School Finance 101 Toolkit

A Practical Guide for Iowa School Board Members, Taxpayers, and Community Leaders

PUBLISHED BY

ITR

IOWANS FOR TAX RELIEF FOUNDATION

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Introduction

Public education is one of the largest public investments made by Iowans. Through state income and sales taxes, local property taxes, and other revenue sources, taxpayers invest billions of dollars each year in Iowa's K–12 public education system. In return, Iowans expect those resources to be managed responsibly, used efficiently, and focused on improving student learning and achievement.

To help stakeholders better understand Iowa's school finance system, Iowans for Tax Relief Foundation has developed this **School Finance 101 Toolkit: A Practical Guide for Iowa School Board Members, Taxpayers, and Community Leaders**. This toolkit explains key school finance concepts in plain language, including how schools are funded, how financial decisions are made, and how those decisions affect students and taxpayers.

This toolkit is designed as a practical reference—not a comprehensive legal or accounting manual. It focuses on the concepts school board members and taxpayers encounter most often, addresses common misconceptions, and explains how major pieces of Iowa's school finance system work together.

On May 18, 2026, Governor Reynolds signed 2026 Iowa Acts, Senate File 2472 (the "2026 Property Tax Bill") into law. The 2026 Property Tax Bill made significant changes to local government finance, including provisions affecting Iowa school districts. This toolkit reflects those statutory changes to the extent possible at the time of publication. Because implementation is ongoing, future editions may be updated as additional guidance is issued, administrative rules are adopted, and practical experience develops.

A better understanding of school finance leads to better governance, more informed public discussion, and stronger accountability. This toolkit, together with district-level information available through the **ITR Report Card (www.itrreportcard.org)**, is intended to help Iowans gain insight into their local school district, ask thoughtful questions, and make informed decisions that benefit both students and taxpayers.

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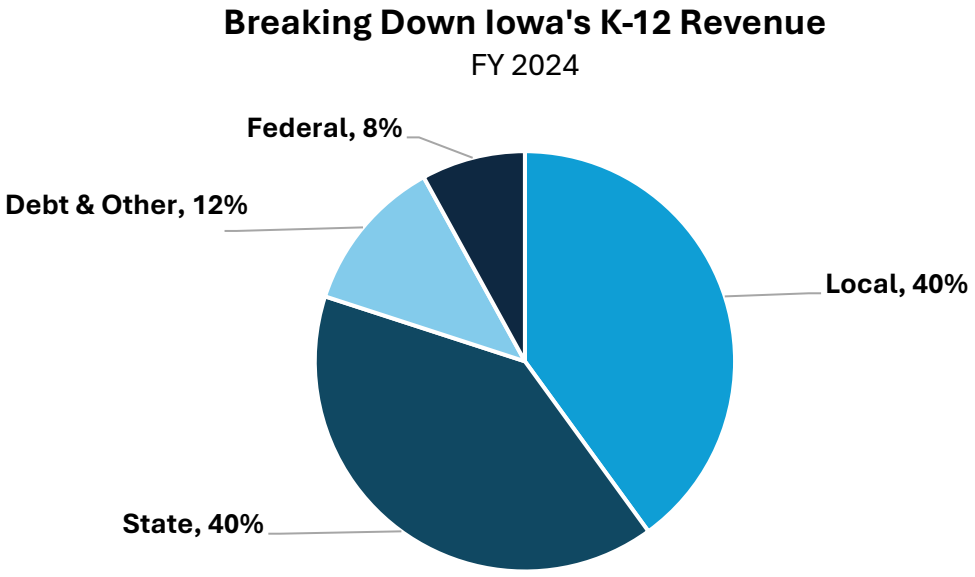
Where Do Public Schools Get Their Money?

Iowa public school districts receive revenue from three primary sources—local, state, and federal—which together support school operations, including staff, facilities, and student programs. Local property taxpayers and the State of Iowa provide the majority of the dollars, with federal funds making up a much smaller share. In recent years, Iowa's public school system has received more than $11 billion annually, with local property taxes and state funding providing nearly identical amounts, and federal funds accounting for less than 10% of total revenue.



The Three Primary Sources of School Funding

1. Local Funding

Local funding is the largest single source of revenue for Iowa schools. Most of this funding comes from local property taxes, which are levied on homes, businesses, and agricultural property within a school district.

Local funding also includes bonds issued to finance construction or major infrastructure projects. In Iowa, these projects may be paid for through local property taxes, the statewide SAVE (Secure an Advanced Vision for Education) sales tax, or a combination of both.

Other smaller local sources may include student fees, income surtaxes, and other local revenues. Together, these local sources account for billions of dollars in school funding each year. Local school boards then make decisions about how those resources are allocated within their districts.

2. State Funding

The State of Iowa provides a large share of school funding through the School Foundation Aid Formula. This formula determines how much funding districts receive largely based on the number of students they serve.

State funding primarily comes from statewide taxes, such as income and sales taxes, collected by the state and distributed to school districts. The largest portion of state support is State Foundation Aid, although the state also provides funding for specific programs, grants, and initiatives separate from the formula.

3. Federal Funding

The federal government provides the smallest share of school funding, with those dollars often being targeted toward specific programs or student populations.

Most federal funds come in the form of grants, such as funding for students with disabilities or students from low-income households. These programs typically include specific requirements on how the funds may be used.

During the COVID-19 pandemic, federal funding increased significantly through Elementary and Secondary School Emergency Relief (ESSER) grants. Those funds were temporary and were required to be obligated by fall of 2024. As a result, the share of federal funding for Iowa schools has now returned to more typical levels.

What This Means for Taxpayers

Ultimately, the cost of public education in Iowa is supported primarily by state taxpayers and local property taxpayers, with federal funding playing a smaller, albeit not insignificant, role. Because funding comes from multiple sources, changes in student enrollment, property values, state policy decisions, or federal programs can all affect the amount of revenue a district receives.

School Foundation Aid Formula & Supplemental State Aid (SSA)

What Is the School Foundation Aid Formula?

Iowa's School Foundation Aid Formula is the primary method used to fund public school districts. *See* Iowa Code ch. 257. The formula is pupil-driven, meaning the number of students in a district largely determines how much the district is authorized to spend each year.

The formula does two things:

1. Determines spending authority — the maximum amount a district may spend from the district's General Fund.
2. Determines how that spending authority is funded through a combination of state aid and property taxes.

The School Foundation Aid Formula plays an equalizing role. Districts with lower property valuations receive a larger share of state aid so that students across Iowa receive similar per pupil funding regardless of local property values.

The formula was designed to:

- Equalize educational opportunity
- Reduce reliance on local property taxes
- Maintain reasonable control of school costs

How the Formula Determines Spending Authority

The core calculation is:

District Cost Per Pupil (DCPP) × Weighted Enrollment = Regular Program District Cost (Base Spending Authority)

The District Cost Per Pupil is based on the State Cost Per Pupil set by the Legislature and adjusted for historical district cost differences that date back to the original implementation of the school funding formula in the 1970's.

Each year, the Legislature sets a State Cost Per Pupil (SCPP), which is the minimum per-student funding level. The District Cost Per Pupil (DCPP) is the amount used to calculate an individual district's spending authority. For most districts, the DCPP is close to the SCPP, but some districts have higher DCPP due to historical decisions that were made when the school funding formula was first implemented. Districts with higher DCPP fund the difference through additional property taxes. Over time, the Legislature has worked to reduce disparities between districts.

Weighted enrollment may exceed actual headcount because certain students generate additional funding under the formula (e.g., students receiving special education services).

The Regular Program District Cost represents a district's base General Fund spending authority, which is the legal limit on how much a district may spend from its General Fund.

Additional funding generated through special education weightings and supplementary weightings (English Language Learners, at-risk, preschool, etc.) is then added to this amount. Together, these components form the Combined District Cost, which represents the total spending authority generated through the School Foundation Aid Formula.

Important: The formula determines how much a district is allowed to spend, not how much cash it has on hand.

How Spending Authority Is Funded

Once spending authority is determined, the formula specifies how it is funded.

The funding order is:

1. Uniform Levy (also called the "Foundation Levy"): the statewide property tax levied at the same rate in every district
2. State Foundation Aid: the per pupil state aid payment that provides equitable funding on a per pupil basis
3. Property Tax Equity Relief/Property Tax Replacement Payments (PTER/PTRP): the per pupil state aid payment districts receive from state sales tax
4. Additional Levy: district-specific property tax

The Uniform Levy and State Foundation Aid together fund 88.4% of the State Cost Per Pupil. This is known as the foundation percentage and is set in law.

The remaining 11.6% is funded by property tax replacement payments from PTER/PTRP, and property tax funds from the Additional Levy, which varies by district based on property valuation.

What Is Supplemental State Aid (SSA)?

Supplemental State Aid (SSA), formerly called "allowable growth," is the annual per pupil funding increase set by the Legislature.

Each year, the Governor recommends a percentage by which the State Cost Per Pupil should grow. The Legislature ultimately determines what the final percentage will be, which is called the State Percent of Growth. That percentage is applied to the State Cost Per Pupil, and the resulting dollar amount increase per pupil is the SSA.

Simplified calculation:

Prior Year SCPP × State Percent of Growth = SSA (increase to the per pupil amount)

While SSA increases the per pupil funding level used in the formula, a district's actual funding is still affected by other factors. Enrollment changes, student weightings, and property valuation all affect final funding levels.

When people say, "the Legislature put more money into schools," they are usually referring to an increase in SSA. However, SSA increases the per pupil funding amount used in the formula, it does not necessarily increase an individual district's total revenue.

