School Aid Formula Funding
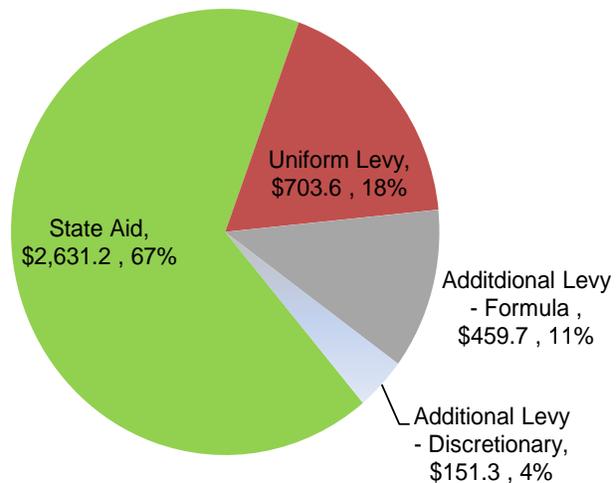Basic Overview
October 24, 2011

Presented to the Mental Health and Disability Services Interim
Study Committee

School Aid Formula

- Funding Sources include State aid and Local Effort (property tax)

- Formula Driven – Standing unlimited appropriation impacted by Legislative decision and external issues (enrollment and valuation changes)

- Includes programs requiring local discretion

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1

1

FY 2012 School Aid Formula Funding
State Aid/Property Tax Breakout (Dollars in Millions)

Uniform Levy, $703.6 , 18%

State Aid, $2,631.2 , 67%

Additdional Levy - Formula , $459.7 , 11%

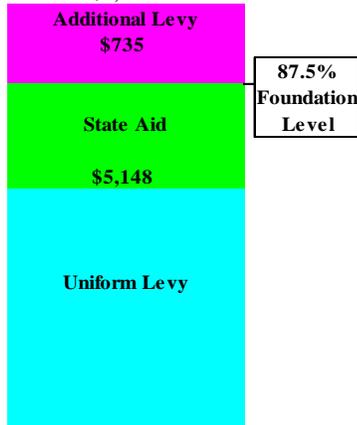Additional Levy - Discretionary, $151.3 , 4%

State aid amount includes preschool formula funding and Property Tax Equity and Relief (PTER) funds.

School Aid Formula – Regular Program Per Pupil Funding

- School Aid Funding: Regular Program funding accounts for 71.9% of School Aid Funding

- Regular Program Funding = Cost Per Pupil X Students

- Cost Per Pupil Amount: Growth in the cost per pupil amount is based on the allowable growth rate

- Funding includes an equalization of effort (State aid and uniform levy amount based on "foundation level") with second effort (local property tax) to make up difference

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Foundation Level – Per Pupil Funding

Regular Program
$5,883

Additional Levy **$735**
State Aid **$5,148**
Uniform Levy

87.5% Foundation Level

Foundation Level

- First 87.5% funded with uniform levy and State aid
- Uniform levy rate = $5.40/$1,000 of taxable valuation (paid by all property tax payers)
- State aid fills up to the 87.5% level
- Remaining 12.5% is made up of additional levy ("second effort") - property tax rate based on required amount for additional levy

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Foundation Formula

Property Rich District	**Property Poor District**

Foundation Level

Foundation Level

Additional Levy	**Additional Levy**
State Aid	**State Aid**
Uniform Levy **$5.40**	**Uniform Levy** **$5.40**

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Property Rich Vs. Property Poor Example

District A Property Rich	District B Property Poor	
Additional Levy $0.7 Million	**Additional Levy** $0.7 Million	**87.5% Foundation Level**
State Aid $1.0 Million	**State Aid** $4.3 Million	
Uniform Levy $4.1 Million	**Uniform Levy** $0.8 Million	
Total District A $5.8 Million	**Total District B** $5.8 Million	
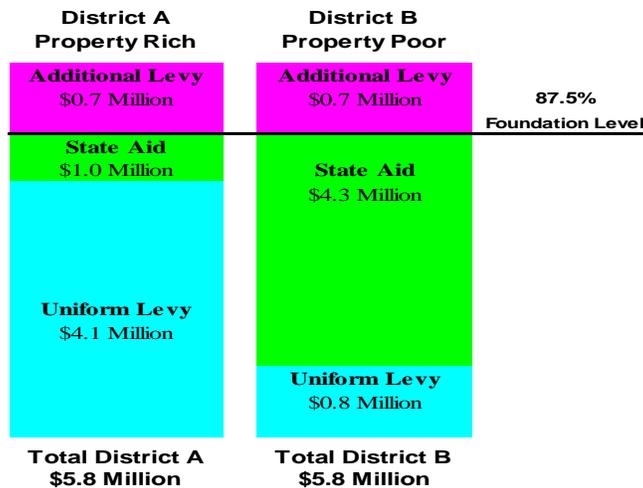
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Additional Levy: Amount vs. Rate

