

School Equipment Breakdown Insurance:

How do schools benefit from participation?

Understanding school finance: The School Foundation Formula in Iowa limits school district per-pupil cost through the formula by what is known as allowable growth. The formula is based on this cost per pupil, applied to the number of pupils in the school district on the previous Oct. 1. The Legislature determines the increased revenue per pupil, which limits the school district's authority to spend. In addition to equipment repair, the school district's General Fund pays for the costs of education - teachers, administrators, and staff salaries and benefits; textbooks; curriculum; professional development; transportation; retirement contributions; programs; utilities and fuel; technology and software. Several years of low allowable growth combined with declining enrollment have stretched school districts' General Funds about as far as they can go. All school districts have made decisions to eliminate programs and only the fastest growing school districts have been able to avoid cutting staff, although they tell us they haven't had the resource to hire enough to compensate for their enrollment growth. Typically, schools have repaired broken equipment with General Fund dollars. Any opportunity to move costs out of the General Fund into another fund is welcome relief to school budget pressures.

The School Equipment Breakdown Insurance saves precious General Fund dollars: Jester's School Equipment Breakdown Insurance program is classified as insurance and is administered by Specialty Underwriters, a licensed insurance company, which allows premiums to be paid out of the school Management Fund. The Management Fund revenue is generated by School Board action as part of the annual budget process and is not subject to a public vote or public approval process. The real advantage from a school's perspective is the ability to shift costs out of the General Fund (which is where staff is paid) to the Management Fund.

Helps schools increase General Funds resources: Additionally, if the school district uses their own employees to conduct the repair, any reimbursement to the school district contributes to the General Fund as miscellaneous income, above the formula spending limit, helping to cover the salary and benefits costs of the employees. With declining enrollment and low allowable growth, any miscellaneous income contribution to salaries and benefits of non-instructional staff helps to preserve those positions critical to the support of the school.

One-to-one initiative warranty and breakdown insurance: As school districts engage in laptop initiatives, they are receiving quotes from the computer companies for warranty and repair. Those costs are included as part of the "bundled" cost of the laptop (also known as one-to-one) initiative. The bundled price is typically paid from the physical plant and equipment levy (also known as the PPEL) or from sales tax revenues. Those resources are likewise limited. Giving school districts the ability to pay for the laptop repair provides transparency in the breakdown of the bundling price while allowing them to again, use the Management Levy revenues to pay the cost of laptop repair. The Equipment Breakdown program is the only one having the ability to fund these expenditures through the Management Fund.

If school districts have questions about the implications of school finance related to school equipment breakdown insurance, the Management Fund, PPEL or Sales Tax expenditures, or the school General Fund limitations, the partners at Iowa School Finance Information Services (ISFIS) are always happy to help.



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