



# CERTIFIED FISCAL YEAR 2016-17 BUDGET PROPOSAL

PRESENTED FOR APPROVAL TO THE BOARD OF EDUCATION APRIL 11, 2016



## A MESSAGE FROM THE SUPERINTENDENT

School funding is a complicated topic – one filled with intricacies of categorical (restricted) funds, varied revenue streams and unpredictable annual state funding. We hope this year's Certified Budget Proposal serves as a broad, understandable overview of how the district's funds are determined and allocated.

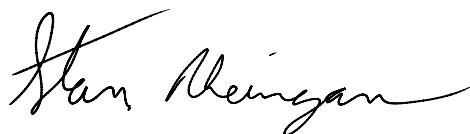
On the pages that follow, you can learn about school financing, the Iowa Code that governs it, and the current financial position of the Dubuque Community Schools.

Amidst this complication, is the very tangible and stark reality: historically low state funding in recent years is having a significant impact on the district.

- Last year, the district cut over \$2 million in expenditures in an attempt to counter low state funding – mostly accomplished through district and school budget reductions and attrition of staff through an early retirement incentive. With a state funding decision not made until after our fiscal year started, and coming in lower than anticipated, these reductions were essentially a budget neutral move.
- Looking ahead to the 2016-2017 fiscal year, we still await a funding decision, but expect it to again be lower than needed to maintain operations at the current level. To maintain the fiscal health of the district, an additional \$3 million in reductions will be made. These are difficult decisions to make, but are working to minimize the impact on direct services and classrooms as much as possible.
- State funding in the future will be critical to the financial stability of the district (and district's across the state). **WE ENCOURAGE YOU TO CONTACT YOUR LEGISLATORS TO ADVOCATE FOR ADEQUATE AND TIMELY SCHOOL FUNDING.**

Overall, we want you to feel confident that we always keep a keen eye on our financial strength and are proactively working to maintain this financial health. It is a role we take very seriously and we know that having a financially healthy district allows us to provide the students of the Dubuque Community School District with a first-rate educational experience that will prepare them for future success.

Sincerely,



Stan Rheingans  
Superintendent of Schools




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# SCHOOL FUNDING 101:

the basics on where the money comes from and where it goes

**GENERAL FUND** TOTAL REVENUE: \$118.7 MILLION\*



	State Income Taxes (state aid) (AEA)	\$66.8 million
	Property Taxes	\$36.5 million
	Grants and Miscellaneous Income	\$15.4 million



- SALARIES
- BOOKS AND MATERIALS
- OTHER OPERATING EXPENSES

\*Not all of this revenue is currently available due to “authorized budget” limitations


**CAPITAL PROJECTS** TOTAL: \$13.6 MILLION

	Property Taxes	\$3.6 million
	One-cent Local Option Sales Tax	\$10.0 million




- FACILITIES IMPROVEMENTS
- BOND PAYMENTS
- EQUIPMENT PURCHASES

**OTHER FUNDS**

	MANAGEMENT FUND Property Taxes	\$4.7 million
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- PROPERTY INSURANCE
- EARLY RETIREMENT BENEFITS

	NUTRITION FUND Cafeteria Revenue Subsidies and Sales	\$5.2 million
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- BREAKFAST AND LUNCH

	STUDENT ACTIVITY FUND Fundraising Donations	\$1.7 million
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- ACTIVITIES NOT COVERED BY STUDENT FEES

AMOUNTS ARE FISCAL YEAR 2014-15 RESULTS

Navigating the labyrinth of public school funding is complicated. The budget is a maze of funding sources that, for the Dubuque Community School District (the “District”), total \$154 million for the **2015-16** fiscal year.

The previous graph and the following questions and answers outline the routes that funds take coming from taxpayers, going to classrooms, playing fields, cafeterias, and libraries.

Although the dollar amounts differ between school districts, the funding concepts described here are generally the same for all school districts in Iowa.

### WHERE DOES FUNDING COME FROM?

Like most states, Iowa pays for schools through a mix of income taxes (also called state aid), local property taxes, and sales taxes. Less than six percent comes from federal funding. The *General Fund*, the District’s largest fund, pays for teachers and supports instructional programs. The *General Fund* is separate from other funds such as the *Capital Projects Fund*, which can be used only for buildings, property, and equipment.

In Iowa, the ratio of property tax to the state aid supporting a district’s general fund budget varies based on a statewide foundation formula. This formula is designed to ensure that all districts spend approximately the same dollar amount per student.

The formula calculates district revenues based on a “uniform” property tax rate, plus a mix of state aid and an “additional” property tax rate. The current “uniform” tax rate is \$5.40 per \$1,000 of taxable valuation. The “additional” property tax rates are adjusted based on the size of the district’s tax base. Property-rich districts (on a per-student basis) receive less state aid than property-poor districts because they can generate more revenue from the property tax levy.

The primary revenue sources for the other District funds is shown on the graph on the previous page.

### HOW MUCH FUNDING DOES THE DISTRICT GET?

Most *General Fund* revenue for Iowa schools is based on the number of students enrolled. The number of students enrolled on October 1 determines a school district’s budget for the following (not the current) fiscal year. Even if more students enroll after this date, the district’s operating budget is set. For example, the 10,588 students enrolled in the District on October 1, 2015, determined the majority of the 2016-17 *General Fund* budget.

The funding formula uses certified enrollment multiplied by a cost per student. This cost is established by the state and represents the amount of revenue the district can spend per student. For 2015-16 the District’s per student cost is \$6,453.

Additional weightings are added to certified enrollment and these generate additional district revenue. Special education students and English language learners, for example, are among the students counted with additional weightings. The amount of district funding based on weighted enrollment (certified plus additional), plus some other amounts, is called *combined district cost*.

