



# School Finance Overview in Iowa

---

Jim Addy, Department of Education  
Property Tax Interim Committee  
September 12, 2007  
Supreme Court Chamber



# Today's Presentation

---

- "Basic" School Finance
- Where We Are Now
- Implications for the Committee to Consider
- Questions



# Basic School Finance

---



# Goals and Principles

---

- Equity in Expenditure
- Property Tax Relief
- Equalize Taxation
- Uniform State Aid Allocation Formula
- Predictable
- Pupil Driven
- Provide for Local Discretion/Incentives
- Establish Maximum Spending Control
- One Funding Formula AEA + K-12



# School District Finance Components

---

- Combined District Cost (Formula)  
Regular, Guarantee, Supplementary  
Weighting, Special Education, AEAs
- Instructional Support
- Management Levy
- Physical Plant & Equipment Levy
- Public Education and Recreation Levy
- Debt Service Levy
- Local Option Sales & Services Tax
- State/Federal Categoricals



# Combined District Cost

---

- Regular Program Cost
- + Weighted Enrollment Funding
- + Budget Guarantee (Budget Adjustment)
- + AEA Program Funding
- + SBRC Funding

Combined District Cost



# Regular Program District Cost

---

$$\text{X} \frac{\text{District Cost Per Pupil}}{\text{Number of Pupils}}$$

Regular Program District Cost  
(Basic "Pool" of Money for the District)



# Allowable Growth and Cost Per Pupil

---

“Allowable Growth” Agreed Upon by  
Both Chambers and the Governor

1. State Cost Per Pupil (Previous Fiscal Year)  
X State Percent of Growth Rate  
= Allowable Growth Per Pupil Amount
2. State Cost Per Pupil (Previous Fiscal Year)  
+ Allowable Growth Amount Per Pupil  
= State Cost Per Pupil (Current Fiscal Year)
3. District Cost Per Pupil (Previous Fiscal Year)  
+ Allowable Growth Amount Per Pupil  
= District Cost Per Pupil (Current Fiscal Year)





# Basic Funding

---

Pupil Driven System (Pupils x Cost Per Pupil = Regular Program Budget)

- Pupil Count
- Pupils Weighted –
  - Weights “Add” Pupils
  - Weighted Pupils Add Additional Funding for:
    - Special Education
    - English Language Learners
    - Share Teachers/Pupils/Regional Academies
    - At-Risk Formula
    - Reorganization Incentives
- Generates \$41.5 Million



# Budget Adjustment

(Previously Called Budget Guarantee)

---

Regular Program Budget = Pupils x District Cost

Provides an Adjustment in the Regular Program for Districts With No or Low Growth in Enrollments

- Phase-out Began in FY 2005
- Scale Down Version
- 101% Adjustment



# AEA Program Funding

---

## Combined District Cost

- AEA Funding
  - Pupil Driven
  - Flows Through Local District
  - Special Education Support Services
  - Media Services
  - Educational Services



# School Budget Review Committee Funding

---

Five Member Committee

Authority to Grant Budget Increases

Modified Allowable Growth (Property Taxes)

