

To: Iowa School Budget Review Committee (SBRC)
From: Margaret Buckton and the ISFIS Team
Date: August 29, 2025
Re: Considerations Regarding Unspent Authorized Budget (UAB) Limitations

Thank you for the opportunity to provide comment. Iowa School Finance Information Services (ISFIS) has prepared this memo to provide data and key considerations to inform SBRC members' thinking on the issue, and to highlight some challenges with implementation should such a recommendation move forward. We commend the SBRC in asking these important questions, since school funding is provided to educate students. Before setting any UAB limitations, however, a deeper look into student achievement outcomes related to UAB accumulation is required. Absent proof that students in districts with higher UAB are being denied a good education or equal opportunity, there is no compelling state interest in usurping the local control of elected school board members.

This memo includes the following:

- SBRC Statutory Charge
- Challenges of Implementing a Limitation to Maximum UAB
- Causes of UAB Increases, including History of UAB, and Solvency Ratio Trends with Key Impact Indicators
- Local Control and Growth in Financial Competence
- Relationship of UAB to Student Achievement Data
- Statewide UAB Metrics Snapshots of 2023, 2019, 2013 and 2009
- ISFIS Recommendations

SBRC Statutory Charge:

SBRC Statutory Charge is found on the [SBRC Website](#)

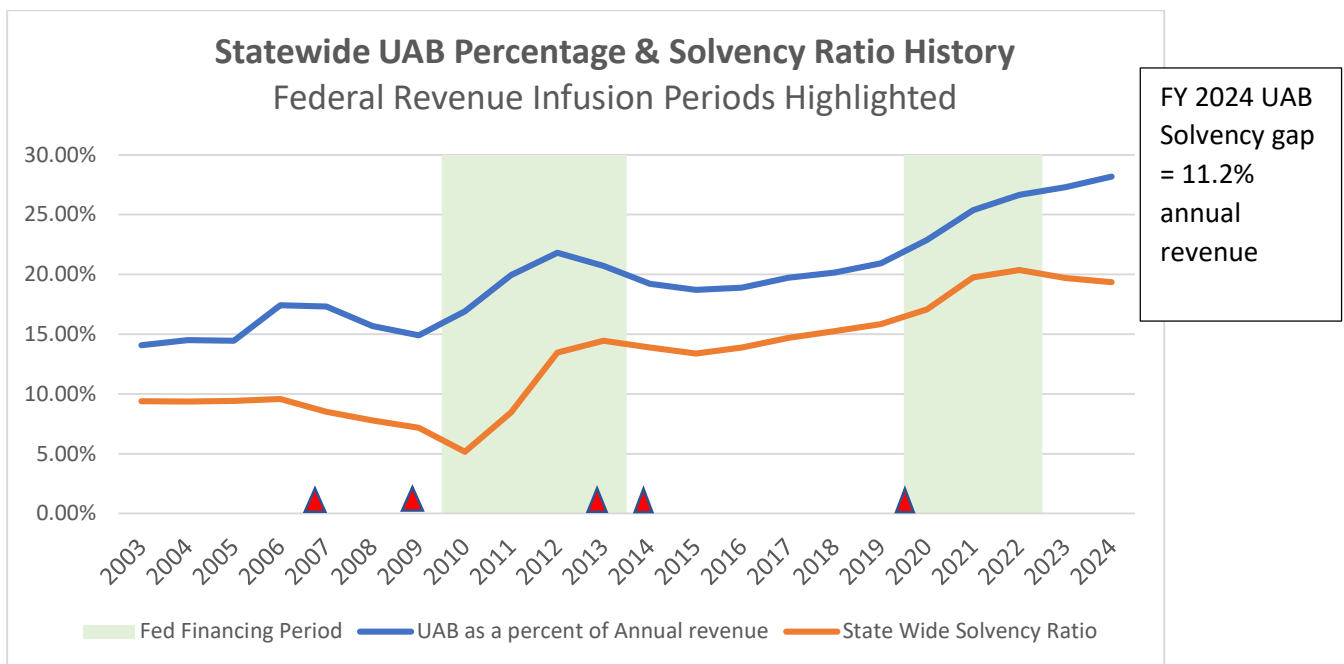
In making its decisions, the School Budget Review Committee is required by Iowa Code §257 to equalize educational opportunity, to provide a good education for all the children of Iowa, to provide property tax relief, to decrease the percentage of school costs paid from property taxes, and to provide reasonable control of school costs. The Committee is also required to consider the amount of funds (unexpended fund balance and unspent budget authority) available before making any determinations on modified supplemental amount, supplemental aid, or use of fund balance.

