IOWA

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I. GENERAL BACKGROUND

State

The basic features of Iowa's method for financing public elementary and secondary education in the 1998–99 school year include a uniform levy requirement, establishing a state foundation base, establishing a maximum on each budget, providing for minimum state aid to each district and budgeting on the number of students enrolled. The general methods and concepts in the 1998–99 school year date back to the mid 1960's when the 62nd General Assembly took steps to provide for general property tax replacements, equalization of the method of taxation of property for school purposes and for establishing a method of allocation of state funds for aid to schools. Also established at that time were agriculture land tax credits, personal property tax credits, and additional homestead tax credits for the aged as part of general property tax reform. Between 1970 and 1972 the Iowa General Assembly modified the 1967 law to achieve the present type of foundation plan.

A new finance chapter was enacted in 1989 that was intended to substantially modify the current plan and provide significant new resources. The new formula was designed to equalize spending per pupil, provide an enrollment decline cushion, provide advance funding for increasing enrollment districts, provide increased property tax relief, provide for increased local discretion, equalize access to discretionary local revenues, expand the use of selected local levies, and provide for increased use of income taxes as a source of revenue. A new finance chapter in the Code of Iowa, Chapter 257 was created and the existing statute, Chapter 442, was repealed. The new finance plan was to be implemented in the 1991–92 school year.

The 1991–92 school year was the first year of a three-year phase-in of the new finance formula; however, the new concepts and increased funding provided by the formula were not implemented. With the state facing a deficit, significant state government budget and finance reforms were enacted such that substantial changes were made in both the amount of funding provided and the distribution of aid provided. For both 1991–92 and 1992–93, the amount of state aid schools were expecting to receive was reduced by executive order of the Governor and by legislative action. The Governor reduced all state funding, including schools, by 3.87% or $44.1 million during 1991–92 plus additional legislative enacted reductions were made to reduce the 1991–92 state funding by another $6 million to districts with increasing enrollment.

The finance plan which is in place today is an outgrowth of a "new" plan that was revised as part of general government budget and finance reform. One of the most significant revisions in the funding for school districts was the determination of the growth of state aid and budgets. Whereas prior to 1992–93 these amounts were determined by the increase in state revenues and inflation, they are now determined on an annual basis through the political process. The Governor must recommend an allowable growth rate at the beginning of each legislative session and the legislature must determine the growth rate within 30 days.

In the 1993, 1994, and 1995 legislative sessions, allowable growth was set by the legislature for the upcoming school year. In 1995 the legislature established allowable growth rates not only for 1995–96 but also for 1996–97, and in 1996 the legislature established growth rates for 1997–98 and 1998–99 school years. The legislature also established in the 1996 session that future rates would be established two years in advance, thus in the 1999 session the legislature established budget growth for the 2000–01 school year.

The 1998–99 budgets for school districts are comprised of 20 funding areas. All funding for schools as defined under Iowa statutes follows Dillion's Rule, not Home Rule, thus only the funding and expenditures that are expressly permitted are allowed.

All funding is controlled through formula, levy amount, or express purpose. The "combined district cost" constitutes the largest area of funding for school districts. Included in this cost are the regular program district cost, regular program guarantee, supplemental weighting, special education instruction cost, area education agency (AEA) cost, and School Budget Review Committee (SBRC) allowable growth. In 1998–99 the combined district cost was $2,492.6 million.

In addition to the combined district cost, districts may elect to seek additional funds through a combination of board and voter approved taxes. There are 18 budget areas plus miscellaneous income plus the prior year's unspent balance available to districts in 1998–99 as funding sources. The total estimated budgets of Iowa's 375 school districts total $3,170.2 million in 1998–99.

State foundation aid totaled $1,611.9 million in 1998–99. Approximately 38% of all general fund appropriations go towards this foundation aid. The primary sources of revenue for the general fund are derived from a 5% sales tax and personal and corporate income taxes.

Increases in revenues from the general fund have been primarily associated with increased property tax relief. In 1972–73 the percent of state appropriations devoted to foundation aid was approximately 34%. When the increase in foundation level is taken into consideration, 70% in 1972–73 to 87.5% in 1998–99, the percent of general fund revenues has decreased to 30%.

The regular program state cost per pupil is $4,013 in 1998–99. The foundation aid level for regular program cost is $3,511 with a $5.40 per $1,000 valuation property tax required. The $3,511 is set at 87.5% of the state cost. For special education instruction and instructional support services, the state foundation aid level is 79% of the state cost. Since an additional uniform levy is not required as part of special education funding, the state foundation aid level is 79% and approximately 60% for the regular program. Special education support services is $177.82 per pupil with a foundation level of $140.48.

