



# Legislation Impacting FY 2026 Public School Funding

## Supplemental State Aid (SSA) during the 2026 Legislative Session

Senate File [167](#) establishes the following school aid provisions:

1. **SSA Growth Rate:**
  - Sets the SSA growth rate at 2.0%, increasing the regular program per-pupil amount by \$157.
2. **Per-Pupil Equity Funding:**
  - Adds \$5 per pupil to narrow the gap between the lowest and highest district cost per pupil, totaling \$162.
3. **Property Tax Replacement Payment (PTRP) Extension:**
  - Extends PTRP, ensuring SSA increases are funded with state dollars instead of local property taxes.
4. **Transportation Aid Increase:**
  - Raises transportation aid by 5.0%, totaling \$32.7 million, benefiting 197 districts.
5. **Shared Operational Functions Expansion:**
  - Increases the allowable weighting for shared operational functions from 21.0 to 25.0, providing an estimated \$1.0 million in additional funding for 46 districts.

**Spending Authority:** The state permits districts to spend a certain amount of money on behalf of its students – this is called spending authority. The concept is similar to the spending limit on a credit card – the district may choose to tax and spend for all of the spending authority but should carry some authority forward for contingencies. A district’s “unspent authorized budget” (UAB) is the amount of spending authority remaining at the end of a fiscal year. Districts may or may not have cash in the bank that backs up their spending authority. However, districts are not permitted to spend more than their spending authority even if they have more cash. In the first year, a district that overspends its spending authority is required to file a Corrective Action Plan along with periodic progress reports to the Iowa Department of Education (DE), as well as a review 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 2026, a district will receive additional spending authority on a per-pupil basis equivalent to the state cost-per-pupil increases resulting from SSA at 2.0%. This per-pupil increase applies to Regular Program funding, special education program funding, and most state categorical funding, all of which are part of the state foundation aid formula. Also, note that enrollment and other weighting changes will play a major part in the amount of spending authority generated through the school aid formula.

**Teacher Salary Supplement (TSS) Adjustments:**

- Starting FY 2026, TSS minimums are set at \$50,000 for teachers with less than 12 years of experience and \$62,000 for those with 12 or more.
- The DOM will calculate TSS amounts using updated BEDS data.

**Cash Reserve Levy:** Many districts typically have a cash reserve levy, a board-determined property tax that provides funding for cash flow. This funding allows districts to make payroll, buy school supplies, and textbooks prior to the receipt by the district of the first state foundation aid and property tax payments in September and October, respectively. The cash reserve levy also typically provides funds to pay for special education deficits (the amount of school district special education spending that exceeds the weighting for special education students in the foundation formula), for any shortfall in state funding (such as the 10 percent across-the-board cut in FY 2010), and for delinquent property taxes. In a prior session, the Legislature passed language that limits the ability of a school district to levy for the cash reserve. The cash reserve levy cannot exceed 20 percent of the previous year's general fund expenditures minus the assigned and unassigned fund balances from the previous year.

**Note that levying for cash reserve does not increase a district's spending authority – it does provide cash to back spending authority.**

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

The chart on this page explains the various revenue sources impacted by the 2025 Legislative Session and their impact on school district cash and spending authority.

| Cash Impact   | Spending Authority Impact  |
|---|--|
| <b>Supplemental State Aid (SSA):</b> <ul style="list-style-type: none"><li>• <b>FY 2026</b> – 2.0% supplemental state aid = \$157</li><li>• FY 2026 – Equity increase in SCPP = \$5</li></ul> <b>FY 2026</b> - \$7,988 <i>State Cost Per Student</i><br><br><b>Note:</b> District Cost Per Pupil (DCPP) may be higher than the State Cost Per Student shown here. Additionally, the DCPP amount impacts funding for the regular program, special education, LEP, at-risk, shared operational functions, and other sharing provisions. | <b>FY 2026</b> - \$157 new growth in supplemental state aid (SSA). State cost per pupil = \$7,988 (your district's DCPP may be higher).<br><br>If your DCPP is more than \$5 higher than the SCPP, your DCPP increase will only be \$157. More information regarding spending authority and the impact on FY 2026 will be available on the IASB website in early July. |
| <b>Instructional Support Levy (ISL) – State Aid</b> <ul style="list-style-type: none"><li>• \$0 for FY 2025</li><li>• Local tax revenue only for this program</li></ul>   | Districts do not receive spending authority for the unfunded <i>state</i> portion of ISL. Impacts will vary by district.   |

