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[SF 2142](#) – Senate Supplemental State Aid (2.10% growth) (LSB5516SV)  
Staff Contact: Michael Guanci (515.725.1286) [michael.guanci@legis.iowa.gov](mailto:michael.guanci@legis.iowa.gov)  
Fiscal Note Version – Revised Fiscal Estimate

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### **Description**

[Senate File 2142](#) 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, 2020 (FY 2021), and providing for other changes to the school aid formula.

Senate File 2142 has three provisions with a fiscal impact:

- Establishes a 2.10% State percent of growth rate to be applied to the State cost per pupil for FY 2021.
- Establishes a 2.10% State percent of growth rate to be applied to each of the State categorical cost per pupil amounts, and to the standing appropriation for the Transportation Equity Fund for FY 2021.
- 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 2021. The Bill requires the additional levy portion of the FY 2021 State cost per pupil amount to be frozen at \$750 per pupil, regardless of the per pupil increase for FY 2021. Without enactment of this provision, the increase in the FY 2021 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 taxes. 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 2021 State cost per pupil funding levels that would be increased by a 2.10% State percent of growth for FY 2021 with the enactment of SF 2142.

**Table 1** provides the supplemental State aid amounts (also referred to as per pupil growth amounts) and State cost per pupil amounts for FY 2021 based on a 2.10% growth rate. The supplemental State aid amounts will be applied to all corresponding district and AEA cost per pupil amounts.

**Table 1 — SF 2142**  
**FY 2021 State Cost Per Pupil Calculations**

	FY 2020 State Cost Per Pupil	FY 2021 State Percent of Growth	FY 2021 Supplemental State Aid	FY 2021 State Cost Per Pupil
Regular Program	\$ 6,880	2.10%	\$ 144	\$ 7,024
Special Education Program	6,880	2.10%	144	7,024
AEA Special Education Services	301.62	2.10%	6.33	307.95
AEA Media Services	56.24	2.10%	1.18	57.42
AEA Education Services	62.05	2.10%	1.30	63.35

In addition to the State percent of growth and supplemental State aid amounts for FY 2021, 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 2021 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 2.10% State percent of growth for FY 2021. **Table 2** provides the per pupil growth amounts and State cost per pupil amounts for FY 2021 based on SF 2142.

**Table 2 — SF 2142**  
**FY 2021 State Categorical Cost Per Pupil Calculations**

	FY 2020 State Cost Per Pupil	FY 2021 State Percent of Growth	FY 2021 Supplemental State Aid	FY 2021 State Cost Per Pupil
Teacher Salary - Districts	\$ 591.96	2.10%	\$12.43	\$ 604.39
Professional Development - Districts	67.04	2.10%	1.41	68.45
Early Intervention	73.03	2.10%	1.53	74.56
Teacher Leadership and Compensation	333.23	2.10%	7.00	340.23
Teacher Salary - AEA's	30.98	2.10%	0.65	31.63
Professional Development - AEA's	3.62	2.10%	0.08	3.70

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.

**Transportation Equity Fund.** 2019 Iowa Acts, chapter [2](#) (School Finance — Regular State Cost Per Pupil — School Transportation Funding) allows for the standing appropriation to the Transportation Equity Fund to grow at the same rate as the categorical State percent of growth. The Transportation Equity Fund appropriation is not included in the combined district cost, or in the total State aid appropriation. The FY 2020 appropriation to the Transportation Equity Fund was \$19.0 million.

**Property Tax Replacement Payment (PTRP).** 2013 Iowa Acts, chapter [121](#) (Education Reform) 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 \$128 per pupil in FY 2021. 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 SF 2142 will maintain the additional levy portion of the State cost per pupil at \$750 in FY 2021. The per pupil property tax relief amount will be based on the State percent of growth enacted for FY 2021. **Table 3** provides detail regarding the State cost per pupil funding levels as provided by a 2.10% growth rate for FY 2021 in SF 2142.

