



## RSAI 2026 Legislative Priority: Property Tax Reform

### Background and History:

When created in the 1970s, the school foundation formula established a mechanism to generate school funding based on enrollment, with an expenditure limitation on regular program district costs, which were funded by a combination of property taxes and state foundation aid. The formula is the primary driver of school property taxes, although there are a few board-directed levies (Board PPEL, Dropout Prevention, Cash Reserve and Management Fund) and a few voter-approved levies or levies subject to petition (Voter PPEL, Debt Levy for Bond Issues, Instructional Support Levy, and the Public Education and Recreation Levy). Voters must also approve school districts' expenditure plans for sales tax revenue from the SAVE Fund, through a Revenue Purpose Statement (RPS) ballot initiative. School infrastructure, technology, transportation and other equipment, safety and/or property tax relief are all allowable expenditures. If a Revenue Purpose Statement is not approved by voters, the SAVE funds must first be used to lower Debt, Board PPEL, Voter PPEL, and PERL property taxes before any can be spent.

### Current Situation:

For several years, legislators have been working on property tax overhaul legislation impacting all local governments to reduce growth in property taxes, to provide transparency for taxpayers, and provide property tax relief. School district property taxes already face several caps or limitations:

- School district general funds are budget-limited rather than property tax rate-limited – the general fund property tax rate is a function of the formula.
- Additional cash reserve levies are prohibited if the district has more than 20% of prior year expenditures in cash balances.
- Management fund balances can only be spent on a limited number of purposes (property, casualty, loss insurance, including premiums and deductibles, workers' compensation, local government risk pools, early retirement programs, etc.).
- Other levies are bound by voter approval.
- Typically, if the valuation in a district goes up while enrollment drops, property tax rates generally fall.
- The school budget proposal requires two public hearings, during which taxpayers and constituents may address the school board or submit written comments expressing concerns or appreciation about the upcoming budget proposal.

**Other Limitations on School Property Taxes:** In addition to the formula budget limits, the cash reserve ceiling, and voter approval for the SAVE revenue purpose statement, and other voter-approved levies that must be reauthorized when they expire, there are other taxpayer safeguards in the system:

- Taxpayers also have the authority under Iowa Code §24.27 to contest a school district's budget, including their management levy, by petitioning the county auditor, who prepares a report and submits it to the State Appeal Board. The burden of proof is on the School District to justify its property tax levies and budget as reasonable.
- School board elections in November of every odd-numbered year provide voters with the opportunity to challenge board members, if they believe the tax rate is higher than it should be to provide resources to educate the children in the district.

### Interconnectedness of School Funding and Property Taxes:

There is a significant impact on property taxes, both up and down, when the Legislature sets the State Cost per Pupil annually. Higher SSA impacts property taxes because certain funds are based on the district's enrollment multiplied by the state cost per pupil (this calculation is known as the Regular Program District Cost, or RPDC). **Some examples:**

- **Dropout Prevention** is funded with property taxes at somewhere between 2.5% and 5% of RPDC.
- **Instructional Support Levy** is determined by board resolution, subject to reverse referendum or by voters, at an amount up to 10% RPDC. Some districts use an income surtax to offset property taxes. No district generates the full amount authorized, since the state share of funding, mandated at 25%, has been set at zero since 2011.
- **Budget Guarantee:** Higher SSA also lowers property taxes, by sparing more districts and taxpayers the budget guarantee property tax burden if enrollment declines more than the SSA rate increases.
- **Special education and English-learner programs** mandated by federal law, but not fully funded by the formula weightings assigned to each student, create a special education or EL deficit. School districts request spending authority (known as MSA, or modified supplemental amount) from the School Budget Review Committee to reimburse those deficit expenditures from the prior year. As SSA increases have been less than the costs of providing these mandated programs (and below inflation) for five consecutive years, these deficits have continued to grow.

