



[HF 2612](#) – Area Education Agencies Act (LSB6302HV.4)
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Fiscal Note Version – Final Action

Description

[House File 2612](#) relates to education, including modifying provisions related to the duties and powers of Area Education Agencies (AEAs), the membership of the boards of directors of AEAs, the Department of Education (DE), AEA funding, the calculation of the teacher salary supplement (TSS) district cost per pupil (DCPP) and minimum teacher salaries, Iowa Public Employees' Retirement System (IPERS) bona fide retirement requirements, and property tax replacement payments (PTRP), establishing the State percent of growth and the categorical State percent of growth for supplemental State aid calculations for FY 2025, and including transition, effective date, and applicability provisions.

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 that the AEAs must implement statewide. The Bill requires the DE to perform the following additional duties:

- Develop and distribute to school districts a list of evidence-based professional development services that AEAs can provide to public or nonpublic schools.
- Oversee the operations of the AEAs to ensure compliance with federal and State special education laws beginning with FY 2025.
- Develop and distribute to school districts and accredited nonpublic schools a process to facilitate the development of Individualized Education Programs (IEPs) and assist IEP teams with decisions regarding free appropriate public education and placement for students enrolled in accredited nonpublic schools.
- Provide professional learning and other support materials and tools for IEP teams, including students, families, teacher service providers, and administrators of both school districts and accredited nonpublic schools, to help such individuals understand the processes required under the federal law that are relevant to students enrolled in accredited nonpublic schools and to promote informed participation in IEP meetings of students enrolled in accredited nonpublic schools.
- Provide information to IEP teams and public agencies that nonpublic schools will be considered a placement option so long as the IEP of a child with a disability does not require some other arrangement.
- Develop and distribute to school districts professional learning and other materials for meaningful consultation for representatives of AEAs, school districts, and accredited nonpublic schools.
- Establish sustainable accountability and data collection systems related to special education that meet federal and State legal requirements and encourage innovative models for meeting the needs of students.
- Develop and distribute to school districts and accredited nonpublic schools an implementation plan related to identifying, evaluating, and promoting strategies and models

for providing special education and related services with accredited nonpublic schools that improve the experiences and outcomes for students with disabilities.

The Bill requires the Division of Special Education (DSE) of the DE, during FY 2025, to devote at least 13.0 full-time equivalent (FTE) positions within the DE's location in Des Moines to oversight of the AEAs, including the accreditation of AEAs.

The Bill also requires the DE to devote an amount of FTE positions, as determined by the DSE of the DE, not to exceed 40.0 FTE positions in the aggregate, to ensure that the AEA complies with all applicable federal and State laws related to special education and to review the services the AEA provides.

Division II — Area Education Agencies — General Provisions

The Bill makes the following changes:

- The Bill requires each AEA to have an AEA board of directors that serves in an advisory capacity. The Bill establishes that this provision is effective in FY 2026.
- Authorizes the AEAs to furnish evidence-based professional development services to public or nonpublic schools located within each AEA's boundary, subject to the approval of the Director of the DE. The Bill establishes that this provision is effective in FY 2026.
- Authorizes an AEA to provide services to public and nonpublic schools located within the AEA's boundaries or located within the boundaries of a contiguous AEA, or if the school district shares a superintendent with another school district that receives services from the AEA. The Bill establishes that these provisions are effective in FY 2026.
- 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.
- Requires AEAs to prepare and submit to the DE and each school district within the AEA's boundaries an annual report on or before January 1 of each year containing information related to an accounting of payments and a description of services provided. Each AEA is also required to provide a quarterly report on the services provided to all school districts that receive services from the AEA.
- 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. This provision applies to employment agreements entered into or renewed beginning in FY 2025.
- Requires each AEA to submit a proposed budget to the Director of the DE for approval no later than March 1 of each year. The Director must either approve or reject the budget for changes within 10 days of submission.
- Requires the director of special education to be an employee of the DSE and changes the makeup of the AEA boards of directors and the process for filling positions.
- 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 the DSE takes action to remove accreditation. The Bill establishes that these provisions are effective in FY 2026.
- Requires the Legislative Council to convene an AEA Task Force. The Bill establishes the AEA Task Force's membership, required areas of study, and areas of recommendations. The AEA Task Force is required to submit a report of its findings and recommendations to the General Assembly on or before December 31, 2024. Any expenses incurred by a member of the AEA Task Force are the responsibility of the member or the respective entity represented by the member.

