

School Aid Formula – Additional Levy Components

The Iowa School aid formula provides funding to local school districts and area education agencies (AEAs). A school district's operating budget funded through the school aid formula is called the school district's combined district cost. The combined district cost is funded through State aid, the uniform levy, and the additional levy (sometimes referred to as the local second effort). Below is a brief description of the school finance formula revenue sources:

- **State Aid** – In general, a standing unlimited General Fund appropriation made to fund State foundation aid to school districts each year. Since 1990, State aid has accounted for at least 60.0% of the statewide total of the combined district cost, and was at approximately 65.7% in FY 2008. A variety of factors influence the State aid portion of school aid, including changes in law, enrollment, and taxable valuation.
- **Uniform Levy** – A statewide property tax levy of \$5.40 per \$1,000 of taxable valuation paid by all property taxpayers in Iowa. The Uniform Levy and State aid are used to fund the first 87.5% of the Regular Program and Special Education foundation base and the first 79.0% of the AEA Special Education Support Program. The growth in the amount of Uniform Levy generated annually is the result of growth in taxable valuations.
- **Additional Levy** – A local property tax with varying rates between each school district that provides the additional funding for each school district's combined district cost. The additional levy is not rate restricted, and funding for the additional levy property tax rate ranged from \$1.22 to \$10.26 per \$1,000 of taxable valuation in FY 2010. Major factors that influence additional levy property tax rates include taxable valuations and the number of students within a school district, and the amount needed for discretionary programs funded by the additional levy.

Components of the Additional Levy

In FY 2010, the additional levy, adjusted for utility tax replacement, totaled \$575.6 million and accounted for 47.0% of the school foundation property tax total and 15.1% of the total combined district cost. A description and FY 2010 fiscal data for each component of the additional levy is provided in the narrative below. Additional information is provided in the following Table and Figure (Note: Property tax rates are expressed in \$1,000 of taxable valuation in the following narrative and the Table).

- **Regular Program Foundation** - The Regular Program foundation level consists of the school district budget enrollment and weightings, not including special education weighting, multiplied by the FY 2010 State cost per pupil of \$5,768. Of that amount, the Uniform Levy and State aid fund 87.5%, or \$5,047, while the Regular Program foundation 12.5% portion of the additional levy funds the remaining portion (\$721) on a per pupil basis. The total statewide amount for the Regular Program foundation 12.5% of the additional levy was \$351.1 million. The statewide average property tax rate for the Regular Program foundation component is \$2.92. With a minimum rate of less than \$0.71 and a maximum rate of \$5.57, the range of this component of the tax rate is \$4.86.
- **Special Education Program Foundation** - The Special Education Program foundation level consists of the special education weightings multiplied by the FY 2010 State cost per pupil of \$5,768. Of that amount, the Uniform Levy and State aid fund 87.5% (\$5,047) while the special education program foundation portion of the additional levy funds the remaining 12.5% (\$721) on a per pupil basis. The total statewide amount for the regular foundation (12.5%) of the additional levy was \$47.6 million. The statewide average property tax rate for the Special Education Program Foundation component is just under \$0.40. With a minimum rate of less than \$0.08 and a maximum rate of \$0.92, the range of this tax rate component is \$0.83.
- **Property Tax Adjustment Aid** - In FY 2010, \$24.0 million was appropriated to reduce property tax burdens in districts that have the highest adjusted additional property tax rates. The adjusted additional property tax rate combines the 12.5% portion of the Regular Program Foundation and Special Education Program Foundation additional levies. Property tax adjustment aid reduces the additional levy rate for the qualifying school districts. In FY 2010, 73 school districts received the property tax adjustment aid. Four school districts had their additional levy rate reduced by more than \$2.00 with the maximum rate reduction of nearly \$2.30. Beginning in FY 2011, a portion of the revenues generated from the statewide sales tax for school infrastructure will be used in addition to the annual \$24.0 million appropriation.