Simple example of how SSA works:

Assume:

Year 1

- State Cost Per Pupil: **$8,000**
- Enrollment: **1,000 students**
- Formula funding: $8,000 x 1,000 students = **$8,000,000**

Year 2

- SSA increase: **+2%**
- New State Cost Per Pupil: **$8,160**
- Enrollment drops to **950 students**
- Formula funding: $8,160 x 950 students = **$7,752,000**

Even though SSA increased by **2%**, this district's actual funding **decreased by $248,000** based on a change in enrollment.

Timing and Legislative Requirements

State law requires the Legislature to set SSA within 30 days of the Governor releasing the state budget. While there is no automatic penalty for missing the deadline, delays create uncertainty because districts must finalize budgets by April 1.

Other education appropriations may continue to be negotiated beyond that deadline.

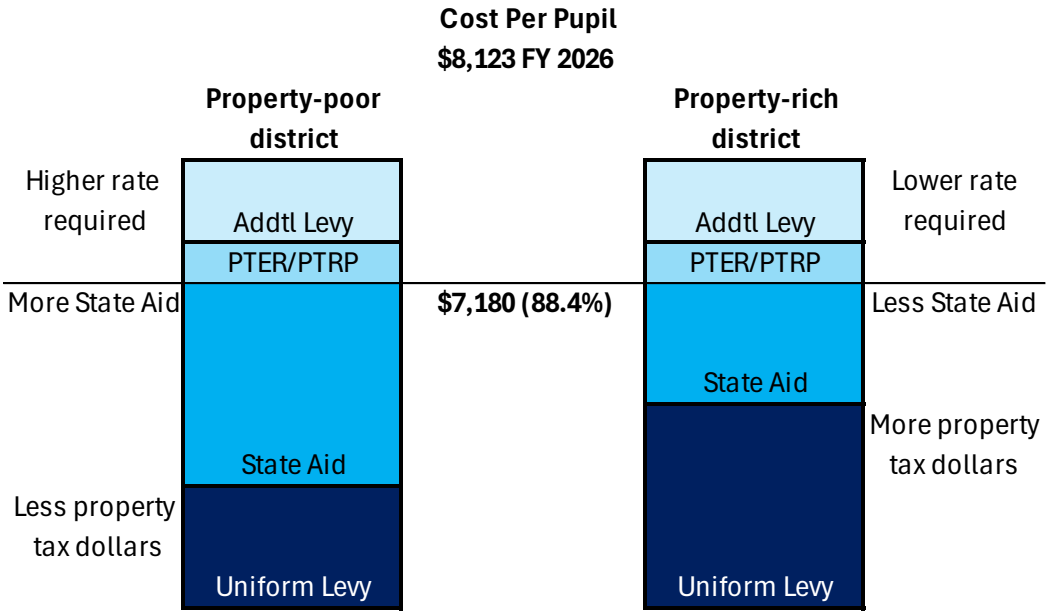
Uniform Levy and Additional Levy

What Is the Uniform Levy?

The Uniform Levy is the first funding component of Iowa's School Foundation Aid Formula. *See* Iowa Code § 257.3. You may also hear the Uniform Levy colloquially referred to as the "Foundation Levy."

The Uniform Levy is a statewide property tax that is levied at the same rate in every school district. Because the rate is identical across Iowa, it is called "uniform." Revenue generated from the Uniform Levy is applied first to fund a district's General Fund spending authority under Iowa's School Foundation Aid Formula.

Because districts have different amounts of taxable property value, however, the same levy rate does not generate the same amount of revenue per student in every district. Property-rich districts generate more funds from the Uniform Levy than property-poor districts do. Accordingly, the amount of State Aid is increased to property-poor districts. See the illustration below for an example of the differences between a property-poor and a property-rich district.



Changes beginning in Fiscal Year (FY) 2028

Historically, the Uniform Levy rate has been $5.40 per $1,000 of taxable valuation. The 2026 Property Tax Bill made significant changes to the Uniform Levy, including reductions to the statewide levy rate. For FY 2029—the budget year beginning July 1, 2028—the statewide Uniform Levy rate is reduced to from $5.40 to $5.10 per $1,000 of taxable valuation. Beginning in FY 2030—the budget year beginning July 1, 2029—the statewide rate is further reduced to $4.90 per $1,000 of valuation. The reduction in property tax revenue will be replaced by additional state revenue.

What Is the Additional Levy?

After the Uniform Levy is applied, State Foundation Aid fills the gap so that, together, these two funding sources cover 88.4% of the State Cost Per Pupil (SCPP). This share is known as the foundation percentage, which is established in state law.

The remaining portion of the district's authorized per pupil funding amount is provided by state sales taxes through the Property Tax Replacement Payment (PTRP), and by property taxes through the Additional Levy.

Unlike the Uniform Levy, the Additional Levy:

- Varies by district
- Is influenced by property valuation and weighted enrollment
- Adjusts to ensure each district reaches its authorized per pupil funding under the formula

The Additional Levy rate required to generate the per pupil funding required by state law in a property-rich district is lower than it is in a property-poor district.

What You Need to Know

Under Iowa's School Foundation Aid Formula, spending authority is determined first, and then funding sources are applied in a specific order.

First, the Uniform Levy is applied to each district's taxable property valuation.

Next, State Foundation Aid fills the gap so that, together, the Uniform Levy and State Foundation Aid provide 88.4% of the State Cost Per Pupil. This share is known as the foundation percentage, which is set in state law.

Then, a portion of the district's authorized per pupil funding is provided from state sales tax through PTRP.

Finally, the Additional Levy generates the remaining portion of the district's authorized per pupil funding amount needed to fully fund the School Foundation Aid Formula.

Together, the Uniform Levy, State Foundation Aid, PTRP, and the Additional Levy provide the funding that supports a district's General Fund spending authority calculated under Iowa's School Foundation Aid Formula.

How This Impacts Taxpayers

Because the Uniform Levy rate is the same statewide, differences in school property tax rates between districts are largely driven by the Additional Levy, as well as any subsequent levies enacted by the local district decisions and, in certain cases, voter approval.

This structure is intended to promote equity in per pupil funding across Iowa districts, while allowing the mix of state aid and local property taxes to adjust based on each district's property values and local decision making.

Property Tax Equity and Relief (PTER) and Property Tax Replacement Payments (PTRP)

What Is This?

In Iowa school finance, Property Tax Equity and Relief (PTER) and Property Tax Replacement Payments (PTRP) work together to reduce reliance on local property taxes used to fund schools. In short, PTER is the funding source and PTRP is the payment districts receive.

PTER is a state fund that redirects a portion of SAVE (Secure an Advanced Vision for Education) revenue into the School Foundation Aid Formula. PTRP is the per pupil state aid payment districts receive from that fund. These payments replace a portion of the local property taxes that would otherwise be required to support a district's authorized spending.

What You Need to Know

School boards have no control over the amount of PTER funding, or PTRP, their district receives. Funding levels are determined by state law and distributed through Iowa's School Foundation Aid Formula.

PTRP is calculated on a per-student basis, using the State Cost Per Pupil and annual growth factors. While it is important for board members to understand how these programs function, districts cannot directly influence the funding levels. Changes in student enrollment are the primary district-level factor that affect the amount of state aid received.

How This Impacts Taxpayers

PTER and PTRP use state sales tax revenue to replace a portion of the local property taxes that would otherwise be required to fund Iowa's School Foundation Aid Formula.

Under the School Foundation Aid Formula, a district's authorized spending is funded through a combination of state aid and local property taxes, including the Uniform Levy and the Additional Levy. PTRP payments replace a portion of the Additional Levy with this state funding.

Because PTRP replaces a portion of what would be funded with the Additional Levy, it reduces the amount of property taxes that would otherwise be needed to fund a district's authorized spending level. Together, PTER and PTRP are part of Iowa's broader school funding system designed to reduce reliance on local property taxes while maintaining consistent per pupil funding for students across the state.

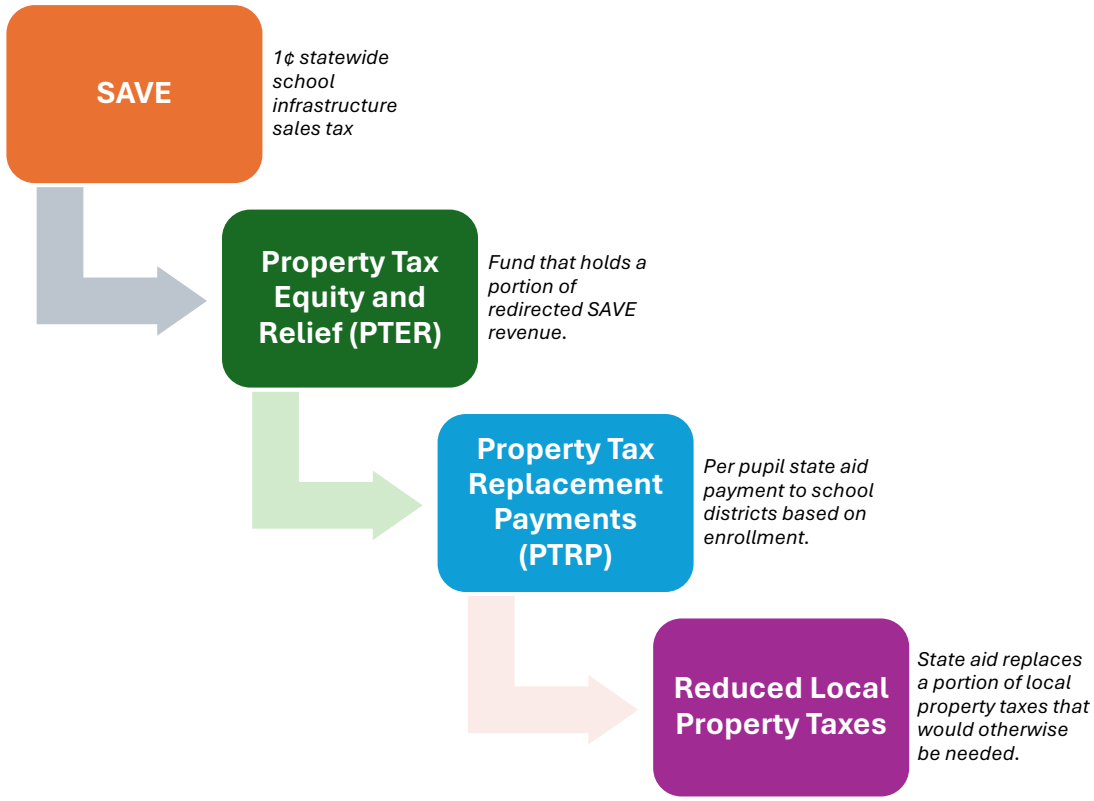
Special Considerations

Effective July 1, 2026, the 2026 Property Tax Bill gradually increases the transfer of SAVE funds to PTER and PTRP, which is used to buy down the Additional Levy rate. The graduated percentages of total SAVE collections are as follows:

- For the fiscal year beginning July 1, 2026: 12.5%
- For the fiscal year beginning July 1, 2027: 15.0%
- For the fiscal year beginning July 1, 2028: 17.5%
- For the fiscal year beginning July 1, 2029: 22.5%
- For the fiscal year beginning July 1, 2030: 25.0%

Because these percentages and thresholds are set in statute, legislative action would be required to change them. Districts should be aware that state-level adjustments could affect the amount of property tax relief provided through PTRP, even though districts have no direct control over those changes.

How PTER and PTRP Work



Budget Guarantee

What Is This?

The Budget Adjustment, often called the Budget Guarantee, is part of Iowa's School Foundation Aid Formula. *See* Iowa Code § 257.14. The Budget Guarantee ensures a district's Regular Program District Cost (as calculated through the district cost per pupil × weighted enrollment portion of the School Foundation Aid Formula) does not fall below 101% of the prior year's Regular Program District Cost, even when enrollment declines. It provides additional spending authority to maintain that funding level for one year and is approved by the school board as part of the annual budget process.

What You Need to Know

Annual changes in district enrollment and the Supplemental State Aid (SSA) growth rate determine whether a district qualifies for the Budget Guarantee. Districts experiencing enrollment declines that outpace annual increases in the State Cost Per Pupil (through SSA) may qualify for the Budget Guarantee.

A district's Regular Program District Cost is calculated each year using its updated weighted enrollment. The Budget Guarantee does not compound; therefore, eligibility is determined by comparing the district's current Regular Program District Cost to the prior year's Regular Program District Cost, excluding any Budget Guarantee received in the prior year.

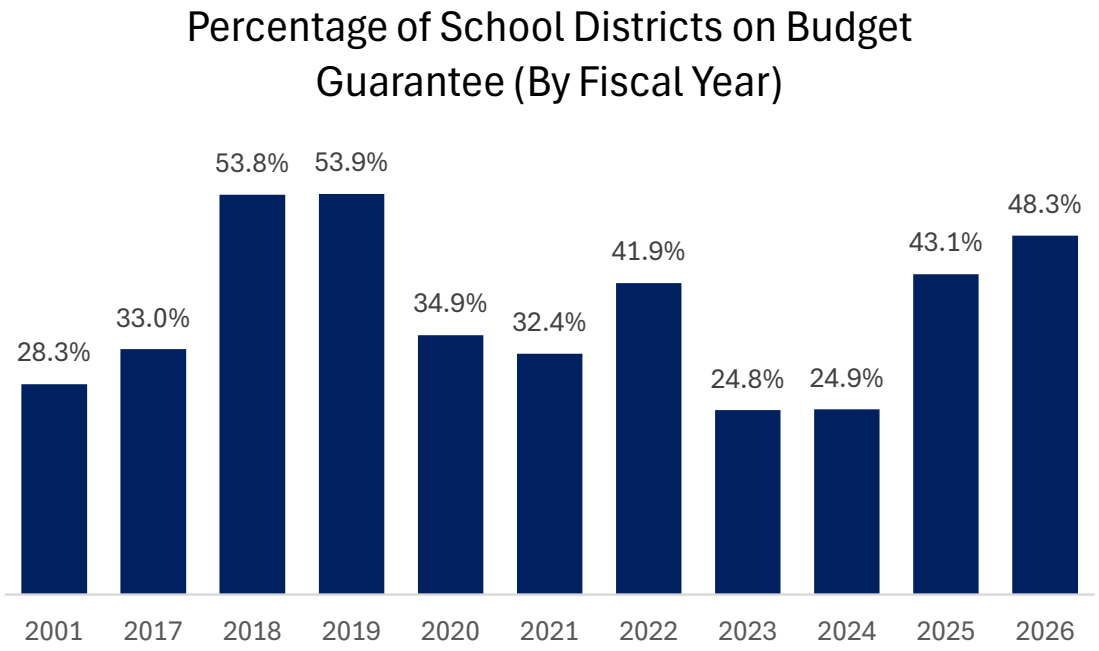
The Budget Guarantee is funded entirely through local property taxes and is incorporated into the district's Additional Levy; it does not increase state aid. Districts that rely on the Budget Guarantee for multiple consecutive years are typically experiencing sustained enrollment decline. While the guarantee provides short-term stability, it does not reverse long-term revenue reductions. As enrollment-driven funding continues to decline, such districts should thoughtfully consider right-sizing in accordance with enrollment trends.

How This Impacts Taxpayers

When a district uses the Budget Guarantee, it is a school board decision as part of the annual budget process, and local taxpayers cover the cost of maintaining the guaranteed funding level through property taxes.

The Budget Guarantee is intended as a stabilization tool, not a permanent solution. Prolonged use can delay necessary adjustments to staffing, programming, or facilities that better align with actual enrollment and long-term revenues.

As shown in the historical chart below, use of the Budget Guarantee has varied significantly over time. Notably, utilization was highest in the years leading to the pandemic, even as statewide enrollment was strong. This suggests that Budget Guarantee use is not driven by statewide enrollment alone. It reflects district-specific enrollment patterns, formula calculations, and local board decisions.



Spending Authority

What Is Spending Authority?

Spending Authority is the legal limit a school district may spend from its General Fund in a fiscal year pursuant to Iowa Code chapter 257.

It is a concept unique to Iowa public schools and is designed to promote fairness in school funding statewide. The goal is simple: students should receive comparable funding regardless of where they live. To accomplish that, the State of Iowa does not simply send money to districts and allow unlimited spending. Instead, it calculates the maximum amount each district is legally allowed to spend.

That maximum is called the district's Spending Authority. Spending Authority is not discretionary; it is determined by a formula established in state law.

At its most basic level, Spending Authority is calculated this way:

Number of Students × Cost Per Student = Current Year Spending Authority

The number of students is based on an average of the actual enrollment for the base year, which is the certified enrollment count taken on October 1 of the prior calendar year, and the adjusted enrollment count for the base year, which is the certified enrollment count taken on January 15. The cost per student is set annually by the Iowa Legislature through Supplemental State Aid (SSA). The resulting authority is funded through a mix of state aid and property taxes.

Spending Authority may change each year based on enrollment changes, SSA decisions made by the Legislature, student weightings (such as special education or at-risk funding), budget guarantee adjustments, or state-level directives to a district. Additionally, Spending Authority may be increased by miscellaneous income and the district's Unspent Authorized Budget (UAB) from prior years.

Importantly, Spending Authority limits apply only to the General Fund. Other funds—such as infrastructure (PPEL or SAVE) or debt service—are not subject to Spending Authority limits and are based on school board decisions.

What Is Spending Authority <u>Not</u>?

Spending Authority is not cash. This is one of the most important concepts in Iowa school finance.

A district may have money in the bank, but it cannot spend those dollars unless it also has legal authority to do so. Likewise, a district may have legal authority to spend but lack the cash to support it.

The Cash Reserve Levy, for example, can be used to increase available cash. However, it does not increase Spending Authority. It simply provides the cashflow needed to support spending that is authorized under the formula.

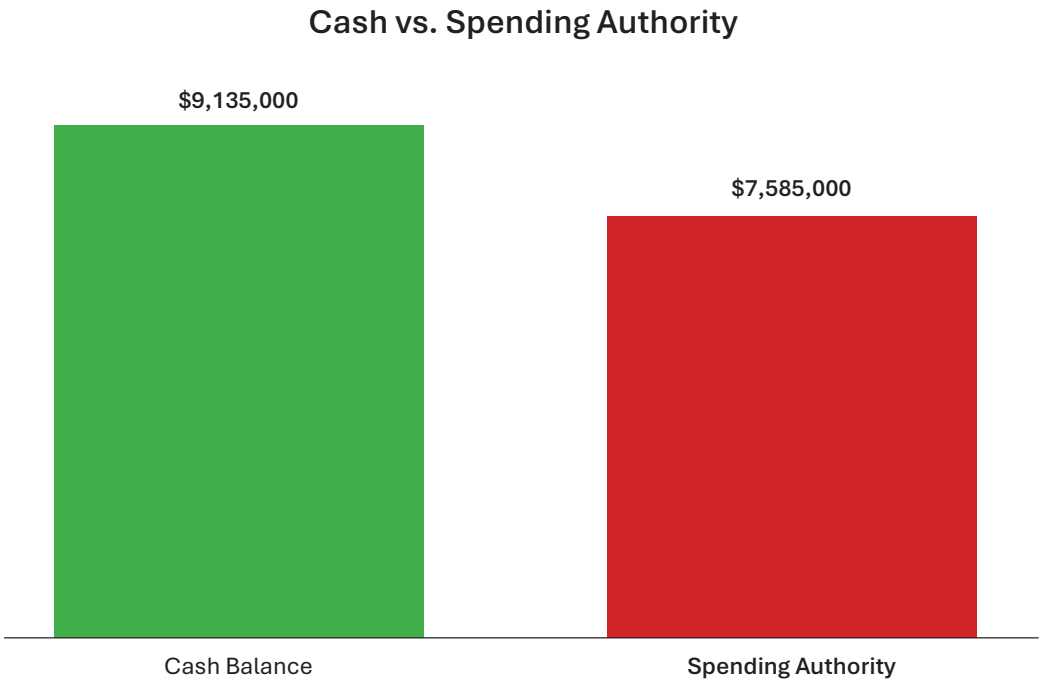
A Simple Way to Understand It

Spending Authority can be compared to a credit card limit. Your credit limit represents the maximum amount you are allowed to spend. Your purchases represent what you actually charge. The unused portion of the credit limit represents what remains available.

