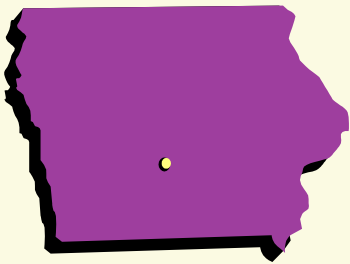


School Funding - Budget Guarantee Changes and Property Tax Implications



Budget Guarantee Program

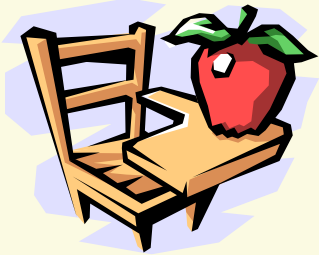
Iowa Code 257.14

- ✓ Part of the School Foundation Formula
- ✓ Law changed program effective in FY 2005 (2004-05 school year)
- ✓ Two types of budget adjustments
- ✓ Funded through local property tax



Budget Guarantee Program

School Foundation Formula

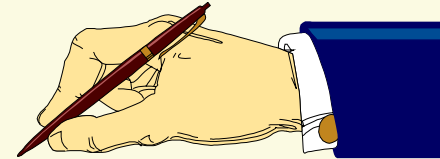


- ✓ Regular Program
- ✓ Pupils X Cost Per Pupil
- ✓ 100% Budget Guarantee
“guaranteed” district’s previous
year’s regular program
- ✓ “Cushion” for districts with
declining enrollments

Budget Guarantee Program

Law Change

- ✓ Two types
- ✓ 101%
- ✓ “Scale-Down” - will phase out by 2014
- ✓ Part of the “School Reorganization Incentives Act” (SF 203) passed during the 2001 Legislative Session



Budget Guarantee Program



“Scale-Down”

- ✓ Districts receiving 90% Budget Adjustment in FY 2005 may be eligible to receive through 2014
- ✓ Districts that didn't receive 90% Budget Adjustment in FY 2005 won't be eligible for “Scale-Down” but can still receive 101% budget adjustment

Budget Guarantee Program

Factors and Funding

Budget Guarantee Totals - Dollars in Millions

| Fiscal Year | Local Property Tax | State Aid | Budget Guarantee Total | Number of Districts | Allowable Growth Rate | Budget Enrollment Change |
|--------------------|---------------------------|------------------|-------------------------------|----------------------------|------------------------------|---------------------------------|
| FY 1996 | \$ 1.9 | \$ 0.9 | \$ 2.8 | 68 | 3.50% | 0.72% |
| FY 1997 | 2.2 | 0.0 | 2.2 | 54 | 3.30% | 0.78% |
| FY 1998 | 2.4 | 0.0 | 2.4 | 60 | 3.50% | 0.20% |
| FY 1999 | 3.2 | 0.0 | 3.2 | 63 | 3.50% | -0.08% |
| FY 2000 | 0.0 | 6.2 | 6.2 | 105 | 3.50% | -0.51% |
| FY 2001 | 6.6 | 0.0 | 6.6 | 106 | 4.00% | -0.78% |
| FY 2002 | 7.7 | 0.0 | 7.7 | 115 | 4.00% | -0.87% |
| FY 2003 * | 27.8 | 0.0 | 27.8 | 245 | 1.00% | -0.96% |
| FY 2004 | 27.5 | 0.0 | 27.5 | 231 | 2.00% | -0.51% |

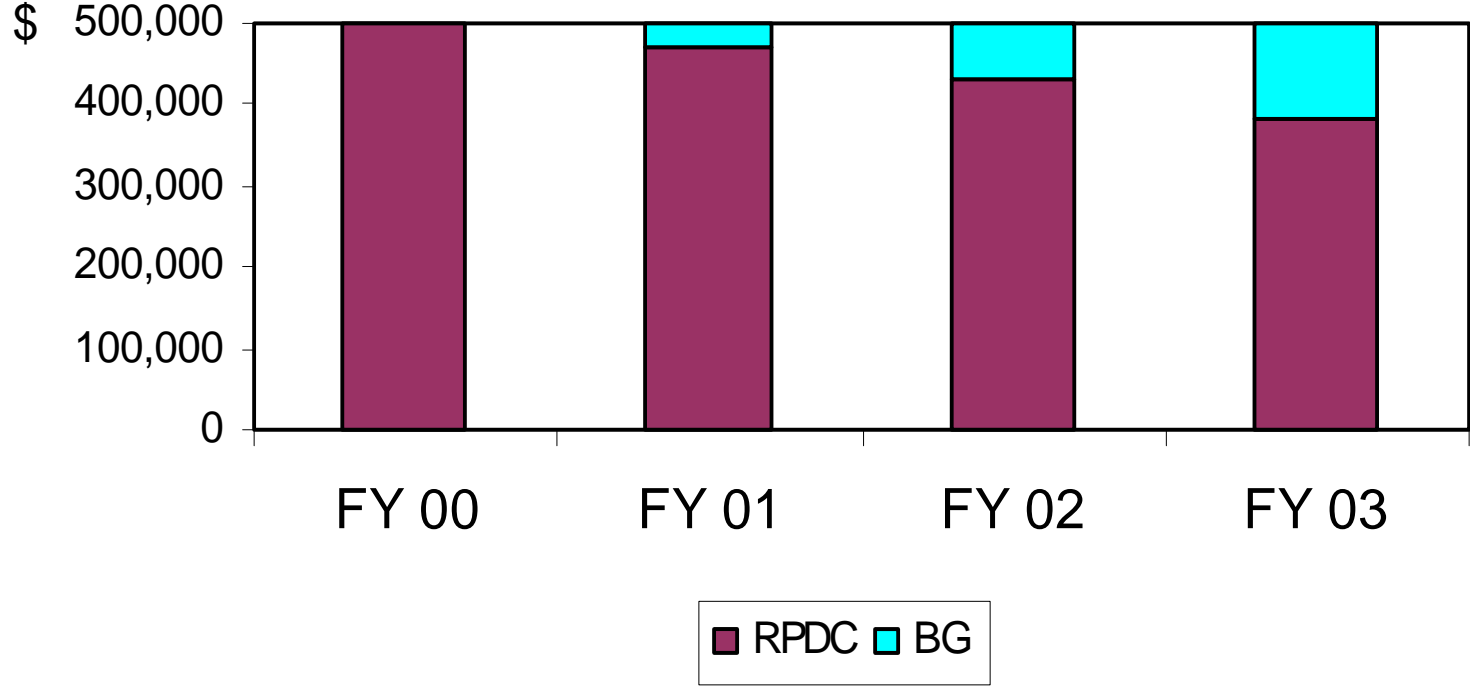
* Legislation enacted that provides school districts with a 100% budget guarantee for FY 2003 and FY 2004 and then a "phase-out" starting in FY 2005. However, districts could still qualify for a 101.0% budget adjustment in future years. Requires that any budget guarantee or budget adjustment be funded through property tax.

Key Factors - Budget Guarantee

- ✓ Allowable Growth Rate
- ✓ Enrollment Change
- ✓ Budget Guarantee from Prior Year(s)



Budget Guarantee - Example of a Declining Enrollment District

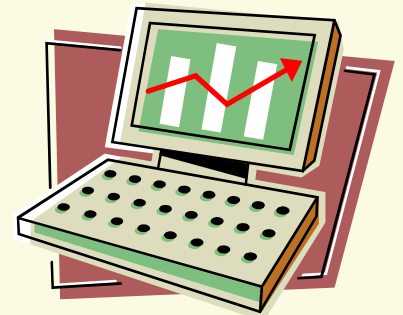


101% Budget Adjustment (B.A.)

