



ISFIS, Inc.
Iowa School Finance Information Services

School Finance Basics

Larry Sigel & Margaret Buckton
2022-2023

Who is ISFIS?

- Iowa School Finance Information Services (ISFIS) provides school finance tools and consulting, advocacy and lobbying supports, and school solutions to Iowa public schools.
- Our mission is to help schools elevate competency while minimizing workload.
- School districts subscribe to ISFIS services annually for access to ISFIS tools, data, resources and support.
- Larry Sigel - Former LFB Tax Analysis for the State, former School Finance Director at IASB, Founded ISFIS in 2009.
- Margaret Buckton - Former Fiscal Analyst for LFB, former Associate Executive Director of Public Policy for IASB, former Des Moines School Board Member 2009-10. Joined ISFIS in 2009. Currently serves as Executive Director for UEN and lobbies for both UEN and RSAI.

ISFIS Subscription

- Cost is enrollment based with minimums and maximums.
- Unlimited phone support
- Unlimited email support
- Zoom
- Website access
- Webinars
- School Finance tools
- And more!

School Finance Basics

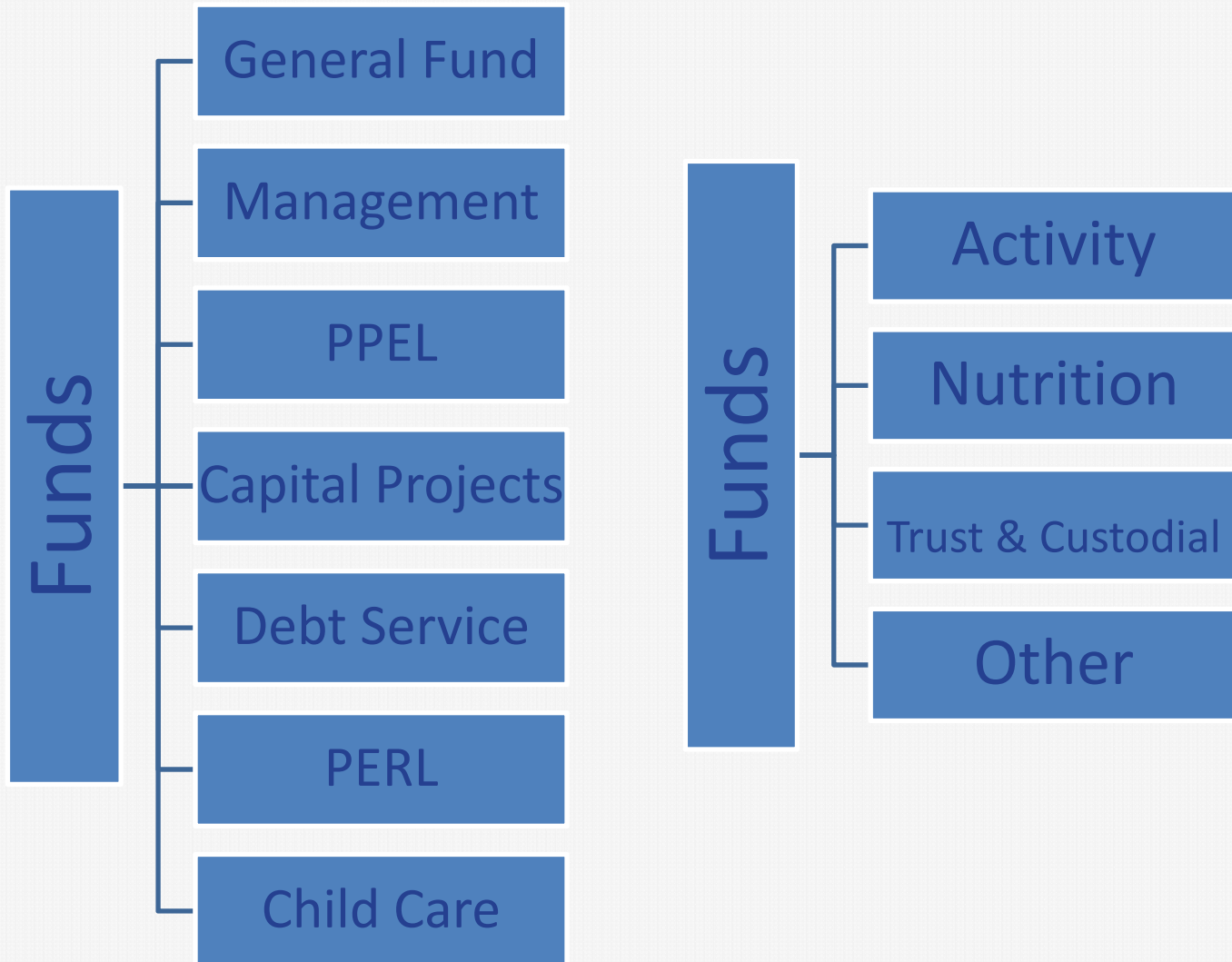
- Powers and Authority
- Funds & Revenues
- Spending Authority
- Expenditures
- Other Funds
- Financial Health

