

School Finance Overview

Facility Planning Finance Subcommittee

January 8, 2024



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SCHOOL FINANCE OVERVIEW

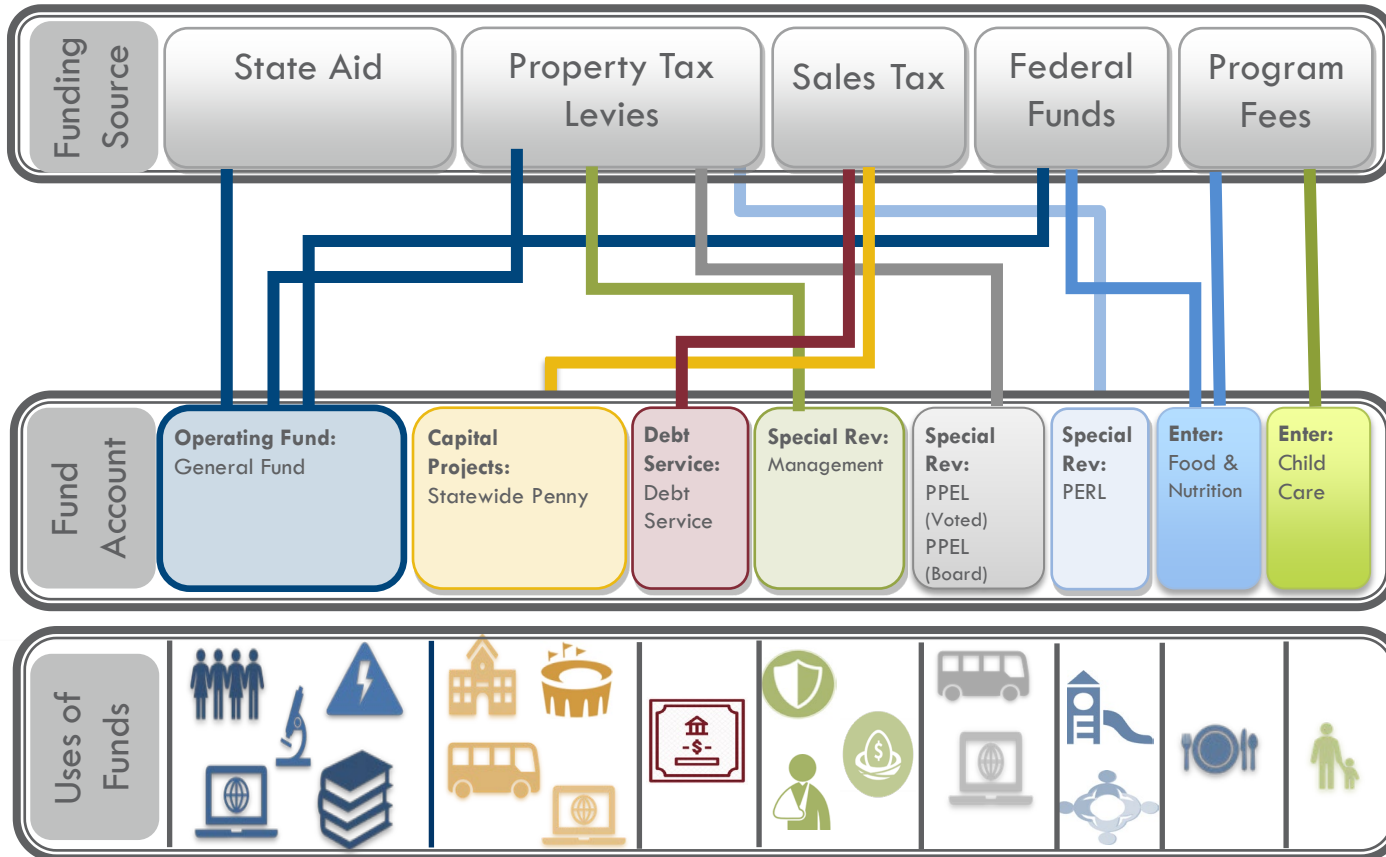
It's Complicated



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How complicated is it?



Can a School District Spend its Money on Whatever it Needs / Wants?

No! School districts have restricted funding.

How does restricted funding impact schools?

- Restricted funds can only be spent on “allowable” expenses, even if those expenses are not the highest priority

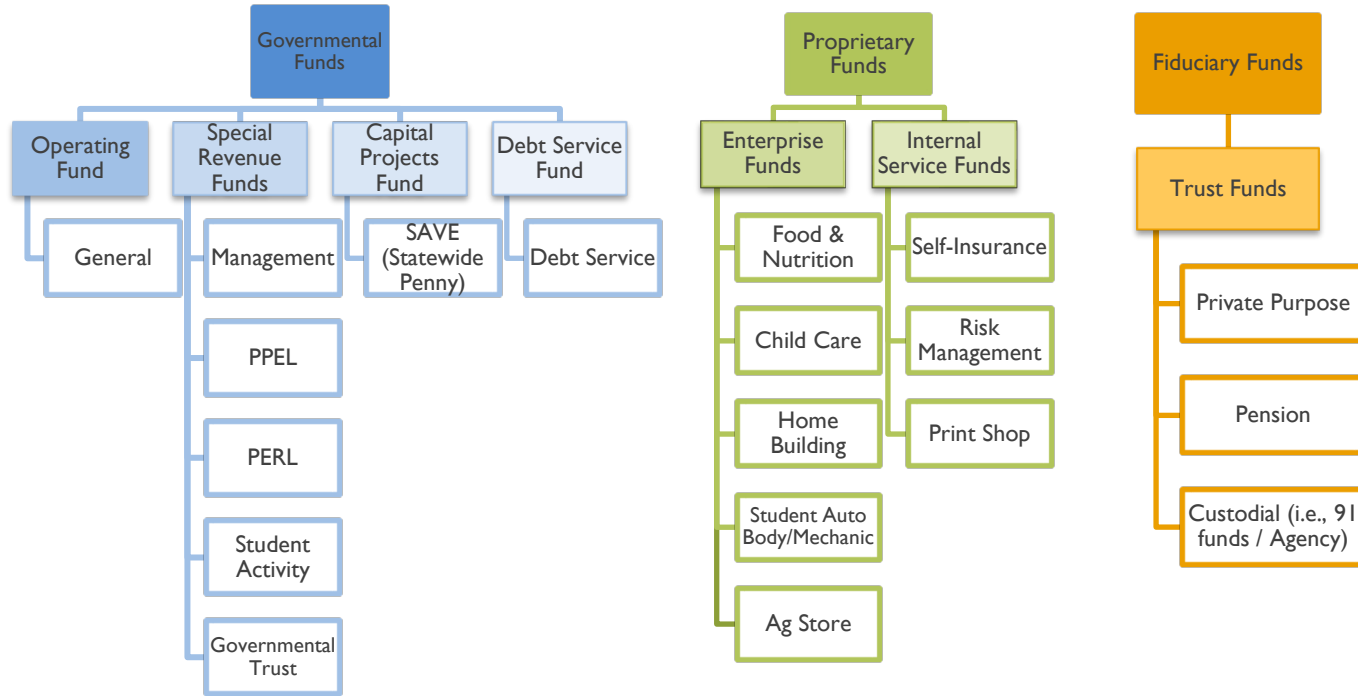
What defines an “allowable” expense?