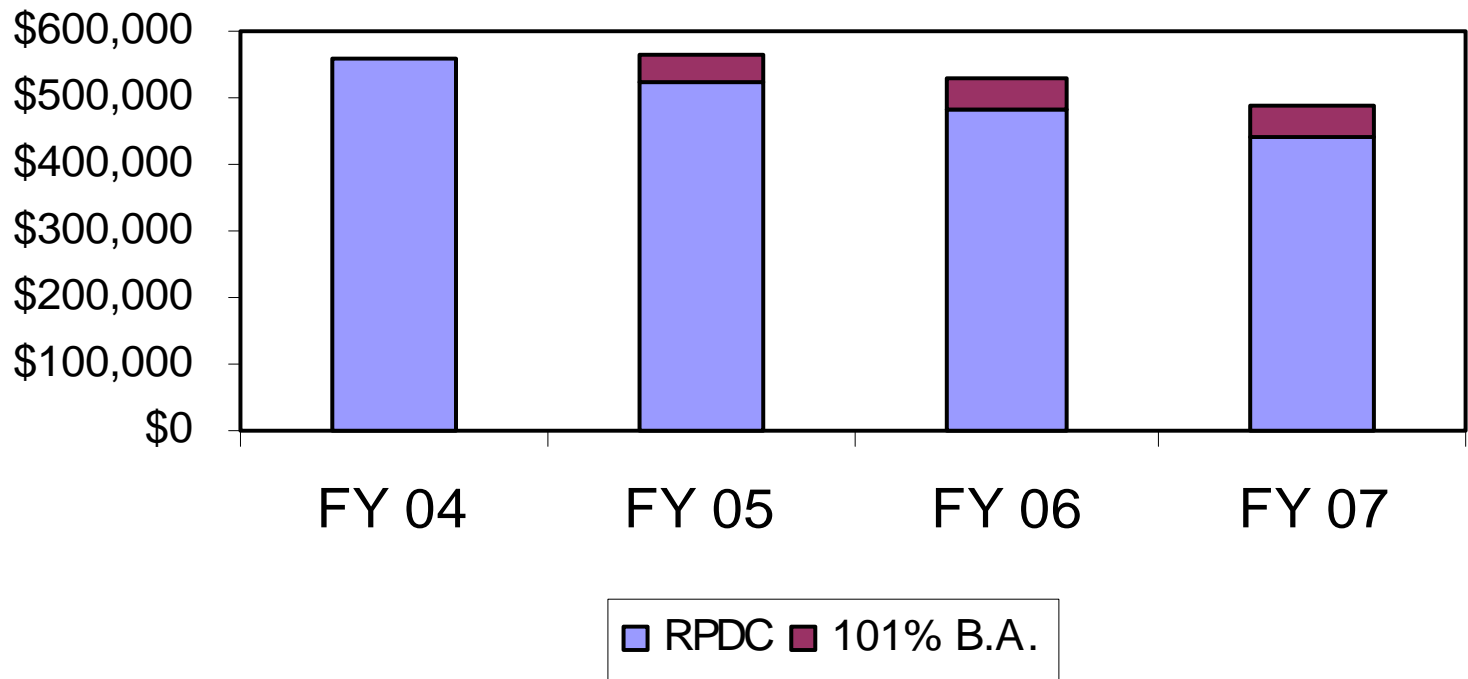
FY05 Example:

$$\text{B.A.} = (101\% \times \text{FY04 RPDC}) - (\text{FY05 RPDC})$$

This B.A. is based on previous year's RPDC without any adjustment.



101% Budget Adjustment Example



Scale Down Budget Adjustment

FY05 Example:

B.A.= 90% X (FY04 TRPDC - FY05 RPDC)

FY06 Example:

B.A.= 80% X (FY04 TRPDC - FY06 RPDC)

Scale Down Budget Adjustment

FY04:

RPDC=\$450,000

B.G.=\$50,000

TRPDC=\$500,000

FY05:

RPDC=\$450,000

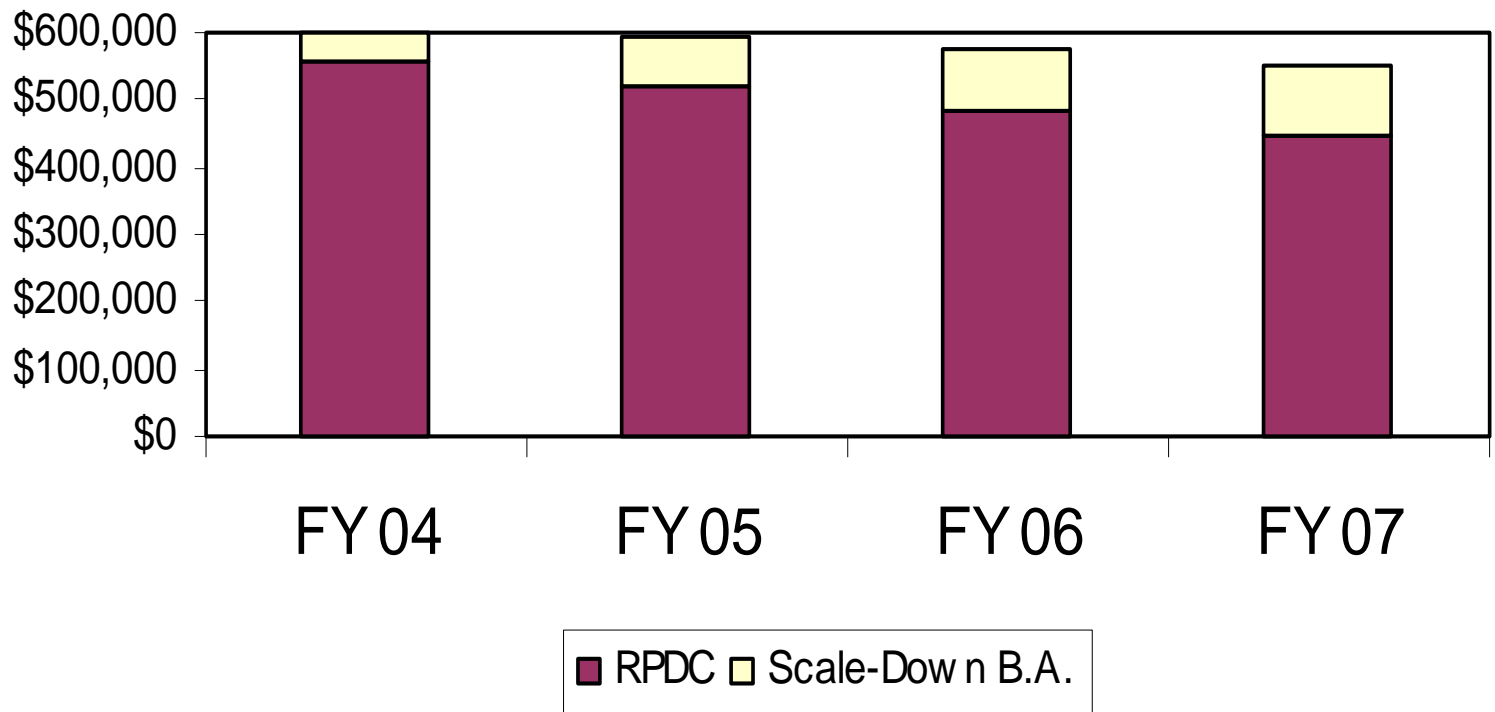
100% B.G.=\$50,000*

90% S.D.=\$45,000

TRPDC=\$495,000

*Not current law in FY05

Scale Down Budget Adjustment Example



Budget Guarantee Changes - What are the Property Tax Implications?



