

# Overview of School Finance in Iowa

# School Aid Presentation

- Brief History/Principles
- Allowable Growth Rate/State Cost Per Pupil
- Foundation Level
- School Aid Revenue
- School Aid Formula Funding Components
- Discretionary Programs
- Miscellaneous

# School Aid Presentation

## Note:

Information provided in this presentation does not specifically address American Recovery and Reinvestment Act (ARRA) Education Fiscal Stabilization funding used in lieu of State aid for FY 2010, or the 10.0% across-the-board General Fund reduction impacting State school aid. Specific information regarding these issues is provided in the addendum section of this presentation.

# Brief History and Goals of School Finance in Iowa

# Brief History of School Finance in Iowa

- In 1950 - 4,652 school districts
- Reorganization Plan adopted in 1950's
  - ◆ 1965 – 1,098 school districts
  - ◆ 1975 – 450 school districts
  - ◆ 1985 – 437 school districts
  - ◆ 1995 – 384 school districts
  - ◆ 2005 – 367 school districts
  - ◆ Currently - 361 school districts

# Brief History of School Finance in Iowa

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

# Brief History of School Finance in Iowa (continued)

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

# Brief History of School Finance in Iowa (continued)

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

# Brief History of School Finance in Iowa (continued)

- 2008 Legislative Session:
  - State Sales/Use Tax for school infrastructure
  - excess funds after school infrastructure allocations will be used for property tax relief through school aid formula
- State Categoricals – Additional categorical program funding rolled into the school aid formula beginning in FY 2010

# Brief History of School Finance in Iowa (continued)

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

# Goals and Principles

- Equity in Expenditure
- Property Tax Relief
- Equalize Taxation
- Uniform State Aid Allocation Formula
- Predictable
- Simple
- Pupil Driven

# Goals and Principles (continued)

- Provide for Local Discretion/Incentives
- Establish Maximum Spending Control
- One Funding Formula AEA + K-12
- Provide Adequate Funding
- Promote High Achievement
- Modify the Impact of Community and Family Background on Achievement

# School Aid Allowable Growth and State Cost Per Pupil

# Allowable Growth Rate

- Recommended by the Governor
- Established by the Legislature

# Allowable Growth Amount

Allowable Growth Rate x State Cost Per Pupil =  
Growth Per Pupil

For example:

**2009-2010**

4% Allowable Growth Rate X  
FY 2009 State Cost Per Pupil (\$5,546)  
= \$222 Per Pupil

# State Cost Per Pupil (SCPP)

FY 2010:

$$\text{\$5,546} + \text{\$222} = \text{\$5,768}$$

**FY 2009 SCPP + Allowable Growth**

# State Cost Per Pupil

FY 2010 SCPP = \$5,768

- Used to determine allowable growth per pupil for the next year
- Used to determine minimum district cost per pupil

# District Cost Per Pupil – FY 2010

\$5,943 – Highest (8 Districts)

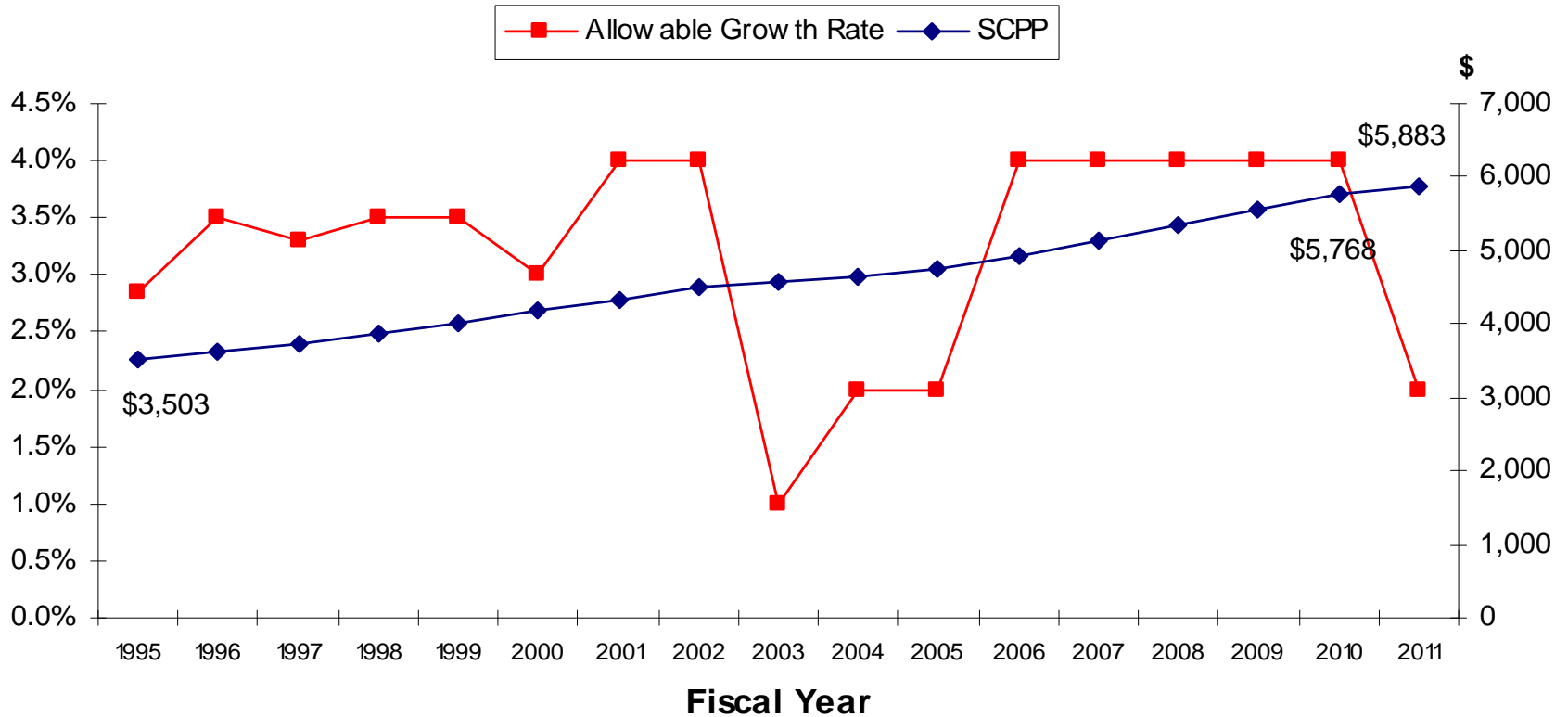
\$5,768 – Lowest (176 Districts)

