

**Frequently Asked Questions (FAQ)**  
**Fiscal 2016 Certified Budget Preparation**  
**January 2015**

This document is designed to provide the reader with a high level understanding of some of the more significant factors influencing the construction and implementation of the Fiscal Year 2016 budget. The Question and Answer format is used to reflect some of the more frequent questions received during budget conversations. This information is accurate as of the time of publication but circumstances can change rapidly, especially during a legislative session, so in turn some of this content can be outdated very quickly.

**Q: It seems like there is a cycle where the Iowa City Community School District brings up possible budget adjustment for the coming year and talk centers around how “limited” our budget is. Why is this happening?**

A: There are a number of reasons that the district is required to make long-term and significant budget adjustments. Some of the reasons include:

- **Spending authority:** The district must make sustainable budget adjustments each year or risk exceeding our spending authority as defined by the State of Iowa. Spending authority is akin to a salary cap in professional sports. It is a spending limit set by the State which districts may not exceed. If we do not increase our spending authority by reducing expenses, the State can come in and tell the district what changes need to be made to fix the situation.
- **Enrollment:** By receiving into the district the large number of students over the past few years conventional wisdom would suggest that the budget situation should improve. While it is true more students produce more budget revenue, more students also create a great deal of expenditure pressure to keep the pupil / teacher ratios consistent.
- **People Costs:** Wages and benefits account for 82% of our general fund budget in the district. 78% - 80% is the typical target range for an Iowa district like ours. This higher percentage investment in staff costs might on the surface appear to be good but on a long-term basis this additional spending on staff costs requires that expenditures on other things like equipment / supplies and maintenance to be postponed or dropped entirely. A classic example of this is to lengthen of time required between the textbook adoption and refresh cycles. Expanding this cycle results in students using older and more dated materials.
- **Unfunded Mandates:** The District may be bound by laws or mandates enacted by government that do not include any additional funds to offset the expenses. Some examples of unfunded mandates are the Affordable Healthcare Act, OCR, and even No Child Left Behind.
- **State funding:** School districts often do not receive notice of their percentage of increase in Supplemental State Aid from the State and the Legislature in time to set and certify an accurate budget based on known increases in state funding for a two year period. It is difficult to decide on reasonable expenditures when the funding for the coming year is unknown. Sometimes school districts do not receive that information until the deadline to certify their budget has passed.
- **ELL:** The number of English language learners in the ICCSD who qualify for language development services has more than doubled in the past two years. This has required ICCSD to hire many more experienced teachers. The demographics in the ELL Program continue to change as well. The district has witnessed an influx of African refugee students from Guinea, Sudan, and Congo who often arrive with a variety of previous schooling experiences, ranging from no previous formal schooling to limited or disrupted formal schooling. A limited number of refugee students have arrived with solid educational experiences in their home country. As a result, the number of language backgrounds in ICCSD has

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increased to 50+. Predominant language backgrounds have shifted over time from Spanish and Asian languages to Spanish, Arabic, Swahili, Chinese, French, and some less spoken languages such as Fula.

**Q: Does all of this mean that we have simply spent too much money and we're in danger of running out of funds?**

A: You're right...this is confusing. The district has money in the bank. We can pay our bills and pay our staff. It's the question of spending authority that is the biggest issue. The State does not allow public schools to spend all of the money they have as mentioned above. Spending is governed by the Iowa School Aid Funding Formula.

**Q: Why can't a school district simply spend the amount of money it needs to spend provided they have enough funds to do so?**

A: The State of Iowa believes this restriction, known as spending authority, is necessary to maintain spending equity between property rich districts and property poor districts in the state. Property rich districts are able to generate more money from property taxes and a portion of those taxes are allocated to the public schools in that district. Iowa City is considered a property rich district compared to most Iowa districts. This is one reason why our total tax levy is below the state average. The Funding formula however does not allow the district to spend more because of this property wealth.