Additional general fund revenue also comes from miscellaneous income. Miscellaneous income includes grants and fees. The amounts and sources of revenue for funds other than the general fund are shown on the graph on the previous page.

## HOW DOES THE DISTRICT PAY FOR COST INCREASES IN EDUCATIONAL PROGRAMS, SALARIES, AND UTILITIES?

Each year, the Iowa Legislature determines the *Regular-Program District Cost per Pupil*. This amount, multiplied by the district's certified enrollment on October 1 of the previous year, determines the total amount of foundation formula funds available for the district to spend on regular education. The increase in *District Cost per Pupil* is called *Supplemental State Aid* and is a percentage based on the previous year. For FY 2015-16, *Supplemental State Aid* was 1.25 percent. For FY 2016-17, the legislature has yet to determine the percent.

In years prior to 2010, the legislature has always set the *Supplemental State Aid* rate early in the legislative session, to be applied to the school year beginning the July 1 a year and a half after the session. The legislature did not take this action in 2010 due to uncertainties about revenues caused by the nationwide recession. Since then, the legislature has not followed the law and set the rate timely in 6 of the last 7 years. **This makes District planning for the next school year extremely difficult. Unfortunately, this is the situation again this year. The legislature is legally required to have set the Supplemental State Aid by February 2015. As of February 2016, they have yet to set the FY 2016-17 rate.**

*Authorized budget* is the mechanism used by the legislature to control school district spending. *Supplemental State Aid* is the principal driver of *authorized budget*. Since Iowa law mandates that schools stay within their *authorized budget*, their only options for coping with reduced funding are to increase other revenues, where possible, and to cut costs by reducing programs, staff, or both.

Schools are people-intensive establishments and salaries and benefits consume approximately 81 percent of the District's general fund expenses. Therefore, significant reductions of costs can only be achieved by cutting salaries and benefits.

## HOW CAN SCHOOL DISTRICTS AFFORD TO BUILD AND REMODEL BUILDINGS WHEN THEY'RE CUTTING TEACHERS?

Iowa law requires school districts to maintain separate funds (restricted) for specific uses. Property insurance and early retirement benefits, for example, are paid from the *Management Fund*. These restricted funds have designated purposes and cannot be used for other types of expenses. Other examples of these restricted funds are the *Physical Plant and Equipment* levy fund, and the *Statewide Sales and Services Tax* fund. The use of these funds is generally limited to facilities improvements, bond payments, and equipment purchases.

## WHO IS ACCOUNTABLE FOR SCHOOL DISTRICT BUDGET DECISIONS?

The Iowa Legislature annually establishes the per-pupil amounts that districts may spend. These amounts are determined by *Supplemental State Aid*.

Iowa school boards, made up of elected citizens, are accountable to their communities for making decisions about spending school funds, and educators (superintendents and other administrators) are accountable to school boards for managing these funds.

The state limits the amount of money each district can generate and spend for *General Fund* educational programs. The revenue determined by the district funding formula, miscellaneous income and its *unspent balance authority* from the prior year makes up the district's spending authority.

## WHAT HAPPENS IF A SCHOOL DISTRICT SPENDS LESS THAN ITS SPENDING AUTHORITY?

The unspent authority carries over to the next year as unspent budget authority (sometimes called *unspent balance*) and can be used to pay for future general fund expenses.



## WHAT HAPPENS IF A SCHOOL DISTRICT SPENDS MORE THAN ITS SPENDING AUTHORITY?

Iowa Code states that if a district exceeds its spending authority for two or more consecutive years, the Iowa Department of Education can conduct a fiscal review and take over management of the district.

## HOW DOES THE DISTRICT FARE IN TERMS OF SPENDING AUTHORITY?

Each year the District's *General Fund* expenses are subtracted from spending authority. The resulting number is termed *unspent balance*. State law requires that *unspent balance* be more than zero. The District's unspent balance decreased by \$2.1 million to \$11.1 million as of June 30, 2015.

## TAXABLE VALUATION PER PUPIL

The taxable valuation per pupil is determined by dividing the district's taxable valuation by certified enrollment. In general (with all other factors being equal), districts with higher taxable valuations per pupil have relatively lower real estate tax levy rates than districts with lower taxable valuations per pupil. The correlation of low taxable valuations per pupil with high *General Fund* levy rates is primarily a function of a concept called the uniform levy rate. The Iowa Legislature is addressing perceived inequities caused by the uniform levy rate. It is unlikely that a change in the uniform levy rate will have a substantial impact on the district's funding or its levy rates.

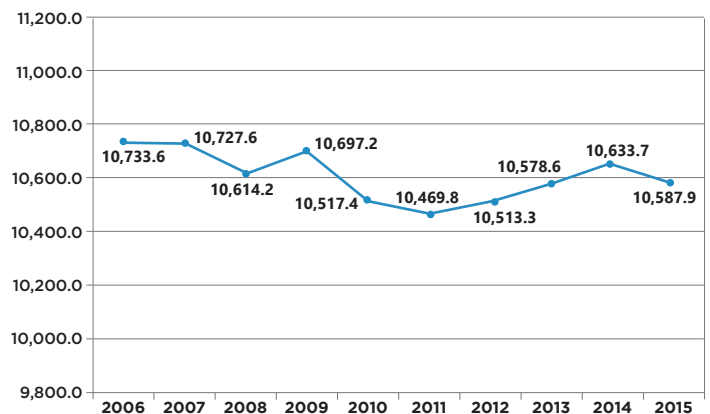
## ENROLLMENT

Iowa school district budgets are closely related to enrollment. In districts with increasing enrollments, there is a direct correlation between regular-program budget and enrollment. That is, each additional pupil will generate a set additional amount of district funding. This is appropriate because additional district costs are incurred for each additional pupil. The amount of additional per-pupil funding is set by the Iowa Legislature and is called *State Supplemental Aid*.

