



[HF 2316](#) – Supplemental State Aid (LSB6186HV.2)
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Fiscal Note Version – Final Action

Description

[House File 2316](#) modifies and establishes provisions related to the funding of school districts, including establishing a State supplemental aid (SSA) amount based on a State percent of growth rate and the categorical State percent of growth rate for the budget year beginning July 1, 2022 (FY 2023), and provides for other changes to the school aid formula.

[Senate File 2204](#) has five provisions with a fiscal impact:

- Establishes a 2.50% State percent of growth rate to be applied to the State cost per pupil (SCPP) for FY 2023, for an SSA of \$181 per pupil.
- Establishes a 2.50% State percent of growth rate to be applied to each of the State categorical cost per pupil amounts for FY 2023.
- Provides an additional increase of \$5 to the FY 2023 regular program SCPP, separate from the SSA.
- 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 2023. The Bill requires the additional levy portion of the FY 2023 SCPP amount to be frozen at \$685 per pupil, regardless of the per pupil increase for FY 2023.
- Amends the FY 2023 General Fund appropriation to the [Transportation Equity Program](#) under Iowa Code section [257.16C](#) to equal the amount necessary to make all transportation equity aid payments.

This Bill specifies that the current requirements that allowable growth rates must be enacted within 30 days of the transmission of the Governor’s budget submission, required by February 1 during the regular legislative session, do not apply to this Bill.

This 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 SCPP funding levels that would be increased by a 2.50% State percent of growth for FY 2023 with the enactment of this Bill.

Table 1 provides the SSA amounts (also referred to as per pupil growth amounts) and SCPP amounts for FY 2023 based on a 2.50% growth rate. The SSA amounts will be applied to all corresponding district and AEA cost per pupil amounts. In addition to a 2.50% growth rate, section 2 of the Bill adds an additional \$5 to the SCPP, separate from the SSA.

Table 1 — HF 2316**FY 2023 State Cost Per Pupil Calculations**

	FY 2022 State Cost Per Pupil	FY 2023 State Percent of Growth	FY 2023 Supplemental State Aid	FY 2023 Additional SCPP Dollars	FY 2023 State Cost Per Pupil
Regular Program	\$ 7,227	2.50%	\$ 181	\$ 5	\$ 7,413
Special Education Program	7,227	2.50%	181	5	7,413
AEA Special Education Services	315.97	2.50%	7.90	-	323.87
AEA Media Services	58.91	2.50%	1.47	-	60.38
AEA Education Services	65.00	2.50%	1.63	-	66.63

In addition to the State percent of growth and SSA amounts for FY 2023, 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 2023 SCPP 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) supplement (district only) would be increased by a 2.50% State percent of growth for FY 2023. **Table 2** provides the per pupil growth amounts and SCPP amounts for FY 2023 based on this Bill.

Table 2 — HF 2316**FY 2023 State Categorical Cost Per Pupil Calculations**

	FY 2022 State Cost Per Pupil	FY 2023 State Percent of Growth	FY 2023 Supplemental State Aid	FY 2023 State Cost Per Pupil
Teacher Salary – Districts	\$ 620.11	2.50%	\$ 15.50	\$ 635.61
Professional Development – Districts	70.23	2.50%	1.76	71.99
Early Intervention – Districts	76.50	2.50%	1.91	78.41
Teacher Leadership and Compensation – Districts	349.07	2.50%	8.73	357.80
Teacher Salary – AEAs	32.45	2.50%	0.81	33.26
Professional Development – AEAs	3.79	2.50%	0.09	3.88

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). 2013 Iowa Acts, chapter [121](#) (Education Reform), included the creation of the PTRP provision to replace local property tax amounts with State aid. The provision froze the additional levy portion of the SCPP 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 \$153 per pupil in FY 2022. The continual growth is a result of the requirement that the per pupil property tax relief of previous fiscal years carry forward into future fiscal years. Enactment of this Bill would cause the additional levy portion of the SCPP to be \$685 in FY 2023, due to the Foundation Level increasing to 88.40% from 87.50%. The per pupil property tax relief amount will be based on the State percent of growth enacted for FY 2023. **Table 3** provides details regarding the SCPP funding levels as provided by a 2.50% growth rate for FY 2023 in this Bill.