Unique and Unusual Circumstances

“Manage” Formula

Special Education Weights

Cash Reserve

Negative Unspent Balances

Grants Budget Authority



# School District Finance Overview

---

- Revenue - General Fund
  - Formula
    - Required
    - Discretionary

Miscellaneous Income

State Categoricals

Federal Categoricals

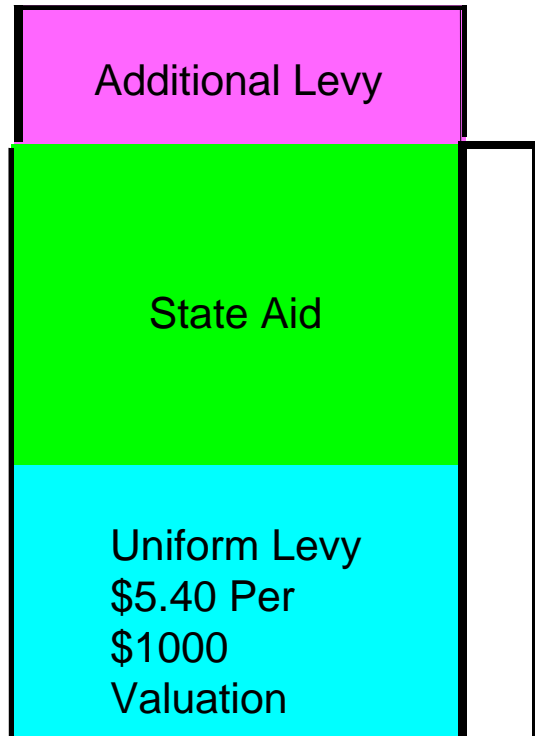


# Revenue - Foundation Formula

---

- Required Local Levy - Uniform Levy
  - \$5.40 per \$1,000 Valuation
  - Total **\$583.8 Million**
- State Aid
  - Increase Funding for Districts
  - “Fair” Method to Distribute State Aid
  - Provide Property Tax Relief
  - Equalize Effort
  - Total **\$2,145 Million**
- Additional Levy
  - Total **\$536.8 Million**