- State & Federal law dictate “allowable” expenses, even for General Fund dollars
- Administrative Rules can further clarify/restrict State law

What if you have a deficit in one fund and a surplus in another fund?

- May not be able move money from one fund to another
 - Example 1: Cannot move Food & Nutrition excess to General Fund
 - Example 2: Cannot move money from other funds to cover a negative Student Activity fund
- If allowed to move funds, requires prior Board approval

How does DMPS account for its money?

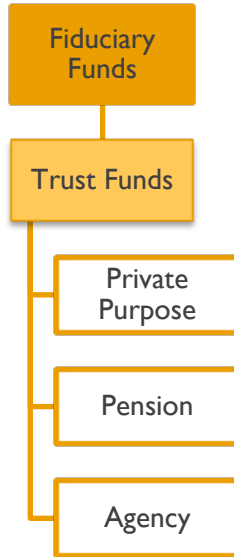


Fiduciary Funds

Fiduciary Funds account for resources held for others by DMPS as an agent or trustee.

Fund Type	Description	DMPS Fund Account(s)
Trust	Fiduciary funds provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.	Private Purpose Trust Funds Pension Trust Agency Funds

Uses of Funds: Fiduciary Funds - Trusts



Trust Funds

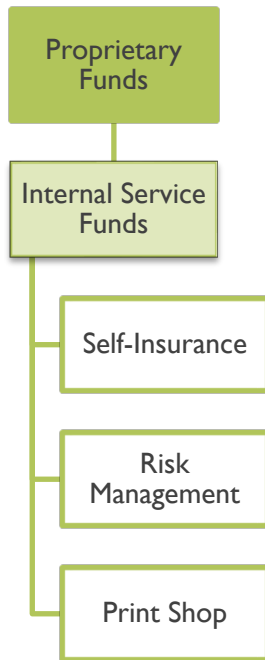
- Stated purpose of the trust

Proprietary Funds

Proprietary Funds account for business-type activities.		
Fund Type	Description	DMPS Fund Account(s)
Enterprise	Operations financed and operated in a manner similar to private business or where the district has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.	Food & Nutrition Childcare Home Building Student Auto Body Ag Store
Internal Service	Used to account for goods or services provided by one department to other departments of the district on a cost reimbursement basis.	Self-Insurance Risk Management Print Shop

Uses of Funds:

Proprietary Funds – Internal Service



Self-Insurance

- Health insurance premiums / claims for employees

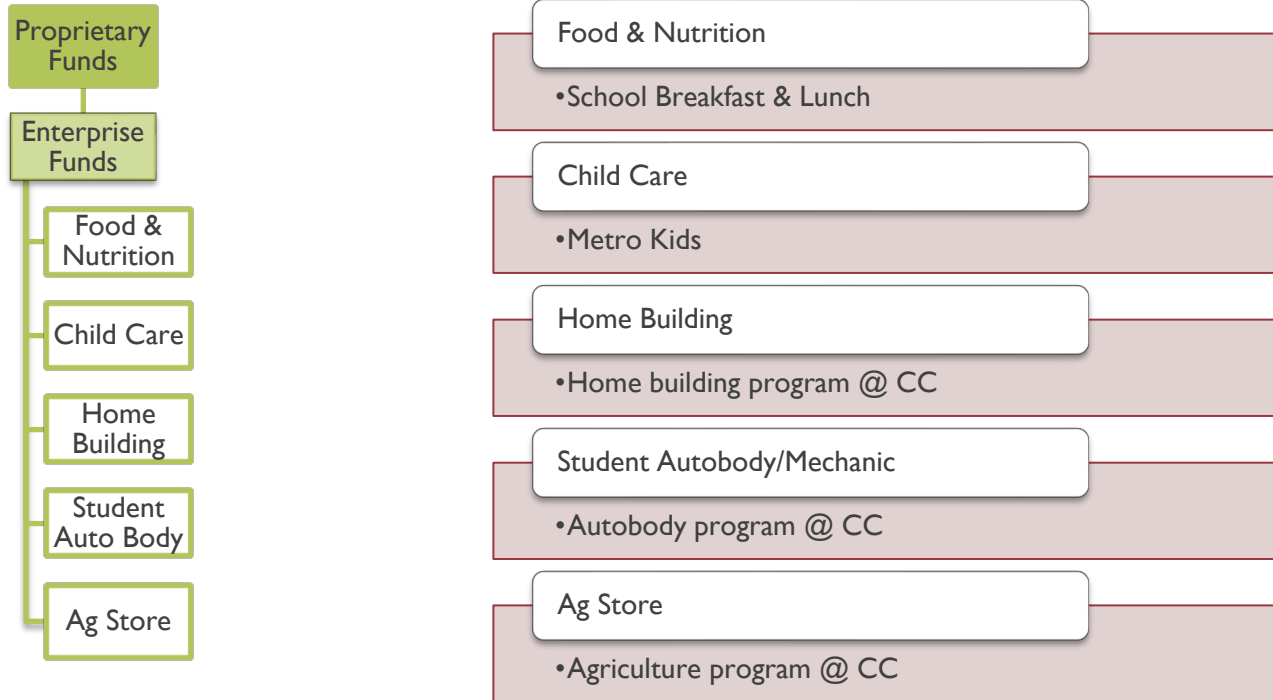
Risk Management

- Property & Casualty Insurance
- Early Retirement
- Workers Compensation
- Break/Fix