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|---|--|
| <b>Teacher Salary Supplement (TSS)</b> <ul style="list-style-type: none"> <li>2.0% supplemental state aid - <b>FY 2026</b></li> <li><b>TSS per pupil increase will vary by district.</b></li> </ul> | This allocation is part of the funding formula and contributes to spending authority. However, funding must be used to supplement teacher salaries.  |
| <b>Professional Development Supplement (PDS)</b> <ul style="list-style-type: none"> <li>2.0% supplemental state aid - <b>FY 2026</b></li> <li>PDS per pupil amount increased by \$1.48</li> </ul>   | This allocation is part of the funding formula and contributes to spending authority. However, funding must be used for professional development initiatives.  |
| <b>Early Intervention Supplement (EIS)</b> <ul style="list-style-type: none"> <li>2.0% supplemental state aid - <b>FY 2026</b></li> <li>EIS per pupil amounts increased by \$1.62</li> </ul>        | This allocation is part of the funding formula and contributes to spending authority. The original use was earmarked for K-3 class size reduction, but can now be used for any general fund purpose. |
| <b>Teacher Leadership Supplement (TLS)</b> <ul style="list-style-type: none"> <li>2.0% supplemental state aid - <b>FY 2026</b></li> <li>TLS per pupil amounts increased by \$7.37</li> </ul>        | This allocation is part of the funding formula and contributes to spending authority; however, the funding must be used for purposes specified under the Teacher Leadership Program.                 |
| <b>Preschool Appropriation</b> <ul style="list-style-type: none"> <li>50% of state cost per student (\$3,994) - <b>FY 2026</b></li> </ul>   | Weighting within the formula for preschool contributes to spending authority, but funding must be used for the preschool program.  |

### **SF 659 - FY 2026 Standing Appropriations Act**

SF 659 introduces several adjustments to state education funding for FY 2026, consistent with past years:

1. Instructional Support Program Funding:
  - State aid for the Instructional Support Program is eliminated for FY 2026, a legislative decision that has been maintained annually since FY 2011.
  - School districts using this program must fund it entirely through local taxes (property tax or a combination of property tax and income surtax).
2. Area Education Agencies (AEA) Funding Reduction:
  - The Act mandates a total reduction of \$32.5 million in AEA state aid for FY 2026. As in previous years, this reduction comes from the AEA Special Education Support Services, which is no longer part of the AEA flowthrough.
    - This includes a permanent statutory reduction of \$7.5 million.
    - An additional reduction of \$25.0 million is applied, maintaining the total reduction from FY 2025.
3. Economic Emergency Fund Transfer:
  - A transfer of \$21.9 million from the Economic Emergency Fund to the state general fund will replace an equivalent amount of general fund dollars for state aid.
4. Adjustment for Media and Educational Services:
  - The Department of Management (DOM) will calculate the nonpublic portion for media and educational services based on nonpublic school enrollment within districts and distribute the funds to AEAs to provide for services.

- Note that districts already receive the full funding for educational and media services from property taxes, and this provision will only reduce the nonpublic enrollment portion.

### **SF 660 - FY 2026 Sports Wagering Receipts Bill**

SF 660 allocates \$14.0 million from the Sports Wagering Receipts Fund to the Department of Education (DE) for supplemental educational support personnel compensation. This funding level is unchanged from the previous year, and distribution will be based on certified enrollment. However, the funding source has changed.

### **HF 787 – Technical Adjustments and Support for Education**

HF 787 makes several key changes:

1. Teacher Salary Supplement (TSS) Adjustments:
  - The bill clarifies the calculation of TSS, removing the tier system and specifying the exact amount required to meet minimum salary requirements.
  - The categorical SSA increase of 2.0% will be added to their new TSS cost per pupil.
2. Data Correction for Teacher Experience:
  - Districts can correct Basic Educational Data Survey (BEDS) data to reflect teachers' years of service accurately.
  - This adjustment could increase TSS funding by an estimated \$750,000 as more teachers qualify for veteran status.
3. Returning Retired Teachers:
  - Retired teachers who return to teaching are eligible for a salary of \$50,000, rather than the veteran teacher minimum, ensuring they can continue receiving their IPERS benefits.
4. Restoration of Teachlowa Job Posting Site:
  - The bill re-establishes the Teachlowa job posting platform, which was replaced by the IowaWORKS site in recent years.