- 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 expenditures associated with certain positions by at least 30.0% by July 1, 2026; a proposal for the reorganization of services provided by AEAs; and the AEA's progress related to student outcomes and use of moneys.

The Bill requires the DSE to employ at least one person to serve as the director of special education in each AEA beginning in FY 2025.

Division III — Area Education Agencies — Funding

Under current law, amounts calculated for special education support services, media services, AEA TSS district costs, AEA professional development supplement district costs, 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 eliminates the AEA professional development supplement district cost funding deduction.

Beginning in FY 2026, school districts are required to use at least 90.0% of the funds the school district receives for special education support services district cost for special education support services contracted from an AEA.

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.

The Bill changes the allocation to each AEA of the \$7.5 million statutory reduction specified in Iowa Code section [257.35\(2\)](#) from an allocation based on the AEA reductions for FY 2002 to the proportional amount of funding the AEA receives.

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 TSS district cost.
- 40.0% of the amount calculated for educational services for the school district.
- AEA shared operational functions.

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:

- The AEA TSS district cost.
- AEA shared operational functions.

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 for FY 2025 that are 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 any school district general fund purpose.

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.

Division III is effective upon enactment and applies July 1, 2024, for school budget years beginning on or after that date.

Division IV — Teacher Compensation and IPERS

The Bill provides that a licensed teacher who retires and begins receiving a retirement allowance under IPERS, effective July 1, 2024, through June 30, 2027, may return to IPERS-covered employment after one month of retirement benefits, instead of the current four months of retirement benefits, and continue to receive retirement benefits after reemployment with an IPERS-covered employer.

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 Performance Compensation, and Career Development), from \$33,500 to \$47,500 in FY 2025 and to \$50,000 in FY 2026.

The Bill also establishes a minimum teacher salary for a career teacher, model teacher, instructional coach, curriculum and professional development leader, mentor teacher, or lead teacher who holds a valid license and who has been a teacher for at least 12 years of \$60,000 in FY 2025 and \$62,000 in FY 2026.

Division V — Teacher Salary Supplement District Cost Per Pupil

The Bill provides that, for FY 2025, the TSS DCPD must be determined as follows:

- The DOM must categorize each school district into no more than 10 tiers, based on each school district's actual enrollment.
- The DOM must calculate the TSS DCPD for each tier based, in part, on the average cost to school districts within the tier to meet the requirements of **Division IV**.
- The DOM must also set the TSS DCPD for a school district above the average TSS DCPD for the tier if the average is insufficient to comply with the teacher salaries and associated costs related to complying with **Division IV**.
- The Bill provides that, for FY 2026, the DOM must set the TSS DCPD for each school district in the same manner as described above and adjust for the increased teacher salaries and associated costs related to complying with **Division IV**.

Additionally, the Bill provides that for FY 2027 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 (SSA) amount for the budget year.

Division V is effective upon enactment.

Division VI — State Percent of Growth

The Bill modifies and establishes provisions related to the funding of school districts, including establishing an 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, 2024 (FY 2025), and provides for other changes to the school aid formula.

Division VI has three provisions with a fiscal impact, as follows:

- Establishes a 2.50% State percent of growth rate to be applied to the State cost per pupil (SCPP) for FY 2025, for an SSA of \$191 per pupil. The growth rate will also increase the amount of each Education Savings Account (ESA).
- Establishes a 2.50% State percent of growth rate to be applied to each of the State categorical cost per pupil amounts for FY 2025.

- 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 2025. The Bill requires the additional levy portion of the FY 2025 SCPP amount to be frozen at \$685 per pupil, regardless of the per pupil increase for FY 2025.

The 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, which is required by February 1 during the regular legislative session, do not apply to the Act.

Division VI is effective upon enactment.