Print Shop

- Printing

Uses of Funds: Proprietary Funds – Enterprise Funds

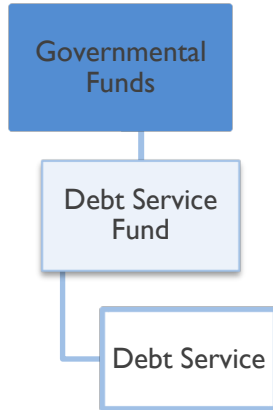


Governmental Funds

Governmental Funds account for operating and special revenue activities.

Fund Type	Description	DMPS Fund Account(s)
Operating	The primary operating fund which accounts for all financial resources except those that are accounted for in another fund. Expenditures are classified by function such as instruction, support services, and plant operations.	General Fund
Special Revenue	Accounts for proceeds of specific revenue sources, other than major capital or debt projects, in which expenditures are restricted for a specific purpose.	Management PPEL PERL Student Activity Governmental Trusts
Capital Projects	Tracks financial transactions used for the acquisition, construction, or renovation of school sites, buildings, and other major capital improvements.	SAVE (Statewide Penny)
Debt Service	Accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.	Debt Service

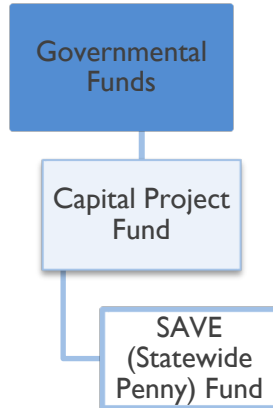
Uses of Funds: Governmental Funds – Debt Service



Debt Service

- SAVE (Statewide Penny) Revenue Bonds
- GO bonding

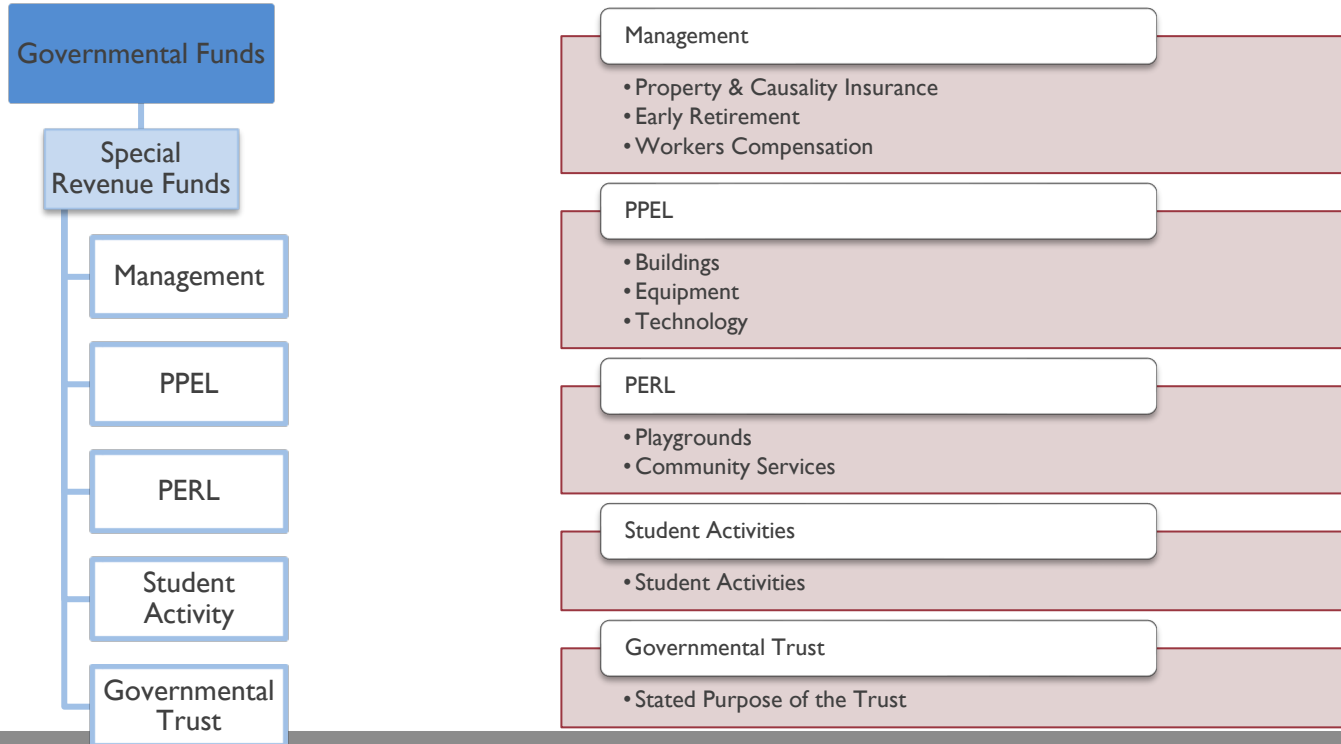
Uses of Funds: Governmental Funds – Debt



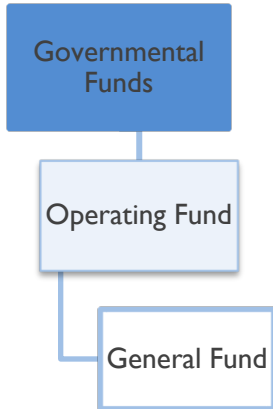
SAVE (Statewide Penny)