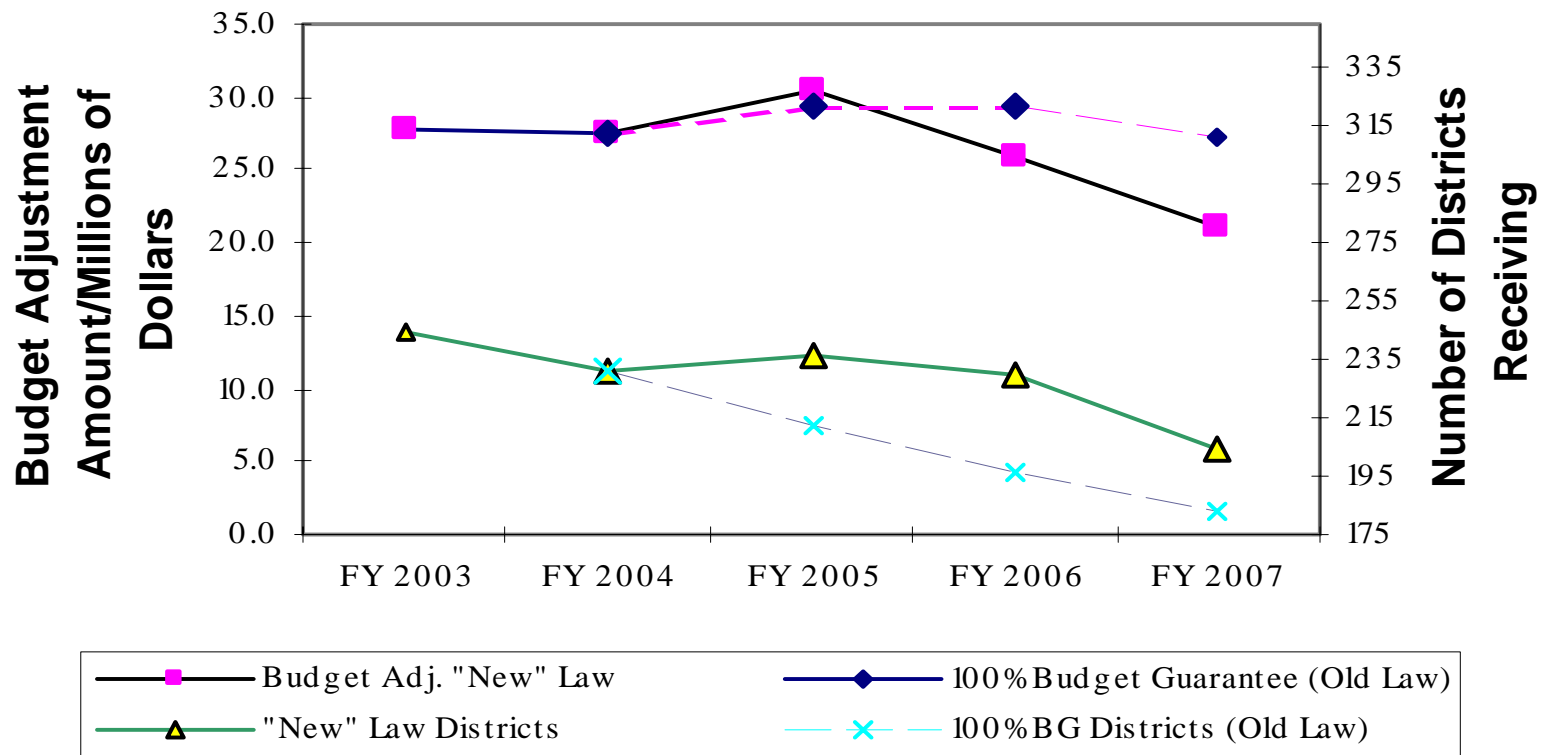
“New Budget Guarantee”

- ✓ Starts in FY 2005
- ✓ Appears to increase the number of districts receiving
- ✓ However, also appears to reduce the cost of the program
- ✓ Less funding to schools that have been on 100% Budget Guarantee for consecutive years



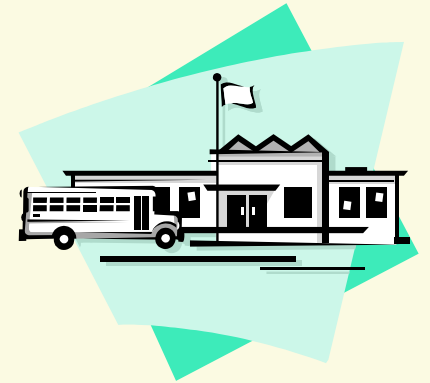
“New Budget Guarantee” vs. 100% Budget Guarantee

Budget Guarantee Comparison - New Law vs. 100% Budget Guarantee (Old Law)



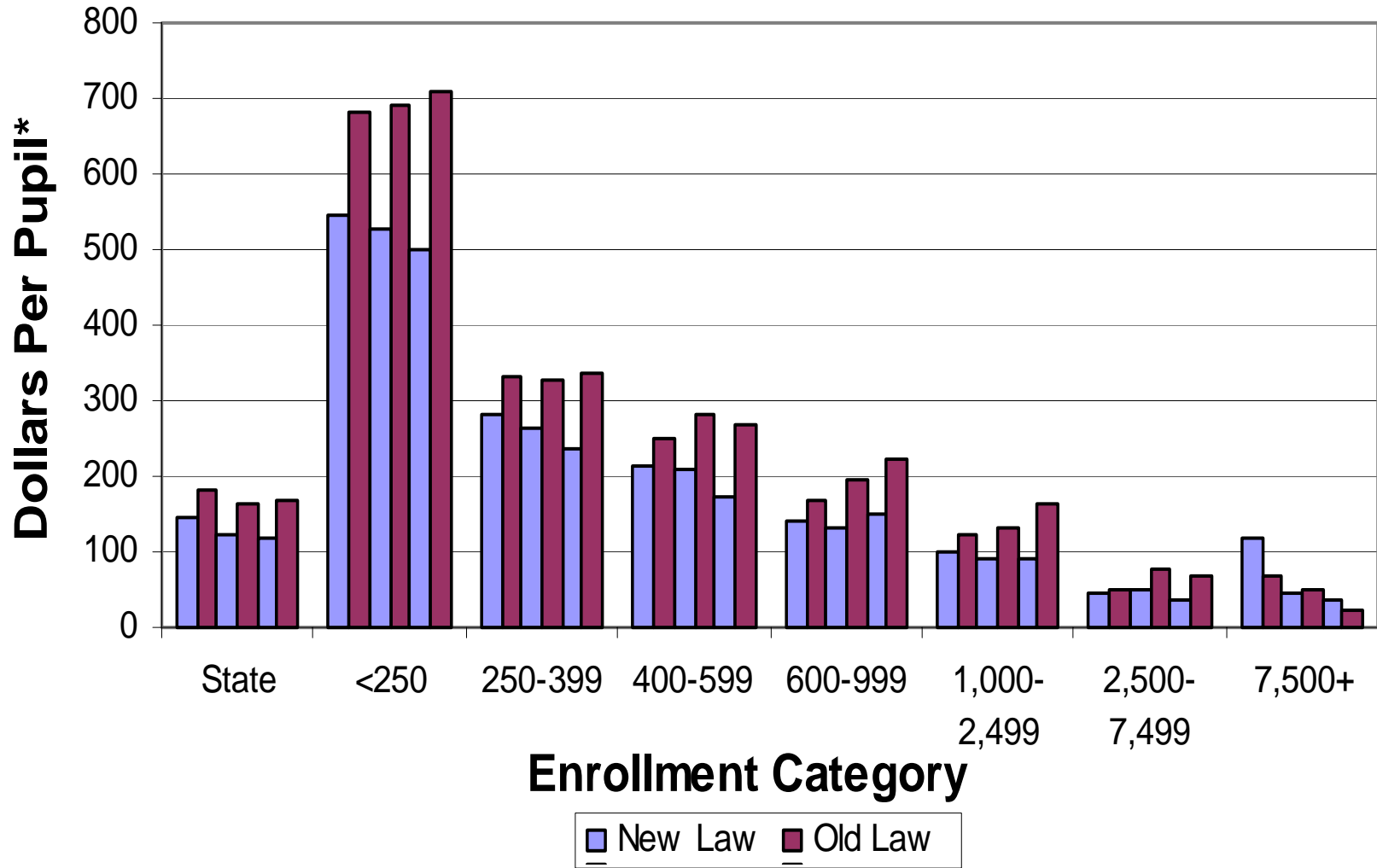
“New Budget Guarantee” - Who’s Impacted?