Challenges of Implementing a Limitation to Maximum UAB:

Setting a one-size-fits-all limitation given the wide range of school district needs, tax authority, staff capacity and programs would have varying impacts on school districts and students. The SBRC would require significant inquiry to determine the exact formula for measuring of UAB, how that might impact growing and declining enrollment districts differently, account for setting limitations on old data due to delay in certifying CARs, and determine if there would be any interruption in the cyclical nature of UAB fluctuation. The SBRC charges to limit property taxes, control school costs and provide property tax relief are antithetical to setting a UAB limitation, potentially creating a use-it-or-lose-it short-term incentive for school districts to spend down UAB, in potential conflict with long-term planning goals. Additionally, an incentive to spend down cash would result in a downgrade of financial position from rating agencies, raising interest rates and the cost of borrowing for school construction.

Causes of UAB Increases including History of UAB and Solvency Ratio Trends with Key Impact Indicators:

The following chart shows a timeline of policy changes, funding inputs, and economic influences that have contributed to the FY 2024 level of UAB statewide. The history documents increased pressures on school districts to be financially solvent, the impact of federal funds provided then exhausted, the gap between UAB and the cash to pay for it, and the resetting of more normal UAB following changes in funding cycles. Although this history does not look back far enough, a similar pattern would be seen when considering the granting of spending authority to implement GAAP accounting decades ago that can be seen with several other policy or funding changes since 2003.



Increasing Unspent Authorized Budget in the Context of Historical Factors

- **2007:** Iowa Code § 256.11(3)(e) first authorized the State Board of Education (BOE) to close a school district for failure to correct a financial insolvency. This new law allowed BOE to de-accredit a school district, merge its territory with one or more contiguous districts at the end of the school year, or place the district under receivership for the remainder of the school year. The BOE first exercised this authority in 2008, closing Russell CSD. This action awakened those tending toward insolvency, as the BOE promised to leave any district closed by Phase II without an attendance center.
- **2009-2012:** The Great Recession constricted state revenues, including three consecutive years of across-the-board cuts that withheld cash but not spending authority. This action increased spending authority without providing funding. Federal American Recovery and Relief Act (ARRA) funds magnified this effect, inflating school district authority for a short period while helping to address solvency reduced through the state cuts.
- **2013-2014:** Farragut CSD was closed by the BOE for financial insolvency. During these years, once school exhausted federal ARRA funds, UAB dropped significantly and solvency ratios stabilized.
- **2014-2019:** After the Great Recession, national teacher shortages magnified. Layoffs and early retirements combined with declining participation in teacher preparation programs, bid up the competition for qualified teachers across the country. Low increases in per pupil funding and declining enrollment in some Iowa districts offset the demand for more teachers here, but any vacant position unfilled for the year leaves spending authority and cash in an ending balance. The funding that would have paid for those 1,000's of vacant positions across the state carried forward. Davenport CSD's negative UAB was heavily publicized in the media beginning in 2019-2020 for several years.
- **2020-2023:** Significant federal pandemic funds inflated both UAB and solvency ratio. New teacher salary minimums in 2024 are rippling through salary schedules and budgets. As federal pandemic funds expire and some teacher salaries increase beyond minimums, UAB will drop. Statewide projections continue to show declining enrollment for many districts, which will also require use of UAB to continue to provide staff and programs for students.
- **Unfunded UAB:** the difference between 28.2% UAB and 19.4% solvency ratio is meaningful. Spending the difference (11.2% of annual revenue) requires substantially increasing district cash reserves which are funded solely through property taxes. While individual districts vary, the statewide average is substantial.

