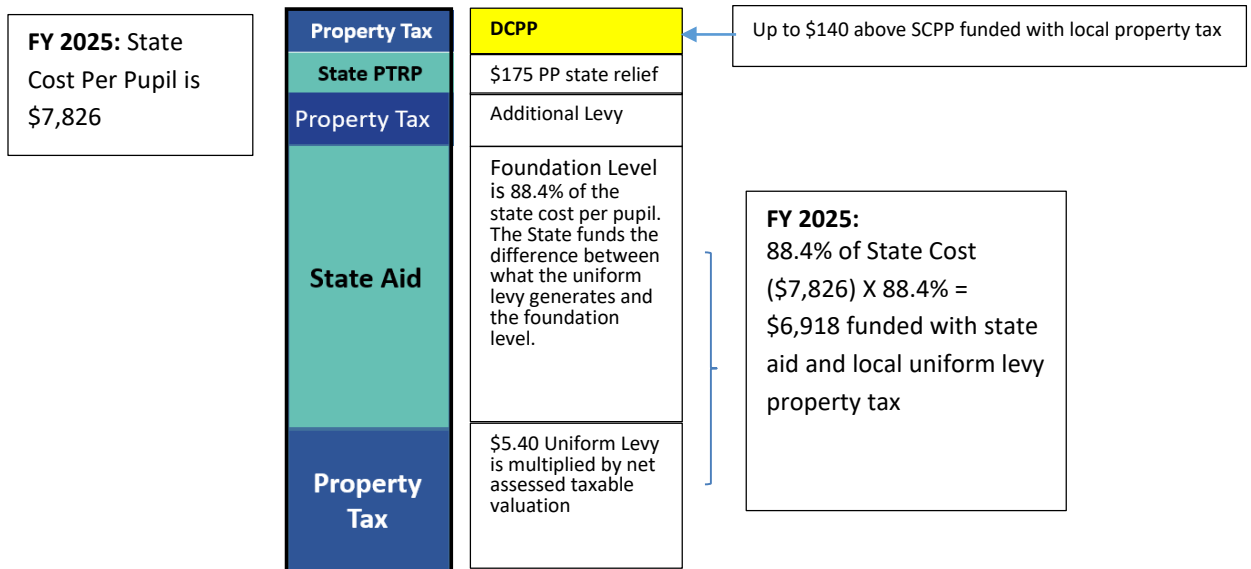




RSAI 2025 Legislative Priority: Formula Equity

History: Before the Iowa school foundation formula was created, school districts depended almost entirely on local property taxes for funding. The level of support varied due to many factors, including community attitudes about the priority of education and local property tax capacity. The formula, created in the 1970s, set a State Cost Per Pupil (SCPP) and then brought all districts spending less than that amount up to the SCPP. A combination of local property tax and state foundation aid provided funding. Those districts that spent more than the newly defined SCPP were allowed to continue for five decades, funded by local property taxpayers. A difference between the SCPP and a higher District Cost Per Pupil (DCPP) remains today, although narrowed over time by legislative action. This graphic shows the property tax and state aid components of the SCPP and the DCPP above the \$7,413 (FY 2024-25 SCPP). In the 2022 Session, the Legislature enacted [HF 2316](#) School Funding (SSA), which closed the formula inequity gap by an additional \$5 per pupil. No additional equity action has been taken since FY 2023.



Current Reality: In FY 2025, 223 districts (68.5%) are limited to the SCPP as their District Cost Per Pupil (DCPP). The other 112 districts (31.5%) have a DCPP ranging from \$7,827 to \$7,966, or \$1 to \$140 more per student. When the Legislature determines the increase in the SCPP, that dollar amount is added to the DCPP, so the gap continues at the same dollar amount. On a percentage basis, the \$140 is much less today than in 1975. However, when school budgets are tight, every dollar matters. This table shows the count of districts based on the range of authority in the formula to exceed the SCPP.

FY 2025 Count of Districts	Amount DCPP is Greater than SCPP
223	\$0
34	\$1 to \$24
28	\$25 to \$49
14	\$50 to \$74
13	\$75 to \$99
13	\$100 to \$140
Total = 325	

Inequity impacting students: The amount of funding generated per pupil for regular education is not the same for all districts. A district, based solely on its historical practice prior to 1973, can generate more or less funding for each student. Inequities are further compounded by the formula's use of multipliers or formula weightings for special student needs. Those multipliers, applied to the DCP, generate different amounts of support for students, special education or English learners, for example, by application of the formula.

Solutions: Possible solutions to promote equality without lowering the per pupil amount available for any school district include:

- The Legislature could grant all local districts spending authority for the difference and allow school boards to decide locally whether to fund it. This solution maintains the state's funding commitment without increasing it and provides local property taxes to support community schools. Although not all districts have equal political capacity to assess local property taxes, the impact on taxpayers is now buffered by efforts to promote tax equity, such as the Property Tax Equity and Relief (PTER) fund and the dedication of ongoing sales tax growth through the SAVE fund, which together lower the highest school property tax levies in the state and phases in property tax relief for all property taxpayers. Legislators could appropriate funds from the Taxpayer Relief Fund, with a balance over \$3 billion in FY 2025, to offset what would otherwise be property taxes to implement equity immediately.
- Set the state cost per pupil at the highest amount but lower the foundation percentage threshold from 88.4% to an amount that balances the impact on the state and on property taxes.
 - While both of these solutions depend on local funding, since many districts have sufficient cash on hand, there would be little cash reserve levy impact for several years in many districts.
- Phase in a long-term commitment to eliminate the inequality over time. [HF 2316](#) closed the formula inequity gap by an additional \$5 per pupil. At this pace (\$5 per pupil per year), it will take 28 more years to obtain full equity. A commitment to close the gap by an average of \$14 per pupil would get to equity in 10 years.
- A combination of the two options above would also be possible – authority in the meantime, close the gap over the long haul.

Formula Equity: Resurrect and continue investments in formula equity, closing the \$140 state and district per pupil gap within ten years. Inequities in the formula, based on no longer relevant historical spending patterns over 40 years ago, must be corrected to support resources for all Iowa students.