\$175 – Range

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

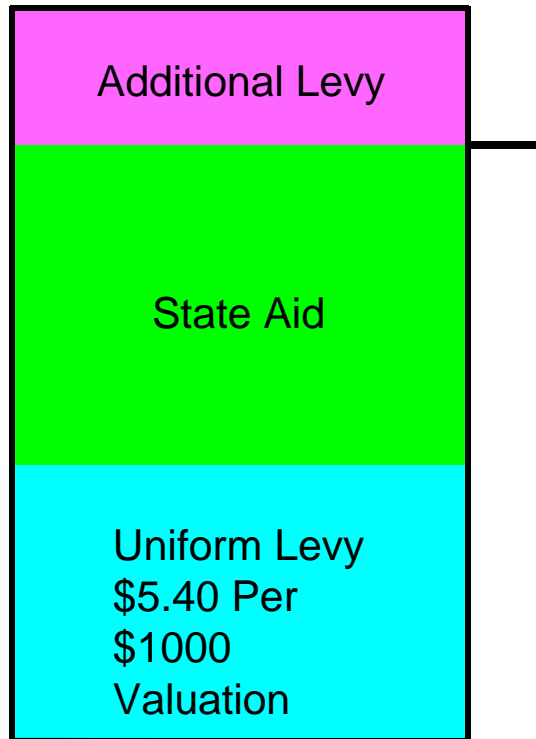
# Allowable Growth - History

**Allowable Growth Rate and State Cost Per Pupil Amounts  
FY 1995 to FY 2011**



# School Aid Formula Foundation Levels

# Foundation Formula

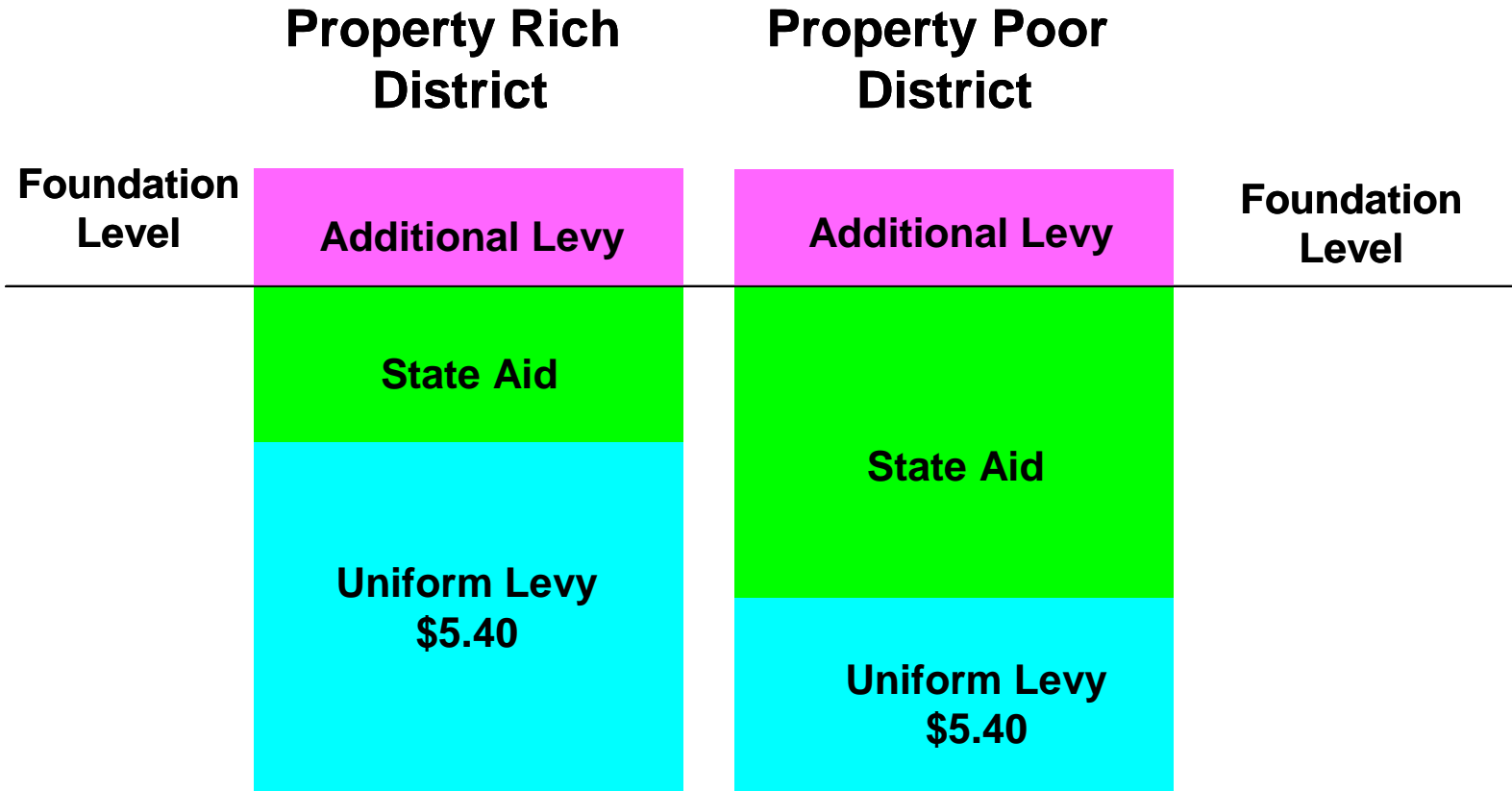


## Foundation Level

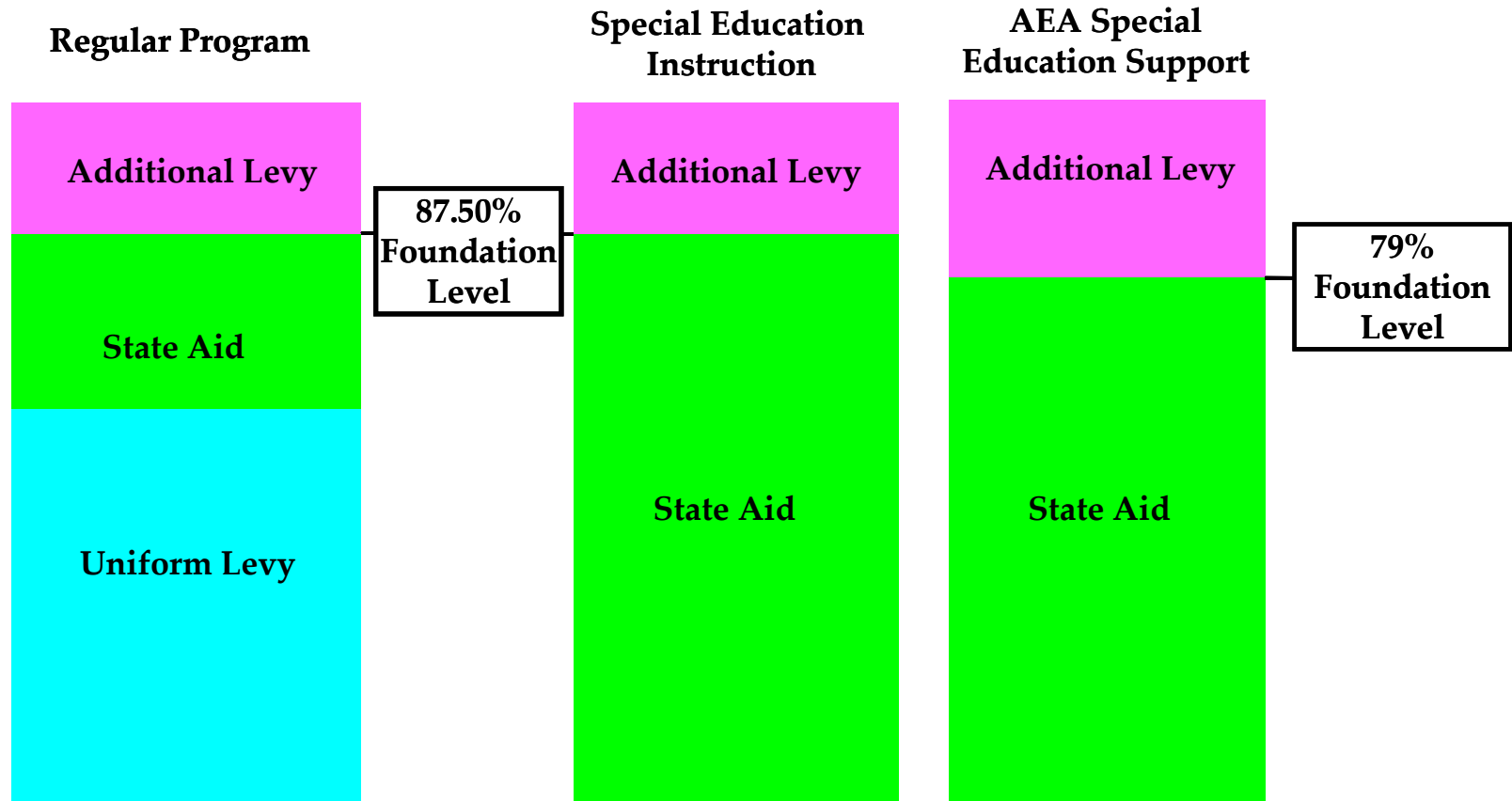
**FY 2010:**

87.5% of State Cost (\$5,768)  
= \$5,047 Per Pupil

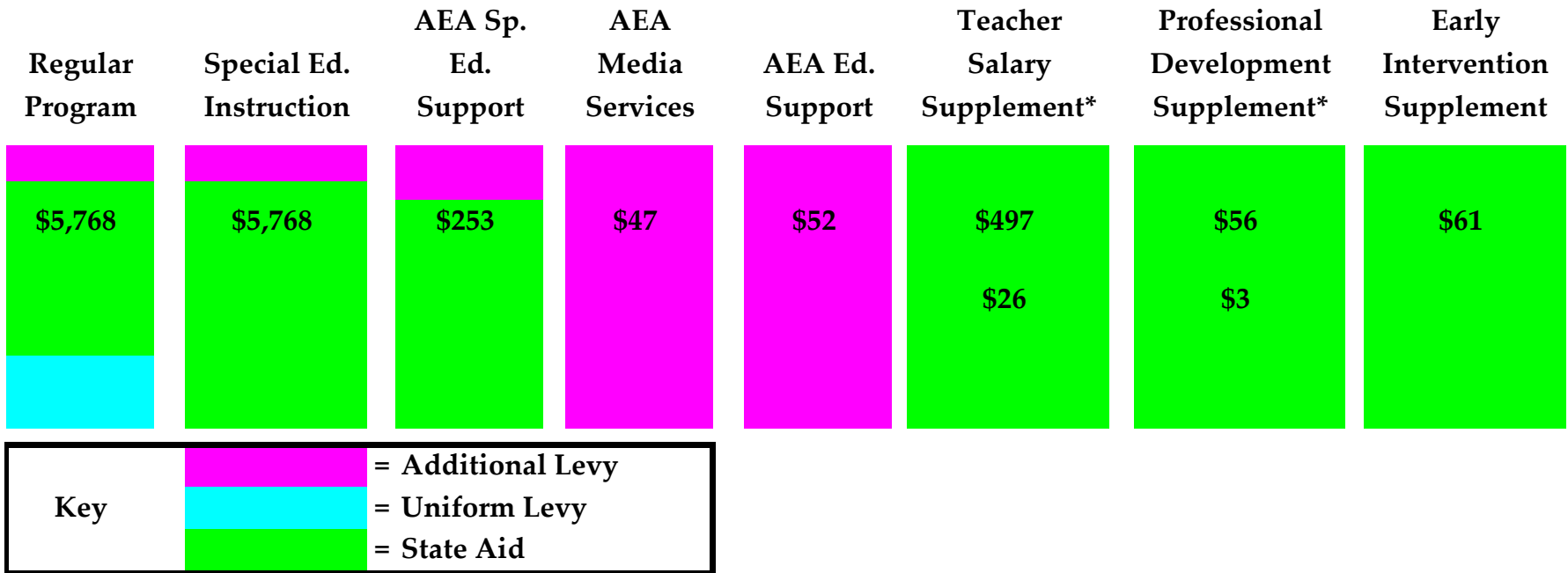
# Foundation Formula



# Foundation Formula



# FY 2010 Foundation Per Pupil Amounts



\*School district (top figure) and AEA cost per pupil is included.

# School District Revenue Sources

# School District Revenues

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

# Revenue - Foundation Formula

Where do the revenues come from?

- Required Local Levy - Uniform Levy
- State Aid
- Additional Levy
- Property Tax Equity Relief (PTER) Fund (New in FY 2011)

# Revenue - Foundation Formula (continued)

## FY 2010

- Uniform Levy = \$648.2 million