# Foundation Formula

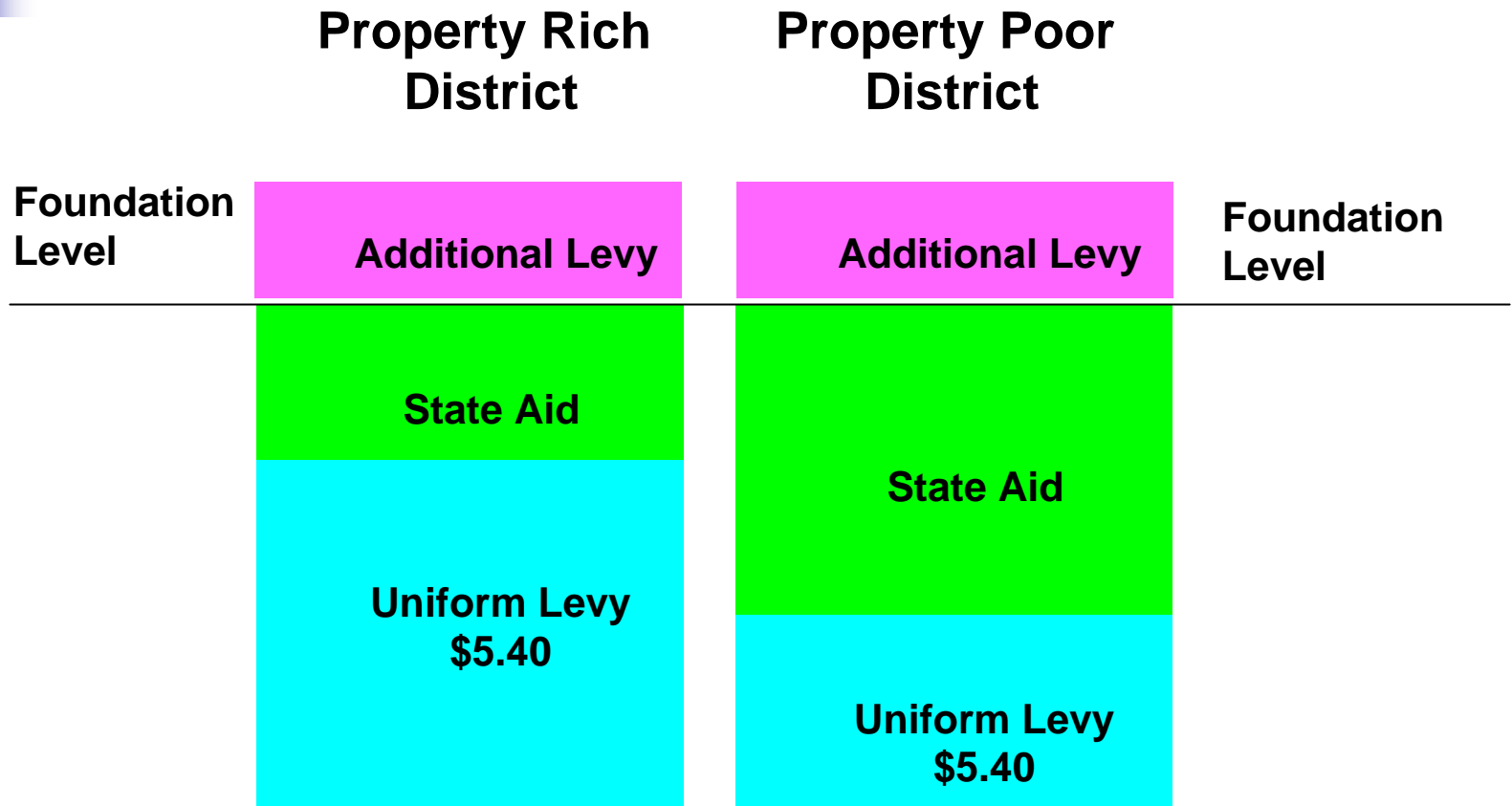


## Foundation Level

**FY 