



Iowa K-12 School
Finance
Larry Sigel, Partner



Overview

- Funds
- Revenues
- Expenditures
- Spending Authority
- Financial Health

General Fund

- Basic Principles:
 - Student driven, amount per student set by legislature.
 - Schools are budget limited, not rate limited. Doubling property value = property tax rate falls – no more \$'s to spend.
 - Tax rate driven by formula more than district actions.
 - District can only spend funds on allowable purposes.

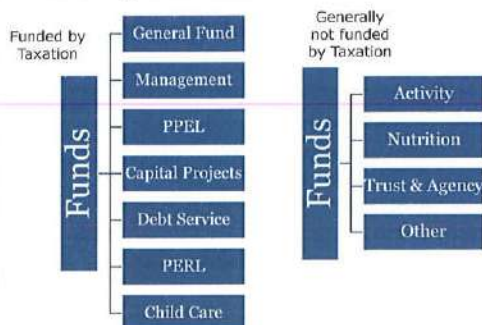
Funding Sources

- School districts have restricted funding sources - not all funds can be spent on anything the district decides.
- Where does this restriction come from?
 - State/federal law
 - In conjunction with Dillon's rule:

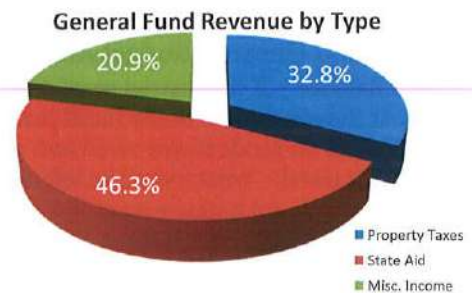
"...municipal governments only have the powers that are expressly granted to them by the state legislature, those that are necessarily implied from that grant of power, and those that are essential and indispensable to the municipality's existence and functioning."



Funding Sources



Funding Sources



General Fund

- Very important concept: Spending Authority
- State controls maximum amount of district spending
- Why? Equity – basic principle is that every child should receive the same amount of funding – no matter where they live

General Fund

- Restriction of Spending Authority only applies to the General Fund – all other funds allow spending if you have the cash to spend
- District must account for two things in their General Fund:
 - Fund Balance (cash)
 - Spending Authority (credit card limit)

General Fund

- Limit on spending is the amount of Spending Authority a district has not the amount of cash or fund balance
- Total Spending Authority for a year is:
 - Current year Spending Authority
 - + Previous year's surplus Spending Authority
 - = Total Spending Authority

General Fund

- Where does Spending Authority come from?
 - Basic formula: # of children x a cost per child = total current year Spending Authority.
 - # of children is a year behind – always use prior year count – this October's number = the number used for next year's budget
 - Cost per child is set by the Iowa Legislature (allowable growth)
 - Spending Authority is then funded by a combination of State Aid and Property Taxes

General Fund

- Reconciling two concepts: Fund Balance and Unspent Budget Authority
 - Fund Balance – if the district ceased to exist at the conclusion of the fiscal year – and took in all funds it was owed and paid all bills it owed – what would be left over
 - Corollary to Fund Balance from Spending Authority perspective: Unspent Budget Authority (Unspent Balance)

General Fund

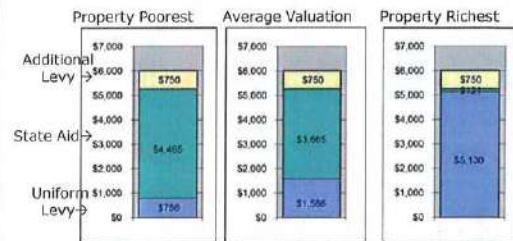
- So what's the big deal with Spending Authority?
 - It is illegal for a school district to exceed it's total spending authority
 - Ever heard of Russell School District?
 - Phase II Financial Viability Audit
 - Now the State Board of Education has the ability to close a school district for no other reason than financial unviability (not educational reasons)

General Fund

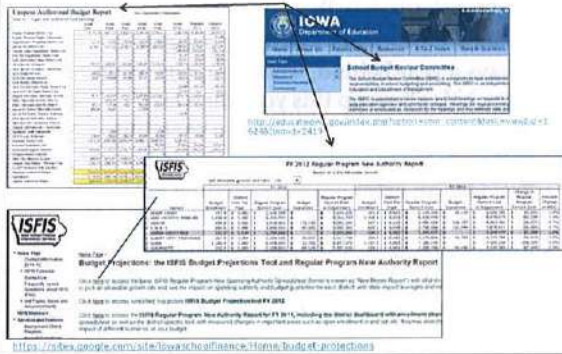
- So how do we pay for the Spending Authority in the General Fund?
- Three sources:
 - Uniform Levy - \$5.40 property tax levy (first layer)
 - State Foundation Aid – backfills up to 87.5% of the cost per pupil (credit card limit)
 - Additional Levy – property tax levy that funds the last 12.5% of the cost per pupil (no rate limit – adjusts automatically to fund as much as needed)