- State Aid\* = \$2,587.5 million
- Additional Levy (Second Effort) = \$575.6 million

\*FY 2010 State school aid appropriation was capped and included ARRA Education Fiscal Stabilization funding.

# State Aid

- Increase Funding for Districts
- “Fair” Method to Distribute State Aid
- Provide Property Tax Relief
- Equalize Effort

# Additional Levy

FY 2010 Additional Levy Total = \$575.6 million

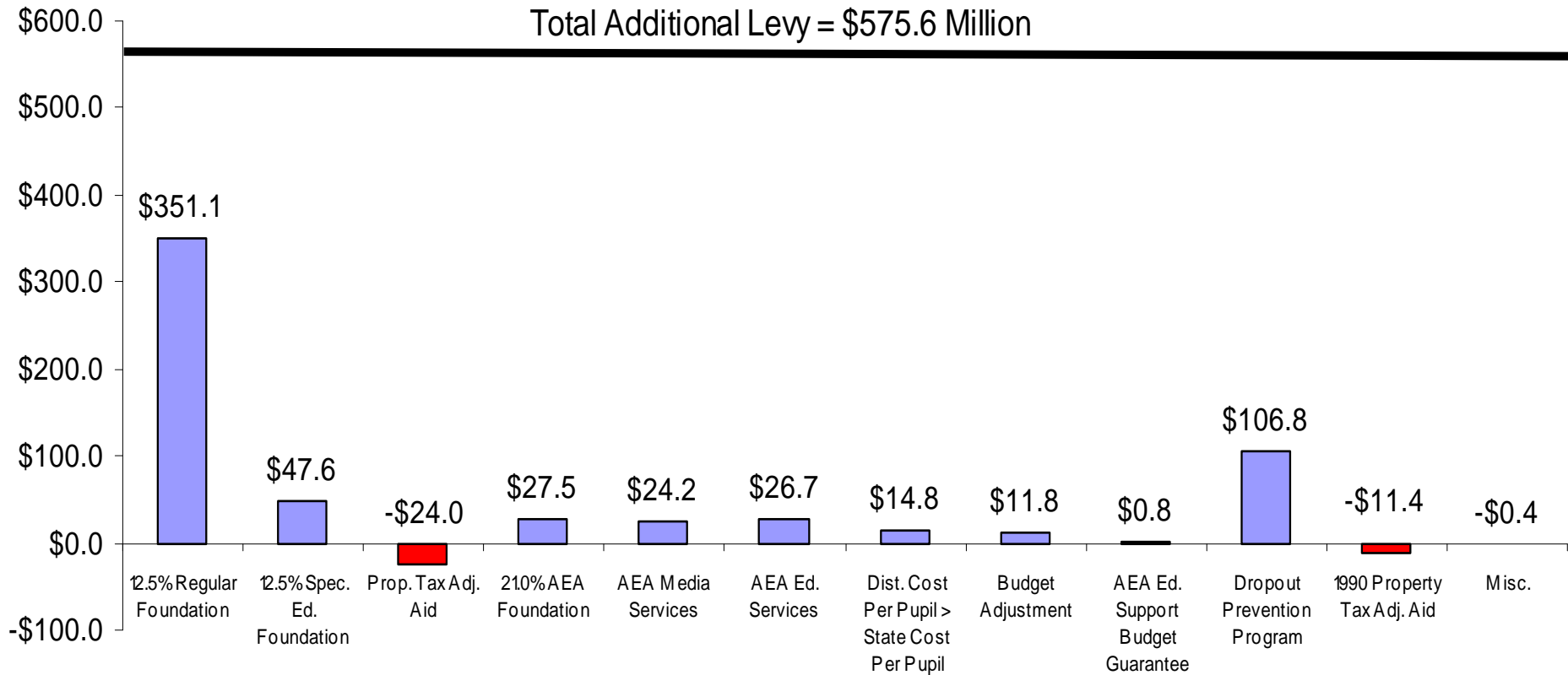
Components of Additional Levy:

- 12.5% of the Regular Program Foundation Level (\$351.1 million)
- 12.5% of the Special Education Foundation Level (\$47.6 million)
- 21.0% of the AEA Foundation Level (\$27.5 million)
- AEA Media and Education Services (\$50.9 million)
- DCPD above SCPP (\$14.8 million)
- District and AEA Budget Adjustment (\$12.6 million)
- Dropout Prevention Program (\$106.8 million)
- Property Tax Adjustment Aid (\$ -24.0 million)
- Property Tax Adjustment Aid – 1990 Provision (\$ - 11.4 million)
- Miscellaneous (\$ - 0.3 million)

Total may not add due to rounding.

