

Jester's Equipment Maintenance Program & Iowa School Finance

Understanding Iowa School Finance Basics: Iowa school districts have a number of financial funds, each with their own sources of income and expenditure restrictions. As a result, school districts may have ample resources in one fund but not nearly enough resources in another fund.

The school's **General Fund** is used to pay for the bulk of the costs of education including teachers, administrators, staff salaries and benefits, textbooks and curriculum resources, educational programs, professional development, transportation, utilities, and technology. The Iowa School Foundation Formula sets the maximum amount of school district spending based upon a cost per pupil, applied to the number of pupils enrolled in the school district on the previous Oct. 1. The Iowa Legislature then determines the amount of increase per pupil during each legislative session, known as State Supplemental Assistance (SSA). This "Spending Authority" limits the school district's authority to spend funds from the General Fund. There are a number of adjustments to this basic formula, but understanding that a school district's General Fund is limited by both cash value as well as its Spending Authority is critical to understanding why schools may have money for one purpose but not for another.

Other school funds and the allowable expenditures include the Management Fund (property and casualty insurance, workers compensation insurance, early retirement, and local government risk pools), Physical Plant and Equipment Levy or PPEL (building improvements, leases, bus purchases, technology), a Debt Service or Bond Fund (principal/interest on debt), the Capital Projects Fund (infrastructure investments), Student Activity Fund (extra-curricular activities, athletic clubs, etc.) and others.

For most school districts in Iowa, inflationary costs and low SSA increases have led to significant pressure on the General Fund, often without adequate resources to support students, teachers and education programs. Declining enrollment in two-thirds of Iowa school districts further stresses the General Fund's ability to provide staff and programs for students because the loss of students offsets the increases in the resources provided for the remaining students resulting in declining budgets.

Equipment Maintenance Insurance Saves Precious General Fund Resources: Equipment Maintenance Insurance (also known as Break-Fix Insurance Policies), because it is classified as insurance, allows premiums to be paid out of the school's Management Fund rather than the General Fund. Claims for the repairs or required maintenance performed on covered equipment are then covered under the insurance policy rather than paid by General Fund dollars resulting in savings that can be directed toward students. Additionally, if school employees perform the repair or required maintenance, the school can be reimbursed for staff time, as General Fund miscellaneous income helping further reduce the pressure on the General Fund.

Participation in the program over the years delivers predictability to a district's budget. Equipment failure rarely follows a regular pattern. Rather than dealing with unanticipated significant repairs periodically, the program allows more predictability in the General Fund. Utilizing the program's repair prevention and cash out of equipment, ensures the district is being a good steward of taxpayer resources. Protecting and preserving General Fund authority helps school boards respond more smoothly to the dynamics of SSA, inflation and enrollment declines without immediate staffing layoffs or spikes in property tax rates.

Need More Information: Iowa School Finance Information Services (ISFIS) has sponsored the Equipment Maintenance Insurance Program by Jester Insurance Services and SU Insurance Company for many years. The partners at ISFIS are always happy to help with any questions about the school finance implications and impact on participation.



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