In the same way:

- The credit limit is the district's maximum authorized budget.
- The purchases are the district's expenditures.
- The unused portion of the limit is the district's Unspent Authorized Budget.

Just as having unused credit does not mean you have cash in your bank account, nor does having cash in the bank allow you to exceed your credit limit. A district cannot legally spend beyond its Spending Authority, even if it has cash available to do so.



What Happens If a District Exceeds Spending Authority?

Exceeding Spending Authority is a violation of state law. If a district runs out of authority, it must appear before the School Budget Review Committee, submit a corrective action plan, and may need to reduce expenditures. Long-term financial instability can result if the issue is not addressed. A district can borrow or levy to raise cash. It cannot borrow to increase its Spending Authority.

How This Impacts Taxpayers

Spending Authority controls how much a district is legally allowed to spend within its General Fund, not how much the district chooses to tax. Within that legal limit, school boards still make local decisions about budgets, priorities, and levy amounts. If Spending Authority declines due to enrollment loss, districts may need to reduce expenditures, impacting staffing decisions, program offerings, and long-term financial planning.

Unspent Authorized Budget (UAB)

What Is Unspent Authorized Budget?

Each year, a school district's Spending Authority is calculated, which functions as the maximum authorized budget for its General Fund. If the district's General Fund expenditures are less than its Spending Authority, the unused authority carries forward into future years as Unspent Authorized Budget (UAB).

UAB acts as a savings account for unused Spending Authority, but it does necessarily represent *cash*. A district may have UAB without having cash available to spend; UAB represents unused *legal authority* to spend.

Beginning in FY 2027, under the 2026 Property Tax Bill, a district's UAB cannot exceed 35% of its authorized expenditures for the budget year unless specifically authorized by the School Budget Review Committee. Districts must also adopt a policy defining a targeted range and maximum UAB, review it annually, and record the review in the board minutes.

Why UAB Matters

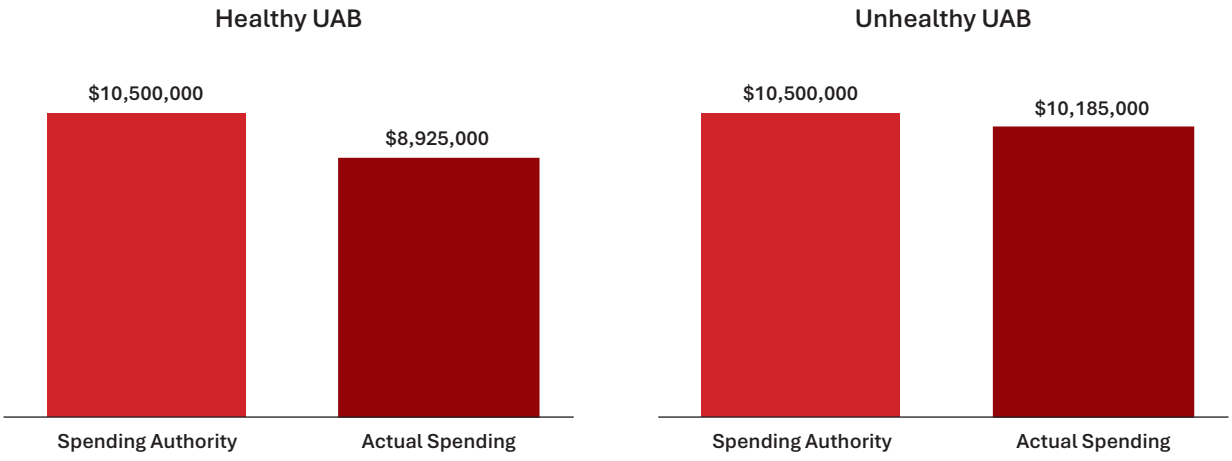
UAB provides a financial cushion. A healthy UAB means Spending Authority exceeds expenditures, leaving a district with flexibility to attend to financial uncertainty. A low UAB means spending nearly equals authority, increasing financial risk.

For that reason, the UAB Ratio, which measures how much cushion a district has relative to its maximum authorized budget, is often considered a district's primary financial health indicator.

UAB Ratio = Unspent Authorized Budget ÷ Spending Authority

The state recommends a UAB Ratio between 5% and 15%, advises that it does not exceed 25%, and state law caps UAB at 35%. A ratio trending below 5% should be closely monitored.

If UAB becomes negative, the district has exceeded its Spending Authority and violated state law. The district must appear before the School Budget Review Committee and implement a corrective action plan pursuant to Iowa Code section 257.7(1).



Cash Reserve Levy

What Is This?

School districts are authorized to levy a Cash Reserve property tax to maintain or build cash reserves in the district's General Fund. *See* Iowa Code §§ 257.31, 298.10. This levy provides working capital—cash on hand to manage cash flow throughout the year, address unforeseen expenses, avoid short-term borrowing, or provide the cash necessary to fund specific state-directed items. The Cash Reserve Levy is used to fund Spending Authority, but it does not create or increase Spending Authority.

What You Need to Know

A district's use of the Cash Reserve Levy is one indicator of its overall financial management and cash flow planning, which is why it should be reviewed annually. In simple terms, it represents how much a district is choosing to collect from property taxpayers to maintain a cash cushion for timing gaps and unforeseen expenses.

Each year, the Department of Management calculates a district's maximum allowable Cash Reserve Levy using the following framework: 20% of prior-year General Fund expenditures MINUS prior-year fund balance = Maximum Cash Reserve Levy.

If the maximum allowable Cash Reserve Levy calculation is negative, the district cannot levy for cash reserve that year as the district's financial position indicates a Cash Reserve Levy is not needed.

How This Impacts Taxpayers

Statewide, use of the Cash Reserve Levy represents a significant source of property tax burden. Across Iowa, use of the Cash Reserve Levy varies widely, district by district. School boards must balance maintaining sufficient cashflow for operations with minimizing property tax impacts and supporting effective student learning.

Special Considerations

Management of the Cash Reserve Levy is one of the school board's most important financial responsibilities. Board members should understand why the district chooses to levy, or not levy, and how those decisions affect taxpayers. While the Cash Reserve Levy can increase available cash, it does not increase a district's legal Spending Authority. Its use ultimately reflects local budgeting choices. Districts that rely on the levy year after year, especially at higher levels, should be expected to clearly justify that decision and demonstrate that it reflects actual need, not just routine reliance on additional property taxes.

Management Levy

What Is This?

The Management Levy is an annual property tax authorized by a school board under Iowa Code section 298.4. It is used to pay for specific, non-instructional costs that are not funded through the School Foundation Aid Formula or the district's General Fund.

Unlike most school levies, the Management Levy does not have a statutory rate or dollar cap and is certified annually by the school board without voter approval. This levy exists to cover certain risk-related, legal, and employment-related costs that districts are legally obligated to pay.

What You Need to Know

Management Levy funds are restricted and held in a special revenue fund. They can only be used for purposes specifically allowed by law, including paying the costs of:

- Unemployment benefits
- Liability insurance
- Judgments or settlements related to liability
- Insurance agreements related to liability, loss of property, environmental hazards, or any other operational risk
- Early retirement benefits
- Mediation, arbitration, and related legal costs

Management Levy funds cannot be used for general operating expenses, classroom instruction, or any purpose not expressly authorized in Iowa Code section 298.4.

The school board authorizes the levy each year as part of the annual budget process.

How This Impacts Taxpayers

Although there is no explicit rate or dollar cap, the Management Levy is not unlimited. Districts must comply with Iowa Code chapter 24, which requires budgets to be based on estimated expenditures minus estimated revenues from all other sources, including available fund balances.

The Management Levy is intended to be tied to a district's anticipated costs for the budget year. However, some districts accumulate significant balances in the Management Fund over time. Because the Management Levy represents a meaningful portion of a district's property tax burden, it is important that districts avoid maintaining excessive reserves in this fund while continuing to levy at high levels on taxpayers each year.

Special Considerations

One of the largest and most variable drivers of Management Levy costs is early retirement incentives. School boards have discretion over whether to offer early retirement programs and whether to fund them through the Management Levy, other available fund balances, or a combination of sources.

Early retirement incentives may include cash payments or continued health insurance coverage, both of which can significantly increase costs to taxpayers. Although Iowa law allows districts to use the Management Levy to fund early retirement incentives for eligible employees—generally age 55 or older—districts are not required to do so and may rely on alternative funding strategies.