The term certified enrollment has specific meaning in Iowa school finance. Certified enrollment is defined as student count as of the first day in October as determined by state law. That enrollment is used as the basis for funding for the fiscal year beginning the following July 1. It is clear from this description, that although students are already "in their seats" on count day, districts do not receive funding for these students until one full year later.

The following chart shows Dubuque's certified enrollment for the ten years ending October 2015.

## CERTIFIED ENROLLMENT



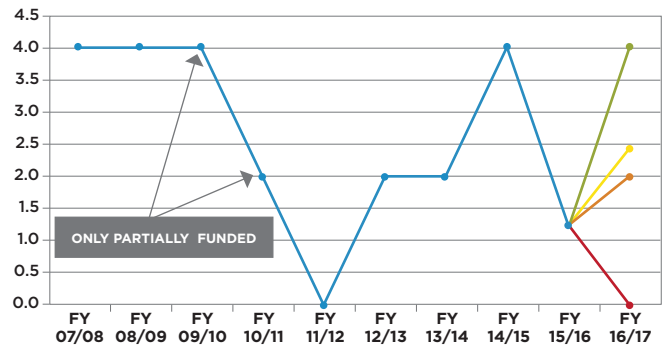
STATE SUPPLEMENTAL AID

(formerly known as allowable growth)

The Iowa Legislature sets the *State Supplemental Aid* percentage. This percentage is applied to the prior year’s state cost per pupil. The cost per pupil is multiplied by certified enrollment to yield the district’s regular-program district cost.

Both factors (*State Supplemental Aid* and enrollment) greatly affect district budgets. However, for districts with moderate increases in enrollment, the *State Supplemental Aid* percentage has the greater budget impact. The *State Supplemental Aid* percentage has been highly variable over the past 30 years, ranging from a low of zero percent in 2011 to a high of 14.5 percent in 1981. Note for FY 2009-10, the Governor ordered a 10% across-the-board budget cut and for FY 2010-11, only a portion of the two percent *State Supplemental Aid* was funded. The last ten years’ *State Supplemental Aid* history is shown in the following chart:

STATE SUPPLEMENTAL AID HISTORY



THE CHART INCLUDES FOUR DIFFERENT PERCENTAGES FOR FY 2016-17.

- 0.0% required by law because the legislature has yet to approve the rate.
- 2.0% suggested by the Iowa House of Representatives.
- 2.45% suggested by the Governor and the rate used in the remaining charts and graphs as a reasonable estimate of the final rate set by the legislature.
- 4.0% suggested by the Iowa Senate.

The following table illustrates the past five years’ growth in Dubuque’s regular program budget resulting from the *State Supplemental Aid* percentage and the portion resulting from the increase in pupil enrollments:

STATE SUPPLEMENTAL AID \$\*

FISCAL YEAR	STATE SUPPLEMENTAL AID %	FROM STATE SUPPLEMENTAL AID %	FROM INCREASE IN PUPILS
2012-13	2%	\$ 1,235,436	\$ 0
2013-14	2%	\$ 1,256,376	\$ 266,568
2014-15	4%	\$ 2,575,759	\$ 416,157
2015-16	1.25%	\$ 846,288	\$ 355,560
2016-17 **	2.45%	\$ 1,377,341	\$ 0

\* Regular program costs only  
\*\* Assumes 2.45% State Supplemental Aid

UNSPENT AUTHORIZED BUDGET

*Unspent authorized budget* (also called *unspent balance*) is the amount of accumulated unspent spending authority. This is a statutory concept that limits school district budgets. In general, a decline in year-end *unspent authorized budget* indicates a deteriorating financial position and an increase indicates an improving financial position. The State of Iowa monitors *unspent balance* by accumulating and reporting, the following information. Certain FY 2015-16 and 2016-17 amounts shown are District estimates.



# AUTHORIZED BUDGET (“BUDGET”)

	Actual FY 2014-15	Re-estimated FY 2015-16	Budget FY 2016-17 **
Budget Enrollment	10,578.6	10,633.7	10,587.9
Regular Program District Cost	\$ 67,417,418	\$ 68,619,266	\$ 69,996,607
Regular Program Budget Adjustment (Budget Guarantee)	0	0	0
State Categorical Funding	7,448,392	10,902,414	11,114,754
Supplementary Weighting District Cost	585,787	743,689	752,213
Special Education District Cost	12,399,627	11,847,643	12,650,347
AEA Flow- through (net) *	4,928,817	4,981,385	5,454,380
Enrollment Adjustment *	(18,384)	(38,238)	(17,165)
Drop-out Prevention	3,370,903	3,388,747	3,416,186
Other SBRC Allowable Growth *	710,461	614,615	625,000
Special Education Deficit *	4,370,508	4,660,000	4,000,000
Instructional Support *	5,038,104	5,110,077	5,230,147
Preschool Foundation Aid *	2,345,993	2,265,809	2,281,840
Other Misc. Income *	15,417,123	11,383,073	11,500,000
Total	\$ 124,014,749	\$ 124,478,480	\$ 127,004,309
Expenditures *	\$ 126,116,923	\$ 126,900,000	\$ 128,000,000
Increase <Decrease>			
Unspent Budget	\$ (2,102,174)	\$ (2,421,520)	\$ (995,691)
Year-end Unspent Balance	\$ 11,129,370	\$ 8,707,850	\$ 7,712,159

\* Changed from prior year report to reflect actual amounts.

\*\* Assumes 2.45% State Supplemental Aid

## REVENUES

District general fund revenues consist primarily of state foundation aid and property taxes. Both amounts result from application of the Iowa School Finance Formula to Dubuque's specific enrollment and tax data. The application of the formula is shown in the General Fund Levy table included in this document.