Local Control and Growth in Financial Competence:

There are new meaningful tools to help local leaders analyze and budget appropriately for students. These have been developed, refined, and are now being implemented within the last several years. Many districts access the ISFIS Comprehensive Financial Projection Model, for example, built with the foundation of state Department of Management and CAR data, to look forward with a 5-year plan. This model projects tax rates, enrollment and funding, all impacted

by school budgets and expenditures. Many school boards have set or are working to set financial goals in board policy, which work to inform district leaders to recommend budgets within those policy guidelines.

Since the state look at UAB is always out of date, at least 18 months to two years old compared to a current budget year, any restriction on UAB may not align to a district's current or future funding experience. It would be appropriate for the SBRC to provide information to school leaders whether or not their school district trends indicate an outlier in key financial measures, such as UAB. Provision of tendency toward negative UAB proves a good model (and may have inadvertently incentivized school leaders to set higher UAB goals.) With outlier information provided by the state, school leaders now have the tools for sophisticated and expert inquiry into their financial practices. Micromanaging a UAB limitation could actually interfere with long term planning and financial stability.

Relationship of UAB to Student Achievement Data:

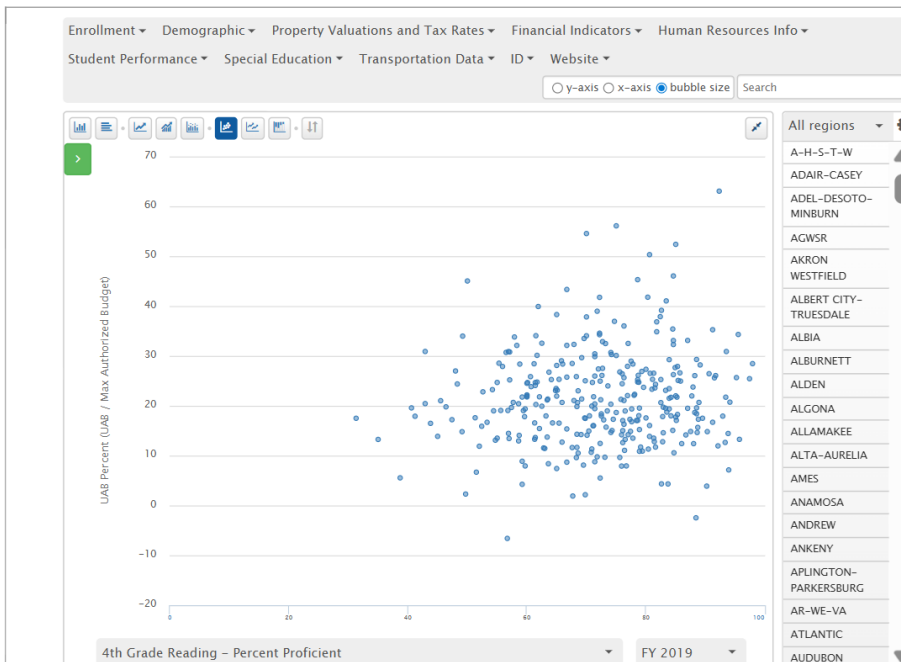
Given the recent COVID experience and other factors impacting student achievement, we rewind back to 2019, pre-pandemic, to get a simplified look at the relationship between student achievement (graduation rates and 4th grade reading) and percentage of current year UAB. There are many other ways to consider student achievement and evaluate impacts, so we urge caution in assuming too much about this relationship. However, at first glance, there doesn't appear to be a significant impact of accumulated UAB on student achievement. There are districts of various ranges of accumulated UAB in all categories of higher, average, and lower student achievement metrics.



