



Legislation Impacting FY 2027 Public School Funding

Legislative Action Impacting Supplemental State Aid (SSA) during the 2026 Legislative Session:

Senate File [2201](#) (State Supplemental Aid) establishes the following school aid provisions:

1. SSA Growth Rate:

- Sets the SSA growth rate at 2.0%, increasing the regular program per-pupil amount by \$160.

2. Per-Pupil Equity Funding:

Additional per-pupil equity funding was not provided in FY 2027.

3. Property Tax Replacement Payment (PTRP) Extension:

- Extends PTRP, ensuring SSA increases are funded with state dollars instead of local property taxes.

4. Transportation Aid Increase:

- increases by 2.0% for a total funding amount of \$33.3 million. The program was created to provide additional funding to school districts for public school transportation costs that exceed the statewide adjusted average cost per student. It is estimated that 200 districts will receive this state aid in FY 2027.

Additional language was added that limits the maximum amount any district can receive to \$1.0 million. It is estimated that three districts will be capped at the maximum amount for FY 2027.

5. Education Support Personnel Salary Supplement:

- Appropriates \$7.0 million to supplement education support personnel compensation. This is a reduction of \$7.0 million (50%) as compared to FY 2026.

6. State Aid Payments

- Changes the state aid payment schedule from monthly (September to June) to quarterly, with the first payment scheduled on or about July 15, and the final payment scheduled on or about April 15. Based on the bill language, IASB would preliminarily estimate the payment schedule to be on or about:
 - July 1

- October 15
- January 15
- April 1

7. Additional Certified Enrollment Count Date (January 15)

- Adds a second count date for certified enrollment on January 15. Budget enrollment (line 1.1 on your aid and levy) will be the average of the certified October 1 and January 15 count dates. The Department of Education (DE) is required to submit certified enrollment to the Department of Management no later than 30 days after the October 15 certification and no later than 21 days after the January 30 certification date. Districts will have no more than five business days to dispute any discrepancies reported by the DE. Failure to do so will result in the DE making the district's final enrollment determination.

Spending Authority: The state permits districts 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 on hand to back up their spending authority. However, districts are not permitted to exceed their spending authority, even if they have more cash. In the first year, a district that overspends its spending authority is required to file a Corrective Action Plan, along with periodic progress reports to the Iowa Department of Education (DE), and to undergo a review by the School Budget Review Committee (SBRC). Districts that overspend their spending authority for two or more consecutive years may be subject to a Phase II financial accreditation review by the DE.

For FY 2027, a district will receive additional spending authority on a per-pupil basis equivalent to the state cost-per-pupil increases resulting from SSA at 2.0%. This per-pupil increase applies to Regular Program funding, special education program funding, and most state categorical funding, all of which are part of the state foundation aid formula. Also, note that enrollment and other weighting changes will play a major part in the amount of spending authority generated through the school aid formula.

Teacher Salary Supplement (TSS) Adjustments:

- Starting in FY 2027, the TSS district cost per pupil will no longer be established by the Department of Management, as it has been the last two years, to account for new teacher salary minimums. Your district's TSS cost per pupil will be established by the categorical SSA rate of 2.0% in FY 2027.

Cash Reserve Levy: Many districts typically have a cash reserve levy, 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 2025 Legislative Session and their impact on school district cash and spending authority.

Cash Impact	Spending Authority Impact
<p>Supplemental State Aid (SSA):</p> <ul style="list-style-type: none"> • FY 2027 – 2.0% supplemental state aid = \$160 FY 2027 - \$8,148 <i>State Cost Per Student</i> <p>Note: District Cost Per Pupil (DCPP) may be higher than the State Cost Per Student shown here. Additionally, the DCPP amount impacts funding for the regular program, special education, LEP, at-risk, shared operational functions, and other sharing provisions.</p>	<p>FY 2027 - \$160 new growth in supplemental state aid (SSA). State cost per pupil = \$8,148 (your district’s DCPP may be higher).</p>
<p>Instructional Support Levy (ISL) – State Aid</p> <ul style="list-style-type: none"> • \$0 for FY 2025 • Local tax revenue only for this program 	<p>Districts do not receive spending authority for the unfunded <i>state</i> portion of ISL. Impacts will vary by district.</p>
<p>Teacher Salary Supplement (TSS)</p> <ul style="list-style-type: none"> • 2.0% supplemental state aid - FY 2027 • TSS per pupil amount increased by \$13.69. 	<p>This allocation is part of the funding formula and contributes to spending authority. However, funding must be used to supplement teacher salaries.</p>
<p>Professional Development Supplement (PDS)</p> <ul style="list-style-type: none"> • 2.0% supplemental state aid - FY 2027 • PDS per pupil amount increased by \$1.55. 	<p>This allocation is part of the funding formula and contributes to spending authority. However, funding must be used for professional development initiatives.</p>
<p>Early Intervention Supplement (EIS)</p> <ul style="list-style-type: none"> • 2.0% supplemental state aid - FY 2027 • EIS per pupil amounts increased by \$1.69 	<p>This allocation is part of the funding formula and contributes to spending authority. The original use was earmarked for K-3 class-size reduction,</p>

	but it can now be used for any general fund purpose.
Teacher Leadership Supplement (TLS) <ul style="list-style-type: none"> • 2.0% supplemental state aid - FY 2027 • TLS per pupil amounts increased by \$7.71 	This allocation is part of the funding formula and contributes to spending authority; however, the funding must be used for purposes specified under the Teacher Leadership Program.
Preschool Appropriation <ul style="list-style-type: none"> • 50% of state cost per student (\$4,074) - FY 2026 	Weighting within the formula for preschool contributes to spending authority, but funding must be used for the preschool program.

HF 2800 - FY 2027 Standing Appropriations Act

HF 2800 introduces several adjustments to state education funding for FY 2026, consistent with past years:

1. Instructional Support Program Funding:

- State aid for the Instructional Support Program is eliminated for FY 2027, a legislative decision that has been maintained annually since FY 2011.
- School districts using this program must fund it entirely through local taxes (property tax or a combination of property tax and income surtax).

2. Area Education Agencies (AEA) Funding Reduction:

- The Act mandates a total reduction of \$32.5 million in AEA state aid for FY 2026. As in previous years, this reduction comes from the AEA Special Education Support Services, which is no longer part of the AEA flow-through.
- Beginning in FY 2027, the statutory reduction increases from \$7.5 million to \$32.5 million.
- Starting in FY 2028, \$10.0 million of the statutory reduction will be appropriated to the Special Education Division of the Department of Education. In previous years, the division has received its funding from the General Fund as well as the Sports Gambling Receipts Fund.
- Reestablishes reorganization incentives for school districts until 2035. This is not expected to have an impact in FY 2027.