Local

In 1998–99 Iowa had 375 school districts and 15 intermediate services, Area Education Agencies (AEAs), all funded under Financing School Programs, Chapter 257 of the Iowa Code. All school districts are independent kindergarten through 12th grade districts. The AEAs are funded under a "flow through" concept whereby the local district generates an amount per pupil that is forwarded to each agency. Special education support services, media, and educational services each have a separate amount per pupil that flows through the district to the AEA.

Each district has a statutorily set maximum spending authority. The maximum is based upon the sum of the amounts determined under the foundation plan, prior year unspent balance, and miscellaneous income. If state aid, property taxes, and income surtax revenues under the foundation plan do not equal the formula determined amount, a district may levy for cash reserve to replace the shortfall.

Property taxes are the primary source of local revenue for each district. However, more districts are using income surtaxes as a new source of revenue or as a property tax replacement. The maximum surtax rate is 20%.

Property tax relief continues to be of concern at the local and legislative levels. The foundation component of the school funding finance plan has been and continues to be the primary vehicle to provide property tax relief. With changes made in the 1992 legislative session, local budgets have had limited growth and new funding has been categorical.

Funding Summary 1998–99

Total State School Aid (All Programs)			$	1,767.6	million
Grants in aid	1,767.6	million			
Teacher Retirement Contributions	0	million			
FICA	0	million			
Total Local School Revenue			$	1,120.2	million
Property Tax	1,013.6	million			
Other local source tax revenue	33.9	million			
Local source non-tax revenue	72.7	million			
Total Combined State and Local School Revenue			$	2,887.8	million
State Financed Property Tax Credits Attributable to School Taxes			$	135.2	million

II. LOCAL SCHOOL REVENUE

Property taxes are the primary source of revenue for school districts. Districts may also use an income surtax in lieu of property taxes for selected programs that are in addition to the basic funding achieved under the foundation program.

Property Tax

Revenues from property taxes, excluding debt services, totaled $1,013.6 million in 1998–99. Taxes are assessed against equalized property values and the rates are expressed per $1,000 of valuation. The state has 112 assessing jurisdictions and the property in each of these jurisdictions is equalized by the state through the Department of Revenue and Finance every two years. Assessments are adjusted for classes of property to actual values, except that agriculture land values are based on productivity. Adjustments are based on assessment/sales ratio studies as well as investigations and appraisals done by the state. The productivity formula for agriculture land uses agriculture prices and expenses. The state orders an adjustment if reported valuations are more than 5% above or below those determined by the state.

Income Tax

Districts may use an income surtax for funding four areas: (1) instructional support programs, (2) physical plant and equipment levies, (3) asbestos removal, and (4) educational improvement levy. Each of these four programs is in addition to the funding provided under the basic funding of the foundation plan. The combined surtax rate for all four programs is capped at 20%.

Income surtaxes are used by 208 of the 375 districts as a partial source of revenue for the instructional support program. These taxes provided $33.8 million in revenue for the $98 million instructional program.

Revenues from income surtaxes for the physical plant and equipment levy, and educational improvement program were $3.7 million and $94,000, respectively in 1998–99. No districts levied for asbestos removal in 1998–99.

Income surtaxes are collected by the state through the Department of Revenue and Finance and held in a special account. Income surtax rates apply for the calendar year in which the tax is imposed. Income surtaxes for the 1998–99 school year will be paid to districts in October 1999 and October 2000.

Tax Credits and Exemptions

Agriculture lands and family farms received approximately $43.5 million in tax credits in 1998–99. In addition, homestead credits of $51.6 million were provided; however, the state only funded $42.3 million of the credit in 1998–99. The state also provides a state paid adjustment for taxes on machinery and equipment. In 1998–99, the machinery and equipment tax credit was $4.6 million.

Sales Tax

No sales tax revenues are received by local school districts for their general operating fund.

III. TAX AND SPENDING LIMITS

Spending limits are imposed under the basic funding of school districts through the calculations used to determine the “controlled” budget. This budget is based upon the district cost per pupil and the enrollment of the district. Other spending/tax limits are imposed on a levy by levy basis by either restricting the maximum levy or by restricting the purpose of the levy. Ten finance areas fall under this limitation.

Although property is assessed at full valuation or productivity, the taxable valuation is based upon prior year’s valuation plus valuation increase. However, the increase in valuation of non-agriculture property is limited to the rate of increase in agriculture property.

The general funding of districts is not dependent on voter approval and is set by formula. Budgets and taxes may be appealed to a state level Board of Appeal.