Table 3 — HF 2316

FY 2023 Property Tax Replacement Payment Calculation

	FY 2022	Change Due To State Foundational Aid Level	Increase Due to Supplemental State Aid Rate	Increase Due to Additional Dollars to the SCPP	FY 2023
Regular Program	\$ 7,227	\$ 0	\$ 181	\$ 5	\$ 7,413
Unadjusted Additional Levy	903	-65	21	1	860
PTRP Portion	153	N/A	21	1	175
Fixed Additional Levy Portion	750	-65	0	0	685

Transportation Equity Program. Iowa Code section 257.16C establishes the Transportation Equity Program. The Program was created to provide additional funding to school districts for public school transportation costs that exceed a statewide adjusted average cost per student. Transportation equity payments may buy down transportation costs to the statewide average cost per student for providing transportation to public schools. If funding permits, school districts with transportation costs per pupil below the statewide average will receive transportation base funding payments on a per capita basis.

Assumptions

- Estimates are based on October 2021 certified enrollments and supplementary weightings for FY 2022, which were approved by the School Budget Review Committee (SBRC) in December 2021.
- A statewide taxable valuation growth rate of 4.82% for FY 2023 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 \$49.7 million (4.85%) of the school foundation property tax change in FY 2023 (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 2023 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 2023 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.
- Other legislation may have an impact on the amount of State aid and property tax generated through the school aid formula.
- The General Fund appropriation to the Transportation Equity Fund will increase by approximately \$2.0 million. Starting in FY 2024, the appropriation may grow at the same rate as the categorical SCPP rate in subsequent years.

Fiscal Impact

Table 4 provides the estimated fiscal impact of this Bill. These provisions include:

- A \$7.5 million reduction¹ in State aid to the AEAs (current statute).
- \$99.4 million in PTRP funding, an increase of \$12.8 million (14.72%) compared to FY 2022.
- \$574.7 million for the State categorical supplements for school districts and AEAs, an increase of \$14.1 million (2.53%) compared to FY 2022. This includes:
 - \$325.9 million for the teacher salary supplement at the district and AEA levels.
 - \$37.0 million for the professional development supplement at the district and AEA levels.
 - \$37.9 million for the early intervention supplement.
 - \$174.0 million for the TLC supplement.
- \$88.2 million for preschool formula funding, an increase of \$7.1 million (8.72%) compared to FY 2022. The preschool formula funding is included in the State aid amount but is not included in the combined district cost total.
- \$8.9 million in budget adjustment funding for 81 qualifying districts, a decrease of \$17.1 million (65.85%) compared to FY 2022. 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 \$1,669.8 million, an increase of \$11.1 million (0.67%) compared to FY 2022.
- 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 \$3,580.6 million, an increase of \$172.0 million (5.05%) compared to FY 2022. Any legislative action affecting FY 2023 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 2023 estimates provided in **Table 4**.

¹ Since FY 2018, the General Assembly has further reduced funding to AEAs by an additional \$15.0 million per year, for a total reduction of \$22.5 million. Historically, the additional reductions have been included in the annual Standing Appropriations Act.

The total General Fund appropriation in **Table 4** provides the additional fiscal impact of HF 2316. This also includes:

- The additional increase of \$5 to the FY 2023 SCPP for a total of \$2.9 million, which is included in the total State aid estimate.
- The FY 2023 General Fund appropriation of \$29.5 million to the Transportation Equity Fund, which is not included in the total State aid estimate.