- ✓ All school districts may be impacted
- ✓ Estimates show that the amount of budget adjustment per pupil in districts receiving the budget adjustment will be lower under the “new budget guarantee”



NOTE: Estimates are based on assumptions that may change and will impact budget adjustment totals

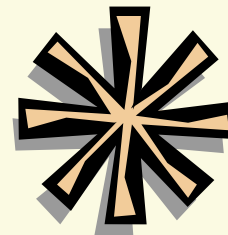
Budget Adjustment Per Pupil Comparison FY05-FY07



*Dollars per pupil represent per pupil amounts for districts receiving the budget guarantee.

Budget Guarantee Program - Things to Keep in Mind

- ✓ Budget Guarantee is a relatively small portion of the overall School Foundation Formula funding (1.2% in FY 2003)
- ✓ With higher allowable growth rates and increasing enrollments, the budget guarantee will go down but the “additional levy” will increase



Appendix



Budget Guarantee - 2002

| Enrollment Category | 2002 Budget Guarantee Amount | Number of Districts Receiving Budget Guarantee | Total Number of Districts within Size Category | Percent of Districts Receiving Budget Guarantee Compared to Total Districts in Size Category | 2002 Total Budget Enrollment by Size Category | Number of Pupils in Districts Receiving Budget Guarantee | Percent of Pupils in Districts Receiving the Budget Guarantee to Total Enrollment in Category | FY 2002 Dollars Received Per Pupil** |
|---------------------|------------------------------|--|--|--|---|--|---|--------------------------------------|
| <250 | \$1,236,310 | 20 | 25 | 80% | 4,708 | 3,614 | 77% | \$ 342 |
| 250-399 | \$1,838,261 | 31 | 53 | 58% | 17,559 | 10,159 | 58% | \$ 181 |
| 400-599 | \$2,215,858 | 29 | 71 | 41% | 35,935 | 14,654 | 41% | \$ 151 |
| 600-999 | \$1,355,310 | 24 | 105 | 23% | 79,875 | 17,719 | 22% | \$ 76 |
| 1,000-2,499 | \$681,073 | 10 | 84 | 12% | 127,295 | 14,582 | 11% | \$ 47 |
| 2,500-7,499 | 0 | 0 | 24 | 0% | 96,410 | 0 | 0% | \$ 0 |
| 7,500+ | \$400,602 | 1 | 9 | 11% | 132,509 | 9,984 | 8% | \$ 40 |
| TOTAL | \$7,727,414 | 115 | 371 | 31% | 494,290 | 70,712 | 14% | \$ 109 |

**Based on enrollments of districts that received the budget guarantee.

Budget Guarantee - 2003

| Enrollment Category | 2003 Budget Guarantee Amount | Number of Districts Receiving Budget Guarantee | Total Number of Districts within Size Category | Percent of Districts Receiving Budget Guarantee Compared to Total Districts in Size Category | 2003 Total Budget Enrollment by Size Category | Number of Pupils in Districts Receiving Budget Guarantee | Percent of Pupils in Districts Receiving the Budget Guarantee to Total Enrollment in Category | FY 2003 Dollars Received Per Pupil** |
|---------------------|------------------------------|--|--|--|---|--|---|--------------------------------------|
| <250 | \$2,363,951 | 25 | 29 | 86% | 5,531 | 4,706 | 85% | \$ 502 |
| 250-399 | \$3,201,897 | 37 | 50 | 74% | 16,546 | 12,040 | 73% | \$ 266 |
| 400-599 | \$6,340,050 | 58 | 77 | 75% | 38,717 | 29,098 | 75% | \$ 218 |
| 600-999 | \$5,966,394 | 61 | 100 | 61% | 76,452 | 45,896 | 60% | \$ 130 |
| 1,000-2,499 | \$6,928,329 | 49 | 81 | 60% | 121,111 | 72,961 | 60% | \$ 95 |
| 2,500-7,499 | \$1,781,286 | 11 | 25 | 44% | 98,953 | 39,639 | 40% | \$ 45 |
| 7,500+ | \$1,245,317 | 4 | 9 | 44% | 132,213 | 59,368 | 45% | \$ 21 |
| Total | \$27,827,224 | 245 | 371 | 66% | 489,523 | 263,708 | 54% | \$ 106 |

**Based on enrollments of districts that received the budget guarantee.

Budget Guarantee - 2004

| Enrollment Category | 2004 Budget Guarantee Amount | Number of Districts Receiving Budget Guarantee | Total Number of Districts within Size Category | Percent of Districts Receiving Budget Guarantee Compared to Total Districts in Size Category | 2004 Total Budget Enrollment by Size Category | Number of Pupils in Districts Receiving Budget Guarantee | Percent of Pupils in Districts Receiving the Budget Guarantee to Total Enrollment in Category | FY 2004 Dollars Received Per Pupil** |
|---------------------|------------------------------|--|--|--|---|--|---|--------------------------------------|
| <250 | 2,924,843 | 25 | 31 | 81% | 5,953 | 4,649 | 78% | \$ 629 |
| 250-399 | 4,642,157 | 48 | 52 | 92% | 17,010 | 15,573 | 92% | \$ 298 |
| 400-599 | 6,385,683 | 56 | 78 | 72% | 39,563 | 28,038 | 71% | \$ 228 |
| 600-999 | 7,284,529 | 57 | 98 | 58% | 75,279 | 43,324 | 58% | \$ 168 |
| 1,000-2,499 | 5,226,205 | 38 | 79 | 48% | 120,073 | 54,162 | 45% | \$ 96 |
| 2,500-7,499 | 1,008,994 | 7 | 24 | 29% | 96,830 | 28,618 | 30% | \$ 35 |
| 7,500+ | 0 | 0 | 9 | 0% | 132,314 | 0 | 0% | \$ 0 |
| Total | \$27,472,411 | 231 | 371 | 62% | 487,021 | 174,363 | 36% | \$ 158 |