**Table 3 — SF 2142  
FY 2021 Property Tax Replacement Payment Calculation**

		FY 2020	Increase Due To Supplemental State Aid Rate	FY 2021
Regular Program	\$	6,880	\$ 144	\$ 7,024
Unadjusted Additional Levy		860	18	878
PTRP Portion		110	18	128
Fixed Additional Levy Portion		750	0	750

**Assumptions**

- Estimates are based on October 2019 certified enrollments and supplementary weightings for FY 2021, which were approved by the School Budget Review Committee (SBRC) in December 2019.
- A statewide taxable valuation growth rate of 4.92% for FY 2021 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 \$47.2 million (+4.98%) of the school foundation property tax change in FY 2021 (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. Property tax adjustment aid amounts are based on the statewide taxable valuation growth factor applied to each school district's FY 2021 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 2021 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 2021, the additional \$15.0 million State aid reduction to AEAs implemented in FY 2020 will be restored.
- The General Fund appropriation to the Transportation Equity Fund will increase by the categorical State percent of growth.
- Other legislation may have an impact on the amount of State aid and property tax generated through the school aid formula. The fiscal impact in **Table 4** includes only the provisions in this Bill.

### **Fiscal Impact**

The following table provides the estimated fiscal impact of the three provisions of SF 2142: 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).
- \$73.3 million in PTRP funding, an increase of \$10.7 million (17.06%) compared to FY 2020.
- \$551.9 million for the State categorical supplements for school districts and AEAs, an increase of \$14.0 million (2.60%). This includes:
  - \$312.9 million for the teacher salary supplement at the district and AEA level.
  - \$35.5 million for the professional development supplement at the district and AEA level.
  - \$36.5 million for the early intervention supplement.
  - \$167.0 million for the teacher leadership supplement.
- \$87.8 million for preschool formula funding, an increase of \$1.7 million (1.97%) compared to FY 2020. The preschool formula funding is included in the State aid amount, but is not included in the combined district cost total.
- \$10.0 million in budget adjustment funding for 125 qualifying districts, an increase of \$0.2 million (1.90%) compared to FY 2020. 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 \$1.616 billion, an increase of \$53.1 million (3.40%) compared to FY 2020.
- 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 \$3.376 billion, an increase of \$90.7 million (2.76%) compared to FY 2020. Any legislative action affecting FY 2021 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 2021 estimates provided in the following table.

**Table 4** further provides the fiscal impact SF 2142 has on the standing appropriation to the Transportation Equity Fund, which includes a \$19.4 million General Fund appropriation, an increase of \$0.4 million (2.10%) compared to FY 2020. The Transportation Equity Fund appropriation is not included in the combined district cost, or in the total State aid amount.

**Table 4****Legislative Services Agency: FY 2021 School Aid Estimates — Senate File 2142 (Statewide Dollars in Millions)**

State Percent of Growth: <b>2.10%</b>	State Cost Per Pupil: <b>\$7,024</b>	State Supplemental Aid: <b>\$144</b>
AEA Reduction: <b>\$7,500,000</b>	Additional Reduction: <b>\$0</b>	Total AEA Reduction: <b>\$7,500,000</b>

  

