



Iowa K-12 Public School Finance

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Iowa School Finance Information
Services (ISFIS)





Overview

- Funds
- Revenues
- Expenditures
- Spending Authority
- Financial Health

Funding Sources

- School districts have restricted funding sources - not all funds can be spent on anything the district decides.
- Where does this restriction come from?
 - State/federal law
 - In conjunction with Dillon's rule:



"...municipal governments only have the powers that are expressly granted to them by the state legislature, those that are necessarily implied from that grant of power, and those that are essential and indispensable to the municipality's existence and functioning."

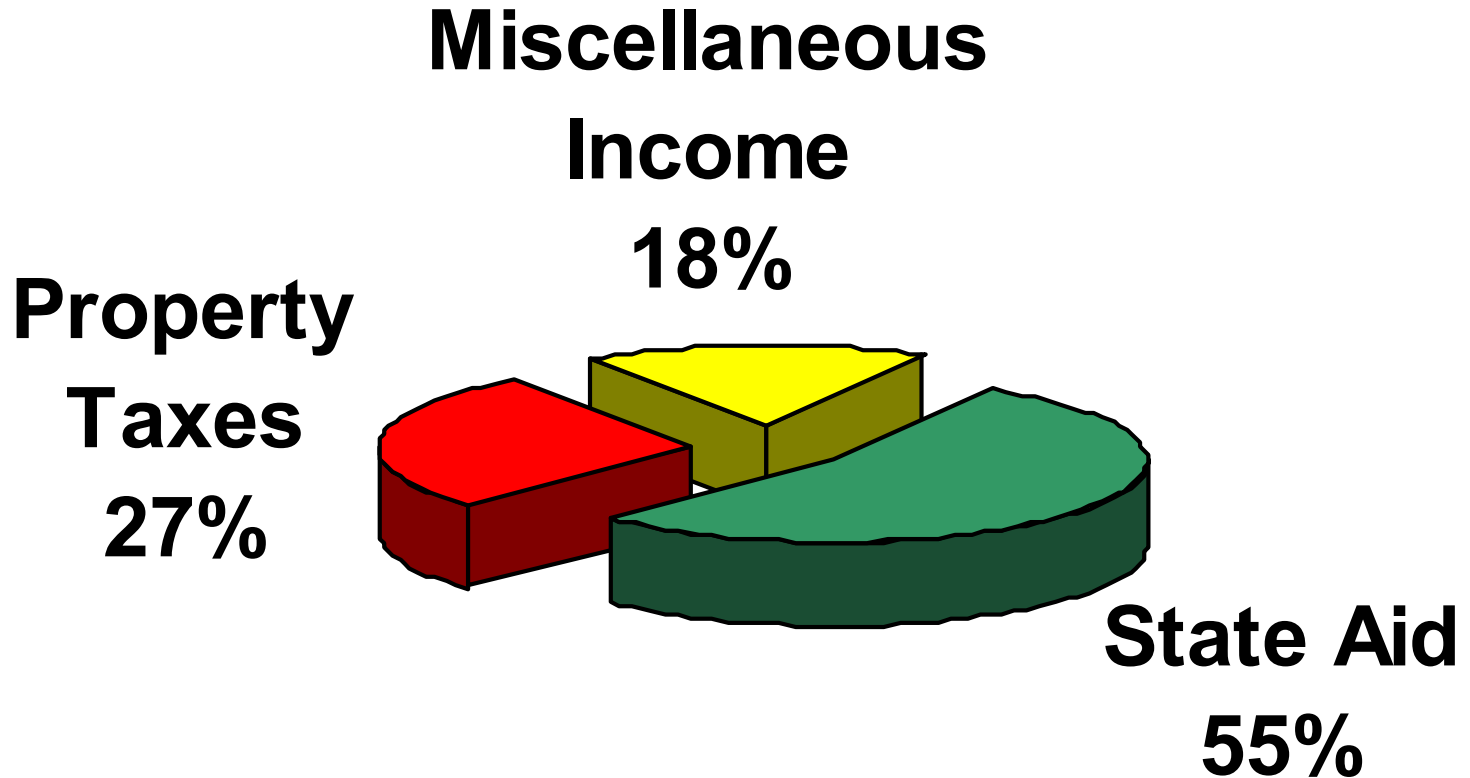


Funding Sources

- Major funding sources:
 - General Fund – funds the educational program (teachers, curriculum, energy)
 - Physical Plant and Equipment Levy (PPEL) funds
 - Debt Service funds
 - Sales Tax funds
 - Management Levy funds
 - Public Education and Recreation Levy funds
 - Cash Reserve Levy funds
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- Nutrition funds (lunch \$'s)
 - Activity funds

Funding Sources

- General Fund





General Fund

- Very important concept: Spending Authority
- State controls maximum amount of district spending
- Why? Equity – basic principle is that every child should receive the same amount of funding – no matter where they live