08:**

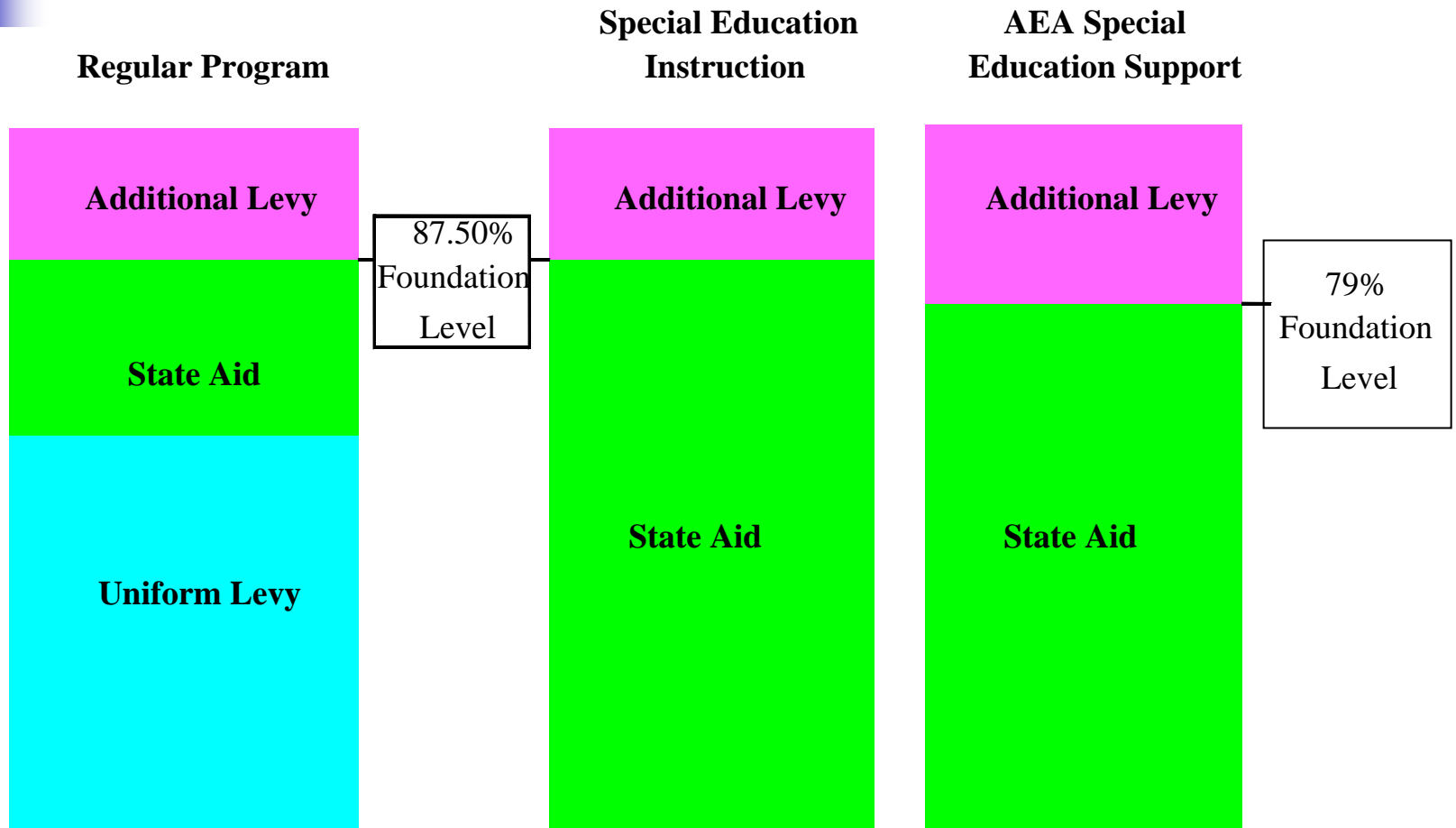
= 87.5% of State Cost Per  
Pupil (\$5,333 )