### Lower SSA = Higher Property Taxes: Some examples

- **Cash Reserve Property Taxes:** as Special education & English-learner deficits are higher when the formula generates less funding per student based on their assigned weighting, districts must use additional cash reserve to fund the authorized SBRC reimbursement.
- **Budget Guarantee** – let's see how much BG.
- **Funding UAB** (Unspent Authorized Budget, also known as carry-forward spending authority). Statewide, cash reserves total 11% less than total accumulated UAB. Property taxes would have to raise more cash, however, since many districts with little or no UAB have cash balances.

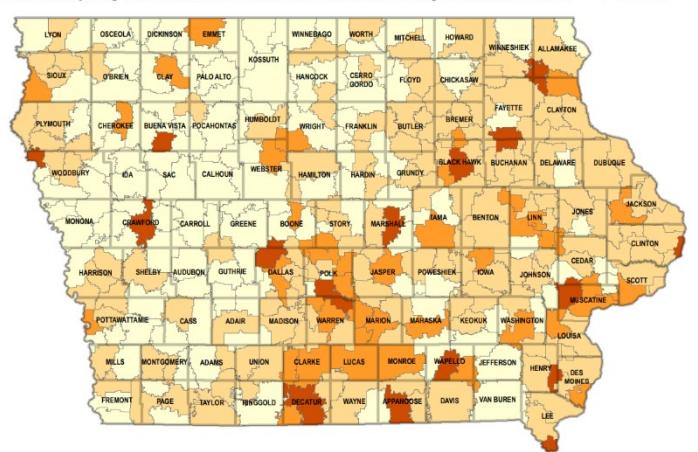
### School Property Tax Levy Changes Since 2014:

This [LSA map](#) shows the resulting property tax rate reduction from several programs, totaling \$186.2 million in FY 2025. *The five highest total school tax rates in the state in FY 2014 ranged from \$20.63 to \$23.05. By FY 2025, the highest five ranged from \$18.70 to \$19.11.*

Three programs have delivered \$186.2 M in property tax relief, an average of \$0.74 per \$1,000, in FY 2025:

- 1) Property Tax Adjustment Aid since 1992. 85% of districts, total \$6.4M
- 2) Adjusted Additional Property Tax Levy Aid to property-poor districts with high additional levies. \$24 M GF appropriation plus 6.1% of SAVE funds. \$53M to 35% of districts.
- 3) Property Tax Replacement Payment, the state assumes the total cost of SSA increases since FY 2014. \$127M in FY 2025, and all districts receive this property tax relief.