Powers and Authority

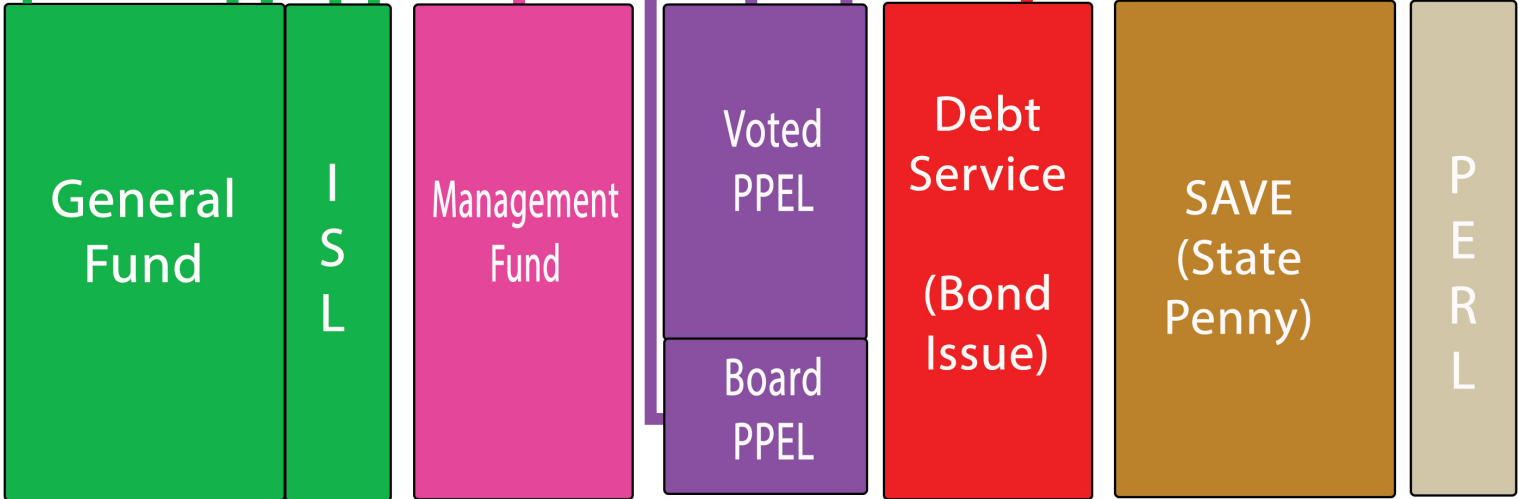
School districts have restricted funding sources (not all funds can be spent on anything the district decides).

