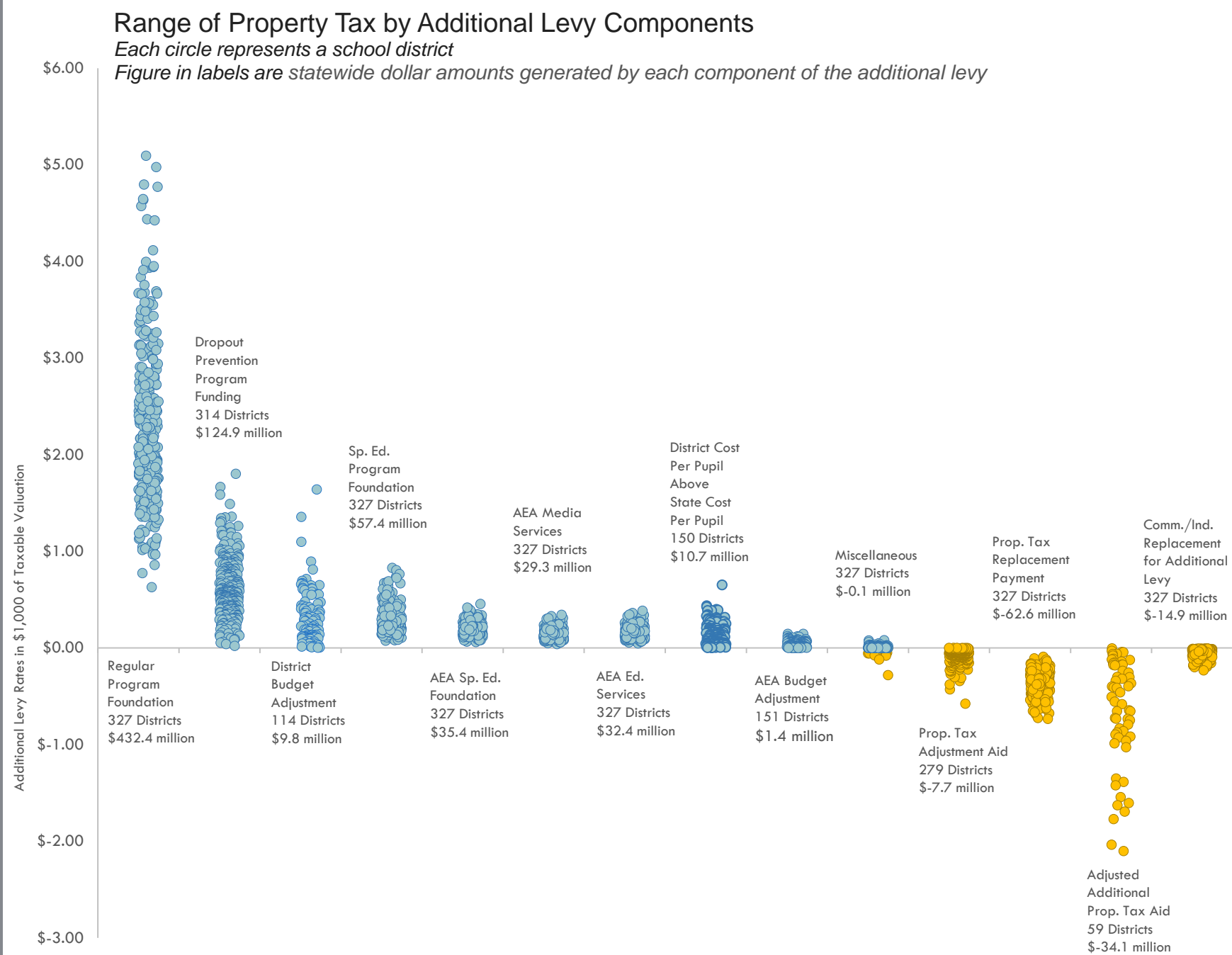


AEA services are funded by a combination of State aid and the additional levy.

Components of the Additional Levy

Major factors that influence additional levy property tax rates include:

- Taxable valuations and the number of students within a school district.
- The amount needed for discretionary programs funded by the additional levy.



Discretionary Levies

A district's total tax levy rate may include other levies.

