**Better School Funding Helps Property Tax Payers**

Two aspects of the school funding formula impact property taxes: how many students a district has and how much each student generates in funding.

**How the formula works:** Districts count students on Oct. 1. The Legislature sets a percentage increase in the state cost per pupil, known as state supplementary assistance (SSA). The new per pupil cost is multiplied by the enrollment number, which forms the regular program budget for the next school year.

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| **SSA** | **Per Pupil** | **Budget Guarantee** |
| **Scenarios** | **Increase (SSA)** | **# of Districts** | **Property Taxes** |
| FY 2021 Current | 2.3% | 106 | $ 8.3 million |
| Senate FY 2022 | 2.2% | 145 | $31.2 million |
| House FY 2022 | 2.5% | 137 | $25.9 million |
| RSAI Request FY 2022 | 3.75% | 85 | $ 9.5 million |

**Budget Guarantee:** If there are fewer pupils and the new state cost per pupil multiplied by the enrollment would otherwise mean less money, there is a provision called the budget guarantee. The budget guarantee cushions the decline in resources for one year. The budget guarantee is equal to the difference between the regular program budget (enrollment X State cost per pupil) and 101% of the prior year’s regular program budget. It’s recalculated every year.

This chart shows the relationship between SSA and the budget guarantee. A higher SSA rate benefits the school district with a bigger budget and lowers the local property taxpayers burden to pay for the budget guarantee.

**Special Education Deficits:** Funding for students requiring special education services is weighted based on the services required in their Individual Education Plan (IEP). Those weightings are multiplied by the state cost per pupil and accumulate to fund special education. Regardless of the revenues generated by the formula, the district is required to provide the services.

* If services cost less than what is generated by the formula, there is a surplus. The district keeps 10% of that to use for next year’s special education services.
* If services cost more than what is generated by the formula, there is a special education deficit. The School Budget Review Committee grants spending authority for the deficit, which allows the district to use cash reserves (property taxes) to pay for the deficit.

Special education deficits were more stable on a statewide basis in the 1990s and 2000s. District deficits improved in 2010 and 2011 when federal stimulus funds were required to be spent on IDEA special education purposes. Since 2013, however, with a decade of low per pupil increases in the formula, the cost of special education has been increasingly paid by local property taxes. Districts have expanded Medicaid billing for those special education services for eligible students. Without that $60 million contribution from federal funds, special education deficits would be even worse.

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| **Iowa Statewide Special Education Deficits (Dollars in Millions)** |
| FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
| -21 | -22 | -30 | -22 | -24 | -46 | -49 | -32 | -24 | -48 | -65 | -81 | -88 | -101 | -106 | -125 | -142 | -162 |

When the legislature sets higher SSA, both the Budget Guarantee and Special Education property tax impact are reduced. Additionally, higher per pupil revenues benefit districts with higher expenses due to our rural population.