General Fund

- Restriction of Spending Authority only applies to the General Fund – all other funds allow spending if you have the cash to spend
- District must account for two things in their General Fund:
 - Fund Balance (cash)
 - Spending Authority (credit card limit)



General Fund

- Limit on spending is the amount of Spending Authority a district has not the amount of cash or fund balance
- Total Spending Authority for a year is:
 - Current year Spending Authority
 - + Previous year's surplus Spending Authority
 - = Total Spending Authority



General Fund

- Where does Spending Authority come from?
 - Basic formula: # of children x a cost per child = total current year Spending Authority.
 - # of children is a year behind – always use prior year count – this October's number = the number used for next year's budget
 - Cost per child is set by the Iowa Legislature (allowable growth)
 - Spending Authority is then funded by a combination of State Aid and Property Taxes



Weighting

- Counts students at a value greater than 1 then multiply by credit card limit to provide additional funds.
 - Special Education:
 - 0.72
 - 1.21
 - 2.74
 - English Language Learner (ELL)
 - 0.22 (4 years with state funding)
- All weightings in addition to 1.0 for regular education.

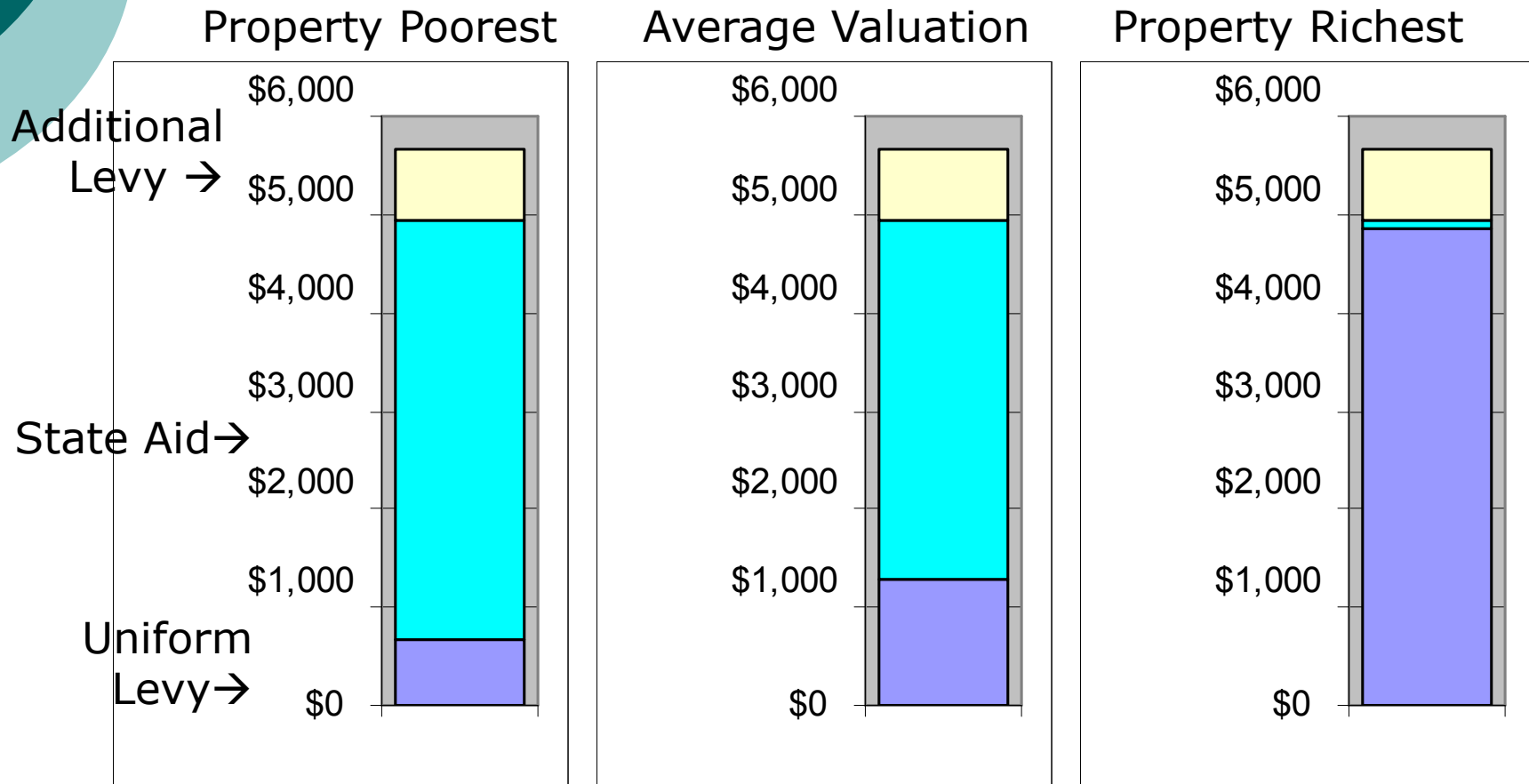


General Fund

- So how do we pay for the Spending Authority in the General Fund?
- Three sources:
 - Uniform Levy - \$5.40 property tax levy (first layer)
 - State Foundation Aid – backfills up to 87.5% of the cost per pupil (credit card limit)
 - Additional Levy – property tax levy that funds the last 12.5% of the cost per pupil (no rate limit – adjusts automatically to fund as much as needed)