<b>Program Funding:</b>	<b>FY 2020</b>	<b>Est. FY 2021</b>	<b>Est. Change</b>	<b>% Change</b>
Regular Program District Cost	\$ 3,364.1	\$ 3,451.5	\$ 87.4	2.60%
Regular Program Budget Adjustment	9.8	10.0	0.2	1.90%
Supplementary Weighting (District)	104.8	106.2	1.5	1.40%
Special Education Instruction (District)	460.2	477.2	17.0	3.69%
Teacher Salary Supplement (District)	288.6	296.1	7.4	2.58%
Professional Development Supplement (District)	32.7	33.5	0.8	2.58%
Early Intervention Supplement (District)	35.6	36.5	0.9	2.57%
Teacher Leadership Supplement (District)	162.7	167.0	4.3	2.61%
AEA Special Ed Support District Cost	167.3	171.9	4.6	2.73%
AEA Special Ed Support Adjustment	1.4	1.2	-0.2	-11.85%
AEA Media Services	29.3	30.1	0.8	2.58%
AEA Ed Services	32.4	33.2	0.8	2.58%
AEA Teacher Salary Supplement	16.4	16.8	0.5	2.83%
AEA Professional Development Supplement	1.9	2.0	0.1	2.93%
Dropout and Dropout Prevention	124.9	124.9	0.0	0.00%
<b>Combined District Cost</b>	<b>\$ 4,809.6</b>	<b>\$ 4,950.6</b>	<b>\$ 141.0</b>	<b>2.93%</b>
Statewide Voluntary Preschool Program	\$ 86.2	\$ 87.8	\$ 1.7	1.97%

  

<b>State Aid:</b>	<b>FY 2020</b>	<b>Est. FY 2021</b>	<b>Est. Change</b>	<b>% Change</b>
Regular Program	\$ 1,964.5	\$ 1,994.7	\$ 30.2	1.54%
Supplementary Weighting	91.4	92.7	1.3	1.41%
Special Education Weighting	401.6	416.4	14.8	3.69%
Property Tax Adjustment Aid (1992)	7.7	7.4	-0.4	-4.92%
Property Tax Replacement Payment (PTRP)	62.6	73.3	10.7	17.06%
Adjusted Additional Property Tax - General Fund	24.0	24.0	0.0	0.00%
Statewide Voluntary Preschool Program	86.2	87.8	1.7	1.97%
Minimum State Aid	0.0	0.0	0.0	
<b>State Aid from General Fund</b>	<b>\$ 3,285.4</b>	<b>\$ 3,376.2</b>	<b>\$ 90.7</b>	<b>2.76%</b>
*Excess from SAVE Fund	10.1	10.4	0.3	2.67%
<b>Total State Aid (Includes Non-General Fund)</b>	<b>\$ 3,295.6</b>	<b>\$ 3,386.6</b>	<b>\$ 91.0</b>	<b>2.76%</b>

  

<b>Local Property Tax:</b>	<b>FY 2020</b>	<b>Est. FY 2021</b>	<b>Est. Change</b>	<b>% Change</b>
Uniform Levy Amount	\$ 948.3	\$ 995.5	\$ 47.2	4.98%
Additional Levy	614.1	620.0	5.9	0.96%
<b>Total Levy to Fund Combined District Cost</b>	<b>\$ 1,562.5</b>	<b>\$ 1,615.5</b>	<b>\$ 53.1</b>	<b>3.40%</b>
Comm/Ind - Uniform Levy Replacement	22.8	21.9	-0.9	-3.95%
Comm/Ind - Additional Levy Replacement	14.9	14.5	-0.4	-2.73%

  

<b>Miscellaneous Information:</b>	<b>FY 2020</b>	<b>Est. FY 2021</b>	<b>Est. Change</b>	<b>% Change</b>
State Cost Per Pupil	\$ 6,880	\$ 7,024	\$ 144	2.09%
Number of Districts with Budget Adjustment	114	125	11	9.65%
Percent of Districts with Budget Adjustment	34.86%	38.23%		
Statewide Categoricals Total	\$ 537.9	\$ 551.9	\$ 14.0	2.60%
Property Tax Relief Payment Per Pupil	110	128	18	16.36%
Statewide AEA Funding Reduction	-22.5	-7.5	15.0	66.67%
Statewide AEA Funding	226.2	247.7	21.5	9.48%
Transportation Equity Fund	19.0	19.4	0.4	2.10%

**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. Transportation Equity Fund dollars are not included in the total State aid amounts.

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

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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.

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