A third source of revenue is called Miscellaneous Income and includes all other sources of district revenue. The following table summarizes miscellaneous income for the years shown:

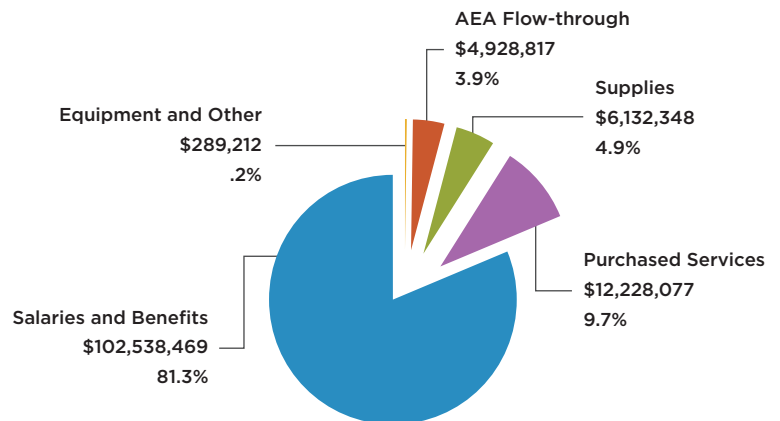
### MISCELLANEOUS INCOME

	Actual FY 2014-15	Re-estimated FY 2015-16	Budget FY 2016-17
Federal Sources	\$ 6,277,627	\$ 6,748,434	\$ 6,530,226
State Sources	4,461,769	1,102,620	1,023,050
Local Sources	4,677,727	3,532,019	3,946,724
Totals	<u>\$ 15,417,123</u>	<u>\$ 11,383,073</u>	<u>\$ 11,500,000</u>

## EXPENDITURES

Total district expenditures are reported annually to the Iowa Department of Education in a report called the Certified Annual Report ("CAR"). In addition, they are reported to the public in the comprehensive annual financial report. A summary of District expenditures is shown in the following chart:

**GENERAL FUND EXPENDITURES FOR FY 2014-15**



## FINANCIAL CONDITION

Iowa school districts generally measure financial condition by reference to the following four standards:

- Cash and Investment Balance
- Unspent Balance
- Un-assigned Fund Balance
- Solvency Ratio

The first three standards need to be converted to a per-pupil basis for meaningful comparisons to other districts. The fourth standard is a ratio by definition and therefore readily allows district-to-district comparisons. In addition, the Iowa Schools Cash Anticipation Program (ISCAP) has published acceptable and unacceptable ranges for the *solvency ratio*. ISCAP is a financial program sponsored by the Iowa Association of School Boards and is designed to assist districts with short-term borrowings to cover cash flow deficiencies.

### ISCAP SOLVENCY RATIO RANGES

A *solvency ratio* of 5 percent to 10 percent is ISCAP's target range. Between 0 percent and 5 percent is acceptable. Between -3 percent to 0 percent is the alert range. Anything less than -3 percent is cause for concern. ISCAP will not normally allow a district to participate in its cash-anticipation loan program if the district's *solvency ratio* is under -3 percent, unless a financial workout plan is in effect.

### HOW DO WE COMPARE TO OTHER UEN SCHOOLS?

Many factors affect a district's financial performance and condition. Simple dollar-amount comparisons between districts are generally not meaningful because factors such as student populations, property values, and other financial factors can vary greatly. Certain ratio and per-pupil comparisons can, however, be helpful.

The following table shows the per-pupil financial standards and *solvency ratios* for all UEN districts based on the current year's reported budget enrollments:

### JUNE 30, 2015 PER-PUPIL BALANCES

District	Cash and Investment Balance	Unspent Balance	Un-assigned Fund Balance	Solvency Ratio
Des Moines	3,294	1,657	1,346	12.7%
Davenport	3,249	510	1,538	14.1%
Sioux City	2,838	1,053	1,433	13.5%
Council Bluffs	2,428	1,580	1,211	10.8%
<b>Dubuque</b>	<b>2,230</b>	<b>1,051</b>	<b>1,210</b>	<b>11.3%</b>
Cedar Rapids	1,945	342	740	6.6%
Waterloo	1,891	1,114	437	6.2%
Iowa City	1,872	471	844	8.5%

## TAX LEVY RECOMMENDATION

School district tax levies are intended to provide funds to support district education objectives and to achieve financial-condition goals. The District's levy has three components: the *General Fund* levy, the *Management Fund* levy and the PPEL levy.

The *General Fund* levy is the largest and most significant component of the total district levy. The following table shows the major components of *General Fund* Budget Authority and how the total Budget Authority is financed.