## School Aid Formula FY 2010 Additional Levy Components

Dollars in Millions



# Additional Levy – Property Tax Adjustment Aid

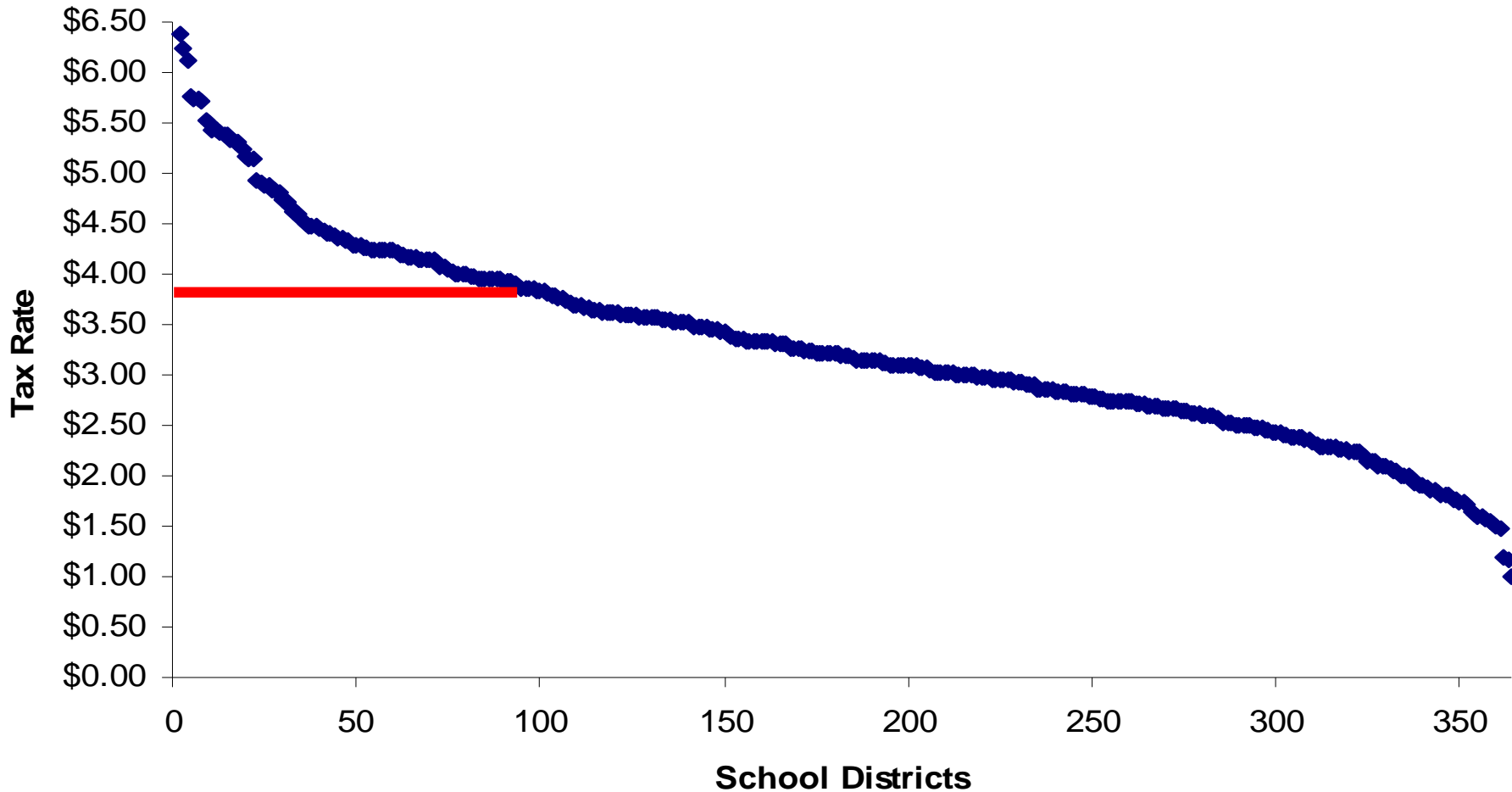
- FY 2009 - \$18.0 million appropriated to buy down rates
- FY 2010 - \$24.0 million appropriated
- FY 2011 and beyond - \$24.0 million plus PTER funds

PTER = Property Tax Equity Relief

# Property Tax Adjustment Aid

Appropriation of \$24.0 million for FY 2010  
“buys” 73 districts down to a rate of  
\$3.92/\$1,000 of valuation

# Example: FY 2010 Property Tax Adjustment Aid



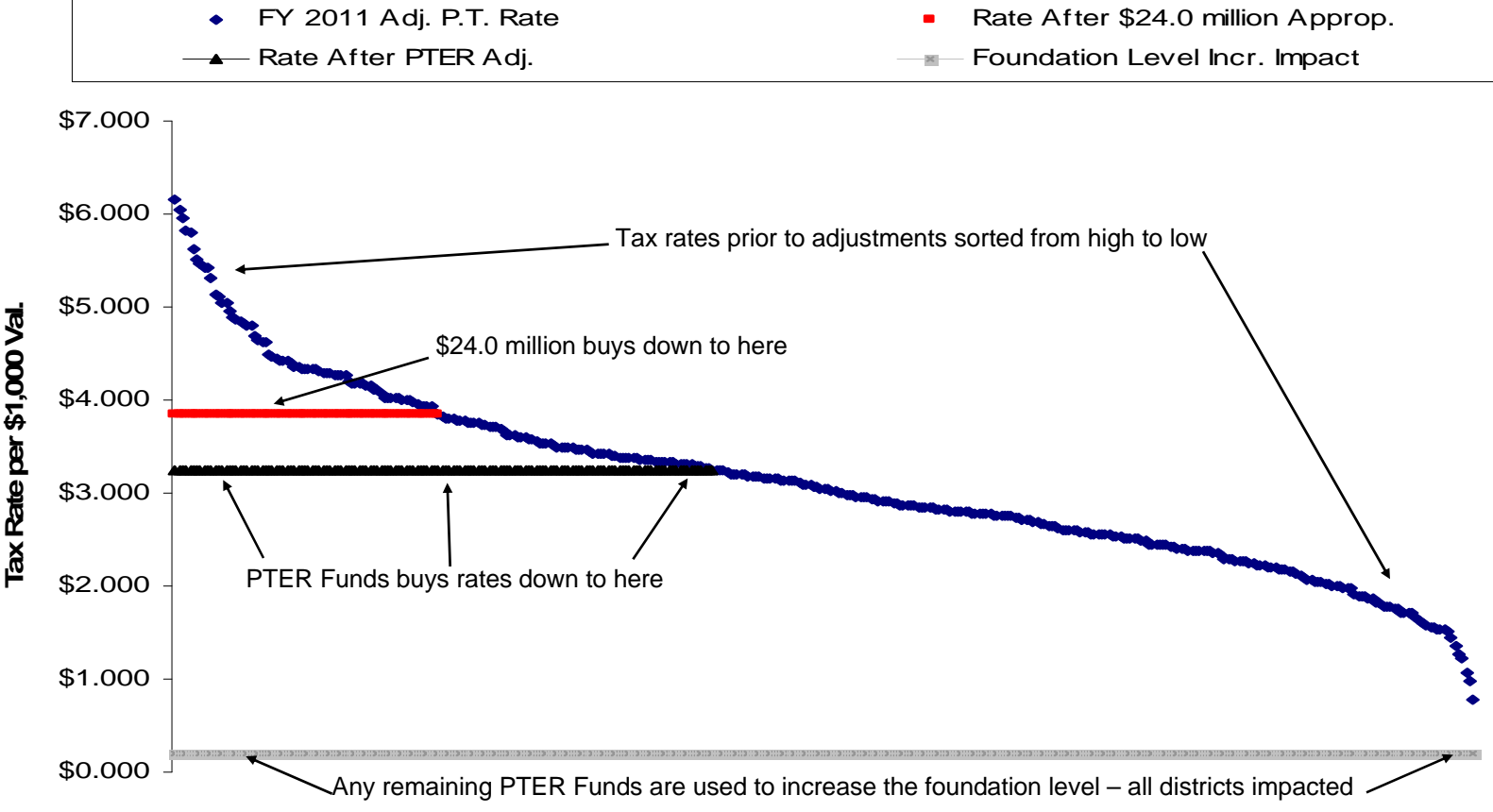
# FY 2011 – PTER Fund

- Starting in FY 2009: Statewide 1% sales/use tax used to fund SILO with remaining going to PTER
- Funds generated in FY 2009 for PTER will be used for FY 2011 school aid property tax relief for property tax adjustment aid
- Any remaining PTER funds will be used to increase the foundation level

PTER = Property Tax Equity and Relief

# FY 2011 PTER/Property Tax. Adj. Aid

**Example: FY 2011 Property Tax Adjustments**



# School Aid Foundation Formula Funding Components

# Combined District Cost

## Regular Program Cost

- + Budget Guarantee (Budget Adjustment)
  - + Weighted Enrollment Funding
  - + Dropout Prevention Program Funding
  - + AEA Program Funding
  - + State Categoricals (New in FY 2010)
  - + SBRC Funding
- 

## Combined District Cost

SBRC = School Budget Review Committee



LSA: January 2010

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# Basic Funding - Enrollment

