



Data Boost— Governor’s School Aid Funding Recommendations for FY 2026

On Tuesday, Jan. 14, Governor Kim Reynolds delivered the Condition of the State Address before a joint session of the Iowa General Assembly. She reviewed her administration’s policy priorities for the upcoming legislative session, including her recommendations for School Aid Funding for FY 2026.

FY 2026 School Aid Funding Recommendations. The Governor made the following school aid formula funding recommendations:

- Supplemental State Aid (SSA) state percent of growth rate of 2.0% for FY 2026 for per pupil funding. This will increase regular program funding per pupil by \$157 for each school district (state cost per pupil increases from \$7,826 to \$7,983). Under the Governor’s recommendation, state school aid (general fund portion) will increase \$102.0 million compared to FY 2025. Under the Governor’s proposal, the budget guarantee amount will total approximately \$25.0 million, impacting 159 districts. This is an increase of \$9.5 million. The budget guarantee is funded entirely by local property taxes.
- Extend the property tax replacement payment (PTRP) through FY 2026. The extension of this provision increases the state aid amount by \$9.9 million by providing additional property tax relief for all districts. Under the Governor's proposal, this total property tax relief provision will total \$136.7 million (\$241 per pupil) in FY 2026 (more on this provision below).

SSA State Percent of Growth Rate Estimates. While the governor makes the recommendation, the legislature eventually approves the SSA state percent of growth rate that will impact school districts. The table below provides school aid funding estimates at various SSA state percent of growth rates, and the estimated impact on budget guarantee amounts. Note that the numbers are preliminary and may be impacted by other legislative decisions.

IASB: FY 2026 State Percent of Growth and Estimated Impact

State Percent of Growth	Increase in District Cost Per Pupil	State Aid General Fund Increase*	Budget Guarantee Amount	Number of Districts on Budget Guarantee
1.00%	\$ 78	\$ 70.7	\$ 43.4	207
1.50%	\$ 117	\$ 96.7	\$ 33.6	185
2.00%	\$ 157	\$ 123.9	\$ 25.0	159
2.00%	\$ 157	\$ 102.0	\$ 25.0	159
2.50%	\$ 196	\$ 150.0	\$ 18.7	143
3.00%	\$ 235	\$ 176.1	\$ 13.9	125
3.50%	\$ 274	\$ 202.9	\$ 10.2	110
4.00%	\$ 313	\$ 229.0	\$ 7.4	89
4.50%	\$ 352	\$ 255.2	\$ 5.2	73
5.00%	\$ 391	\$ 282.0	\$ 3.7	57

Governor Recommendations:
 2.0% SSA, extension of PTRP
 \$35 million reduction to AEAs
 \$21.9 million from Taxpayer Relief Fund to supplement General Fund Dollars

*Unless otherwise noted assumptions include:

An extension of the Property Tax Replacement Payment (PTRP) Provision
 Maintains a \$32.5 million reduction to the AEAs (Reduction generally to Special Education portion).

Does not include previous Economic Emergency Fund (EFF) appropriations to supplement General Fund dollars.

Other agreed upon assumptions by IASB, DOM, LSA and DE.

Source: DOM, IASB school aid model, IASB analysis and calculations

To see the impact of the SSA state percent of growth rate on your district’s regular program funding, click on the [SSA/New Money Calculator](#).

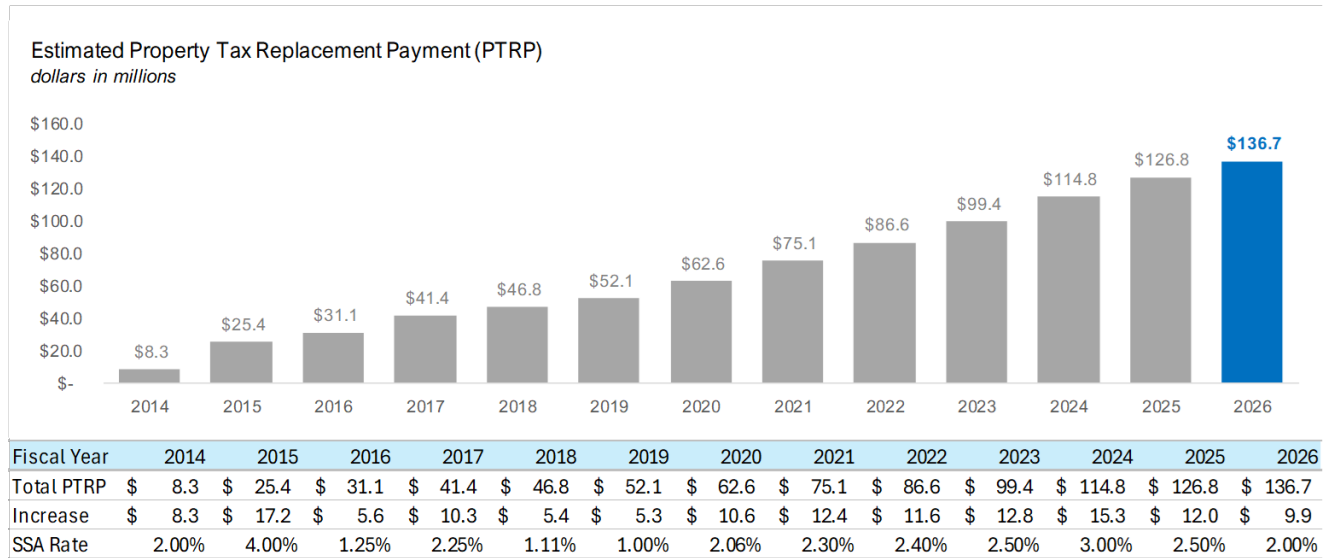
Transportation Equity Program. The Transportation Equity funding will increase by the same SSA rate of growth for a total funding amount of \$31.7 million. The Program was created to provide additional funding to school districts for public school transportation costs that exceed a statewide adjusted average cost per student. Estimates for individual districts will be available with the release of the FY 2024 transportation expenditure data.