Division VII — Education Support Personnel Salary Supplement

The Bill provides a method to distribute an Education Support Personnel Salary Supplement for FY 2025 if funding is appropriated by the General Assembly to the DE for FY 2025.

Division VII is effective upon enactment.

Division VIII — 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.

Background

The Internal Revenue Service (IRS) requires public pension plans to impose a bona fide retirement (BFR) period. A BFR period is a set time when retirees demonstrate that they have ended their employment and are entitled to retirement benefits. The standard BFR period for IPERS is four months. For the first month, the retiree must not work, regardless of whether the job is covered by IPERS. A retiree also must stay out of an IPERS-covered job for an additional three months.

The current requirement to wait four months before returning to IPERS-covered employment means that from a practical standpoint, a teacher typically must wait one school year before returning to work. However, reducing the four-month waiting period to one month would allow teachers to retire and return to work in covered employment the following school year.

All regular members contribute 6.29% (40.0% of the total rate) of pay and employers contribute 9.44% (60.0% of the total rate), for a total contribution rate of 15.73% of pay. This provides enough contributions to fund the ongoing accrual of benefits (the normal cost rate) of 10.62% and the scheduled paydown of the Unfunded Actuarial Liability (UAL) (the amortization rate) plus a 1.84% margin that helps pay down the UAL more quickly. However, the 10.62% normal cost rate is an average across all regular members. The normal cost rate varies by age at hire, sex, and employer type (education, State, and other).

State Cost Per Pupil. The school aid formula provides funding to school districts and 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). Five SCPP funding levels would be increased by a 2.50% State percent of growth for FY 2025 with the enactment of the Bill.

Figure 1 provides the SSA amounts (also referred to as per pupil growth amounts) and SCPP amounts for FY 2025 based on a 2.50% growth rate. The SSA amounts will be applied to all corresponding district and AEA cost per pupil amounts.

Figure 1 — FY 2025 State Cost Per Pupil Calculations

	FY 2024 State Cost Per Pupil	FY 2025 State Percent of Growth	FY 2025 Supplemental State Aid	FY 2025 State Cost Per Pupil
Regular Program	\$ 7,635	2.50%	\$ 191	\$ 7,826
Special Education Program	7,635	2.50%	191	7,826
AEA Special Education Services	333.59	2.50%	8.34	341.93
AEA Media Services	62.19	2.50%	1.55	63.74
AEA Education Services	68.63	2.50%	1.72	70.35

In addition to the State percent of growth and SSA amounts for FY 2025, enrollments, weightings, and taxable valuations within each school district have an impact on total school aid funding, including the amount of State aid and local property tax required to generate the total funding.

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 2025 SCPP funding levels for the teacher salary supplement (district and AEA), professional development supplement (district only), 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 2025. **Figure 2** provides the per pupil growth amounts and SCPP amounts for FY 2025 based on the Bill.

Figure 2 — FY 2025 State Categorical Cost Per Pupil Calculations

	FY 2024 State Cost Per Pupil	FY 2025 State Percent of Growth	FY 2025 Supplemental State Aid	FY 2025 State Cost Per Pupil
Teacher Salary – Districts	\$ 654.68	2.50%	\$ 16.37	\$ 671.05
Professional Development – Districts	74.15	2.50%	1.85	76.00
Early Intervention – Districts	80.76	2.50%	2.02	82.78
Teacher Leadership and Compensation – Districts	368.53	2.50%	9.21	377.74
Teacher Salary – AEAs	34.26	2.50%	0.86	35.12
Professional Development – AEAs	4.00			

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 impact 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 be carried forward into future fiscal years.

2022 Iowa Acts, chapter [1001](#) (Supplemental State Aid — FY 2023), froze the additional levy portion of the SCPP at \$685 due to the Foundation Level increasing to 88.40% from 87.50%. The additional levy portion of the SCPP will be \$685 in FY 2025 under the Bill.

The per pupil property tax relief amount will be based on the State percent of growth impact for FY 2025. **Figure 3** provides details regarding the SCPP funding levels as provided by a 2.50% growth rate for FY 2025 in the Bill.