## Pupil Count

- Pupils are counted for funding purposes by where they reside – not where they attend
  - ◆ Resident pupils counted as 1.0
  - ◆ Shared-time (Nonpublic counted on a FTE basis)
  - ◆ Count taken as of October 1
  - ◆ October 2008 used to determine 2009-10 funding

# Basic Funding – Enrollment (continued)

## Pupil Count

- Basic enrollment
  - ◆ Resident (445,848)
    - Includes Dual Enrolled
    - Home School Assistance Program Students (weight reduction from 0.6 to 0.3)
  - ◆ Open Enroll Out (24,411)
  - ◆ Tuition Out (6,258)
  - ◆ Shared-time (214)

# Regular Program District Cost

District Cost Per Pupil  
X Pupil Count – Basic Enrollment  
Regular Program District Cost  
(Basic “pool” of money for the district)

# Weighted Enrollment Funding

## Pupil Driven System

- Weightings “Add” Pupils
- Weightings x District Cost Per Pupil Adds Funding

# Weighted Enrollment Funding

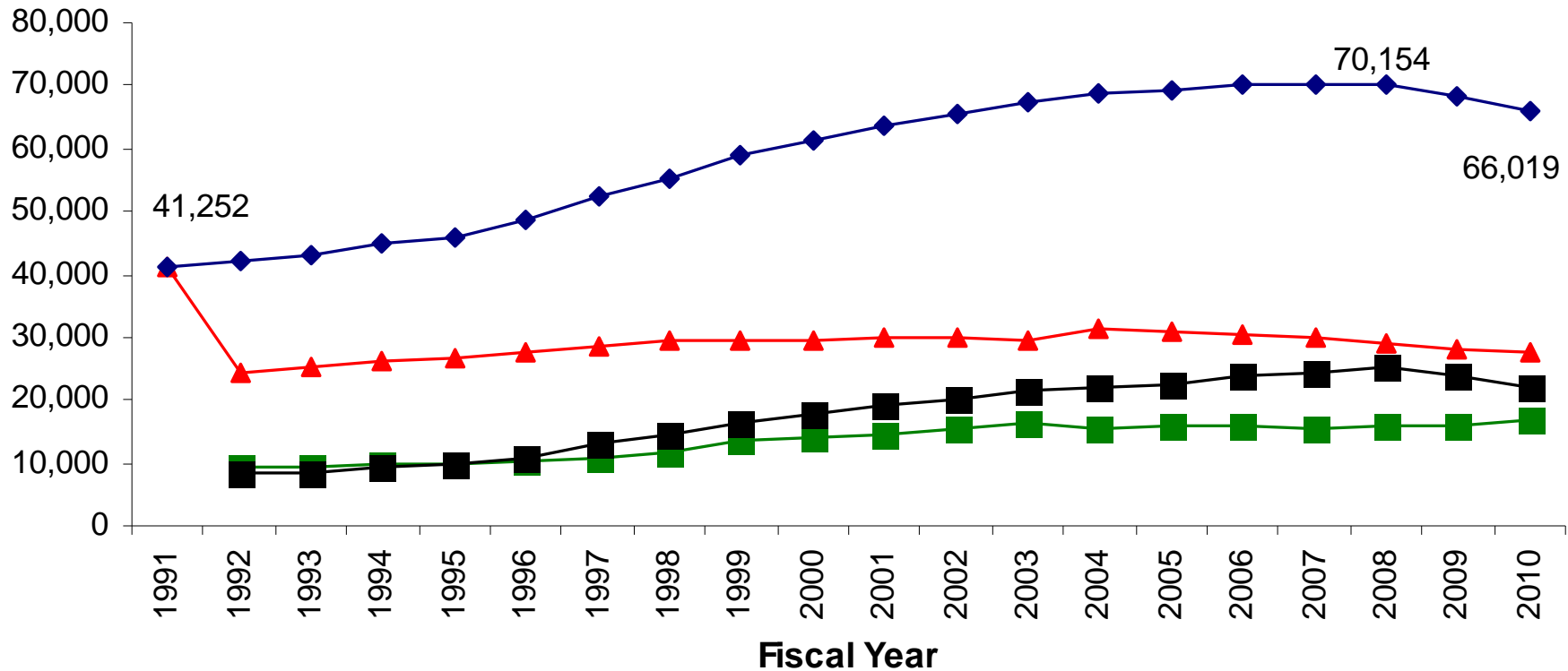
Weighting Category	Weight	FY 2010 School Finance Amounts (Dollars in Millions)			# of Districts
		State Aid	Property Tax	Total	
Special Ed. 1	27,423.36	\$ 138.41	\$ 20.45	\$ 158.85	361
Special Ed. 2	16,794.60	84.76	12.54	97.31	360
Special Ed. 3	21,800.81	110.03	16.29	126.31	351
<b>Total Special Ed.</b>	<b>66,018.77</b>	<b>\$ 333.20</b>	<b>\$ 49.28</b>	<b>\$ 382.47</b>	<b>361</b>
Shared Students	167.91	\$ 0.85	\$ 0.13	\$ 0.97	73
Shared Teachers	270.83	1.37	0.20	1.57	66
Community College Courses*	2,766.63	13.96	2.07	16.03	308
<i>CC Arts and Sciences</i>	1,254.19	6.33	0.94	7.27	252
<i>CC Career and Tech</i>	1,512.44	7.63	1.13	8.76	284
Whole Grade Sharing	277.90	1.40	0.22	1.62	33
Regional Academy	90.00	0.45	0.07	0.52	5
ICN	4.05	0.02	0.00	0.02	38
Operational Functions	1,039.04	5.24	0.79	6.03	75
<b>Supplementary Shared Wght. Total</b>	<b>4,616.36</b>	<b>\$ 23.30</b>	<b>\$ 3.47</b>	<b>\$ 26.77</b>	<b>332</b>
At-Risk	2,161.72	\$ 10.91	\$ 1.61	\$ 12.52	361
ESL	3,187.14	16.09	2.38	18.47	216
Reorganization	13.50	0.07	0.01	0.08	1
<b>Total Supplementary Weight</b>	<b>9,978.72</b>	<b>\$ 50.36</b>	<b>\$ 7.48</b>	<b>\$ 57.84</b>	<b>361</b>
AEA Sharing	730.32	\$ 0.15	\$ 0.04	\$ 0.18	2**
<b>Total Weighting</b>	<b>76,727.81</b>	<b>\$ 383.71</b>	<b>\$ 56.79</b>	<b>\$ 440.49</b>	<b>361</b>

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

\*\*Represents the number of AEAs.

