

With our enrollment numbers for Washington Community School down over 50 students, we will need to look at ways of leveraging our funding streams in the coming years. There are many funding sources that the Washington Community School District utilizes to fund education. The total budget for the Washington Community School is nearly \$20 million, but that includes all funds available to us. I think it is important to communicate to our staff and patrons the different funds and their allowable uses.

## General Fund

The basic principles of the General Fund are: It is student driven, amount per student set by Legislature. Second, schools are budget limited, not rate limited that means if property values decrease, the rate to support schools will increase and if property valuations rise, the rate will decrease. And lastly, the district can only spend funds on allowable purposes. This is the most important fund to the district, and we use the General fund for teachers, curriculum, supplies, and utilities.

The total funding amount for each student is generated from 3 primary places, State Aid makes up 46.3%, property taxes make up 32.8%, and 20.9% is miscellaneous income.\* The most important issue for the general fund is a concept called spending authority. Spending authority controls the maximum amount of district spending. This concept attempts to provide equity for every student in Iowa, that no matter where you live, should receive the same amount of funding. Without authority, you can't spend. Regardless of the amount of cash on hand, the limit on spending is the amount of Spending Authority not the cash balance. It is illegal for a school district to exceed its total spending authority.

\*Larry Sigel, Iowa School Finance Information Services

## **Physical, Plant, Equipment Levy(PPEL)**

This is a fund designed for buildings, buses, and other equipment over the \$500 threshold. Nearly every district has what we refer to as a standard PPEL levy of \$.33 per thousand. In addition, districts are able to have a Voted PPEL(VPPEL) up to \$1.34, that would allow a district to levy a total of \$1.67 (\$.33 standard + \$1.34 voted). The voters of Washington have approved a \$1.00 VPPEL through 2021. This fund provides resources for purchasing transportation (bus, car, or other equipment) that is over the \$500 threshold. Last year, the Legislature also approved allowing districts to pay for repairs on buses when the repair is over \$2,500 on any one vehicle. This was a common sense move, since we paid for a bus out of PPEL, but in the past, we would then fix that same asset with General fund dollars. As an example, if we had to replace an engine, that can run from \$12,000-15,000, we would have to use General fund money to pay for the repair. Starting this year, we are able to pay for repairs over \$2,500 out of PPEL. This fund can't be used for staffing or supplies, that is why we refer to it as a restricted fund.

## **State Penny for School Infrastructure (SAVE or SILO)**

This tax on retail sales, started as a local option sales tax in the early 1990's but by 2004 all counties had passed it. In 2008, it was converted to State Penny for School Infrastructure and leveled the playing field. Since 2008, the state has distributed these dollars on a per pupil basis, based on statewide retail sales, rather than local retail sales. What this means is when we shop in Iowa City, we know that some of that sales tax collected will make its way back to the local district. This fund has similar uses of PPEL. However, the SAVE fund is also student driven, approximately \$910 per student. If enrollment rises, the revenue also increases, conversely, if enrollment decreases, revenue will as well.

Because the SILO revenue is guaranteed by Iowa Code until 2029, the district was able to bond against future receipts to build the high school. The high school bonds will be paid off in 2028. There are discussions to extend this revenue source in order to keep providing property tax relief to people across Iowa. You might ask, why would you want to extend it now? With the revenue stream set to expire in 2029, many districts are unable to bond against future receipts like Washington did, and thus many are lobbying for an extension for bonding capacity in order to meet building needs without taxing for it.

## Management Fund

This fund is another restricted fund. Things that we are able to pay for include property, liability insurance, workers' compensation, early retirement benefits, judgments against the district, and our break/fix insurance, that covers all of our electronic devices. Our revenue for the management fund is set during the budget season. This is a fund that we have leveraged in the past to offset expenditures in the general fund.

Paying our veteran teachers to retire allows us to replace the teacher with a less experienced teacher, but save money in the general fund. This is one way to reduce expenditures in the general fund when we hire a less experienced teacher to replace them. We save anywhere from \$25,000 - 27,000 on each teacher we do this with. On the surface, it appears we are paying someone more to leave than we realize in savings, but because of the "restricted" nature of this fund, it frees up general fund dollars. The other thing to realize is that the savings are realized each and every year until the replacement teacher reaches the number of years experience that the retired teacher had. This can amount to thousands upon thousands of dollars in savings per teacher over time.

One question I get about early retirement is "why don't you just lay teachers off?". The answer is because most of the time our labor contracts allow for a reduction in force based on experience, which means we reduce our younger, less inexpensive staff. And in the early retirement scenario, we typically replace those teachers and the impact is less on the kids of our district.

With our enrollment down over 50 students this year, the district will look for ways to restructure expenditures that will allow us to continue the quality education that the citizens and students of Washington expect and deserve. I have not doubt the District will become stronger through this challenging time. I look forward to a great school year!