## GENERAL FUND LEVY

<b>BUDGET AUTHORITY</b>	<b>FY 2015-16</b>	<b>FY 2016-17 **</b>
Regular Weighting (certified enrollment)	10,633.7	10,587.9
Supplemental Weighting	115.247	113.782
Special Education Weighting (additional)	1,835.99	1,913.53
Total Weighted Enrollment	12,584.937	12,615.212
District Cost per Pupil (set by State)	\$ 6,453	\$ 6,611
District Cost	\$ 81,210,598	\$ 83,399,167
State Categorical Funds	10,902,414	11,114,754
Enrollment Adjustment	(38,238)	(17,165)
Budget Guarantee	0	0
AEA Flow Through (net of prorata reduction)	4,981,385	5,454,380
Drop-out Prevention	3,388,747	3,416,186
Instructional Support	5,110,077	5,230,147
Preschool Foundation Aid	2,265,809	2,281,840
Miscellaneous Income	11,383,073	11,500,000
Budget Authority - <u>Before</u> SBRC Additions	<u>\$ 119,203,865</u>	<u>\$ 122,379,309</u>
<b>FINANCING BUDGET AUTHORITY</b>	<b>FY 2015-16</b>	<b>FY 2016-17 **</b>
State Aid	\$ 69,974,430	\$ 72,013,402
Property Taxes <b>Levied</b> (includes utility replacement)	36,750,891	37,937,535
Miscellaneous Income	11,383,073	11,500,000
Commercial and Industrial Valuation State Aid	1,137,313	928,372
General Fund Revenues (excluding cash reserve)	<u>\$ 119,245,707</u>	<u>\$ 122,379,309</u>
Taxable Valuation without TIF *	\$ 3,185,188,987	\$3,340,636,322
General Fund Levy Rate (excluding cash reserve)	9.93373	9.79077
General Fund before ISL	\$ 31,640,807	\$ 32,707,402
Taxable Valuation with TIF	\$ 3,591,457,125	\$ 3,785,961,755
ISL Levy Rate	1.42284	1.38146
ISL	\$ 5,110,069	\$ 5,230,155
Combined General Fund Levy Rate	11.35657	11.17223
Combined General Fund	\$ 36,750,876	\$ 37,937,557

\* Beginning in FY 2013-14, the Instructional Support levy is calculated with the TIF valuation included while the remaining General Fund levy rate is calculated without the TIF valuation.

\*\* Assumes 2.45% State Supplemental Aid

The *Management Fund* levy consists of amounts needed to fund insurance and early retirement programs, the components of which are shown in the following table:

#### MANAGEMENT FUND LEVY

	FY 2014-15 Actual	FY 2015-16 Re-estimated	FY 2016-17 Requested
General and Liability Insurance	\$ 395,537	\$ 400,730	\$ 421,000
Transportation Equipment Insurance	46,888	54,420	57,000
Equipment Maintenance Insurance	594,102	733,882	650,000
Workers' Comp. Insurance & Unemployment	813,828	844,018	886,000
Early Retirement Programs	2,372,445	632,950	770,000
Total	<u>\$ 4,222,800</u>	<u>\$ 2,666,000</u>	<u>\$ 2,784,000</u>

The *PPEL* levy has two components. One part is set by school board action and the balance by public referendum. The *PPEL* levy can only be used for specific purposes – generally facilities improvements. It cannot be used for salaries.

The following table shows the current and prior years' levy rates and compares them with the recommendation for FY 2016-17:

#### DISTRICT LEVY RATES PER \$1,000 OF TAXABLE VALUATION

Levy Components	FY 2014-15	FY 2015-16	Recommended FY 2016-17 *
Combined District Cost	\$ 10.07335	\$ 9.93373	\$ 9.79077
Instructional Support	1.41135	1.42284	1.38146
Cash Flow:			
Increased Enrollment/LEP	0.00000	0.09713	0.08853
Special Education Deficit	0.00000	1.06868	1.30829
LEP Deficit	0.00000	0.06298	0.09413
Solvency Ratio Purposes	0.00000	0.00000	0.71842
Sub-total	\$ 11.48470	\$ 12.58536	\$ 13.38160
Management Fund	1.51160	0.47093	0.59869
Regular PPEL	0.33000	0.33000	0.33000
Voted PPEL	0.67000	0.67000	0.67000
Total	<u>\$ 13.99630</u>	<u>\$ 14.05629</u>	<u>\$ 14.98029</u>
% Increase (Decrease)	(4.2%)	0.4%	6.6%

\* Assumes 2.45% State Supplemental Aid

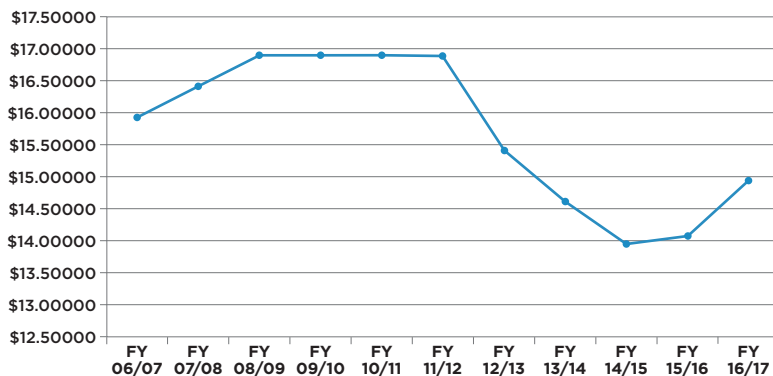
The FY 2016-17 Cash Reserve levy for cash flow generates funds to improve the district's *solvency ratio* and to offset the large cash reduction. Over the past few years, the District's cash reserve has effectively generated an accumulation of cash that allows the District to cash flow during summer months when there are no payments from the State of Iowa. For FY 2016-17, there will be a cash reserve levy due to the cash reduction caused by the FY 2014-15 special education deficit, FY 2014-15 LEP deficit, and FY 2015-16 increased open enrollment out.

The Cash Reserve levy is the most variable part of the total tax levy and Iowa Code sets a maximum of what it may be. The following table shows recent Cash Reserve levies in comparison to the legally allowed maximum:

#### CASH RESERVE LEVY (IN THOUSANDS)

	FY 2014-15	FY 2015-16	FY 2016-17
Levy Amount	\$ 0	\$ 3,913,934	\$ 7,380,711
Legal Maximum	\$ 0	\$ 3,913,934	\$ 12,409,463

The following graph shows a ten-year history of the District's total levy rate and the proposed total levy rate for FY 2016-17.



\* Assumes 2.45% State Supplemental Aid

The following table compares the District's proposed FY 2016-17 levy rate to the other UEN schools' current rates.