Because Management Levy costs can fluctuate from year to year—particularly due to legal claims, insurance premiums, or retirement incentives—the levy rate may change even when other school property tax rates remain stable.

Instructional Support Levy (ISL)

What Is This?

The Instructional Support Levy (ISL) is a local funding tool school districts use to supplement state funding for educational programs, as authorized by Iowa Code section 257.18. In Iowa, school funding is divided into two broad categories: infrastructure, such as buildings and equipment, and instructional programs, such as staff and classroom resources. The ISL applies to instructional programs and flows directly into a district's General Fund. Through the ISL, a district may increase its Regular Program District Cost—as calculated through the district cost per pupil × weighted enrollment portion of the School Foundation Aid Formula— by up to 10% using local property taxes, an income surtax, or a combination of both.

What You Need to Know

The ISL may be adopted in one of two ways. A school board may approve the levy by resolution for up to five years without voter approval. Alternatively, the board may adopt a resolution calling for an election, allowing voters to approve the levy for up to ten years. Each time the ISL expires, the school board must adopt a new resolution to continue the levy.

Most districts choose the five-year, board-approved option. When the ISL is adopted without a public vote, residents have twenty-eight days following the board's action to submit a requisite petition to the school board, at which point the board must rescind the ISL or submit it to voters for approval.

How This Impacts Taxpayers

School boards are required to hold a public hearing before adopting an ISL, whether it is approved by the board or submitted to voters. Even so, many taxpayers remain unaware that the levy exists. The ISL can have a significant impact on local property taxes and school budgets. Nearly all districts levy the ISL at or near the maximum 10%, generating hundreds of millions of dollars statewide each year to support instructional programs.

When an Instructional Support Levy is in place, a school district may fund it entirely through property taxes or through a combination of property taxes and an income surtax.

The income surtax is applied to a taxpayer's state income tax liability, not to taxable income. Each year, the district may adjust the mix between property taxes and the surtax. Many districts use the surtax to reduce the property tax portion of the levy while still generating the full amount of approved instructional support funding. The total ISL funding does not change based on the funding mix; it remains the same whether it is financed entirely through property taxes or supplemented with an income surtax.

Physical Plant and Equipment Levy (PPEL)

What Is This?

The Physical Plant and Equipment Levy (PPEL) is a property tax most school districts use to fund school infrastructure and equipment, as authorized under Iowa Code section 298.2.

School boards may levy two types of PPEL. A regular PPEL may be approved by the school board annually without voter approval, up to $0.33 per $1,000 of taxable valuation. A voter-approved PPEL (VPPEL) may be imposed at a rate of up to $1.34 per $1,000 of taxable valuation and for a period of time not to exceed 10 years.

Both regular and voter-approved PPEL funds may be used for the same purposes. However, only a voter-approved PPEL may be used to issue bonds, with future PPEL revenues pledged for bond repayment.

What You Need to Know

PPEL funds may be used for infrastructure-related costs only. These include school building and grounds construction, repairs, and maintenance; technology and equipment purchases; transportation costs, such as school buses; and safety and security improvements. PPEL funds cannot be used for general operating expenses, including salaries, benefits, insurance, or printing and media services.

A district may use a regular PPEL, a voter-approved PPEL, or both.

How This Impacts Taxpayers

A regular PPEL is funded entirely through property taxes. When a voter-approved PPEL is in place, the district may fund it in one of two ways: entirely through property taxes or through a combination of property taxes and an income surtax.

An income surtax is an additional tax applied to a taxpayer's state income tax liability, not to taxable income. Many districts use the surtax to reduce the property tax portion of the PPEL while still generating the highest level of PPEL revenue permitted.

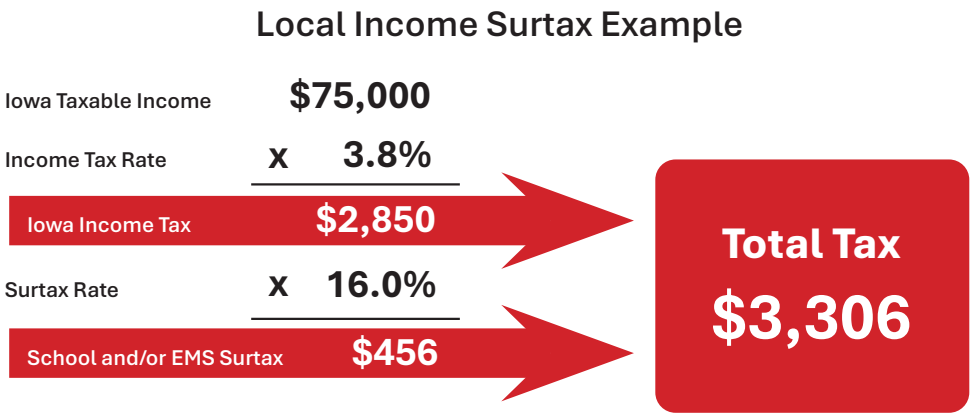
If an income surtax is used to fund voter-approved PPEL, it must be specified on the ballot and levied in whole percentage increments, with a minimum of 1%. The remaining portion of the total voter-approved PPEL levy is collected through property taxes. The combined revenue from the income surtax and property taxes cannot exceed the amount that would be generated if the levy were funded entirely through property taxes. While the property tax portion of VPPEL may be used to support bonding, an income surtax portion cannot be pledged for debt repayment. The school board may adjust the surtax rate annually, with the property tax portion automatically adjusting to maintain the total approved levy amount.

Income Surtax

What Is This?

An income surtax is a voter-approved funding tool that local school districts can use to raise revenue for specific purposes, most commonly school infrastructure. School districts may use an income surtax only for specific voter-authorized or board-authorized discretionary programs: the Instructional Support Levy (ISL) and the Voter-Approved Physical Plant and Equipment Levy (VPPEL). The surtax essentially utilizes the income tax system rather than relying solely on property taxes, though it doesn't change the total amount of taxes the district can collect for those levies.

The surtax is an additional tax that is calculated as a percentage of an individual's Iowa state income tax liability, rather than being applied directly to the taxable income itself. In other words, the surtax is added after a taxpayer's state income tax has already been determined. The surtax is paid by taxpayers who reside in the taxing jurisdiction on the last day of the calendar year.



What You Need to Know

Iowa law caps the combined local income surtax for any resident at 20%. Counties are also permitted to impose a 1% income surtax to fund emergency medical services (EMS). If a county adopts an EMS surtax, school districts at or near the 20% cap may be required to reduce their income surtax rate to remain within the statutory limit according to Iowa Code section 298.14.

If an income surtax is used, it must be approved by voters, specified on the ballot, and levied in whole 1% increments, with a minimum of 1% per fiscal year. The combined revenue from the income surtax and property taxes cannot exceed the maximum allowable amount that would be generated if the levy were funded entirely by property taxes. The school board may adjust the surtax percentage annually, with the property tax portion automatically adjusting to maintain the total approved levy.

The surtax rate may change from year to year and is set by the school board as part of the annual budget process, subject to applicable voter approvals.

How This Impacts Taxpayers

The income surtax is intended to supplant a portion of local property taxes. While many taxpayers are generally aware that their school district levies an income surtax, few understand how it interacts with school budgets or how changes to the surtax affect their overall tax burden. This is partly because the surtax is collected through the annual income tax filing process rather than through periodic property or sales tax payments. Shifting funding from property taxes to income taxes does not eliminate the overall tax burden, it simply changes how that burden is distributed. Added on top of existing state income taxes, even a low-percentage income surtax may significantly affect certain taxpayers.

Additionally, although corporate income taxes are not affected by a school district income surtax, the small businesses community may feel the effects of an income surtax. Businesses that are legally structured to pass earnings and losses through an owner's individual tax statement, including sole proprietorships, traditional partnerships, and certain limited liability entities, are subject to an income surtax.

Special Considerations

Income-based taxes tend to be more volatile than property taxes. Property taxes are generally the most stable local revenue source, while income-based taxes tend to fluctuate more from year to year. These fluctuations may make revenue projections less predictable and complicate budgeting, particularly for smaller districts with fewer taxpayers or employers.

Public Educational and Recreational Levy (PERL)

What Is This?

The Public Educational and Recreational Levy (PERL) is a voter-approved property tax levy often referred to as a “playground levy”. The statutory maximum rate for PERL is $0.135 per $1,000 of taxable valuation.

PERL revenue may be used to establish and maintain public recreation places and playgrounds located in public school buildings and on district grounds. PERL revenue may also be used to provide public educational and recreational activities within the district, including community education programs, as authorized under Iowa Code chapters 276 and 300.

What You Need to Know

Legislation enacted in 2023 (2023 Iowa Acts, House File 718) prohibits the establishment of any new PERL. School districts that received voter approval prior to May 4, 2023, are allowed to continue levying PERL, but no new PERL may be approved. Currently, 29 Iowa school districts levy PERL. For districts that currently levy PERL, the tax remains in effect unless voters choose to rescind it.

PERL revenue is deposited into a special revenue fund and is legally restricted to the specific educational and recreational purposes defined in statute. As restricted revenue, it cannot be used for general district expenses.

How This Impacts Taxpayers

PERL is not the only financial tool available to fund playgrounds. Districts may also use other infrastructure funding sources, including Secure an Advanced Vision for Education (SAVE) funds and the Physical Plant and Equipment Levy (PPEL), for these purposes. If districts that currently levy PERL chose to rescind it, they could simplify their property tax structure without limiting their ability to fund playground repairs.