- Buildings
- Equipment
- Technology

Uses of Funds: Proprietary Funds – Enterprise Funds



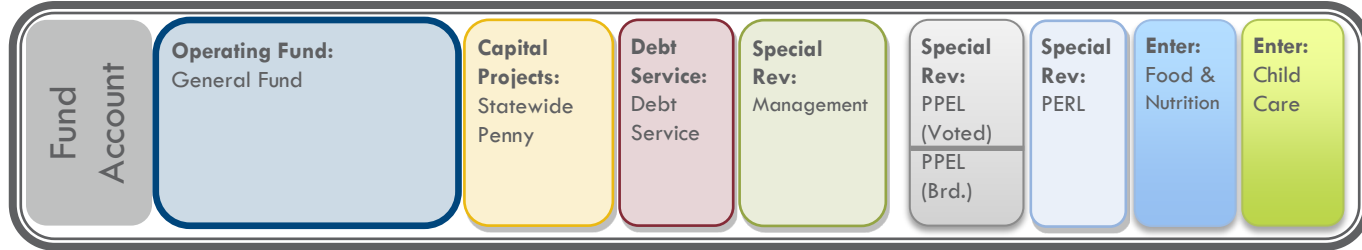
Uses of Funds: Governmental Funds – General



General Fund

- Everything else that doesn't fit into one of the other categories
 - Staff
 - Utilities
 - Technology
 - Curriculum Materials
 - Books

Putting it All Together: Fund Accounts



REVENUES & EXPENDITURES

Where the District's Revenues Come From and Where it is Spent



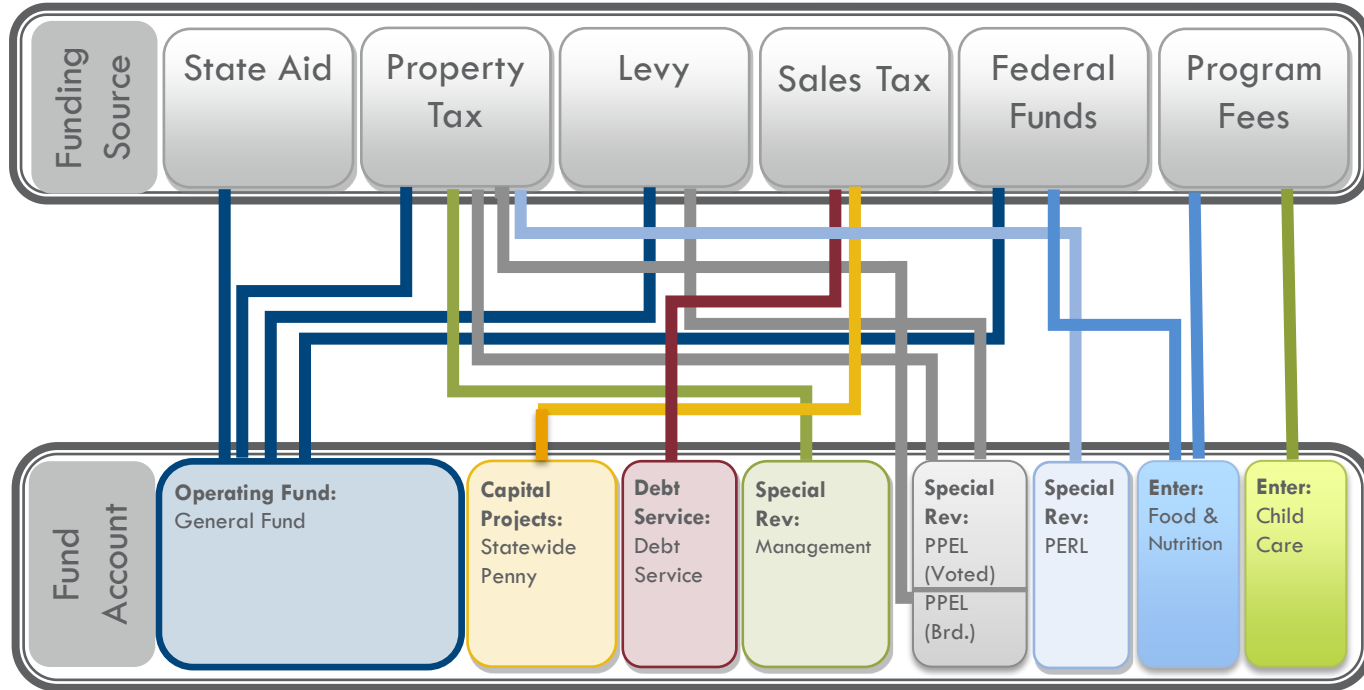
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Where does the District get Revenue?

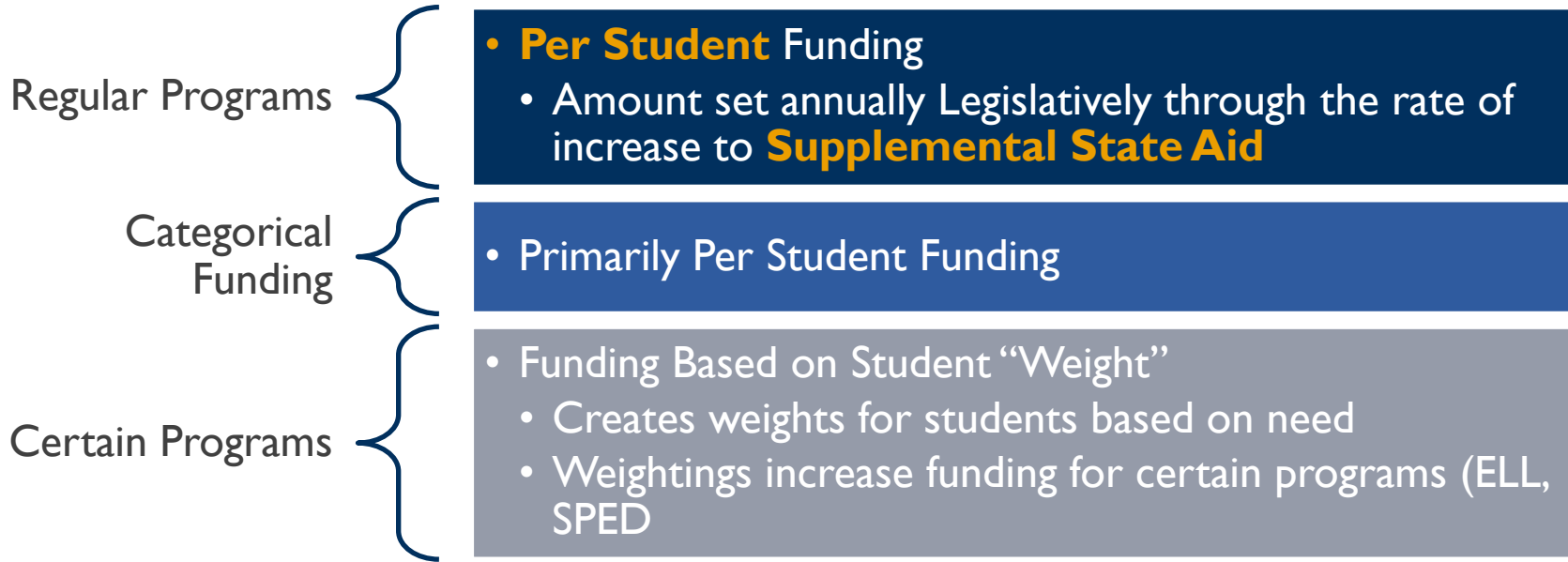
- State Aid
- Local Funds, including Property Tax Levies
- Sales Taxes
- Federal Funds
- Program Fees

