



Understanding Key Budget Terms and Concepts – Impact for FY 2023

Legislative Action Impacting Supplemental State Aid (SSA) During the 2022 Legislative Session

House File 2316 (FY 2023 Supplemental State Aid and Equity Funding) included the following provisions that impact school aid funding in FY 2023:

- Set the SSA state percent of growth rate at 2.5%. The result of this increased the regular program per pupil amount by \$181 per pupil for all school districts.
- Provided an equity provision that increased the FY 2023 state cost per pupil an additional \$5 above the 2.5% SSA state percent of growth rate (a total increase for the FY 2023 state cost per pupil of \$186). This equity provision benefited 222 districts and reduced the difference between the maximum and minimum district cost per pupil amount from \$145 to \$140.
- Extended the Property Tax Replacement Payment provision through FY 2023. This provision increases state aid by requiring that the entire per pupil increase as a result of supplemental state aid is paid for with state dollars rather than local property taxes.
- Additionally, the provision appropriated \$29.5 million in FY 2023 for transportation aid providing aid for 215 districts that were above the statewide average per pupil transportation cost during the 2020-21 school year.

Spending Authority

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

For FY 2023, a district will receive additional spending authority on a per pupil basis equivalent to the state cost per pupil increases resulting from SSA at 2.50% (and for 222 districts, up to an additional \$5 per pupil resulting from the equity funding provision). This per pupil increase applies to Regular Program funding, special education program funding, and state categorical funding, all of which are

part of the state foundation aid formula. However, enrollment and other weighting changes also play a major part in the amount of spending authority generated through the school aid formula.

Cash Reserve Levy

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

Cash Balance

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

The chart on this page explains the various revenue sources impacted by the 2022 Legislative Session and their impact on school district cash and spending authority.

Cash Impact	Spending Authority Impact
<p>Supplemental State Aid (SSA):</p> <ul style="list-style-type: none"> FY 2023 – 2.50% supplemental state aid = \$181 + \$5 equity funding = \$186 FY 2023 - \$7,413 <i>State Cost Per Student</i> <p>Note: District Cost Per Student may be higher than the State Cost Per Student shown here, but each district’s cost per pupil increased by at least \$181 and in some cases by \$186. Additionally, this district cost per pupil amount impacts funding for the regular program, special education, LEP, at-risk, shared operational functions, and other sharing provisions.</p>	<p>FY 2022 - \$169 new growth in supplemental state aid (SSA) and up to \$10 resulting from the equity provision. State cost per pupil = \$7,227 (your district’s district cost per pupil may be higher).</p> <p>To determine the impact on <i>your district</i>, as well as calculating your district’s estimated FY 2022 total spending authority, access the IASB UAB Report.</p>
<p>Instructional Support Levy (ISL) – State Aid</p> <ul style="list-style-type: none"> \$0 for FY 2023 Local tax revenue only for this program 	<p>Districts do not receive spending authority for the unfunded <i>state</i> portion of ISL. Impacts will vary by district.</p>

<p>Teacher Salary Supplement (TSS)</p> <ul style="list-style-type: none"> • 2.50% supplemental state aid - FY 2023 • TSS per pupil amount increased by \$15.50 	<p>This allocation is part of the funding formula, and contributes to spending authority, but funding must be used to supplement teacher salaries.</p>
<p>Professional Development Supplement (PDS)</p> <ul style="list-style-type: none"> • 2.50% supplemental state aid - FY 2023 • PDS per pupil amount increased by \$1.76 	<p>This allocation is part of the funding formula, and contributes to spending authority, but funding must be used for professional development initiatives.</p>
<p>Early Intervention Supplement (EIS)</p> <ul style="list-style-type: none"> • 2.50% supplemental state aid - FY 2023 • EIS per pupil amounts increased by \$1.91 	<p>This allocation is part of the funding formula, and contributes to spending authority, and since this program has expired, the funding can be used for any general fund purpose.</p>
<p>Teacher Leadership Supplement (TLS)</p> <ul style="list-style-type: none"> • 2.50% supplemental state aid - FY 2023 • TLS per pupil amounts increased by \$8.73 	<p>This allocation is part of the funding formula, and contributes to spending authority, but funding must be used for purposes specified under the teacher leadership program.</p>
<p>Preschool Appropriation</p> <ul style="list-style-type: none"> • 50% of state cost per student (\$3,707) - FY 2023 	<p>Weighting within the formula for preschool contributes to spending authority, but funding must be used for the preschool program.</p>