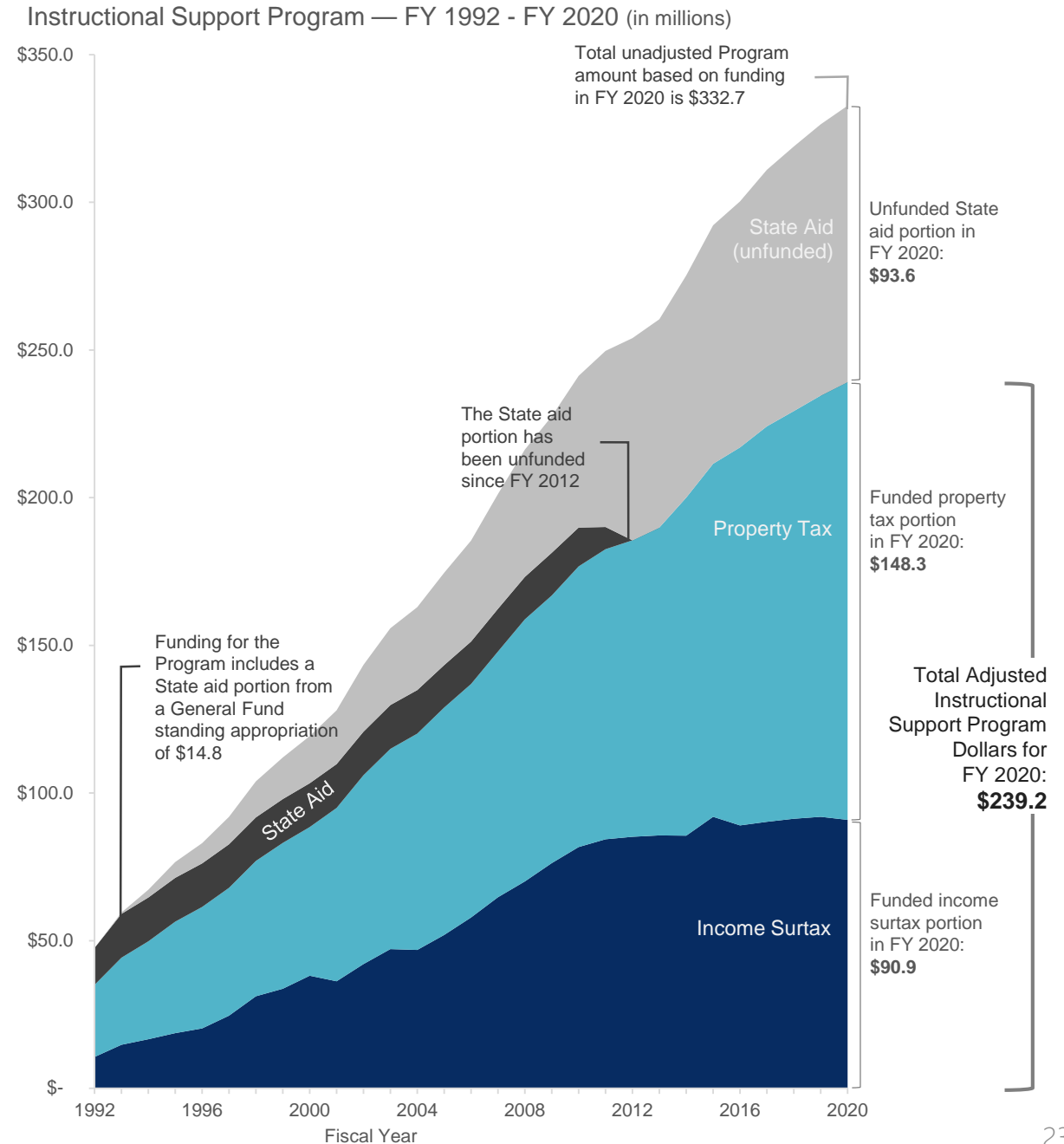
- Iowa Code specifies how the funds from discretionary levies can be spent.
- Levies do not increase a district's spending authority (*except Instructional Support Program*).