Putting it All Together: Revenue & Fund Accounts



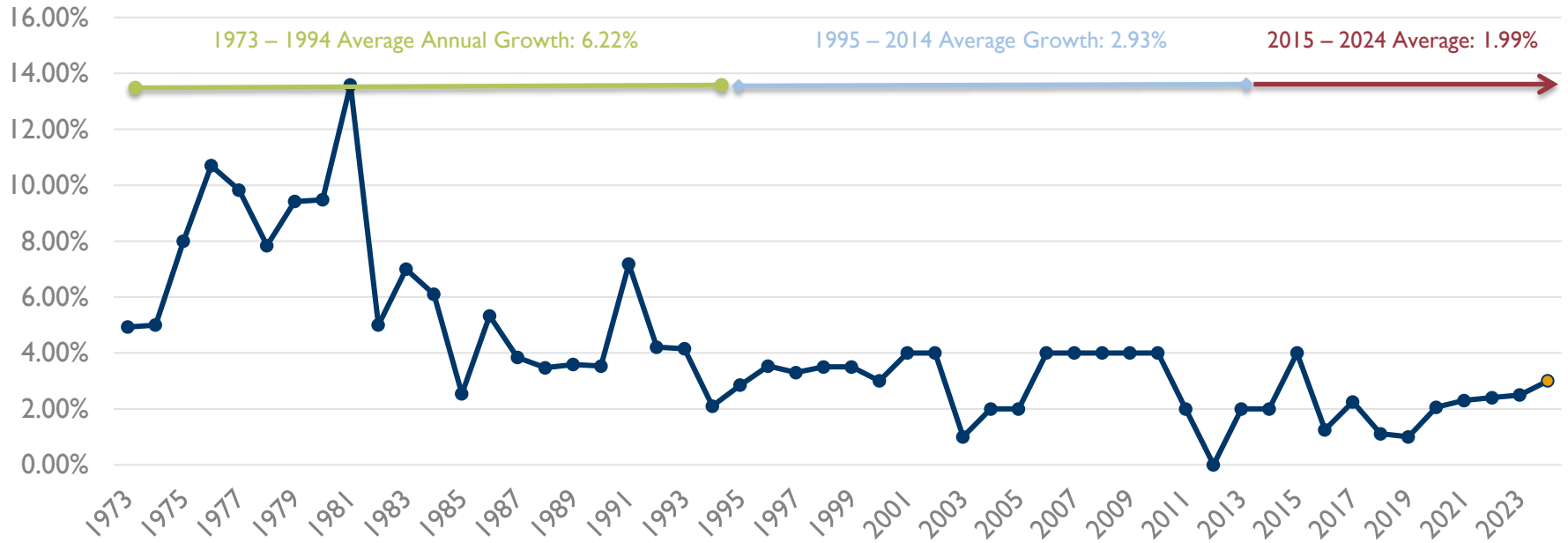
How is State Funding Determined?

Iowa utilizes a Student-Driven Funding Formula



At what Rate has the Legislature Set Supplemental State Aid?

ANNUAL PERCENT GROWTH IN SSA



What is the District's Enrollment Trend?

School Year	Certified Enrollment
2018-19	269 fewer students
2019-20	182 fewer students
2020-21	985 fewer students
2021-22	598 fewer students
2022-23	250 fewer students
2023-24	5 fewer students
Cumulative	2,287 fewer students

2,000 Students is the Equivalent of:

one large high school



OR

three middle schools



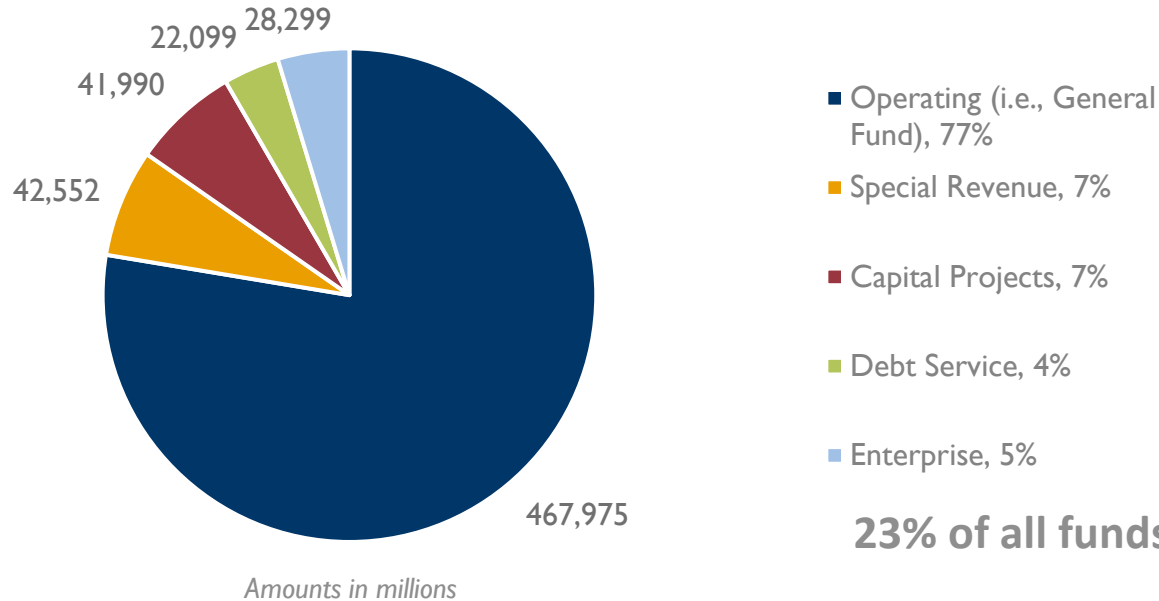
OR

six elementary schools



How much does each fund have in annual revenue?