Table 4 — HF 2316

Legislative Services Agency: FY 2023 School Aid Estimates (Statewide Dollars in Millions)

State Percent of Growth		2.50%	Statutory AEA Reduction	\$	7,500,000
State Supplemental Aid	\$	181	Additional AEA Reduction		0
State Cost Per Pupil	\$	7,413	Total AEA Reduction	\$	7,500,000
Program Funding:		FY 2022	Est. FY 2023	Est. Change	% Change
Regular Program District Cost	\$	3,504.8	\$ 3,605.1	\$ 100.3	2.86%
Regular Program Budget Adjustment		26.0	8.9	-17.1	-65.85%
Supplementary Weighting (District)		111.1	110.5	-0.6	-0.55%
Special Education Instruction (District)		483.6	501.0	17.4	3.60%
Teacher Salary Supplement (District)		300.7	308.3	7.6	2.53%
Professional Development Supplement (District)		34.1	34.9	0.8	2.48%
Early Intervention Supplement (District)		37.1	37.9	0.9	2.39%
Teacher Leadership Supplement (District)		169.6	174.0	4.3	2.56%
AEA Special Ed Support District Cost		174.2	179.2	5.0	2.89%
AEA Special Ed Support Adjustment		1.6	1.0	-0.6	-39.60%
AEA Media Services		30.4	31.4	0.9	2.96%
AEA Ed Services		33.6	34.6	1.0	2.97%
AEA Sharing		0.2	0.0	-0.2	-100.00%
AEA Teacher Salary Supplement		17.1	17.6	0.5	2.70%
AEA Professional Development Supplement		2.0	2.1	0.1	2.60%
AEA Statewide State Aid Reduction		-22.5	-7.5	15.0	-66.67%
Dropout and Dropout Prevention		136.2	136.2	0.0	0.00%
Combined District Cost	\$	5,040.5	\$ 5,175.1	\$ 134.5	2.67%
Statewide Voluntary Preschool Program	\$	81.2	\$ 88.2	\$ 7.1	8.72%
State Aid:		FY 2022	Est. FY 2023	Est. Change	% Change
Regular Program	\$	2,013.4	\$ 2,113.6	\$ 100.2	4.98%
Supplementary Weighting		97.0	97.5	0.5	0.50%
Special Education Weighting		422.4	442.2	19.8	4.68%
Property Tax Adjustment Aid (1992)		7.2	6.8	-0.3	-4.82%
Property Tax Replacement Payment (PTRP)		86.6	99.4	12.8	14.72%
Adjusted Additional Property Tax - General Fund		24.0	24.0	0.0	0.00%
Statewide Voluntary Preschool Program		81.2	88.2	7.1	8.72%
Minimum State Aid		0.0	0.0	0.0	
State Aid from General Fund	\$	3,408.6	\$ 3,580.6	\$ 172.0	5.05%
*Excess from SAVE Fund		16.2	20.6	4.4	27.00%
Foundation Base Supplement (FBS) FY 2023		0.0	2.8	2.8	-
Total State Aid (Includes Non-General Fund)	\$	3,424.8	\$ 3,604.0	\$ 179.2	5.23%
Local Property Tax:		FY 2022	Est. FY 2023	Est. Change	% Change
Uniform Levy Amount	\$	1,025.1	\$ 1,074.8	\$ 49.7	4.85%
Additional Levy		633.6	595.0	-38.6	-6.10%
Total Levy to Fund Combined District Cost	\$	1,658.7	\$ 1,669.8	\$ 11.1	0.67%
Comm/Ind - Uniform Levy Replacement		23.1	-6.1	-29.2	-126.27%
Comm/Ind - Additional Levy Replacement		14.8	-4.4	-19.2	-129.84%
Miscellaneous Information:		FY 2022	Est. FY 2023	Est. Change	% Change
Budget Enrollment		484,159	485,630	1,472	0.30%
State Cost Per Pupil	\$	7,227	\$ 7,413	\$ 186	2.57%
Number of Districts with Budget Adjustment		137	81	-56	-40.88%
Percentage of Districts with Budget Adjustment		41.90%	24.77%		
Statewide Categoricals Total	\$	560.5	\$ 574.7	\$ 14.2	2.53%
Property Tax Relief Payment Per Pupil		153	175	22	14.38%
Foundation Base Supplement Per Pupil		0	5	5	
Statewide AEA Funding		236.7	258.3	21.6	9.14%
Transportation Equity Fund		27.5	29.5	2.0	7.28%

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 they are represented in the Program Funding section listed above. The Transportation Equity Program is not included in State Aid totals.

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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