This chart from the ISFIS Mapping Tool compares UAB % and total graduation rate, both for FY 2019 (pre-pandemic). No significant relationship is observable between these two variables.

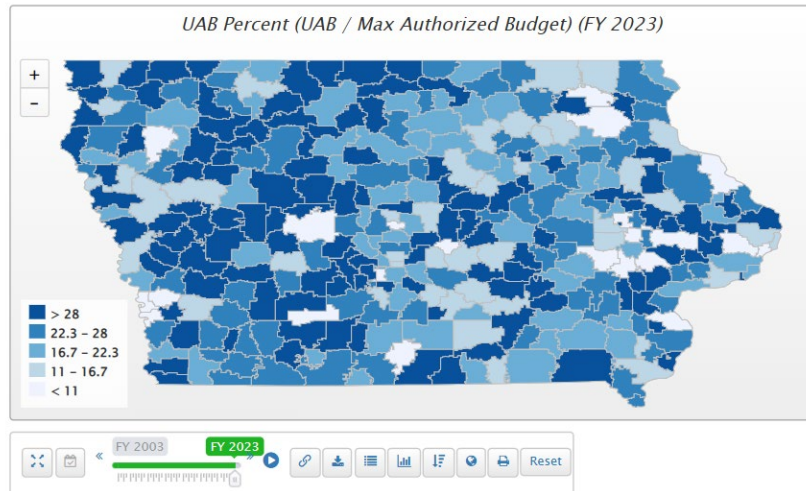
ISFIS MAPPING TOOL

(Mapping Tool is updated regularly with the latest data available, and may take just a moment to load in your browser.)

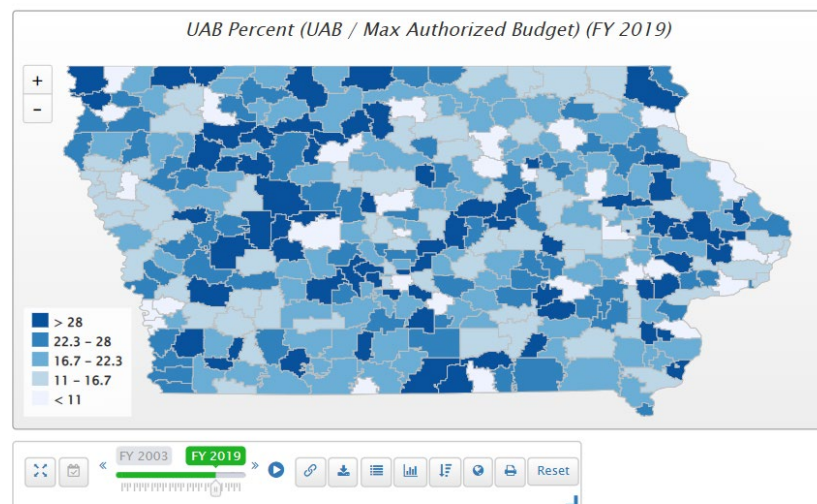


This chart from the ISFIS Mapping Tool compares UAB % and 4th-grade reading proficiency, both for FY 2019 (pre-pandemic). Although not consistent across the spectrum, if anything, districts with higher UAB tend slightly toward higher 4th-grade reading.

