Budget Guarantee – How It Works and the Potential Impact on FY 2022

Many school districts have seen a significant enrollment loss due to the on-going COVID-19 pandemic. Certified enrollments taken this past October will be used to establish budgets for the following school year, starting next July 1. Reductions in enrollments, along with the legislative decision on Supplemental State Aid (SSA) for FY 2022 will have an impact on the amount of new money available to districts. It is very likely that many districts will be eligible to receive a budget guarantee amount in FY 2022.

The budget guarantee (also referred to as budget adjustment) is a unique provision of Iowa's school aid formula that provides districts a guarantee of 1.0% increase over the prior year's regular program funding level. However, it is funded entirely through local property taxes, thus requiring board approval through a board resolution to implement. The amount of the guarantee is impacted by the amount of the decrease in the district's budget enrollment as well as size of the increase in the per pupil funding amount impact by the supplemental state aid (SSA) state percent of growth rate. Key terms to note regarding the budget guarantee include:

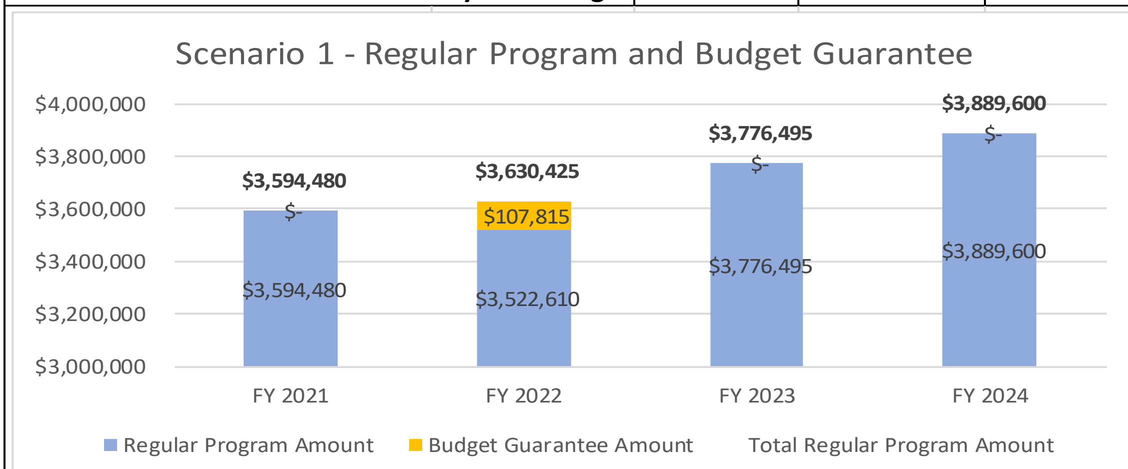
- **Budget Enrollment:** The prior year's certified enrollment count of resident student enrollment. This enrollment is used to generate funding for school districts.
- **Supplemental State Aid (SSA):** This is the legislatively allowed growth in the district cost per pupil amount each year and is calculated by multiplying the regular program state cost per pupil by the SSA state percent of growth rate.
- **District Cost Per Pupil (DCPP):** This is the per pupil amount that generates regular program dollars for school districts. The DCPP amount increases each year by the SSA amount.
- **Regular Program District Cost (or Regular Program Funding Amount):** This amount is determined by multiplying the district's budget enrollment by the DCPP. These funds can be used for any general fund program purpose.
- **Total Regular Program District Cost:** This amount is the sum of the regular program district cost plus any budget guarantee amount.
- **New Money:** This amount is the change in a district's total regular program district cost from one year to the next.

Districts that have enrollment decreases that are not offset by the SSA state percent of growth rate will be eligible for budget guarantee. The current budget guarantee provision does not include any prior year budget guarantee amounts. Because of this, the budget guarantee is not a "hold-harmless" provision that offers a long-term solution for districts that continue to see reduction in enrollments. However, it does provide some additional funding that can mitigate the full impact a reduction in enrollment has on a district's regular program budget amount. Districts that are on budget guarantee for consecutive years will have new money amounts that are less than 1.0%. Additionally, these districts will likely have a decrease in their overall regular program funding levels and need to consider budget reductions.

To demonstrate the impact of the potential enrollment loss districts might have experienced this past fall and the potential impact on budget guarantee in FY 2022 and beyond, the following scenarios were created. Note that although the SSA rate is currently unknown for FY 2022 and future fiscal years, a rate of 2.0% is being used for comparison purposes.

Scenario 1: In this scenario, the district has been trending up in their enrollments over the past few years. However, this past fall the district saw a sharp decline in enrollment (from 510 to 490). Additionally, in years after FY 2022, the enrollments return and the growth trend continues. Under this scenario, the district will be on budget guarantee in FY 2022 and have a new money percentage of 1.0%. In future fiscal years with enrollment increases, the district will see new money percentage amounts that are above the SSA rate.