School districts with a Public Educational and Recreational Levy:

Alta-Aurelia, Ar-We-Va, BCLUW, Boone, Central Lyon, Columbus, Des Moines, East Marshall, George-Little Rock, HLV, Hamburg, Indianola, Iowa Valley, Laurens-Marathon, Linn-Mar, Marshalltown, Missouri Valley, Mount Vernon, New London, North Iowa, North Scott, Ogden, Olin, Ottumwa, Saydel, Urbandale, West Bend-Mallard, West Des Moines, West Hancock.

Secure an Advanced Vision for Education (SAVE)

What Is This?

Secure an Advanced Vision for Education (SAVE) is a statewide, one-cent sales tax dedicated to school infrastructure. *See* Iowa Code ch. 423F. It was created in 2008 when Iowa replaced county-level school infrastructure local optional sales taxes with a single statewide tax by increasing the state sales tax rate from 5% to 6%. The 2026 Property Tax Bill extended the SAVE sales tax through 2070. Unless changed by future legislation, the state sales tax rate is scheduled to return to 5% on January 1, 2071.

SAVE provides property tax relief in two distinct ways. First, a portion of SAVE revenue is used by the state to fund Property Tax Equity Relief and Property Tax Replacement Payments (PTER/PTRAP), which replaces a portion of the local property taxes that would otherwise be required to support a district's authorized spending as determined by the School Foundation Aid Formula. The 2026 Property Tax Bill increases the percentage of SAVE revenue dedicated to PTER/PTRP, which reduces the portion of SAVE revenue available for distribution directly to school districts. For more information, see the PTER/PTRP section of this Toolkit.

Second, SAVE revenue is distributed directly to school districts on a per pupil basis through the SAVE Fund. By default, these dollars must be used to reduce property taxes. However, voters may approve a Revenue Purpose Statement (RPS) that allows districts to redirect those funds to other authorized infrastructure uses, such as construction, remodeling, technology, equipment, or transportation, before providing property tax relief.

What You Need to Know

All school districts receive SAVE funds every year. The amount each district receives is based on enrollment and statewide sales tax collections, so the per pupil amount may vary from year to year.

Districts may use SAVE funds for capital projects or for purposes otherwise allowed under the Physical Plant and Equipment Levy (PPEL) and the Public Educational and Recreational Levy (PERL). Districts may also issue sales tax revenue bonds and use SAVE funds to repay principal and interest.

State law establishes a default order for how SAVE funds must be used, prioritizing property tax relief, unless voters approve a Revenue Purpose Statement (RPS). *See* Iowa Code § 423F.3(1). An RPS allows a district to use SAVE funds for infrastructure projects or bonding before providing the otherwise prioritized property tax reductions.

State law also places additional limits on smaller districts in the use of SAVE funds. Districts with fewer than 250 students overall or fewer than 100 high school students must obtain a certificate of need from the Department of Education before using SAVE funds for new construction. *See* Iowa Code § 423F.5. However, this requirement does not apply to repairs, equipment, technology, transportation, or ADA compliance projects.

How This Impacts Taxpayers

SAVE is intended to offset local property taxes used for school infrastructure. If voters do not approve of a proposed RPS, the SAVE funds must be used to reduce certain property taxes before being used for other infrastructure purposes. Accordingly, where that happens, lower property taxes generally result over time.

If voters approve of an RPS, districts gain flexibility to use SAVE funds for capital projects or to issue revenue bonds. While this allows districts to address large infrastructure needs sooner, bonding against SAVE revenues commits those dollars for long periods of time, often 20 years, thereby reducing the amount of SAVE funding available for routine infrastructure needs. As a result, districts may rely more heavily on PPEL or a Debt Service Levy to fund projects.

Special Considerations

Districts may issue sales tax revenue bonds backed by SAVE funds without a public vote, but residents have the right to request a public vote. *See* Iowa Code § 423F.4(2). Residents have 14 days after the school board's public hearing concerning the bond proposal to submit a petition asking that the bond issuance be submitted to voters.

To trigger an election, the petition must contain signatures from the greater of 100 eligible voters or 30% of the voters who participated in the last school board election. *See* Iowa Code § 423F.4(2)(b). If a valid petition is filed, the board must either rescind the bond proposal or submit it to voters for approval. If it is submitted to voters for approval, a simple majority is required to approve the proposal. If no valid petition is filed, the board may proceed without a public vote.

State law prioritizes academic facilities over athletic facilities by creating additional steps in the process for such purposes. *See* Iowa Code § 423F.3(6)(b). Before SAVE funds may be used for an athletic facility that is not physically attached to a student attendance center, the board must adopt a resolution describing the project and hold a properly noticed public hearing.

Revenue Purpose Statement (RPS)

What Is This?

A Revenue Purpose Statement (RPS) is a voter-approved statement that directs how a school district may use its SAVE (Secure an Advanced Vision for Education) funds.

School districts are not required to have an RPS. However, without a voter-approved RPS, SAVE funds must be used first to provide property tax relief by reducing certain levies to zero before the funds may be used for authorized school infrastructure purposes.

If a district wants flexibility to use some or all SAVE funds for authorized infrastructure purposes before providing property tax relief, or to issue bonds backed by SAVE revenues, voters must approve an RPS.

An RPS requires approval by a simple majority of voters. If it fails, the district must wait six months before placing the question on the ballot again. Election costs are paid from the SAVE Capital Projects Fund.

What You Need to Know

If a district does not have an RPS, Iowa law requires SAVE funds to be used in the following order until each category is reduced to zero:

1. Reduction of the Debt Service Levy for General Obligation Bonds.
2. Reduction of regular and voter-approved Physical Plant and Equipment Levy (PPEL) and income surtax
3. Reduction of the Public Educational and Recreational Levy (PERL)
4. Use for authorized infrastructure purposes, including construction, repair, remodeling, or purchase of schoolhouses, stadiums, gyms, fieldhouses, and bus garages; installation of safety and security infrastructure (such as safe rooms, secure entry systems, cameras, and communication systems); and information technology infrastructure
5. Payment of principal and interest on bonds

To use SAVE funds for purposes outside this order, the board must adopt an RPS and obtain voter approval specifying the intended uses. *See* Iowa Code § 423F.3(1).

How This Impacts Taxpayers

All school districts receive SAVE funds to help offset property taxes for school infrastructure costs. If voters do not approve an RPS, property taxes will generally be lower because SAVE funds must be used for required tax reductions as outlined above. If voters approve an RPS, the district may use SAVE funds for infrastructure projects, including issuing Revenue Bonds, which allows existing property tax levels to continue longer.

Debt Service Levy

What Is This?

Iowa school districts can issue two types of debt (bonds). The first type is a Revenue Bond, which is repaid using the SAVE (Secure an Advanced Vision for Education) 1% sales tax. Debt that is not tied to a dedicated revenue source is considered a General Obligation (GO) Bond, meaning it is backed by the district's general taxing authority.

The Debt Service Levy is a property tax used to repay the principal and interest on GO bonds. These funds are separate from the General Fund and are not used for classroom instruction. Instead, they are dedicated solely to repaying debt issued for school infrastructure projects. Because GO bonds are backed by taxpayers, they must be approved by voters, and the Debt Service Levy ensures they are repaid over time.

What You Need to Know

Use of the Debt Service Levy is tied to a successful general obligation bond referendum, which requires approval by at least 60% of voters. Voters must approve both the issuance of the bonds and the use of property taxes to repay them.

The bonds may be issued for up to 20 years. Voters may authorize a standard Debt Service Levy of up to $2.70 per $1,000 of taxable valuation, with an additional, separate ballot question required to approve an increased maximum rate of up to $4.05 per $1,000. Revenue from the Debt Service Levy is deposited into the Debt Service Fund and can only be used to pay bond principal and interest.

How This Impacts Taxpayers

The Debt Service Levy generates the largest share of property tax revenue among discretionary school levies, totaling hundreds of millions of dollars statewide each year. Debt Service rates vary widely by district, ranging from $0.00 to $4.05 per $1,000 of taxable valuation.

Although individual bonds are approved for a fixed term of up to 20 years, districts may schedule new bond elections as existing bonds are paid off. As a result, the Debt Service Levy may remain constant, even as individual bond issues expire. Understanding how debt service fits alongside other infrastructure funding sources, such as PPEL and SAVE funds, is one of several important considerations when evaluating a district's overall tax burden. Because districts have multiple avenues to fund infrastructure projects, those overlapping tools can also contribute to sustained or increasing property tax levels over time.

General Obligation (GO) & Revenue Bonds

What Is This?

Under Iowa Code section 296.1, school districts may issue bonds to borrow money for major capital and infrastructure projects. Bond proceeds may be used to purchase land; build, furnish, reconstruct, repair, improve, or remodel school buildings and additions; and construct or improve facilities such as gymnasiums, stadiums, fieldhouses, bus garages, and other school sites. Bonds may also fund significant facility upgrades, including roofs, HVAC systems, electrical, plumbing, and other long-term infrastructure improvements. Bond funds may not be used for general operating expenses such as salaries or utilities.

In Iowa, districts primarily use two types of bonds: General Obligation (GO) Bonds and Revenue Bonds.

General Obligation (GO) Bonds are backed by the district's taxing authority and require approval by at least 60% of voters at an election. These bonds are repaid through property taxes, typically collected through the Debt Service Levy.

Revenue Bonds, on the other hand, are repaid from a dedicated revenue stream, using SAVE (Secure an Advanced Vision for Education) statewide sales tax revenue rather than property taxes. To issue a Revenue Bond, a district must have a voter-approved Revenue Purpose Statement (RPS) authorizing the use of SAVE funds for bonding. Revenue Bond proceeds may be used only for authorized school infrastructure purposes.

Both GO Bonds and Revenue Bonds may be issued for terms of up to 20 years. Bond and refinancing records must be retained by the district for 11 years after final payoff.