#### UEN SCHOOLS' FY 2015-16 TOTAL PROPERTY TAX RATES COMPARED TO DUBUQUE'S RECOMMENDED 2016-17 RATE

(INCLUDES INCOME SURTAX LEVY EQUIVALENTS  
FOR APPLICABLE DISTRICTS)

District	Actual FY 2015-16
Des Moines	18.42809
Council Bluffs	16.85672
Cedar Rapids	16.75938
Sioux City	16.57037
Davenport	15.67601
Waterloo	15.62432
Iowa City	15.11805
<b>Dubuque</b>	<b>14.98029*</b>

\* Recommended for FY 2016-17, assumes 2.45% State Supplemental Aid

Dubuque strives to meet its student achievement goals while at the same time maintaining financially efficient delivery of education and support services.

### GENERAL FUND FINANCIAL ISSUES FOR FISCAL YEAR 2016-17 AND BEYOND

The 2015-16 fiscal year had 1.25 percent *State Supplemental Aid*. FY 2016-17 has yet to be determined by the legislature. Due to continued low levels of school funding, the District is in the process of planning to reduce the FY 2016-17 budget by approximately \$3,000,000. Because over 80 percent of the District general fund is salaries and benefits, unfortunately staff reductions will be part of this plan.

The current percent of *State Supplemental Aid* proposed by the governor will adversely affect cash balances and fund balances which will probably decline for the year. The clear challenge will be maintaining an acceptable level of *unspent balance*.

Respectfully submitted,

Kevin Kelleher  
Executive Director of Finance and Business Services

Rick Till  
Assistant Director of Business Services



NOTICE OF PUBLIC HEARING  
PROPOSED DUBUQUE SCHOOL BUDGET SUMMARY  
FISCAL YEAR 2016-2017

Department of Management - Form S-PB-8

		Budget 2017	Re-est. 2016	Actual 2015	Avg % 15-17
Taxes Levied on Property	1	49,739,515	44,491,828	43,591,703	6.8%
Utility Replacement Excise Tax	2	1,364,692	1,261,220	1,218,756	5.8%
Income Surtaxes	3	0	0	0	
Tuition/Transportation Received	4	1,892,000	1,872,967	2,626,611	
Earnings on Investments	5	197,000	261,290	158,021	
Nutrition Program Sales	6	2,266,000	2,200,000	2,442,999	
Student Activities and Sales	7	521,000	435,000	506,939	
Other Revenues from Local Sources	8	2,789,350	3,166,389	3,880,504	
Revenue from Intermediary Sources	9	0	0	0	
State Foundation Aid	10	72,013,402	69,974,430	66,050,527	
Instructional Support State Aid	11	0	0	0	
Other State Sources	12	10,974,431	11,284,422	14,543,836	
Commercial & Industrial State Replacement	13	1,509,372	194,760	907,127	
Title I Grants	14	2,132,305	2,090,092	1,651,588	
IDEA and Other Federal Sources	15	7,557,295	7,458,342	7,345,423	
Total Revenues	16	152,956,362	144,690,740	144,924,034	
General Long-Term Debt Proceeds	17	17,500,000	0	15,960,000	
Transfers In	18	3,246,135	3,230,639	4,217,872	
Proceeds of Fixed Asset Dispositions	19	35,000	48,314	96,993	
Total Revenues & Other Sources	20	173,737,497	147,969,693	165,198,899	
Beginning Fund Balance	21	38,596,623	46,439,091	43,974,925	
<b>Total Resources</b>	22	212,334,120	194,408,784	209,173,824	
<b>*Instruction</b>	23	91,053,157	90,106,161	89,157,115	1.1%
Student Support Services	24	6,286,000	6,176,108	6,582,902	
Instructional Staff Support Services	25	6,746,000	5,248,880	5,863,333	
General Administration	26	1,752,000	1,887,774	1,752,358	
School/Building Administration	27	6,480,000	6,630,025	6,476,832	
Business & Central Administration	28	5,817,300	7,991,556	5,390,662	
Plant Operation and Maintenance	29	12,174,000	12,067,277	10,792,182	
Student Transportation	30	4,403,000	4,228,433	4,670,340	
This row is intentionally left blank	31	0	0	0	
<b>*Total Support Services (lines 24-31)</b>	31A	43,658,300	44,230,053	41,528,609	2.5%
<b>*Noninstructional Programs</b>	32	5,181,700	5,032,718	5,056,440	1.2%
Facilities Acquisition and Construction	33	26,920,000	5,501,827	14,428,902	
Debt Service	34	3,337,691	2,720,143	2,104,064	
AEA Support - Direct to AEA	35	5,454,380	4,990,620	4,928,817	
<b>*Total Other Expenditures (lines 33-35)</b>	35A	35,712,071	13,212,590	21,461,783	29.0%
Total Expenditures	36	175,605,228	152,581,522	157,203,947	
Transfers Out	37	3,246,135	3,230,639	5,530,786	
Total Expenditures & Other Uses	38	178,851,363	155,812,161	162,734,733	
Ending Fund Balance	39	33,482,757	38,596,623	46,439,091	
<b>Total Requirements</b>	40	212,334,120	194,408,784	209,173,824	

Proposed Tax Rate (per \$1,000 taxable valuation)

14.98029

Location of Public Hearing:

2300 Chaney Road, Dubuque, IA 52001

Date of Hearing:

04/11/16

Time of Hearing:

5:30 PM

xx/xx/xx

The Board of Directors will conduct a public hearing on the proposed 2016/17 school budget at the above-noted location and time. At the hearing, any resident or taxpayer may present objections to, or arguments in favor of, any part of the proposed budget. This notice represents a summary of the supporting detail of revenues and expenditures on file with the district secretary. A copy of the details will be furnished upon request.