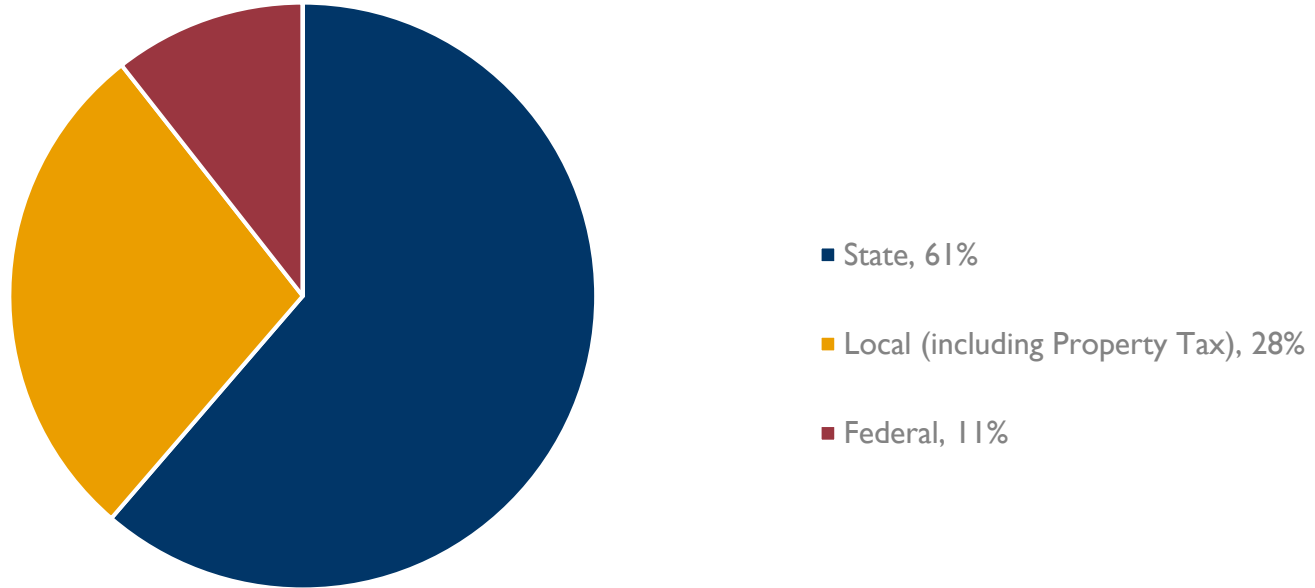
ALL FUNDS BY FUND TYPE (FY 2024)



23% of all funds are Restricted

What are the Sources of General Fund Revenue?

GENERAL FUND REVENUE SOURCES (FY 2024)



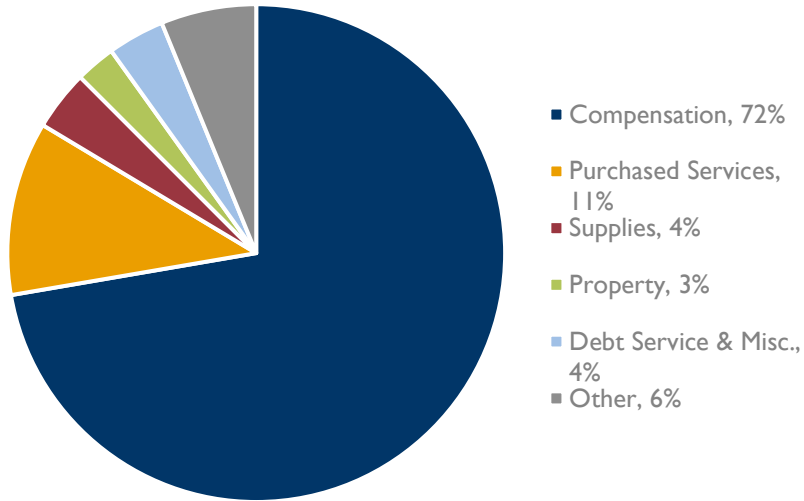
Why Highlight on the General Fund?

- Largest source of Revenue & Expenditures are accounted for in GF
- Pays for Educational Programs
- Biggest Risk
- Spending Authority Restrictions

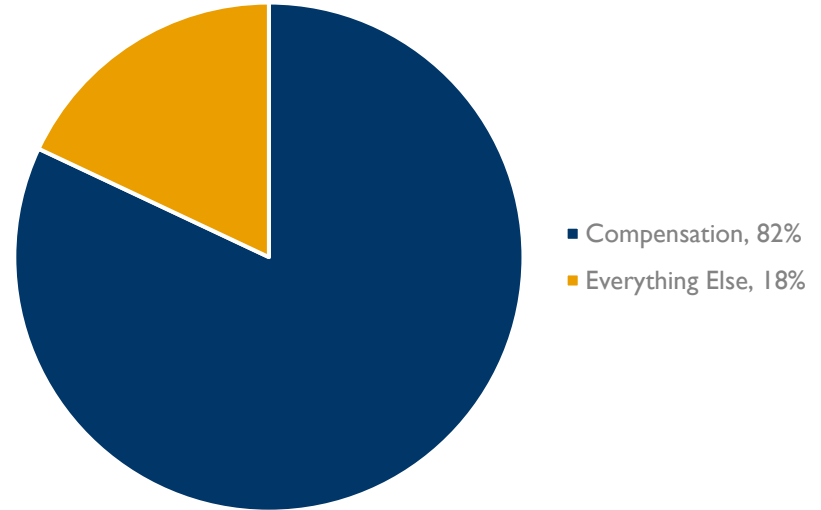
Fund	% of Annual Revenue	% of Annual Expenses
General Fund	77%	79%
Special Revenue	7%	6%
Capital Project	7%	6%
Debt Service	4%	4%
Enterprise Funds	5%	5%

Where do we spend our budget?