Each district’s general operating budget is capped at a maximum spending authority composed of the formula determined amount, the prior year’s unspent balance, and miscellaneous income. If a district spends more than this authorized amount, the deficit is subtracted from the following year’s budget or additional allowable growth is granted by a state-level review panel called the School Budget Review Committee. Any district that overspends its budget must appear before the Committee and present a corrective action plan explaining how they will avoid a negative balance in the current or future years.

There are no limits on the amount of fund balance a district may carry over from year to year. However, a district may not levy for cash reserves if its cash balance exceeds 25% of the prior year’s expenditures.

IV. STATE/ PROVINCIAL EARMARKED TAX REVENUE

The revenues from the sale of selected motor vehicle license plates are the only state revenues specifically earmarked for education. The revenues from these license plates which have an education theme displayed on them are used to compensate districts that have high transportation cost. Total revenues derived through this source are minor.

All state aid to schools is paid directly from the general fund of the state.

V. BASIC SUPPORT PROGRAM

General School Aid Formula

Funding in 1998–99*:* $1,261.3 million.

Percentage of State Aid: 71.4%.

Nature of Program: Foundation plan, with a second local discretionary tier. The plan is defined in statute as the School Foundation Program under Chapter 257, Code of Iowa, 1999. Under the second tier, districts may increase their budgets by up to 10% through an "instructional support" levy. The instructional support levy is a percentage equalizing plan with the state participation at 25% for an average wealth district.

Allocation Units: Pupils. The resident pupil enrollment as of the third Friday in September in the year prior to the year in which the budget is implemented is used as the pupil count. The pupil count is used to calculate the total district cost. Total district cost is calculated by multiplying district cost per pupil times weighted enrollment. The September 1997 enrollment is the basic enrollment used in the 1998–99 district cost calculation and is the enrollment to which adjustments are made. Total district weighted enrollment for the 1998–99 year was 569,723 compared to an actual enrollment of 502,534 in September 1998.

Local Fiscal Capacity: Equalized taxable property valuations are used as the measure of local fiscal capacity in the basic formula. If a district chooses to use the second tier of funding, a surtax on state income tax paid may also be used.

How Formula Operates: Local school district funding is primarily determined by the number of students within the district and the district's cost per pupil. A district's basic budget is calculated by multiplying a district cost per pupil amount times the weighted enrollment. A district's weighted enrollment is based upon the number of pupils in the district one year prior to the budget, plus: (1) a weighting for special education; (2) a supplemental weighting for sharing teachers, pupils, or administrators; (3) for students in an English as a Second Language (ESL) program; and (4) a reorganization incentive. The total enrollment used is referred to as the total weighted enrollment which is multiplied times the district cost per pupil. The September 1997 enrollment is the basic enrollment used for the 1998–99 budget and is the enrollment to which adjustments are made.

The district cost per pupil amount is based upon the historical spending in that district, plus a per pupil growth amount each year. In addition to each district's cost per pupil, a "state cost" per pupil was calculated to be used to calculate the annual allowable growth amount, as well as provide the floor amount per pupil for each district, and establish the state foundation aid per pupil amount. In 1998–99 the state regular program cost per pupil is $4,013. All districts' cost per pupil are at or above the state cost per pupil.

The state cost per pupil, which is the basis for determining the foundation level and state aid, is increased each year by an allowable growth amount per pupil. The allowable growth amount is determined by multiplying an allowable growth rate by the state cost per pupil. The allowable growth amount is added to each district's per pupil cost. Until the 1993–94 budget, the allowable growth rate had been calculated by averaging the rate of change in general fund state revenues over a two-year time period and by averaging the rate of change in the gross national product implicit price deflator. If revenue rate changes were below the deflator rate changes then the revenue change rates were used, otherwise, the average of the two averages are used. Beginning with the 1993–94 school year, allowable growth was enacted by the legislature within 30 days of the Governor's budget message to the General Assembly. This is expected to occur by March 1 of each year. Historically, the allowable growth was announced on September 15 of the base year.

In the 1993, 1994, and 1995 legislative sessions, allowable growth was set by the legislature for the upcoming school year. In 1995 the legislature also established allowable growth rates for 1996–97 and in 1996 the legislature established growth rates for 1997–98 and 1998–99 school years, and established that future rates would be set two years in advance. The change in the date when allowable growth is known and how it will be determined are two of the most significant changes which occurred in school finance in recent years. Allowable growth amounts and enrollment changes are the two key factors in budget growth.