District A Property Rich | **District B Property Poor**

Additional Levy Amount $0.7 Million | **Additional Levy Amount** $0.7 Million

District A Property Rich | **District B Property Poor**

Additional Levy Rate $0.961/$1000 | **Additional Levy Rate** $4.807/$1000
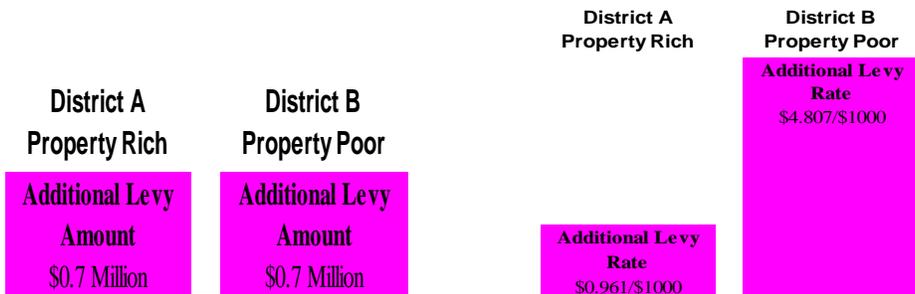
- Additional Levy totals $0.7 million for both districts, BUT:
- Additional Levy rates are different (District A < District B)
- Additional Levy not rate restricted – property tax rate is based on amount generated from the school aid formula
- Difference in Additional Levy rate is $3.845

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Per Pupil Valuations - Tax Rates

In general:

- School districts with higher per pupil valuations – Property Rich:
  - ◆ Generate more tax dollars at a fixed property tax rate
  - ◆ Will have a lower property tax rate for levies with no capped rates
  - ◆ Will receive less State aid through the foundation formula
- School districts with lower per pupil valuations – Property Poor:
  - ◆ Generate less tax dollars at a fixed property tax rate
  - ◆ Will have a higher property tax rate for levies with no capped rates
  - ◆ Will receive more State aid through the foundation formula

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Foundation Level – Variations

Different variations on the per pupil funding:

Current: 87.5% Foundation Level	Scenario 1: 87.5% Foundation Level Increase Uniform Levy Rate	Scenario 2: 100.0% Foundation Level	Scenario 3: 100.0% Foundation Level Increase Uniform Levy Rate	Scenario 4: 95.0% Foundation Level
Additional Levy	Additional Levy	State Aid	State Aid	Additional Levy
State Aid	State Aid			State Aid
Uniform Levy $5.40	Uniform Levy $6.40	Uniform Levy $5.40	Uniform Levy $6.40	Uniform Levy $5.40

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Another Option for Local Funding: Income Surtax

Tax paid by Iowa residents - surtax rate applied to the amount of Iowa income tax

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Income Surtax

- Income Surtax is a funding source used by school districts to replace property tax – totaled $95.6 million in FY 2012
- 291 (82.9%) school districts imposed for FY 2012
- Maximum rate is 20.0% within each county
- Instructional Support ($85.2 million), voter-approved PPEL ($10.2 million), and Educational Improvement ($0.2 million) Programs
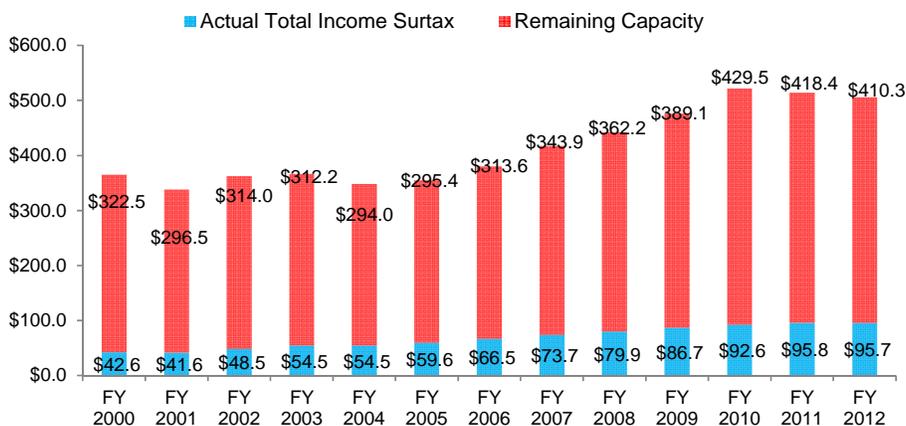- FY 2012 remaining income surtax capacity = $410.3 million

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Income Surtax

Income Surtax Amounts and Remaining Capacity (Dollars in Millions)

■ Actual Total Income Surtax   ■ Remaining Capacity

FY	Actual Total Income Surtax	Remaining Capacity
FY 2000	$42.6	$322.5
FY 2001	$41.6	$296.5
FY 2002	$48.5	$314.0
FY 2003	$54.5	$312.2
FY 2004	$54.5	$294.0
FY 2005	$59.6	$295.4
FY 2006	$66.5	$313.6
FY 2007	$73.7	$343.9
FY 2008	$79.9	$362.2
FY 2009	$86.7	$389.1
FY 2010	$92.6	$429.5
FY 2011	$95.8	$418.4
FY 2012	$95.7	$410.3

Income Surtax - Considerations

- Stability of income surtax vs. property tax
- Income surtax as property tax replacement must be specified
- Income surtax is an itemized State income tax deduction – expansion of income surtax will have ramifications on the State General Fund

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13

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14