Legislation Impacting FY 2024 Public School Funding—Including the Impact on Key School Finance Terms

Legislative Action Impacting Supplemental State Aid (SSA) During the 2023 Legislative Session:

SF 192—FY 2023 Supplemental State Aid—Included the following provisions that impact school aid funding in FY 2024:

- Set the SSA state percent of growth rate at 3.0% which increased the regular program per pupil amount by $222 per pupil for all school districts.
- Extended the Property Tax Replacement Payment provision through FY 2024. This provision increases state aid by requiring the entire per pupil increase, because of supplemental state aid, to be paid for with state dollars rather than local property taxes.
- As a result of the 3.0% SSA state percent of growth rate, the FY 2024 standing appropriation for transportation aid increased by 3.0% and totals $30.3 million, an increase of about $0.9 million. This provision will provide aid for 204 districts.
- Note: Unlike the past five legislative sessions, there was no per pupil funding equity to reduce the differences in the regular program per pupil funding existing between school districts. It is unclear if this initiative will continue in future legislative sessions.

Spending Authority: The state gives districts permission to spend a certain amount of money on behalf of its students – this is called spending authority. The concept is similar to the spending limit on a credit card—the district may choose to tax and spend for all of the spending authority but should carry some authority forward for contingencies. A district's "unspent authorized budget" (UAB) is the amount of spending authority remaining at the end of a fiscal year. Districts may or may not have cash in the bank that backs up their spending authority. However, districts are not allowed to spend more than their spending authority even if they have more cash. In the first year, a district that overspends their spending authority is required to file a Corrective Action Plan and periodic progress reports with the Iowa Department of Education (DE) as well as a review by the School Budget Review Committee (SBRC). Districts that overspend their spending authority for two or more consecutive years may face a Phase II financial accreditation review by the DE.

For FY 2024, a district will receive additional spending authority on a per-pupil basis equivalent to the state cost per pupil increases resulting from SSA at 3.0%. This per-pupil increase applies to Regular Program funding, special education program funding, and state categorical funding, all of which are part of the state foundation aid formula. However, enrollment and other weighting changes also play a major part in the amount of spending authority generated through the school aid formula.

Cash Reserve Levy: Typically, many districts have a cash reserve levy, which is a board-determined property tax, that provides funding for cash flow. This funding allows districts to make payroll, buy school supplies, and textbooks prior to the receipt by the district of the first state foundation aid and property tax payments in September and October, respectively. The cash reserve levy also typically provides funds to pay for special education deficits (the amount of school district special education spending that exceeds the weighting for special education students in the foundation formula), for any shortfall in state funding (such as the 10 percent across-the-board cut in FY 2010), and for delinquent property taxes. In a prior session, the Legislature passed language that limits the ability of a school district to levy for the cash reserve. The cash reserve levy cannot exceed 20 percent of the previous year's general fund expenditures minus the assigned and unassigned fund balances from the previous year. **Note that levying for cash reserve *does not* increase a district's spending authority – it does provide cash to back spending authority.**

Cash Balance: School districts may have a cash balance (cash and investments on hand), which may or may not exceed their spending authority. Sometimes the unassigned and assigned fund balances are called cash as well, which may or may not exceed spending authority. **Cash and spending authority are not the same.**

The chart on this page explains the various revenue sources impacted by the 2023 Legislative Session with their impact on school district cash and spending authority.

Cash Impact	Spending Authority Impact
Supplemental State Aid (SSA): • **FY 2024** – 3.0% supplemental state aid = $222 **FY 2024**—$7,635 *State* Cost Per Student **Note:** District Cost Per Student may be higher than the State Cost Per Student shown here. Additionally, the district cost per pupil amount impacts funding for the regular program, special	**FY 2024**—$222 new growth in supplemental state aid (SSA). State cost per pupil = $7,635 (your district's district cost per pupil may be higher). More information regarding spending authority and the impact on FY 2024 will be available on the IASB website in early July.