Maximum spending authority is controlled in each district through the foundation plan. The funding sources for the maximum spending authority include state aid, property taxes, unspent balances from the prior year, plus actual miscellaneous income. The controlled expenditure has resulted in greater equity in expenditures, but less local discretion. Once spending authority has been granted, it is not removed even if authorized state aid or property tax revenues are not actually received. Thus, if an across-the-board state aid cut is made, spending authority is not reduced. A district may levy for a cash reserve (property taxes) to replace any revenues not received.

State Share: School districts receive revenue from two primary sources—state aid and property taxes. A uniform property tax levy rate of $5.40 per $1,000 taxable valuation is required of all districts. The amount raised from the uniform levy is subtracted from the state supported foundation level. The difference is the amount of state aid a district will receive. Each district is guaranteed a minimum of $300 per pupil state aid. The foundation level is based upon 87.5% of the state cost per pupil for the regular program and 79% for special education and special education support. The foundation level for regular program cost was raised effective with the 1996–97 school year from 83 to 87.5%. In 1998–99 the foundation level for regular program cost is $3,511 per pupil and $3,170 per pupil for special education instruction. The AEA special education support cost is $177.82 per pupil and the foundation level is $140.48 per pupil.

Local Share: The local share of the general foundation plan is based upon property taxes raised from the uniform levy and the property taxes required for the amount of the difference between the total district cost and the foundation level. The uniform levy of $5.40 per $1,000 of taxable valuation raised $463.8 million and the additional levy raised $405.6 million in 1998–99.

Under the second tier of funding, a district may increase its spending authority by up to 10% of its regular program guaranteed budget. In 1998–99, 266 districts used this optional funding. The money generated may be used for any general fund purpose. Authority to participate in the program may be through board action or through a referendum. If authority to participate in the program is approved by a vote of the electorate, the maximum number of years the levy can remain in place without additional approval is ten years. The board may approve the implementation of the instructional support program without voter approval for a period of up to five years. Board action is subject to a petition that may call for an election. The board determines the mix of income surtaxes and property taxes, with a maximum surtax rate of 20%. The state aid amount is based upon a percentage equalizing plan of 25% of the amount to be raised. However, state aid has been frozen at $28.9 million. If fully funded, the state aid requirement would be $17.4 million. Income surtaxes are used by 208 of the 266 districts that have implemented an instructional support levy.

Weighting Procedures: The total weighted enrollment is the sum of the basic September enrollment, a supplemental pupil weighting for students in an limited English proficiency program, a supplemental pupil weighting for districts sharing pupils or teachers, and a weighting for special education students.

Students identified by the district as having limited English proficiency are weighted .19 for budget purposes and may be weighted for up to three years.

Students who are involved in a sharing situation with other districts are weighted .48 times the percent of time they are in the sharing situation. If a teacher is shared, the students taught by that teacher are weighted .48 times the percent of time they are with the teacher.

Students receiving special education are assigned a weight of .68, 1.35, or 2.74 in addition to the 1.0 basic count. These weights are calculated to generate sufficient funds to cover the excess cost of special education.

Adjustments for Special Factors—Special Provisions: The regular program budget of each district is guaranteed to be at the same level in 1998–99 as it was in 1997–98. The guarantee will expire effective with the 1999–2000 school year. The basic budgets were guaranteed to grow at least 1% between 1989–90 to 1990–91. Between 1990–91 and 1994–95 budgets were guaranteed at the prior year's level. Funding for the guarantee was paid from property taxes. For 1995–96 budgets were guaranteed to grow a minimum of 1% over 1994–95, with the difference between 100 and 101% paid with state aid. Prior to funding formula changes in 1989, the guarantee was built into the budget enrollment, which in turn resulted in the guarantee being part of the foundation amount. With the exception of the 101% guarantee, funding for the budget guarantee is now paid for with property taxes.

A significant change made in 1992 was the elimination of the advance funding concept for increasing enrollment districts. Prior to 1992 districts which experienced an increase in their actual enrollment in September above their previously calculated budget enrollment were given additional state aid equal to the district cost per pupil times the increased enrollment. This advance was adjusted the following year to achieve the same mix of state aid and property taxes as if the students had been counted when the budget was built. Since 1992 districts may ask the School Budget Review Committee for modified allowable growth for enrollment increases, if granted the additional expenditure authority will be paid from property taxes.

Special state aid and budget incentives were provided to districts that reorganized prior to July 1, 1994, but have been phased out as of July 1999. One of the incentives was the reduction of the uniform levy to $4.40 per $1,000 taxable valuation the first year of the reorganization and increased 20 cents per year for five years. Districts that reorganize also were allowed to maintain for five years the supplemental weights that they had for sharing in the year prior to reorganization.