More Information

Legislative Services Agency, Fiscal Services, K – 12 Financial Information
http://staffweb.legis.state.ia.us/lfb/docs/k-12_ed/k-12_ed.htm

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- **AEA Media and Education Services** - Both the AEA Media and Education Services are funded through property taxes and are components of the Additional Levy. In FY 2010, AEA Media Services totaled \$24.2 million, and AEA Education Services totaled \$26.7 million.
- **District Cost Per Pupil Greater than the State Cost Per Pupil** - There are 185 school districts that have a district cost per pupil that is greater than the State cost per pupil. Additionally, there were 209 districts that had an AEA education support cost per pupil above the AEA State education support cost per pupil. The difference is funded through local property tax and is another component of the Additional Levy. The total amount of property tax generated from this component in FY 2010 was \$14.8 million.
- **School District and AEA Budget Guarantee** - School districts and AEAs are guaranteed a funding amount based on the previous year's funding level. The guarantee is funded through the Additional Levy. The school district budget guarantee (also referred to as a budget adjustment) requires school board approval. In FY 2010 the AEA budget guarantee totaled \$0.8 million while the school district budget guarantee totaled \$11.8 million. The maximum budget guarantee tax rate was nearly \$3.40 in FY 2010.
- **Dropout Prevention Program** - School districts may request modified allowable growth from the Department of Education to fund programs for returning dropouts and dropout prevention. Approved modified allowable growth for this Program is funded with local property taxes and is included in the Additional Levy. Of the 361 school districts, 334 (92.5%) levied \$106.8 million in FY 2010. The maximum tax rate for this component was \$2.07.
- **Property Tax Adjustment Aid (1992)** – Beginning in FY 1992, property tax adjustment aid was created through the school aid formula to help ease property tax burdens with the implementation of a revised school aid formula. This aid has a gradual phase-out with an undetermined completion date and is reduced annually based on an eligible school district's growth in taxable valuation. In FY 2010, the property tax adjustment aid reduced the Additional Levy by a total of \$11.4 million in 303 school districts. The maximum Additional Levy rate reduction among school districts was \$1.33.
- **Miscellaneous** - The last components of the Additional Levy include the property tax portion of enrollment audit adjustments, special education positive balance adjustments, and adjustments to the Additional Levy for utility replacement tax. Generally, these adjustments are relatively minor and are based on adjustments made to previous years' data. In FY 2010, the total amount of these adjustments was approximately \$ -400,000.

FY 2010 School Aid Formula Additional Levy Component Statistics									
Additional Levy Component	Additional Levy Portion Amount (in Millions)	Property Tax Rate Statistics by Additional Levy Component					# of Districts Impacted	% of Districts Impacted	
		Average	Median	Max*	Min	Range			
Regular Foundation - 12.5%	\$ 351.1	\$ 2.9231	\$ 2.7530	\$ 5.5737	\$ 0.7095	\$ 4.8642	361	100.0%	
Spec. Ed. Foundation - 12.5%	47.6	0.3963	0.3359	0.9205	0.0867	0.8338	361	100.0%	
Prop. Tax Adj. Aid	-24.0	-0.1998	0.0000	-2.2902	0.0000	-2.2902	73	20.2%	
AEA Foundation - 21.0%	27.5	0.2293	0.2176	0.4333	0.0582	0.3751	361	100.0%	
AEA Media Services	24.2	0.2012	0.1877	0.3733	0.0464	0.3269	361	100.0%	
AEA Ed. Services	26.7	0.2224	0.2080	0.4199	0.0523	0.3677	361	100.0%	
Dist. Cost Per Pupil > State Cost Per Pupil	14.8	0.1235	0.0451	0.9335	0.0000	0.9335	267	74.0%	
Budget Guarantee/Adjustment	11.8	0.0986	0.0000	3.3956	0.0000	3.3956	142	39.3%	
AEA Ed. Support Budget Guarantee	0.8	0.0065	0.0000	0.2545	0.0000	0.2545	133	36.8%	
Dropout Prevention Program	106.8	0.8891	0.7484	2.0731	0.0000	2.0731	334	92.5%	
Property Tax Adj. Aid (1992)	-11.4	-0.0949	-0.0924	-1.3343	0.0000	-1.3343	303	83.9%	
Misc.	-0.4	-0.0031	0.0003	0.2530	-0.2055	0.4584	361	100.0%	
Additional Levy - State Level	\$ 575.6	\$ 4.7919	\$ 4.6724	\$ 10.2582	\$ 1.2204	\$ 9.0378	361	100.0%	

Notes:
 *Reductions in tax rates are displayed as negative values and displayed in the maximum column as negative values.
 There were 185 school districts with a district cost per pupil above State cost per pupil.
 There were 209 school districts with an AEA cost per pupil above the State AEA cost per pupil.