**Q: When there is talk about a budget I hear the term "certified budget" and also the term "line-item budget". Are these really just different names for the same thing or are they truly different budgets?**

A: To answer this question directly they are different. The certified budget is the formal process required by Iowa law for a district to determine the maximum size of the budget and the corresponding property tax rate required to fund the budget. This process takes place at the board level during the period of January through April each year. The line-item budget is the detailed plan of allocating available resources into specific educational objectives required to provide student educational programming and supporting services. This process takes place at the administration level after the certified budget is completed.

**Q: How can we discuss the need for keeping our expenditure belt tight or even propose budget reductions and at the same time build new and conduct extensive renovations on school buildings. The district has also launched new initiatives. Don't these things cost money?**

A: School districts operate on different types of funding. Let's take a look at a few of the basic funds:

- General fund: Dollars received from the state based on a per pupil formula. These dollars can only be spent on salaries, benefits, and direct instructional expenses.
- Statewide Penny Sales Tax (SAVE: Secure An Advanced Vision for Education). Since 1998, The State of Iowa has designated one penny of its sales tax to fund improvements in school infrastructure. These funds are given to districts by the state based on a formula. Districts cannot use these funds to pay

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**January 2015**

salaries, benefits, instructional materials, etc. The funds can only be used to pay for building renovation, new construction, purchase of property, etc. In the Iowa City Community School District these funds are used for funding the 10 year Facility Master Plan which is reviewed annually to ensure that funds are being allocated wisely.

- PPEL (Physical Plant and Equipment Levy): Another source of funding which can only be used for maintaining school infrastructure. The funds come from property taxes and in our district are designated for the “smaller” projects which might include a new roof, asphalt, or heating and air conditioning systems.
- Categorical Funds: These funds come from different sources and have clear definition as to the categories for which they can be used. Some examples include: Special Education, Title I funds.
- Grants: Like many other entities, ICCSD writes grants to receive funding to pay for specific initiatives and programs that will help increase student achievement and provide the community with high-quality programs the district. Grant funds are also categorical funds which come with fairly strict accountability attached to the use of those funds. Some examples include: (1) the Teacher Leadership funding for the new Cultural Competency Team and Instructional Design Strategists and (2) Dropout prevention funding used to build supports for at risk students.

**Q: The district just went through significant budget reductions for the 2014-2015 school year. What can we expect for the 2015-2016 school year?**

A: The \$3.6M reductions for the FY2015 budget were necessary to account for the loss of a like amount of federal monies received in prior years and the most recent district initiative to lower pupil/ teacher class size ratios. With this budget reduction accomplished the district is now on track to end our current budget year closer to the break even mark. Budgeting for FY2016 depends on two very significant factors that are still unknown:

- The FY2016 Additional Supplemental State Aid (formally known as allowable growth) has still not been established for Iowa schools. The legislature is being encouraged by districts and educational associations to set this amount early as well as setting the FY2017 rate during this legislative session. This will drive what revenue the district has available.
- Cost increases to the budget especially in the area of pay adjustments for returning staff members. As mentioned before, 82% of the district budget is expended for employee costs. Because of the formal nature of Iowa bargaining laws these costs will most likely not be known until after the district budget is required to be certified with the state.

So, for next school year this is what to expect:

- The teacher Leadership grant will create several new categorically funded initiatives, supplemental pay for over 40% of teachers, and new positions across the district. With the infusion of over \$4M from this grant the changes seen will be substantial.
- In the regular instructional program at this time there does not appear to be the need for significant budget adjustments comparable to those implemented for FY2015. It is anticipated regular instructional program will remain status quo unless the state provides funding at lower levels than needed to maintain the

**Frequently Asked Questions (FAQ)**  
**Fiscal 2016 Certified Budget Preparation**  
**January 2015**

District's current programs which may then require reductions. However, no additional staffing is planned for existing programs at this time.

- The opening of Alexander Elementary school will create significant staff transition opportunities between buildings. It will also require several new positions including principal, secretary and custodial positions.

**Q: Where do we go from here?**

A: The Board and administration team will be working on our certified budget adjustment plans during the January – April time frame. The goal is to make the necessary annual budget adjustments and at the same time assure that our students continue to receive a high-quality education.