



[HF 306](#) – School Supplemental State Aid (LSB2288HV.1)
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Fiscal Note Version – Final Action

Description

[House File 306](#) modifies and establishes provisions related to the funding of school districts, including establishing a State supplemental aid rate (percent of growth) and the categorical State percent of growth for the budget year beginning July 1, 2019 (FY 2020), and providing for other changes to the school aid formula.

House File 306 has three provisions with a fiscal impact:

- Establishes a 2.06% State percent of growth rate to be applied to the State cost per pupil for FY 2020.
- Establishes a 2.06% State percent of growth rate to be applied to each of the State categorical cost per pupil amounts for FY 2020.
- Provides 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 Bill 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. Without enactment of this provision, the increase in the FY 2020 State cost per pupil due to the State percent of growth will include a per pupil property tax increase equivalent to one-eighth (12.5%) of the total per pupil increase.

The Bill takes effect upon enactment.

Background

State Cost Per Pupil. The school aid formula provides funding to school districts and Area Education Agencies (AEAs) through a mix of State aid and property tax. In general, funding is generated on a per pupil basis, with the per pupil amounts providing an overall budget limitation (or spending authority). There are five FY 2020 State cost per pupil funding levels that would be increased by a 2.06% State percent of growth for FY 2020 with the enactment of [HF 306](#).

Table 1 provides the supplemental State aid amounts (also referred to as per pupil growth amounts) and State cost per pupil amounts for FY 2020 based on a 2.06% growth rate. The supplemental State aid amounts will be applied to all corresponding district and AEA cost per pupil amounts.

Table 1 — HF 306**FY 2020 State Cost Per Pupil Calculations**

	FY 2019 State Cost Per Pupil	FY 2020 State Percent of Growth	FY 2020 Supplemental State Aid	FY 2020 State Cost Per Pupil
Regular Program	\$ 6,736	2.06%	\$ 139	\$ 6,875
Special Education Program	6,736	2.06%	139	6,875
AEA Special Education Services	295.53	2.06%	6.09	301.62
AEA Media Services	55.10	2.06%	1.14	56.24
AEA Education Services	60.80	2.06%	1.25	62.05

In addition to the State percent of growth and supplemental State aid amounts for FY 2020, enrollments, weightings, and taxable valuations within each school district have an impact on the amount of total school aid funding, including the amount of State aid and local property tax required to generate the total funding amount.

State Categorical Supplements. The State categorical supplements are funded entirely through State aid and generate funds for each school district and AEA through the school aid formula on a per pupil basis. The FY 2020 State cost per pupil funding levels for the teacher salary supplement (district and AEA), professional development supplement (district and AEA), early intervention supplement (district only), and Teacher Leadership and Compensation (TLC) (district only) supplement would be increased by a 2.06% State percent of growth for FY 2020. **Table 2** provides the per pupil growth amounts and State cost per pupil amounts for FY 2020 based on HF 306.

Table 2 — HF 306**FY 2020 State Categorical Cost Per Pupil Calculations**

	FY 2019 State Cost Per Pupil	FY 2020 State Percent of Growth	FY 2020 Supplemental State Aid	FY 2020 State Cost Per Pupil
Teacher Salary - Districts	\$ 580.01	2.06%	\$ 11.95	\$ 591.96
Professional Development - Districts	65.69	2.06%	1.35	67.04
Early Intervention	71.56	2.06%	1.47	73.03
Teacher Leadership and Compensation	326.50	2.06%	6.73	333.23
Teacher Salary - AEAs	30.35	2.06%	0.63	30.98
Professional Development - AEAs	3.51	2.06%	0.07	3.58

Additionally, there is a budget guarantee provision for each of the State categorical supplements, which provides each district and AEA with a minimum of the previous fiscal year’s level of funding (net of the previous year’s budget guarantee amount). This provision for the State categorical supplements is funded entirely through State aid.

Property Tax Replacement Payment (PTRP). The enactment of [HF 215](#) (2013 Education Reform Act) included the creation of the property tax replacement payment (PTRP) provision to replace local property tax amounts with State aid. The provision froze the additional levy portion of the State cost per pupil at \$750; based on the State percent of growth enacted during the intervening fiscal years, this provision created \$15 per pupil in property tax relief in FY 2014 and up to \$92 per pupil in FY 2019. The continual growth is a result of this provision requiring that the per pupil property tax relief of previous fiscal years carry forward into future fiscal years. Enactment of HF 306 will maintain the additional levy portion of the State cost per pupil at \$750 in FY 2020. The per pupil property tax relief amount will be based on the State percent of growth enacted for FY 2020. **Table 3** provides detail regarding the State cost per pupil funding levels as provided by a 2.06% growth rate for FY 2020 in HF 306.

