

Budget Unit: State Foundation School Aid

BU Number: 28209050001

Program Overview

Iowa Code chapter 257 provides the requirements and provisions of the current school aid formula for Iowa. Approved during the 1989 Legislative Session (1989 Acts chapter 135) and implemented in FY 1991, the current school aid formula provides funding to local school districts and area education agencies (AEAs). Funding is generated for a variety of specific school district and AEA programs through the school aid formula. School district programs include:

- The regular program (funded through a mix of State aid and property tax) and regular program budget guarantee (solely property tax) for general education purposes.
- Special education (mix of State aid and property tax).
- Sharing of students, teachers, classes, community college courses, and other functions (State aid and local property tax).
- At-risk programs (State aid and property tax).
- Limited English-proficient (LEP) students (State aid and property tax).
- Dropout prevention and programs for returning dropouts (local property tax).
- Teacher salary supplement (State aid).
- Professional development supplement (State aid).
- Early intervention supplement (State aid).
- Teacher leadership supplement beginning in FY 2016 (State aid).
- Statewide preschool program for 4-year-olds (State aid).

Program funding for AEAs include:

- AEA special education support (State aid and property tax).
- AEA media services (property tax).
- AEA education services (property tax).
- AEA sharing incentives (State aid and property tax).
- AEA teacher salary supplement (State aid).

In addition to funding designated for specific programs, the school aid formula provides targeted property tax relief to school districts. There are three specific provisions built into the school aid formula that provide property tax relief including:

- Property Tax Adjustment Aid (1992 provision) – implemented with revised school aid formula. Has a gradual phase-out with an undetermined completion date.
- Property Tax Adjustment Aid: Adjusted Additional Levy – implemented in FY 2007, provides targeted tax relief for districts with the highest adjusted additional levy rate. Funding for this provision includes a General Fund appropriation through the school aid formula and excess State sales/use tax revenues that remain after the Secure an Advanced Vision for Education (SAVE) funds. Additionally, if funding is sufficient, all districts may receive tax relief through a temporary increase in the foundation level.
- Property Tax Replacement Payment – initially implemented in FY 2014, provides State aid in place of property tax due to the increase in the cost per pupil in FY 2014 and FY 2015. This provision was extended during the 2015 Legislative Session and is in place for FY 2016 and FY 2017.

Funding

Based on foundation levels that determine the mix of local property tax and State foundation aid on an annual basis, the Iowa Code provides a standing unlimited State aid appropriation to the Department of Education that distributes the funds to school districts and AEAs based on allocations calculated by the Department of Management (DOM). Total funding is generally based on per pupil costs multiplied by enrollments and weighted enrollments for the specific programs. State aid and property tax amounts by school district are based on the program funding amounts, the foundation levels, and each school district's taxable property valuation. Additionally, the DOM determines specific property tax relief amounts by school district. Once the calculations are finalized by the DOM, the General Fund appropriation amount required for State school aid is determined. School districts receive State aid payments over a 10-month period beginning in September of the school year.