A special provision of Iowa's school aid and school budgeting is a state-level School Budget Review Committee. The committee provides relief for unique and unusual situations not covered under the basic foundation plan. To provide the relief, the committee has the authority to grant districts' increases in spending authority which may result in increases in property taxes. The five-member committee annually reviews areas such as the special education weighting plan and adjusts the weights as the committee deems necessary. If the special education expenditures exceeded revenues, as has been the case in recent years, additional allowable growth may be granted. This additional growth requires an increase in cash reserve property taxes or use of cash balances.

Iowa is unique compared to other states in that maximum spending authority is controlled in each district through the foundation plan. The funding sources include state aid, property taxes, unspent balances from the prior year, plus actual miscellaneous income. The controlled expenditure has resulted in greater equity in expenditures but less local discretion. Once spending authority has been granted, it is not removed even if authorized state aid or property tax revenues are not actually received. Thus when an across the board state aid cut is made, spending authority is not reduced. A district may levy for a cash reserve (property taxes) to replace any revenues not received.

Aid Distribution Schedule: State aid is to be paid to school districts in ten equal installments beginning on September 15. However, the Code of Iowa provides that the Department of Management will take into consideration the relative cash and budget position of the state in determining if payments are to be made.

Districts Off Formula: None.

VI. TRANSPORTATION

Public school districts do not receive any significant categorical aid for transportation. When the current finance plan was first enacted, the total general fund expenditures of districts were included in calculating each district's cost per pupil and the state cost per pupil. This included transportation expenditures. In recent years transportation costs have been discussed by the legislature and with the exception of providing less than $50,000 from the sale of education license plates, only direct aid to extremely high transportation cost districts, no transportation aid is provided.

Public school districts provide, contract for, or reimburse parents for the cost of providing transportation for nonpublic students. In 1998–99, $7.9 million was available to pay public schools providing or contracting for transportation to nonpublic students. Parents who provide their own transportation for children attending a nonpublic school submit their claims to the public school district. The public school district submits the claim to the state.

VII. SPECIAL EDUCATION

Funding in 1998–99: $338.5 million.

Percentage of State Aid: 15.9%.

Funding for special education instruction is included as part of the basic foundation plan. School districts are funded on the basis of weighted enrollment, which includes the weighting for special education. Students receiving special education are assigned a weight of .68, 1.35, or 2.74 in addition to the basic 1.0 count. These three weights are calculated to generate sufficient funds to cover the excess cost of special education. If the excess is not covered and districts incur a deficit, they may be granted additional allowable growth by the School Budget Review Committee to cover the deficit. Their additional allowable growth will be paid by a combination of property taxes and state aid. The state aid portion is based upon the recapture of positive balances. If a district has an unspent balance of special education funds in excess of 10% of their total special education revenues, the excess state aid portion is reverted to the state.

Funds generated for special education are based upon the weights times district cost plus a portion of the amount generated by a student under the regular program count. The net impact of the special education weightings through the formula is 79% of the revenue for special education is from the state and 21% is from property taxes. In addition to the direct instructional support, special education is also supported and funded through Iowa's area education agencies (AEAs). Using the weighted enrollment, each district generates funds for the AEA. The weighted enrollment is multiplied by the AEA instructional amount per pupil. Seventy-nine percent of special education support costs also are paid by the state.

State Share: The state foundation aid for direct instruction was $188.2 million in 1998–99. The state foundation aid for instructional support services through the area education agencies was $79.3 million.

Local Share: Local property taxes for special education instruction was $50.7 million and $21.0 million for special education support services in 1998–99.

VIII. COMPENSATORY EDUCATION

No state aid provided.

IX. GIFTED AND TALENTED EDUCATION

Funding in 1998–1999: N/A.

Percentage of Total State Aid: N/A.

Description: No state aid is provided for talented and gifted (TAG) programs. All districts are required to provide programs for talented and gifted students. The funding may be provided from the existing budget or by requesting a property tax increase through the state's School Budget Review Committee.

In 1998–99, the School Budget Review Committee approved requests from 327 districts for additional allowable growth to enable them to pay for their talented and gifted program. Each district must submit a program and budget plan for approval to the Department of Education. The maximum budget request for allowable growth is calculated by multiplying .0124 times the district's cost per pupil times the number of pupils in the district. A minimum of 25% of this amount must come from the district's existing budget and up to 75% of the program's budget may come from the additional property taxes. The state does not directly share in the cost of talented and gifted programs.

Local Share: $15.5 million.

Extent of Participation: 327 districts.

X. BILINGUAL EDUCATION

Funding 1998–99: $3.9 million.

Percentage of State Aid: less than 1%.