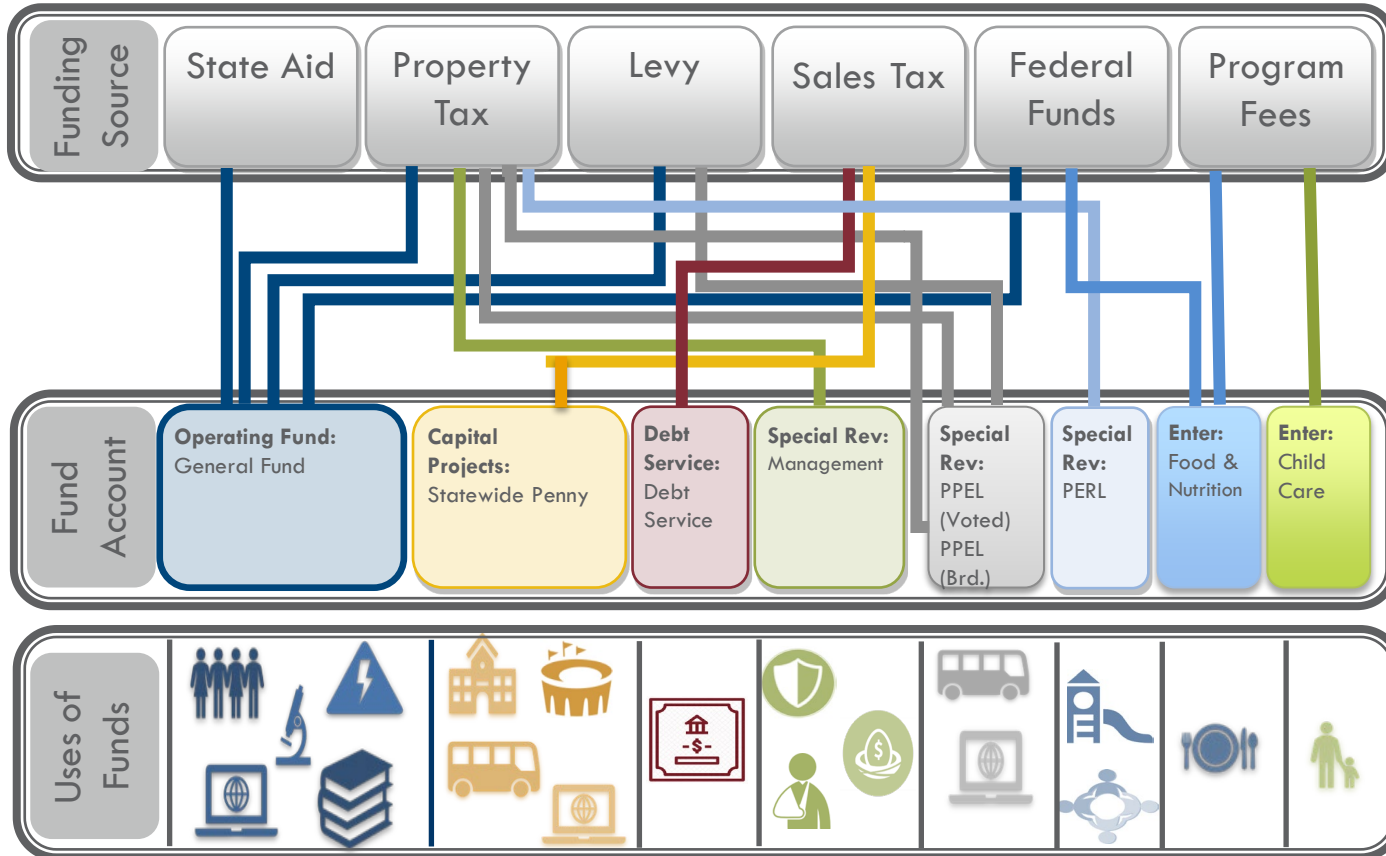
ALL FUNDS



GENERAL FUND



Putting it All Together: Revenue & Fund Accounts



TAXES & LEVIES

Spending Authority & Solvency



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Basic Types of Levies for Iowa Schools

- General Fund Levies
- Management Levy
- PPEL Levies
- PERL Levies
- Debt Service Levy
- (Statewide Penny Sales Tax)

Property Tax Rate Components

- General Fund
 - Regular Program
 - Uniform
 - Additional
 - Dropout Prevention Levy
 - Cash Reserve Levy
 - Instructional Support Levy
- Management Levy
- PPEL Levy
 - Regular
 - Voted
- PERL Levy
- Debt Service

General Fund Levies

- Subtotal General Fund
 - Regular
 - Uniform
 - Additional
 - Cash Reserve
 - Dropout Prevention
- Instructional Support

General Fund: Regular

- Two Components:
 - Uniform Levy
 - Uniform across the state
 - Additional Levy
 - Determined by the amount of money needed to fund the Property Tax Portion of the State Cost Per Pupil
 - Amount varies from district-to-district

General Fund: Cash Reserve

- Two Types:
 - SBRC: used to *fund* the spending authority granted by the SBRC, primarily for SPED deficits, open enrollment out Other: cash flow (DMPS does not utilize)
- Does NOT create additional spending authority

General Fund: Dropout Prevention

- Used for services for dropouts of those at-risk of dropping out
- Increases spending authority

General Fund: Instructional Support

- May be expended for any purpose allowed from the General Fund
- Increases spending authority
- Two methods for approval
 - Voter-approved (10 years)
 - Board-approved (5 years)
 - DMPS has done both, currently under Board action

