



SF 2078 – Property Tax Replacement Payments (LSB 5828SV)
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Fiscal Note Version – New

Description

Senate File 2078 provides additional property tax relief based on the per pupil increase that results from the establishment of the State percent of growth in FY 2016. The Bill requires the additional levy portion of the FY 2016 State cost per pupil amount to be frozen at \$750 per pupil, no matter what the per pupil increase is for FY 2016. Without enactment of this provision, the increase in the FY 2016 State cost per pupil due to the State percent of growth will include a per pupil property tax increase equivalent to 1/8th (12.5%) of the total per pupil increase.

Background

Enactment of **HF 215** (Education Reform Act) included the creation of the property tax replacement payment provision (PTRP) to replace local property tax amounts with State aid. The provision froze the additional levy portion of the State cost per pupil in FY 2014 and FY 2015 at \$750. Based on the State percent of growth enacted for those fiscal years (2.0% in FY 2014 and 4.0% in FY 2015), this provision resulted in per pupil property tax relief of \$15/pupil in FY 2014 and another \$31/pupil in FY 2015. This provision also required these per pupil property tax relief provisions for FY 2014 and FY 2015 to carry forward in future fiscal years, resulting in per pupil property tax relief totaling \$46/pupil beginning in FY 2015.

Enactment of **SF 2078** will maintain a freeze of the additional levy portion of the State cost per pupil at \$750 in FY 2016. The per pupil property tax relief amount will be predicated on the State percent of growth enacted for FY 2016. The following table provides detail on the State cost per pupil funding levels at different State percent of growth rate amounts for FY 2016. Enactment of **SF 2078** will provide additional property tax relief of \$16/pupil at a 2.0% rate, \$32/pupil at a 4.0% rate, and \$47 at a 6.0% rate.

	FY 2015	FY 2016 State Cost Per Pupil Amounts Based on Various State Percent of Growth Rates			
		0.0%	2.0%	4.0%	6.0%
State Cost Per Pupil (SCPP):	\$ 6,366	\$ 6,366	\$ 6,493	\$ 6,621	\$ 6,748
87.5% Foundation Level (FL):	5,570	5,570	5,681	5,793	5,905
Previous Enacted PTRP Amount:	46	46	46	46	46
Additional Levy Portion:	750	750	766	782	797
Additional Per Pupil Property Tax with SF 2078:	\$ 0	\$ 16	\$ 32	\$ 47	
Total Per Pupil Property Tax Relief Beginning in FY 2016:	\$ 46	\$ 62	\$ 78	\$ 93	

Assumptions

- Estimates are based on October 2013 certified enrollments and weighting and enrollment projections for October 2014.
- Estimates are also based on current law estimates for FY 2015. Any policy changes impacting enrollments or weightings will impact FY 2016 estimates.

Fiscal Impact

The estimated fiscal impact of [SF 2078](#) will be predicated on the State percent of growth enacted for FY 2016. The following table provides the estimated fiscal impact based on different State percent of growth rates for FY 2016.

Estimated Impact - SF 2078

	FY 2016 General Fund Expenditure Increase for Property Tax Replacement Payments (PTRP) (Millions of Dollars)			
	0.0%	2.0%	4.0%	6.0%
Total Current Law PTRP Amount	\$ 25.7	\$ 25.7	\$ 25.7	\$ 25.7
SF 2078 Total PTRP Amount	25.7	34.6	43.5	51.9
Est. Impact of SF 2078	\$ 0.0	\$ 8.9	\$ 17.9	\$ 26.2

If [SF 2079](#) (FY 2016 State Supplemental Aid) is enacted, the estimated fiscal impact will be an increase in State General Fund expenditures for the PTRP of \$26.2 million beginning in FY 2016. Additional school aid estimates are available on the [LSA website](#).

Sources

Iowa Department of Education, Certified Enrollment file
Iowa Department of Management, School Aid file
LSA analysis and calculations

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