Table 3 — HF 306

FY 2020 Property Tax Replacement Payment Calculation

		FY 2019	Increase Due To Supplemental State Aid Rate	FY 2020
Regular Program	\$	6,736	\$ 139	\$ 6,875
87.5% Foundation Level		842	17	859
PTRP Amount		92	17	109
Fixed Additional Levy Portion		750		750

Assumptions

- Estimates are based on October 2018 certified enrollments and supplementary weightings for FY 2020, which were approved by the School Budget Review Committee (SBRC) in December 2018.
- A statewide taxable valuation growth rate of 4.40% for FY 2020 was previously agreed upon by the Legislative Services Agency (LSA) and the Department of Management. Based on this assumed rate, the statewide total for the uniform levy is estimated to account for \$39.5 million of the school foundation property tax change in FY 2020 (including the uniform levy portion of the commercial/industrial rollback replacement payment). The estimated increase in the uniform levy amount is not affected by the establishment of the State percent of growth rate. **Table 4** shows a 4.36% increase in the uniform levy due to changes in the uniform levy rates for school districts undergoing the process of reorganization.
- Property tax adjustment aid amounts are based on the statewide taxable valuation growth factor applied to each school district’s FY 2019 taxable valuation amount.

- Total State aid includes funding from the State General Fund and other funds appropriated or deposited in the Property Tax Equity and Relief (PTER) Fund, which is used to provide additional property tax relief through the school aid formula.
- Establishing an FY 2019 State percent of growth will also affect the amount of funding generated for the Statewide Voluntary Preschool Program. Funding for the Program is provided by State General Fund dollars and is included in the overall State aid total.
- Districts eligible for the 101.00% budget adjustment will approve use of that provision.
- Beginning in FY 2020, the additional \$15.0 million State aid reduction to AEAs implemented in FY 2019 will be restored.
- Other legislation may have an impact on the amount of State aid and property tax generated though the school aid formula. The fiscal impact in **Table 4** includes only the provisions in this Bill.

Fiscal Impact

Table 4 provides the estimated fiscal impact of the three provisions of HF 306: State Supplemental Aid, State categorical rate, and PTRP implementation. These provisions include:

- Restoration of the \$15.0 million reduction in State aid to the AEAs. Under current law, the reduction will total \$7.5 million (a statutory reduction implemented annually).
- \$62.1 million in PTRP funding, an increase of \$10.0 million (19.17%) compared to FY 2019.
- \$537.9 million for the State categorical supplements for school districts and AEAs, an increase of \$10.7 million (2.03%). This includes:
 - \$305.0 million for the teacher salary supplement at the district and AEA level.
 - \$34.6 million for the professional development supplement at the district and AEA level.
 - \$35.6 million for the early intervention supplement.
 - \$162.7 million for the teacher leadership supplement.
- \$85.9 million for preschool formula funding, an increase of \$3.7 million (4.49%) compared to FY 2019. The preschool formula funding is included in the State aid amount, but is not included in the combined district cost total.
- \$10.2 million in budget adjustment funding, a decrease of \$15.4 million (60.16%) compared to FY 2019. The budget guarantee adjustment is calculated at the school district level so that school districts receive 101.00% of their previous year's funding. The budget guarantee adjustment is funded entirely through property taxes.
- The total property tax funds generated through the school aid formula are estimated to be \$1.560 billion, an increase of \$29.4 million (1.92%) compared to FY 2019.
- The total State aid from the General Fund (reflecting the total school aid funding level for school districts and AEAs generated through the school aid formula) is estimated to be \$3.301 billion, an increase of \$93.6 million (2.92%) compared to FY 2019. Any legislative action affecting FY 2020 school aid provisions will have an impact on school aid amounts. Additionally, any variations in the assumptions noted may result in changes in the FY 2020 estimates provided in **Table 4**.