# Foundation Formula





# Foundation Formula





# Discretionary

---

## Instructional Support Program

- Up to 10% of the Regular Program Budget
- Board Approved for Five Years
- Voter Approved for Ten Years

## FY 2008:

- 340 Districts \$173.0 Million
  - State Aid - (\$14.4 Million [Frozen])
  - Property Tax - (\$88.6 Million)
  - Income Surtax - (\$70 Million)
- \$43.1 Million Additional State Aid to “Fully” Fund



# State Categorical - Examples

---

FY 2008:

- Educational Excellence (Phase I, II)  
\$55.5 Million
- Teacher Quality/Teacher Compensation  
\$141.3 Million
- Class Size Reduction/School Improvement  
\$29.3 Million



# Federal Categorical - Examples

---

FY 2008:

- Title I - \$58.8 Million
- Title II - \$20.8 Million
- IDEA - \$27.2 Million



# School District Finance Overview

---

- Revenue
  - Management Fund
  - Physical Plant and Equipment Fund
  - Categorical
  - Miscellaneous Sources

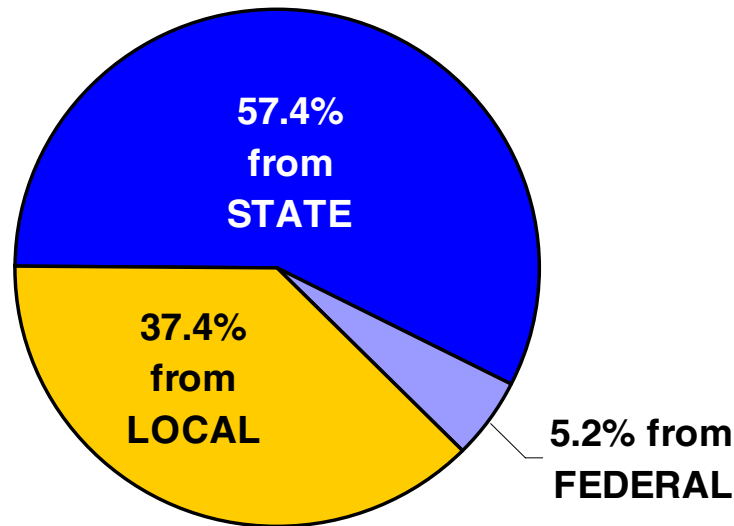


# Where We Are Now

---

# Where Does the Money Come From?

Public School General Fund Revenues 2004-05



Total State Foundation Aid: \$2.145 Billion - FY08

# School District Finance Components (FY 08)



---

- Combined District Cost \$3,266 Million
  - Formula: Regular, Guarantee, Supplementary Weighting, Special Education, AEAs
- Instructional Support \$173.2 Million
- Management Levy \$100.4 Million
- Physical Plant and Equipment Levy \$116.7 Million
- Public Education and Recreation Levy \$1.8 Million
- Debt Service Levy \$107.6 Million
- Local Option Sales and Services Tax/School Infrastructure Local Option \$355-\$366 Million
- Estimated Categoricals \$273.1 Million