Figure 3 — 2025 Property Tax Replacement Payment Calculation

	FY 2024	Increase Due to Supplemental State Aid Rate	FY 2025
Regular Program	\$ 7,635	\$ 191	\$ 7,826
Unadjusted Additional Levy	886	22	908
PTRP Portion	201	22	223
Fixed Additional Levy Portion	685	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 pupil. Unless otherwise provided, the appropriation increases at the categorical State percent of growth. Transportation equity payments may buy down transportation costs to the statewide average cost per pupil 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

- The DE’s and the DSE’s required staffing and responsibilities will be funded with current AEA staffing funding.
- The pupil count and 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 DOM will establish seven tiers related to the TSS DCP.
- 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 after FY 2025.
- 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).
- All resident accredited nonpublic pupils receive media and educational services from AEA’s.
- A member who has an agreement to be rehired before the member begins taking retirement benefits does not qualify for IPERS’ benefits.
- The IPERS members’ and employers’ contribution rates will absorb the cost of the change in the waiting period for licensed teachers.
- Retirement rates for licensed teachers who would not be subject to an early retirement penalty will increase by 50.0%.
- Retirement assumptions for other IPERS members who are not licensed teachers will be unaffected by the Act.
- Teachers could retire in June and return in August rather than continuing employment, thereby increasing the probability of retirement at younger ages, which has cost implications.
- There is a likelihood that there will be fewer new teachers being hired, which in turn could affect IPERS contributions and, therefore, IPERS funding.
- Retired teachers who return to IPERS-covered employment between ages 57 and 65 have normal cost rates around 16.00%, so the total member and employer contributions may not cover the cost of their benefit accruals and no contributions are available to fund the UAL.

- If retirement patterns do not change, the Bill may simply accelerate by one school year each year's cohort of retirees who return to work under the current rules. If so, this will likely only increase the availability of licensed teachers in the first year of implementation.
- Estimates are based on October 2023 certified enrollments and supplementary weightings for FY 2024, which were approved by the School Budget Review Committee (SBRC) in December 2023.
- A statewide taxable valuation growth rate of 4.73% for FY 2025 was agreed upon by the Legislative Services Agency (LSA) and the DOM. Based on this assumed rate, the statewide total for the uniform levy is estimated to account for an increase of \$49.3 million (4.52%) toward the school foundation property tax change in FY 2025. 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 2025 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 2025 State percent of growth rate 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 the 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 \$759,000. The appropriation may grow at the same rate as the categorical SCPP rate in subsequent years.
- Establishing an FY 2025 State percent of growth rate will also affect the amount of funding generated for the ESA Program. Funding for the Program is provided by State General Fund dollars and is not included in the overall State school aid total.
- The number of ESAs will increase by approximately 6,100, to approximately 22,900 for FY 2025, compared to FY 2024.

Fiscal Impact

The estimated fiscal impact of HF 2612, by division, is as follows:

Division I — Division of Special Education of the Department of Education relates to the DE's 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 — Area Education Agencies — General Provisions relates to general AEA provisions. The provision that specifies that AEAs 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 provision related to directors of special education will not have an overall fiscal impact since the AEAs will be reducing staff and the DSE will be increasing staff.

The market rates for services provided and charged by the AEAs 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 AEAs 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.

The provision related to the AEA Task Force will have a minimal cost to the member or the respective entity represented by the member.

Division III — Area Education Agencies — Funding relates to AEA funding and will reallocate current AEA funding between AEA's and school districts. The AEA funding allocation is displayed below in **Figure 4**.

Figure 4 — 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	\$ 0.0	\$ 185.3 **	\$185.3
AEA Special Ed Support Adjustment	0.6	0.6	0.0	0.6	0.0	0.6 **	0.6
AEA Media Services*	32.3	12.9	19.4	32.3	0.0	32.3	32.3
AEA Ed Services*	35.7	14.3	21.4	35.7	0.0	35.7	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	0.0	2.1	2.1	0.0	0.0	0.0
AEA Statewide State Aid Reduction	-29.6	-7.5	0.0	-7.5	-7.5	0.0	-7.5
Total	\$ 244.9	\$ 223.9	\$ 43.0	\$266.9	\$10.8	\$ 253.9	\$264.8

*Assumes all resident accredited nonpublic pupils receive media and educational services from AEA's.