education, LEP, at-risk, shared operational functions, and other sharing provisions.	
Instructional Support Levy (ISL) – *State Aid* • **$0 for FY 2024** • **Local tax revenue only for this program**	Districts do not receive spending authority for the unfunded *state* portion of ISL. Impacts will vary by district.
Teacher Salary Supplement (TSS) • 3.0% supplemental state aid—**FY 2024** • TSS per pupil amount increased by $19.07	This allocation is part of the funding formula, and contributes to spending authority, but funding must be used to supplement teacher salaries.
Professional Development Supplement (PDS) • 3.0% supplemental state aid—**FY 2024** • PDS per pupil amount increased by $2.16	This allocation is part of the funding formula, and contributes to spending authority, but funding must be used for professional development initiatives.
Early Intervention Supplement (EIS) • 3.0% supplemental state aid—**FY 2024** • EIS per pupil amounts increased by $2.35	This allocation is part of the funding formula, and contributes to spending authority, and since this program has expired, the funding can be used for any general fund purpose.
Teacher Leadership Supplement (TLS) • 3.0% supplemental state aid—**FY 2024** • TLS per pupil amounts increased by $10.73	This allocation is part of the funding formula, and contributes to spending authority, but funding must be used for purposes specified under the teacher leadership program.
Preschool Appropriation • 50% of state cost per student ($3,828)—**FY 2024**	Weighting within the formula for preschool contributes to spending authority, but funding must be used for the preschool program.

HF 68—Education Savings Account (ESA) Act:

Enactment of HF 68 created the Education Savings Account that provides funding for eligible students attending a private school. While a potential loss of public school enrollments may occur and result in a loss of funding to public schools, there were provisions in the Act that will benefit public school districts. These include:

- Starting with FY 2024, Teacher Leadership Supplement (TLS) funds, Professional Development Supplement (PDS) funds, and Talented and Gifted (TAG) program funds can now be used to pay for costs associated with the Teacher Salary Supplement (TSS) program. This includes any prior year ending balances and on-going revenues from these programs.

- Starting with FY 2025, school districts with resident students that have an ESA will receive state categorical funding (includes TSS, TLS, PDS, and Early Intervention Supplement (EIS)). Funding will be based on the prior year's ESA count of students. The estimated per pupil average of this provision is about $1,200, but amounts will vary by district.
- The Shared Operational Functions provision extended weightings and funding an additional 10 years and is not set to expire until the end of FY 2035.

HF 718—Property Tax Reform Act

Enactment of HF 718 provided property tax reform measures that are generally geared toward cities and counties. However, there are provisions in the Act that do impact school districts. These include:

- Elimination of elections to approve the Public Education and Recreation Levy (PERL—also referred to as the Playground and Equipment Levy). The 29 school districts that currently have a PERL in place will be able to keep the levy in place until the board rescinds the usage or a reverse referendum is approved by the voters.
- General obligation bond elections can now only be held at the November general election dates (even and odd years).
- For districts that receive a valid petition stating an election be held for the sales tax revenue bonds, the election dates will be limited to the November general election dates (even and odd years).
- Establishes a new budget process with specific requirements that will result in a budget statement that must be submitted to the Department of Management each March 15 along with a district hearing held on the budget statement. This hearing must be separate from any other meeting of the district including a meeting or public hearing relating to the district's budget or other business of the district. The notice of public hearing must be posted on the same day as the publication of notice on the district's internet site and all district social media accounts. The internet posting must also include a copy of the budget statement. Additionally, the certification date has been moved to April 30 of each year.

SF 578—FY 2024 Standings Appropriations Act

As in past years, SF 578 made a reduction to two state school aid funding amounts. These include:

- A provision that eliminated state aid funding for the Instructional Support Program for FY 2024. This provision has been approved every year since FY 2011. School districts that have approved implementation of the Instructional Support Program will fund the program entirely with local taxes (property tax or a combination of property tax and income surtax).
- A provision that resulted in a total AEA state aid reduction of $29.6 million for FY 2024. This includes a permanent reduction amount of $7.5 million and an additional $22.1 million for FY

2024. The overall reduction was $5.0 million higher than the reduction made in FY 2023. Note that this provision was not made public until the bill was introduced on May 1, nearly three months after AEAs had to submit their budgets to the Department of Education by February 10.