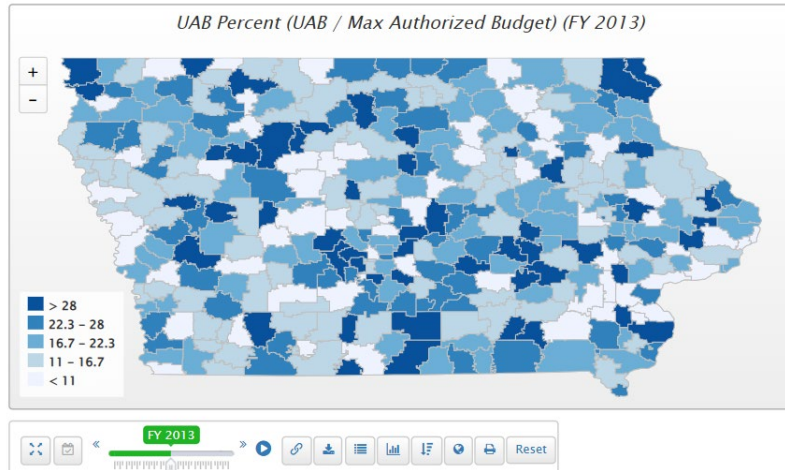
The following charts compare UAB statistics with four snapshots in time, including the count of districts with negative UAB, state average percent, count of districts above 28% UAB and the range of UAB. The count of districts with negative UAB is down, the statewide average percent is up, as is the number of districts above 28%, but the range has narrowed. *Please note: we are NOT suggesting that 28% is a goal. Rather, 28% is simply the measure of the highest quintile experience from the FY 2019 pre-pandemic data.*



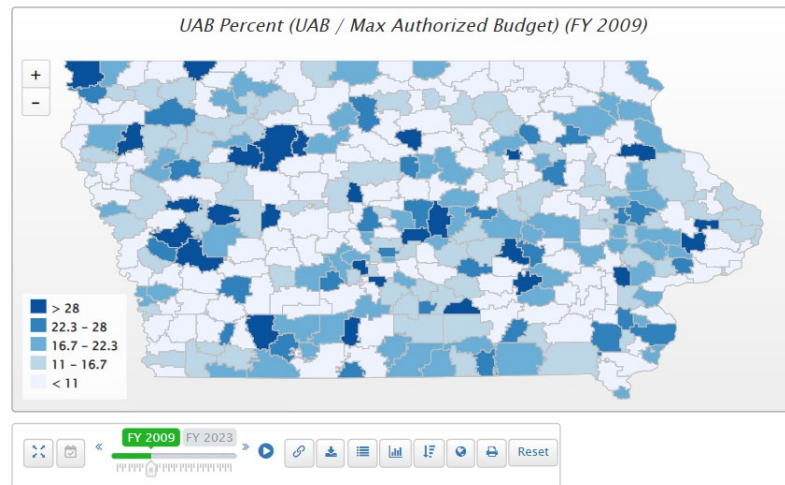
2023 UAB %	
count <0	3
average	25
count>28	122
range is 68	from -8 to 60



2019 UAB %	
Count <0	2 Includes Davenport
average	22
count>28%	70
Range is 69	from -6 to 63



2013 UAB %		
count <0	9	Includes Farragut
average	19	
count>28%	53	
range	from -17 to 65	82



2009 UAB %		
count <0	8	
average	15	
count>28%	27	
range	from -13 to 59	72

ISFIS Recommendations:

SBRC should continue to consider accumulated UAB in determining whether to grant additional modified supplemental amounts for individual district requests for MSA.

SBRC should direct the DE to provide annual notices to school boards and school leaders regarding an outlier UAB percentage from the last CAR, as they currently do for an anticipated negative UAB, understanding that the district may have already budgeted to spend down some of the UAB in the current or next budget year for a large UAB or may have already made expenditure reductions for a negative UAB.

Study the relationship between student achievement outcomes and UAB outliers (both negative and positive) before recommending that the state has a compelling interest in setting a UAB limitation, which would usurp local control and potentially raise property taxes.

SBRC and DE should consider removing special education funds, deficits, taxing authority and expenditures from the school general fund. Delayed processing of special education expenses delays the timing of ending the fiscal year. The ability to know even a few months earlier where a district will end up for UAB and solvency ratio would be more transparent to taxpayers, communities and the state, better informing school leaders in setting the next budget based on student needs.

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