



ISFIS, Inc.
Iowa School Finance Information Services

School Finance Basics

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2023-2024

School Finance Basics

- Powers and Authority
- Funds & Revenues
- Spending Authority
- Expenditures
- Other Funds
- Financial Health

Powers and Authority

School districts have restricted funding sources (not all funds can be spent on anything the district decides).

- State and federal law specifies what are allowable expenditures – even from within the General Fund.
- Administrative Rules can further clarify state Code.

Revenue Sources and Allowable Expenditures

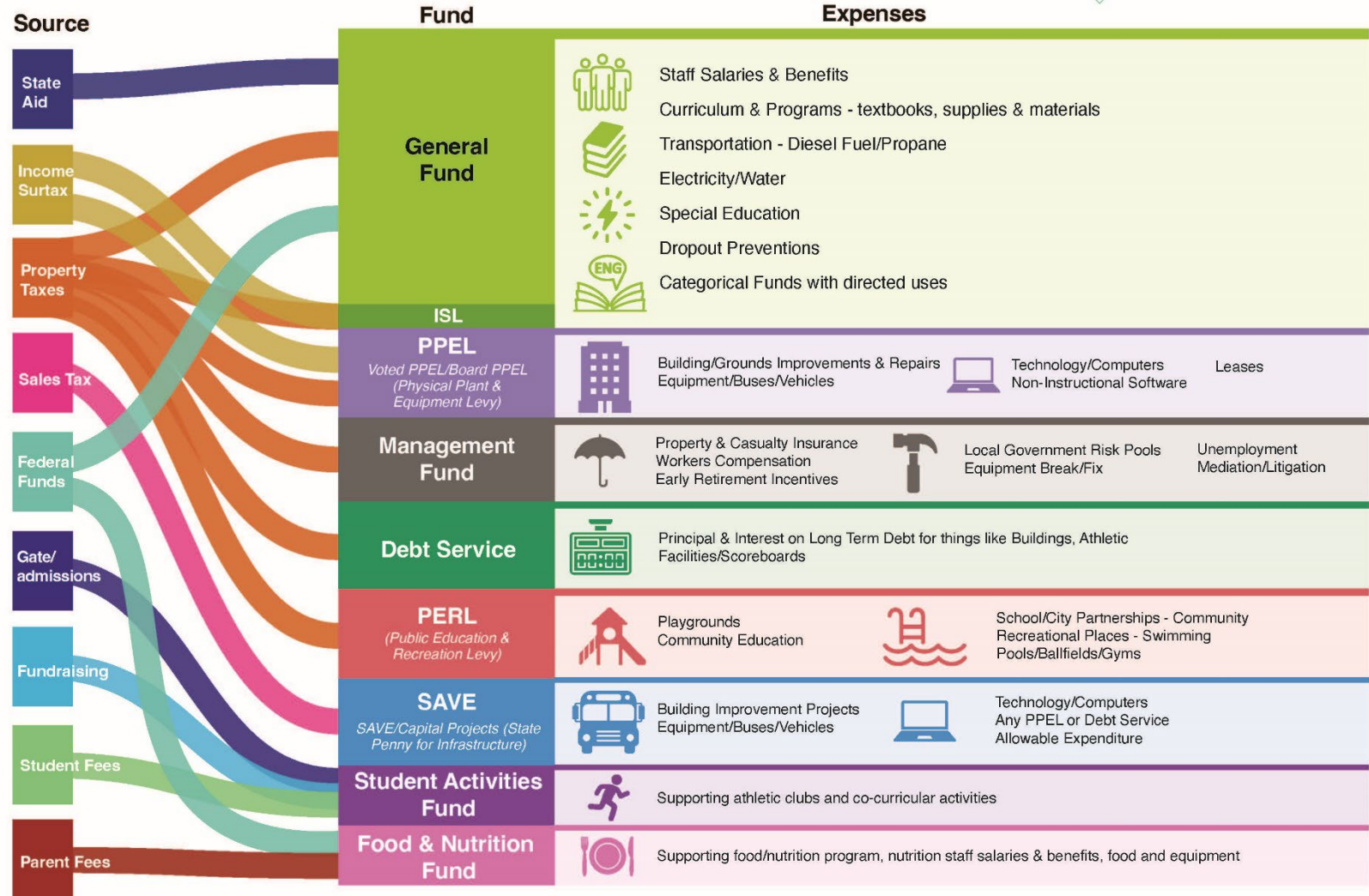


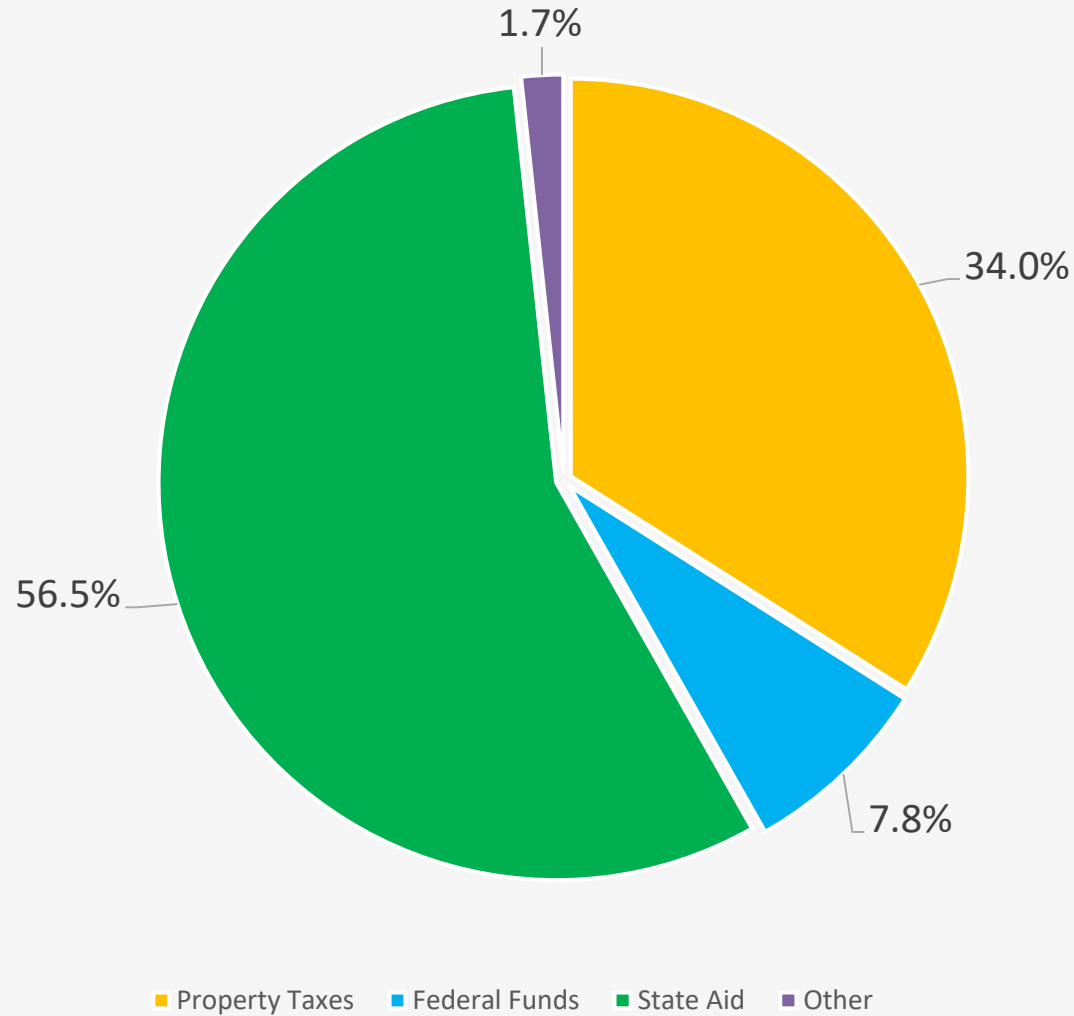
Chart scale does not reflect size of funds.

General Fund

Basic Principles:

- Student driven, amount per student set by legislature.
- Schools are budget limited, not rate limited.
Doubling property value = property tax rate falls
 - no more \$'s to spend.
- Tax rate driven by formula more than district actions.
- District can only spend funds on allowable purposes.