# District Cost Per Pupil – FY 08

---

\$5,508 - Highest

\$5,333 - Lowest

\$175 - Range

District Cost Per Pupil Increases  
Each Year by a Per Pupil Amount  
(Per Pupil Allowable Growth)



# Implications to Consider

---

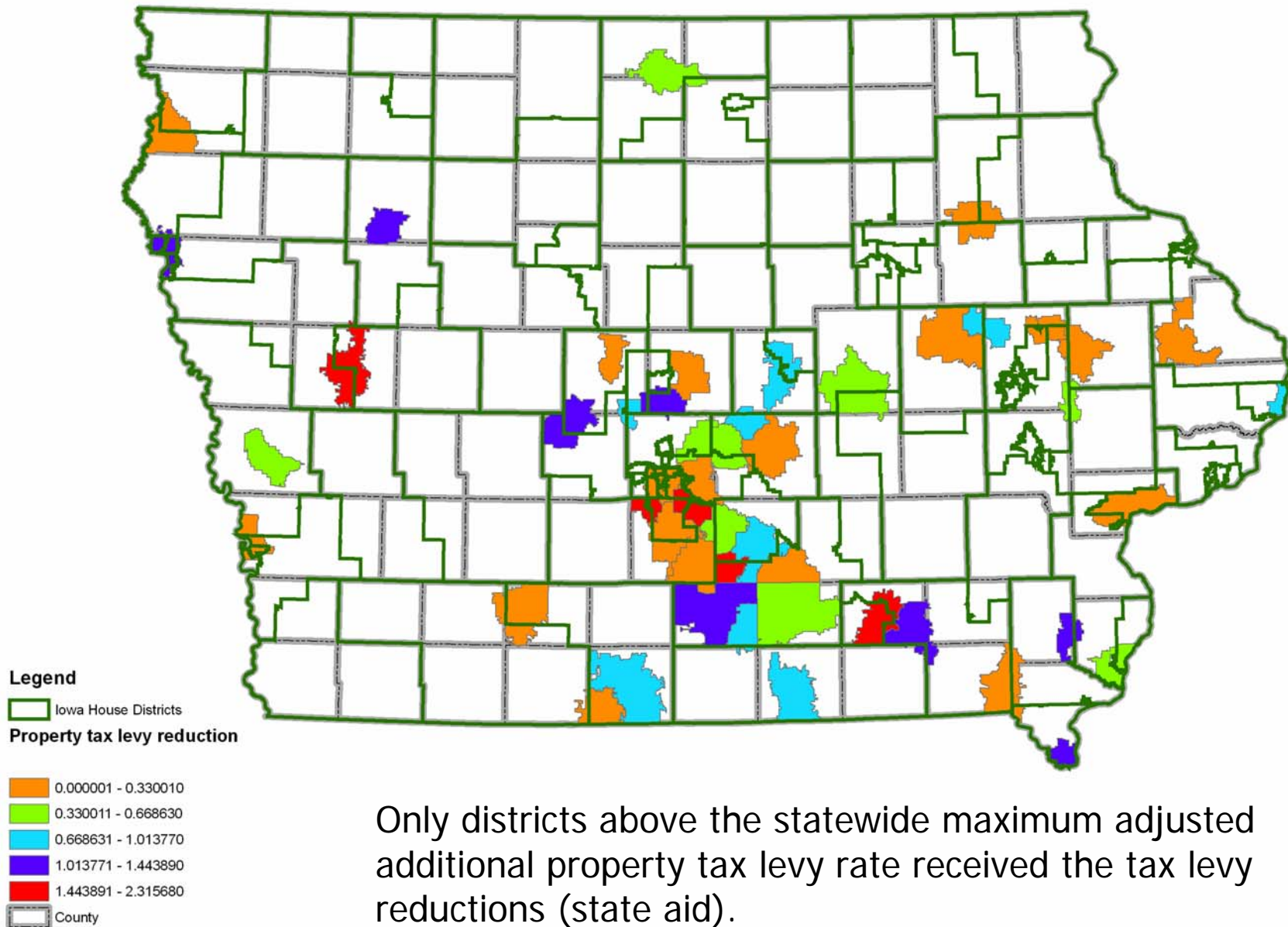


# Additional Buy Down

---

- The State is Already Addressing the Additional Property Levy Rate
- Just for Those Above the Statewide Maximum Rate
- Rates Ranged \$1.0439 to \$6.7564
- Statewide Maximum Bought Down to \$4.442

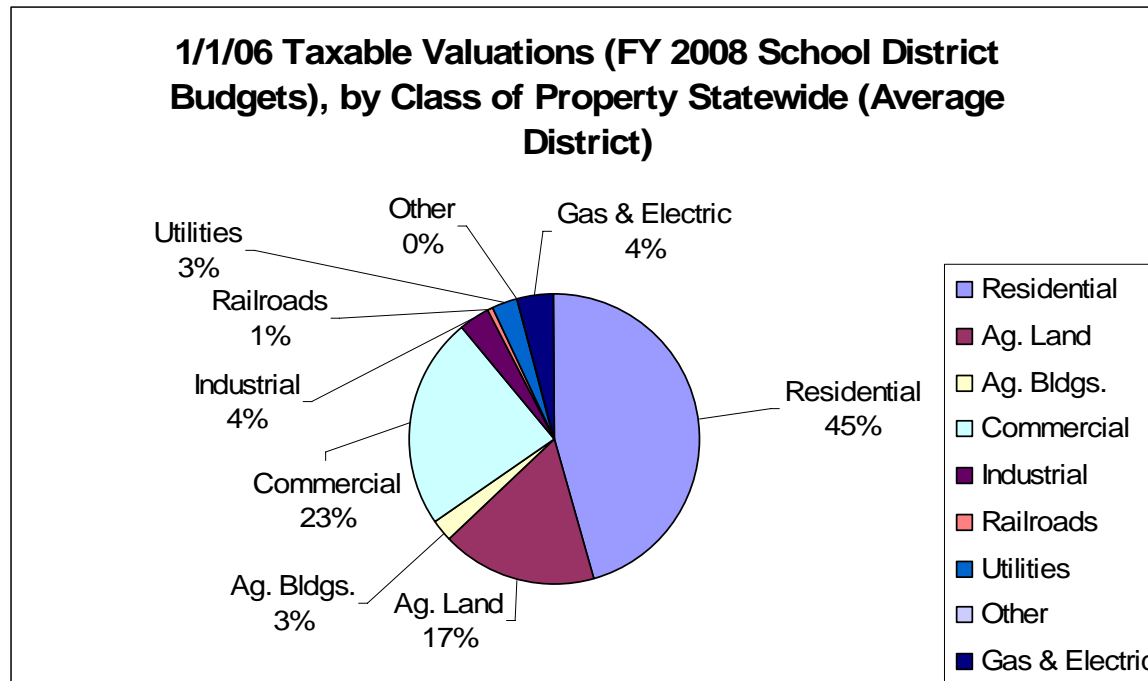
# School Districts Receiving Property Tax Adjustment Aid FY 07-08



Only districts above the statewide maximum adjusted additional property tax levy rate received the tax levy reductions (state aid).