What You Need to Know

For GO Bonds, a school district may not issue debt that would cause total district indebtedness to exceed 5% of the assessed value of taxable property within the district. This statutory and constitutional limit caps how much debt a district may carry.

For Revenue Bonds, the school board may authorize issuance without public approval. However, the issuance process requires a public hearing, and following the public hearing voters may petition the school board for an election on the Revenue Bond. If a valid petition is filed, Revenue Bond approval must be submitted to voters at a November election, and approval requires a simple majority. Revenue Bonds do not count towards the district's 5% debt limit.

Additional requirements apply in certain circumstances. Districts must hold a public hearing before using Revenue Bonds for athletic facilities, and districts with fewer than 250 K–12 students or fewer than 100 high school students must obtain a certificate of need from the Department of Education before using bond proceeds for new construction.

How This Impacts Taxpayers

GO Bonds are repaid entirely through property taxes, typically collected through the Debt Service Levy at a rate of up to $2.70 per $1,000 of taxable valuation, unless voters approve a higher maximum of $4.05.

Revenue Bonds are repaid using SAVE sales tax revenue. In practice, districts often finance projects using a combination of funding sources, which may include GO Bonds, Revenue Bonds, SAVE funds, PPEL, PERL, or other infrastructure revenues. While combining funding sources can help manage cash flow and tax impacts, it also commits portions of those revenues to long-term debt repayment.

School board members should understand how much of each infrastructure revenue stream is obligated to bond repayment and ensure the district retains flexibility to address routine maintenance and future capital needs. A district's credit rating affects interest rates, which directly impacts the total cost of a bond issue and the resulting tax burden. Districts may also choose to pay off bonds early using available fund balances to reduce long-term costs.

Special Considerations

Issuing bonds is not a simple or low-cost process; it requires significant upfront planning and specialized expertise. School districts typically rely on a team of outside professionals, including financial advisors, to structure the financing, bond counsel to ensure the bonds meet all legal and regulatory requirements, and architects to develop project plans and cost estimates. These services are essential to getting a bond issue approved and successfully brought to market, but they also add meaningful costs to the overall project. As a result, school boards must be aware that they will be incurring these costs even before the bond proposal goes to voters. These planning and issuance expenses, not just construction costs, must be fully factored into the decision when evaluating whether and how to move forward with a bond proposal.

Federal tax law also affects bond refinancing (also called "refunding"). Changes in federal tax policy have limited the ability of local governments to refinance bonds while retaining tax-exempt status. As a result, refinancing may be more costly and may not generate the same level of savings for taxpayers as in the past. While refinancing can still be used to restructure debt or improve cash flow, districts should carefully evaluate whether refinancing remains financially prudent under current tax law.

School Board Authority

What Is a School Board's Authority?

A school board's authority is primarily defined by Iowa Code section 274.3. This statute provides that a school board "shall operate, control, and supervise" the public schools in its district and may exercise powers that are reasonably implied to carry out those responsibilities, so long as those actions are not inconsistent with state law. In essence, while school boards have broad authority and responsibility to manage their districts, they must operate within the authority granted by the Iowa Legislature.

In granting this relatively broad authority, the Legislature also made clear that a school board's implied powers do not include the authority to:

- Levy any tax, unless expressly authorized by the Iowa Legislature
- Charge elementary or secondary students mandatory fees, except as expressly authorized by the Iowa Legislature
- Adopt or enforce a policy that would unreasonably interfere with a local, state, or federal law enforcement agency

District Wants To...	Allowed?
Increase a tax already authorized in Iowa law	Yes
Create a new tax not authorized by law	**No**
Charge a student fee already permitted in statute	Yes
Create a new type of mandatory fee not authorized by law	**No**

How Does This Fit into Dillon's Rule and Home Rule?

"Dillon's Rule" and "Home Rule" are often-referenced principles that describe the legal relationship between state and local governments. Understanding these concepts helps clarify how a school board's authority operates.

Dillon's Rule, named after Iowa Supreme Court Justice John F. Dillon, is based on a legal philosophy he expressed in an 1868 court decision in which he wrote that municipal governments "owe their origin to, and derive their powers and rights wholly from, the legislature." In other words, Dillon's Rule states local governments possess only the authority that the state legislature grants them; if a power is not clearly authorized, it is presumed not to exist. This interpretation was later reaffirmed by the Supreme Court of the United States and became a guiding principle for local government authority across much of the country.

Home Rule, by contrast, recognizes that local governments may have their own sphere of authority. Under Home Rule, local governments may manage certain local affairs without

direct legislative authorization, provided their actions are not specifically limited or prohibited by state law. Home Rule authority must be granted by law, whether through a state constitution or statute.

In Iowa, Home Rule authority is granted to cities and counties through the Iowa Constitution. As a result, those political subdivisions may generally manage their local affairs unless state law specifically restricts them.

School districts, however, were not granted the same constitutional Home Rule authority. Because Iowa Code section 274.3 provides school boards with broad and implied power to operate public schools, some observers informally describe this framework as "Home Rule Lite." Local school boards make important decisions about programs, staffing, and budgets, but the scope of their authority ultimately remains defined by the Iowa Legislature.

How This Impacts Taxpayers

School boards make many important decisions that affect a district's financial position and the taxpayer's burden. However, the overall structure of how schools raise revenue and how funds may be used is largely set by state law.

Based on the plain language of Iowa Code section 274.3 and the broader framework reflected in Dillon's Rule, it is clear that school boards cannot independently create new taxes as funding mechanisms. All school property taxes, levies, and bonding authority must be authorized in Iowa law.

Enrollment

What Is It?

In Iowa, school funding is largely driven by enrollment.

Each fall (October 1), school districts count their resident students. This official count, traditionally called certified enrollment, has historically been used to determine a district's basic enrollment under the School Foundation Aid Formula.

With the enactment of 2026 Iowa Acts, Senate File 2201, the calculation for enrollment changes. In addition to the fall enrollment count, school districts are required to count their resident students on January 15. This second count is known as adjusted enrollment. Beginning with school budget years on or after July 1, 2027, a district's basic enrollment will be the average of its October enrollment and January adjusted enrollment. This average is used to calculate funding under the School Foundation Aid Formula.

Certified enrollment does not affect funding immediately. Rather, it determines funding for the following fiscal year. In other words, enrollment today drives revenue in the future.

Because funding is tied to the number of students, changes in enrollment directly affect a district's long-term financial outlook.

Why It Matters

Enrollment is the foundation of Iowa's school finance system.

When enrollment increases, funding generally increases. When enrollment declines, funding eventually declines as well. While the formula includes adjustments and safeguards, the number of enrolled students remains the primary driver of revenue.

There is a built-in delay between the onset of observing an enrollment decline and the actual adjustment of funding. Students are counted in October and January. The average of those counts becomes the basis for the following school year, which is the school year in which funding actually adjusts. This lag can temporarily soften the impact of enrollment declines, but revenue always aligns with enrollment over time.

Understanding the Terms

Several enrollment figures are often referenced:

- *Served Enrollment* – The number of students physically attending school in the district.
- *Certified Enrollment* – An average of the October and January headcounts of students attributed to a district. This is the starting point for the following fiscal year's budget calculations.
- *Budget Enrollment* – The enrollment figure used to generate funding through the School Foundation Aid Formula for the budget year. This may be the same as

Certified Enrollment, or it may exceed Certified Enrollment if the district uses the Budget Guarantee mechanism when enrollment declines.

- *Weighted Enrollment* – Budget Enrollment plus additional weighting factors to account for students or programs that require additional resources such as special education.

Weighted Enrollment is the most important figure because it is what drives the district's spending authority in the School Foundation Aid Formula.

Why This Is a School Board Issue

Enrollment is not just a data point; it is a planning signal. Sound financial planning begins with understanding enrollment.

School boards should:

1. Monitor multi-year enrollment trends, both overall and at grade level.
2. Align long-term staffing and facility decisions with projected enrollment.
3. Avoid creating permanent obligations based on temporary enrollment spikes.

Open Enrollment

What Is It?

Open enrollment allows parents or guardians who live in one Iowa public school district to enroll their child in another Iowa public school district. *See* Iowa Code § 282.18.

- *Open enrollment in* – A student who lives in another district enrolls in the district, bringing the applicable funding with them.
- *Open enrollment out* – A student who lives in the district enrolls in another public school district, and the applicable funding follows the student.

Applications for open enrollment must be submitted by March 1 for the following school year. Open enrollment is subject to statutory requirements and available space, and the receiving district makes the enrollment decision. In most cases, the resident district pays tuition to the receiving district, and families are responsible for transportation.

Why It Matters

When a student open enrolls, most — but not all — funding follows the student. Because not all funding follows the student, open enrollment can create uneven financial effects for districts.

Funding Category	Follows Student
Early Intervention Supplement	Yes
Professional Development Supplement	Yes
Regular Program Funding	Yes
SAVE	**No**
Special Education	Yes
Teacher Leadership Supplement	Yes
Teacher Salary Supplement	**No**

How Open Enrollment Affects District Finances

Open enrollment influences:

- Certified enrollment totals
- Revenue received or paid to other districts
- Staffing decisions and long-term program sustainability, if significantly utilized

Districts with a net gain of open-enrolled-in students may see increased revenue. Districts with a net loss may experience added financial pressure.

Statewide, open-enrollment has grown significantly over the past decade. Suburban districts and those offering virtual programs have seen some of the largest increases in open-enrolled-in students. Larger urban districts have experienced notable increases in open-enrolled-out students. Outside of those areas, open enrollment patterns are largely driven by local factors such as district size, academic programs, geography, and community preferences.