Funding Sources FY 2021





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Spending Authority

General Fund

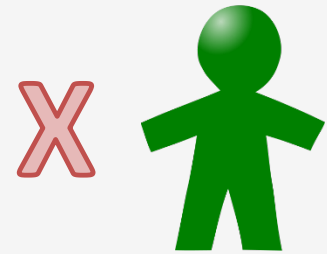
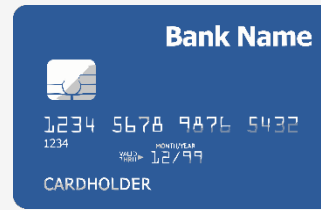
- Very important concept: Spending Authority
- State controls maximum amount of district spending
- Why? Equity – basic principle is that every child should receive the same amount of funding – no matter where they live

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:
 - Spending Authority (credit card limit)
 - Fund Balance (cash)



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 by setting State Supplementary Assistance Rate (currently known as SSA, formerly known as Allowable Growth).
- Spending Authority is then funded by a combination of State Aid and Property Taxes.

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



Reconciling two concepts: Fund Balance and Unspent Budget 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).

Weighting

- Counts students at a value greater than 1, then multiply by credit card limit to provide additional funds.
 - Special Education at three weightings:
 - 0.72
 - 1.21
 - 2.74
 - English Language Learner (ELL) two weightings of 0.26 Intensive /0.21 Intermediate (5 years with state funding).
- All weightings in addition to 1.0 for regular education.
- May apply to SBRC for additional costs above the weightings.

General Fund



So what's the big deal with Spending Authority?

- It is illegal for a school district to exceed it's total spending authority.
- Ever heard of Russell or Farragut School Districts?
- Phase II Financial Viability Audit.
- The State Board of Education has the ability to close a school district for lack of compliance with state/federal law and/or for financial unviability (not necessarily educational reasons).



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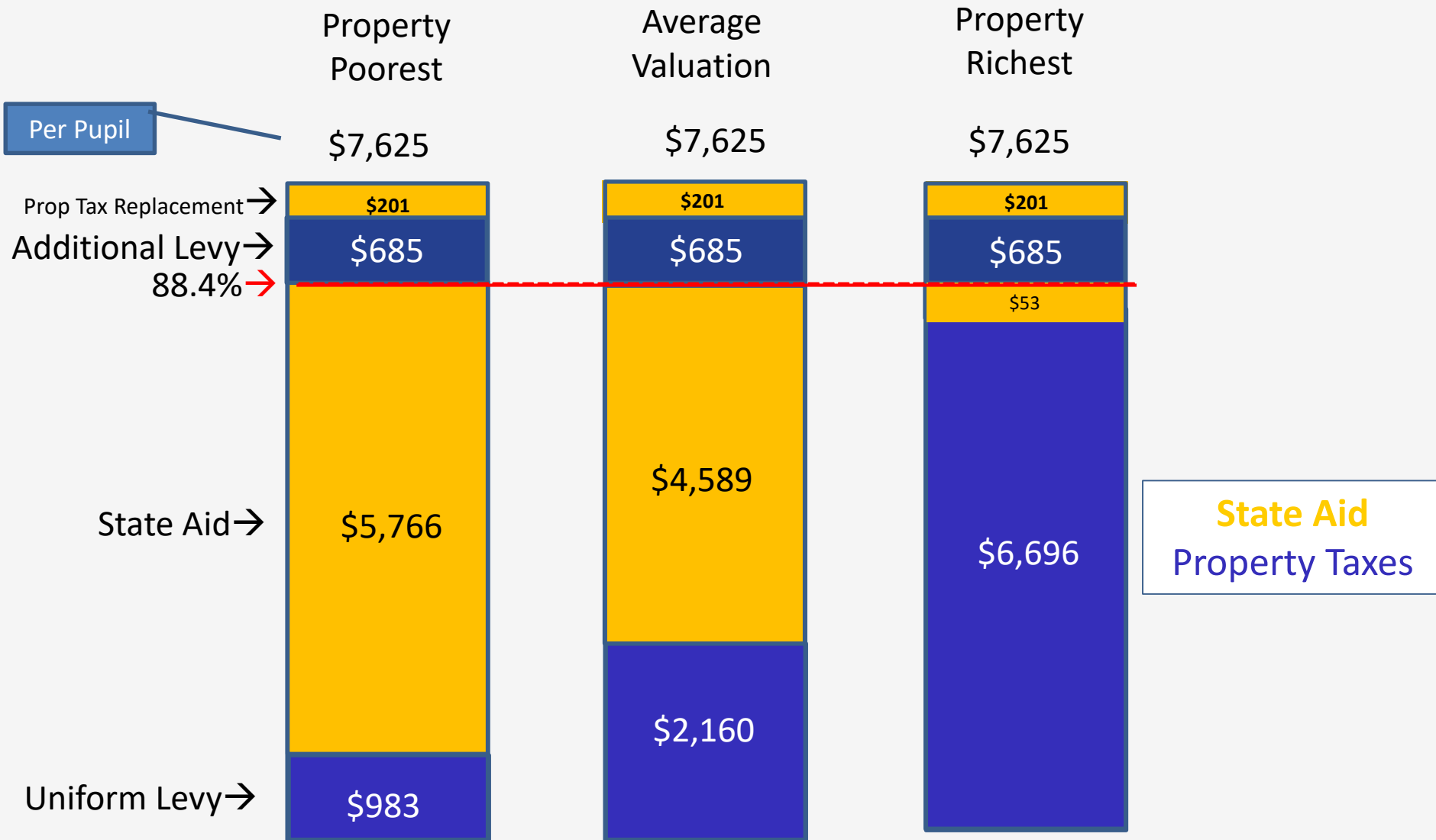
Funding Formula Mechanics