Property Tax Relief Programs

Property Tax Replacement Payment (PTRP) Amounts. This provision was created in FY 2014 and provides that the entire increase in the per pupil amounts resulting from the SSA state percent of growth rate be paid from state aid and eliminates the property tax portion of the increase. In FY 2025, the total per pupil property tax relief amount was \$223, and all school districts received property tax relief through this provision totaling \$126.8 million.

The governor has recommended extending this provision through FY 2026. Based on that, the total cost of the PTRP will be \$136.7 million (\$241 per pupil) or an increase of \$9.9 million. It should be noted that although this is an increased expenditure to the state general fund, this, along with other property tax

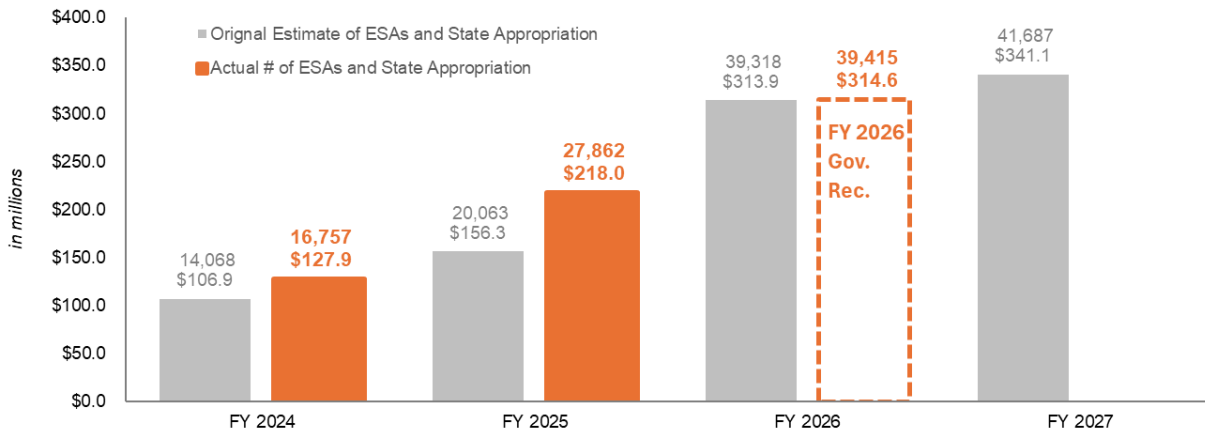
relief programs, does not provide any additional funding for school districts. The following table provides information on the PTRP amounts since its original inception. This provision impacts all districts.



The Foundation Base Supplement. This property tax relief provision will increase to \$18 per pupil, for an estimated total of \$10.2 million in additional property tax reduction statewide. This provision impacts all districts.

Property Tax Adjustment Aid. This 1992 property tax relief provision has a gradual phaseout with an undetermined completion date and is reduced annually based on an eligible school district’s growth in taxable valuation. In FY 2026, the property tax adjustment aid is estimated to reduce the additional levy for 277 school districts by \$6.2 million.

Adjusted Additional Property Tax Levy Aid. The property tax adjustment aid reduces the property tax burdens in districts with the highest adjusted additional levy rates. The property tax relief is funded by a standing appropriation of \$24.0 million from the general fund and funds deposited into the PTER Fund from sales tax revenue, totaling \$55.6 million for the budget year FY 2026. An estimated 115 districts will be impacted.



In FY 2025, the standing appropriation for Education Savings Accounts (ESAs) will increase from \$96.6 million to \$218.0 million representing an estimated 27,862 ESAs for the current school year (2024-2025). Actual ESA numbers will be published by the Department of Education and standing appropriation amounts for FY 2025 are subject to change at any time prior to the close of the fiscal year.

In FY 2026 the governor is recommending this appropriation be increased to \$314.6 million, representing an estimated 39,415 ESAs for the 2025-2026 school year. It should be noted that FY 2026 is only an estimate. Actual ESAs will be reported by the Department of Education after the upcoming October 2025 count date.

Questions? If you have questions or comments regarding this information, Contact Jan Miller-Hook at jmiller-hook@ia-sb.org or (515) 247-7031 or Mike Guanci at mguanci@ia-sb.org or (515) 247-7054.