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[SF 2386](#) – Area Education Agencies (LSB5189SV)  
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Fiscal Note Version – New

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### **Description and Background**

[Senate File 2386](#) relates to education, including modifying provisions related to the duties and powers of Area Education Agencies (AEAs), the Department of Education (DE), the Department of Administrative Services (DAS), AEA funding, and the calculation of the teacher salary supplement (TSS) district cost per pupil (DCPP) and the minimum teacher starting salary.

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### **Division I — Division of Special Education of the Department of Education**

Current law requires the Director of the DE to provide guidance and standards to AEAs for federal and State education initiatives which the AEAs must implement statewide. The Bill transfers this responsibility to the Division of Special Education (DSE) of the DE beginning with FY 2026. The Bill also requires the DSE to oversee the operation of each AEA beginning with FY 2026.

The Bill requires the DE to coordinate with each AEA, and with the DSE, to develop a plan to transfer certain specified employees of the AEA from employment under the AEA to employment under the DSE. The Bill requires the DE to compile those plans and submit them to the General Assembly on or before January 1, 2025.

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### **Division II — Area Education Agencies — General Provisions**

The Bill authorizes the AEAs to furnish evidence-based professional development services to public or nonpublic schools located within the AEA's boundaries, subject to the approval of the director of the DE.

The Bill requires AEAs to provide special education services to local school districts that request to receive such services by February 1 of the preceding school year. The Bill authorizes an AEA to provide the services to local school districts that request to receive the services after February 1 of the preceding school year. The Bill also authorizes AEAs to provide media services for local school districts in the area. The Bill establishes that these provisions are effective for FY 2026.

The Bill requires AEA boards to charge reasonable costs that are consistent with market rates for the educational services, special education services, professional development services, and media services provided by the AEA.

The Bill requires AEA boards to provide an annual report to the General Assembly and the DE related to student outcomes and use of moneys.

The Bill limits the salary for an AEA administrator to 125.0% of the average salary of all superintendents of school districts that are located within the boundaries of the AEA. The Bill establishes that this provision applies to employment agreements entered or renewed beginning in FY 2025.

The Bill requires AEAs to prepare and submit to each school district within the AEA's boundaries an annual report containing information related to an accounting of payments and a description of services provided.

The Bill modifies several provisions related to the accreditation of AEA programs to incorporate the DSE of the DE into the accreditation process and to incorporate additional standards related to accreditation. The Bill provides that an AEA that was accredited on or before July 1, 2025, will remain accredited unless and until the DSE takes action to remove accreditation. The Bill establishes that these provisions are effective in FY 2026.

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### **Division III — Area Education Agencies — Funding**

The Bill provides that the funds calculated under Iowa Code section [257.10\(7\)](#) (Special Education Support Services District Cost) and received by a school district or an AEA must be used for special education support services.

Under current law, amounts calculated for special education support services, media services, AEA teacher salary supplement district cost, AEA professional development supplement district cost, and educational services are deducted by the Department of Management (DOM) from State aid for each school district and instead paid to the school district's AEA.

The Bill provides that beginning in FY 2025, the DOM must deduct the following amounts from the State aid due to each school district and pay the amounts to the respective AEAs:

- The amount calculated for special education support services for the school district.
- 40.0% of the amount calculated for media services for the school district.
- The AEA teacher salary supplement district cost.
- The AEA professional development supplement district cost.
- 40.0% of the amount calculated for educational services for the school district.

The Bill provides that beginning with FY 2026, and each fiscal year thereafter, the DOM must deduct the following amounts from the State aid due to each school district and pay the amounts to the respective AEAs:

- 10.0% of the amount calculated for special education support services for the school district.
- 40.0% of the amount calculated for media services for the school district.
- The AEA teacher salary supplement district cost.
- The AEA professional development supplement district cost.
- 40.0% of the amount calculated for educational services for the school district.

The Bill modifies provisions related to the funding of media services and educational services provided by a school district or through an AEA. The Bill provides that funds not required to be paid to the AEA pursuant to Iowa Code section [257.35](#) (AEA Payments) may be used by the school district for media services and educational services provided by the district or by contract through the AEA. The Bill authorizes a school district to use unreserved fund balances for media services and educational services to best maintain the level of special education services as determined by the school district.

The Bill provides that, for purposes of Iowa Code section [257.37](#) (Funding Media and Educational Services), “enrollment served” means the basic enrollment of all school districts within the boundaries of the AEA plus the number of nonpublic school pupils served by the AEA.

The Bill authorizes AEAs and school districts to expend for special education support services an amount that exceeds the payment for special education support services to maintain the level of required special education support services in the AEA or the school district.

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#### **Division IV — Initial Teacher Compensation**

The Bill increases the minimum annual salary for an initial teacher who has successfully completed an approved practitioner preparation program or holds an initial or intern teacher license issued by the Board of Educational Examiners (BOEE), as specified in Iowa Code chapter [284](#) (Teacher Compensation), from \$33,500 to \$46,251.

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#### **Division V — Area Education Agencies — Required Evaluations and Reports**

The Bill requires each AEA, on or before January 1, 2025, to submit a report to the DE and the General Assembly that contains information related to progress the AEA has made in reducing executive administration expenses and a proposal for the reorganization of services provided by AEAs.