**Based on enrollments of districts that received the budget guarantee.

“New” Budget Guarantee - 2005

| Enrollment Category | 2005 Budget Guarantee Amount* | Number of Districts Receiving Budget Guarantee | Total Number of Districts within Size Category | Percent of Districts Receiving Budget Guarantee Compared to Total Districts in Size Category | 2005 Total Budget Enrollment by Size Category | Number of Pupils in Districts Receiving Budget Guarantee | Percent of Pupils in Districts Receiving the Budget Guarantee to Total Enrollment in Category | FY 2005 Dollars Received Per Pupil** |
|---------------------|-------------------------------|--|--|--|---|--|---|--------------------------------------|
| <250 | \$2,841,848 | 28 | 31 | 90% | 5,809 | 5,195 | 89% | \$ 547 |
| 250-399 | \$4,401,996 | 48 | 54 | 89% | 17,496 | 15,549 | 89% | \$ 283 |
| 400-599 | \$6,221,258 | 58 | 78 | 74% | 39,570 | 29,043 | 73% | \$ 214 |
| 600-999 | \$6,312,655 | 58 | 97 | 60% | 74,429 | 44,198 | 59% | \$ 143 |
| 1,000-2,499 | \$5,144,735 | 35 | 78 | 45% | 118,545 | 50,379 | 42% | \$ 102 |
| 2,500-7,499 | \$1,537,650 | 8 | 24 | 33% | 97,156 | 32,625 | 34% | \$ 47 |
| 7,500+ | \$3,943,023 | 2 | 9 | 22% | 131,201 | 33,848 | 26% | \$ 116 |
| Total | \$30,403,165 | 237 | 371 | 64% | 484,206 | 210,836 | 44% | \$ 144 |

*Enrollments and budget guarantee amounts for FY 2005 - FY 2007 are estimates and are subject to change.

**Based on enrollments of districts that received the budget guarantee.

“New” Budget Guarantee - 2006

| Enrollment Category | 2006 Budget Guarantee Amount* | Number of Districts Receiving Budget Guarantee | Total Number of Districts within Size Category | Percent of Districts Receiving Budget Guarantee Compared to Total Districts in Size Category | 2006 Total Budget Enrollment by Size Category | Number of Pupils in Districts Receiving Budget Guarantee | Percent of Pupils in Districts Receiving the Budget Guarantee to Total Enrollment in Category | FY 2006 Dollars Received Per Pupil** |
|---------------------|-------------------------------|--|--|--|---|--|---|--------------------------------------|
| <250 | \$2,662,623 | 28 | 32 | 88% | 5,938 | 5,067 | 85% | \$ 526 |
| 250-399 | \$3,687,579 | 44 | 52 | 85% | 16,625 | 13,929 | 84% | \$ 265 |
| 400-599 | \$5,328,155 | 52 | 79 | 66% | 39,649 | 25,692 | 65% | \$ 207 |
| 600-999 | \$6,027,186 | 61 | 98 | 62% | 74,632 | 45,336 | 61% | \$ 133 |
| 1,000-2,499 | \$4,636,566 | 35 | 78 | 45% | 119,271 | 51,750 | 43% | \$ 90 |
| 2,500-7,499 | \$1,390,115 | 7 | 23 | 30% | 95,250 | 28,160 | 30% | \$ 49 |
| 7,500+ | \$2,256,525 | 3 | 9 | 33% | 130,357 | 47,541 | 36% | \$ 47 |
| Total | \$25,988,749 | 230 | 371 | 62% | 481,722 | 217,475 | 45% | \$ 120 |

*Enrollments and budget guarantee amounts for FY 2005 - FY 2007 are estimates and are subject to change.

**Based on enrollments of districts that received the budget guarantee.

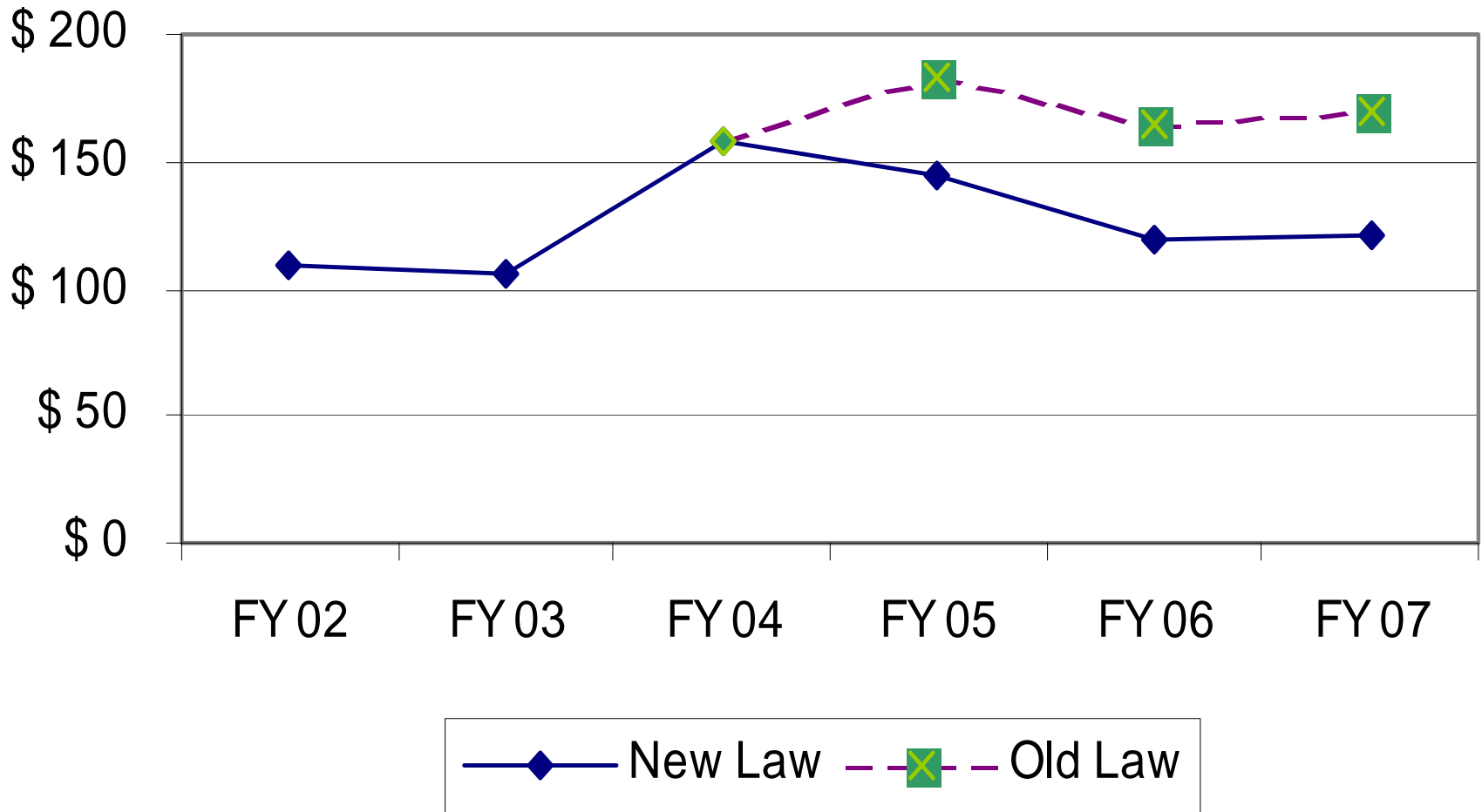
“New” Budget Guarantee - 2007

| Enrollment Category | 2007 Budget Guarantee Amount* | Number of Districts Receiving Budget Guarantee | Total Number of Districts within Size Category | Percent of Districts Receiving Budget Guarantee Compared to Total Districts in Size Category | 2007 Total Enrollment by Size Category | Number of Pupils in Districts Receiving Budget Guarantee | Percent of Pupils in Districts Receiving the Budget Guarantee to Total Enrollment in Category | FY 2007 Dollars Received Per Pupil** |
|---------------------|-------------------------------|--|--|--|--|--|---|--------------------------------------|
| <250 | \$2,254,865 | 25 | 32 | 78% | 5,866 | 4,513 | 77% | \$ 500 |
| 250-399 | \$3,387,120 | 45 | 55 | 82% | 17,620 | 14,322 | 81% | \$ 236 |
| 400-599 | \$4,268,914 | 50 | 77 | 65% | 38,699 | 24,801 | 64% | \$ 172 |
| 600-999 | \$5,284,290 | 47 | 97 | 48% | 73,514 | 35,203 | 48% | \$ 150 |
| 1,000-2,499 | \$3,763,706 | 27 | 78 | 35% | 118,832 | 41,221 | 35% | \$ 91 |
| 2,500-7,499 | \$1,386,389 | 9 | 23 | 39% | 96,134 | 36,022 | 37% | \$ 38 |
| 7,500+ | \$636,215 | 1 | 9 | 11% | 129,756 | 16,698 | 13% | \$ 38 |
| Total | \$20,981,499 | 204 | 371 | 55% | 480,421 | 172,779 | 36% | \$121 |