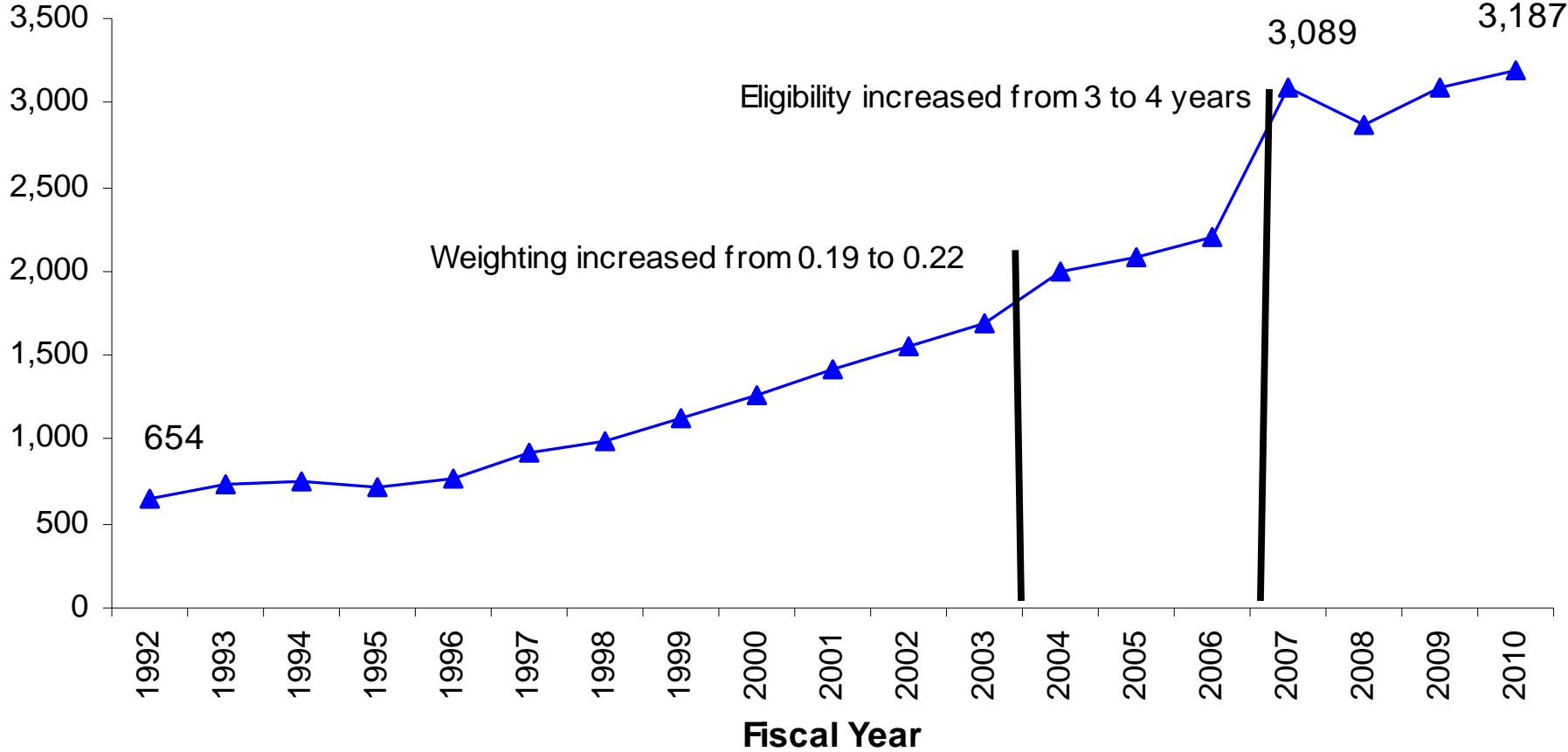
## Special Education Weightings FY 1991 Through FY 2010

▲ Sp. Ed. I   
 ■ Sp. Ed. II   
 ■ Sp. Ed. III   
 ◆ Total Sp. Ed.



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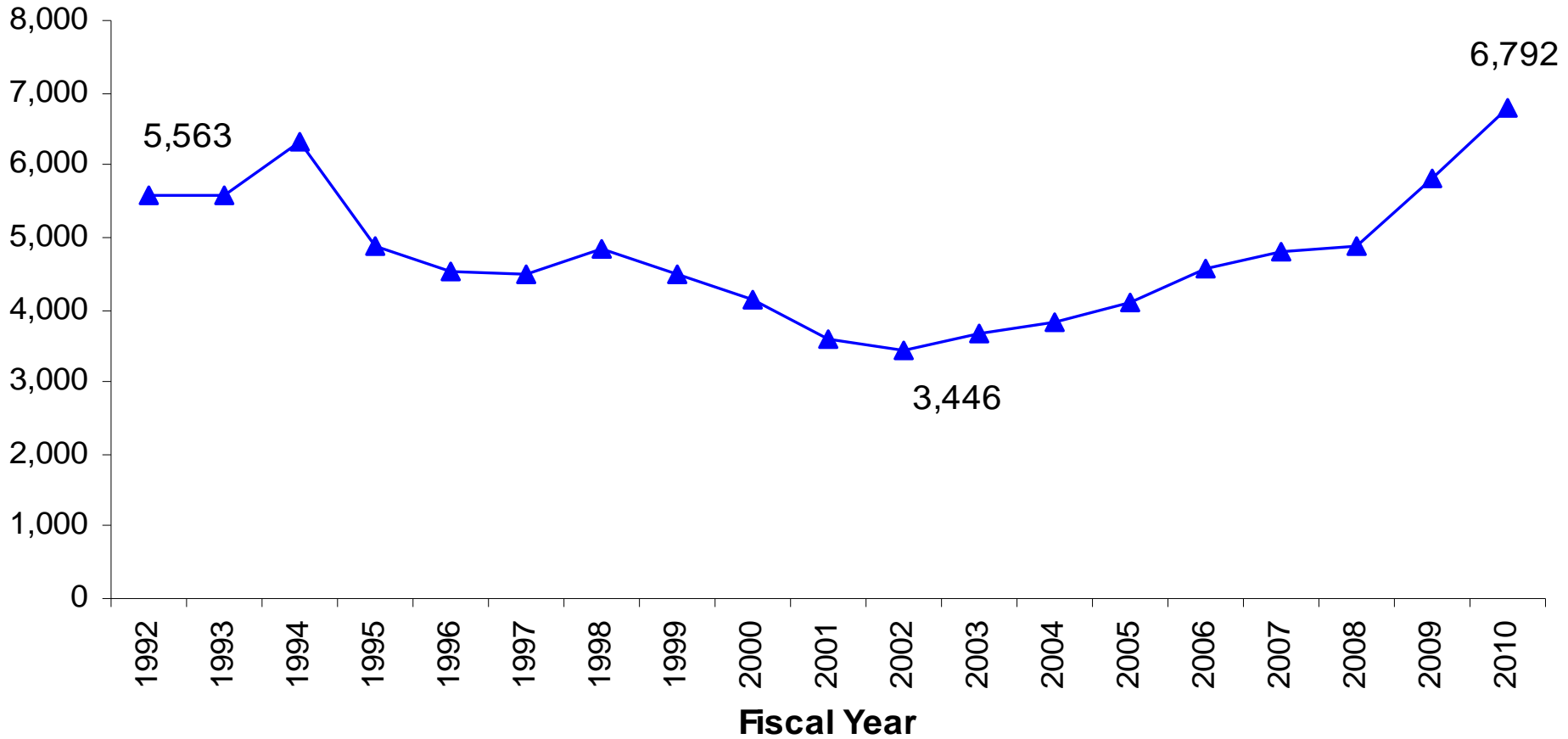
# Limited English Proficient Weightings FY 1992 Through FY 2010



# Supplementary Weightings

## Sharing, At-Risk, and Reorganization

### FY 1992 Through FY 2010



# Budget Adjustment

(Previously Called Budget Guarantee)

Regular Program Budget = Pupils x District Cost

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

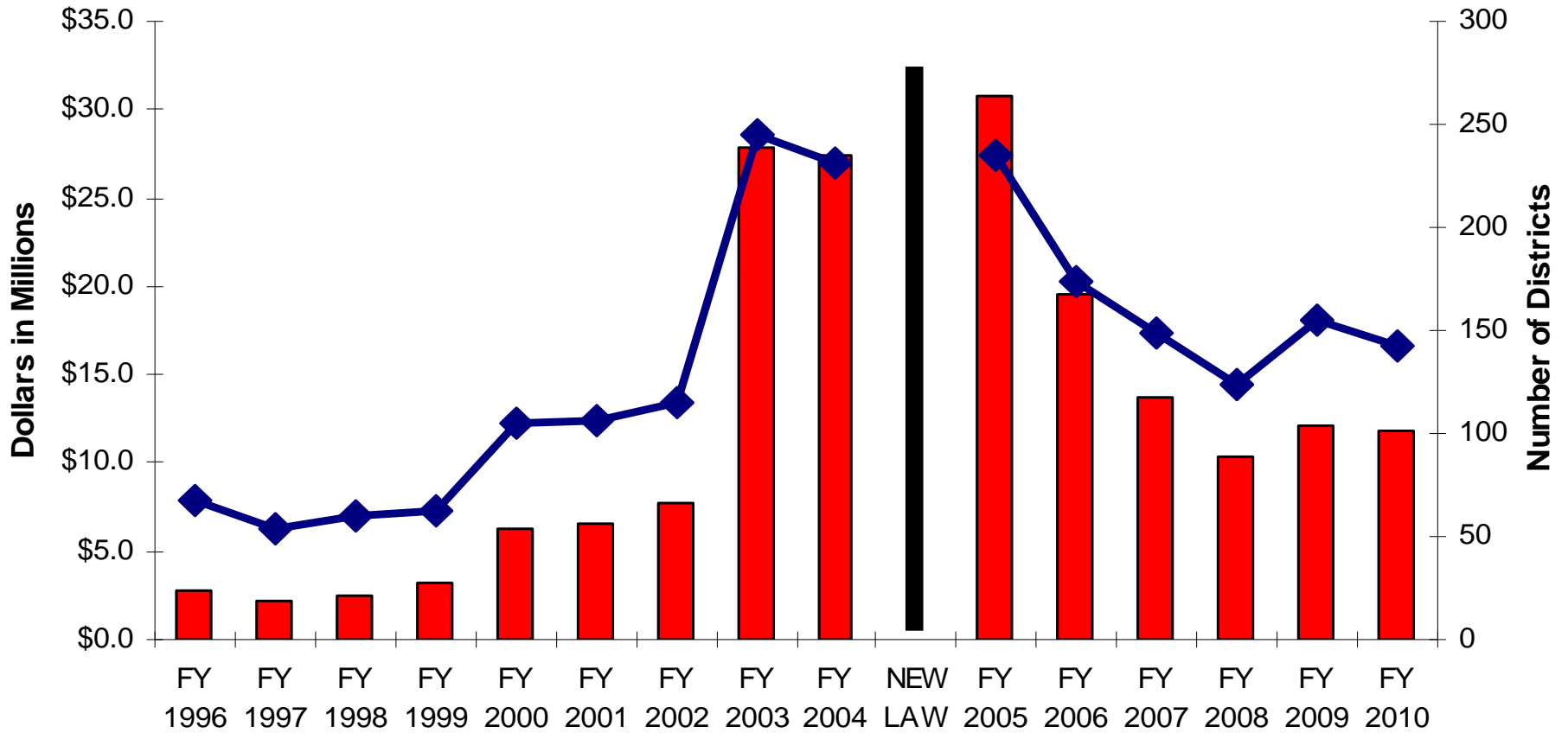
- Phase-out began in FY 2005
- Scale Down Version – will phase out by FY 2014
- 101.0% Adjustment (will remain in place after phase-out)
- A factor of enrollment changes and allowable growth rate