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

Funding Sources



State Aid Property Taxes Income Surtax Sales Tax Federal Funds



Staff
 Energy
 Curriculum

Property & Casualty Insurance
 Workers Comp
 Early Retirement
 LGRP

Buildings
 Equipment
 Technology

Buildings
 Athletic Facilities

Buildings
 Equipment
 Technology
 Any PPEL or Debt Service allowable expenses

Playgrounds
 Parks
 Athletic Facilities

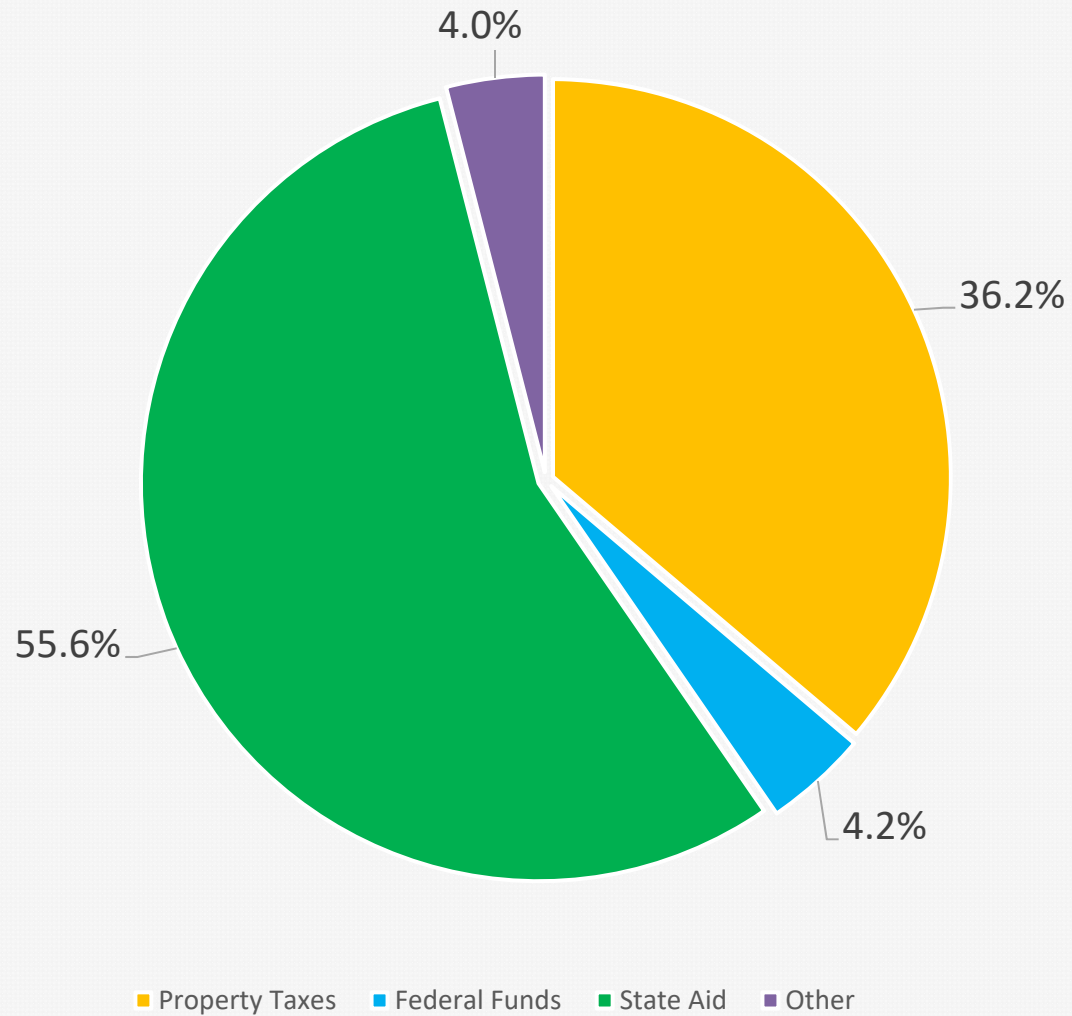
General Fund

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

Note: FY 2020
(pre-COVID) so
this is a typical
distribution)





