
FISCAL UPDATE Article

Fiscal Services Division

May 29, 2019



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

LEGISLATION FROM THE 2019 LEGISLATIVE SESSION IMPACTING FY 2020 STATE SCHOOL AID

Legislation. The following legislation was enacted during the 2019 Legislative Session and impacts the State school budget aid and levy for FY 2020.

- [House File 306](#) (School Finance — State Percents of Growth — Property Tax Replacement Payments Act). The Act establishes a rate of 2.06% for State supplemental aid (SSA), percent of growth, and categorical State percent of growth for FY 2020. The Act further establishes additional property tax replacement funding based on the per pupil increase that results from the establishment of the State percent of growth in FY 2020. The Act requires the additional levy portion of the FY 2020 State cost per pupil amount to be frozen at \$750 per pupil, regardless of the per pupil increase for FY 2020.

The Act was approved by the General Assembly on February 13, 2019, and signed by the Governor on February 19, 2019.

- [House File 307](#) (School Finance — Regular State Cost Per Pupil — School Transportation Funding Act). The Act increases by \$5 the State cost per pupil (SCPP) amount calculated using the SSA rate. With the enactment of both [HF 306](#) and [HF 307](#), the new SCPP for FY 2020 is \$6,880. Districts that have a higher district cost per pupil will receive State aid replacement for funds that would have been generated through property taxes. Districts at the SCPP will receive additional spending authority.

The Act also creates a standing appropriation from the General Fund to the Transportation Equity Fund and establishes that the appropriation will grow at the same rate as a categorical under the categorical State percent of growth beginning in FY 2021. The Act appropriates \$19.0 million in FY 2020. While the appropriation does not impact the State school budget aid and levy directly, it will increase the spending authority of districts receiving moneys from the Transportation Equity Fund.

The Act was approved by the General Assembly on February 13, 2019, and signed by the Governor on February 19, 2019.

- [House File 596](#) (Whole Grade Sharing and Reorganization Incentives). The Act extends the whole grade sharing supplementary weighting and reorganization incentives for an additional five years.

The Act was approved by the General Assembly on April 25, 2019, and signed by the Governor on May 9, 2019.

- [Senate File 603](#) (Concurrent Enrollment Functions and Funding). The Act makes various changes to concurrent enrollment, including increasing the concurrent enrollment weighting for arts and science classes under the concurrent enrollment program from 0.46 to 0.50. This change will first take effect for the 2019-2020 school year.

The Act was approved by the General Assembly on April 26, 2019, and signed by the Governor on May 23, 2019.

- [Senate File 638](#) (Standing Appropriations). The Act makes two changes impacting State school aid:

- Reduces the FY 2020 State school aid funding to the Area Education Agencies (AEAs) by \$15.0 million. This reduction is in addition to the statutory reduction of \$7.5 million. The State aid reduction to the AEAs will total \$22.5 million for FY 2020.
- Suspends the General Fund standing appropriation of \$14.8 million for the Instructional Support Program for FY 2020. Although no State funding will be provided for the Instructional Support Program, school districts may use local property tax and income surtax to fund their portion of the Program.

The Act was approved by the General Assembly on April 27, 2019, and signed by the Governor on May 8, 2019.

The following table shows the estimated State foundation aid for FY 2020. Actuals for the fiscal year will be calculated by the Department of Management and be made available after July 2019.

Estimated School Foundation Aid — FY 2020

State Aid w/ 2.06% Allowable Growth	\$ 3,301,100,000
\$5 Per Pupil Increase for SCPP	2,909,400
Additional AEA Reduction	-15,000,000
Concurrent Enrollment Adjustment	943,488
	\$ 3,289,952,888

Other Legislation. [House File 546](#) (Secure an Advanced Vision for Education, Extension). Although the Act does not have a fiscal impact on State school aid in FY 2020, it is expected to impact State school aid starting in FY 2022.

The Act extends the sunset of a portion of sales and use tax being allocated to the Secure an Advanced Vision for Education (SAVE) Fund to January 1, 2051, and adjusts the amount of funds being directed into the Property Tax Equity Relief (PTER) Fund. In FY 2020, the amount directed to PTER is 3.1% of the total funds generated by SAVE. Starting in FY 2021, for fiscal years in which the growth of SAVE is more than 2.0% over the previous fiscal year, the amount directed into the PTER Fund will increase by 1.0% until it reaches a cap of 30.0% of the funds generated by SAVE.

Beginning in FY 2021, one-half of the increase in funds each year will flow into a newly created Foundation Base Supplement Fund (FBSF) within the PTER Fund, which will function to indirectly increase the State cost per pupil foundation level for all districts. The current foundation level is set in Iowa Code section [257.1\(2\)\(b\)](#) as 87.5% of the State cost per pupil.

The changes to PTER will first impact State school aid in FY 2022. The allocations from the FBSF will first impact State school aid in FY 2023.

The Act was approved by the General Assembly on April 25, 2019, and signed by the Governor on May 24, 2019.

LSA Staff Contact: Michael Guanci (515.725.1286) michael.guanci@legis.iowa.gov