Description: Each pupil that is identified as having limited English proficiency is weighted .19 in addition to the basic 1.0 count. This supplementary weighting was implemented by the legislature for the 1991–92 school year. For funding purposes, a student may be counted for up to three years. In addition a district may request permission to levy additional property taxes to extend a program to five years or to cover additional costs of the program during the first three years. A district may also request permission to levy additional property taxes to fund the first year of a new program. All additional property tax requests must be approved by the state's School Budget Review Committee. Property taxes for this purpose were levied in the amount of $0.6 million.

Extent of Participation: Not reported.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–99: $15.7 million.

Percentage of State Aid: less than 1%.

State-funded grants are provided to districts for programs serving low-income families with young children (birth through age three), for programs serving low-income preschool children, for public school programs providing preschool programs for children from low-income families, for programs serving elementary school children in schools with high portions of at-risk students, and for school based youth services programs at the middle and high school level. A Child Development Coordinating Council is involved in the determination of grant criteria and allocations associated with preschool programs. This funding began in 1990–91.

Extent of Participation: Not reported.

XII. OTHER CATEGORICAL PROGRAMS

Educational Excellence Program for Teachers

Funding in 1998–99: $82.9 million.

Percentage of State Aid: 4.9%.

Description: This program which began in 1987–88, guaranteed a minimum salary for teachers of $18,000 (Phase I), provided general salary increases for teachers (Phase II), and provided funding for performance-based pay, supplemental pay for extra work, or a combination of the two (Phase III). In

1998–99 the minimum salary provision was increased to $23,000. In addition, the Phase III component has been changed to primarily focus on staff development. The Educational Excellence Program is entirely state funded. Approximately $14.6 million was expended for guaranteeing minimum salaries. Approximately $42.5 million was allocated on a per-pupil basis, to provide for salary increases, and the remainder is allocated also on a per-pupil basis, but conditional on the approval of a staff development plan and budget. All districts participate in this program.

Extent of Participation: Not reported.

Vocational Education

Funding in 1998–99: $3.7 million.

Percentage of State Aid: less than 1%.

Description: The state appropriated $3.7 million for the 1998–99 school year for the development and conduct of continuing and new vocational educational programs, services and activities of vocational education programs at secondary schools. Funds may be used for the purchase of instructional equipment for vocational and technical programs. Funds are granted to school districts on an application basis.

Extent of Participation: Not reported.

Area Education Agencies

Funding in 1998–99: $79.2 million.

Percentage of State Aid: 4.7%.

Description: Area education agencies (AEAs) serve as intermediate service units to provide special education support services, media services, and educational services. The AEAs are fiscally dependent upon the school districts. The funding formula for AEAs includes separate funding on a per-pupil basis for each of the three service areas. Media and education services are funded entirely from property taxes. Special education support services funding is included in the state aid foundation plan. The state support level for special education is 79%. In 1998–99 the state support for special education support services totaled $79.2

million. Property taxes for special education support, media and educational services were $21.1, $18.2 and $20.0 million, respectively.

Extent of Participation: Not reported.

Instructional Support Program

Funding in 1998–99: $14.8 million.

Percentage of State Aid: less than 1%.

Description: In 1998–99, 266 districts implemented an instructional support program. Districts may increase their budgets by up to 10% of the regular program cost including the guarantee. The money generated may be used for any general fund purpose. If authority to participate in the program is approved by a vote of the electorate, the maximum number of years the levy can remain in place without additional approval is 10 years. A board may approve the implementation of the program without voter approval for a period of up to five years. Board action is subject to a petition which may call for an election. The board determines the mix of income surtaxes and property taxes. State aid is provided to equalize the property taxes required. The state aid amount was intended to be approximately 25% of the total amount generated through the instructional support program. However, state aid is frozen at $14.8 million. If fully funded, state aid would be $28.9 million in 1998–99. Income surtaxes are used by 208 of the 266 districts that have implemented an instructional support program. In 1998–99, $49.4 million in property taxes and $33.8 million in income taxes were collected.

Extent of Participation: 266 districts.

Dropout and Dropout Prevention Programs

Funding in 1998–1999: N/A.

Percentage of Total State Aid: N/A.

Description: In 1998–99 the School Budget Review Committee granted permission to 183 districts to levy property taxes for dropout and dropout prevention programs. Each district requesting the levying of additional property taxes for this program must have their dropout program and budget approved by the Department of Education. Up to 75% of the program's budget may come from the additional property taxes. The remainder must be supported from the general operating funds of the district.

Local Share: In 1998–99, funding amounted to $32.7 million.

Extent of Participation: 183 districts.

Educational and Recreational Tax

Funding in 1998–1999: N/A.

Percentage of Total State Aid: N/A.