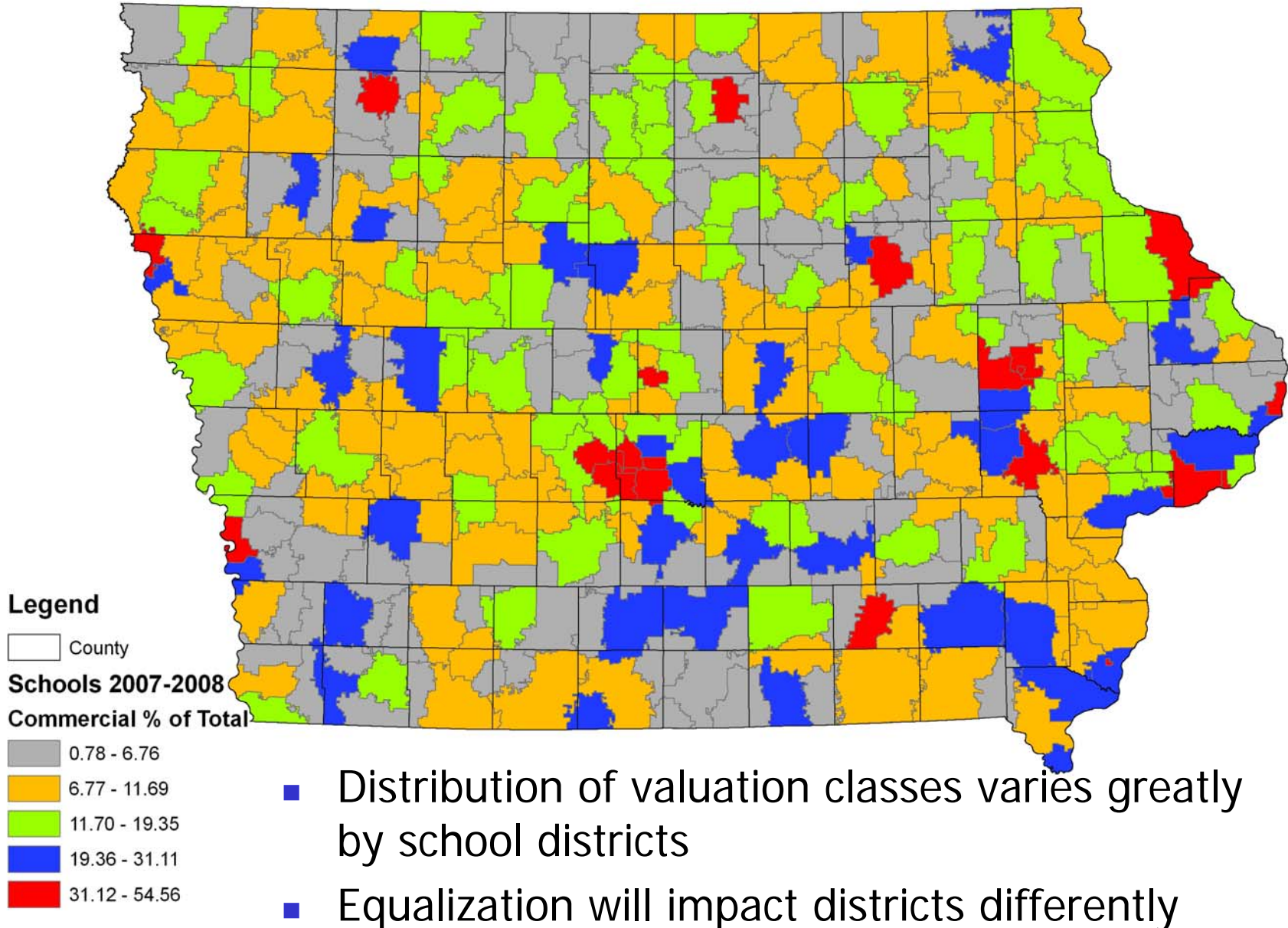
# Valuation by Class

The quandary of equalizations



Statewide valuations are distributed such that residential valuations are nearly half

# Percentage of Commercial Property Valuation by School District for FY 08





# Impacts of Property Tax Changes on School Finance

---

- Equity: What Can be Done to Help Property Tax Poor Districts That Have High Levies?
- Keep Diversification in Mind
  - 100% State Aid is Not a Cure-all
- Property Tax Reform is an Opportunity to Help Schools, but ...
- As a Resource, the Department Would Like to Offer its Services to Answer Any Questions You May Have

Jim Addy  
515-281-5293  
[jim.addy@iowa.gov](mailto:jim.addy@iowa.gov)