Valuation and Tax Rates

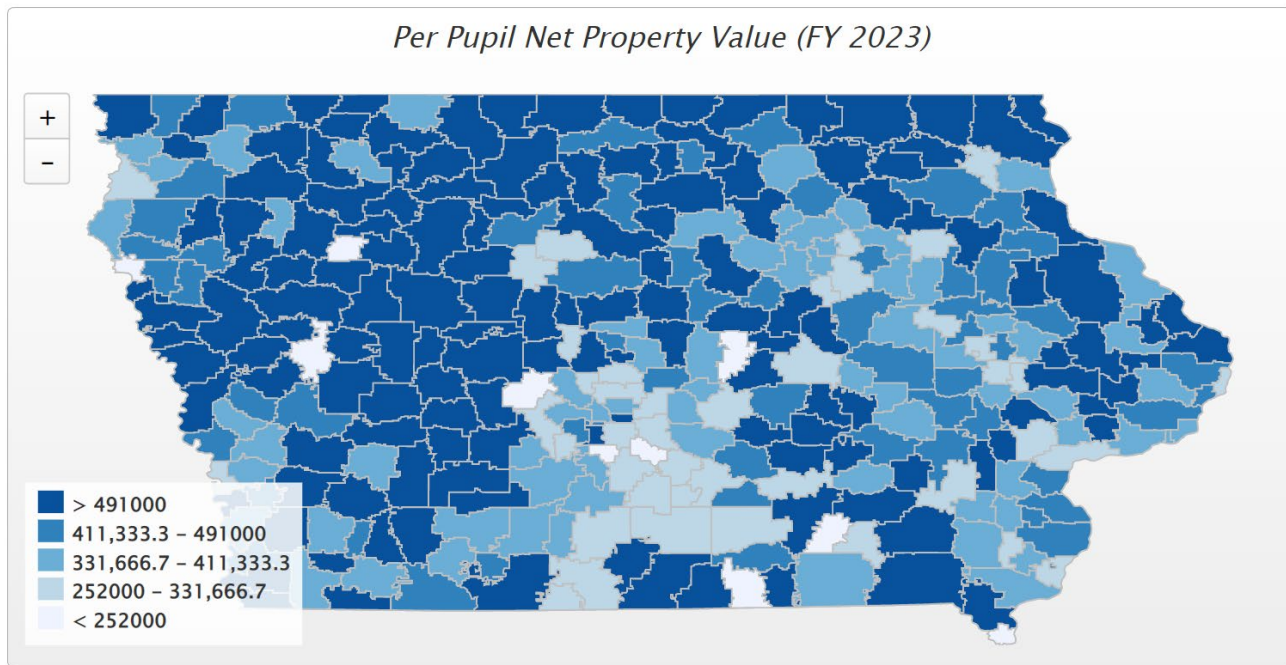
General Fund

- So how do we pay for the Spending Authority in the General Fund? Four sources:
 - **Uniform Levy** - \$5.40 property tax levy (first layer).
 - **State Supplemental Aid** – backfills up to 88.4% of the cost per pupil (credit card limit).
 - **Additional Levy** – property tax levy that funds the last 11.6% of the cost per pupil (no rate limit – adjusts automatically to fund as much as needed).
 - **Property Tax Replacement Payment** funds a fixed dollar amount of the Additional Levy with state funds.