The Bill requires the DAS, in coordination with the DE and each AEA, on or before January 1, 2025, to submit a report to the General Assembly that contains an inventory of all real property and facilities owned by the AEAs, an evaluation of the value of all real property and facilities owned by the AEAs, and an evaluation of how the real property and facilities owned by the AEAs are used.

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#### **Division VI — Teacher Salary Supplement District Cost Per Pupil**

The Bill provides that, for FY 2025, the TSS DCPD for a school district must be the greater of the TSS DCPD for the school district for the base year plus the TSS supplemental State aid amount for the budget year or the per pupil amount necessary to allow the school district to provide a minimum teacher starting salary of \$46,251, an increase of \$12,751 compared to the current law minimum of \$33,500. Additionally, the Bill provides that for FY 2026 and succeeding budget years, the TSS DCPD for each school district for a budget year is the TSS DCPD for the base year plus the TSS supplemental State aid amount for the budget year.

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#### **Division VII — State Mandate**

The Bill makes inapplicable Iowa Code section [25B.2\(3\)](#), which would relieve a political subdivision from complying with a State mandate if funding for the cost of the State mandate is not provided or specified. Therefore, political subdivisions are required to comply with any State mandate included in the Bill.

**Assumptions**

- Information is not available regarding the cost of real property reporting under **Division V**.
- The DE and the DSE’s required staffing and responsibilities will be funded with current AEA staffing funding.
- The pupil count and attached funding will follow the pupil to the AEA that provides the services.
- The market rates for services provided and charged by the AEA’s will be comparable to the costs and revenues provided under the current system.
- The AEA’s will not incur costs for services that are no longer provided by the AEA’s.
- The State percent of growth will be 0.00% each year.
- There will not be an additional reduction for the AEA’s beyond the \$7.5 million reduction specified in Iowa Code section [257.35\(2\)](#).

**Fiscal Impact**

The estimated fiscal impact of SF 2386, by division, is as follows:

**Division I** relates to the DE and the DSE’s required staffing and responsibilities and will not have a fiscal impact since the required staffing and responsibilities will be funded with current AEA staffing funding.

**Division II** relates to general AEA provisions. The provision that specifies that AEA’s can furnish services and programs to pupils will not have an overall fiscal impact since the assumption is that the funding will follow the pupil.

The market rates for services provided and charged by the AEA’s will be comparable to the costs and revenues provided under the current system and will not have an overall fiscal impact.

The reporting required from the AEA’s may have little to no fiscal impact and can be completed within available resources.

The provision relating to AEA administrator salaries will reduce overall AEA expenditures from all sources by an estimated \$251,000 annually, beginning in FY 2025.

The change in the accreditation process will not have a fiscal impact.

**Division III** relates to AEA funding and will reallocate current AEA funding between AEA’s and school districts. The AEA funding allocation is displayed below.

**Figure 1**  
**AEA Funding Allocation**  
(in Millions)

FY 2024 AEA Funding	FY 2025 Allocation			FY 2026 Allocation			
	AEA	School Districts	Total	AEA	School Districts	Total	
AEA Special Ed Support District Cost	\$ 185.3	\$ 185.3	\$ 0.0	\$185.3	\$18.5	\$ 166.8	\$185.3
AEA Special Ed Support Adjustment	0.6	0.6	0.0	0.6	0.1	0.5	0.6
AEA Media Services	32.3	12.9	19.4	32.3	12.9	19.4	32.3
AEA Ed Services	35.7	14.3	21.4	35.7	14.3	21.4	35.7
AEA Sharing	0.2	0.2	0.0	0.2	0.2	0.0	0.2
AEA Teacher Salary Supplement	18.2	18.2	0.0	18.2	18.2	0.0	18.2
AEA Professional Development Supplement	2.1	2.1	0.0	2.1	2.1	0.0	2.1
AEA Statewide State Aid Reduction	-29.6	-7.5	0.0	-7.5	-7.5	0.0	-7.5
<b>Total</b>	<b>\$ 244.9</b>	<b>\$ 226.1</b>	<b>\$ 40.8</b>	<b>\$266.9</b>	<b>\$58.8</b>	<b>\$ 208.1</b>	<b>\$266.9</b>

**Division IV**, relating to increasing the minimum teacher starting salary by \$12,751 to \$46,251, will increase General Fund expenditures for the TSS by an estimated \$19.9 million in FY 2025, compared to estimated FY 2024, and General Fund appropriations will increase each year thereafter by the increase in the categorical State percent of growth.

**Division V**, relating to AEA evaluation reporting, may have a minimal fiscal impact and can be implemented with available resources. Information is not available regarding the cost of real property reporting and, therefore, a fiscal estimate cannot be made.

**Division VI**, relating to the TSS DCP, will not have any additional fiscal impact other than the fiscal impact estimated for **Division IV**.

**Division VII** relates to the inapplicability of a possible State mandate and will not have a fiscal impact.

**Sources**

Department of Education, Certified Enrollment and Enrollment Projections File  
Department of Management, School Aid File  
Legislative Services Agency analysis and calculations

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/s/ Jennifer Acton

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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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