PPEL

- Used for buildings, busses, equipment, and technology
- CANNOT be used on staff
- Two types:
 - Voter-approved
 - Board approved
 - DMPS has both

PERL

- Funds for public playgrounds and recreation facilities and community education
- Once voted, continues until voted to rescind


Management

- Funds certain (restricted) costs in the district:
 - Property insurance, liability insurance, and workers' compensation
 - Technology break/fix policy
 - Early retirement benefits
 - Judgments against the district
- While there is no rate limit, it is purpose-limited
- Rate is set by Board

Debt Service

- Used to finance buildings/grounds only
- Until the 1-cent sales tax, it was the primary way to fund school construction; think “bond issue”

Capital Projects: SAVE



1990s


Counties started voting to enact 1 cent local option sales taxes for school infrastructure

- Polk County 5% sales tax → 6% sales tax



2004

All 99 counties had passed a 1 cent sales tax



2008

Local options were eliminated with legislative enactment 1% increase statewide sales tax “Statewide Penny for School Infrastructure” (Statewide Penny) with a 2029 sunset



2019

Law was Extended as “Secure an Advanced Vision for Education” (SAVE) through 2051

SPENDING AUTHORITY



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What is Spending Authority?

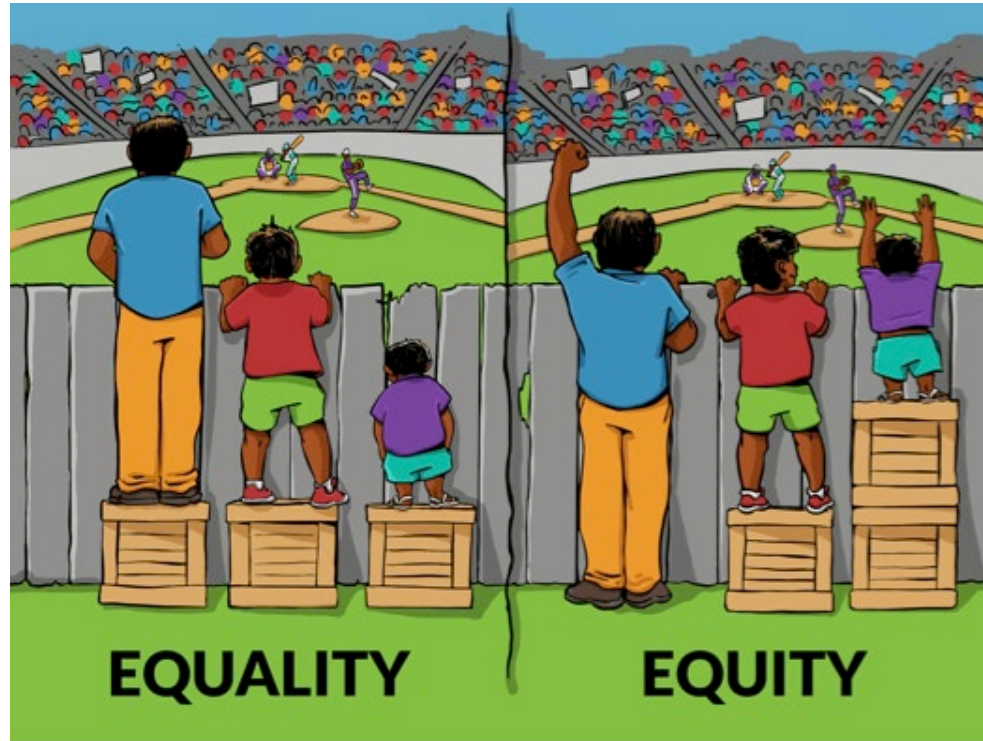
State controls maximum amount each district can spend.

- It is illegal for a school district to exceed its total Spending Authority
- Why? Equal between districts. Every child in Iowa should receive same amount of funding, no matter where they live

Spending Authority is directly tied to student enrollment.

- Cost Per Pupil: Fixed dollar amount set by the State that will be funded (through both State and local sources) for every student

Equal versus Equitable



It Only Applies to the General Fund?

District must account for two things in the General Fund

- Fund Balance (cash)
- Spending Authority (state limit on spending)

Limit on spending is the amount of Spending Authority a district has.

- Amount of cash or fund balance not considered

Spending Authority restriction only applies to the General Fund

- For all other funds, if you have the cash, you can spend it

Total Spending Authority in a Year

Calculating Spending Authority - Simplified

	Current Year Spending Authority
+	Previous Year Surplus Spending Authority
=	Total Spending Authority

Calculating Spending Authority

$$\begin{aligned} & \text{Previous Year Student Enrollment} \\ \times & \text{ Current Year District Cost Per Pupil} \\ \hline = & \text{ Current Year Regular Program District CPP} \\ + & \text{ Adjustments } (including \textit{weighting, teacher salary supplement, professional development...}) \\ + & \text{ Preschool Foundation Aid} \\ + & \text{ Instructional Support Authority} \\ + & \text{ Other Miscellaneous Income} \\ = & \text{ Current Year Spending Authority} \\ \hline + & \text{ Previous Year Unspent Spending Authority} \\ & (Example: FY21 Total Spending Authority - FY21 Expenses = FY21 Unspent Spending Authority) \\ \hline = & \text{ TOTAL SPENDING AUTHORITY} \end{aligned}$$

Generating Spending Authority

Basic Formula

	Number of Students
x	Cost per Pupil
=	Total current year Spending Authority

Important Notes:

- Student count is a year behind
 - Always use prior year count
 - Thus, the October count for this year is the used for next year's budget
- Cost per child is set by the Iowa Legislature by setting State Supplementary Assistance Rate
- Spending Authority is then funded by a combination of: **Property Taxes** and **State Aid**

General Fund Levies that Increase Spending Authority

Regular General Fund Levy

- Automatic; tied to cost per pupil

Instructional Support Levy (ISL)

- How much do we want to increase?
- How do we fund it?
 - Voter approval – up to 10 years
 - Board approval – up to 5 years

Dropout Prevention

- Maximum between 2.5% - 5% of Regular Program District Cost
- Used for services to dropouts or those at-risk of dropping out
- Effectively funded by all property tax

QUESTIONS



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