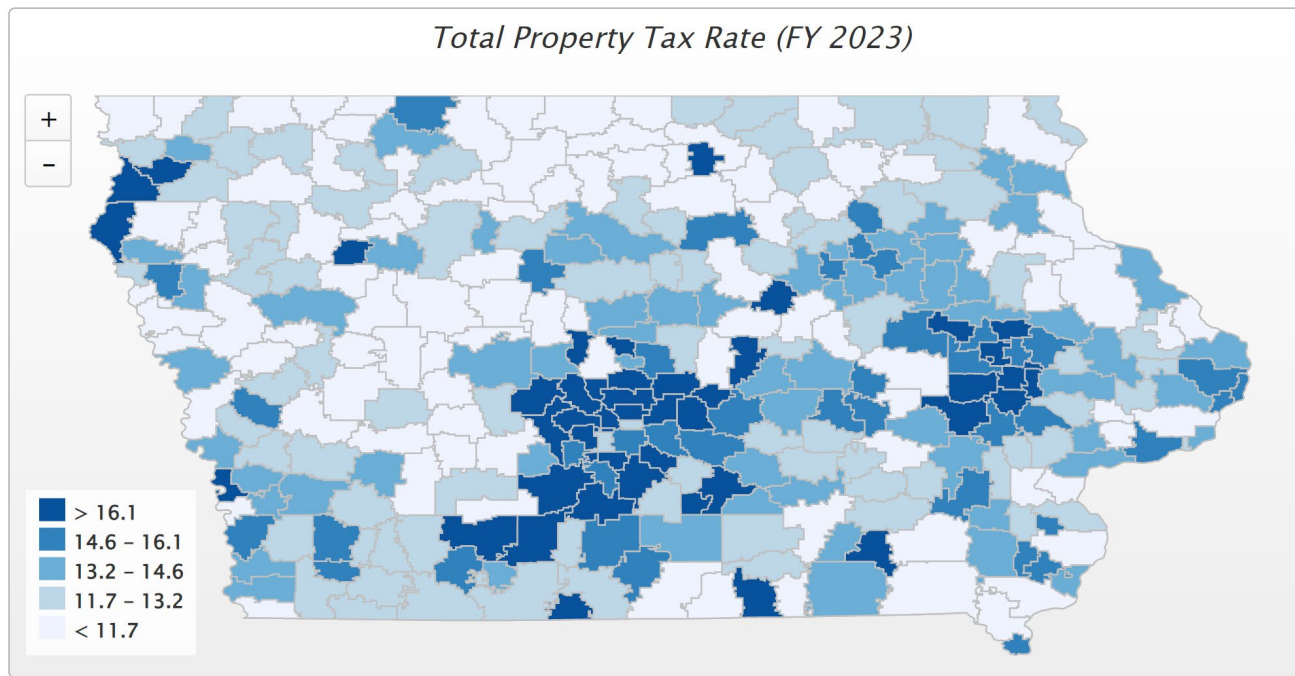
Financing the General Fund



Dark
blue/ high
value PP

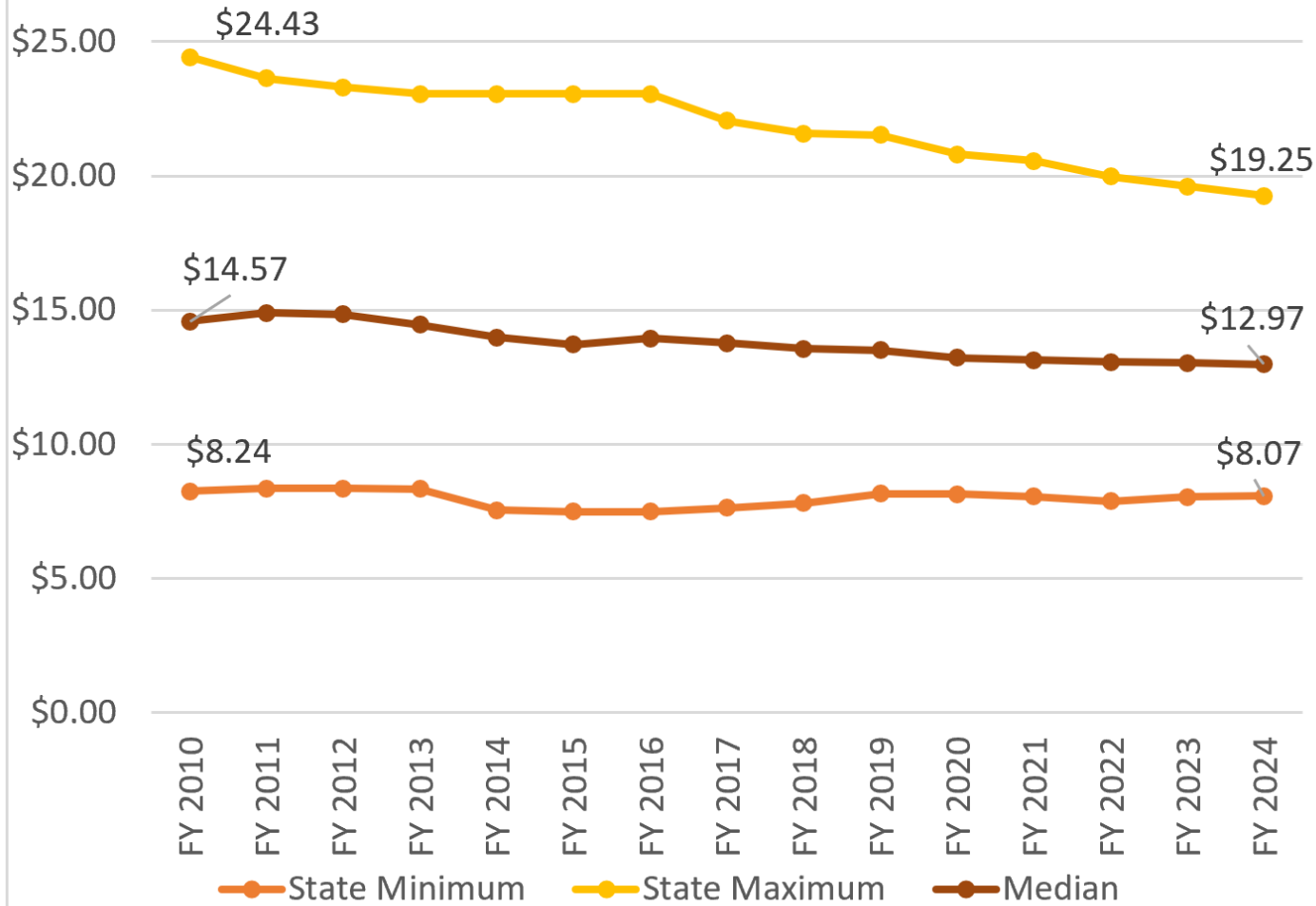


Light
blue/ low
tax rate



Historical Property Tax Data

School Statewide Property Tax Rates



Measure	Change FY 2010 – FY 2024
Maximum	-21.2%
Median	-11.0%
Minimum	-2.0%



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Optional Sources of Authority in the General Fund

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 (2.5% min / 5.0% max).
- Originally used for services to dropouts or those at-risk of dropping out. Expanded to include any at-risk purpose for at-risk students defined by the school board.
- Effectively funded by all property tax.