- **Cash Reserve Levy**
 - Assists with a district's cash flow.
 - MSAs.
 - 20.0% of expenditures of two years prior to the budget year minus assigned and unassigned balances.
- **Management Fund Levy**
 - Unemployment benefits.
 - Liability insurance.
 - Judgements or settlements.
 - Self-insurance program.
 - Early retirement benefits.
 - Mediation or arbitration.
- **Public Education and Recreation (PERL) Levy**
 - Recreation places.
 - Playgrounds.
- **Voter and Board Approved Physical Plant and Equipment (PPEL) Levy**
 - Construction.
 - Transportation equipment.
 - Technology.
- **Debt Service Levy**
 - Voters may approve bond debt (60.0% plus one vote).
 - Up to \$4.05/\$1,000 of assessed taxable property with voter approval.
 - 20 years.
- **Educational Improvement Program**
- **Amana Library Levy**
- **Reorganization Equalization Levy**
- **Disaster Recovery Emergency Levy**

Instructional Support Program

District may increase its budget by 10.0% of its Regular Program Cost for any general fund purpose.

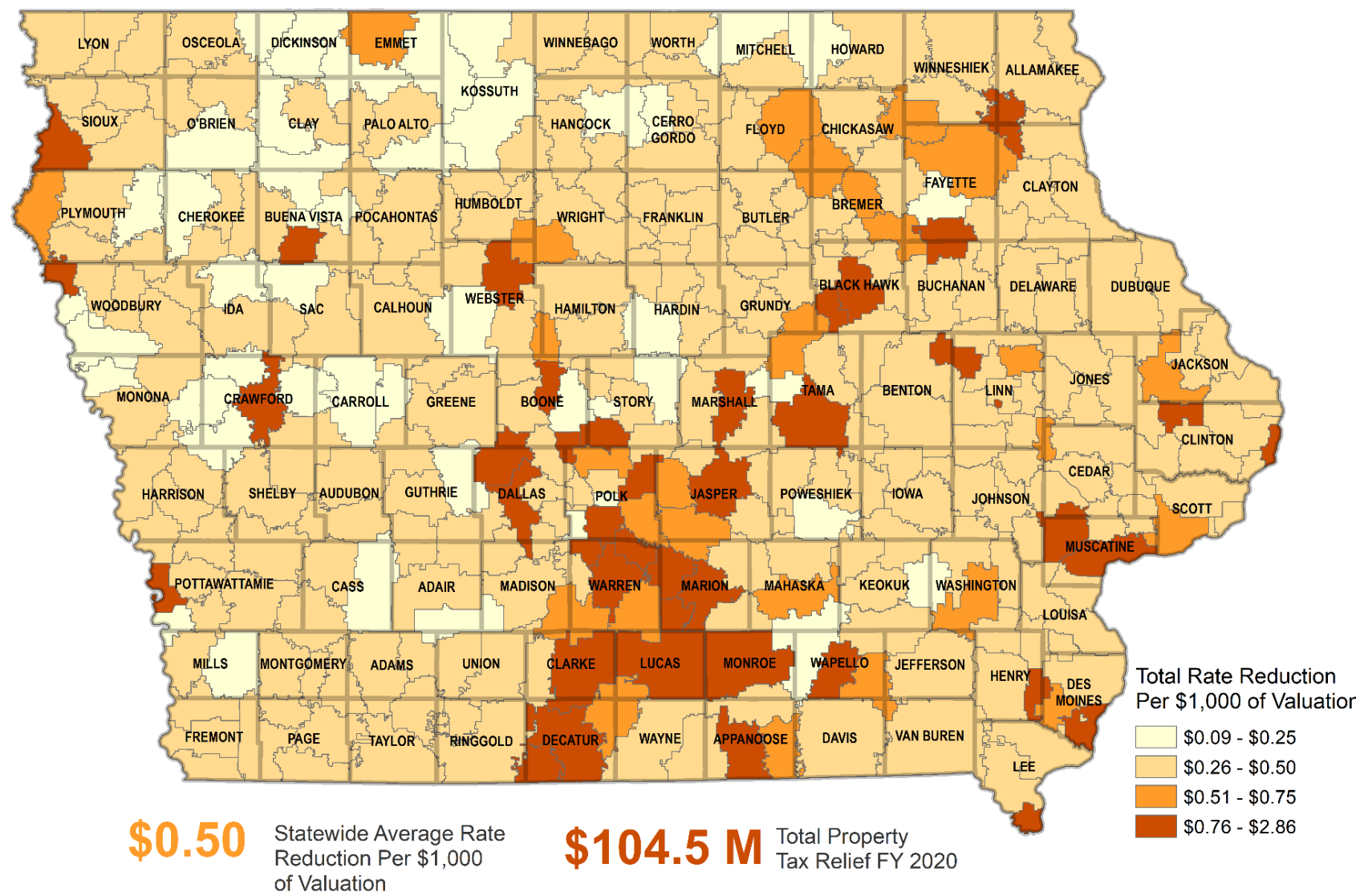
- Funded from property taxes or combination of property taxes and income surtax.
- Current law provides State aid for property tax equity; however, this has not been funded since FY 2012.