Table 4 — HF 306**Legislative Services Agency: FY 2020 School Aid Estimates (Statewide Dollars in Millions)**

Program Funding:	FY 2019	Est. FY 2020	Est. Change	% Change
Regular Program District Cost	\$ 3,285.5	\$ 3,362.6	\$ 77.1	2.35%
Regular Program Budget Adjustment	25.5	10.2	-15.4	-60.16%
Supplementary Weighting (District)	98.7	103.8	5.1	5.14%
Special Education Instruction (District)	440.9	460.1	19.2	4.35%
Teacher Salary Supplement (District)	282.9	288.6	5.7	2.01%
Professional Development Supplement (District)	32.1	32.7	0.6	1.99%
Early Intervention Supplement (District)	34.9	35.6	0.7	1.95%
Teacher Leadership Supplement (District)	159.5	162.7	3.3	2.05%
AEA Special Ed Support District Cost	162.5	164.9	2.4	1.49%
AEA Special Ed Support Adjustment	1.8	1.4	-0.3	-18.92%
AEA Media Services	28.7	29.4	0.7	2.34%
AEA Ed Services	31.7	32.4	0.7	2.32%
AEA Teacher Salary Supplement	16.0	16.4	0.4	2.39%
AEA Professional Development Supplement	1.9	1.9	0.0	2.35%
Dropout and Dropout Prevention	124.3	124.3	0.0	0.00%
Combined District Cost	\$ 4,704.3	\$ 4,821.9	\$ 117.6	2.50%
Statewide Voluntary Preschool Program	\$ 82.2	\$ 85.9	\$ 3.7	4.49%
State Aid:	FY 2019	Est. FY 2020	Est. Change	% Change
Regular Program	\$ 1,937.8	\$ 1,967.2	\$ 29.4	1.52%
Supplementary Weighting	86.0	90.5	4.5	5.17%
Special Education Weighting	384.5	401.3	16.8	4.37%
Property Tax Adjustment Aid (1992)	8.1	7.7	-0.4	-4.40%
Property Tax Replacement Payment (PTRP)	52.1	62.1	10.0	19.17%
Adjusted Additional Property Tax - General Fund	24.0	24.0	0.0	0.00%
Statewide Voluntary Preschool Program	82.2	85.9	3.7	4.49%
Minimum State Aid	0.0	0.0	0.0	
State Aid from General Fund	\$ 3,207.6	\$ 3,301.1	\$ 93.6	2.92%
*Excess from SAVE Fund	9.7	10.1	0.4	3.76%
Total State Aid (Includes Non-General Fund)	\$ 3,217.3	\$ 3,311.2	\$ 93.9	2.92%
Local Property Tax:	FY 2019	Est. FY 2020	Est. Change	% Change
Uniform Levy Amount	\$ 905.4	\$ 944.9	\$ 39.5	4.36%
Additional Levy	624.9	614.8	-10.1	-1.61%
Total Levy to Fund Combined District Cost	\$ 1,530.3	\$ 1,559.7	\$ 29.4	1.92%
Comm/Ind - Uniform Levy Replacement	22.9	21.6	-1.4	-5.92%
Comm/Ind - Additional Levy Replacement	16.2	15.2	-1.0	-6.03%
Miscellaneous Information:	FY 2019	Est. FY 2020	Est. Change	% Change
Budget Enrollment	486,264	487,652	1,387	0.29%
State Cost Per Pupil	\$ 6,736	\$ 6,875	\$ 139	2.06%
Number of Districts with Budget Adjustment	178	117	-61	-34.27%
Percent of Districts with Budget Adjustment	53.94%	35.45%		
Property Tax Relief Payment per student	92.0	109.0	17.00	18.48%
AEA Funding	\$ 220.7	\$ 241.3	\$ 20.7	9.37%

Notes:

Totals may not sum due to data duplication and exclusion. For example, other funds are provided by State Aid but not included in the State Aid section because the funds are represented in the Program Funding section listed above.

The provision for minimum State aid requires that the State provide at least \$300 per student.

*Secure an Advanced Vision for Education (SAVE) Fund.

Sources: Department of Management (School Aid File), LSA analysis and calculations

Sources

Iowa Department of Education, Certified Enrollment and Enrollment Projections File
Iowa Department of Management, School Aid File
Iowa Department of Revenue
LSA analysis and calculations

/s/ Holly M. Lyons

May 15, 2019

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