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Other Formula Mechanics

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 20%.
- 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).



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Expenditures

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).
- Funds are to be used for the educational program not physical infrastructure.



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Other Funds (Non General Fund)

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.

Non General Fund Summary

- PPEL: \$0.33 Board Approved; max \$1.34 equivalent property tax – can use income surtax – 10 years – buildings, buses, tech, equip.
- Debt Service: \$2.70/\$4.05 prop tax – 20 years – bond issue – buildings/grounds
- Sales Tax: 1 cent statewide distributed per pupil - ~\$1,100 per student/year – through 1/1/2051
- Management: prop tax – no rate limit – P&C, workers comp, early retirement, risk pool.
- PERL: \$0.135 property tax – perpetual – public playgrounds, facilities, community ed. (no new votes)



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Financial Health

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?
 - Negative Spending Authority can get you closed.
 - Negative Fund Balance can be solved locally.

District Information



Select Your School District:

FOREST CITY

Property Tax Summary

General Fund	Tax Rate	Rank	Taxes Levied	Rank
Uniform Levy Rate	\$ 5.4000	1 - T	\$ 2,539,036	105
Additional Levy Rate	\$ 3.0637	117	\$ 1,440,513	91
SBRC Cash Reserve	\$ -	134 - T	\$ -	134
Regular Cash Reserve	\$ -	58 - T	\$ -	58
Total Cash Reserve	\$ -	144 - T	\$ -	144
Educational Improvement Program	\$ -	3 - T	\$ -	3
ISL Property Rate	\$ 0.1526	262	\$ 78,077	249
Use of Fund Balance to Reduce Levy	\$ -	1 - T	\$ -	1
Total General Fund Levy	\$ 8.6163	217	\$ 4,051,319	123

Non-General Fund	Tax Rate	Rank	Taxes Levied	Rank
Management Levy	\$ 1.0634	178	\$ 500,002	117
Library Levy	\$ -	1 - T	\$ -	1
Voted PPEL Levy	\$ 0.9884	153	\$ 505,568	88
Regular PPEL Levy	\$ 0.3300	1 - T	\$ 168,799	102
Total PPEL Levy	\$ 1.3184	152	\$ 674,367	86
PERL (Playground) Levy	\$ -	31 - T	\$ -	31
Debt Service Levy	\$ -	176 - T	\$ -	176
Total Non-General Fund Levies	\$ 2.3818	244	\$ 1,174,369	173

Total Property Tax Rate & Dollars Levied	\$ 10.9981	255	\$ 5,225,689	132
Max ISL % / Max VPPEL / Max Debt Service Rate 10.0% / \$1.34 / \$2.70				

Property Valuation Information	Total	Rank	Per Pupil	Rank
Net Property Value with G&E	\$ 470,191,920	104	\$ 444,416	180
TIF Value	\$ 41,320,033	75	\$ 39,055	66
Total Property Value with TIF	\$ 511,511,953	102	\$ 483,471	167
TIF Value as % of Total Value	8.08%	70		

Income Surtax Information	Rate	Rank	Dollars	Rank
ISL Income Surtax Rate	6.00%	75	\$ 539,569	41
ISL Income Surtax Prop. Tax Rate Reduction	\$ 1.0549	54		
PPEL Income Surtax Rate	2.00%	42	\$ 179,856	26
PPEL Income Surtax Prop. Tax Rate Reduction	\$ 0.3516	38		
Total Income Surtax Rate	8.00%	50	\$ 719,426	28
Property Tax Rate if no Income Surtax	\$ 1.4065	24		
Total Property Tax Rate Reduction	\$ 1.4065			

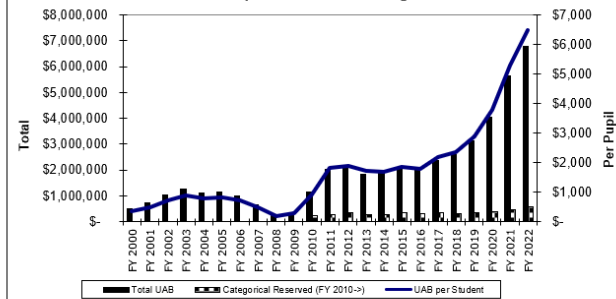
Dist Cost/Pupil	\$ 7.413
State Cost/Pupil	\$ 7.413

Note: All references to FY 2024 unless otherwise specified.