Although the number of students participating in open enrollment has grown over the past decade, the overall pattern has remained fairly consistent. Districts that have historically attracted students through open enrollment generally continue to do so, while districts with net losses have often continued to experience them. In other words, the primary change has been the number of students choosing open enrollment, not a significant shift in which districts families prefer.

Why This Is a School Board Issue

Open enrollment is not just a data point — it is a planning signal.

School boards should regularly ask:

1. Do we have a net gain or loss in open enrollment?
2. How much funding moves in or out each year?
3. What trends are emerging over time?
4. Why are families choosing to attend or leave our district?

Open enrollment trends can provide insight into how families perceive academic quality, school climate, leadership, and programming. When families are given options, they make choices based on their expectations and experiences.

In this way, open enrollment functions as both a financial mechanism and a measure of community confidence. Districts must understand these patterns and respond strategically to maintain trust and long-term stability.

Per-Pupil Spending

What Is It?

Per-pupil expenditure (PPE) is the total amount a school district spends divided by the number of students it serves. Because school funding is largely driven by enrollment, PPE provides a standardized way to compare spending across districts and over time.

Rather than focusing only on total dollars, PPE is an indicator of fiscal efficiency—how much is being spent per student?

Why It Matters

Enrollment is the primary driver of school funding in Iowa. As enrollment rises or falls, revenue changes. Measuring spending per-pupil helps school boards and taxpayers evaluate whether resources are properly aligned with the students being served.

Without this context, large budget figures can be misleading. PPE helps answer these critical questions: *How much are we spending per student? And is that spending sustainable?*

How to Use It

Per-pupil spending is most meaningful when viewed over multiple years and compared across districts.

It can also be applied to specific decisions, such as:

- What is the per-student cost of a new building?
- What is the per-student cost of a new program?
- How would a staffing change affect per-student spending?

Using a per-pupil lens allows board members to assess whether spending decisions meaningfully improve student outcomes relative to their cost. Without this perspective, it is difficult to determine whether a proposed tax increase, program expansion, or budget reduction is significant or delivers value.

How to Calculate Per-Pupil Spending

Per-pupil spending can be calculated in different ways. Some analyses focus only on annual operating costs, such as salaries and classroom expenses. However, a comprehensive measure that also includes capital expenditures (construction, renovations, equipment) and debt service (principal and interest payments) paints a more accurate picture.

School facilities, safety systems, and long-term infrastructure investments are part of the total cost of providing education. Capital projects are typically financed through bonds and repaid over many years with taxpayer dollars. Excluding these costs understates the full financial commitment required to operate and maintain a school district.

Including capital and debt costs:

- Reflects the total investment per student, not just annual operating expenses
- Provides greater transparency about the long-term tax impact of facility decisions
- Clarifies how much funding is committed to infrastructure versus instruction
- Allows for more consistent comparisons across districts and over time

School taxes are levied as a rate per $1,000 of valuation, meaning districts with higher property values generate more revenue even when tax rates are identical. Capital spending therefore varies significantly across districts and is closely tied to local property valuations. Including these costs provides a truer district-to-district comparison and a clearer picture of fiscal accountability and long-term financial health.

Iowa's Department of Education provides a PPE calculation for every district in the state, which includes construction costs and other expenditures, at **iaschoolperformance.gov.**

How This Impact Taxpayers

Following the pandemic, temporary federal relief funds allowed districts to maintain staffing levels and facilities despite enrollment declines. Those funds expired in fall of 2024.

Districts with sustained declining enrollment are facing the realities of aligning ongoing spending with long-term revenue. Understanding PPE helps board members and taxpayers analyze where money is being utilized and evaluate whether budgets reflect sustainable, student-focused priorities.

Tax Basics: How Valuations Work

What Is This?

Property taxes are the primary local funding source for Iowa's public schools, and the process begins with establishing a property's value. Property is first assessed at market value and then adjusted through statewide mechanisms—such as equalization and rollback—to determine the taxable value. Once taxable values are established, Iowa's School Foundation Aid Formula and local district decisions determine the levy rates applied to those values.

How Taxable Valuations Work

1. **Assessments:** Every county in Iowa (and eight cities) has an assessor who is tasked with establishing a value for each property. For residential and commercial properties, the assessor estimates the fair market value. For agricultural land, a productivity formula is applied.

2. **Equalization:** The Iowa Department of Revenue reviews property assessments to ensure they reflect market values. By comparing assessments with actual sales data, the Department determines whether valuations for a class of property fall outside an acceptable range and are therefore assessed too high or too low. If so, the Department issues an equalization order directing the assessor to adjust all properties in that class by a specified percentage. The goal is to maintain uniform and fair assessments statewide, not to increase or decrease tax revenue.

3. **Rollback:** Rollback is a statewide adjustment that determines what percentage of a property's assessed value is subject to property tax. Each year the Iowa Department of Revenue sets the residential rollback percentage so that, statewide, the taxable value of residential property does not grow by more than 3% each year, before accounting for new construction.

   Agricultural, commercial, and industrial properties also have rollback factors. However, unlike residential property, where the rollback is designed to limit statewide taxable value growth to about 3% annually, the rollback percentages for these classes are determined through different statutory formulas and are not tied to that growth cap.

Assessment, equalization, and rollback are the three main steps that set the taxable value of a property.

How This Impacts Taxpayers

The taxable value is the figure to which the levy rate is applied, making it the true starting point for calculating a property tax bill.

Each school district has a total levy rate that is expressed as the amount of tax charged for every $1,000 of taxable value. School districts have multiple levy rates that they can utilize, each with a distinct purpose and set of rules. Some levies are set by state law through the School Foundation Aid Formula, while others are determined locally through district spending decisions and, in certain cases, voter approval. As a result, total school tax rates vary widely across the state, ranging anywhere from approximately $8 per $1,000 of taxable value to $19 per $1,000 of taxable value.

Mission Creep

What Is Mission Creep?

Mission creep occurs when an organization gradually expands its responsibilities beyond its original purpose. In public education, mission creep occurs when school districts take on additional roles or programs that extend beyond their core responsibility of educating students in academic subjects.

Over time, districts may assume responsibilities once handled by families, community organizations, or other government agencies. As these responsibilities expand, so do staffing levels, administrative structures, and long-term costs.

Mission creep doesn't happen suddenly. It develops incrementally and often through well-intentioned decisions that, over time, shift focus and resources away from core instruction.

Why It Matters

When funding is absorbed by administrative growth, ancillary programming, or rising benefit obligations rather than classroom instruction, the connection between spending and student performance can weaken.

Mission creep can:

- Dilute the focus on academic achievement
- Increase long-term financial commitments
- Expand administrative layers
- Contribute to higher property taxes without clear improvements in academic outcomes

Over time, districts may find themselves managing a broad range of services while struggling to demonstrate measurable academic gains.

How Mission Creep Appears in School Districts

Mission creep can take many forms, including:

- Disproportionate growth in administrative or non-instructional staffing relative to enrollment
- Expansion of programs without clear performance measures
- Facility upgrades or amenities that are not directly tied to academic outcomes
- Ongoing financial commitments that limit future budget flexibility

Financial Implications

Mission creep has direct consequences for both budgets and taxpayers.

Once programs and staffing are added they often become embedded in ongoing budgets. When revenues stagnate or decline, school boards then have to choose whether to reduce services, use reserves, or increase property taxes to account for expanded commitments.

In this way, mission creep can become a structural source of financial pressure rather than a temporary challenge.

While school districts operate within state and federal requirements, school boards retain significant discretion over staffing, programming, and capital decisions. Long-term fiscal sustainability depends on aligning those decisions with predictable revenue.

Refocusing on the Core Mission

The primary mission of Iowa's public school districts should be academic excellence and student achievement.

School board members play a central role in ensuring that resources remain aligned with that mission. This includes regularly asking:

- Does this program directly improve student learning?
- Is this expenditure sustainable under long-term revenue projections?
- Are we prioritizing instructional effectiveness over organizational expansion?

Additional funding can improve outcomes when it is strategically directed toward classroom instruction and student learning. However, sustained growth in spending beyond the core mission may not translate into measurable academic gains. Rather, a district may then face increased financial strain without improving academic performance.

Third Grade Reading Scores

What Is It?

Third grade reading scores are an important early indicator of a student's academic progress and future success. In the early grades, students are primarily *learning to read*. Beginning in fourth grade, they are expected to *read to learn*. Textbooks, assignments, and tests assume students can comprehend written material independently.

Students who do not master reading by approximately age nine often begin to fall behind in multiple subjects.

Why It Matters

Reading proficiency by the end of third grade is one of the strongest predictors of long-term academic success.

Research shows that students who are not proficient readers by third grade are four times more likely to drop out of high school. The risk is even higher for students experiencing poverty or other socioeconomic disadvantages.

Because reading becomes the foundation for all other subjects after third grade, early literacy gaps tend to widen over time if not addressed.

What Changes After Third Grade?

Beginning in fourth grade:

- Math increasingly relies on multi-step word problems.
- Science and social studies require reading informational texts.
- Students move beyond basic phonics to comprehension skills such as analyzing context, comparing texts, and understanding complex vocabulary.

When students struggle to read, they struggle to access content across the curriculum — even when they understand the subject matter.

How This Impacts Taxpayers

Third-grade reading is not only an academic concern — it is also a fiscal one.

When students fall behind early, districts often must provide additional remediation, intervention programs, and support services in later grades. These interventions can be more costly and less effective than early prevention.

Investing in evidence-based early literacy strategies, consistent attendance, summer learning support, and parental engagement can improve long-term outcomes and reduce future remediation costs.

For school boards, third grade reading proficiency should be viewed as a key performance indicator when evaluating budget priorities and program effectiveness.

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