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Spending Authority

General Fund

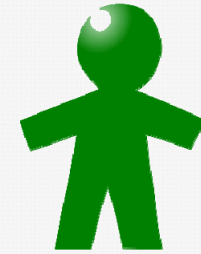
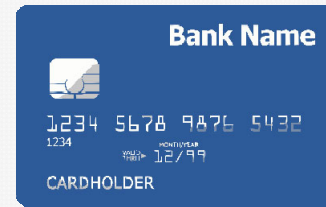
- Very important concept: Spending Authority
- State controls maximum amount of district spending
- Why? Equity – basic principle is that every child should receive the same amount of funding – no matter where they live

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).

General Fund



So what's the big deal with Spending Authority?

- It is illegal for a school district to exceed its 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).

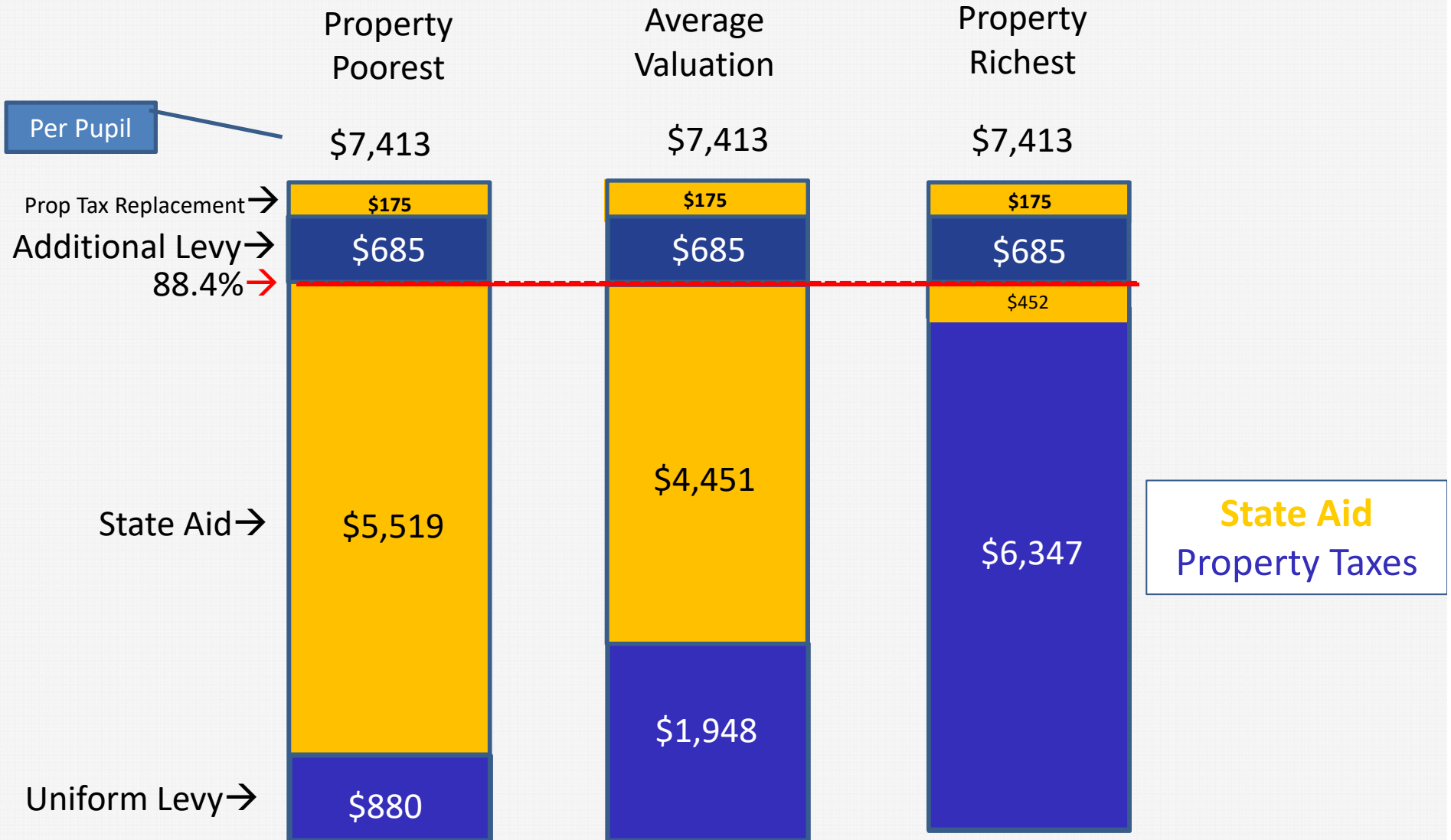


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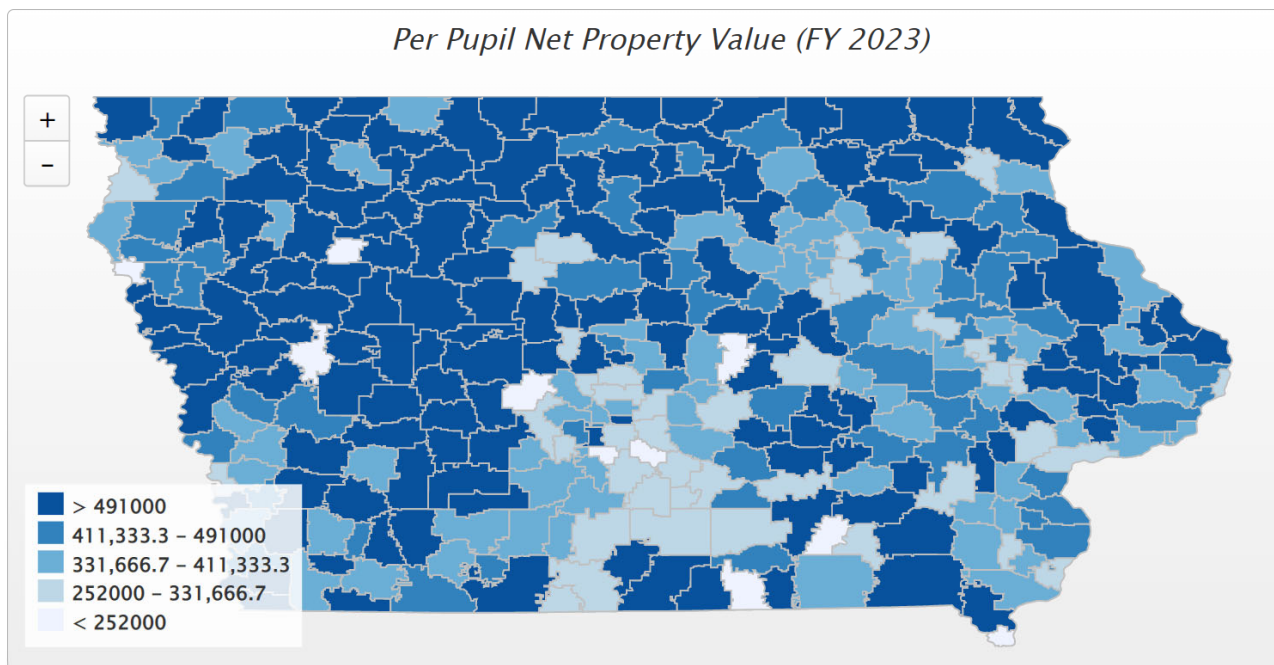
Funding Formula Mechanics

