Legislation Impacting FY 2025 Public School Funding—Including the Impact on Key School Finance Terms

Legislative Action Impacting Supplemental State Aid (SSA) During the 2024 Legislative Session

House File 2612 (Area Education Agencies) included the following provisions that impact school aid funding in FY 2025:

- Set the SSA state percent of growth rate at 2.5%, increasing the regular program per pupil amount by $191 per pupil for all school districts.
- Extending the Property Tax Replacement Payment (PTRP) provision through FY 2025. This provision increases state aid by requiring the entire per pupil increase due to supplemental state aid to be paid for with state dollars rather than local property taxes.
- Due to the 2.5% SSA state percent of growth rate, the FY 2025 standing appropriation for transportation aid will increase by 2.5% and total $31.1 million, an increase of about $0.8 million. This provision will provide aid for 204 districts.
- Note: Like last year, there was no additional per-pupil equity funding to reduce the differences between school districts' regular program per-pupil funding. It is unclear if this initiative will continue in future legislative sessions.
- The bill also allows 60% of the FY 20205 AEA media and education services to go to the school districts. The school districts can retain this funding and use it for any general fund purpose.

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 2025, a district will receive additional spending authority on a per-pupil basis equivalent to the state cost-per-pupil increases resulting from SSA at 2.5%. 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: Unlike in previous years, the increase in the Teacher Salary Supplement (TSS) will not be at the same rate as SSA. The Department of Management (DOM) has calculated new TSS district cost-per-pupil amounts based on an individual district's need to raise minimum teacher salaries for initial and experienced teachers.

- Minimum teacher salaries were increased in this bill and will be $47,500 for teachers with less than 12 years of experience and $60,000 for teachers with 12 or more years of experience for FY 2025.
- Starting in FY 2026 and in the future fiscal years, the minimums will increase to $50,000 for teachers with less than 12 years' experience and $62,000 for teachers with 12 or more years of experience.
- Note that the Department of Education Basic Educational Data Survey (BEDS) staff file data is the source of information to determine the district allocation to fund the provision.

State Funding for the New Teacher Minimum Salary Amounts The Teacher Salary Supplement funding mechanism built in the school aid formula will be the source to generate funding allocation amounts for the new provision. Specifically:

- In FY 2025, the Department of Management will create seven tiers based on enrollment size and increase the TSS per pupil amount for each tier based on the districts' average need to cover the cost of bringing all full-time teachers to the new minimum salary levels—this is referred to as the "FY 2025 Base Tier Amount."

  Additionally, if that base tier per pupil amount is insufficient for a district, their per pupil amount will increase further. If the "FY 2025 Preliminary Per Pupil Amount" is above the FY 2025 Base Tier Amount, the district will need to use all the additional TSS money to cover the costs required to meet the minimum salary increases. Based on the DOM data. Click here to see the preliminary TSS information for FY 2025.
- In FY 2026, the Department of Management will go through a similar process to cover the additional costs of increasing the minimum salary levels in FY 2026. The 2024-2025 BEDS data will be the source of information to make those calculations for FY 2026

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
Supplemental State Aid (SSA): • **FY 2025** – 2.5% supplemental state aid = $191 **FY 2025** - $7,826 *State* Cost Per Student **Note:** 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.	**FY 2025** - $191 new growth in supplemental state aid (SSA). State cost per pupil = $7,826 (your district's DCPP may be higher). More information regarding spending authority and the impact on FY 2025 will be available on the IASB website in early July.
Instructional Support Levy (ISL) – *State Aid* • $0 for FY 2025 • Local tax revenue only for this program	Districts do not receive spending authority for the unfunded *state* portion of ISL. Impacts will vary by district.
Teacher Salary Supplement (TSS) • 2.5% supplemental state aid - **FY 2025** • ***The DOM determined TSS per pupil amount increases based on FY 2024 TSS DCPP.***	This allocation is part of the funding formula and contributes to spending authority. However, funding must be used to supplement teacher salaries.
Professional Development Supplement (PDS) • 2.5% supplemental state aid - **FY 2025** • PDS per pupil amount increased by $1.85	This allocation is part of the funding formula and contributes to spending authority. However funding must be used for professional development initiatives.
Early Intervention Supplement (EIS) • 2.5% supplemental state aid - **FY 2025** • EIS per pupil amounts increased by $2.02	This allocation is part of the funding formula and contributes to spending authority. Since this program has expired, the funding can be used for any general fund purpose.
Teacher Leadership Supplement (TLS) • 2.5% supplemental state aid - **FY 2025** • TLS per pupil amounts increased by $9.21 •	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.
Preschool Appropriation • 50% of state cost per student ($3,913) - **FY 2025**	Weighting within the formula for preschool contributes to spending authority, but funding must be used for the preschool program.

House File 2615 – College Transitional Counselor

The enactment of HF 2615 allows the shared operation function of college and career transition coordinators (2.0) to not count towards the maximum weighting of 21.0 pupils. This change will apply to the 2024-2025 and future school years.

Senate File 2368 – Charter School Property

The enactment of SF 2368 changes the funding calculations for students enrolled in charter schools under Iowa Code 256E and under open enrollment provisions, including:

- A provision that shifts the sum of the SCPP amount from the previous year's SCPP to the budget year SCPP amount for both charter schools and under open enrollment.
- A provision that the SCPP funding for the professional development supplement and early intervention supplement follows the student from a resident district to a receiving district or charter school. Previously, only the Teacher Leadership supplement followed the student.
- A provision directing the funding due under the current budget year for English Learners versus the amount paid under the previous budget year for both charter schools and under open enrollment.

Senate File 2435 - FY 2025 Education Appropriations Act

The enactment of SF 2435 makes several changes to open enrollment and allowable modified supplemental amounts (MSA) under the School Board Review Committee (SBRC).

- A provision that reestablishes the March 1 deadline for open enrollment for students entering grades one through twelve and the September 1 deadline for open enrollment of students entering kindergarten or pre-kindergarten enrolled in special education programs.
- A provision that the SBRC may grant an MSA if the percentage of students open enrolled in a school district is equal to or greater than 45% of the total number of students enrolled in the school district.

SF 2443 - FY 2025 Standings Appropriations Act

As in past years, SF 2443 reduced two state school aid funding amounts. These include:

- A provision that eliminated state aid funding for the Instructional Support Program for FY 2025. This provision has been approved every year since FY 2011. School districts that have approved the implementation of the Instructional Support Program will fund the program entirely with local taxes (property tax or a combination of property tax and income surtax).
- A provision resulted in a total AEA state aid reduction of $32.5 million for FY 2025. This includes a permanent statutory reduction of $7.5 million, a reduction of $15 million for FY 2025, and an additional reduction of $10.0 million that will go to fund salaries and support for the new DE Division of Special Education. The overall reduction is $2.9 million higher than the total reduction made in FY 2024. Note that this provision was not made public until the bill was introduced on April 20.
- A provision appropriating $14.0 million to supplement non-salaried district employees. The DE will distribute these funds on a per capita basis. Non-salaried personnel data must be reported to the DE by July 1, 2024, to receive these funds. This supplement will be considered miscellaneous income and not calculated into a district's combined district cost.