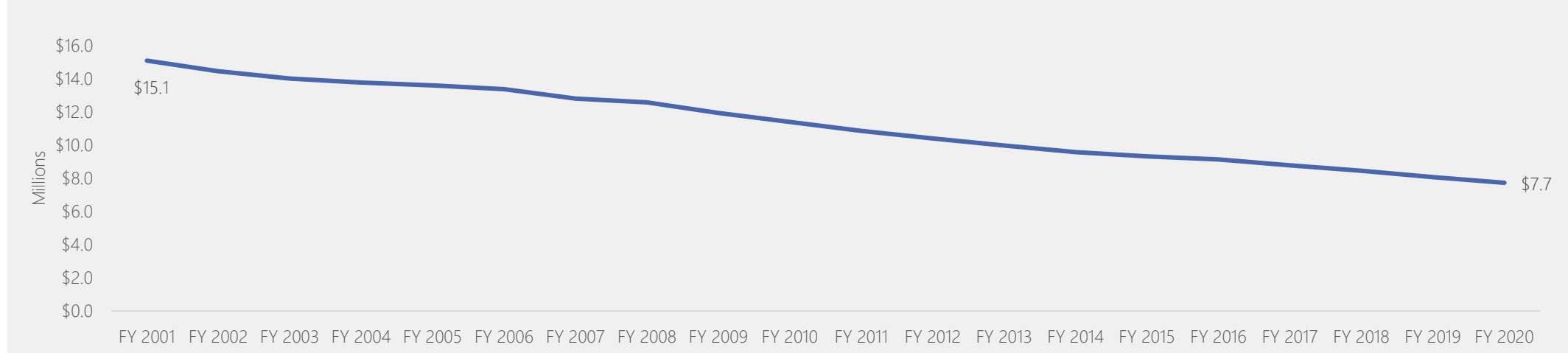
Property Tax Relief

- Property Tax Adjustment Aid (1992)
- Property Tax Replacement Payment (PTRP)
- Adjusted Additional Property Tax Levy Aid

Total Property Tax Relief Aid Rate Reduction by School District — FY 2020

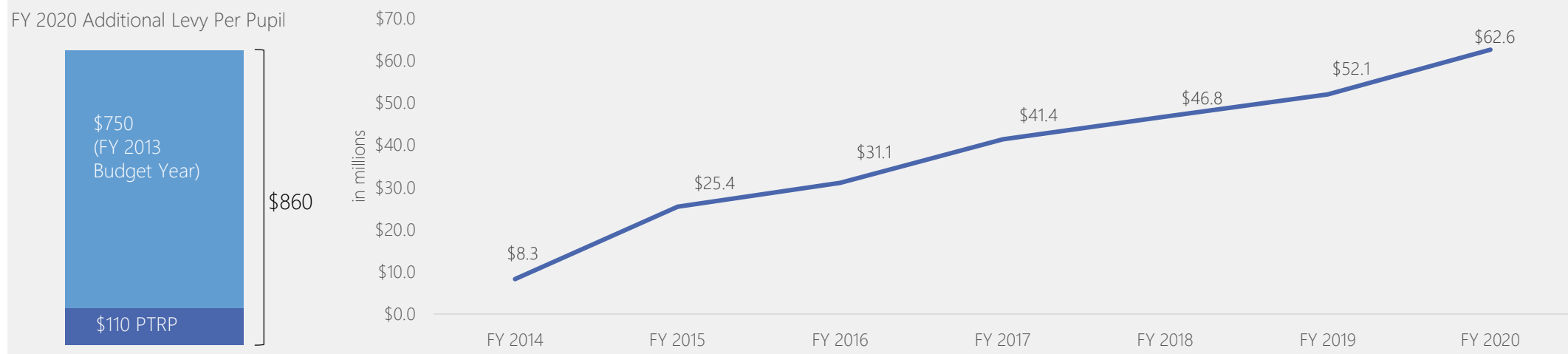


Property Tax Adjustment Aid (1992 Provision)