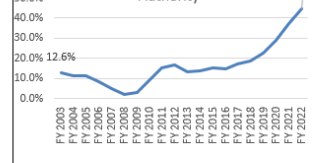
FOREST CITY

FOREST CITY

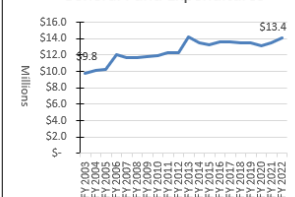
Unspent Authorized Budget



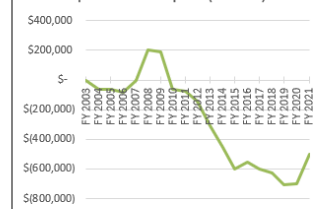
Unspent Authorized Budget as a Percent of Current Year Spending Authority



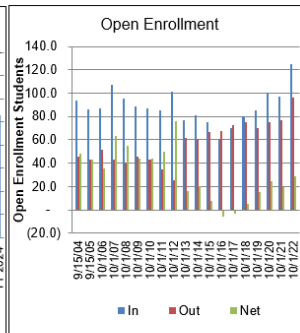
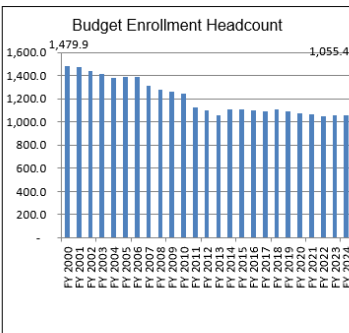
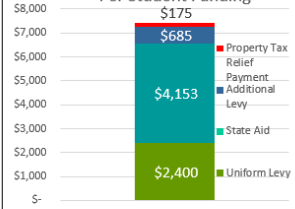
General Fund Expenditures



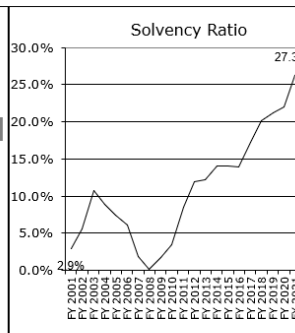
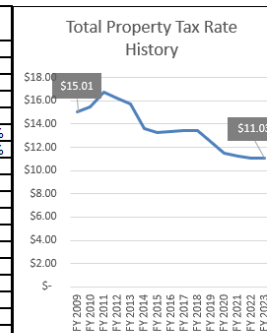
Special Ed Surplus (Deficit)



Per Student Funding



New Money	Dist / State Average
FY 2007 1.0% / 2.5%	
FY 2008 -1.4% / 2.8%	
FY 2009 2.5% / 2.5%	
FY 2010 2.5% / 2.0%	
FY 2011 1.0% / 0.9%	
FY 2012 -7.7% / -0.6%	
FY 2013 -2.3% / -0.4%	
FY 2014 -1.5% / 3.4%	
FY 2015 -0.7% / 3.2%	
FY 2016 2.7% / 3.4%	
FY 2017 1.2% / 1.9%	
FY 2018 2.4% / 1.4%	
FY 2019 1.0% / 0.8%	
FY 2020 0.2% / 1.4%	
FY 2021 1.2% / 2.2%	
FY 2022 1.0% / 1.7%	
FY 2023 3.2% / 2.5%	
FY 2024 2.7% / 2.9%	



ISFIS Website

(www.IowaSchoolFinance.com)

- Financial Analysis Comparison Tool (FACT Tool)
- Levy Support
- Comprehensive Financial Projection Model (CFPM)
- Interactive Mapping Tool
- Situation Report (SitRep) Webinars & Recordings
- Special Topic Webinars & Recordings
- Building Blocks Video Series
- 5x5 Video Series
- School Solutions



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We are here to help with any questions!

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