# Budget Adjustment FY 2010

- Total B.A. \$11.8 Million (142 districts)
- Scale Down (40% based on FY 2004 total regular program budget) - \$3.3 million (48 districts)
- 101.0% Adjustment (101% Based on previous year regular program budget) - \$8.5 million (94 districts)

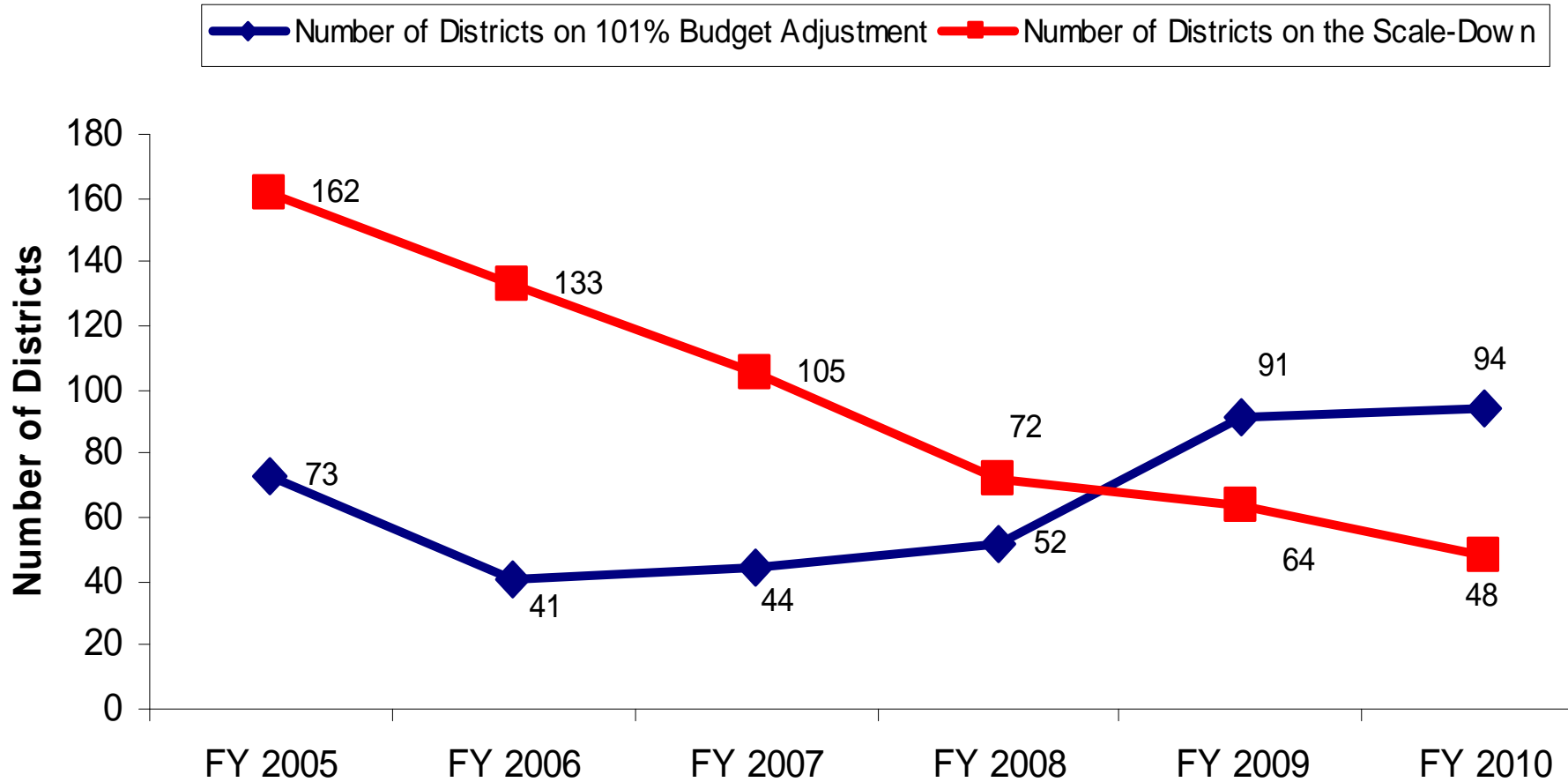
## Budget Guarantee FY 1996 - FY 2004 Budget Adjustment FY 2005 - FY 2010

█ Dollars in Millions   
 ◆ Number of Districts



# Budget Adjustment Type

## FY 2005 - FY 2009



# Dropout Prevention Program Funding

## FY 2010 Dropout Prevention Program:

- Provides Modified Allowable Growth for Dropout Prevention Programs
- Basically limited to 5.0% of the Regular Program
- Total of \$106.8 million (local property tax)
- 334 Districts

# State Categorical Roll-in (FY 2010)

These categorical items will be funded on a per pupil basis in FY 2010 with an allowable growth rate established annually beginning in FY 2011 (set at 2.0% during the 2008 Legislative Session):

- Educational Excellence and SATQ Teacher Comp = Teacher Salary Supplement (\$250.9 million)
- SATQ Professional Development = Professional Development Supplement (\$28.5 million)
- Early Intervention/Class Size Reduction Supplement (\$29.3 million)

# 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

# AEA Program Funding

## Combined District Cost

- AEA Funding
  - ◆ Pupil Driven
  - ◆ Flows Through Local District
  - ◆ Special Education Support Services
  - ◆ Media Services
  - ◆ Educational Services
  - ◆ AEA Sharing (New in FY 2009)
  - ◆ State Categoricals (New in FY 2010)

# Area Education Agency Programs

FY 2010:

- Special Education Support Services  
\$126.4 million (After State Aid Reduction) - State Aid and Property Tax  
\$11.4 million State Aid Reduction
- Educational Services  
\$26.7 million - Property Tax
- Media Services  
\$24.2 million - Property Tax
- AEA Sharing  
\$0.2 million (State Aid and Property Tax)

# Discretionary School District Programs

# Discretionary – General Fund

## Instructional Support Program

- ◆ Up to 10.0% of the Regular Program Budget
- ◆ Board approved for five years
- ◆ Voter approved for ten years
- ◆ Part of School District's General Fund
- ◆ Funded through Local Tax/State Aid\* mix

## FY 2010:

- ◆ 341 Districts - \$189.9 million
- ◆ State Aid - \$0.0 (Standing amount = \$14.4 million [frozen])
- ◆ ARRA Education Stabilization - \$13.1 million
- ◆ Property Tax - \$95.1 million
- ◆ Income Surtax - \$81.7 million (283 Districts)
- ◆ \$51.3 million additional State Aid to “fully” fund