Valuation and Tax Rates

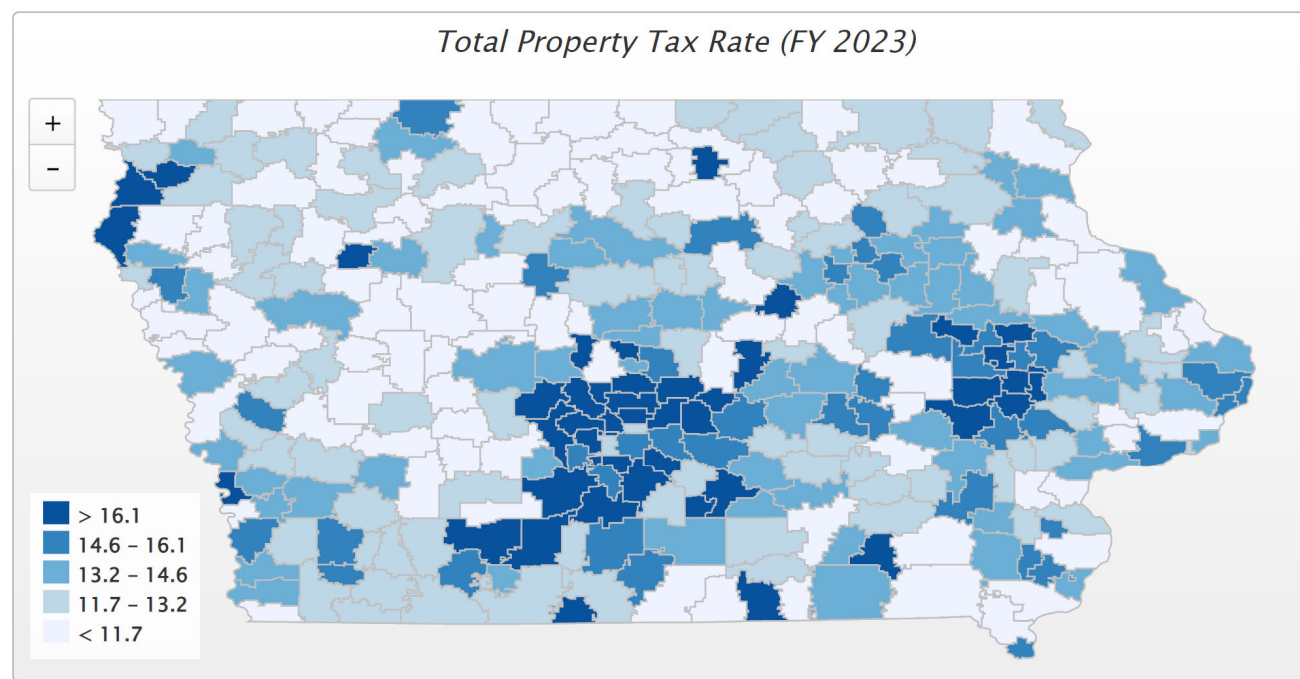
Financing the General Fund



Dark
blue/ high
value PP



Light
blue/ low
tax rate





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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