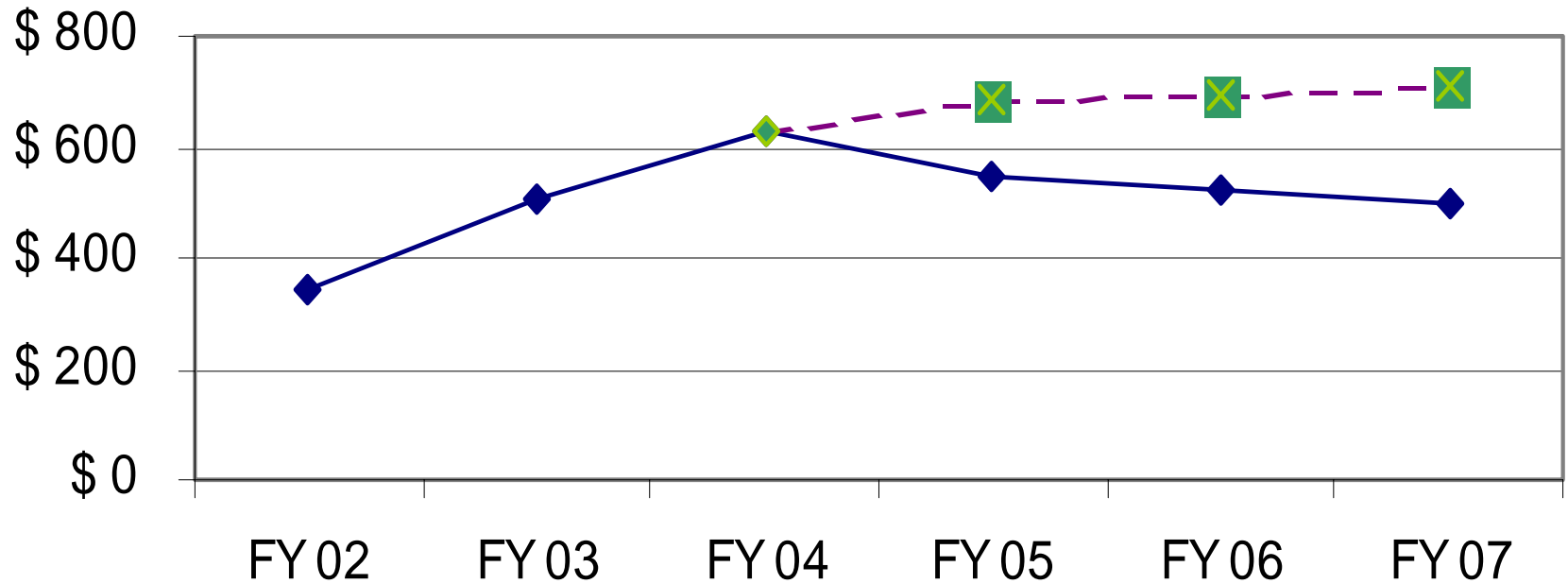
*Enrollments and budget guarantee amounts for FY 2005 - FY 2007 are estimates and are subject to change.

**Based on enrollments of districts that received the budget guarantee.

Budget Adjustment Comparison Per Pupil Amounts for the State

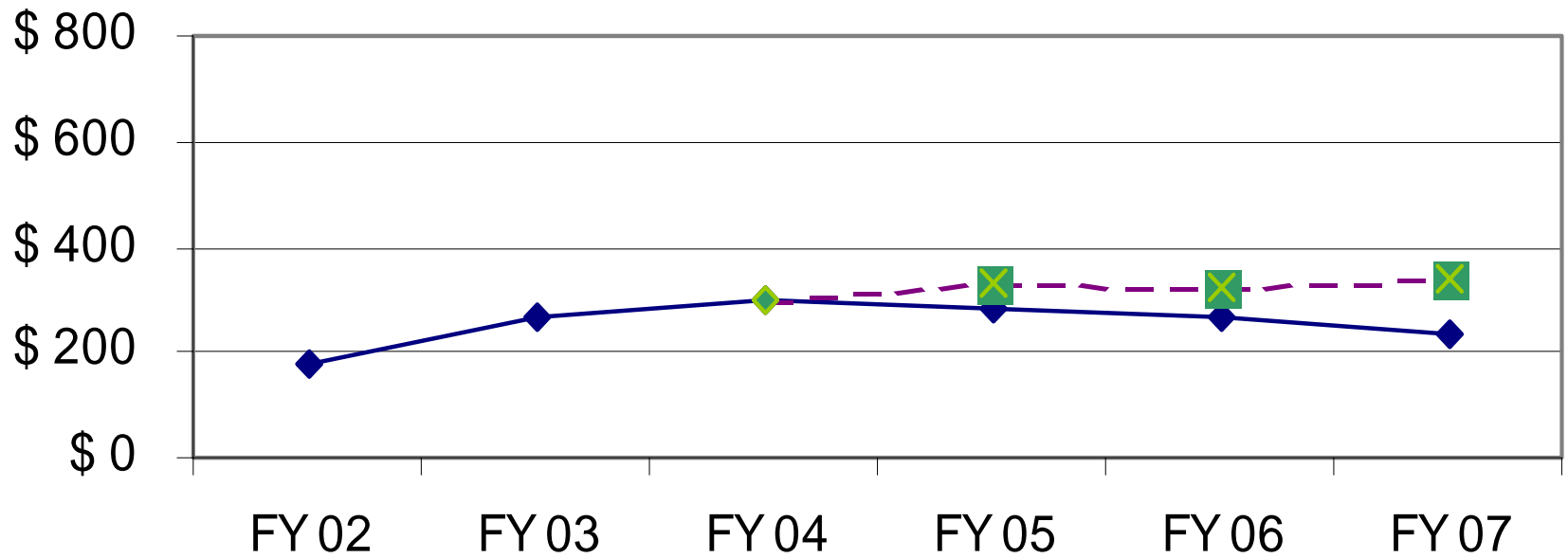


Budget Adjustment Comparison Per Pupil Amounts for Districts with Less than 250 Pupils