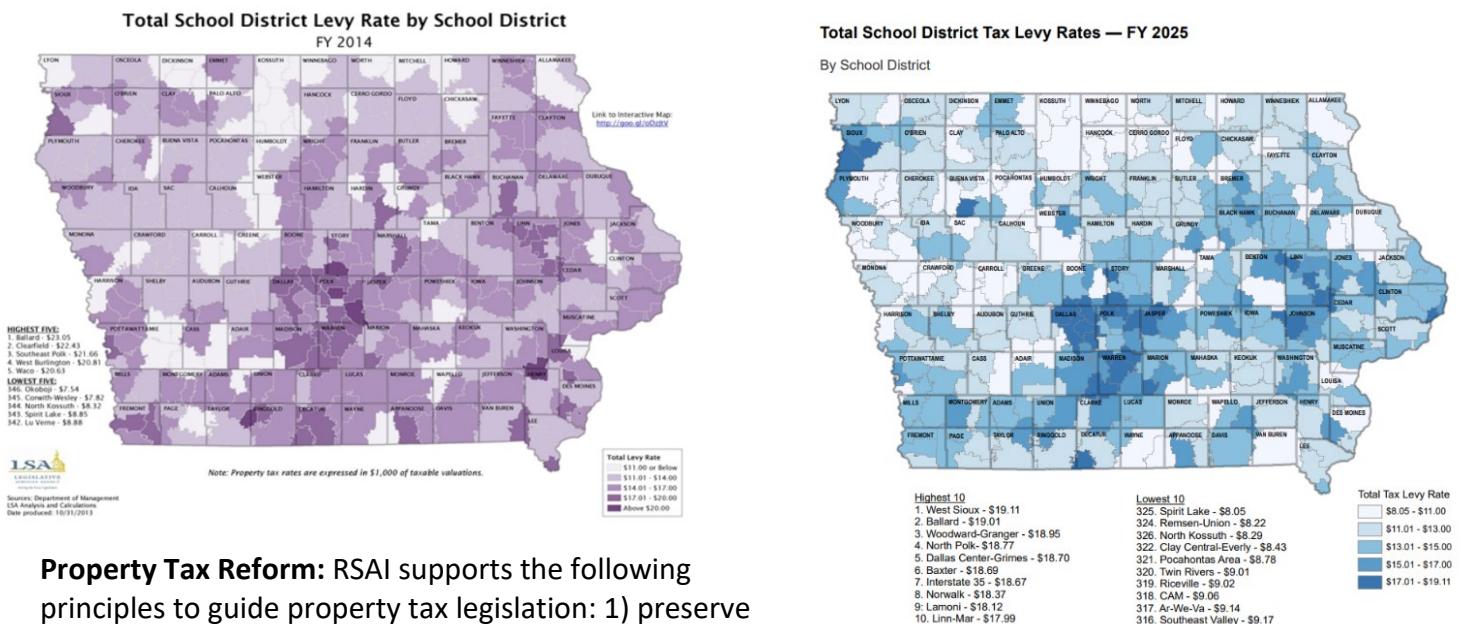
Total Property Tax Relief Aid and Rate Reduction by School District — FY 2025



Total Rate Reduction  
Per \$1,000 of Valuation

White	No Rate Reduction
Light Yellow	\$0.13 - \$0.50
Medium Yellow	\$0.51 - \$1.00
Orange	\$1.01 - \$2.00
Dark Red	\$2.01 - \$3.89

Two LSA maps show the total school property tax rate for FY 2014 ([on the left](#)) and FY 2025 ([on the right](#)).



**Property Tax Reform:** RSAI supports the following principles to guide property tax legislation: 1) preserve state general fund capacity to adequately fund Iowans' priorities including a quality public education for all children, 2) retain local school board and voter authority to fund infrastructure, technology and school safety via PPEL, SAVE and Debt levies, 3) provide local school board authority to continue pre-reform voter-approved amounts (levies and total dollars anticipated) through transition periods, and 4) move toward a more transparent system. Require clear and simple property tax statements, remove rollbacks and provide clearly understood property valuations and TIF impacts on taxpayers.

The Tax Foundation's Study, "Securing Property Tax Relief in Iowa," 2025, supports some of Iowa's proposed legislation to limit levies rather than assessments, phase-out of existing rollbacks, excluding new property in calculating limits on the new mill levy, and incorporating voter overrides from the 2023 reforms. These experts also advise Iowa to:

1. incorporate inflation into the levy limit (not a fixed 2% growth limit, for example),
2. tie future limitations to legal taxing authority maximums and not to actual tax revenue, "levy limits should neither force nor inhibit lower taxes by local governments", and
3. future limits should be recession proof (tie to a baseline rather than a lower valuation if property values fall).

RSAI opposes any limitation or restriction on the management fund, since costs associated with risk management in the future are unpredictable. If taxpayers are concerned locally, they can elect new school board members. Taxpayers also have the authority under Iowa Code §24.27 to contest a school district's budget, including their management levy, by petitioning the county auditor, who prepares a report and submits it to the State Appeal Board.

See the RSAI Position Paper Regarding debt levies and bond issues found on RSAI's 2026 Legislative Webpage here: [Bond Issue Dates Position Paper](#).