# Cash Reserve

- Provides “cash” behind spending authority
- Property taxes levied for:
  - ◆ Cash flow
  - ◆ State Aid, property tax shortfall
  - ◆ Modified Allowable Growth (MAG)
  - ◆ Included in district’s General Fund
- \$194.3 million (322 districts) in FY 2010

# Discretionary - Non General Fund

- Management Levy
- Physical Plant and Equipment Levy (PPEL)
- Public Education and Recreational Levy (PERL) – also referred to as Playground and Equipment Levy
- Debt Levy
- State Sales/Use Tax for School Infrastructure (revenue purpose statement)

# Management Levy

Optional Levy authorized by the School Board  
FY 2010:

- Use restricted – not rate restricted
  - ◆ Liability insurance premium costs
  - ◆ Tort judgments
  - ◆ Self insurance
  - ◆ Loss of property
  - ◆ Early retirement
- 355 districts
- \$108.6 million

# Physical Plant and Equipment Levy

FY 2010:

- Board Approved - Levy rate of \$0.33
  - ◆ 335 districts
  - ◆ \$39.7 million (property tax)
- Voter Approved – Maximum levy rate of \$1.34
  - ◆ 248 districts (\$92.3 million total)
  - ◆ \$81.6 million property tax
  - ◆ \$10.6 million income surtax (86 districts)

# Public Education and Recreational Levy (PERL)

Also known as the Playground Levy.

FY 2010:

- Voter approved
- Levy rate up to \$0.135
- Remains in place until rescinded by the voters
- 18 districts
- \$2.1 million

# Bonds/Debt Service

- Voter approved – requires 60.0% approval
- Maximum of 20 years
- Cannot exceed \$2.70/\$1,000, unless:
  - ◆ Voters approved higher rate specified on ballot (but cannot exceed \$4.05/\$1,000 taxable valuation)
- \$105.5 million in FY 2010 (195 districts and 7 previous dissolved/reorganized districts)

# SAVE/PTER

- **SAVE (Secure an Advanced Vision for Education)**
  - ◆ State sales/use tax for school infrastructure
  - ◆ Distribution formula based on SILO distribution
  - ◆ By 2014, per pupil funding will be equal
  - ◆ Revenue purpose statement
  - ◆ FY 2009 is estimated at \$357.0 million
- **PTER (Property Tax Equity and Relief)**
  - ◆ Excess after SAVE distribution
  - ◆ Property tax relief through school aid formula
  - ◆ FY 2009 PTER Funds used for FY 2011 property tax relief
  - ◆ Estimated FY 2009 PTER Funds totaled \$26.0 million

# Addendum - Other Information



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# FY 2009 and FY 2010 Economic Issues

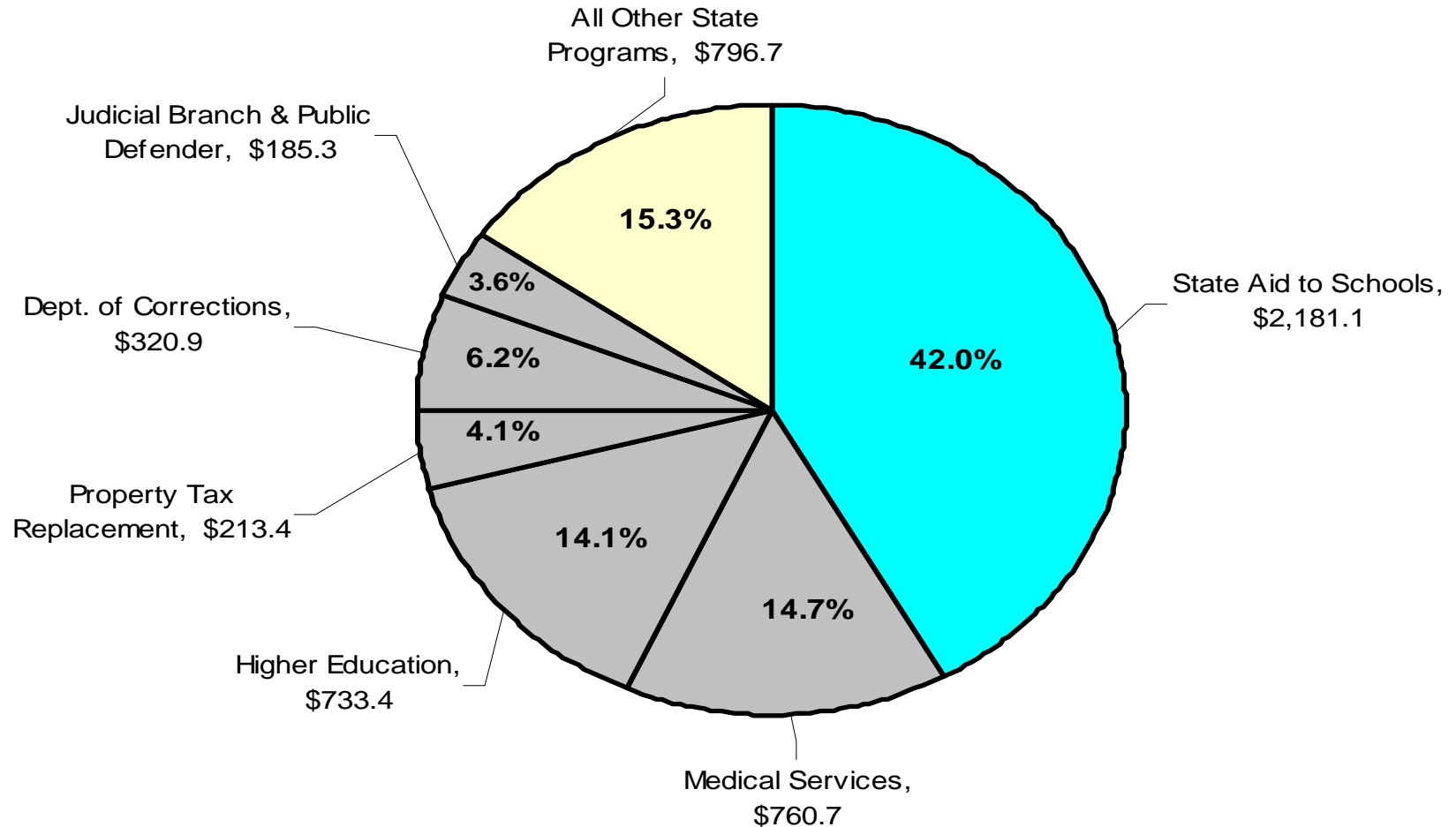
## Economic Downturn and School Aid Impacts:

- Prior to the 2009 Session, Executive Order Number 10 – 1.5% across-the-board (ATB) reduction impacting State aid to school districts.
- Allowable Growth Rate – set at 2.0% for regular school aid and the State Categorical Supplements for FY 2011.
- American Recovery and Reinvestment Act (ARRA) – Education Fiscal Stabilization funding:
  - ◆ FY 2009: \$40.0 million for State school aid
  - ◆ FY 2010: \$202.5 million for State school aid, \$13.1 million for Instructional Support, and \$2.0 million for professional development
- State school aid capped in FY 2010 – approximately \$31.0 million short
- Oct. 2009: 10.0% ATB reduction (\$238.5 million to State school aid)

# FY 2010 Net General Fund Appropriations

## Estimated FY 2010 General Fund Appropriations

(Dollars in Millions)



Amounts adjusted for 10.0% ATB reduction.

# Income Surtax

- Income Surtax is a funding source used to replace property tax
- Instructional Support, Voter Approved PPEL, and Educational Improvement Programs
- 295 School Districts imposed for FY 2010
- \$92.5 million

# Federal Funding

Programs include:

- Title I
- Title II
- IDEA
- ARRA Stimulus

# School Finance - LSA Role

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

# Recent Issues

## Some Recent Issues Subject of Legislation:

- Equalization of Per Pupil Spending
- Enrollment Changes (Declines/Increases)
- Transportation Costs
- Property Tax Relief/Property Tax Equalization
- Technology
- School Infrastructure
- Teacher Compensation
- Curriculum
- School District Fees

# Questions?

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LSA K-12 Website:

[http://staffweb.legis.state.ia.us/lfb/docs/k-12\\_ed/k-12\\_ed.htm](http://staffweb.legis.state.ia.us/lfb/docs/k-12_ed/k-12_ed.htm)



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