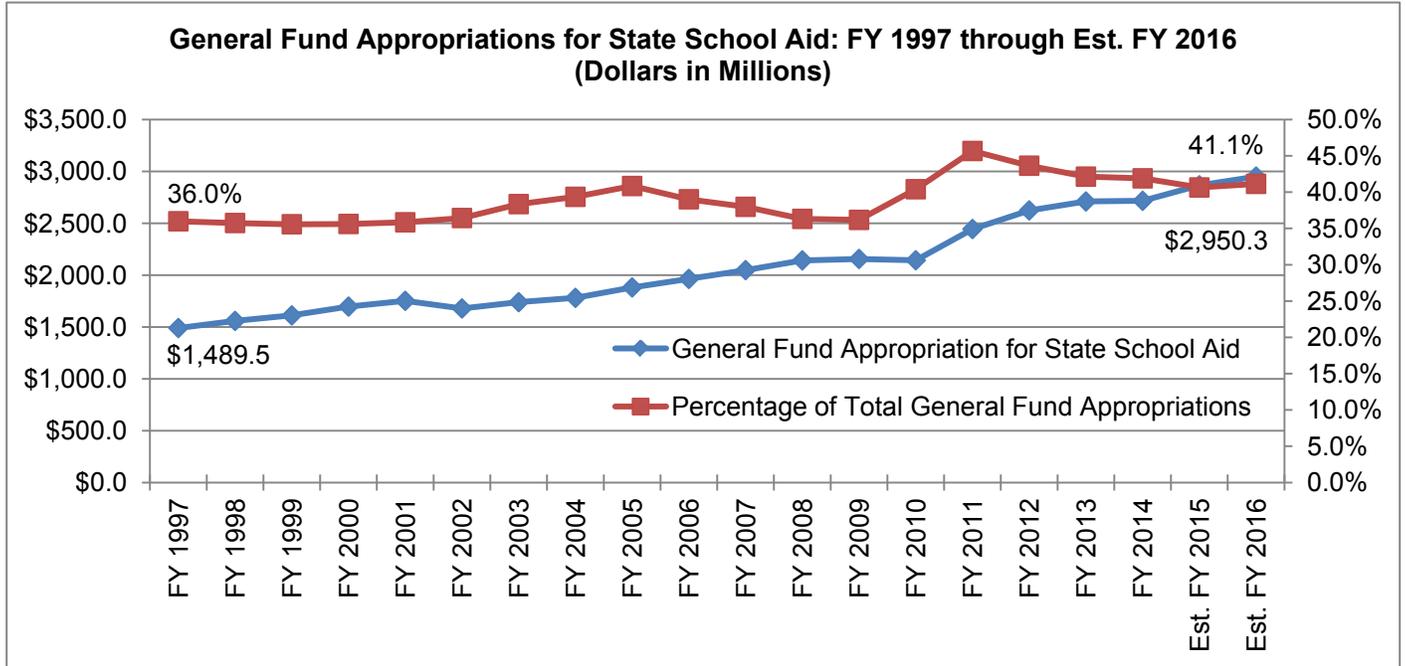
More Information

Iowa General Assembly: <https://www.legis.iowa.gov/>

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The following graph illustrates the total General Fund appropriation amount for State school aid and the overall percentage of the State school aid appropriation compared to total General Fund appropriations for the period FY 1992 through estimated FY 2016. Overall, the percentage has increased from about 36.0% (in FY 1997) to 41.1% in estimated FY 2016. The addition of the Statewide Voluntary Preschool Program (funded through the school aid formula initially in FY 2009) and the State categorical supplements (funded through the school aid formula initially in FY 2010) can be attributed to the increased levels in those fiscal years.



Policy Decisions That Impact State Foundation School Aid Funding

In general, the General Assembly does not directly appropriate funding for State school aid (the appropriation amount is determined by the formula as noted in the above paragraph). However, there are policy decisions made by the General Assembly that impact the overall level of funding (including the State aid and property tax amounts). Of note, establishing the State percent of growth increases the cost per pupil amounts used to generate funding through the school aid formula and has a significant impact on the overall funding level. Other policy decisions that may change overall funding levels include changing supplementary or special education weightings, or adding or eliminating programs. Additionally, changing the foundation level or providing some other type of property tax relief will change the State aid and property tax mix, but does not change overall funding levels.

Additional Resources

The LSA and other entities have information pertaining to the school aid formula. A partial list of useful resources includes:

[LSA Fiscal Services Division School Aid Presentations](#)

[LSA Historical School Aid Data](#)

[LSA Legal Services Division Education Finance Legislative Guide](#)

[LSA Legal Services Division Legal Briefing Guide on Education Finance — Supplemental State Aid Programs](#)

[Iowa Department of Management, School Aid Information and Data](#)

[Iowa Department of Education, School Finance Resources](#)

Related Statutes

Iowa Code chapters [257](#) and [256C](#)