Description: In 1998–99, 19 districts had a tax for the purchase of recreation places and playgrounds in public school buildings and grounds of the district. The tax could also be used for community education programs. With voter approval, the board may levy up to 13.5 cents per $1,000 taxable valuation levy for either of these two purposes. Once enacted, the levy remains in place until rescinded by the board of directors or by the voters of the district.

Local Share: $1.4 million in property taxes.

Extent of Participation: 19 districts.

XIII. TEACHER RETIREMENT AND BENEFITS

Public school employees are covered under Iowa Public Employees' Retirement System (IPERS). (IOWA CODE § 97B) Contributions to the IPERS system or a district's previously established retirement system are made by the employees and the district. The state does not appropriate funds for the retirement system for teachers or any other state employee. Contributions to FICA (social security and Medicare tax) also are paid by the local school district, not the state. In calendar years 1998 and 1999, an employee contributed 3.7% of their covered wages to the retirement system and the employer contributed 5.75% of the employee's covered wages. Changes to the retirement benefits were enacted in 1996 that removed the covered wage ceiling and permits retirement without penalty at age 55. Retirement benefits equal 2% per year times the number of years of service up to 30 years, and 1% per year for service for beyond 30 years up to a maximum benefit of 65% of covered wages.

XIV. TECHNOLOGY

Funding in 1998–99: $30 million.

Percentage of State Aid: 1.8 %.

Description: Beginning in 1996–97 the legislature appropriated $30 million for a school improvement technology program. Each district is allocated an equal amount per pupil; however, the minimum amount a district receives is $15,000. The legislation calls for this program to be funded for five years. Funds may be expended for equipment acquisition, installation, maintenance, and software associated with instructional technology. Funds may also be expended for staff development; however, the legislature prohibited the hiring of additional staff with these funds.

Extent of Participation: Not reported.

XV. CAPITAL OUTLAY AND DEBT SERVICE

State Aided Programs

State aid is not provided for either capital outlay or debt service. School districts may use a combination of property taxes, income surtaxes, and sales taxes to fund infrastructure projects. In 1998–99 the property tax was the primary source of revenue for debt retirement and permissible activities under the schoolhouse fund group; however, in 1998–99 districts were given the opportunity to use a local option sales tax to retire bonds to pay for new infrastructure projects.

Bonds/Debt Service Retirement

A super majority of 60% approval by the electorate is required to enable a local school district to issue bonds. The maximum bonded indebtedness is 5% of the district's assessed valuation. The maximum length of any bond is 20 years. In 1998–99, 210 districts levied property taxes to retire bonds.

Beginning with the 1998–99 school year, districts could also use revenue from a local option sales and services tax for infrastructure. Districts within a county may petition to ask the electorate to pass a local option sales tax of up to one cent for the purposes of paying for infrastructure. The sales tax is imposed on a county basis and revenue from the tax is distributed in proportion to each district's enrollment within that county. A simple majority is required for passage. The proceeds may be used to pay off an existing bond or a district may issue new bonds to pay for a new project. Funding in 1998–99 amounted to $98.1 million in local property taxes.

Schoolhouse Levy

The last year any district will levy under the “old” schoolhouse levy provisions will be 1999–2000. Only those districts that had previously borrowed in anticipation of future revenues were levying in 1998–99. Districts may no longer initiate new 67.5 cent levies. Districts that had such a levy approved by the voters prior to the new finance law in 1989 may continue until the authorization expires. With voter approval, districts could levy up to 67.5 cents per $1,000 taxable valuation for capital related activities under this schoolhouse fund levy. This levy may have been requested for up to 10 years and boards could borrow against anticipated revenue from the schoolhouse levy. Permissible activities included purchase of grounds, construction of buildings, repairing or remodeling, expanding buildings, opening roads, repairing roads, improving grounds or facilities, and renting facilities. Funding in 1998–99 amounted to $6.7 million in local property taxes.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

Each year all districts and intermediate service agencies are required to provide a comprehensive annual financial report to the Department of Education. This report is used to calculate the actual miscellaneous income of districts, which in turn is used in part to establish the district’s maximum spending authority. All districts are required to be audited by either the Auditor of the State or an independent auditor. All audits are forwarded to the state for review.

Iowa does not administer a statewide assessment. However, all districts participate in voluntary assessments through the administration of the Iowa Tests of Basic Skills and Iowa Tests of Educational Development. Districts must annually report to the Department and their local community the district–wide progress made in attaining student achievement goals on academic and other core indicators and the district-wide progress made in attaining locally established student learning goals. The core academic indicators mathematics and reading achievement in grades 4,8, and 11; a set of core academic indicators in science in grades 8 and 11; and another set of core indicators that includes, but is not limited to, graduation rate, postsecondary education, and successful employment in Iowa. Annually, the Department is required to report state data for each indicator in The Annual Condition of Education Report.