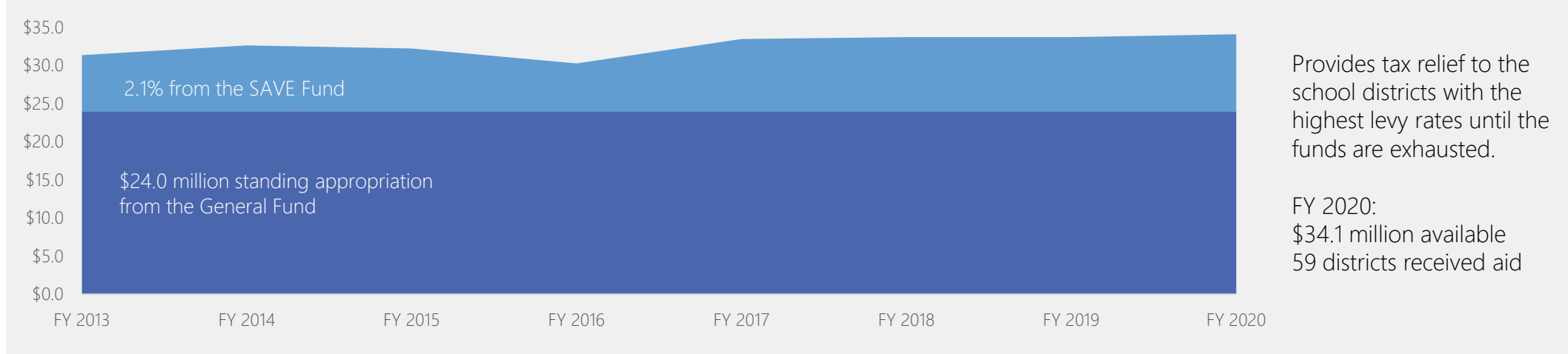
- Implemented in FY 1992.
- Aid is reduced each year as property valuations increase.
- Gradual phase out.
- 279 districts received this aid in FY 2020.

Property Tax Replacement Payment (PTRP)



- Implemented in FY 2014.
- Property tax relief for increase in cost per pupil due to the SSA.
- Reduces additional levy portion (12.5%) for all districts to the FY 2013 budget level (\$750).
- The provision must be reauthorized by legislation each year.

Adjusted Additional Property Tax Levy Aid



- FY 2020: Funding includes a \$24.0 million General Fund appropriation built into the school aid formula and 2.1% (\$10.1 million) of the total amount collected from the Secure an Advanced Vision for Education (SAVE) Fund and deposited into the Property Tax Equity and Relief (PTER) Fund.
- If funding is sufficient, the provision provides aid to districts up to the statewide average rate.
- House File 546 (2019, Secure an Advanced Vision for Education, Extension Act) created changes to the PTER funding.
 - FY 2020 SAVE fund portion increased to 3.1% (school year 2021-2022), and increases by formula when growth conditions are met.
 - Foundation Base Supplement Fund established.
 - First impacts school year 2022-2023.
 - Functions to raise the foundation level by providing property tax to all districts based on weighted enrollment.

Summary

- State aid for schools was established in the early 1970s and last substantially updated in the early 1990s.
- Funding for school districts through the School Budget Aid and Levy is enrollment-driven.
- The Governor recommends and the Iowa Legislature may establish a new SCPP for the next fiscal year.
- The majority of a school district's general fund budget is calculated by using the DCPP times the weighted enrollment.
- Three components that fund a district's Combined District Cost:
 - Uniform levy.
 - State aid.
 - Additional levy.
- Three additional elements of State aid through property tax relief:
 - Property Tax Adjustment Aid (1992).
 - Property Tax Replacement Payment (PTRP).
 - Adjusted Additional Property Tax Levy Aid.

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