General Fund

- Funding a school district's Spending Authority





General Fund

- Reconciling two concepts: Fund Balance and Spending Authority
 - Fund Balance – if the district ceased to exist at the conclusion of the fiscal year – and took in all funds it was owed and paid all bills it owed – what would be left over
 - Corollary to Fund Balance from Spending Authority perspective: Unspent Budget Authority (Unspent Balance)



General Fund

- So what's the big deal with Spending Authority?
 - It is illegal for a school district to exceed its total spending authority
 - Ever heard of Russell School District?
 - Phase II Financial Viability Audit
 - Starting two years ago, state Board of Education has the ability to close a school district for no other reason than financial inviability (not educational reasons)



Optional Sources of Authority in the General Fund

- Instructional Support Levy (ISL)
 - First question: How much do we want to increase (up to 10% of credit card limit)?
 - How do we fund it (property taxes or income surtax)?
 - Voter approval – up to 10 years
 - Board approval – up to 5 years



Optional Sources of Authority in the General Fund

- Dropout Prevention
 - Maximum 5% of Regular Program District Cost
 - Used for services to dropouts or those at-risk of dropping out.
 - Effectively funded by all property tax



General Fund

- Where does the money go?
 - 80% of the district's funds go to pay for staff
 - Remainder is spent on curriculum, utilities, professional development, and costs of transportation (fuel and salaries, usually not buses)



Cash Reserve Levy

- Only for the General Fund!
- Two sub levies:
 - Regular cash reserve levy – general cash reserve for the operation of the district
 - School Budget Review Committee (SBRC) cash reserve levy – used to fund spending authority granted by SBRC (primarily special education deficits and on-time funding)
- No rate limit on the levy – but a district is limited to levying the Cash Reserve Levy if fund balance exceeds 25% (this will reduce to 20% in FY 2012)
- Cash Reserve Levy does not create spending authority, it only gives the funds to spend it (i.e., you cannot just levy your way out of a spending authority problem)



Transition to Non General Fund Sources

- Step across the great divide
- Most of the following funding sources cannot be used in General Fund and vice versa
- Might have money in one of these sources but cannot use to offset a General Fund shortfall



PPEL

- Used for buildings, buses, equipment and technology – cannot be spent on staff
- Two levies:
 - Board-approved \$0.33 cents per thousand – exclusively property tax
 - Voter-approved – maximum equivalent of \$1.34 per thousand of property tax. May be funded by property tax or income surtax or a combination. Maximum 10 years – 50% + 1 vote
 - Can borrow against property tax portion of voter-approved. Cannot borrow against the board-approved PPEL levy.



Debt Service

- For buildings/grounds only
- Voter approved – think “bond issue”
- 60% + 1 to approve
- All property tax – maximum \$4.05 per thousand
- 20 year maximum duration
- Until State Penny, was the primary way we build schools in Iowa



Sales Taxes

- Started out as local option sales tax in early 1990's
- By 2004 all counties had passed
- Converted to "State Penny for School Infrastructure" July 1, 2008
- Still requires a district vote on a Revenue Purpose Statement
- Can be used for buildings/grounds, PPEL purposes, and PERL purposes (still depends on language you have in place in your district) – cannot be used for staff costs



Management Levy

- Property tax levy to fund certain costs in the district
 - Property insurance, liability insurance and workers' compensation
 - Early retirement benefits
 - Judgments against the district (lose court case)
 - Not rate limited, purpose limited
 - Set by school board action as part of district budget



Public Education and Recreation Levy

- Funded all by property tax
- Voter approved 50% +1 vote (no expiration)
- Maximum levy rate of \$0.135 per thousand
- Funds for public playgrounds and recreation facilities and community education
- Governed by Ch. 300 and Ch. 276 of the Code of Iowa



Financial Health

- Focus primarily on General Fund
- Why?
 - That's where we pay for educational program
 - Largest portion of a school's expenditures
 - Biggest risk
- Focus more on Spending Authority than Fund Balance – why?
- Simple, Negative Spending Authority can get you closed – Negative Fund Balance can be solved locally

Questions?

Do not hesitate to contact us with
questions or comments!

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