XVII. REWARDS/SANCTIONS

No rewards or sanctions are applied against school districts based upon accountability measures. However, districts that deficit spend must appear before a state-level School Budget Review Committee. This committee composed of three public members and the heads of the Departments of Education and Management requires the district to present a corrective action plan that demonstrates the district has either increased its revenues or decreased expenditures.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Children that are home schooled may enroll in a public school under a dual enrollment provision or may enroll under a home school assistance provision. If a child is dual enrolled, the district will count the student for state funding formula purposes as an FTE of 0.1. The child is permitted to participate in extracurricular activities or in selected classes. Under home school assistance, the child is weighted 0.6 for funding purposes. The public school will provide for instructional assistance by having a teacher work with the parent(s) providing the home school instruction.

Children in public school districts may open enroll to other districts under Iowa's open enrollment law. If the receiving district accepts the student (denial may occur if the receiving district has insufficient space or denial may occur if the loss of students upset the racial balance of the district) the full funding generated under the finance formula follows the student. Both state aid and property tax revenues follow the student.

XIX. AID TO PRIVATE SCHOOLS

Funding in 1998–99: $8.6 million.

Percentage of State Aid: less than 1%.

Description: State aid is provided for textbooks and for transportation for children attending approved nonpublic schools. The textbook aid is based upon the claims submitted by a public school district for the textbooks requested by the nonpublic school and purchased by the public school district. The claim is paid at the lesser of the actual cost or the average per-pupil amount expended by the local public school district. In 1998-99, $0.7 million was appropriated for textbook aid.

State aid is provided for the transportation of children attending an approved nonpublic school. Districts are reimbursed based upon the claims submitted to the state for directly providing, contracting to provide the transportation, or for reimbursing the parents. In 1998–99, $7.9 million was appropriated for nonpublic transportation.

Nonpublic students also may attend a public school on a shared-time basis. These students are counted by the districts on a full-time equivalency basis as part of their basic fall enrollment. The program is provided by the public district with the cost supported at the foundation level (87.5%). For the 1998–99 budget, the shared time enrollment count was 928 out of a total nonpublic enrollment of 43,738. This enrollment count generated approximately $3.3 million in state aid and $0.5 million in property taxes through the basic foundation aid formula.

Extent of Participation: Not reported.

XX. RECENT/PENDING LITIGATION

None reported.

XXI. SPECIAL TOPICS

Physical Plant and Equipment Levy

Funding in 1998–1999: N/A.

Percentage of Total State Aid: N/A.

Description: The physical plant and equipment levy consists of two parts: board approved and voter approved. The board may enact a 33 cent per $1,000 taxable valuation levy for expenditures under the physical plant and equipment levy and with voter approval, districts may add an additional levy of $1.34 per $1,000 taxable valuation. This new levy was created under the finance formula changes in 1989 as a combination of the previous site and schoolhouse fund levies, plus some expanded uses.

Uses of revenue from the levy include the purchase of school buses, technology, the purchase or improvement of sites or major building repair. Also permissible is the purchase of grounds, construction of buildings, repairing or remodeling, expanding buildings, opening roads, repairing roads, improving grounds or facilities, and renting facilities.

Three hundred sixty-five districts have enacted a board voted levy. One hundred thirty-four have implemented a voted physical plant and equipment levy and of those, 59 are using an income surtax as a revenue source in addition to property taxes.

Local Share: $67.6 million ($63.9 million property taxes; $3.7 million income surtaxes).

Extent of Participation: 365 districts.

Management Levy

Funding in 1998–1999: N/A.

Percentage of Total State Aid: N/A.

Description: The management levy is a combination of what previously was defined as the insurance levy, the unemployment levy, and the early retirement levy. Districts may levy to pay the cost of liability insurance premiums, tort judgments against the district, a self-insurance program, cost of a local government risk pool to protect the school corporation against tort liability, loss of property, or any other risk associated with the operation of the school district. Districts may also levy to pay for unemployment insurance premiums or unemployment claims.

Districts may levy to pay for early retirement incentives such as a monetary bonus and the continuation of health or medical insurance coverage. The early retirement program was available only for employees between 59 and 65 years of age at the time districts certified their budgets for 1998–99. In the 1998 legislative session the age was lowered to 55 and districts were permitted to levy for early retirement costs whether they had achieved a savings or not. In 1998-99, 353 districts used the management levy as a source of income.

Local Share: $35.7 million, all property taxes.

Extent of Participation: 353 districts.