## LEVY IMPACT ON RESIDENTIAL PROPERTY - CITY OF DUBUQUE

	Budget Year 2016-17 *	Budget Year 2015-16	\$ Change	% Change
Average Property Value *	\$ 130,367	\$ 130,367	\$ 0.00	0.00%
Equalization Order *	1.0000	1.0000	0.00	0.00%
Average Property Value after Equalization Order *	\$ 130,367	\$ 130,367	\$ 0.00	0.00%
Rollback *	0.556259	0.557335	(0.00108)	-0.19%
Taxable Value *	\$ 72,518	\$ 72,658	\$ (140)	-0.19%
School Tax Rate	\$ 14.98029	\$ 14.05629	\$ 0.92400	6.57%
School Tax	\$ 1,086.34	\$ 1,021.30	\$ 65.04	6.37%

\* The above information is produced from the City of Dubuque's Fiscal Year 2017 Recommended Budget document, page 123.

## LEVY IMPACT ON COMMERCIAL PROPERTY - CITY OF DUBUQUE

	Budget Year 2016-17 *	Budget Year 2015-16	\$ Change	% Change
Average Property Value *	\$ 386,139	\$ 386,139	\$ 0.00	0.00%
Equalization Order *	1.1200	1.0000	0.1200	12.00%
Average Property Value after Equalization Order *	\$ 432,476	\$ 386,139	\$ 46,337	12.00%
Rollback *	0.900000	0.900000	0.00	0.00%
Taxable Value *	\$ 389,228	\$ 347,525	\$ 41,703	12.00%
School Tax Rate	\$ 14.98029	\$ 14.05629	\$ 0.92400	6.57%
School Tax	\$ 5,830.75	\$ 4,884.91	\$ 945.84	19.36%

\* The above information is produced from the City of Dubuque's Fiscal Year 2017 Recommended Budget document, page 124.

## LEVY IMPACT ON INDUSTRIAL PROPERTY - CITY OF DUBUQUE

	Budget Year 2016-17 *	Budget Year 2015-16	\$ Change	% Change
Average Property Value *	\$ 599,500	\$ 599,500	\$ 0.00	0.00%
Rollback *	0.900000	0.900000	0.00	0.00%
Taxable Value *	\$ 539,550	\$ 539,550	\$ 0.00	0.00%
School Tax Rate	\$ 14.98029	\$ 14.05629	\$ 0.92400	6.57%
School Tax	\$ 8,082.62	\$ 7,584.07	\$ 498.55	6.57%

\* The above information is produced from the City of Dubuque's Fiscal Year 2017 Recommended Budget document, page 125.

## LEVY IMPACT ON MULTI-RESIDENTIAL PROPERTY - CITY OF DUBUQUE

	Budget Year 2016-17 *	Budget Year 2015-16	\$ Change	% Change
Average Property Value *	\$ 224,289	\$ 224,289	\$ 0.00	0.00%
Equalization Order *	1.0000	1.0000	0.00	0.00%
Average Property Value after Equalization Order *	\$ 224,289	\$ 224,289	\$ 0.00	0.00%
Rollback *	0.862500	0.900000	(0.03750)	-4.17%
Taxable Value *	\$ 193,449	\$ 201,860	\$ (8,411)	-4.17%
School Tax Rate	\$ 14.98029	\$ 14.05629	\$ 0.92400	6.57%
School Tax	\$ 2,897.92	\$ 2,837.40	\$ 60.52	2.13%

\* The above information is produced from the City of Dubuque's Fiscal Year 2017 Recommended Budget document, page 126.

ADOPTION OF BUDGET AND TAXES  
JULY 1, 2016-JUNE 30, 2017

Department of Management - Form S-TX

DUBUQUE

District Number 1863

Total Special Program Funding

Instructional Support (A&L line 10.5)	097	6,999,661
Educational Improvement (A&L line 11.3)	099	0
Voted Physical Plant & Equipment (A&L line 19.3)	105	2,536,594

Special Program Income Surtax Rates

Instructional Support (A&L line 10.15)	096	0
Educational Improvement (A&L line 11.4)	098	0
Voted Physical Plant & Equipment (A&L line 19.4)	104	0

Utility Replacement and Property Taxes Adopted

		Utility Replacement AND Property Tax Dollars	Levy Rate	Property Taxes Levied	Estimated Utility Replacement Dollars
Levy to Fund Combined District Cost (A&L line 15.3)	1	32,707,388			
+Educational Improvement Levy (A&L line 15.5)	2	0			
+Cash Reserve Levy - SBRC (A&L line 15.9)	3	4,980,711			
+Cash Reserve Levy - Other (A&L line 15.10)	4	2,400,000			
-Use of Fund Balance to Reduce Levy (A&L line 15.11)	5	0			
=Subtotal General Fund Levy (A&L line 15.14)	6	40,088,099	12.00014	38,994,886	1,093,213
+Instructional Support Levy (A&L line 15.13)	7	5,230,147	1.38146	5,104,303	125,844
=Total General Fund Levy (A&L line 15.12)	8	45,318,246	13.38160	44,099,189	1,219,057
	9				
Management	10	2,000,000	.59869	1,945,465	54,535
Amana Library	11	0	.00000	0	0
Voted Physical Plant & Equipment (Loan Agreement)	12	0			
+Voted Physical Plant & Equipment (Capital Project)	13	2,536,594			
=Subtotal Voted Physical Plant & Equipment	14	2,536,594	.67000	2,475,557	61,037
+Regular Physical Plant & Equipment	15	1,249,367	.33000	1,219,304	30,063
=Total Physical Plant & Equipment	16	3,785,961			
	17				
Reorganization Equalization Levy	18	0	.00000	0	0
Emergency Levy (for Disaster Recovery)	19	0	.00000	0	0
Public Education/Recreation (Playground)	20	0	.00000	0	0
Debt Service	21	0	.00000	0	0
<b>GRAND TOTAL</b>	22	51,104,207	14.98029	49,739,515	1,364,692