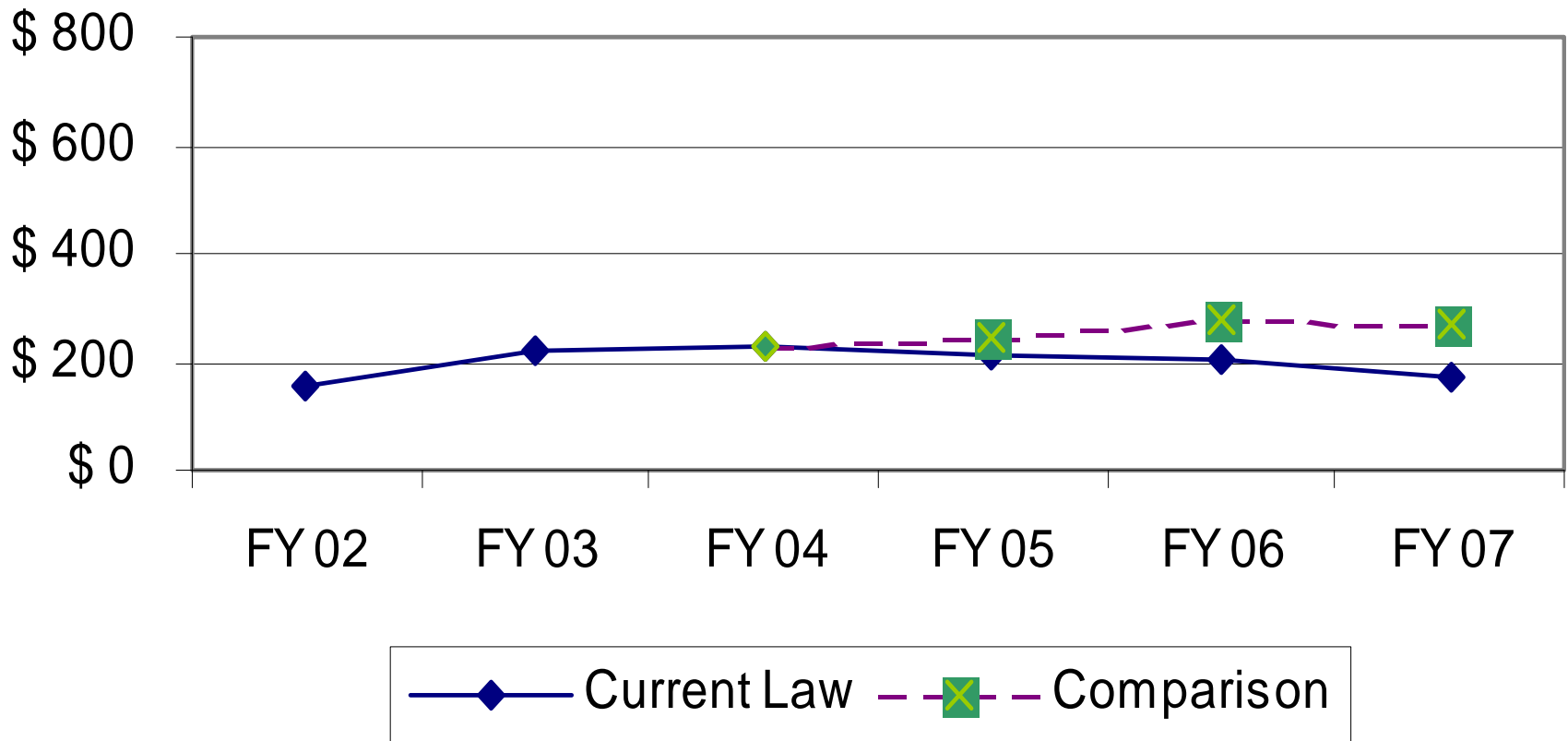
—◆— Current Law —X— Comparison

Budget Adjustment Comparison Per Pupil Amounts for Districts between 250 and 400 Pupils