**School districts are required to use at least 90.0% of the funds the school district receives for special education support services district cost for special education support services contracted from an AEA.

***Totals may not add due to rounding.

Division IV — Teacher Compensation and IPERS relates to decreasing the IPERS waiting period and to increasing the minimum teacher starting salary and the salary of teachers with at least 12 years of experience. **Division V** provides the method for funding the salaries and associated costs from the General Fund by increasing TSS funding.

General Fund appropriations will increase each year beginning with FY 2027 by the increase in the categorical State percent of growth.

Decreasing the IPERS waiting period from four months to one month for three years may result in members receiving additional retirement benefits annually that, under current law, would have been retained in the IPERS Trust Fund. This could result in the actuarial accrued liability increasing by as much as \$48.0 million. The estimated change in retirement benefits is a nominal annual liability to the IPERS Trust Fund of approximately 0.18% of covered payroll. This could result in a decrease in the amount of the contribution rate that is used to reduce the UAL and, therefore, extend the time until the IPERS Trust Fund is 100.0% funded.

Division V — Teacher Salary Supplement District Cost Per Pupil relates to the funding and calculation of TSS. **Division V** is estimated to increase General Fund expenditures by \$66.3 million in FY 2025 and an additional \$26.4 million in FY 2026, and the TSS will increase by the percent growth applied to categorical funding, if any, for fiscal years after FY 2026. The FY 2025 funding for TSS is included in **Figure 5**.

Division VI — State Percent of Growth relates to the State percents of growth.

Figure 5 provides the estimated fiscal impact of **Division VI**. These provisions include:

- A \$7.5 million reduction¹ in State aid to the AEAs (current statute).
- \$126.8 million in PTRP funding, an increase of \$12.0 million (10.49%) compared to FY 2024.
- \$622.1 million for the State categorical supplements for school districts and AEAs, an increase of \$29.3 million (4.95%) compared to FY 2024. This includes:
 - \$353.6 million for the teacher salary supplement at the district and AEA levels.
 - \$38.0 million for the professional development supplement at the district level.
 - \$41.3 million for the early intervention supplement.
 - \$189.2 million for the TLC supplement.
- \$91.4 million for preschool formula funding, an increase of \$1.2 million (1.32%) compared to FY 2024. The preschool formula funding is included in the State aid amount but is not included in the combined district cost total.
- \$15.5 million in budget adjustment funding for 140 qualifying districts, an increase of \$10.0 million (184.37%) compared to FY 2024. 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 \$1,734.5 million, an increase of \$50.6 million (3.00%) compared to FY 2024.
- 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 \$3,786.7 million, an increase of \$119.2 million (3.25%) compared to FY 2024. Any legislative action affecting FY 2025 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 2025 estimates provided in **Figure 5**.

The total General Fund appropriation in **Figure 5** provides the additional fiscal impact of HF 2612. This includes the increase for TSS. This also includes the FY 2025 General Fund appropriation of \$31.1 million to the Transportation Equity Fund, which is not included in the total State aid estimate. **Figure 5** also does not include the General Fund appropriation for ESAs. The ESAs are estimated to have a General Fund cost of \$179.2 million in FY 2025, an increase of \$51.3 million compared to estimated FY 2024.

¹ Since FY 2018, the General Assembly has further reduced funding to AEAs by an additional amount per year. Historically, the additional reductions have been included in the annual Standing Appropriations Act.

Figure 5 — FY 2025 School Aid Estimates

(Statewide Dollars in Millions)