1-1-15 Taxable Valuation	WITH Gas & Electric Utilities	3,340,636,322	WITHOUT Gas&Elec	3,249,535,909
1-1-15 Tax Increment Valuation	WITH Gas & Electric Utilities	445,325,433	WITHOUT Gas&Elec	445,325,433
1-1-15 Debt Service, PPEL, ISL Valuation	WITH Gas & Electric Utilities	3,785,961,755	WITHOUT Gas&Elec	3,694,861,342

I certify this budget is in compliance with the following statements:

- ☐ The prescribed Notice of Public Hearing and Proposed Budget Summary (Form S-PB) was lawfully published, with said publication being evidenced by verified and filed proof of publication.
- ☐ The budget hearing notice was published not less than 10 days, nor more than 20 days, prior to the budget hearing.
- ☐ Adopted property taxes do not exceed published amounts.
- ☐ Adopted expenditures do not exceed published amounts for any of the four individual expenditure categories, or in total.
- ☐ Adopted property taxes meet the debt service and loan agreement needs identified on Form 703. Debt service levy for GO bond payments only.
- ☐ This budget was certified on or before April 15, 2016.

District Secretary

## GLOSSARY

Comprehending Iowa school finance concepts assumes an understanding of certain unique technical terms and phrases whose meanings have evolved over the past decades. Some of these terms and phrases are defined in Iowa statutes. Others are simply used by finance practitioners who have developed a common understanding of their meanings. Some of these terms and phrases are defined below.

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**Regular-Program District Cost per Pupil (cost per pupil)**, also called **district cost per pupil**, was originally established by dividing the school district's expenditures by the number of pupils in the district. Iowa Code 257.10(1). Each school district had its own district cost per pupil. In FY 1990-91, each district's cost per pupil was recalculated by the state and subsequent changes were only made by statute.

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**Regular-Program State Cost per Pupil (state cost per pupil)** was originally calculated by dividing a statewide expenditure figure by the total number of pupils. Since the original calculation, the value has been modified to meet changing state policy. Iowa Code 257.9(1). The state cost per pupil is the basis for calculating state aid. However, the amount of state aid a school district receives consists of only a portion of the state cost per pupil multiplied by a school district's weighted enrollment. This portion of the state cost per pupil is called the state regular program and special education foundation cost per pupil and is currently set at 87.5 percent.

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**Supplemental State Aid** (formerly known as Allowable Growth) is also called state percent of growth. This percentage is legally required to be established annually by the legislature and is used (along with other factors) to calculate a district's authorized budget, real estate tax levy and state aid. Supplemental State Aid has ranged between zero percent and four percent during the past five years. State Supplemental Aid is extremely important to districts.

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**Authorized Budget**, sometimes called spending authority, is the sum of:

- Property tax and state aid (as calculated under the Iowa School Finance Formula)
  - Miscellaneous income (all revenues not included above)
  - Unspent balance from previous years
  - Other amounts granted by School Budget Review Committee ("SBRC")
- 

**Unspent Balance** (also known as **Unspent Authorized Budget**) is the end-of-fiscal-year amount remaining after all expenditures are subtracted from authorized budget.

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**Special Education Deficits** occur when current-year special education expenditures exceed current-year special education receipts. Receipts come from various sources including taxes, state program dollars, nonresident tuition, Federal IDEA Part B program dollars, and the Medicaid program. Expenditures include general program expenses, special program expenses, and tuition paid to other districts for resident students served elsewhere. A special education deficit is not part of the Iowa School Finance Formula and therefore funding is not automatically provided. However, upon district application, the SBRC retroactively grants authorized budget for the year in which the deficit occurred. A district may then use the cash reserve levy to subsequently collect taxes to cover this deficit.

**Solvency Ratio** is a percentage determined by dividing the (assigned plus unassigned fund balance) by (total general fund revenue – AEA support).

**School Budget Review Committee** (“SBRC”) is established in Section 257.30, Code of Iowa. One of its enumerated duties is to grant supplemental aid to school districts for unusual or extraordinary circumstances.

**Assigned Fund Balances** are those amounts that are set aside by the governing body itself, by another body (budget or finance committee), or by an official who has been delegated the authority to assign those amounts for a specific purpose by the governing body.

**Unassigned Fund Balances** are those amounts in the general fund that have not been classified as nonspendable, restricted, committed, or assigned.

**Capital Projects Fund** money comes from bond proceeds, PPEL property taxes, and the one-cent local option sales tax; used for purchase and construction of major capital projects, such as new schools.

**Statewide Sales and Services Tax Fund** money comes from the one-cent local option sales tax and bond proceeds; may be used only for buildings, grounds, and certain equipment.

**Physical Plant and Equipment Levy Fund (PPEL)** money comes from special property tax levy and/or income surtax; may be used only for buildings, grounds, and certain equipment.

**Cash Reserves** money comes from General Fund dollars not used in prior year; kept as savings and may be used for any General Fund operating expenses.

**General Fund** money primarily comes from property taxes, state aid, state and federal grants, and student fees; used for salaries, supplies and other operational costs, and specific activities and materials funded by the student fees.

**Student Activity Fund** money comes from fundraising and donations only, not taxes; used to augment district-sponsored and supervised student activities such as athletics, band, speech, and student council.

**Management Levy Fund** money comes from special property tax levy; used for liability insurance, unemployment benefits, early retirement incentives, and legal judgments.

**Debt Service Fund** money comes from a separate property tax levy approved by voters and/or local option sales tax revenue; used to pay principal and interest on long-term debt such as bonds. Money is also transferred here from the one-cent local option sales tax.

**Nutrition Fund** is a separate fund used to manage the revenue and expenses for the district's food service program.