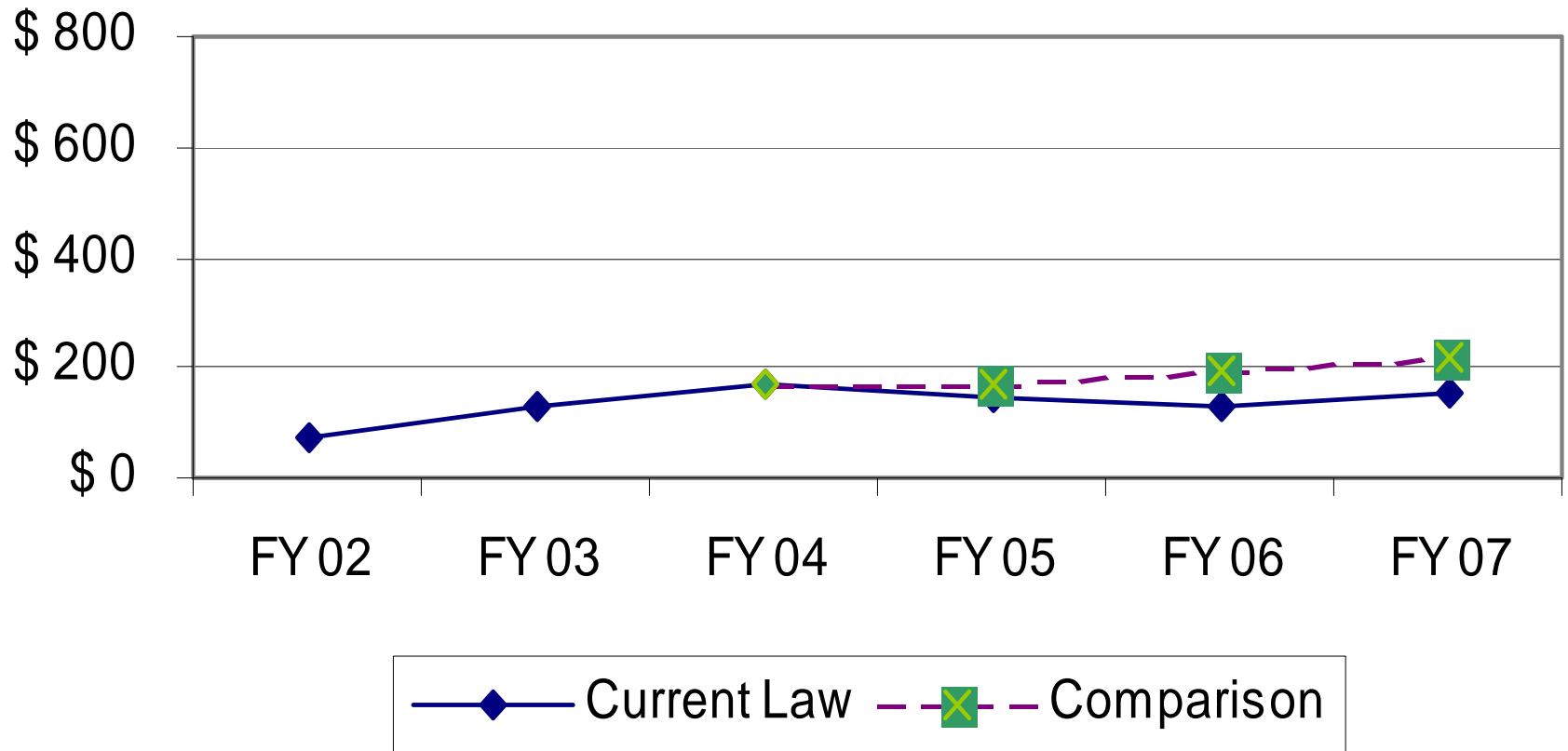


—◆— Current Law - - X - - Comparison

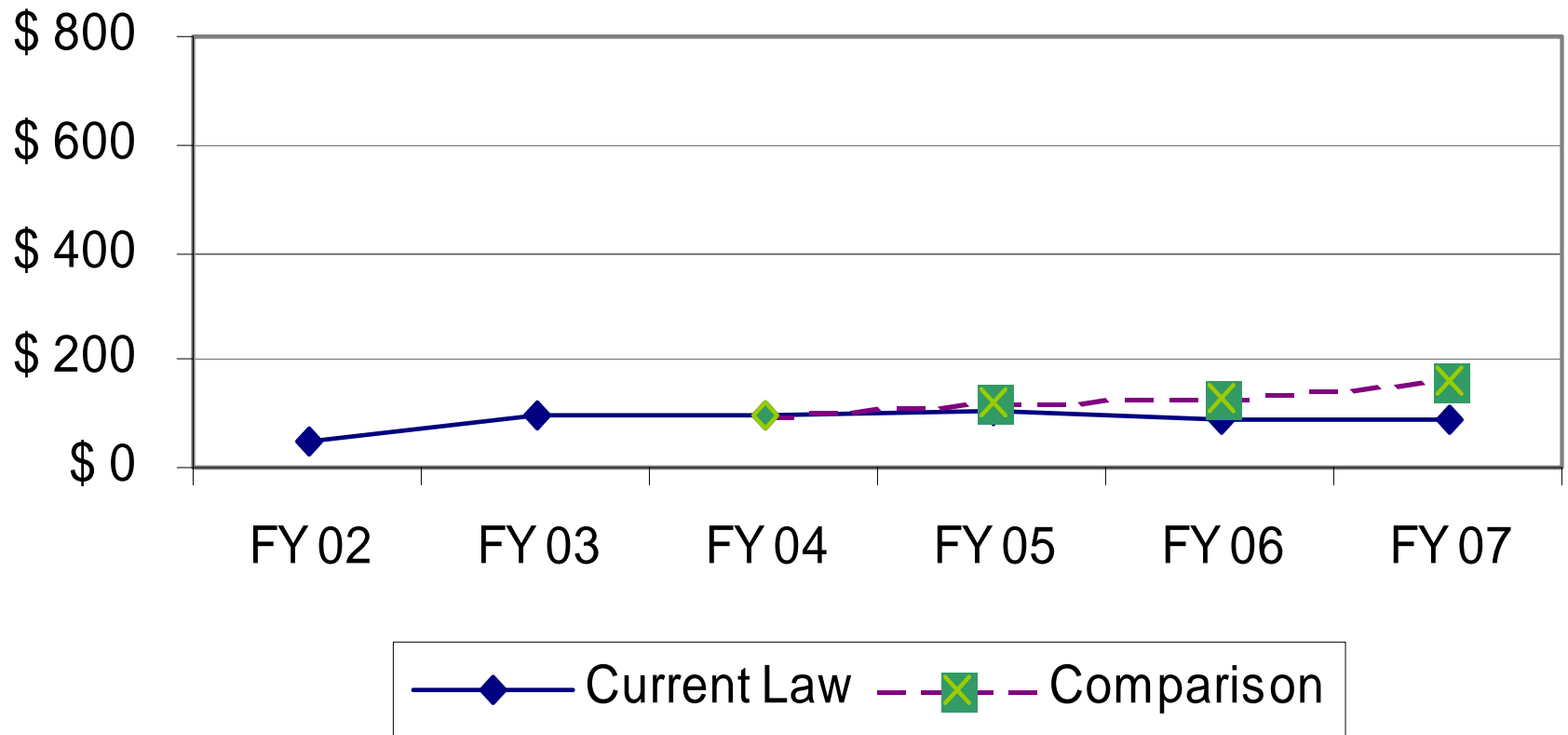
Budget Adjustment Comparison Per Pupil Amounts for Districts between 400 and 600 Pupils



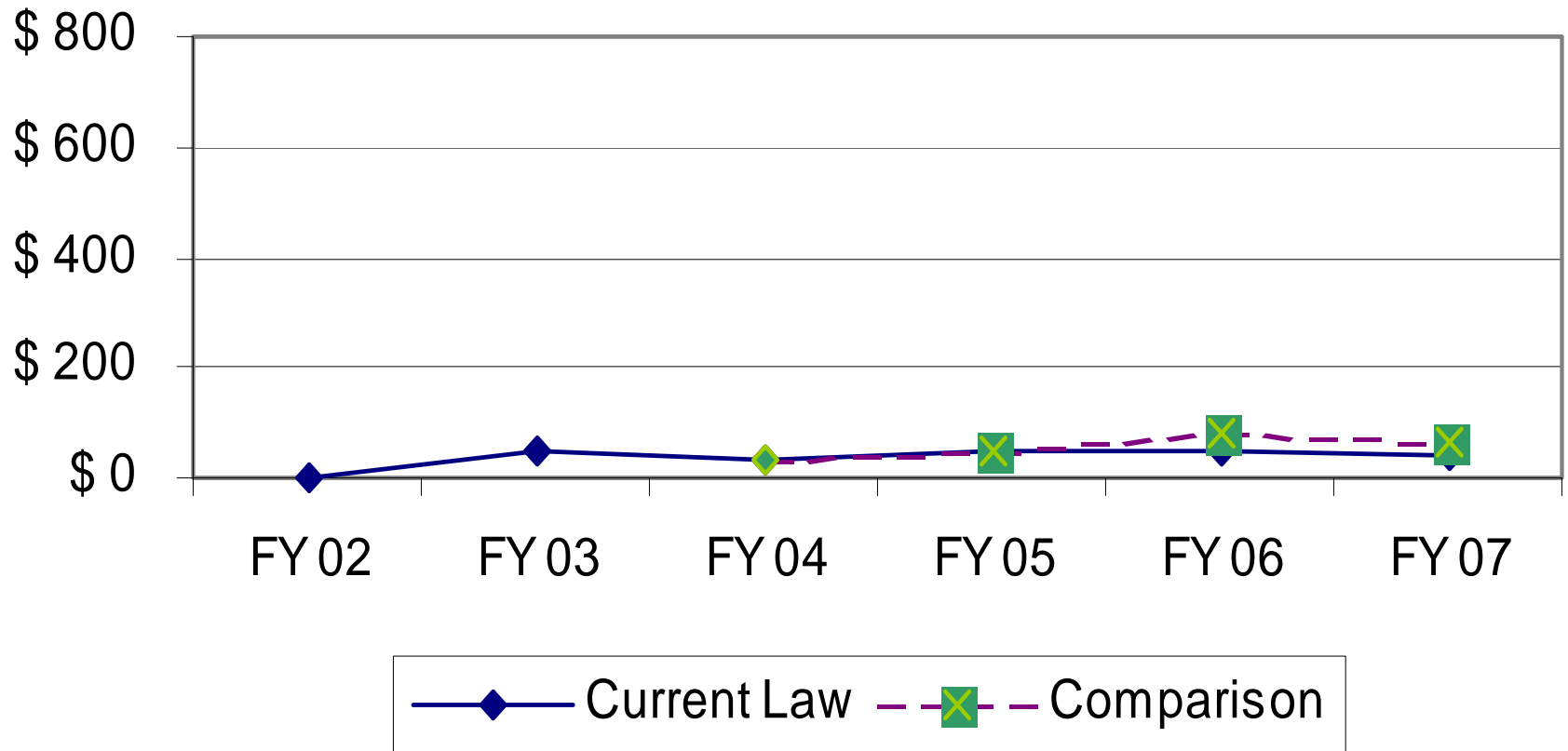
Budget Adjustment Comparison Per Pupil Amounts for Districts between 600 and 1,000 Pupils



Budget Adjustment Comparison Per Pupil Amounts for Districts between 1,000 and 2,500 Pupils



Budget Adjustment Comparison Per Pupil Amounts for Districts between 2,500 and 7,500 Pupils



Budget Adjustment Comparison Per Pupil Amounts for Districts with more than 7,500 Pupils