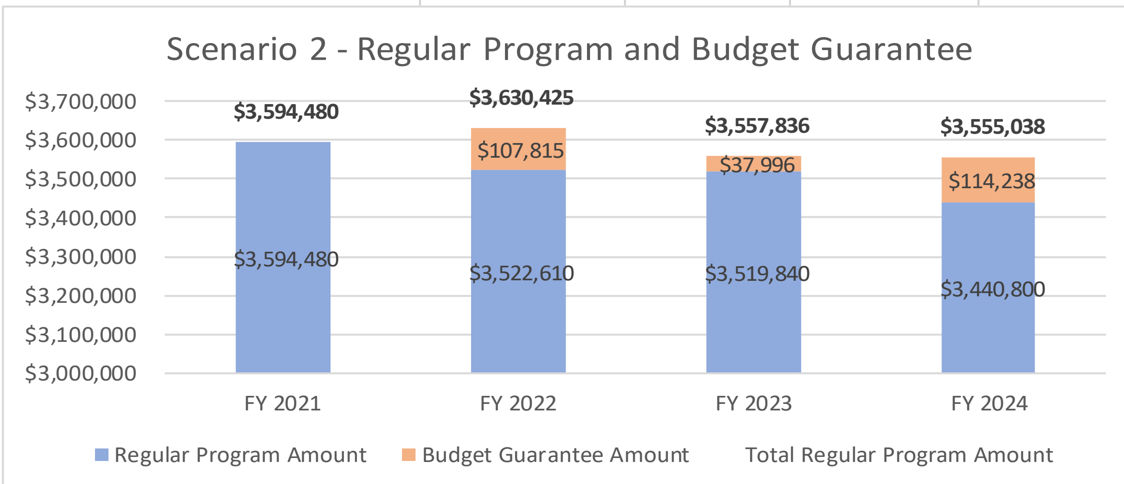
Scenario 1: Growing District with Enrollment Loss in October 2020				
	FY 2021	FY 2022	FY 2023	FY 2024
SSA State Percent of Growth Rate	2.3%	2.0%	2.0%	2.0%
Budget Enrollment	510	490	515	520
Change in Enrollment	5	(20)	25	5
Per Pupil Amount	$ 7,048	$ 7,189	$ 7,333	$ 7,480
Regular Program Amount	$ 3,594,480	$ 3,522,610	$ 3,776,495	$ 3,889,600
Budget Guarantee Amount	**$ -**	**$ 107,815**	**$ -**	**$ -**
Total Regular Program Amount	$ 3,594,480	$ 3,630,425	$ 3,776,495	$ 3,889,600
New Money Amount:		**$ 35,945**	**$ 146,070**	**$ 113,105**
New Money Percentage:		**1.0%**	**4.0%**	**3.0%**



Scenario 2: In this scenario, the district has been trending down in their enrollments over the past few years. Additionally, this past fall the district saw a sharp decline in enrollment (from 510 to 490). In years after FY 2022, the enrollments continue to decline. Under this scenario, the district will be on budget guarantee in FY 2022 and have a new money percentage of 1.0%. In future fiscal years with

enrollment continuing to decline, the district will see new money percentage amounts that are less than 0.0%, and an overall total regular program amount that is decreasing over time.

Scenario 2: District with Enr. Loss in Oct. 2020 and Continuing Enrollment Losses				
	FY 2021	FY 2022	FY 2023	FY 2024
SSA State Percent of Growth Rate	2.3%	2.0%	2.0%	2.0%
Budget Enrollment	510	490	480	460
Change in Enrollment	(10)	(20)	(10)	(20)
Per Pupil Amount	$ 7,048	$ 7,189	$ 7,333	$ 7,480
Regular Program Amount	$ 3,594,480	$ 3,522,610	$ 3,519,840	$ 3,440,800
Budget Guarantee Amount		$ 107,815	$ 37,996	$ 114,238
Total Regular Program Amount	$ 3,594,480	$ 3,630,425	$ 3,557,836	$ 3,555,038
New Money Amount:		**$ 35,945**	**$ (72,589)**	**$ (2,798)**
New Money Percentage:		**1.0%**	**-2.0%**	**-0.1%**



Note that there are many different scenarios that may come into play. IASB has a tool that will allow you to estimate the impact of regular program funding, including the budget guarantee amount and new money amount for FY 2022 and future fiscal years.

SSA/New Money Calculator - This SSA/New Money Calculator provides information on regular program funding, the budget guarantee, new money, and the impact of future equity legislation. Additionally, this tool provides the ability to review 5-year projections of regular program funding.

Additionally, IASB has a tool that will allow you to see the impact SSA will have on the state categorical supplements funding level for all school districts. This tool is available here:

State Categorical Supplement (TSS, PDS, EIS, and TLS) SSA Calculator - Provides estimates of each of the state categorical estimates for each district based on a self-selected SSA state percent of growth rate.