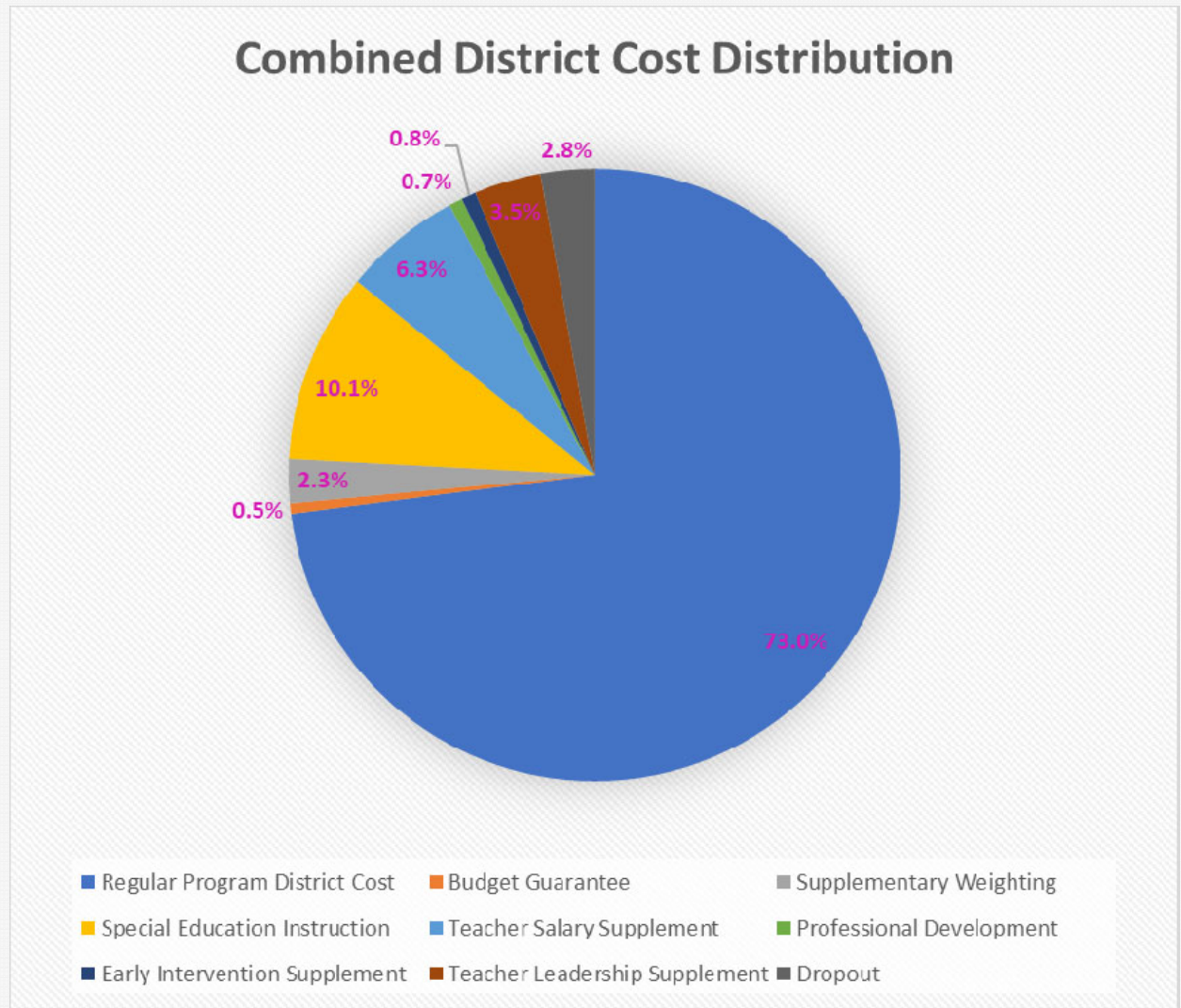
Optional Sources of Authority in the General Fund

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.

Categorical Funds

- The General Fund isn't so General.
- Doesn't include TAG, HSAP, fed \$, etc.



Miscellaneous Income

- There are other funds that are accounted for in the General Fund for which there is no formula generated value and hence no direct spending authority.
- The Code makes provision for this by stating that any funds that are required to be deposited in the General Fund and are not taxes or state aid, are considered Miscellaneous Income.
- This means that as those funds are actually receipted into the General Fund, they created dollar for dollar spending authority (eg, open enrollment in, fed funds)

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.



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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.

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

Connect with ISFIS

Are you connected with ISFIS on Social Media?

- Follow us on Twitter: [@ISFISInc](https://twitter.com/ISFISInc)
- Like us on Facebook:
<https://www.facebook.com/isfisinc/>
- Link to us on LinkedIn:
<https://www.linkedin.com/company/iowa-school-finance-information-services>

Make sure you and others are getting our emails.
Contact service@iowaschoolfinance.com for updates.





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We are here to help with any questions!

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