State Percent of Growth		2.50%	Statutory AEA Reduction	\$	7,500,000
State Supplemental Aid	\$	191	Additional AEA Reduction		25,000,000
State Cost Per Pupil	\$	7,826	Total AEA Reduction	\$	32,500,000
Program Funding:		FY 2024	Est. FY 2025	Est. Change	% Change
Regular Program District Cost	\$	3,719.3	\$ 3,790.5	\$ 71.2	1.91%
Regular Program Budget Adjustment		5.4	15.5	10.0	184.37%
Supplementary Weighting (District)		120.7	128.3	7.6	6.29%
Special Education Instruction (District)		524.9	536.8	11.9	2.26%
Teacher Salary Supplement (District)		317.9	394.3	76.4	24.02%
Professional Development Supplement (District)		36.0	38.0	2.0	5.50%
Early Intervention Supplement (District)		39.1	41.3	2.2	5.56%
Teacher Leadership Supplement (District)		179.4	189.2	9.8	5.47%
AEA Special Ed Support District Cost		185.3	188.9	3.6	1.95%
AEA Special Ed Support Adjustment		0.6	0.8	0.3	44.03%
AEA Media Services		32.3	33.0	0.6	1.94%
AEA Ed Services		35.7	36.4	0.7	1.95%
AEA Sharing		0.2	0.2	0.0	2.47%
AEA Teacher Salary Supplement		18.2	18.6	0.4	2.22%
AEA Professional Development Supplement		2.1	0.0	-2.1	-100.00%
AEA Statewide State Aid Reduction		-29.6	-32.5	-2.9	9.96%
Dropout and Dropout Prevention		144.2	144.2	0.0	0.00%
Combined District Cost	\$	5,331.5	\$ 5,523.5	\$ 192.0	3.60%
Statewide Voluntary Preschool Program	\$	90.2	\$ 91.4	\$ 1.2	1.32%
State Aid:		FY 2024	Est. FY 2025	Est. Change	% Change
Regular Program	\$	2,078.3	\$ 2,105.4	\$ 27.1	1.30%
Supplementary Weighting		103.4	110.5	7.1	6.82%
Special Education Weighting		463.3	473.8	10.5	2.27%
Property Tax Adjustment Aid (1992)		6.8	6.5	-0.3	-4.39%
Property Tax Replacement Payment (PTRP)		114.8	126.8	12.0	10.49%
Adjusted Additional Property Tax - General Fund		24.0	24.0	0.0	0.00%
Statewide Voluntary Preschool Program		90.2	91.4	1.2	1.32%
State Aid from General Fund	\$	3,667.4	\$ 3,799.1	\$ 131.6	3.59%
Transfer from Economic Emergency Fund	\$	21.9	\$ 21.9	\$ 0.0	0.00%
*Excess from SAVE Fund		25.3	29.0	3.7	14.45%
Foundation Base Supplement (FBS)		5.7	9.7	4.0	69.30%
Total State Aid (Includes Non-General Fund)	\$	3,720.1	\$ 3,859.6	\$ 139.6	3.75%
Local Property Tax:		FY 2024	Est. FY 2025	Est. Change	% Change
Uniform Levy Amount	\$	1,091.5	\$ 1,140.9	\$ 49.3	4.52%
Additional Levy		592.4	593.6	1.2	0.20%
Total Levy to Fund Combined District Cost	\$	1,683.9	\$ 1,734.5	\$ 50.6	3.00%
Comm/Ind - Uniform Levy Adjustments		18.0	18.3	0.3	1.59%
Miscellaneous Information:		FY 2024	Est. FY 2025	Est. Change	% Change
Budget Enrollment		486,476	483,699	-2,777	-0.57%
State Cost Per Pupil	\$	7,635	\$ 7,826	\$ 191	2.50%
Number of Districts with Budget Adjustment		71	140	69	97.18%
Percentage of Districts with Budget Adjustment		21.85%	43.08%		
Statewide Categoricals Total	\$	592.7	\$ 681.4	\$ 88.6	14.95%
Property Tax Relief Payment Per Pupil		201	223	22	10.95%
Foundation Base Supplement Per Pupil		2	10	8	400.00%
Statewide AEA Funding		244.9	245.4	0.5	0.22%
Transportation Equity Fund		30.3	31.1	0.8	2.50%

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.

Area Education Agencies (AEA)

*Secure an Advanced Vision for Education (SAVE) Fund

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

Division VII — Education Support Personnel Salary Supplement relates to a method to distribute an Education Support Personnel Salary Supplement for FY 2025 and will have no fiscal impact since the provision is contingent on the appropriation of funds that is not made in the Act.

Division VIII — State Mandate 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
IPERS

/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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