General Fund

- Funding a school district's Spending Authority



Spending Authority



Fund Balance Documents

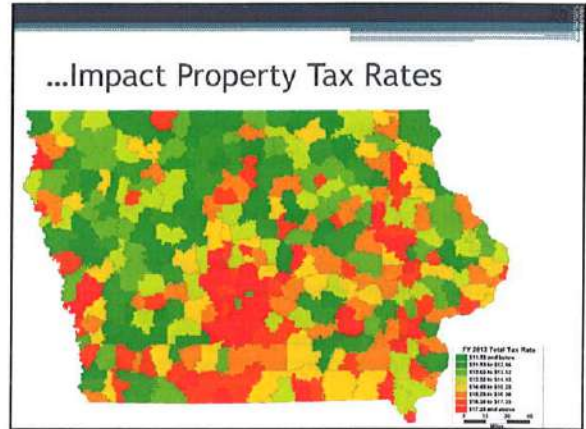
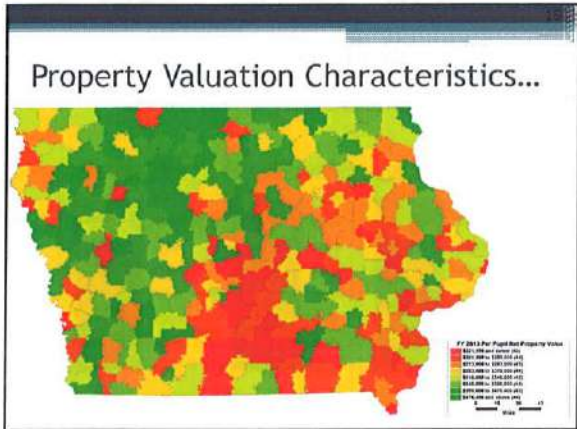


Optional Sources of Authority in the General Fund

- Instructional Support Levy (ISL)
 - First question: How much do we want to increase (up to 10% of credit card limit)?
 - How do we fund it (property taxes or income surtax)?
 - Voter approval – up to 10 years
 - Board approval – up to 5 years

Optional Sources of Authority in the General Fund

- Dropout Prevention
 - Maximum 5% of Regular Program District Cost
 - Used for services to dropouts or those at-risk of dropping out.
 - Effectively funded by all property tax



Budget Guarantee

- Mechanism to postpone the impact of enrollment changes by one year
- If this year's Regular Program District Cost (Kids x Credit Card Limit) is less than 101% of last year's RPDC, the district receives and amount of spending authority equal to get the district to 1% growth
- Amount is all property tax
- Because the following year's calculation does not contain any budget guarantee authority, the loss the following year is equal to what would have been for the current year

On Time Funding

- Because enrollment figure for budgets is always a year behind, what happens when more kids show up this year than last?
- District's are eligible to receive spending authority for those pupils
- Provides an extra year of spending authority for those pupils that we're new this year
- Also can receive authority for students who were new to the district but open-enrolled out before attending school in your district

General Fund

- Where does the money go?
 - 80% of the district's funds go to pay for staff
 - Remainder is spent on curriculum, utilities, professional development, and costs of transportation (fuel and salaries, usually not buses)

Cash Reserve Levy

- Only for the General Fund!
- No rate limit on the levy – but a district is limited to levying the Cash Reserve Levy if fund balance exceeds 20%
- Cash Reserve Levy does not create spending authority, it only gives the funds to spend it (i.e., you cannot just levy your way out of a spending authority problem)

Transition to Non General Fund Sources

- Step across the great divide
- Most of the following funding sources cannot be used in General Fund and vice versa
- Might have money in one of these sources but cannot use to offset a General Fund shortfall

Non General Fund Source

- PPEL – buildings, buses, equipment, technology
 - Board: maximum \$0.33/1,000
 - Voted: maximum \$1.34/1,000 (Income Surtax can fund)
- Management – worker comp, P&C ins, Early Ret.
 - No maximum – purpose limited
- Debt Service – buildings and equipment
 - Maximum \$4.05/1,000
- Sales Tax – building, equipment, PPEL & Debt Service uses
 - Maximum 1 percent (statewide)
- PERL – public recreation/playgrounds
 - Maximum \$0.135/1,000

Financial Health

- Focus primarily on General Fund
- Why?
 - That's where we pay for educational program
 - Largest portion of a school's expenditures
 - Biggest risk
- Focus more on Spending Authority than Fund Balance – why?
- Simple, Negative Spending Authority can get you closed – Negative Fund Balance can be solved locally

The best ways to contact us:

- ❖ Text us – Be sure to include your name in the message
 - Larry's cell 515-490-9951
 - Margaret's cell 515-201-3755
- ❖ Email us – Use either email, we have no preference
 - Larry.sigel@isfis.net or larry.sigel@gmail.com
 - Margaret.buckton@isfis.net or margaret.m.buckton@gmail.com
 - Traci.giles@isfis.net
- ❖ Call the office – Traci will grab the call if we're not in at the moment
 - 515-251-5970 Option 1 for Margaret, Option 3 for Larry, Option 4 for Traci
- ❖ When we're on the road and out of the office, texting is the best way to get in touch with us. It's easy to read and respond to those without interrupting the meeting we may be in.

Questions?

Do not hesitate to contact me if you have any questions or comments!

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